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Pacific Renewable Energy Investment Facility  
Annual Report  
January–December 2020

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Asian Development Bank



## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
BTOR	–	back-to-office report
CEFPF	–	Clean Energy Financing Partnership Facility
COL	–	concessional ordinary capital resources lending
COVID-19	–	coronavirus disease
DMC	–	developing member country
DMF	–	design and monitoring framework
FSU	–	facility support unit
GCF	–	Green Climate Fund
IPP	–	independent power producer
km	–	kilometer
MOU	–	memorandum of understanding
MW	–	megawatt
MWh	–	megawatt-hour
OAG	–	Office of the Auditor General
OP	–	operational priority
PARD	–	Pacific Department
PIC-11	–	11 small Pacific island countries
PPFD	–	Procurement, Portfolio and Financial Management Department
PRIF	–	Pacific Regional Infrastructure Facility
PSOD	–	Private Sector Operations Department
Q	–	quarter
RRP	–	report and recommendation of the President
SCF	–	Strategic Climate Fund
TA	–	technical assistance
TASF	–	Technical Assistance Special Fund

## NOTE

In this report, "\$" refers to United States dollars.

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## I. INTRODUCTION

1. The Pacific Renewable Energy Investment Facility is designed to finance a series of renewable energy projects in the 11 small Pacific island countries (PIC-11) and was approved in June 2017.<sup>1</sup> The PIC-11 comprises the Cook Islands, the Federated States of Micronesia, Kiribati, the Marshall Islands, Nauru, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. The facility finances renewable energy projects in the PIC-11 with an overall estimated cost of \$750 million, comprising (i) up to \$200 million in Asian Development Bank (ADB) financing, (ii) an estimated \$500 million from cofinancing sources, and (iii) an estimated \$50 million from government counterpart financing. ADB's financing is composed of, indicatively: (i) \$80 million from its Special Funds resources (Asian Development Fund [ADF] grants), (ii) \$110 million from concessional ordinary capital resources lending (COL), and (iii) \$10 million from regular ordinary capital resources. The facility is innovative in that it allows ADB to process a number of small-value projects in the PIC-11 faster and with lower transaction costs.

2. Progress of facility implementation is reported annually to the ADB Board of Directors. This is the fourth annual progress report, covering January to December 2020.

3. The facility report and recommendation of the President (RRP) requires that by 31 July 2020 or when 50% of the \$200 million approval limit has been utilized, whichever occurs first, ADB will conduct an interim review of the facility and report to the Board on the status and performance of the facility, including recommendations for design and scope modifications. The interim review covering the first 3 years of facility implementation from approval up to June 2020 was conducted in July 2020 and was reported to the Board in September 2020.<sup>2</sup> In October 2020, the Office of the Auditor General (OAG) completed an audit to assess the adequacy and effectiveness of the governance, risk management, and control processes in the administration and reporting processes of the facility. This annual report incorporates approved modifications and actions following the recommendations of the interim review report and the audit report.

## II. FACILITY DESIGN AND REVISED SCOPE AND IMPLEMENTATION ARRANGEMENTS

### A. Facility Design

4. **Rationale.** The PIC-11 are ADB's smallest developing member countries (DMCs) by population size, and 10 of the PIC-11 are among the world's 25 smallest countries. The PIC-11 comprise more than 2,000 remote islands with a total landmass of 46,000 square kilometres and a population of 1.5 million. The PIC-11 and its exclusive economic zones cover 15% of the globe's surface. The countries face specific challenges, such as small populations, limited resources (including no fossil fuels), remoteness, susceptibility to climate change impacts and natural disasters, heavy reliance on imported fossil fuels, vulnerability to external shocks, and excessive dependence on international aid and trade. The facility modality was proposed in response to (i) the growing portfolio of small-value renewable energy projects across the Pacific, and (ii) the need to develop innovative financing models to improve the efficiency of project delivery.

5. **Programmatic approach.** The facility was designed to take a programmatic approach to implementing small-value renewable energy projects and reform measures across the PIC-11.

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<sup>1</sup> ADB. 2017. [Report and Recommendation of the President to the Board of Directors: Pacific Renewable Energy Investment Facility](#). Manila.

<sup>2</sup> ADB. 2020. *Pacific Renewable Energy Investment Facility Interim Review Report*. Manila.

The facility's projected benefits include increased implementation resources and faster achievement of renewable energy targets, increased access to financial and technical assistance (TA) resources, faster and more efficient processing of financing, increased participation of the private sector, and improved incorporation of lessons from projects across the region.

6. **Streamlined procedures.** Project processing is streamlined by (i) the Board delegating authority to the President to approve qualifying projects to an aggregate approval limit, and (ii) replacing the traditional concept approval process with approval of a project scoping mission back-to-office report (BTOR) by the head of department. The streamlined procedure is expected to (i) increase the number of energy projects processed annually in the PIC-11 by one-third, (ii) reduce consultant recruitment time by half, and (iii) reduce project processing time by one-third.

7. **Eligibility criteria.** Project qualifying criteria consist of the following: (i) project scope includes renewable energy generation and supporting energy sector infrastructure,<sup>3</sup> (ii) project is in one of the PIC-11, (iii) project is included in national energy sector planning documents as a priority investment, and (iv) project is not environment category A.

8. **Impact, outcome, and outputs.** The facility's impact is aligned with improving regional energy security in the Pacific, as set out in the Framework for Action on Energy Security in the Pacific.<sup>4</sup> The facility will have the following outcome: generation of lower-cost and cleaner energy increased. The two outputs are: Output 1: Renewable energy generation facilities and supporting infrastructure constructed and/or rehabilitated, and Output 2: Energy sector reform and capacity building undertaken.

9. **Technical assistance.** The RRP envisaged the facility being supported by two regional transaction TA facilities: (i) \$8.9 million for the Pacific Renewable Energy Investment Facility, which supports the processing, preparation, and implementation of investment projects; capacity building measures; private sector participation; and the creation of a facility support unit;<sup>5</sup> and (ii) \$5.8 million for Capacity Building and Sector Reform for Renewable Energy Investments in the Pacific, which supports sector and utility reforms.<sup>6</sup> As of the end of 2020, three more TA projects had been approved (para. 42).

10. **Interim review recommendations.** The interim review report detailed the justification for the extension of the facility availability period and minor changes to the facility scope and

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<sup>3</sup> The RRP defines supporting infrastructure to include the required power sector infrastructure to maintain grid operation. This includes, but is not limited to, transmission and distribution assets, diesel generation rehabilitation and upgrades, and rehabilitation of tank farm assets. The RRP also envisioned supporting rural electrification projects and projects for increasing energy access, including through hybrid solar and distribution expansion.

<sup>4</sup> Secretariat of the Pacific Community. 2011. *Framework for Action on Energy Security in the Pacific, 2010–2020*. Suva.

<sup>5</sup> ADB. 2017. [Technical Assistance for the Pacific Renewable Energy Investment Facility \(formerly Pacific Renewable Energy Investment Program\)](#). Manila. The TA, approved in November 2016, is financed on a grant basis from ADB's Technical Assistance Special Fund (TASF-V) (\$5 million) and \$3 million from the Clean Energy Financing Partnership Facility (CEFPF). An increase of \$1.2 million in the TASF amount was approved on 23 June 2017 and increases of \$900,000 each were approved on 13 February and 1 October 2018. Supplementary financing of \$500,000 from the High-Level Technology Fund was approved on 1 October 2018, and a further \$435,000 from the United Nations Development Programme was approved on 18 December 2019. (TA 9242-REG).

<sup>6</sup> ADB. 2017. [Technical Assistance for Capacity Building and Sector Reform for Renewable Energy Investments in the Pacific](#). Manila. TA 9425-REG, approved on 22 November, comprises \$5 million from the Green Climate Fund and increase of \$800,000 from TASF 6 approved on 13 April 2020.

implementation arrangements. The director general of ADB's Pacific Department (PARD) approved the changes on 10 December 2020, and these are detailed in the succeeding sections.

## **B. Modifications to the Facility Scope and Implementation Arrangements**

11. **Availability period.** With the approved 2-year extension from 5 to 7 years processing time, ADB will now consider facility financing proposals until 31 July 2024, for implementation until 31 July 2027.

12. **Design and monitoring framework indicators.** The impact, outcome, and output statements remain unchanged. The following outcome performance indicators are unchanged, except for the 2-year extension of the target completion year: (i) renewable energy generation as percentage of power generation increased to 30% by 2027 (from 8.9% in 2016); and (ii) by 2027, 85,000 tons of carbon dioxide equivalent greenhouse gas emissions per annum avoided. The following output 1 performance indicators have been revised: By July 2027, (i) 70 megawatts (MW) of renewable energy generation capacity commissioned (reduced from 80 MW); (ii) 75 megawatt-hours (MWh) of battery storage installed (increased from 30 MWh); and (iii) 100 kilometers (km) of transmission and distribution network constructed or rehabilitated (reduced from 300 km).

13. The facility's support for sector reform, capacity building, promotion of the private sector, and regional initiatives are included in output 2. The following output 2 performance indicators have been largely achieved and remain unchanged except for the target year for the first indicator: (i) reform documents submitted for approval to the relevant authority in four countries by June 2027 (extended from June 2025), (ii) one risk guarantee product approved by December 2020, and (iii) 100 workshop participants' reporting skills on renewable energy integration improved. The coronavirus disease (COVID-19) pandemic travel restrictions are the main reason for delays in achieving the performance indicators. A risk of further delays caused by COVID-19 has been added to the design and monitoring framework (DMF). The facility's achievement against the original and revised DMF output indicators are detailed in paras. 26–34.

14. **Procurement framework.** For projects with scoping mission BTOR-concepts approved on or after 1 January 2021, the ADB Procurement Policy (2017, as amended from time to time) will be followed to ensure consistency across the bank and improve facility project implementation through the application of the more flexible guidelines. Previously, ADB's Procurement Guidelines (2015) governed the facility since it was approved prior to 1 July 2017.

15. **Business process.** The RRP prescribes project processing procedures in its linked document<sup>7</sup> while stating that existing operations manuals and staff instructions, primarily for stand-alone projects will also be followed (footnote 1, para. 32). The approved procedures require a memorandum of understanding (MOU) to be signed as part of the scoping mission, whereas the Staff Instruction on Business Processes for Transaction TA describes conditions that can allow regional departments to proceed with the ensuing project concept clearance without seeking a confirmed aide memoire or signed MOU.<sup>8</sup> The following updates to the processing procedures have been approved: Para. 3 Activity 3 Description is replaced by: "The project scoping mission will be carried out and will, *as appropriate, secure a confirmed Aide Memoire or sign a Memorandum of Understanding with Government covering the proposed scope of work and implementation schedule*"; and the Reference is replaced by: "*para. 8, 12, and 14 of the Staff*

<sup>7</sup> Footnote 1: [Linked Document: Project Processing Procedures](#). Manila.

<sup>8</sup> ADB. 2019. *Staff Instruction on Business Processes for Transaction Technical Assistance*. Manila. (para. 12).

*Instructions on Business Processes for Transaction TA.*” A facility project scoping mission BTOR and concept can then be cleared by PARD director general without a confirmed aide memoire or signed MOU provided that the prescribed conditions are fulfilled.

16. **Facility administration.** The OAG audit report recommended to (i) strengthen the facility management and monitoring by designating the role of the FSU; and (ii) to include a guidance on project document naming convention. In compliance, the PARD director general approved on 10 December 2020 the official establishment of the facility support unit (FSU) under PARD’s Energy Division at ADB headquarters. The FSU comprises 2 international staff, 1 national staff, and 3 administrative staff. The same complement of staff has been working to support individual project processing and implementation and facility administration since the approval of the facility in 2017; however, previously the FSU had not been officially named and established, and relevant staff had not been designated as FSU members. Starting in 2021, each FSU member will identify and include their FSU tasks in their respective annual work plans. As envisioned in para. 34 of the facility RRP, the FSU will continue to be supported by facility project teams as well as consultants financed by any facility TA, while working with implementing agencies and project implementation consultants. Additional FSU actions addressing the audit are described in paras. 17, and 46–47.

