



September 2020

Pacific Renewable Energy Investment Facility Interim Review Report

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
COBP	–	country operations business plan
COVID-19	–	coronavirus disease
DMC	–	developing member country
DMF	–	design and monitoring framework
FSU	–	facility support unit
GCF	–	Green Climate Fund
km	–	kilometer
MW	–	megawatt
MWh	–	megawatt-hour
OP	–	operational priorities
PIC-11	–	11 small Pacific island countries
PIU	–	project implementation unit
PPA	–	Pacific Power Association
RRP	–	report and recommendation of the President
SI	–	staff instruction
TA	–	technical assistance

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 2017.¹ The countries comprising PIC-11 are the Cook Islands, the Federated States of Micronesia, Kiribati, Nauru, Palau, the Republic of the Marshall Islands, 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 the Asian Development Fund grants, (ii) \$110 million from concessional ordinary capital resources lending, and (iii) \$10 million from regular ordinary capital resources. ADB will consider funding proposals under the facility until 29 July 2022, while the implementation period will be until July 2025. The facility is innovative in that it allows ADB to process a large number of small-value projects in the PIC-11 faster and with lower transaction costs.²

2. 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. This paper provides that review and covers three of the five-year funding approval period for the facility.

II. FACILITY DESIGN AND SCOPE

3. **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 islands with a total landmass of 46,000 square kilometres and a population of 1.5 million. The PIC-11 are in an oceanic region covering 15% of the globe's surface. The islands are remote from each other and from other Pacific island countries. 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.

4. In 2017, the electricity utilities of the PIC-11 were government-owned (except Vanuatu), small (with peak loads ranging from 1 to 20 megawatts), and used imported diesel for power generation, resulting in expensive (averaging \$0.53/kilowatt-hour) and volatile electricity prices. Although the PIC-11 had cost-competitive renewable energy resources and government policies promoting renewable energy, development was restricted by capacity barriers, a need for sector reform, a lack of financing options, and limited private sector investment.

5. ADB responded to the unmet need, actively supporting renewable energy solutions in the PIC-11. This was done on a project basis using standard processing procedures. Projects were small, at about \$10 million each, generally using photovoltaic solar power, and despite being

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

² The facility provides an aggregate approval limit under which the President is authorized to approve loans and grants to a range of qualifying small-value renewable energy projects in the PIC-11 from 2017 to 2022. The facility replaces the standard concept approval procedure with approval of a scoping mission back-to-office report, while the delegation of approval to the President eliminates the process of circulation to ADB's Board of Directors for approval.

similar, opportunities for synergies between similar projects were not captured. Processing tended to be slow, and roll-out was limited by funding constraints.

6. 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.

7. **Impact and outcome.** The impact of the facility is aligned with improving regional energy security in the Pacific, as set out in the Framework for Action on Energy Security in the Pacific.³ The outcome will be generation of lower-cost and cleaner energy increased, with the following performance indicators: (i) renewable energy generation as percentage of power generation increased to 30% by 2025 (from 8.9% in 2016); and (ii) by 2025, 85,000 tons of carbon dioxide equivalent greenhouse gas emissions per annum avoided.

8. **Output 1: Renewable energy generation facilities and supporting infrastructure constructed and/or rehabilitated.** By June 2025, the facility has the following performance indicators in the design and monitoring framework (DMF): (i) 80 megawatts (MW) of renewable energy generation capacity commissioned, (ii) 30 megawatt-hours (MWh) of battery storage installed, and (iii) 300 kilometers (km) of transmission and distribution network constructed. The RRP estimated that 20 projects would be supported by the facility, including an indicative pipeline of 13 projects during 2017–2019.⁴

9. **Output 2: Energy sector reform and capacity building undertaken.** The facility will support sector reform, capacity building, promotion of the private sector, and regional initiatives. The DMF performance indicators are: (i) reform documents submitted for approval to the relevant authority in four countries by June 2025, (ii) one risk guarantee product approved by December 2020, and (iii) 100 workshop participants' reporting skills on renewable energy integration improved.

10. **Programmatic approach and streamlined procedures.** The facility was designed to take a programmatic approach to implementing small-value renewable energy projects and reform measures across the PIC-11. The facility's projected benefits include faster achievement of renewable energy targets, increased resources to implement national renewable energy targets, increased access to financial and technical assistance resources, faster and more efficient processing of financing, increased participation of the private sector, and improved incorporation of lessons from projects across the region.

11. 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 by the head of department (footnote 2).⁵ Para. 19 of the RRP indicated the facility is expected to (i) increase the number of 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.

³ Secretariat of the Pacific Community. 2011. *Framework for Action on Energy Security in the Pacific, 2010–2020*. Suva.

⁴ ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Pacific Renewable Investment Facility*. [Linked Document: Indicative Pipeline](#). Manila.

⁵ ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Pacific Renewable Investment Facility*. [Linked Document: Project Processing Procedures](#). Manila.

12. **Eligibility criteria.** Project qualifying criteria consist of the following: (i) project scope includes renewable energy generation and supporting energy sector infrastructure,⁶ (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.

13. **Facility administration.** A facility support unit (FSU), established at ADB headquarters, will support the design and implementation of the facility, including preparation of projects. The FSU includes consultants financed by the Pacific Renewable Energy Investment Facility technical assistance (TA)⁷ and performs tasks as outlined in the facility RRP (para. 34).

14. **Technical assistance.** The RRP envisaged the facility being supported by two regional transaction TA facilities: (i) the \$8.935 million transaction TA (footnote 7), which supports the processing, preparation, and implementation of investment projects; capacity building measures; private sector participation; and the creation of a facility support unit; and (ii) the \$5.8 million Capacity Building and Sector Reform for Renewable Energy Investments in the Pacific transaction TA, which supports sector and utility reforms.⁸

III. IMPLEMENTATION PROGRESS

A. Approved Projects

15. **Committed projects.** As of July 2020, eight projects in six PIC-11 have been approved and committed under the facility for a total of \$141.1 million.⁹ The impact objective is being met in that all approved projects will increase country energy security. Of the eight projects, four are solar projects with battery storage and one is hydropower with transmission and distribution lines. The two projects in the Republic of the Marshall Islands focused on supporting energy infrastructure while the Tonga outer islands project focused on increasing energy access in rural areas through solar generation systems (footnote 6). These projects are projected to avoid 35,000 tons of carbon dioxide equivalent greenhouse gas emissions and will contribute to increasing the share of renewable energy generation above 50% for each of the six countries. The outputs for the eight approved projects are discussed below and detailed in Appendix 1.

16. **Output 1: Renewable energy generation facilities and supporting infrastructure constructed and/or rehabilitated.** Table 1 summarizes the outputs of the eight projects against the DMF targets. The facility has already met the target for batteries installed, however, the facility is well below of target for both renewable energy generation and transmission and distribution network constructed.

⁶ 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 projects for rural electrification and increasing energy access including through hybrid solar and distribution expansion.

