

**Ministry of Infrastructure & Sustainable Energy (MISE)
and
United Nations Development Programme**

**Kiribati: Promoting Outer Island Development through Integrated Energy Roadmap
(POIDIER) – Local Project Appraisal Committee (LPAC) Meeting, 22nd November
2019**

Minutes of Meeting

Date: 22nd November 2019

Venue: MISE Board Room, Energy Planning Unit (EPU), Betio, Tarawa, Kiribati

Chaired by: Mr. Bwarerei Takireti, Assistant Secretary, MISE.

Time: 10:00am to 1:00pm

Summary

The LPAC meeting had full participation from senior government officials, the power utilities, the development bank, and UNDP. The discussions were quite rich and covered strategic, technical, governance, total budget and workplan, and financial sustainability aspects. The LPAC recommended to approve the POIDIER project document with qualification (i.e. minor changes).

Present

A total of 15 people participated in the LPAC comprising senior government officials, the power utilities, the development bank, and UNDP. Refer to Annex 1 - Participant list.

Agenda

The agenda for the LPAC was discussed and agreed collectively between the Energy Planning Unit and UNDP. This is attached as Annex 2.

Discussions on the UNDP/GEF POIDIER project document

Technical Components

- Sustainability of user-pay solar PV systems: In the past, the Kiribati Solar Energy Company (KSEC) had installed solar PV systems in the outer islands where households would pay for monthly tariff based on a 'user-pay system'. Over the years, households were defaulting on monthly tariff payments as they were dissatisfied with the irregular power supply to their homes. The KSEC system was therefore considered 'unsustainable'. As part of the POIDIER demonstration activities (Annex 11 of POIDIER project document), solar PV mini-grids will be installed in the demonstration sites and the business model to sustain this is via the 'user-pay' system. The solar PV mini-grids under POIDIER will include the business, community, and the public sector. In addition to supporting productive uses, which will be the focus, the solar PV mini-grids will address a good number of social service/ government organizations as targeted in the Kiribati Integrated Energy Roadmap (KIER). These include: the Kiribati Southern Hospital (KSH), a few outer island main clinics, a few junior secondary schools on the outer islands, several church centers on the outer islands, and several island councils. Learning from the KSEC experience, a backup power supply needs to be installed in the demonstration sites so that power is

available 24-hours in a day. That way, the beneficiaries of the solar PV mini-grids would be satisfied with the uninterrupted power supply and will therefore willingly and consistently pay for monthly tariffs. As this fact was overlooked during project formulation, the cost of backup power supply system was not budgeted for in the POIDIER total budget and work plan. This needs to be discussed during the Inception Phase of POIDIER as this would imply additional costs of the demonstration component. Therefore, the total budget and work plan needs to be reviewed during the Inception Phase to ensure that the cost of back-up power supply systems are included in the budget.

- Selection of outer islands for demonstration of low carbon technology: Currently, there are 11 sites for the solar PV demonstration (ref. Annex 11 of POIDIER project document). The LPAC meeting noted that there are no solar PV demonstration activities for the central group of islands i.e. Abemama, Kuria, and Aranuka. The LPAC noted that all outer islands in the northern part of Kiribati are covered. To widen the scope of the solar PV demonstration activities, there is need to review the list of outer islands for the solar PV demonstration during Inception Phase and make the necessary adjustments. The LPAC meeting understands that any adjustments should not affect the project outcomes and objectives, and the overall GHG emission reductions.
- Realistic costs of solar PV demonstration activities: The cost of solar PV demonstration activities for each site (per Annex A-11.4), may be insufficient. E.g. For Tab North, the cost for a 15kW system is AU\$150,000 (this cost includes battery and solar PV but excludes the costs of the distribution system). This needs to be discussed thoroughly during the Inception Phase, so that the total budget and work plan could be adjusted to cater for the realistic cost of solar PV demonstration activities for each site.