17. Apart from the facility RRP definition of the programmatic approach and streamlined process, the facility lacked specific procedures, guidelines, facility administration manual, document templates, and reporting procedures that would have enabled administration teams to process projects even more efficiently. The FSU, in collaboration with relevant departments, is developing a guidance note for project processing and implementation under the facility, including standardizing the naming and templates of projects, the facility financing proposal in lieu of the RRP, the BTOR-concept, and other reports. The FSU is also creating a monitoring and reporting workbook that will enable more efficient administration and up-to-date tracking of facility achievements. It is expected that these will be completed by the second quarter (Q2) of 2021. Additionally, the FSU is working with relevant departments to streamline eOps tracking of the facility and incorporating these enhancements to SovOps when the new system comes online.

### C. Enhancements to Project Design, Processing, Implementation, and Administration

18. **Project design.** For continued relevance, facility projects must align with the following policy documents upon finalization: Pacific Approach, 2021–2025; Energy Policy, 2021; and the fragile and conflict-affected situation and small island developing state strategy—all of which must continue to address the operational priorities of ADB’s Strategy 2030.<sup>9</sup> The facility uses the One-ADB approach and has increased collaboration among sector divisions to deliver cross-sectoral integrated solutions, notably with the Kiribati South Tarawa Renewable Energy Project<sup>10</sup> approved in November 2020. Facility projects will now address the interrelated energy, water, transport, food, climate, environment, health, and social challenges in the PIC-11 (footnotes 11–12).

19. **Consultant recruitment.** Recruiting consultants separately for individual projects increases recruitment time and transaction costs and reduces opportunities to roll out standard solutions. Consistent with the programmatic approach, consultants will be recruited to prepare multiple contracts in multiple countries. Approaches that shorten recruitment time, such as direct contracting, single-source selection, and simplified technical proposals, will be explored. Facility TA reports, consultant selection recruitment notices, and consultant (firm and individual) terms of

<sup>9</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

<sup>10</sup> ADB. 2020. [Pacific Renewable Energy Investment Facility: Kiribati: South Tarawa Renewable Energy Project](#). Manila.

reference will heretofore specify the possibility of contract extensions, follow-on assignments, or direct contracting following ADB procedures and subject to ADB approval and satisfactory performance acceptable to the relevant executing and implementing agencies. Specific guidance will be included in the facility guidance note (para. 17). Processing teams will also maximize the use of existing individual consultant framework agreements within regional departments. Use of framework agreements for consulting firms will also be maximized upon rollout in late 2021.

20. **Streamlined process efficiency gains.** As recommended in the interim review report, the processing time reduction achievement indicator has been changed from one-third to a fixed 2.5 months (para. 6) and recorded as such in the annual progress reports. The number of days elapsed from project approval to signing, and from signing to effectiveness will now also be reported, given that close monitoring of project processing by the FSU has resulted in the facility performing better, or just slightly below the ADB average in reaching signing and effectiveness milestones. The facility has achieved 50% of the expected reduction in staff time spent on consultant recruitment, and it is expected that this will decline further with the engagement of one consulting firm to prepare more than one project under the new transaction TA.

21. **Joint procurement.** Cross-sectoral integrated solutions that offer additional synergies in implementation through joint procurement of similar contract scopes for facility and non-facility projects will continue to be explored in collaboration with ADB's Procurement, Portfolio and Financial Management Department (PPFD). This will include modifications to standard bidding documents to cater to the different project approval and implementation timelines, financing sources, and other requirements specific to each project included in the joint procurement.<sup>11</sup>

22. **Attribution of private sector investments as facility cofinancing.** As recommended in the interim review report and as approved by the PARD director general, the facility annual progress report shall report as facility cofinancing private sector financing that are (i) generated by ADB's Private Sector Operations Department (PSOD) and the Pacific Renewable Energy Program (para. 31) in support of independent power producers attracted by facility projects, or (ii) directly leveraged by facility projects as part of governments' commitments under their legal agreements with ADB.<sup>12</sup> The related renewable energy generation capacity and carbon emission reductions achieved will then be captured as facility achievements in the facility annual reports.<sup>13</sup>

23. **Attribution of additional financing as facility cofinancing.** As recommended in the interim review report and as approved by PARD director general, additional financing for facility projects, with or without ADB financing, will be attributed to the facility, as these additional funds would have been attracted to support the original project.

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<sup>11</sup> Preparation of the harmonized bidding document for the joint procurement in Kiribati for the South Tarawa Water Supply Project and the South Tarawa Renewable Energy Project is ongoing. Collaboration with PARD's Transport and Communications Division; PARD's Urban Development, Water Supply and Sanitation Division, and regional procurement will be explored for the Solar Plus Projects indicated in Appendix 1. The FSU will also continue to discuss with the Procurement, Portfolio and Financial Management Department (PPFD) potential refinements to ADB systems such as allowing multiple TA sources to fund one consultant contract.

<sup>12</sup> For example, the [Tonga Renewable Energy Project](#), approved under the facility in March 2019, is installing large battery energy storage systems to enable private sector investments in intermittent renewable energy generation. These investments are meant to help achieve Tonga's ambitious renewable energy targets. To this end, investments and guarantees are being structured by PSOD and PARD under the Pacific Renewable Energy Program for the first 6 MW (footnote 16 and para. 55) of at least 22 MW of solar and wind projects proposed by independent power producers. ADB's financing of battery storage has catalyzed and made possible these private sector investments.

<sup>13</sup> Achievements under the Pacific Renewable Energy Program will be attributed to the program and reported in its separate annual report. These will be cited in the facility annual reports as part of the facility's achievements through the guarantee program but will not be reported in eOps to avoid double counting in reporting ADB's results.

### III. IMPLEMENTATION PROGRESS

#### A. Approved Projects

24. One project benefited from the facility's streamlined procedures in 2020—the South Tarawa Renewable Energy Project, ADB's first energy sector intervention in Kiribati. Of the four additional financing projects programmed for 2020 under the facility, only one was approved—the Tonga Outer Island Renewable Energy Project Fourth Additional Financing, which will fund the rehabilitation of 82 km of distribution lines and 89 km of cables. Processing of the three other additional financing projects programmed for approval in the second half of 2020—in the Federated States of Micronesia, the Marshall Islands, and Vanuatu—were deferred to 2021, primarily because due diligence could not be completed because of COVID-19 travel restrictions and other challenges. However, two projects supported and enabled by facility TA, but processed outside the facility, were also approved in the second half of 2020: (i) the Disaster Resilient Clean Energy Financing, a \$3 million financial intermediation grant funded by the Japan Fund for Poverty Reduction; and (ii) Palau Public Utilities Corporation Reform Program, a \$5 million policy-based loan from ADB's COL. Both operations will help Palau achieve renewable energy targets.<sup>14</sup>

25. **Committed projects.** As of December 2020, 9 projects and 1 additional financing for an ongoing facility project in 7 PIC-11 countries had been approved and committed, for a total of \$157.9 million.<sup>15</sup> Kiribati is the latest PIC-11 country to have benefited from the facility. The impact objective is being met in that all approved projects will increase country energy security. Of the 9 projects, 5 are solar projects with battery storage and 1 is hydropower with transmission and distribution lines. The two projects in the Marshall Islands focus on supporting energy infrastructure while the Tonga Outer Island Renewable Energy Project focuses on increasing energy access in rural areas through solar generation and grid upgrades (footnote 3). These projects are on track to achieve the facility outcome indicators and are projected to avoid more than 39,300 tons of carbon dioxide equivalent greenhouse gas emissions per year (46% of target) and will contribute to increasing the share of renewable energy generation above 30% for each of the seven countries, as targeted. The outputs for the 10 approved projects are discussed below and detailed in Appendix 1.

26. **Output 1: Renewable energy generation facilities and supporting infrastructure constructed and/or rehabilitated.** As of the June 2020 interim review (3 years or 60% through the 5-year original processing period), the facility had already met the original target for batteries installed (103%), but was significantly behind schedule in achieving the targets for renewable energy generation (15%), and transmission and distribution network constructed or rehabilitated (7%). The DMF indicators were revised to reflect the changing priorities of the PIC-11 and the corresponding pipeline (Appendix 1). Table 1 and Figure 1 present the outputs of the 10 projects against the revised DMF targets as of December 2020, or halfway (50%) through the extended processing period of 7 years. Generation capacity commissioned remains behind schedule in achieving the target, while batteries installed remain ahead of schedule. Attributing outputs from additional financing projects financed exclusively by cofinancing sources has enabled the facility to reach the revised target for supporting infrastructure constructed or rehabilitated.

<sup>14</sup> The financial intermediation grant is ADB's first in the Pacific and is the first ADB project to mainstream retail disaster-resilient clean energy loans for poor, low-income and women-headed households. The policy-based loan is the first for PARD's Energy Division.

<sup>15</sup> The \$157.90 million comprises \$88.40 million in ADB financing (44.2% of the ceiling), \$50.39 million in cofinancing (10.1% of the indicative financing plan), and \$19.11 million in government counterpart financing (38.2% of the indicative financing plan).

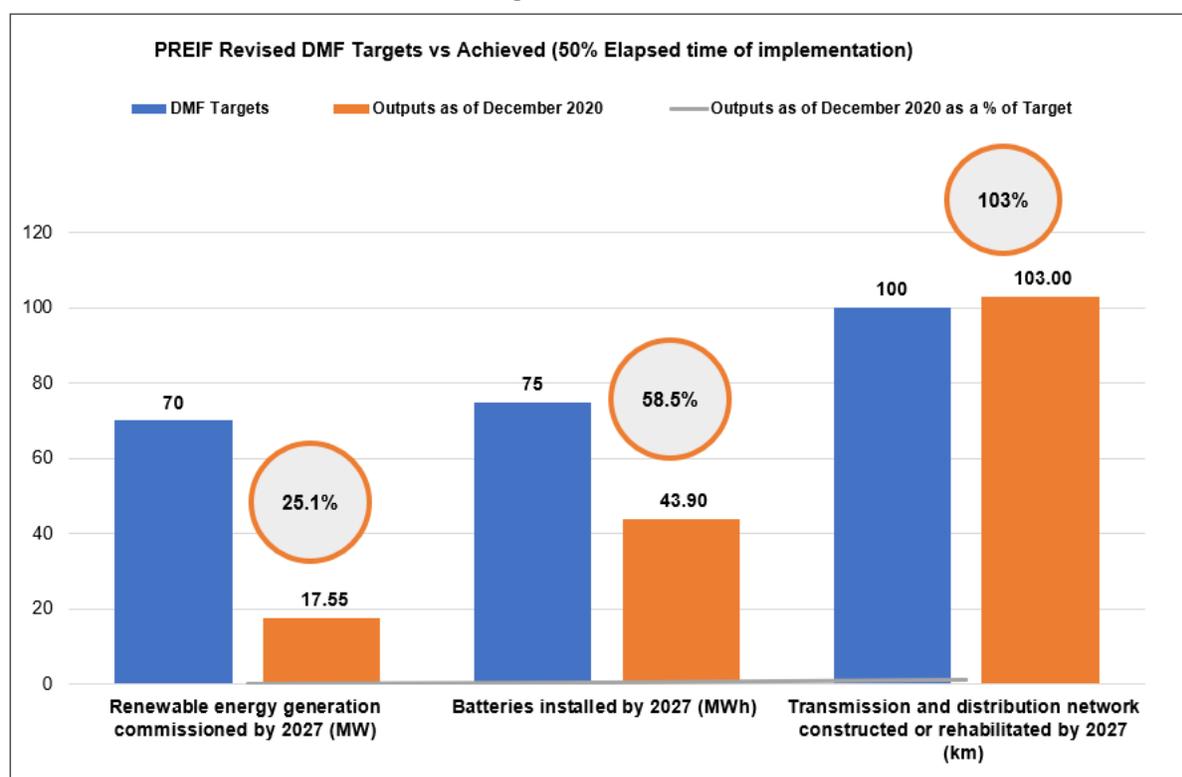
27. The facility continued to perform strongly in achieving the “key activities and milestones” for output 1 in the DMF (Appendix 2, Table A2.2). For most projects, consultant recruitment and land acquisition were completed prior to the President’s approval. The Kiribati project will use the one-project one consultant approach through direct contracting of the TA consultant to be the implementation consultant. This will reduce recruitment time and increase project implementation efficiency by eliminating gaps in engagement as well as in project knowledge and familiarity.