⁷ ADB. [Regional: Pacific Renewable Energy Investment Facility](#) (formerly Pacific Renewable Energy Investment Program). The TA, approved in November 2016, is financed on a grant basis from ADB's Technical Assistance Fund (TASF-V) (\$5 million) and \$3 million from the Clean Energy Financing Partnership Facility. 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)

⁸ ADB. 2017. [Regional: Capacity Building and Sector Reform for Renewable Energy Investments in the Pacific](#). TA 9425-REG, approved on 22 November, comprises \$5 million from the Green Climate Fund and \$800,000 from TASF.

⁹ The \$141.1 million comprises \$80.2 million in ADB financing (40% of the ceiling), \$42 million in cofinancing (8.4% of the indicative financing plan), and \$14 million in government counterpart financing (28% of the indicative financing plan).

17. The original output 1 targets were based on a highly indicative and incomplete pipeline of 13 projects up to 2019 (only for the first half of the approved processing period) (footnote 4). These indicative projects were still subject to due diligence, dependent on the changing priorities and needs of the PIC-11, and did not account for projects executed by others. During processing, the Samoa hydropower project was recategorized A for environment and was no longer eligible under the facility, and the high-value projects, such as the four solar and wind hybrid projects in the Federated States of Micronesia, had been downsized or financed by others. The heightened demand for batteries reflects their essential role in the PIC-11 for load shifting of intermittent renewable energy. The lower generation capacity to date is also partially caused by the shift to investments in batteries as generation is offset by storage. Countries are also increasingly using public-sector funds for batteries to attract investments in generation capacity by the private sector.

Table 1: Output 1 Performance Against Targets

Outputs	DMF Targets	Outputs as of June 2020	Outputs as of June 2020 as a % of DMF Targets
Renewable energy generation commissioned by 2025 (MW)	80	11.62	15%
Batteries installed by 2025 (MWh)	30	30.90	103%
Transmission and distribution network constructed by 2025 (km)	300	21.00	7%

DMF = design and monitoring framework, km = kilometer, MW = megawatt, MWh = megawatt-hour.

Source: Asian Development Bank estimates.

18. The slow progress to date in the network constructed is largely due to the nature of PIC-11 island grids. The facility RRP stated that, because of the small size of PIC-11 economies, the small size of their electricity grids, and the isolated nature of the islands, the electricity grids of the PIC-11 are not suitable for interconnection. Long transmission lines are not needed; therefore, projects tend to be limited to short distribution line upgrades, mini-grids and site-specific renewable energy projects that are closer to demand centers, including distributed facilities. In addition, battery systems for energy storage and grid stability strengthen existing networks and allow solar electricity to power night-time loads, effectively producing the same outputs as a solar power plant and a transmission system. These battery systems greatly increase renewable energy grid penetration in the PIC-11, displacing more diesel fuel, and reducing emissions, thereby contributing to the two outcome indicators. Like solar photovoltaic, the cost of battery energy storage systems has been declining in recent years. The shortfall in the length of transmission network installed is being offset by the increase in battery systems installed. While the facility recognized this, the indicative pipeline and program at facility design stage envisioned large hydropower projects with long transmission lines, such as in Samoa and Solomon Islands, and hence the high target. These projects are proceeding outside the facility. This shift in investment priorities and the increasing relevance and cost-effectiveness of battery systems inform the revised indicative project pipeline in Appendix 1.¹⁰ The corresponding projected outputs are reflected in the proposed DMF revision in para. 55, which recommends a significant reduction in kilometers of transmission network constructed, a slight reduction in the renewable energy generation capacity installed, both of which are offset by a significant increase in the target for battery systems installed. The proposed changes do not negatively affect the outcome.

19. The facility performed strongly in achieving the “key activities and milestones” for output 1 in the DMF (summarized in Appendix 2, Table A2.2). For all eight projects, consultant

¹⁰ Government investment priorities shifted to cost-effective battery systems that enable private sector investments in renewable energy generation, which are revenue-generating and therefore financially attractive. Public sector funds are leveraging private sector investments that will not happen, be utilized or be absorbed without the battery systems.

procurement and land acquisition were completed prior to the President's approval. Similarly for all projects, community consultation by the national project implementation unit (PIU) commenced immediately after Board approval. In 75% of cases the main contracts were awarded within 9 months of project effectiveness.

20. **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 due to 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, up to a one-year delay is projected.

Table 2: Output 2 Performance Against the DMF Targets

Output Indicator	Target Date	Progress as of June 2020	Status
Reform documents submitted for approval	Approval in four countries by June 2025	Approved in two countries, under preparation in four countries.	On track
Risk guarantee product approved	One product approved by December 2020	Guarantee product approved in April 2019	Achieved and under implementation
Workshop Training	100 participants	122 trained	Achieved and ongoing

DMF = design and monitoring framework.

Source: Asian Development Bank estimates.

21. The Capacity Building and Sector Reform for Renewable Energy Investments in the Pacific TA (footnote 8) 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 and conducting workshops on the implementation of recommendations. Progress is on track and assessment is complete in the Federated States of Micronesia (two utilities) and the Republic of the Marshall Islands (one utility). Assessment is ongoing or initiated in four countries (Cook Islands, Nauru, Samoa, and Tonga).

22. A regional guarantee product, the Pacific Renewable Energy Program was approved on 17 April 2019.¹¹ The program is providing 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. ADB's Private Sector Operations Department and Pacific Regional Department jointly developed the program. ADB's Private Sector Operations Department is overseeing implementation, monitoring the progress of the portfolio, responding to issues arising in the guarantee transaction, and preparing periodic program progress reports to donors, as required.¹² The private sector is being supported on an integrated regional basis (i) through this program, and (ii) by leveraging private sector participation in current¹³ and future sovereign projects, such as for the Nauru and Tonga solar-plus projects (Appendix 1). The Pacific Renewable Energy Program guarantee products result in physical investments that contribute to achieving facility performance indicators for output 1. The cofinancing amounts and their outputs are proposed to be captured in the facility annual reports.¹⁴

¹¹ ADB. 2019. [Report and Recommendation of the President to the Board of Directors: Proposed Pacific Renewable Energy Program](#). Manila.

¹² The first annual report of the program covering March–December 2019 was circulated for information to the Board in April 2020.

¹³ The 6 MW private sector funded Hihifo Solar Power Project in Tonga is expected to reach financial close within 2020.

¹⁴ Achievements of the guarantee program will be reported in its annual report and cited in the facility annual report.

23. Sustained long term capacity building for the PIC-11 energy sector has evolved from the work of the facility and TA projects with support from other partners. The facility's aim to train 100 workshop participants to improve skills in renewable energy integration and reporting has already been surpassed by 20%. To date, 73 participants funded under the first TA (footnote 7) have gained knowledge through their participation in the 2018 and 2019 Asia Clean Energy Forum, which had a special focus on renewable energy. Eight were trained in November 2018 at the Energy and Policy Regulation workshop in Fiji. Over 20 officials from utilities attended and reported at the workshop held during the July 2019 Pacific Power Association (PPA) annual conference in Cook Islands. In June 2020, the FSU conducted the first of the series of Pacific CEOs Talks. This first dialogue was attended by 21 government and utility chief executive officers from 12 Pacific island countries, 10 of which are from PIC-11 (Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, Palau, Papua New Guinea, 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 and recover amidst the pandemic. The target level of training has been achieved and quarterly progress reporting for ongoing projects is improved.