Governance and Management Arrangements, Total Budget and Work Plan

- Involvement of ECD/MELAD, and the Business Community in the Project Board and Technical Working Group, and coordination with existing committees: The Director of the Environment & Conservation Division (ECD), at the Ministry of Environment, Lands & Agricultural Development (MELAD) is currently the GEF Operational Focal Point for Kiribati. With this role and her involvement in strategic operational matters on GEF-funded projects in Kiribati, there is need for the Director of ECD to be part of the Project Board and to participate in decision-making. More importantly, the Environmental Impact Assessment (EIA) officers from ECD/MELAD need to be part of the Technical Working Group to support the review of the Environmental and Social Impact Assessment (ESIA) that will be conducted and the corresponding Environment and Social Management Plan (ESMP) that will be developed in order to mitigate the seven moderately-rated risks that were identified in the UNDP Social and Environmental Screening Procedure (ref. Annex 5 of POIDIER project document). The Secretariat of the Business Community in Kiribati will also need to be part of the Project Board and TWG, to represent the interest of the business community in the outer islands that will be part of the demonstration activities on solar PV mini-grids. The POIDIER governance needs to be coordinated with the existing National

Infrastructure Coordinating Committee, and the Energy Sector Coordinating Committee.

- POIDIER implementation arrangement via pure National Implementation Modality (NIM): Overall, the risk assessment of the EPU/MISE's programme, financial and operations management policies, procedures, systems and internal controls about cash transfers is found to be of **significant risk** to UNDP. For each subject area, the risk assessment findings are as follows: (1) implementing partner – moderate; (2) programme management – high; (3) organizational structure and staffing – significant; (4) accounting policies and procedures – significant; (5) fixed assets and inventory – high; (6) financial reporting and monitoring – significant; and (7) procurement – high. With the current micro-HACT assessment findings at significant risk rating along with preference of GEF for pure NIM, UNDP is unable to advance funds to EPU/MISE for project implementation unless a third party manages the POIDIER project funds on behalf of EPU/MISE. The LPAC discussed that while the EPU/MISE should be given the opportunity to strengthen its systems (based on the micro-HACT assessment findings) during the first 2 years of POIDIER implementation, the following implementation arrangement will be adopted in the interim: KSEC¹ will closely support EPU/MISE with project management and provision of technical expertise, while the Kiribati Fiduciary Services Unit (KFSU)² will handle all project financial transactions and procurement. This interim arrangement is considered win-win, as it addresses the micro-HACT assessment findings and more importantly, the decision by GEF for a pure NIM implementation arrangement. As this interim arrangement would imply additional costs, this will affect the Project Management component of the total budget and workplan. This needs to be further discussed and adjusted during Inception Phase.
- Disparity in the fees allocated to international and national consultants: The LPAC noted that there is a huge gap in the fees that are allocated to international and national consultants. Across all the four components, the rate for international consultants is US\$700/day while the rate for national consultants is US\$200/day. In the project management component, while the fee for international consultant remains at US\$700/day, the rate of national consultant is reduced to US\$150/day. In total, the budget allocated to international consultants is US\$576,100 while that for national consultants is US\$282,452. This means that from the total GEF-funding of US\$5,379,452, 10.7% is allocated to international consultants and 5.3% is allocated to national consultants. There is already a pool of national experts in Kiribati that could undertake technical work required for the demonstration activities on solar PV mini-grids. Similarly, national capacity to do policy development and social and environmental assessment also exists in Kiribati. This needs to be further discussed during Inception Phase, and adjustments made so that the disparity in the fees allocated to international and national consultants are reduced.

Gender Analysis

¹ <http://prdrse4all.spc.int/content/kiribati-solar-energy-company-ksec-0>

² <http://www.mfed.gov.ki/our-work/kiribati-fiduciary-services-unit>

- Contrary to the key findings of the Gender Analysis and Action Plan (Annex 7 of the POIDIER project document), one of the LPAC members stated that gender disparity in Kiribati is no longer an issue. Women are taking up influential positions within Government and the private sector. Women are also taking lead in managing community-based development projects in the outer islands. If anything, the situation needs to be balanced so that men can be more involved in community-based projects.
- It was suggested that the POIDIER's 'Solar Mama' Capacity Building Program include men as 'Solar Papa', where POIDIER will train both women and men in outer islands to source, install, and repair solar home systems. The target of training 40 outer island women could also include an equal number of men to balance the target. The baselines, indicators as well as mid-term and end-of-year project targets could be reviewed and adjusted during the Inception Phase.