**Table 1: Output 1 Performance Against Revised Targets**

Outputs	Revised DMF Targets [original]	Outputs as of December 2020	Outputs as of December 2020 as a % of Revised DMF Targets [v. original]
Renewable energy generation commissioned by 2027 (MW)	70 [80]	17.55	25.1% [22.4%]
Batteries installed by 2027 (MWh)	75 [30]	43.90	58.5% [146%]
Transmission and distribution network constructed or rehabilitated by 2027 (km)	100 [300]	103.00	103.0% [34.3%]

DMF = design and monitoring framework, km = kilometer, MW = megawatt, MWh = megawatt-hour.  
Source: Asian Development Bank estimates.

**Figure 1: Achievement against Output 1 Revised design and monitoring framework Indicators**



DMF = design and monitoring framework, km = kilometer, MW= megawatt, MWh = megawatt hours, PREIF = Pacific Renewable Energy Investment Facility.

Source: Asian Development Bank estimates.

28. For the 2019 Nauru Solar Power Development Project, completion of land acquisition was a condition for effectiveness but not for approval; this delayed effectiveness significantly

(Appendix 3, Table A3.1). For all projects, community consultation commenced immediately after the President's approval. For 50% of projects, the main contracts were awarded within 9 months of project effectiveness. Timely contract award for the Nauru solar project was enabled by facility TA consultants supervising the site works of the implementing agency, which was a condition for awarding the contract.<sup>16</sup> Advance action and retroactive financing enabled the timely award of all contracts for the Tonga Renewable Energy Project (footnote 12) despite slight delays in the early stages of Tonga's pandemic-related lockdowns. The other two projects approved in 2019 became effective in 2020 and did not achieve this target because of pandemic-related delays such as border closures, protracted contract negotiations due to unavailability or increased cost of offered equipment, and difficulty obtaining quotes for appropriate contractor insurance-cover.

29. **Output 2: Energy sector reform and capacity building undertaken.** A summary of the performance against output 2 targets is in Table 2 and these are discussed further below. Output 2 key activities are ongoing (Appendix 2, Table A2.3) but are expected to be delayed by up to 1 year due to the travel restrictions and other pandemic-related issues. Some governments and utilities requested deferment of activities while they focus on ensuring security of energy supply and other operational priorities during the pandemic.

30. The TA for the Capacity Building and Sector Reform for Renewable Energy Investments in the Pacific (footnote 6) is successfully supporting sector reform. It is (i) assessing the countries' sector policies, governance, and regulation standards; (ii) assessing utilities' technical, financial, and management performance; (iii) preparing recommendations on sector reforms and utility capacity building; and (iv) designing a road map for and conducting workshops on implementation of recommendations. Progress is on track and assessment is complete in the Federated States of Micronesia (two utilities) and the Marshall Islands (one utility). Assessments scheduled for 2020 in four countries (Cook Islands, Nauru, Samoa, and Tonga) have been postponed to 2021–2022 because of COVID-19 travel restrictions and other challenges.

**Table 2: Output 2 Performance Against Design and Monitoring Framework Targets**

Output Indicator	Target Date	Progress as of December 2020	Status
Reform documents submitted for approval	Approval in four countries by June 2027	Approved in two countries, under preparation in four countries.	Still on track <sup>1</sup>
Risk guarantee product approved	One product approved by December 2020	Guarantee product approved in April 2019	Achieved and under implementation
Workshop/Training	100 participants	162 trained	Achieved and continuing

<sup>1</sup> Assessments in 2020 were postponed to 2021–2022 because of the coronavirus disease (COVID-19) pandemic-related travel restrictions.

Source: Asian Development Bank estimates.

31. The Pacific Renewable Energy Program, which is the guarantee product targeted as a DMF output 2 indicator and approved on 17 April 2019, is a One-ADB achievement of PSOD and PARD.<sup>17</sup> It provides an umbrella facility of \$100 million of financing support, including loans, guarantees, and letters of credit to overcome constraints to private sector investment in renewable power projects in Pacific island countries. The program's flagship project, the 6 MW Hihifo Solar Power Project in Tonga, originally scheduled for approval within 2020, has been delayed. This \$8.16 million project will be funded by loans of \$3 million each from PSOD and the Japan

<sup>16</sup> ADB. 2019. [Pacific Renewable Energy Investment Facility: Nauru: Solar Power Development Project](#). Manila.

<sup>17</sup> ADB. 2019. [Report and Recommendation of the President to the Board of Directors: Proposed Pacific Renewable Energy Program](#). Manila.

International Cooperation Agency, and independent power producer equity. Approval by the President is expected in Q2 2021. PARD will continue to work with PSOD and the Office of Public–Private Partnership in leveraging private sector investments in facility projects, the outputs of which will be captured in the facility annual reports as they are approved (footnote 13).

32. Sustained long-term capacity building for the PIC-11 energy sector has evolved from the work of facility and TA projects, with support from other partners. Through funding from the first TA (footnote 5), 73 participants gained knowledge through their participation in the 2018 and 2019 Asia Clean Energy Forum, which focused on renewable energy. Eight were trained in November 2018 at the Energy and Policy Regulation workshop in Fiji. More than 20 officials from utilities attended the workshop held during the July 2019 Pacific Power Association annual conference in the Cook Islands. The facility’s aim to train 100 participants to improve skills in renewable energy integration and reporting was achieved by the end of 2019.

33. An additional 61 participants received training in renewable energy development in 2020. In June 2020, the FSU conducted the first of the series of Pacific CEO Talks. This first dialogue was attended by 21 government and utility chief executive officers from 12 Pacific island countries, 10 of which were from the PIC-11 (Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, Palau, Papua New Guinea, the Republic of the Marshall Islands, Samoa, Solomon Islands, Tonga, and Tuvalu). The countries reported on the challenges of the energy sector and utilities and plans to respond to and recover from the pandemic. The second Pacific CEO Talk held on 5 November 2020 was titled “Unlocking private finance for clean energy investment in the Pacific: overcoming risks and barriers,” with 40 participants from utilities and government agencies. The target level of training has been exceeded by 62%.

34. In addition, the regional energy training program concept presented by the FSU at the 2018 Pacific Power Association annual conference in Palau has been welcomed by all Pacific utilities and partners of the Pacific Regional Infrastructure Facility (PRIF). A scoping study commissioned by PRIF on the establishment of a Regional Energy Training Center and Program in the Pacific was endorsed in late 2019. Implementation is expected to start in early 2021 with the engagement of the regional coordinator in late 2020.<sup>18</sup> Moreover, a virtual workshop is planned in 2021 on the Power Purchase Agreement Transparency Framework for 30 participants from Pacific utilities. Also, action plans for comprehensive capacity building for and within the utilities are embedded in the recommendations for reforms under the second facility TA (footnote 6).

## **B. Facility Financing Utilization Status**

35. ADB financing continues to be predominately grants; of the 10 approved projects, only the Vanuatu project included a loan (for \$2.50 million).<sup>19</sup> Table 3 summarizes approved investment projects by year, while Table 4 details all sources of financing. Details on project financing plans and outputs are in Appendix 1, while Appendix 2 outlines project implementation status.

<sup>18</sup> [Pacific Regional Infrastructure Facility](#). PRIF partners and Pacific utilities, led by Electricity Fiji Limited, welcomed the proposal as it aligns with their plans. Specific training events are being designed based on the final report recommendations submitted in October 2019. It is envisaged that the Pacific Power Association will host the regional training center in Fiji. The FSU project officer is a member of the PRIF Energy Working Group, which is coordinating the establishment and operation of the Regional Energy Training Center and Program. The PRIF partners are: ADB, the Australia Department of Foreign Affairs and Trade, European Investment Bank, the European Union, Japan International Cooperation Agency, the New Zealand Ministry for Foreign Affairs and Trade, the United States Department of State, and the World Bank Group.

<sup>19</sup> ADB. 2019. [Pacific Renewable Energy Investment Facility: Vanuatu: Energy Access Project](#). Manila. ADB facility financing is not separate from the DMC allocation, which are based on their classification. Only Cook Islands, Palau, Solomon Islands, and Vanuatu have access to loans, while the rest are classified as ADF grant only countries.

36. From 2017 to 2020, approved project financing reached \$157.90 million (21.1% of the total facility financing estimate).<sup>20</sup> ADB’s facility financing reached \$88.40 million (44.2% of the RRP estimate), of which \$85.90 million are grants from ADB’s Special Funds resources (ADF; 107% of the RRP indicative allocation). The Vanuatu Energy Access Project loan represents 2% of the \$120 million estimated to come from lending. The Government of New Zealand Ministry of Foreign Affairs and Trade is the newest facility cofinancier with their \$2.00 million cofinancing for the Kiribati South Tarawa Renewable Energy Project approved in 2020, along with \$3.70 million from the Strategic Climate Fund (SCF). The facility cofinanciers—the Government of Australia, the Government of New Zealand, the Global Environment Facility, the Green Climate Fund (GCF), and the SCF—have now committed a combined \$50.39 million in facility cofinancing, representing 10.1% of the RRP cofinancing estimate.

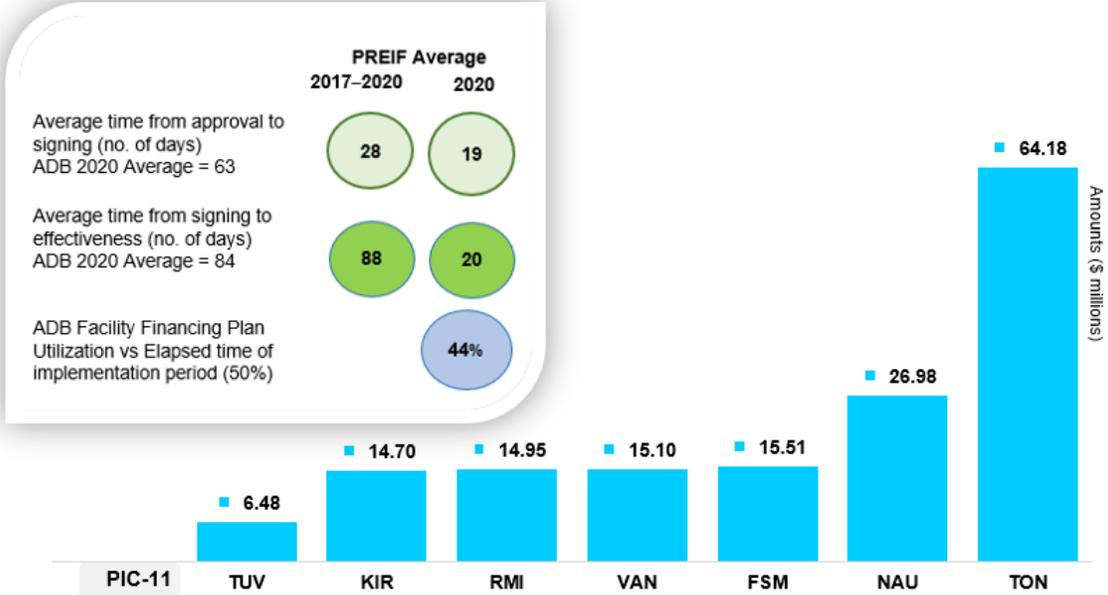
**Table 3: Approved Investment Projects by Investment Amount**  
(\$ million)

Year	No. of Projects	Financing			Total
		ADB	Cofinancing	Government	
2017	2	7.00	7.00	3.35	17.35
2018	2	18.20	3.38	0.00	21.58
2019	4	55.20	32.40	14.57	102.17
2020	2	8.00	7.61	1.19	16.80
<b>Total</b>	<b>10</b>	<b>88.40</b>	<b>50.39</b>	<b>19.11</b>	<b>157.90</b>

ADB = Asian Development Bank.  
Source: Asian Development Bank estimates.