24. In addition, the regional energy training program concept presented by the FSU at the 2018 PPA annual conference in Palau has been welcomed by all Pacific utilities and donors under the Pacific Regional Infrastructure Facility. A scoping study was conducted for a Regional Energy Training Center and Program in the Pacific and implementation is expected to start in 2021. Also, under the Capacity Building and Sector Reform for Renewable Energy Investments in the Pacific TA (footnote 8) and the TA for Development of the Pacific Electricity Regulators Alliance, a workshop is planned in the second half of 2020 on the PPA Transparency Framework targeting 30 participants from Pacific utilities as well as participants from the World Bank and the International Monetary Fund.¹⁵

B. Facility Financing

25. ADB financing has been predominately grants, of the eight approved projects only the Vanuatu project included a loan (for \$2.5 million). 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.

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

Year	No. of Projects	Financing			Total
		ADB	Cofinancing	Government	
2017	2	7.00	7.00	3.10	17.35
2018	2	18.20	3.38	0.00	21.58
2019	4	55.20	32.40	14.57	102.17
Total	8	80.40	42.78	17.92	141.10

ADB = Asian Development Bank.

Source: Asian Development Bank estimates.

¹⁵ The Pacific Regional Infrastructure Facility (PRIF) donors and Pacific utilities, led by the Electricity Fiji Limited, welcomed the proposal as it aligns with their plans. PRIF donors engaged a consultant to conduct the scoping study and specific training events are being designed based on the final report recommendations submitted in October 2019. PRIF donors and the energy working group expect to start implementation in 2021. The World Bank is engaging a regional energy training coordinator through the PPA. Also, action plans for comprehensive capacity building for and within the utilities are embedded in the recommendations for reforms under the reform TA.

26. From 2017 to 2019, approved project financing reached a total of \$141.1 million (18.8% of total facility financing estimate).¹⁶ ADB's facility financing reached \$80.40 million (40.2% of RRP estimate), of which \$77.90 million are grants from ADB's Special Funds resources (ADF) (97% of RRP allocation). The Vanuatu project loan represents 2% of the \$120 million estimated to come from lending. For the same period, the Government of Australia, the Green Climate Fund (GCF), the Global Environment Facility, and the Strategic Climate Fund committed a combined \$42.78 million in cofinancing, representing 8.6% of the RRP cofinancing estimate.

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

Year	ADB Financing		DFAT	Cofinancing		
	ADF	OCR		GEF	GCF	SCF
2017	4.50	2.50				7.00
2018	18.20		0.74	2.64		
2019	55.20		2.50		29.90	
Total	77.90	2.50	3.24	2.64	29.90	7.00

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, OCR = ordinary capital resources, SCF = Strategic Climate Fund.

Source: Asian Development Bank estimates.

C. Programmatic Approach for Project Preparation and Capacity Development and Streamlined Procedures

27. Apart from the facility RRP definition of the programmatic approach and streamlined process, the facility lacked specific procedures, guidelines, administration manual, document templates, and reporting procedures that would have enabled administration teams to process projects even more efficiently. Project management and reporting procedures under the facility were not defined until almost the midpoint of the facility processing period.

28. At facility design and initial implementation, opportunities for regional procurement were assessed, but were found unsuitable for the planned projects, which had different country employers, project locations, scopes, and implementation schedules. Seven consulting contracts were required to prepare the facility projects. Consistent with the programmatic approach, the Capacity Building and Sector Reform for Renewable Energy Investments in the Pacific TA (footnote 8) and the TA for Development of the Pacific Electricity Regulators Alliance¹⁷ recruited a single firm each to conduct the assessments and the regional capacity building initiatives across the PIC-11 (paras. 23–24). From 2020, opportunities for regional procurement and capacity building will be considered for ongoing and in any new transaction TA that will prepare similar and simultaneous projects in two or more of the PIC-11. This will include framework contracts or indefinite delivery, indefinite quantity contracts.

29. The facility's streamlined approach aims to process a large number of small-value projects. The RRP identified 13 projects during 2017 to 2019 (an average of 4.3 projects per year) in eight countries at a total cost of \$377 million (an average of \$29 million per project). The current achievement is 2.7 projects per year on average at an average cost of \$17.6 million per project. The lower numbers are due to substantial changes in the indicative pipeline (i) of the four projects planned for the Federated States of Micronesia, two were financed by others, while the other two were combined into a single project; (ii) the planned Cook Islands and Samoa projects were no

¹⁶ For 2020, facility projects are programmed for approval in the third and fourth quarters.

¹⁷ ADB. [Regional: Development of the Pacific Energy Regulators Alliance](#). (TA 9868-REG).

longer eligible under the facility; (iii) one of the two planned Vanuatu projects did not proceed; and (iv) a new project in Tuvalu was added.

30. The estimated number of projects to be financed under the facility (20) will be exceeded. Appendix 1 shows the proposed revised indicative pipeline for 2020–2024, which envisions a further 20 facility projects across the PIC-11. The facility has also allowed for use of innovative approaches. Cross-sectoral solar-plus projects are planned for 2022 in Kiribati, Tonga and Tuvalu and another four, in four countries, are envisioned for 2024.¹⁸ These will provide an opportunity for regional procurement and other synergies. Solar-plus projects are intended to address critical vulnerabilities and needs in the PIC-11, considering current energy sector plans and strategies, interventions and utility reforms, and include demand-side management and efficiency measures as well as value-added end-uses beyond electricity.¹⁹

31. 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 in 2018, two were processed per year under the facility. Five projects, with 4 under the facility, were processed in 2019. While as yet below target, the facility is achieving efficiency gains.

Table 5: Results of the Facility Streamlined Processes

Performance Measure	Expected Improvement	Outcome as of June 2020
Projects processed	Increased by 33%	Average number of Pacific energy projects approved increased by 11%, from 3.6 projects in the previous three years (2014–2016) to 4 within 2017–2019.
Consultant recruitment time	Reduced by 50%	24% below the ADB average (average of 149 days compared with ADB average of 195 days).
Project processing time	Reduced by 33%	Reduced by 18% (2.5 months).

Source: Asian Development Bank estimates.

D. Technical Assistance

32. Following successful implementation of the first TA (footnote 7), 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.²⁰ To further support the regional reform initiatives, the TA for Development of the Pacific Electricity Regulators Alliance was approved on 15 November 2019 (footnote 16). This small-scale TA 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. Some details of the training and capacity building under the TA projects are described in paras. 23–24.

33. Table 6 lists approved TA projects and Table 7 details TA funding sources. Details of their scope, financing, and implementation status are in Appendix 4.