Social and Environmental Screening

- As stated earlier, the overall rating of the UNDP Social and Environmental Screening Procedure (ref. Annex 5 of POIDIER project document) is 'moderate'. A moderate risk requires an ESIA and the development of an ESMP as soon as the project implementation starts and is a pre-requisite to commencing any demonstration activities.
- One of the seven moderately rated risks relate to the destruction of areas of habitat i.e. *Risk 3: PV and RE/EE for water for agriculture projects may be sited on areas of habitat that could be adversely affected.* The LPAC noted that the installations of PV and RE/EE will require the issuance of an Environmental Licensing, which is managed by ECD/MELAD.
- Similarly, another moderately rated risk relates to the generation of waste materials by the POIDIER project i.e. *Risk 5: Construction of PV mini-grids and RE/EE for water for power demos will generate wastes. Further, PV panels and batteries will require disposal at end of life. Energy efficient cook stoves, which may have a life of just 3 to 4 years will also generate waste materials.* The LPAC suggested that 'collection points' must be established in each demonstration site for storing obsolete solar PV batteries and energy efficient cookstove while waiting to be shipped into Tarawa. The TWG must also approve the disposal of waste materials. As this was overlooked during project formulation, this needs to be discussed further during Inception Phase and the costs should be included in the total budget and work plan.

Quality Assurance Assessment

The UNDP quality assurance assessment was carried out for the design phase of POIDIER. While the overall rating was satisfactory, areas that require improvement and clarification are as follows:

- Gender analysis and action plan – to be reviewed and adjusted based on LPAC comments as previously stated.
- Engagement of key stakeholders – communities in outer islands that will directly benefit from the demonstration activities need to be involved and consulted at the start of the project, and continuously during project implementation as well as the closure phase. In the Inception Phase, outer island communities need to participate in the Inception Workshop. During project implementation, outer island communities need to be visited and consulted during monitoring visits and annual reviews, so that their interests are brought forward to Project Board meetings. The costs for engaging outer

island communities need to be accurately reflected in the total budget and work plan. This needs to be discussed further during Inception Phase.

- Social and Environmental Standards – as mentioned above given the ‘moderate’ risk rating of POIDIER, the ESIA needs to be conducted and an ESMP developed and implemented. This is already part of the project activities and will be undertaken at the start of project implementation.
- Governance mechanism – to be reviewed and adjusted based on LPAC comments as previously stated.
- Implementation modality – adjusted based on LPAC comments as previously stated.

Follow-up actions

The LPAC agrees that specific follow-up actions would be addressed either; (i) before signing the POIDIER project document; or (ii) after the signing of project document and during the POIDIER Inception Phase, in-line with the UNDP/GEF process.

The follow-up actions are listed below:

- Sustainability of user-pay solar PV systems: review the total budget and work plan during the Inception Phase and include the costs of back-up power supply systems.
- Selection of outer islands for demonstration of low carbon technology: review the list of the solar PV demonstration activities during Inception Phase and include islands from the central group i.e. Abemama, Kuria, and Aranuka. The adjustments should not affect the project outcomes and objectives, and the overall GHG emission reductions.
- Realistic costs of solar PV demonstration activities: Review the total budget and work plan and adjust it to cater for the realistic cost of solar PV demonstration activities for each site.
- Membership of the Project Board and Technical Working Group: Include the ECD/MELAD, and the Business Community. Also, coordinate with existing committees such as the National Infrastructure Coordinating Committee, and the Energy Sector Coordinating Committee.
- POIDIER implementation arrangement via pure National Implementation Modality (NIM): While the EPU/MISE strengthens its systems (based on the micro-HACT assessment findings) during the first 2 years of POIDIER implementation, the KSEC will closely support EPU/MISE with project management and provision of technical expertise, while the KFSU will handle all project financial transactions and procurement. Review the Project Management component of the total budget and workplan and include the costs of engaging KSEC and KFSU as POIDIER responsible parties.
- Disparity in the fees allocated to international and national consultants: For each component: (i) determine the number of national experts that can be engaged as national consultants; (ii) review the number of days for engaging consultants (both international and national); (iii) review the daily fees for international and national consultants; and (iv) adjust the budget to reduce the gap in fees.
- Gender Analysis: conduct a Gender Survey during Inception Phase and review/adjust the baselines, indicators as well as mid-term and end-of-year project targets as appropriate.

- Social and Environmental Screening: Conduct an ESIA and develop an ESMP during Inception Phase. Review the total budget and work plan and include the costs of ‘risk mitigation activities’ in the budget.
- Engagement of key stakeholders – Invite representatives of outer island communities to the Inception Workshop, visit and consult outer island communities during monitoring visits and annual reviews, and present their interests to annual Project Board meetings. Review the total budget and work plan and include the costs of engaging outer island communities.