**Figure 2: Approved Projects and Start-up Compliance**

Ten projects in seven (7) PIC-11 countries \$157.9 million



FSM = Federated States of Micronesia, KIR= Kiribati, NAU = Nauru, PIC-11 = 11 small Pacific Island countries, PREIF = Pacific Renewable Energy Investment Facility, RMI = Republic of the Marshall Islands, TON = Tonga, TUV = Tuvalu, VAN = Vanuatu.  
Source: ADB Quarterly Portfolio Update as of September 2020.

<sup>20</sup> One project and 1 additional financing project were approved in 2020, with the other 3 additional financing projects deferred to 2021. Two others were processed and approved outside the facility.

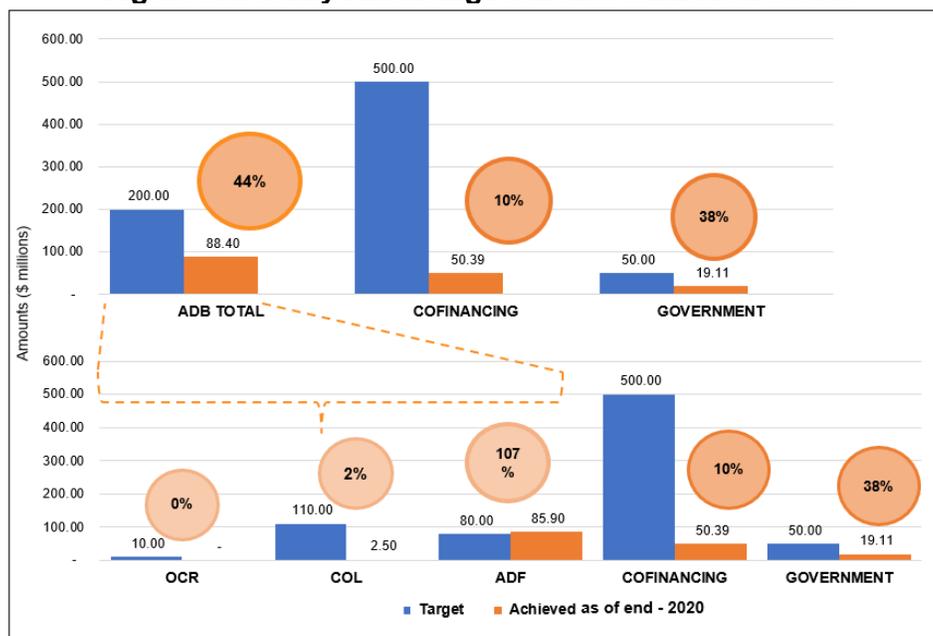
37. Tonga has the highest number of project approvals (two projects and one additional financing) and the highest amount (\$64.8 million). The Marshall Islands has two projects, while the other five PICs have one project each. The facility performed markedly better than ADB overall in start-up compliance in 2020 (Figure 2). At the midpoint of facility implementation, 44% of the ADB financing amount has been committed. On average, 2017–2020 facility projects overall have required less time from approval to signing than the ADB average (28 days, compared with the ADB 2020 average of 63 days), while taking slightly longer than the ADB 2020 average from signing to effectiveness (88 days versus 84 days). Notably, if the 2019 Tonga Renewable Energy Project cofinanced by the GCF is excluded, facility projects on average have taken only 11 days from approval to signing. This reinforces the interim review finding that protracted negotiations with the GCF have eroded efficiencies gained by the facility’s streamlined process. The facility cofinancing estimate of \$500 million was expected to be funded largely by the GCF. However, only 10% of this total cofinancing estimate has been achieved, even as ADB’s ADF grant funding has exceeded projections (para. 36).

**Table 4: ADB Financing and Cofinancing Sources of Approved Investment Projects**  
(\$ million)

Year	ADB Financing		DFAT	GEF	GCF	Cofinancing	
	ADF	OCR				MFAT	SCF
2017	4.50	2.50					7.00
2018	18.20		0.74	2.64			
2019	55.20		2.50		29.90		
2020	8.00		1.91			2.00	3.70
<b>Total</b>	<b>85.90</b>	<b>2.50</b>	<b>5.15</b>	<b>2.64</b>	<b>29.90</b>	<b>2.00</b>	<b>10.70</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, DFAT = Government of Australia Department of Foreign Affairs and Trade, GCF = Green Climate Fund, GEF = Global Environment Facility, MFAT = Government of New Zealand Ministry of Foreign Affairs and Trade, OCR = ordinary capital resources, SCF = Strategic Climate Fund. Source: Asian Development Bank estimates.

**Figure 3: Facility Financing Plan and Utilization Status**



ADB = Asian Development Bank, ADF = Asian Development Fund, COL = concessional ordinary capital resources lending, OCR = ordinary capital resources. Source: Asian Development Bank estimates.

38. Multiple challenges realigned the priorities of the PIC-11 and refocused emergency and recovery responses from ADB and the donor community in 2020. Natural disasters continued to cause severe damage to infrastructure in the PIC-11<sup>21</sup> while pandemic-related border closures not only isolated remote island countries from aid and relief efforts but also battered their tourism-based economies, several of which have deferred borrowings. Facility projects must increasingly provide integrated solutions and explore cofinancing from disaster-related and climate adaptation funds. The deferment of the three additional financing projects from 2020 to 2021 is a result of these challenges. Two of the 3 are seeking cofinancing to cover disaster risk reduction elements.

**C. Results of the Programmatic Approach and Streamlined Procedures**

39. The unprecedented pandemic dampened what would have been a landmark year for the facility—originally, four facility projects and three projects outside the facility were programmed for approval within 2020. With three projects deferred to 2021, the average number of projects processed over the 4-year period (2017–2020) remains at 4. With the pandemic ongoing and vaccine rollout uncertain, the facility pipeline continues to be at risk of significant delays.

40. Results of the facility’s streamlined processes are in Table 5 with supporting data in Appendix 3, Tables A3.1, A3.3 and A3.4. Of the seven Pacific energy projects processed in 2017 and 2018, two were processed per year under the facility. Five energy projects, with four under the facility, were processed in 2019. For 2020, three projects and one additional financing to a facility project were processed, two of which are eligible and counted under the facility.

**Table 5: Results of the Facility Streamlined Processes**

<b>Performance Measure</b>	<b>Expected Improvement</b>	<b>Outcome as of December 2020</b>
Projects processed	Increased by 33%	Average number of Pacific energy projects approved increased by 11%, from 3.6 projects in the previous 3 years (2014–2016) to 4 during 2017–2020.
Consultant recruitment time	Reduced by 50%	27% below the ADB average (average of 143 days compared with ADB average of 195 days).
Project processing time <sup>a</sup>	Reduced by 2.5 months [33%]	Reduced by 2.5 months [18%].

ADB = Asian Development Bank.

<sup>a</sup> Figures in brackets show the expected improvement indicator and achievement prior to the interim review revisions. Succeeding annual reports will only show the 2.5 months reduction in processing time.

Source: Asian Development Bank estimates.

41. It is expected that the number of energy projects processed will increase in 2021 given the deferment of three facility projects from 2020. Appendix 1 shows the proposed revised indicative pipeline for 2021–2024, which envisions 19 facility projects across the PIC-11. Facility projects are using progressively more innovative approaches, with cross-sectoral solar-plus projects planned for 2022–2023 in Kiribati, Tonga, and Tuvalu and an additional four envisioned for 2024.<sup>22</sup> These will provide opportunities for regional procurement and other synergies. Solar-plus projects are intended to address critical vulnerabilities and needs in the PIC-11, considering existing energy sector plans and strategies, interventions, and utility reforms, and will include

<sup>21</sup> The 2019–2020 cyclone season was slightly above average, with eight tropical cyclones and four severe tropical cyclones. Tropical cyclones Rita, Tino, Harold, and Yasa, among others, caused extensive damage.

<sup>22</sup> Cross-sectoral projects tackle problems that cut across sectors and themes and incorporate cross-cutting solutions. These projects can be designed to address the energy–water–food–health–climate nexus of challenges. Cofinancing is being sought from funds focusing on disaster relief and climate-resilience responses.

demand-side management and efficiency measures as well as value-added end-uses beyond electricity and other co-benefits.<sup>23</sup>

#### D. Technical Assistance

42. The facility is now supported by five TA projects, including four transaction TA facilities and one small knowledge and support TA project, totaling close to \$21 million from various sources. Following successful implementation of the first two TA facilities (footnotes 5 and 6), a third transaction TA facility for Preparing the Pacific Renewable Energy Investment Facility (Phase 2), totaling \$4.0 million, was approved in July 2019 to allow for the processing of additional facility projects.<sup>24</sup> The fourth transaction TA facility was approved on 15 December 2020 and will (i) develop a roadmap for deploying floating solar plus projects in the PIC-11, and (ii) will prepare floating solar plus projects in Kiribati, Tonga, and Tuvalu. Pre-feasibility studies for the next set of projects will also be developed under this TA. Consultants are expected to be mobilized in early 2021.<sup>25</sup> This \$2.0 million transaction TA is funded by the Clean Energy Financing Partnership Facility (CEFPF) under the Asian Clean Energy Fund.<sup>26</sup> The knowledge and support TA for Development of the Pacific Electricity Regulators Alliance was approved on 15 November 2019 to further support regional reforms.<sup>27</sup> This small-scale TA project is designed to promote modern regulation of energy utilities in the Pacific by developing a regional platform for the delivery of capacity-building interventions, exchanging knowledge and skills, and leveraging Pacific countries' limited resources to address common challenges.

43. Table 6 lists approved TA projects, while Table 7 details funding sources. Figure 4 shows contract award and disbursement status of all facility TA projects. Appendix 4 details the TA scope, financing, and implementation status. ADB's Technical Assistance Special Fund (TASF) accounts for more than 43% of the facility's TA funding, followed by the GCF and the CEFPF at close to 24% each. The GCF and SCF are funding both facility TA and project grants.

**Table 6: Approved Technical Assistance Projects**  
(\$ million)

TA Number	Year Approved	Amount	Name
TA 9242-REG	2016	8.935	Pacific Renewable Energy Investment Facility
TA 9425-REG	2017	5.800	Capacity Building and Sector Reform for Renewable Energy Investments in the Pacific
TA 9772-REG	2019	4.000	Preparing the Pacific Renewable Energy Investment Facility (Phase 2)
TA 9868-REG	2019	0.225	Development of the Pacific Electricity Regulators Alliance
TA 6680-REG	2020	2.000	Preparing Floating Solar Plus Projects

REG = regional, TA = technical assistance.

Source: Asian Development Bank estimates.

<sup>23</sup> Value-added benefits (plus) include solar-powered water supply (desalination and rainwater collection, pumping and storage from solar plants), greenhouses, aquaculture, alternative fuels, solar charging stations, and clean electricity mobility. The transaction TA approved in 2020 (footnote 24) will explore these co-benefits in scoping floating solar plus projects in Kiribati, Tonga, and Tuvalu. The TA will also develop a roadmap for deployment of floating solar plus projects in the PIC-11, including concepts for the 2023–2024 projects.

<sup>24</sup> ADB. 2019. [Technical Assistance for Preparing the Pacific Renewable Energy Investment Facility \(Phase 2\)](#). Manila (TA 9772-REG).

<sup>25</sup> ADB. 2020. [Technical Assistance for Preparing Floating Solar Plus Projects under the Pacific Renewable Energy Investment Facility](#). Manila. (TA 6680-REG).

<sup>26</sup> Established by the Government of Japan.

<sup>27</sup> ADB. 2019. [Technical Assistance for Development of the Pacific Electricity Regulators Alliance](#). Manila. (TA 9868-REG).