¹⁸ Cross-sectoral projects tackle problems that cut across various sectors and themes and incorporate cross-cutting solutions. These projects can be designed to address the energy-water-food-health-climate nexus of challenges.

¹⁹ 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, clean electricity mobility. A transaction TA for approval in 2020 will prepare floating solar plus (FPV) projects in Kiribati, Tonga and Tuvalu and develop a roadmap for deployment of FPV in the PIC-11, including the concepts for the 2024 projects.

²⁰ ADB. [Regional: Preparing the Pacific Renewable Energy Investment Facility \(Phase 2\)](#). (TA 9772-REG).

34. ADB's TA Special Fund accounts for more than 47% of the facility's TA funding, followed by the GCF at 26% and the Clean Energy Financing Partnership Facility at about 16%. The GCF and the Strategic Climate Fund are funding both facility TA and project grants.²¹

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

Source: Asian Development Bank estimates.

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

TA Type and Number	Year Approved	Amount	Cofinancing					
			ADB 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					
Total		18.960	9.025	3.000	5.000	0.500	1.000	0.435

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

Source: Asian Development Bank estimates.

35. The first TA facility (footnote 7) financed the preparation of five projects, one of which proceeded outside the facility (para. 17).²² The average size of the four projects prepared within the facility was \$16 million; the average TA amount for project preparation was \$1.1 million. Project preparation contracts for the last three 2019 projects averaged \$700,000 per project and the same budget is earmarked for the three floating solar-plus projects to be prepared by 2022 through a proposed fourth transaction TA facility for approval in 2020.²³ The declining average amount for project preparation shows the increasing efficiency of project processing under the facility and is half the ADB average for energy sector transaction TA of \$1.4 million to prepare projects with an average size of \$173 million in 2019.²⁴ The TA also financed consultancy support to the FSU, the preparation of the regional guarantee program, and training (paras. 23–24). The recruitment of a single consulting firm under the Capacity Building and Sector Reform for Renewable Energy Investments in the Pacific TA (footnote 8) to support sector and utility reform across the PIC-11 and other ADB Pacific DMCs increased efficiency.

²¹ As of June 2020, all funds under the TA projects are fully allocated with over \$5.3 million (60%) disbursed from TA 9242 and over \$2.1 million (37%) from TA 9425. Only 5% was disbursed from TA 9772 as it became effective only in July 2019, while there were no disbursements yet from TA 9868 as it became effective only in November 2019.

²² Of the eight approved facility projects, five were prepared under the first facility TA (in the Federated States of Micronesia, Nauru, Samoa, Tonga, and Tuvalu). The other three were prepared under other ongoing TA. The project that was processed outside the facility because of the project being environment category A was in Samoa.

²³ A fourth transaction TA facility totaling \$2 million to prepare floating solar plus projects in three PIC-11 countries is expected to be approved within the third quarter of 2020.

²⁴ Estimates by Procurement, Portfolio and Financial Management Department, ADB.

E. Facility Administration

36. The Facility Support Unit (FSU) was established in the Pacific Department's Energy Division to support the design and implementation of the facility, including preparation of projects. The FSU comprises ADB project officers, project preparation and implementation consulting firms, and individual consultants. PIUs have been established in each participating country. The FSU interacts with the PIUs on project design and implementation. In April 2020, the Office of the Auditor General commenced 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. The audit observations presented at the interim meeting showed that the facility utilized 40% of the ADB financing plan compared with 43% elapsed time. The facility performed better or slightly below the ADB average for 2019 in two parameters: (i) 32 days versus ADB average of 67 days from approval to signing; and (ii) 82 days versus ADB average of 78 days from signing to effectiveness.²⁵ The audit observed a few inadequacies in the management and monitoring of facility projects as well as inconsistencies in the facility documentation and processing procedures. These include process requirements that were not clearly defined in the RRP but were further streamlined in recent facility projects (para. 48). The FSU submitted an action plan to address the audit findings and these are incorporated in this report (para. 54).²⁶

F. Alignment with Strategy 2030

37. The facility embodies ADB's strategic approach in addressing the unique challenges in the PIC-11 as outlined in the Pacific Approach, 2016–2020.²⁷ In addition, ADB's Strategy 2030, when it came into effect, reinforced the facility objectives, as facility projects directly support four of its seven operational priorities (OPs): (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).²⁸ 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.

38. The PIC-11 are committed to reducing greenhouse gas emissions, as evidenced by their Nationally Determined Contributions.²⁹ The PIC-11 are impacted by climate change more than they impact climate change. The main drivers for the PIC-11 to increase generation from domestic renewable energy sources are to reduce the cost of electricity and increase energy security by reducing reliance on imported petroleum, which in turn will reduce emissions. Although petroleum prices have declined from levels assumed at facility approval in 2017, prices of renewable energy equipment and components have also decreased. The rationale for the PIC-11 to increase electricity generation from renewable energy sources remains valid.

²⁵ Main causes of delays were the approval, signing and effectiveness of cofinancing, and safeguards requirements.

²⁶ The observations were presented to the Pacific Department at the interim meeting in July 2020. The final report of the audit is expected to be completed by the fourth quarter of 2020.

²⁷ ADB. 2016. *Pacific Approach, 2016–2020*, Manila. The Pacific Approach is the equivalent of a country partnership strategy for the PIC-11.

²⁸ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

²⁹ A country's committed mitigation efforts and emissions reduction target based on Article 4 of the Paris Agreement.

39. **Safeguards and gender.** All projects processed under the facility are category B or lower for both environment and social safeguards. Five projects are classified as *effective gender mainstreaming* and one is *some gender elements*, with gender action plans prepared. Stringent safeguards due diligence ensure 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.

40. **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 these exceeded the hurdle rates. Targeted capacity building under the Capacity Building and Sector Reform for Renewable Energy Investments in the Pacific TA (footnote 8) and under individual projects ensure improved governance and institutional capacity. Ongoing sector reforms, tariff reviews, capacity building (including on financial management), interventions for asset replacement, insurance, and support for project management and operation and maintenance, including the use of design–build–operate contracts, help ensure the satisfactory performance of the utilities. Covenants on financial sustainability and tariff restructuring to achieve cost recovery are included in the project legal documents. The transaction TA projects as well as the reform TA projects are assisting the utilities in tariff reviews and restructuring. In addition to undertaking technical, financial and economic, safeguards, procurement, and governance due diligence, projects also conduct climate risk and vulnerability assessments, which inform the project designs to incorporate climate-resilience and climate-sustainability elements.

IV. ISSUES, LESSONS, AND RECOMMENDATIONS

A. Issues

41. **Facility implementation period.** Proposals for financing under the facility are to be considered until 29 July 2022 and the project implementation period will end in July 2025. While project processing is ongoing and several projects are planned in the future, the opportunity to increase the number of projects (and their total amount), which familiarity with the facility normally brings about, has been set back by the coronavirus disease (COVID-19) pandemic. An extension of the availability period is needed to meet the outputs and outcome from the revised pipeline. It is noted that footnote 16 of the facility RRP provides for extension of the facility implementation period, as necessary.