Recommendation

- The proposed project be approved on a no-objection basis.
- Minor editorial changes are to be made to the POIDIER project document either prior to sign-off or during the Inception Phase in-line with the UNDP/GEF process.

Signature of LPAC Chair



Mr. Bwarerei Takireti,
Assistant Secretary,
Ministry of Infrastructure and Sustainable Energy (MISE).

Date: 11/01/2020

Annex 1 – Participant List

<u>Name</u>	<u>Title</u>	<u>Organization</u>	<u>Contact (email)</u>
1. Martin Tofinga	Secretary	KCCI	martintofinga@gmail.com
2. Teuarai Ereata	Business Development Manager	Development Bank of Kiribati (DBK)	t_ereata@dbk.com.ki
3. Bwarerei Takireti	Assistant Secretary	MISE	as@mise.giv.ki
4. Teitibnebne	CSM	Power Utility Board (PUB)	csmanager@pub.com.ki
5. Buriti Tokam	Electrical Engineer	Kiribati Solar Energy Company (KSEC)	ee@solar.com.ki
6. Ueakeia Tofinga	Assistant Water Engineer	WSEU	ueakeiatofinga@gmail.com
7. Mary Univi	Energy Planner	MLPID	mataniborau3@gmail.com
8. Tabeti Biritia	Project Advisor, Third National Communications (TNC) Project	Environment & Conservation Division (ECD), MELAD	tbiritia@gmail.com
9. Mika Bitā	Senior Officer	ECD, MELAD	mikab@environment.gov.ki
10. Mareweiti Retion	Senior Officer	RPD, MIA	mareweiti.r@internationalaffairs.gov.ki
11. Nakibae Teuatabo	Consultant	ECD, MELAD	TBD
12. Tuiai Tabai	UNDP Analyst	UNJPO, Kiribati	tuiai.tabai@undp.org
13. Emma Sale	Programme Analyst	UNDP Pacific Office in Fiji	emma.sale@undp.org
14. Tiaon Aukitino	Energy Planner	Energy Planning Unit, MISE	t.aukitino@mise.gov.ki
15. Ueaniti Kiritimati	Energy Economist	Energy Planning Unit, MISE	u.betero@mise.gov.ki

Annex 2 – LPAC Agenda

Friday, 22 nd November 2019	
9:00–9:15am	Registration – Energy Planning Unit, MISE.
9:15–9:45am	<p>Welcome – Mr. Tiaon Aukitino, Energy Planner, Energy Planning Unit.</p> <p>Official Opening Remarks – Mr. Teuea Tebau Senior Architect Officer, Ministry of Infrastructure & Sustainable Energy (MISE).</p> <p>Remarks as GEF Operational Focal Point for Kiribati – Ms. Nenenteiti Teariki-Ruatu, Director for the Environment & Conservation Division (ECD), Ministry of Environment, Lands, and Agriculture Development (MELAD).</p>
9:45–10:0am	Introduction of participants (facilitated by Mr. Tiaon Aukitino)
10:00–10:30am	Morning tea (group photo session)
10:30– 11:30am [Presentations]	<ul style="list-style-type: none"> • Overview of UNDP Project Cycle, and What has been produced during the Project Preparation Grant? – Emma Sale. <p>Project Background – Tiaon Aukitino</p> <ul style="list-style-type: none"> • Energy situation in Kiribati (demand, supply, status, gaps, etc.); • Overview of POIDIER project (total budget, financiers, implementing partners and agencies, beneficiaries, timeframe; and • Technical overview of POIDIER project: what are the issues that the project intends to address, what are the specific interventions, what are the expected results, and what solutions will be developed to help meet long-term energy demand. <p>Project governance, management arrangements, and budget (Emma Sale)</p> <ul style="list-style-type: none"> • Project Structure and Institutional Arrangements; • Project Organization Arrangements; and • Total budget and workplan. <p>UNDP Programming principles (Emma Sale)</p> <ul style="list-style-type: none"> • Quality Assurance assessment checklist (including the Social & Environmental Screening Procedure); • Gender Analysis; and • Project Risks.
11:30am – 1:00pm	<ul style="list-style-type: none"> • Discussions on the presentations of POIDIER project document • L-PAC recommendation, way forward and closing remarks – Tiaon Aukitino, Energy Planner, EPU.
1:00-2:00pm	Lunch