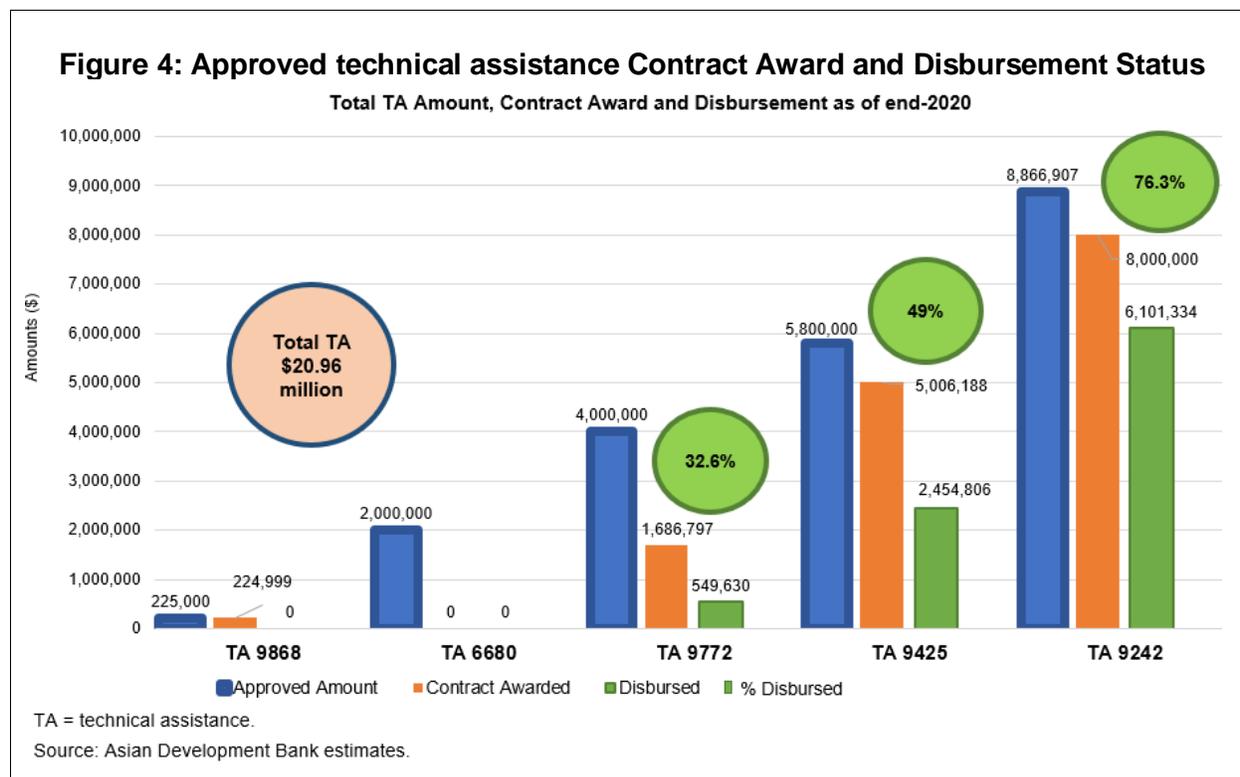
44. As of 31 December 2020, all funds under the TA projects are fully allocated. TA 9242 achieved more than \$8 million (90.2%) in contract awards and more than \$6.1 million (76.3%) in disbursements. For TA 9772, the total amount of contracts awarded is \$1,686,797 (42.2%), of which \$549,630 (32.6%) has been disbursed. For TA 9425, \$5.0 million (86.3%) has been awarded and more than \$2.4 million (49%) has been disbursed. While TA 9868 has reached 100% contract award, there has been no disbursement yet because of the pandemic.

**Table 7: ADB and Cofinancing Sources for Approved Technical Assistance Projects**  
(\$ million)

TA Type and Number	Year Approved	Amount	ADB		Cofinancing			
			TASF	CEFPF	GCF	HLTF	SCF	UNDP
TRTA 9242-REG	2016	8.935	5.000	3.000		0.500		0.435
TRTA 9425-REG	2017	5.800	0.800		5.000			
TRTA 9772-REG	2019	4.000	3.000				1.000	
KSTA 9868-REG	2019	0.225	0.225					
TRTA 6680-REG	2020	2.000		2.000				
<b>Total</b>		<b>20.960</b>	<b>9.025</b>	<b>5.000</b>	<b>5.000</b>	<b>0.500</b>	<b>1.000</b>	<b>0.435</b>

ADB = Asian Development Bank, CEFPF = Clean Energy Financing Partnership Facility, GCF = Green Climate Fund, HLTF = High Level Technology Fund, KSTA = knowledge and support technical assistance, REG = regional, SCF = Strategic Climate Fund, TA = technical assistance, TASF = Technical Assistance Special Fund, TRTA = transaction technical assistance, UNDP = United Nations Development Programme.

Source: Asian Development Bank estimates.



45. Four of the 10 approved facility projects (in the Federated States of Micronesia, Nauru, Tonga, and Tuvalu) were prepared under the first facility TA (footnote 5); one (in Kiribati) was prepared under the phase 2 TA (footnote 23); and four were prepared under other ongoing non-facility TA. One project, in Samoa, which is supported by the first TA, is proceeding outside the facility since the project is classified category A for environment and is now programmed for Board

approval in 2021. The average amount of the 10 approved facility projects is \$16 million but the average size of the five approved projects prepared through a facility TA is \$24 million. With about \$6.6 million of TA funds disbursed for all types of contracts and outputs (including the Samoa large-hydro project, which required \$2.4 million in TA funding), this would give an average TA amount of \$1.3 million per project. However, project preparation contracts for the last four facility projects, excluding the 2020 Tonga additional financing (prepared through other non-facility funds), averaged only \$650,000 per project. A similar project preparation amount has been budgeted for each of the 3 floating solar plus projects to be prepared in 2022–2023 through the fourth transaction TA facility approved in December 2020 (footnote 24). The declining average contract amount of \$650,000 for project preparation points to the increasing efficiency of project processing under the facility (which is less than half the ADB average for energy sector transaction TA of \$1.4 million to prepare projects with an average size of \$173 million in 2019).<sup>28</sup> The TA funds also financed consultancy support for the FSU, the preparation of the regional guarantee program, training, and ongoing due diligence and project preparation for other ensuing facility projects. The recruitment of a single consulting firm under the Capacity Building and Sector Reform for Renewable Energy Investments in the Pacific TA (footnote 6) to support sector and utility reform across the PIC-11 and other ADB Pacific DMCs also increased efficiency. Because of increasing demand and competing needs across ADB for Technical Assistance Special Fund (TASF) and CEFPF funds, the facility is exploring the potential for TA program support from the GCF and other energy and climate-related financing support facilities.

## **E. Facility Administration**

46. In December 2020, the FSU was officially established under PARD's Energy Division, as recommended by the OAG audit report (further described in paras. 16–17). The FSU will continue to support the design and implementation of the facility, including preparation of projects. The FSU core members comprise PARD international, national, and administrative staff, supported by project preparation and implementation consulting firms and individual consultants engaged under facility TA projects. The FSU continues to coordinate and work with the executing and implementing agencies and the project management units or project implementation units of facility projects. Under the FSU, the facility continued its strong performance observed by OAG. An individual national consultant has been engaged to assist the FSU in establishing a shared online monitoring and reporting system to ensure the availability of accurate, up-to-date information on the performance of the facility and on the processing and implementation status of facility projects and TA.

47. The performance of the facility improved significantly in 2020. The facility utilized 44% of the ADB financing plan, compared with 50% elapsed processing time (based on the revised facility availability period). As shown in Figure 2, the facility overall performed better or slightly below the 2020 ADB average in start-up compliance. For 2020, however, the facility was significantly more efficient than ADB overall. The facility projects approved in 2020 needed (i) 19 days compared with the ADB average of 63 days from approval to signing; and (ii) 20 days compared with the ADB average of 84 days from signing to effectiveness.<sup>29</sup> Minor changes to the facility scope and implementation arrangements have been put into effect. Preparation of the facility guidance note (para. 17) is underway and will complete the facility's compliance with OAG recommendations to improve the management and monitoring of facility projects, and to maintain

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<sup>28</sup> PPF estimates.

<sup>29</sup> Source: ADB Quarterly Portfolio Update as of 30 September 2020. Fourth quarter report still under preparation.

consistency in facility documentation and processing procedures.<sup>30</sup> The FSU has established fortnightly meetings in addition to regular (at least monthly) briefings during Energy Division staff meetings. In addition, the facility project officer briefed Vice-President (Operations 2) on 4 September 2020 on the facility and recommendations contained in the interim review and OAG reports. The status of facility achievements was also presented at the CEFPPF Annual Consultation Meeting for its donors on 23 September 2020.

## F. Alignment with Strategy 2030

48. The facility embodies ADB's strategic approach in addressing the unique challenges in the PIC-11 as outlined in the Pacific Approach, 2016-2020.<sup>31</sup> When ADB's Strategy 2030 (footnote 9) came into effect, it reinforced the facility objectives, as facility projects directly support four of the seven operational priorities (OPs) of the strategy: (i) addressing remaining poverty and reducing inequalities (OP 1); (ii) accelerating progress in gender equality (OP 2); (iii) tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability (OP 3); and (iv) strengthening governance and institutional capacity (OP 6). The facility also indirectly supports OP 5 (promoting rural development and food security) and OP 7 (fostering regional cooperation and integration), as new projects are being designed to integrate cross-sectoral interventions in, for example, transport and water, and to promote regional cooperation in capacity building and procurement. Enhancements to facility project design increasingly embody the five core principles of the draft Energy Policy, 2021; the draft Pacific Approach, 2021-2025; and the draft fragile and conflict-affected situation and small island developing state strategy (para. 18). Following the enhancements to eOps and the release of the 2020 revised DMF guidelines, the contribution of facility projects and their DMFs to Strategy 2030 operational priorities will be retrofitted, monitored, and reported in the facility progress reports. These results will also help monitor the PIC-11's achievements towards commitments under their Nationally Determined Contributions.<sup>32</sup>

49. **Safeguards and gender.** All projects processed under the facility are category B or lower for both environment and social safeguards. Six projects are classified *effective gender mainstreaming* and one is *some gender elements*, with gender action plans prepared. Stringent safeguard due diligence ensures compliance with ADB's Safeguard Policy Statement (2009) to mitigate and even eliminate negative social and environmental impacts. By reducing the PIC-11's reliance on diesel power, the facility projects will also (i) reduce noise and air pollution, (ii) reduce the potential for contamination of soil and water from spilled fuel and waste oil, (iii) reduce greenhouse gas emissions, (iv) reduce exposure to oil price shocks, and (v) greatly reduce the cost and risks of transporting fuel between islands. The facility projects are expected to reduce power generation costs and put downward pressure on consumer tariffs, especially for the poor and vulnerable.

50. **Governance and institutional capacity.** All projects are revenue-generating and have financial and economic internal rates of return that were assessed as robust prior to approval as they exceeded the hurdle rates. Targeted capacity building is ensuring improved governance and institutional capacity. Ongoing sector reforms, tariff reviews, capacity building (including in financial management), interventions for asset replacement, insurance, and support for project

<sup>30</sup> The observations were presented to PARD at the interim meeting in July 2020. The final report of the audit was completed in September 2020 and was reported by OAG to the President in October 2020.

<sup>31</sup> ADB. 2016. *Pacific Approach, 2016-2020*, Manila. The Pacific Approach is the equivalent of a country partnership strategy for the PIC-11.

<sup>32</sup> A country's committed mitigation efforts and emissions reduction target based on Article 4 of the Paris Agreement.

management and operation and maintenance, including the use of design–build–operate contracts, help ensure the satisfactory performance of facility-supported utilities. Covenants on financial sustainability and tariff restructuring to achieve cost recovery are included in each project’s legal documents. Transaction TA projects as well as reform TA projects are supporting the utilities in tariff modelling and restructuring. In addition to undertaking technical, financial, economic, safeguards, procurement, and governance due diligence, all projects include climate risk and vulnerability assessments, which inform project designs to incorporate climate-resilience and climate-sustainability elements. Facility projects also incorporate assistance for developing regulatory frameworks, such as the draft energy bill for Kiribati.

#### IV. INDICATIVE PIPELINE OF FACILITY AND PRIVATE SECTOR INVESTMENTS

51. **Indicative facility project pipeline.** Seven of the PIC-11 are classified as ADF grants-only countries. The Cook Islands, Palau, Solomon Islands, and Vanuatu have access to loans, but given that their economies are tourism-based, they have been hard hit by global travel restrictions and lockdowns resulting from COVID-19. Infrastructure development financing will be focused on recovery, including from natural disasters, and borrowings from these four PICs are deferred. The deferment of three 2020 projects to 2021 will fill what would have been a year without project approvals under the facility. Based on ADB’s ongoing discussions with the PIC-11, and excluding projects that do not meet the facility’s eligibility criteria, the indicative facility pipeline for 2021–2024 envisages 19 projects totaling about \$293 million from all funding sources (ADB financing, cofinancing, and government counterpart funding), which would bring the facility total to about \$451 million, including approved projects (Appendix 1). This is equivalent to 60% of the RRP investment estimate of \$750 million. Cofinancing is programmed to be \$200 million, or 40% of the overall RRP estimate of \$500 million for cofinancing. The pipeline is subject to discussions with PIC-11 governments and continues to be highly indicative. The projected outputs will exceed the revised facility DMF indicators by 2024.