42. **Project pipeline.** ADB's country operations business plan (COBP) for the PIC-11 for 2020–2022 envisaged \$359 million of energy projects over the 3-year period, including \$55 million for potential facility projects.³⁰ The COBP 2020 pipeline, as reported in the 2019 Facility Annual Progress Report,³¹ is being reviewed and updated to reflect the changes in PIC-11 priorities and needs, consider the impacts of the COVID-19 pandemic, and take into consideration the entry of

³⁰ ADB. 2019. *Country Operations Business Plan: 11 Small Pacific Island Countries, 2020–2022*. Manila.

³¹ [ADB. 2020. *Pacific Renewable Energy Investment Facility Annual Report January–December 2019*. Manila.](#)

Niue, a small Pacific island country and ADB's 68th and newest DMC.³² The COBP for the PIC-12 for 2021–2023 is now under preparation.

43. Indicative facility project pipeline. Seven of the PIC-11 are classified as ADF grants-only countries. Cook Islands, Palau, Solomon Islands, and Vanuatu have access to loans but given their tourism-based economies, are among the hardest hit by global travel restrictions and lockdowns resulting from COVID-19. Infrastructure development financing will be focused on recovery efforts, including from natural disasters, and borrowings from these four PICs are deferred. Project processing will likely be slow for 2021 and will pick up again from 2022 onwards. 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 2020–2024 envisages projects totaling about \$339 million from all funding sources (ADB financing, cofinancing and government counterpart funding), which would bring the facility total to \$480 million, including approved projects (Appendix 1). This is equivalent to 63% of the RRP investment estimate. Cofinancing is programmed to be at \$180 million, or 36% of the RRP estimate. The pipeline is subject to discussions with PIC-11 governments and will be incorporated into the new COBP when confirmed. The projected outputs from this indicative pipeline form the basis for the recommended changes in the facility DMF.

44. Facility financing plan. The RRP envisaged a high proportion of cofinancing, with a significant portion expected to come from GCF. The low achievement to date reflects (i) changed GCF priorities and long approval periods for cofinancing, (ii) governments' requests to increase ADB grant funding in lieu of cofinancing because of the delays encountered in processing cofinancing,³³ and (iii) additional financing using pure cofinancing being processed outside the facility.³⁴ This low achievement is also because some investments, such as private sector financing for renewable energy projects linked to facility projects and contribute to the facility results, as envisioned at design stage, are not counted as cofinancing. These are described in succeeding paragraphs.

45. Attribution of cofinancing and achievements under the facility. Para. 8 of the facility RRP recognized the limited options for financing renewable energy projects in the PIC-11 and proposed innovative financing modalities to supplement sovereign financing, including through public private partnerships, independent power producers, and crowding in commercial financing through guarantee products. Para. 28 of the facility RRP also states that the facility will support private sector investments and enumerated the various approaches. Facility projects are now increasingly designed to attract private sector investments in renewable energy generation capacity – attractive because these create revenues. These investments are either prepared or being structured through the facility TA projects, and directly contribute to achieving the output and outcome targets under the facility. It is therefore proposed to report as facility cofinancing private sector financing that are (i) generated by ADB's Private Sector Operations Department and the Pacific Renewable Energy Program in support of independent power producers attracted by facility projects, or (ii) directly leveraged by facility projects as part of governments'

³² Expansion to PIC-12 to include Niue in the facility scope will be considered after country classification and when a project pipeline is confirmed.

³³ Asian Development Bank. 2018. [Increase in the Base Allocation of the Performance-Based Allocation System for 2019–2020](#). Manila.

³⁴ These include the batteries funded by GCF and GEF for the Cook Islands Renewable Energy Sector Project initially envisioned in the RRP as well as the additional financing from the Government of Australia for the Tonga Outer Islands Renewable Energy Project.

commitments under their legal agreements with ADB.³⁵ The related renewable energy generation capacity installed and carbon emission reductions achieved will then be captured as performance achievements under the facility in the facility annual reports.³⁶

46. The facility RRP also states that additional financing may be included in the facility (RRP para. 30), but it did not differentiate between additional financing with and without ADB financing. Future additional financing for facility projects, with or without ADB financing, will be attributed to the facility, as these additional funds were attracted to support the original project. There are three additional financing projects in the pipeline—for Tonga and Vanuatu in 2020 and for Tuvalu in 2021.

47. **Breakdown of ADB financing under the facility.** The facility delegated the 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 97% of the estimate, and more are expected in the pipeline. In this regard, the breakdown of ADB financing sources will need to be revised to reflect these. Table 1 in the RRP states that the breakdown is just an estimate, and only the total ADB financing was approved and reflected in the DMF. The total ADF grant projected in the indicative pipeline, which takes into consideration indicative country allocations, will reach up to the maximum limit of \$200 million by 2024. This breakdown of financing sources was designed to allow ADF grants to fill shortfalls in PIC-11 borrowing and in cofinancing and will be revisited annually during the country programming exercise. 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 (SI).³⁷ The current indicative pipeline is sufficient to achieve the outcome indicators.

B. Lessons Learned

48. **Project processing procedures.** The RRP prescribes project processing procedures in its linked document (footnote 5) while also stating that project processing and due diligence will be carried out following existing operations manuals and staff instructions, primarily for stand-alone projects (RRP para. 32). The linked document requires a memorandum of understanding to be signed as part of the scoping mission, whereas SI 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 memorandum of

³⁵ For example, the [Tonga Renewable Energy Project](#), approved under the facility in 2019, is installing large battery energy storage systems with the aim to support and accommodate 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 ADB's Private Sector Operations Department and the Pacific Department under the Pacific Renewable Energy Program for the first 6 MW (footnote 12) 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. Another example is the proposed Palau Solar Independent Power Producer Project to be developed jointly with the Office of Public–Private Partnership and is supported by a facility transaction TA. Both projects have been nominated for inclusion under the One ADB Collaboration target for 2020 and will have outputs that contribute to the facility targets.

³⁶ 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 and will avoid double counting in reporting ADB's results.

³⁷ The indicative pipeline in Appendix 1 suggests that the \$200 million total ADB financing will be reached by 2023 without achieving the proposed revised DMF targets. The ADB loan financing as well as the cofinancing, however, are highly speculative and the pipeline will be reviewed annually and achievements towards the outcome indicators will be monitored to assess if an increase in ADB financing will be needed.

understanding (SI para. 12).³⁸ The procedures will be further streamlined to follow the SI, as applicable, for the scoping mission back-to-office report concept approval under the facility.³⁹

49. **Prevailing procurement policy.** Approved facility projects followed ADB's Procurement Guidelines (2015) since the facility was approved prior to 1 July 2017. Projects processed in 2019, however, as advised by the Procurement, Portfolio and Financial Management Department, incorporated certain requirements and guidance notes of the 2017 procurement framework such as the market assessment, procurement risk assessment, and the standard bidding documents templates. For facility projects for approval from 2020, the ADB Procurement Policy (2017) will be followed to conduct the Strategic Procurement Planning required for all investment projects from 2020 onwards, which will inform the project design and procurement approach, as well as improve facility project administration through the stricter requirements.