52. This indicative 2021–2024 facility pipeline includes projects for potential private sector investments, including through PSOD and under the Pacific Renewable Energy Program. The pipeline excludes other energy projects that are deemed ineligible for processing under the facility’s streamlined approval process, such as the 2021 Samoa Alaoa Multi-purpose Dam Project, which includes a \$65 million ADB loan and for which project preparation is supported by a facility TA. This is similar to the Solomon Islands Tina River Hydropower Project, which was approved in 2019 and was initially supported by a facility TA, but was not reported as it proceeded outside the facility. ADB financing for this project comprises a \$12 million ADF grant and \$18 million in COL. The planned loan projects for the Cook Islands, Palau, and Samoa have a high likelihood of deferment or deletion because these countries lack an appetite for borrowings amid the pandemic and economic downturns. This increases the need for private sector investments and partnership with ADB’s PSOD and Office of Public–Private Partnership, as well as additional grant support from ADB and other donors. Pipeline projects are also seeking TA and project cofinancing from climate mitigation and adaptation funds such as the GCF, the Global Environment Facility, and multi-donor Climate Investment Funds, particularly the SCF.

53. **Breakdown of ADB financing under the facility.** The facility delegated approval of individual project financing to ADB Management of up to \$200 million in cumulative ADB financing, in accordance with established eligibility criteria. The approved ADF grants have reached 107% of the estimate (Table 4 and Figure 3). The breakdown of ADB financing sources will then be different from the original design. However, Table 1 in the RRP states that the breakdown is just an estimate, and only the total ADB financing was reflected in the DMF. If the maximum limit of \$200 million in total ADB financing is reached before the outcome targets are

achieved, an increase in ADB financing will be requested following relevant Project Administration Instructions and related staff instructions. The approved projects and the current indicative investment pipeline, totaling only 60% of the RRP estimate of \$750 million from all sources, is sufficient to achieve the outcome indicators, subject to the challenges described in para. 52.

54. **Attribution of additional financing and reporting of private sector financing linked to facility projects under the facility.** As recommended in the interim review report and as approved by PARD director general on 10 December 2020, additional financing to facility projects regardless of financing source is now reported as achievements under the facility. This report now includes the Tonga Outer Island Renewable Energy Project Fourth Additional Financing, approved in December 2020 for ADB's administration of cofinancing from the Government of Australia. Moreover, private sector financing linked to facility projects, including related PSOD investments such as under the Pacific Renewable Energy Program, will be monitored and cited in the facility financing report. Para. 55 and Table 8 list the renewable energy projects being developed by independent power producers (IPPs) in Tonga, solicited by the government in fulfillment of covenants under the Tonga Renewable Energy Project (footnote 12). Upon financial closure and approval of the ADB investments, the related financing, renewable energy generation capacity installed, and carbon emissions reductions committed will be captured and cited in the facility annual reports.

**Table 8: Tongatapu Renewable Energy IPP projects**

<b>Projects with PPAs</b>	<b>Current Status</b>	<b>Estimated completion date</b>	<b>Estimated Annual Yield (kWh)</b>	<b>Estimated Cumulative Yield (kWh)</b>	<b>Total Cost (\$ million)</b>
6 MW Solar PV project	Construction underway but is hampered by COVID-19 pandemic-related challenges.	May 2021	9,064	9,064	\$8.16
2.1 MW Wind project	Project confirmed and procurement underway. Site mobilization delayed by the pandemic with completion date dependent on mobilizing team from the People's Republic of China	August 2021	5,903	14,967	TBD
6 MW Solar PV project	PPA signed but have not yet reached financial close.	September 2021	9,064	24,031	TBD
4.5 MW Wind project	Preferred supplier selected and negotiated to reach best possible tariff. Tariff has been presented to the utility (Tonga Power Limited) for a decision.	January 2022	11,506	35,537	TBD

COVID-19 = coronavirus disease, IPP = independent power producer, kWh = kilowatt-hour, MW = megawatt, PPA = power purchase agreement, PV = photovoltaic, TBD = to be determined.

Source: Asian Development Bank estimates.

55. **Indicative private sector renewable energy investment pipeline.** To achieve the covenants under the Tonga Renewable Energy Project, four IPP projects totaling 18.6 MW are under development on the main island, consisting of two 6 MW solar projects and two wind

projects of 2.1 MW and 4.5 MW installed capacity. The first project is expected to reach financial close within Q1 2021, and approval of the PSOD loan for the project is expected by Q2 2021.<sup>33</sup>

## V. CONCLUSIONS

56. Despite encountering many challenges, the facility is achieving its objectives to build institutional capacity, increase generation from domestic renewable energy sources, increase energy security, reduce reliance on imported petroleum, reduce greenhouse gas emissions, and place downward pressure on the cost of electricity in the PIC-11. The streamlined project approval process has resulted in reduced processing time and consultant recruitment time while increasing the number of projects processed. Efficient administration has also resulted in facility projects approved in 2020 performing significantly better than ADB projects overall in start-up compliance. The unprecedented social and economic impacts of COVID-19 will continue to constrain development efforts and will impact the performance of the facility in the near term. However, collaboration, proactive responses, innovative approaches, integrated solutions, and close monitoring will ensure the facility's continued relevance and broader development impact.

57. This unique facility continues to be justified in the differentiated context of the small PICs. Continuing innovations and refinements in the facility design, procedures, and guidelines, while keeping abreast of evolving international best practices and ADB-wide policies and strategies, will aid straightforward replication of this modality in other sectors and departments of ADB.

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<sup>33</sup> The RRP listed the Cook Islands Renewable Energy Sector Project GCF additional financing for a 12 MWh battery energy storage system. This, however, proceeded outside the facility. The project included a covenant for the installation of 6 MW of solar generation capacity from IPPs.

### APPROVED PROJECTS AND INDICATIVE FACILITY PROJECT PIPELINE

Approval Year	Country	Project	Solar (MW)	Hydro (MW)	Wind (WM)	All RE Generation (MW)	Batteries (MWh)	T&D (km)	Support infra: Diesel tank rehab (units)	New HH(i)	Emissions Reduction (tCO <sub>2</sub> e/yr)	ADB Loan (\$ million)	ADB Grant (\$ million)	Total ADB (\$ million)	Cofinancing	Gov	Total (\$ million)
		<b>APPROVED</b>															
2017	VAN	Energy Access Project		0.40		0.40		21.00		1,050	600	2.50	2.50	5.00	7.00	3.10	15.10
2017	RMI	Majuro Power Network Strengthening Project							500 smart meters		1,745		2.00	2.00		0.25	2.25
2018	TON	Outer Island Renewable Energy Project	1.25			1.25					2,310		5.50	5.50	3.38		8.88
2018	RMI	Energy Security Project							6 MMGal		-		12.70	12.70			12.70
2019	TON	Renewable Energy Project	1.15			1.15	25.60				13,616		12.20	12.20	32.40	8.60	53.20
2019	TUV	Increasing Access to Renewable Energy Project	0.72			0.72	2.00				844		6.00	6.00		0.48	6.48
2019	FSM	Renewable Energy Development Project	2.96			2.96	0.80			48	2,533		15.00	15.00		0.51	15.51
2019	NAU	Solar Power Development Project	6.00			6.00	2.50				11,155		22.00	22.00		4.98	26.98
2020	KIR	South Tarawa Renewable Energy Project	5.00			5.00	13.00				6,433		8.00	8.00	5.70	1.00	14.70
2020	TON	Outer Island Renewable Energy Project	0.07			0.07		82.00		65	90			-	1.91	0.19	2.10
	All	Approved	17.15	0.40	-	17.55	43.90	103.00	-	1,163	39,326	2.50	85.90	88.40	50.39	19.11	157.90
		<b>PIPELINE</b>															
2021	FSM	Renewable Energy Development Project (AF)				-		10					4.00	4.00		0.20	4.20
2021	RMI	Energy Security Project (Additional Financing)				-		20					7.00	7.00		0.50	7.50
2021	VAN	Energy Access Project (AF)				-		79					6.00	6.00		1.20	7.20
2022	TUV	Increasing Access to Renewable Energy Project (AF)	3.00			3.00								-	6.00	0.50	6.50
2022	KIR	South Tarawa Renewable Energy Project (Phase 2)	8.00			8.00	4.00						12.00	12.00	10.00	1.00	23.00
2022	TON	Nuku'alofa Electricity Network Project				-		5					10.00	10.00		1.00	11.00
2022	TON	Solar Plus Project	3.00			3.00									10.00	1.00	11.00
2022	PAL	Grid Expansion Project				-		20				15.00		15.00	5.00	2.00	22.00
2022	NAU	Renewable Energy Sector Development Project	3.00			3.00	6.00								10.00	1.00	11.00
2023	FSM	Renewable Energy Development Project (Phase 2)		9.00		9.00							10.00	10.00	30.00	1.00	41.00
2023	SAM	Smart Grid Project	5.00			5.00	1.00	2				4.00	11.00	15.00		1.00	16.00
2023	RMI	MI Electrification/Majuro Network Strengthening Phase 2				-		20					10.00	10.00	20.00	5.60	35.60
2023	COO	Renewable Energy Development Project	6.00		2.00	8.00	2.00	3				10.00		10.00	18.00	2.00	30.00
2024	SOL	Rural Electrification Project	3.60			3.60	10.00	3		2,000			5.00	5.00	5.50	0.50	11.00
2024	FSM	Solar Plus Project	5.00			5.00	4.00						5.00	5.00	20.00	0.50	25.50
2024	NAU	Solar Plus Project	2.00			2.00	1.00						5.00	5.00	5.50	0.50	11.00
2024	RMI	Solar Plus Project	2.00			2.00	1.00						4.50	4.50	5.00	0.50	10.00
2024	SOL	Solar Plus Project	2.00			2.00	0.50						4.00	4.00	5.00	0.50	9.50
2024	VAN	Rural Renewable Energy Development Program	1.00			1.00	2.00	3						-			-
	ALL	Pipeline	43.60	9.00	2.00	54.60	31.50	165.00	-	2,000.00		29.00	93.50	122.50	150.00	20.50	293.00
	All	<b>APPROVED AND PIPELINE</b>	<b>60.75</b>	<b>9.40</b>	<b>2.00</b>	<b>72.15</b>	<b>75.40</b>	<b>268.00</b>	<b>-</b>	<b>3,163.00</b>		<b>31.50</b>	<b>179.40</b>	<b>210.90</b>	<b>200.39</b>	<b>39.61</b>	<b>450.90</b>
		Revised DMF targets by mid 2024 (= end of extended processing period) and indicative facility financing plan allocations				70.00	75.00	100.00	5.00	2,000.00		120.00	80.00	200.00	500.00	50.00	750.00
		Actual projects by end 2020 (= 50% of extended processing period) as a % of revised DMF targets and as % of indicative facility financing plan allocations				25%	59%	103%	0%	58%		2%	107%	44%	10%	38%	21%

ADB = Asian Development Bank, AF = additional financing, COO = Cook Islands, DMF = design and monitoring framework, FSM = Federated States of Micronesia, Gov = Governments' commitment, HH = households connected, KIR = Kiribati, km = kilometer, MW = megawatt, MWh = megawatt-hour, NAU = Nauru, PAL = Palau, RE = renewable energy, RMI = Republic of the Marshall Islands, SAM = Samoa, SOL = Solomon Islands, T&D = transmission and distribution, tCO<sub>2</sub>e/yr = tons of carbon dioxide equivalent per year, TON = Tonga, TUV = Tuvalu, VAN = Vanuatu.

Note: Pipeline projects are subject to country programming missions and discussions for potential inclusion in the rolling country operations business plan for 11 Small Pacific Island Countries.

Source: Asian Development Bank estimates.

## DETAILS AND STATUS OF APPROVED INVESTMENT PROJECTS

### Table A2.1: Details and Status of Procurement

PIC	Project Name	Summary Description	Loan and/or Grant Number	Approval	Circulation to Board for Information	Scheduled Completion	Amount (\$ million)	Cofinancier	Procurement Status as of December 2020
VAN	Energy Access Project	The project will increase energy access and renewable energy generation.	Loan 3572-VAN Grant 0543-VAN Grant 0544-VAN	26 September 2017	8 December 2017	31 March 2024	12.00	Strategic Climate Fund	The design and supervision consultant contract was signed in July 2018 and is ongoing. The works contract for Brenwe Hydropower Plant was signed on 22 January 2020. The lot 1 transmission and distribution contract (Malekula grid expansion) scope of work was awarded to the Brenwe Hydropower Plant contractor as a variation in February 2021. Lot 2 transmission and distribution (Santo grid expansion) procurement will commence in Q3 2021. Commissioning of Brenwe Hydropower Plant is scheduled in February 2022 and all physical works are expected to be completed by Q4 2022.
RMI	Majuro Power Network Strengthening	The project will install advanced metering infrastructure on the Majuro power system.	Grant 0554-RMI	27 November 2017	21 December 2017	31 July 2022	2.00	N/A	Review of the specs for the new shopping package (after 2 failed bids) by the implementing agency and bidding consultant is ongoing. Inputs needed from National Telecom Authority to finalize tenders. To be floated in Q2 2021.  Supervision consultants to support the shopping package were fielded in September 2020.
RMI	Energy Security Project	The project will rehabilitate the existing Majuro tank farm.	Grant 0637	6 December 2018	29 January 2019	30 June 2024	12.70	N/A	Project consultants to support the implementing agency (Marshalls Energy Company), were fielded in July 2020. Additional financing for \$7 million (to cover disaster risk

PIC	Project Name	Summary Description	Loan and/or Grant Number	Approval	Circulation to Board for Information	Scheduled Completion	Amount (\$ million)	Cofinancier	Procurement Status as of December 2020
									<p>reduction work and support for consulting) is deferred to 2021 given bids received for the tank farm are significantly over budget (about 300% for the seawall and about 40% for the tank farm).</p> <p>Evaluation of bids for the tank farm is ongoing to determine the contract award price (and the need for negotiations or potential rebidding)</p> <p>Contract negotiations for the seawall reinforcement (\$2.9 million small civil works) package has been completed and awarding of contract is expected in Q1 2021.</p> <p>Terms of reference for the project implementation consultant package are being finalized by the implementing agency. To be floated in Q3 2021.</p>
TON	Outer Island Renewable Energy Project (3rd additional financing)	The AF project will add 0.39 MWp [1.25 MWp project total] of solar PV systems on nine islands. The additional financing will meet financing gaps and scale up the existing project.	Grant 0586-TON Grant 0587-TON Grant 0588-TON	31 July 2018	21 August 2018	31 July 2022	8.88	Global Environment Facility  Government of Australia	Procurement of works and goods packages under phase 4 mini-grid distribution is ongoing and will be completed by Q1 2021; PMU consultant contracts have been extended to 30 June 2021, and under a fourth additional financing will be extended further to 31 July 2022.

PIC	Project Name	Summary Description	Loan and/or Grant Number	Approval	Circulation to Board for Information	Scheduled Completion	Amount (\$ million)	Cofinancier	Procurement Status as of December 2020
TON	Renewable Energy Project	The project will help Tonga move from dependence on imported fossil fuels to using clean and renewable energy resources.	Grant 0640-TON Grant 0641-TON Grant 0642-TON	11 March 2019	13 March 2019	31 October 2022	53.20	Government of Australia  Green Climate Fund	All major contracts have been awarded. All consultants for construction supervision consultancy have been recruited. All consultants in the project management unit have been recruited except for the operations and maintenance consultant.  On schedule. Delegated to the South Pacific Subregional Office on 1 August 2020.
NAU	Solar Power Development Project	The project will replace diesel generation with lower-cost renewable energy.	Grant 0664-NAU	18 September 2019	2 October 2019	28 February 2024	26.98		All major contracts have been awarded including the single procurement package and the project implementation consultant contract. On schedule.
TUV	Increasing Access to Renewable Energy Project	The project will expand access to modern energy services.	Grant 0674-TUV	4 November 2019	4 November 2019	30 June 2022  Grant closing date: 31 December 2022	6.00		Works contract under negotiation. Supervision and project management consultants under recruitment.  Delayed because of COVID-19-related issues.
FSM	Renewable Energy Development Project	The project will finance renewable energy generation in the FSM states of Kosrae and Yap.	Grant 0680-FSM	22 November 2019	12 December 2019	31 August 2023	15.50		Evaluation of bids for the procurement of works are ongoing. Expected contract award is Q3 2021.  Contract negotiations for the Project Implementation Consultant and Supplemental Management Operations consulting services packages have been completed in December, 2020. Awarding of

PIC	Project Name	Summary Description	Loan and/or Grant Number	Approval	Circulation to Board for Information	Scheduled Completion	Amount (\$ million)	Cofinancier	Procurement Status as of December 2020
									contracts for both packages is expected in Q1 2021.  Additional financing of \$4 million (to cover disaster risk reduction related work) is deferred to 2021 given unusually low bids received in Q4 2020 and savings of over \$5 million in the original project.
KIR	South Tarawa Renewable Energy Project	The project will finance solar PV and battery energy storage system.	Grant 0762-KIR Grant 0763-KIR Grant 0764-KIR	26 November 2020	2 December 2020	31 March 2024  Grant closing date: 30 September 2024	14.70	Government of New Zealand  Strategic Climate fund	Became effective on 28 January 2021. Bidding documents under preparation. Consultant recruitment will use streamlined process. On schedule.
TON	Outer Island Renewable Energy Project (4th additional financing)	The AF project will add 0.07 MWp [1.32 MWp project total] of solar PV systems on nine islands. The additional financing will scale up the existing PV and rehabilitation distribution lines.	Grant 0768-TON	1 December 2020	2 December 2020	31 July 2022	1.91 (excluding government counterpart support)	Government of Australia	Procurement of goods packages under phase 3 on-grid distribution have been completed; PMU consultant contracts will be extended to 31 July 2022.

COVID-19 = coronavirus disease, FSM = Federated States of Micronesia, KIR = Kiribati, MWp = megawatt peak, N/A = Not Applicable, NAU = Nauru, PIC = Pacific island country, PMU = project management unit, PV = photovoltaic, Q = quarter, RMI = Republic of the Marshall Islands, TON = Tonga, TUV = Tuvalu, VAN = Vanuatu.

Source: Asian Development Bank estimates.

**Table A2.2: Output 1 Design and Monitoring Framework Key Activities and Milestones for Approved Projects**

Key Activities and Milestones	Result
<ul style="list-style-type: none"> <li>Procure consultants prior to President's approval for individual projects</li> </ul>	100% achieved
<ul style="list-style-type: none"> <li>Commence community consultations by national PIU (with minimum 30% women participating) immediately after President's approval for individual projects</li> </ul>	100% achieved
<ul style="list-style-type: none"> <li>Complete land acquisition by President approval for individual projects</li> </ul>	90% achieved
<ul style="list-style-type: none"> <li>Award main construction contracts within 9 months of effectiveness of individual projects<sup>a</sup></li> </ul>	50% achieved

PIU = project implementation unit.

<sup>a</sup> Four of the eight approved projects did not achieve the milestone: procurement for the Vanuatu project (the processing for which started 5 years before facility approval) and procurement for the Marshall Islands network strengthening project (2017) were significantly delayed. Of the four projects approved in 2019, only the Tonga and the Nauru projects were able to achieve this target. The other two projects approved in 2019 became effective in March 2020 and procurement continues to be delayed because of the coronavirus disease (COVID-19) pandemic challenges (travel restrictions, increases in costs, difficulty in obtaining insurance, and other issues).

Source: Asian Development Bank estimates.

**Table A2.3: Output 2 Key Activities and Milestones**

Key Activities and Milestones	Result <sup>a</sup>
<ul style="list-style-type: none"> <li>Provide support for sector planning for four PIC-11 countries by July 2022</li> </ul>	Ongoing in six PIC-11 (COO, FSM, NAU, RMI, SAM, TON)
<ul style="list-style-type: none"> <li>Provide power utility management reform and capacity building to seven PIC-11 countries by July 2022</li> </ul>	Ongoing in seven PIC-11 (COO, FSM, KIR, NAU, RMI, SAM, TON)
<ul style="list-style-type: none"> <li>Conduct tariff review and reform in two PIC-11 countries by July 2022</li> </ul>	Ongoing in five PIC-11) FSM, KIR, RMI, TON, TUV
<ul style="list-style-type: none"> <li>Review and revise regulatory and policy frameworks in two PIC-11 countries by July 2022</li> </ul>	On-track in two PIC-11 (FSM and RMI)
<ul style="list-style-type: none"> <li>Promote private sector in seven PIC-11 countries by identifying opportunities for independent power providers across all participating PIC-11 countries and designing guarantee products by July 2022</li> </ul>	Ongoing in seven PIC-11 (COO, FSM, KIR, NAU, RMI, SAM, TON)

COO = Cook Islands, FSM = Federated States of Micronesia, KIR = Kiribati, NAU = Nauru, PIC-11 = 11 small Pacific island countries, RMI = Republic of the Marshall Islands, SAM = Samoa, TON = Tonga, TUV = Tuvalu.

<sup>a</sup> Implementation is delayed by the coronavirus disease pandemic. Utilities are concerned with security of supply and other operational priorities and have requested that implementation be postponed. A 1-year delay is projected. Facility implementation has been extended by 2 years, and hence the facility remains on track to achieve targets.

Source: Asian Development Bank estimates.

## DATA FOR CALCULATING FACILITY EFFICIENCY MEASURES

**Table A3.1: Time Reduction because of Facility Streamlined Processes**

PIC	Project	Scoping Mission	CDRM/ Fact-Finding Mission	Project Approval	Time (Days)	Signing	Time (Days)	Effectiveness	Time to Process <sup>a</sup> (months)	W/o the facility <sup>b</sup> (months)	% Time Reduction
VAN	Energy Access Project		11 Apr 2012	26 Sep 2017	15	11 Oct 2017	68	18 Dec 2017	66.5	69.0	4%
RMI	Majuro Power Network Strengthening		28 Oct 2016	27 Nov 2017	10	7 Dec 2017	151	7 May 2018	13.2	15.7	16%
TON	Outer Island Renewable Energy Project (3rd Additional Financing)	9 Feb 2018		31 Jul 2018	8	8 Aug 2018	43	20 Sep 2018	5.7	8.2	30%
RMI	Energy Security Project	28 Feb 2018		6 Dec 2018	7	13 Dec 2018	81	4 Mar 2019	9.3	11.8	21%
TON	Renewable Energy Project	9 Feb 2018		11 Mar 2019	186	13 Sep 2019	70	22 Nov 2019	13.2	15.7	16%
NAU	Solar Power Development Project	29 Sep 2017		18 Sep 2019	9	27 Sep 2019	185	30 Mar 2020	24.0	26.5	9%
TUV	Increasing Access to Renewable Energy Project	11 Oct 2018		4 Nov 2019	2	6 Nov 2019	146	31 Mar 2020	13.0	15.5	16%
FSM	Renewable Energy Development Project	24 May 2019		22 Nov 2019	11	3 Dec 2019	105	17 Mar 2020	6.4	8.9	28%
KIR	South Tarawa Renewable Energy Project	11 Feb 2019	23 April 2020	26 Nov 2020	25	21 Dec 2020	38	28 Jan 2021	21.7	24.2	10%
TON	Outer Island Renewable Energy Project (4th Additional Financing)	N/A	N/A	1 Dec 2020	13	14 Dec 2020	2	16 Dec 2020			
	Average				28		89		19.2	21.7	17%
	ADB 2020 average (as of September 2020)				63		84				
	Average excluding VAN <sup>c</sup>								13.3	15.8	18%

CDRM = concept design review meeting, FSM = Federated States of Micronesia, KIR = Kiribati, N/A = not applicable, NAU = Nauru, PIC = Pacific island country, RMI = Republic of the Marshall Islands, TON = Tonga, TUV = Tuvalu, VAN = Vanuatu.