50. **Cross-sectoral interventions and joint procurement.** Approved facility projects did not benefit from the synergies of collaboration among sector divisions and from joint procurement. New facility projects will increasingly explore collaboration with other sector divisions, particularly transport and water, to design cross-sectoral projects.⁴⁰ Joint procurement of similar contract scopes for facility and non-facility projects will continue to be explored in collaboration with the Procurement, Portfolio and Financial Management Department through modifications to standard bidding documents to cater to the different project approval and implementation timelines, funding sources, and other requirements specific to each project included in the joint procurement.⁴¹

51. **Consultant recruitment.** Recruiting consultants separately for individual projects increases recruitment time and transaction cost and reduces opportunities to roll out standard solutions. Consistent with the programmatic approach, consultants will be recruited to prepare multiple contracts in multiple countries, including through the use of framework contracts and barring that, shorter recruitment time approaches such as direct contracting, single-source selection, simplified technical proposals or biodata technical proposals. Refinements to ADB systems to allow various TA sources to pay one consultant contract will also be explored.

52. **Performance monitoring and reporting.** Para. 19 of the RRP expected efficiency gains from the facility streamlined procedures based on the number of projects processed, consultant recruitment time, and project processing time. Results at facility midpoint are described in Table 5 and detailed in Appendix 3, Table A3.4. An increase in the number of projects processed per year spread across all the PIC-11 is a good performance measure as it implies faster results that covered more projects and countries in less time. The facility has achieved 50% of the expected reduction in staff time spent on consultant recruitment and this is expected to be reduced further with the engagement of one consulting firm to prepare three or more projects in the proposed new transaction TA. Moreover, the close monitoring of project processing by the FSU has resulted in the facility performing better or just slightly below ADB overall in reaching the signing and effectiveness milestones (para. 36).

³⁸ ADB. 2017. [Business Processes for Transaction Technical Assistance](#). *Compendium of Staff Instructions*. Manila.

³⁹ From para. 8 of the SI: Transaction TA is often processed as an integral part of the concept clearance for an ensuing project. It may also be processed separately after the project concept clearance (para. 14). Regardless of the timing of TA processing, the business processes (paras. 9–30) in this staff instruction will apply.

⁴⁰ Collaboration with the Pacific Transport and Communication, and Urban and Water Divisions will be explored for the solar-plus projects in the pipeline (Appendix 1). In addition, regional procurement will be considered for the proposed floating solar-plus projects in the pipeline, to be prepared under one regional transaction TA proposed for approval in September 2020.

⁴¹ These include dividing sections in the standard bidding document such as bidding forms and contract forms under one package to cover individual project lots. Preparation of bidding documents for the joint procurement in Kiribati for the South Tarawa Water Supply Project and the proposed South Tarawa Renewable Energy Project is ongoing.

53. Processing time reduction, however, was calculated at facility design and was fixed at 2.5 months. This represents time otherwise spent for the concept paper approval process and the circulation to the Board. Since it is fixed, it is not suitable to be presented as a rate of reduction—e.g., one-third reduction as defined in the RRP. A reduction by one-third means that the fixed 2.5 months represent one-third of normal processing time. This then implies a normal processing time of 7.5 months which, for the facility, needs to be reduced to 5 months from concept approval to the President's approval to reach the expected efficiency gain. This is difficult to achieve. The Pacific Department, on average, needs 6–7 months from fact-finding mission, not from concept approval, to project approval. It is thus proposed that monitoring and reporting of streamlined business processes state the fixed 2.5 months processing time reduction and also include the number of days elapsed from project approval to signing, and from signing to effectiveness.

54. **Facility administration.** Enhancements to the facility management arrangements and processes are needed based on the findings of this interim review and on the recommendations from the ongoing audit of the facility being conducted by the Office of the Auditor General (para. 36). To further enhance facility processing, implementation, and administration, (i) the Pacific Department Energy Division will officialize the FSU set up and specify the tasks of relevant staff in the FSU and include the tasks in their work plans, and (ii) the FSU will collaborate with the Office of the General Counsel, Office of the Secretary, Procurement, Portfolio and Financial Management Department, and the Strategy, Policy and Partnerships Department to (a) develop a guidance note on facility project processing and implementation incorporating the lessons and recommendations of this interim review and the audit; (b) develop standard approval and reporting document templates; and (c) conduct regular briefings to relevant staff and stakeholders based on the guidance note.

C. Recommendations for Design and Scope Modifications

55. Apart from incorporating lessons learned on project design and processing procedures described above, below are the proposed facility design and scope modifications:

- (i) **Availability period.** The facility availability period is proposed to be extended by 2 years such that the processing window extends to 31 July 2024 and the implementation period extends to 31 July 2027.
- (ii) **DMF output indicators revisions.** Output 1 target of renewable energy generation is proposed to be reduced from 80 MW to 70 MW. The battery energy storage system target is proposed to be increased from 30 MWh to 75 MWh. The target for transmission and distribution network constructed or rehabilitated is reduced from 300 km to 100 km of network commissioned by 2027. The risk of delays caused by the COVID-19 pandemic is also added.

V. CONCLUSIONS

56. The implementation of the facility to date has encountered delays and difficulties, as is normal with a new and innovative approach. Despite those difficulties, the facility is achieving most of its objectives to build institutional capacity, increase generation from domestic renewable energy sources, increase energy security and 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 efficiency gains: reducing processing time and consultant recruitment time, and processing more projects for the same staff time. The number of projects processed in the third year doubled from the average of the first two years,

and the grant financing target for ADB was reached. Given the constrained absorptive capacity of the fragile PIC-11 economies, the facility, like all global development efforts, faces uncertainty because of the unprecedented social and economic impacts of COVID-19. Recovery from the pandemic will be long and difficult.

57. This new facility modality, with its programmatic approach and streamlined procedures, continues to be justified in the differentiated context of the small PICs, and could be explored for replication in sectors with similar context, such as water or sewage treatment facilities, desalination plants, or even information and communications technology management systems. The Pacific Department Energy Division will work with key departments such as the Strategy, Policy and Partnerships Department, Office of the General Counsel, and the Procurement, Portfolio and Financial Management Department to develop clear guidelines and instructions to enhance efficiencies in facility project processing and implementation and to prepare for potential replication.

58. To improve the performance of the facility procedures, design, and scope, modifications are needed. These will accelerate the achievement of targets, better capture the evolving needs and energy landscape of the PIC-11, and maintain relevance. The recommended modifications take into account changes in ADB's policies and guidelines. The facility monitoring and reporting mechanisms must also capture other achievements and benefits, particularly its contribution towards the sustainable development of the PIC-11 and its support for the operational priorities under ADB's Strategy 2030. These include gender mainstreaming and inclusion, as well as increasing access to clean energy. None of the proposed facility modifications will negatively affect the facility outcome except for the delayed completion date, necessitated by the COVID-19 pandemic.