<sup>a</sup> Equal to the time from the concept design review meeting or scoping mission to approval.

<sup>b</sup> Equal to the processing time plus 2.5 months (concept preparation and approval typically takes 50 calendar days, while Board circulation requires 21 calendar days. The streamlined procedures, therefore, reduce processing time by about 2.5 months).

<sup>c</sup> Vanuatu is not counted since processing occurred 5 years before the facility was approved.

Source: Asian Development Bank estimates.

**Table A3.2: Pacific Energy Investment Projects Processed**

Year	Non-Facility Projects	Facility Projects
2013	<ol style="list-style-type: none"> <li>1. FSM: Yap Renewable Energy Development Project</li> <li>2. PNG: Port Moresby Power Grid Development Project</li> <li>3. SAM: Renewable Energy Development and Power Sector Rehabilitation Project</li> <li>4. TON: Outer Island Renewable Energy Project</li> </ol>	
2014	<ol style="list-style-type: none"> <li>1. COO: Renewable Energy Sector Project</li> <li>2. NAU: Electricity Supply Security and Sustainability Project</li> <li>3. SOL: Provincial Renewable Energy Project</li> <li>4. TON: Cyclone Ian Recovery Project</li> </ol>	
2015	<ol style="list-style-type: none"> <li>1. PNG: Town Electrification Investment Program, Tranche 1 (additional financing)</li> <li>2. SAM: Renewable Energy Development and Power Sector Rehabilitation Project (additional financing)</li> <li>3. TON: Outer Island Renewable Energy Project (1st additional financing)</li> </ol>	
2016	<ol style="list-style-type: none"> <li>1. COO: Renewable Energy Sector Project (additional financing)</li> <li>2. SOL: Solar Power Development Project</li> <li>3. TON: Outer Island Renewable Energy Project (2nd additional financing)</li> </ol>	
2017	<ol style="list-style-type: none"> <li>1. PNG: Town Electrification Investment Program, MFF Tranche 2</li> <li>2. COO: Renewable Energy Sector Project (additional financing)</li> </ol>	<ol style="list-style-type: none"> <li>1. RMI: Majuro Power Network Strengthening Project (Majuro Electricity System Strengthening Project)</li> <li>2. VAN: Energy Access Sector Project</li> </ol>
2018	<ol style="list-style-type: none"> <li>1. TON: Cyclone Gita Recovery Project</li> </ol>	<ol style="list-style-type: none"> <li>1. RMI: Energy Security Project (formerly Tank Farm Project)</li> <li>2. TON: Outer Island Renewable Energy Project (3rd additional financing)</li> </ol>
2019	<ol style="list-style-type: none"> <li>1. SOL: Tina River Hydropower Project</li> </ol>	<ol style="list-style-type: none"> <li>1. NAU: Solar Power Development Project</li> <li>2. TON: Renewable Energy Project</li> <li>3. TUV: Increasing Access to Renewable Energy Project</li> <li>4. FSM: Renewable Energy Development Project</li> </ol>
2020	<ol style="list-style-type: none"> <li>1. PAL: Disaster Resilient Clean Energy Financing</li> <li>2. PAL: Palau Public Utilities Corporation Reform</li> </ol>	<ol style="list-style-type: none"> <li>1. KIR: South Tarawa Renewable Energy Project</li> <li>2. TON: Outer Island Renewable Energy Project (4th additional financing)</li> </ol>

COO = Cook Islands, FSM = Federated States of Micronesia, KIR = Kiribati, MFF = multitranches financing facility, NAU = Nauru, PAL = Palau, PNG = Papua New Guinea, RMI = Republic of the Marshall Islands, SAM = Samoa, SOL = Solomon Islands, TON = Tonga, VAN = Vanuatu.

Source: Asian Development Bank.

**Table A3.3: Consultant Recruitment Times**

<b>PIC</b>	<b>TA No.</b>	<b>Create Consultant Recruitment Plan</b>	<b>Contract Signing</b>	<b>Elapsed Time (Days)</b>	<b>ADB Average</b>	<b>% Reduction on ADB Average</b>
VAN	8285	12 April 2013	10 February 2014	304	195	(53%)
RMI (network strengthening)	9225	16 June 2016	7 December 2016	174	195	13%
FSM and TON	9242	11 April 2017	25 October 2017	197	195	(1%)
SAM	9242	23 June 2017	1 December 2017	161	195	19%
NAU	9242	16 December 2017	11 June 2018	177	195	11%
RMI (energy security)	9225	1 June 2018	17 June 2018	16	195	92%
TUV	9242	15 February 2018	2 August 2018	166	195	14%
KIR	9772	30 April 2019	15 August 2019	107	195	55%
TON OIREP 4th AF		Not applicable	Not applicable			
Average (excluding Vanuatu project since consultants were recruited prior to facility approval)				143	195	27%

ADB = Asian Development Bank, AF = additional financing, FSM = Federated States of Micronesia, KIR = Kiribati, NAU = Nauru, OIREP = Outer Island Renewable Energy Project, PIC = Pacific island country, RMI = Republic of the Marshall Islands, SAM = Samoa, TA = technical assistance, TON = Tonga, TUV = Tuvalu, VAN = Vanuatu.  
Sources: Asian Development Bank.

**Table A3.4: Performance of Facility Streamlined Processes 2017–2019**

Measure	Target Improvement	Comment	Result
Projects processed	Number increased by one-third	<ul style="list-style-type: none"> <li>Eleven Pacific energy projects were processed over the 3 years prior to the facility (2014 to 2016), an average of 3.6 per year.</li> <li>Sixteen Pacific energy projects were processed over the first 4 years of the facility (2017–2020) for an average of 4 per year.</li> </ul>	Annual number of projects processed has increased by 11% compared with the 3 years prior to the facility.
Staff time spent on consultant recruitment	Reduced by half	<ul style="list-style-type: none"> <li>Seven consultancy contracts have been awarded for project preparation, of which four are under the Pacific Renewable Energy Investment Facility TA and three are under other TA.</li> <li>In the absence of a metric on staff time spent on consultant recruitment, time duration for consultant recruitment is considered. ADB's Procurement, Portfolio and Financial Management Department advises that the average time for consultant recruitment is 6.5 months (about 195 days).<sup>a</sup> Excluding the Vanuatu project, which was designed (and the consultant recruited) during 2012–2014, the average recruitment time of the six remaining consultancy contracts was 143 days, representing a 27% reduction in ADB average recruitment time.</li> </ul>	Reduced by 27%.
Processing time	Reduced by one-third	<ul style="list-style-type: none"> <li>Streamlined procedures replace the standard concept approval process with approval of a scoping mission back-to-office-report, and delegates project approval to the President, thereby eliminating the process of circulation to ADB's Board of Directors for approval. Concept preparation and approval typically takes 50 calendar days, while Board circulation requires 21 calendar days. The streamlined procedures, therefore, avoid about 2.5 months of processing time.</li> <li>Processing time is calculated from the concept design review meeting (where applicable) or approval of scoping mission back-to-office-report to project approval. For the eight approved facility projects, the average processing time was 21 months. Assuming that processing would have taken 2.5 months longer without streamlined processes, the average reduction in processing time was 18%, excluding the Vanuatu project because processing occurred 5 years before the facility was approved.</li> </ul>	Reduced by 2.5 months [18%].

ADB = Asian Development Bank, PIC-11 = 11 small Pacific island countries, TA = technical assistance.

<sup>a</sup> ADB. 2017. *Consulting Services Annual Report*. Manila.

Source: Asian Development Bank estimates.

### STATUS OF APPROVED TECHNICAL ASSISTANCE PROJECTS

TA Name	TA Number	Scope	Approval	Financing	Status
Pacific Renewable Energy Investment Facility, Phase 1	TA 9242	Processing and implementation of investment projects, capacity building measures, private sector participation, and creation of a facility support unit	24 Nov 2016	TASF: \$5.0 million CEFPF/CEF: \$3.0 million HLTF: \$0.5 million UNDP: \$0.367 million  <b>Total: \$8.867 million</b>	Consultant contracts awarded to (i) International and national individual consultants to support PREIF, including establishment of the facility support unit; (ii) prepare and implement the Tonga Renewable Energy Project and the FSM Renewable Energy Development Project; (iii) prepare the Nauru project; (iv) prepare the 2017 RMI project; (v) develop a regional guarantee product; (vi) prepare the 2021 Samoa project; (vii) prepare the Tuvalu project; (viii) prepare the Vanuatu project; and (ix) prepare the FSM Renewable Energy Development Project additional financing.
Capacity Building and Sector Reform for Renewable Energy Investments in the Pacific	TA 9425	The TA will provide capacity building and policy advice support for ongoing and ensuing projects, comprising projects included in the indicative project pipeline under the Pacific Renewable Energy Investment Facility and other investment projects in energy planned or proposed in the country operations business plans of Pacific developing member countries.	22 Nov 2017	GCF <sup>a</sup> : \$5.0 million TASF:\$0.8 million  <b>Total \$5.8 million</b>	Assessment of utilities is complete in the RMI and is ongoing in the FSM, Nauru, and Cook Islands. Progress is on track.
Preparing the Pacific Renewable Energy Investment Facility (Phase 2)	TA 9772	The TA facility will conduct required due diligence and provide project preparation and procurement support, capacity building, and policy recommendations for seven ensuing energy sector projects for approval in 2019–2022 under the Pacific Renewable Energy Investment Facility.	19 Jul 2019	TASF: \$3.0 million SCF: \$1.0 million  <b>Total: \$4.0 million</b>	Consulting contracts awarded for: (i) project preparation consultants for the Kiribati South Tarawa Renewable Energy Project; (ii) a consultant to supervise site preparation for the Nauru Solar Power Development Project; (iii) consultants to support accurate planning of investments in Palau's energy sector; provide technical and commercial advisory services; and conduct independent review of the selected proposal for Palau

TA Name	TA Number	Scope	Approval	Financing	Status
					independent power producer solar project; (iv) a consultant to support the preparation of the Palau Disaster Resilient Clean Energy Financing Facility; (v) consultants to support the preparation of the 2021 Samoa project, (vi) consultants to support the preparation of additional financing of the RMI Energy Security Project; (vii) consultants to support the preparation of additional financing of the FSM Renewable Energy Development Project; (viii) a consultant to support the preparation, pre-implementation, implementation, and monitoring of the Kiribati South Tarawa Renewable Energy Project; and (ix) a consultant to provide a technologically and economically optimized renewable energy investment plan and energy efficiency plan in Cook Islands.
Development of the Pacific Energy Regulators Alliance	TA 9868	The TA will develop a model for the institutionalization of a Pacific Energy Regulators Alliance, define its administrative and governance structures and scope of activities, determine its resource requirements, and prepare an initial work plan to ensure its sustainability and mechanisms for attracting and managing additional financial resources.	15 Nov 2019	TASF: \$225,000	Consultant contract has been awarded. No disbursement yet.
Preparing Floating Solar Plus Projects	TA 6680		15 Dec 2020	CEFPF/ACEF: \$2 million	Consultant under recruitment.

ACEF = Asian Clean Energy Fund, CEF = Clean Energy Fund, CEFPF = Clean Energy Financing Partnership Facility, FSM = Federated States of Micronesia, GCF = Green Climate Fund, HLTF = High-Level Technology Fund, PREIF = Pacific Renewable Energy Investment Facility, RMI = Republic of the Marshall Islands, SCF = Strategic Climate Fund, TA = technical assistance, TASF = Technical Assistance Special Fund, UNDP = United Nations Development Programme.

<sup>a</sup> The TA is funded wholly by a grant from the GCF, the funding proposal for which was approved by the GCF board during its 17th meeting on 11 December 2016. The funded activity agreement (cofinancing agreement) for the TA (and the Cook Islands investment project included in the same funding proposal) was negotiated and concluded on 18 May 2018.

Source: Asian Development Bank estimates.