VI. NEXT STEP

59. Upon disclosure of this interim review report, approval will be sought for a change in the facility design and scope as recommended in para. 55. The request for approval of the proposed change in the facility will follow the relevant Project Administration Instructions for a project.

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 rehabilitation (units)	New HH(i)	ADB Loan	ADB Grant	Total ADB	Cofinancing	Gov	Total (US\$ million)
		APPROVED														
2017	VAN	Energy Access Project		0.40		0.40		21.00		1,050	2.50	2.50	5.00	7.00	3.10	15.10
2017	RMI	Majuro Power Network Strengthening Project						500 smart meters				2.00	2.00		0.25	2.25
2018	TON	Outer Island Renewable Energy Project	0.39			0.39						5.50	5.50	3.38		8.88
2018	RMI	Energy Security Project							6 million gallons tank farm rehabilitated			12.70	12.70			12.70
2019	TON	Renewable Energy Project	1.15			1.15	25.60					12.20	12.20	32.40	8.60	53.20
2019	TUV	Increasing Access to Renewable Energy Project	0.72			0.72	2.00					6.00	6.00		0.48	6.48
2019	FSM	Renewable Energy Development Project	2.96			2.96	0.80			48		15.00	15.00		0.51	15.51
2019	NAU	Solar Power Development Project	6.00			6.00	2.50					22.00	22.00		4.98	26.98
	All	Approved	11.22	0.40	-	11.62	30.90	21.00	-	1,098.00	2.50	77.90	80.40	42.78	17.92	141.10
		PIPELINE														
2020	FSM	Renewable Energy Development Project (AF)						10.00				4.00	4.00		0.20	4.20
2020	RMI	Energy Security Project (Additional Financing)						20.00				7.00	7.00		0.50	7.50
2020	KIR	South Tarawa Renewable Energy Project	5.00			5.00	13.00					8.00	8.00	5.70	1.00	14.70
2020	VAN	Energy Access Project (AF)									1.58	2.90	4.48			4.48
2021	TUV	Increasing Access to Renewable Energy Project (AF)	3.00			3.00						6.00	6.00	6.00	0.50	12.50
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	Solar Plus Project	4.00			4.00						5.00	5.00		2.00	7.00
2022	SOL	Rural Electrification Project	3.60			3.60	10.00	3.00	2.20	2,000	7.50	7.50	15.00	2.00	9.50	26.50
2022	PAL	Grid Expansion Project				-		20.00			20.00		20.00	5.00	2.00	27.00
2022	NAU	Renewable Energy Sector Development Project	3.00			3.00	6.00					15.00	15.00		1.00	16.00
2022	FSM	Renewable Energy Development Project (Phase 2)		9.00		9.00						10.00	10.00	30.00	2.00	42.00
2023	SAM	Smart Grid Project	5.00			5.00	1.00	2.00			4.00	11.00	15.00		2.00	17.00
2023	RMI	Majuro Network Strengthening Phase 2						20.00				10.00	10.00	20.00	5.60	35.60
2023	COO	Renewable Energy Development Project	6.00		2.00	8.00	2.00	3.00			10.00		10.00	18.00	2.00	30.00
2023	VAN	Rural Renewable Energy Development Program	1.00			1.00	2.00	3.00			4.50	5.50	10.00	5.00	1.00	16.00
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
	ALL	Pipeline	49.60	9.00	2.00	60.60	44.50	81.00	2.20	2,000.00	47.58	122.40	169.98	137.20	32.30	339.48
	All	APPROVED AND PIPELINE	60.82	9.40	2.00	72.22	75.40	102.00	2.20	3,098.00	50.08	200.30	250.38	179.98	50.22	480.57
		Facility targets by mid 2022 (= end of processing period)				80.00	30.00	300.00	5.00	2,000.00	120.00	80.00	200.00	500.00	50.00	750.00
		Projects by end 2019 (= 50% of processing period) as a % of facility targets				15%	103%	7%	0%	55%	2%	97%	40%	9%	36%	19%

ADB = Asian Development Bank, COO = Cook Islands, FSM = Federated States of Micronesia, 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, TON = Tonga, TUV = Tuvalu, US = United States, VAN = Vanuatu.

Note: Pipeline projects are subject to country programming missions and discussions for potential inclusion in the country operations business plan, 2021–2023 for 12 Small Pacific Island Countries, which is under preparation.

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	Board Circulation	Scheduled Completion	Amount (\$ million)	Cofinancier	Procurement Status as of May 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 Sep 2017	8 Dec 2017	31 Mar 2024	12.00	Strategic Climate Fund	Supervision consultant contract awarded. Works contract for constructing Brenwe Hydropower Plant signed on 22 January 2020. Procurement for transmission and distribution contracts (2 lots) needs to be rebid as there were no responsive bids in the original bidding. Rebidding will commence by mid-May 2020.
RMI	Majuro Power Network Strengthening	The project will install advanced metering infrastructure on the Majuro power system.	Grant 0554-RMI	27 Nov 2017	21 Dec 2017	31 Jul 2022	2.00		Implementation delayed because of failure of two bidding processes. Contract negotiations for the supervision consultant to manage the shopping for AMI Package and 3 individual consultants to provide support to MEC (the executing agency) ongoing. Procurement expected by Q3 2020.
RMI	Energy Security Project	The project will rehabilitate the existing Majuro tank farm.	Grant 0637	5 Dec 2018	29 Jan 2019	30 Jun 2024	12.70		Supervision consultant to be recruited. Works and goods contracts to be procured by Q3 2020.
TON	Outer Island Renewable Energy Project (additional financing)	The existing project will install 1.32 MWp of solar PV systems on nine islands. The project will meet financing gaps	Grant 0586-TON Grant 0587-TON Grant 0588-TON	31 Jul 2018	21 Aug 2018	30 Jun 2020	8.88	Global Environment Facility Government of Australia	Procurement of works and goods packages under phase 4 mini-grid distribution are ongoing and will be completed by Q2 2020; PMU consultant contracts have been extended to 30 Jun 2021.

PIC	Project Name	Summary Description	Loan and/or Grant Number	Approval	Board Circulation	Scheduled Completion	Amount (\$ million)	Cofinancier	Procurement Status as of May 2020
		and scale up the existing project.							
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 Mar 2019	13 Mar 2019	31 Oct 2022	53.20	Government of Australia Green Climate fund	All major contracts, including supervision consultant, have been awarded. PMU has been recruited and established. On schedule.
NAU	Solar Power Development Project	The project will replace diesel generation with lower cost renewable energy.	Grant 0664-NAU	18 Sep 2019	2 Oct 2019	28 Feb 2024	26.98		Works supervision consultant recruited. Project supervision consultant under recruitment. Procurement of contractor ongoing. On schedule.
TUV	Increasing Access to Renewable Energy Project	The project will expand access to modern energy services.	Grant 0674-TUV	4 Nov 2019	4 Nov 2019	31 Dec 2022	6.00		Supervision consultant and works contractor under recruitment. On schedule.
FSM	Renewable Energy Development Project	The project will finance renewable energy generation in the FSM states of Kosrae and Yap.	Grant 0680-FSM	3 Dec 2019	12 Dec 2019	31 Aug 2023	15.50		Procurement of works are ongoing. Project implementation consultant contract negotiations are ongoing. Supplemental management operation—for evaluation. On schedule.

AMI = advanced metering infrastructure; FSM = Federated States of Micronesia, MEC = Marshalls Energy Company; MWp = megawatt peak, 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 DMF Key Activities and Milestones for Approved Projects

Key Activities and Milestones	Result
<ul style="list-style-type: none"> Procure consultants prior to Board approval for individual projects 	100% achieved
<ul style="list-style-type: none"> Commence community consultations by national PIU (with minimum 30% women participating) immediately after Board approval for individual projects 	100% achieved
<ul style="list-style-type: none"> Complete land acquisition by Board approval for individual projects 	100% achieved
<ul style="list-style-type: none"> Award main construction contracts within 9 months of effectiveness of individual projects^a 	75% achieved

DMF = design and monitoring framework, PIU = project implementation unit.

^a Two 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) as well as for the Republic of the Marshall Islands network strengthening project (2017) were significantly delayed. The three projects approved in 2019 became effective in March 2020 are still on track to achieve this milestone.

Source: Asian Development Bank estimates.

Table A2.3: Output 2 Key Activities and Milestones

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

^a Implementation is delayed by the coronavirus disease pandemic. The utilities are concerned with security of supply and other operational priorities and have requested to postpone implementation. A 1-year delay is projected.

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	Project Approval	Processing Time ^a (months)	Processing Time without Facility Streamlined Processes ^b (months)	% Time Reduction Due to Facility Streamlined Processes
VAN	Energy Access Project		11 Apr 2012	26 Sep 2017	66.5	69.0	4%
RMI	Majuro Power Network Strengthening Project		28 Oct 2016	27 Nov 2017	13.2	15.7	16%
TON	Outer Island Renewable Energy Project (Additional financing)	9 Feb 2018		31 Jul 2018	5.7	8.2	30%
RMI	Energy Security Project	28 Feb 2018		5 Dec 2018	9.3	11.8	21%
TON	Renewable Energy Project	9 Feb 2018		11 Mar 2019	13.2	15.7	16%
NAU	Solar Power Development Project	29 Sep 2017		19 Sep 2019	24.0	26.5	9%
TUV	Increasing Access to Renewable Energy Project	11 Oct 2018		4 Nov 2019	13.0	15.5	16%
FSM	Renewable Energy Development Project	24 May 2019		3 Dec 2019	6.4	8.9	28%
	Average				18.9	21.4	12%
	Average excluding VAN ^c				12.1	14.6	17%

CDRM = concept design review meeting, FSM = Federated States of Micronesia, NAU = Nauru, PIC = Pacific island country, RMI = Republic of the Marshall Islands, TON = Tonga, TUV = Tuvalu, VAN = Vanuatu.

^a Equal to the time from the concept design review meeting or scoping mission to approval.

^b Equal to the processing time plus 2.5 months*

^c VAN is not counted since processing occurred 5 years before the facility was approved.

*The facility's programmatic approach streamlines procedures, including replacing the standard concept paper approval process with approval of a scoping mission back-to-office report as well as delegating 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, reduce the processing time by about 2.5 months.

Source: Asian Development Bank.

Table A3.2: Pacific Energy Investment Projects Processed

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

COO = Cook Islands, FSM = Federated States of Micronesia, MFF = multitranchise financing facility, NAU = Nauru, 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

PIC	TA No.	Create Consultant Recruitment Plan	Contract Signing	Elapsed Time (Days)	ADB Average	% Reduction on ADB Average
FSM and TON	9242	11 April 2017	25 October 2017	197	199	1%
NAU	9242	16 December 2017	11 June 2018	177	199	11%
RMI (energy security)	9225	1 June 2018	17 June 2018	16	199	92%
TUV	9242	15 February 2018	3 August 2018	169	199	15%
SAM	9242	23 June 2017	1 December 2017	161	199	19%
RMI (network strengthening)	9225	16 June 2016	7 December 2016	174	199	13%
VAN	8285	12 April 2013	10 February 2014	304	199	(53%)
<i>Average (excluding Vanuatu project since consultants were recruited prior to facility approval)</i>				149	199	25%

ADB = Asian Development Bank, FSM = Federated States of Micronesia, NAU = Nauru, 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"> Eleven Pacific energy projects were processed over the 3 years prior to the facility (2014 to 2016), an average of 3.6 per year. Twelve Pacific energy projects were processed over the first 3 years of the facility (2017–2019) for an average of 4 per year. 	Annual number of projects processed has increased by 11% compared to the same 3 years prior to the facility.
Staff time spent on consultant recruitment	Reduced by half	<ul style="list-style-type: none"> 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. 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 (~195 days).^a 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 149 days, representing a 24% reduction in ADB average recruitment time. 	Reduced by 24%.
Processing time	Reduced by one-third	<ul style="list-style-type: none"> 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 circulation for approval. Concept preparation and approval typically takes 50 calendar days, while Board circulation requires only 21 calendar days. The streamlined procedures, therefore, is avoiding about 2.5 months of processing time. 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 17%, excluding the Vanuatu project because processing occurred 5 years before the facility was approved. 	Reduced by 17%.

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

^a 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	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 CEF: \$3.0 million HLTF: \$0.5 million UNDP \$0.435 million Total: \$8.935 million	Consultant contracts awarded to (i) establish a facility support unit, (ii) prepare and implement the Tonga Renewable Energy Project (TREP) and the FSM Renewable Energy Development Project (REDP), (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-REDP 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 to 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 ^a \$5.0 million TASF: \$0.8m Total \$5.8 million	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 Total: \$4.0 million	Consulting contracts awarded for (i) project preparation consultants for the Kiribati South Tarawa Renewable Energy Project, (ii) a consultant to supervise site preparation activities for the Nauru Solar Power Development Project, (iii) consultants to support accurate planning of investment in energy sector in Palau and a consultant to provide technical and commercial advisory services and review of proposal for Palau independent power producer (IPP) solar project, (iv) a consultant to support the preparation of the Palau Disaster

TA Name	TA Number	Scope	Approval	Financing	Status
					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.
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 the attraction and management of additional financial resources.	15 Nov 2019	TASF: \$225,000	Consultants are under recruitment.

CEF = Clean Energy Fund, FSM = Federated States of Micronesia, GCF = Green Climate Fund, HLTF = High-Level Technology Fund, RMI = Republic of the Marshall Islands, SCF = Strategic Climate Fund, TA = technical assistance, TASF = Technical Assistance Special Fund, UNDP = United Nations Development Fund.

^a 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.