World Bank Grants US$4.85 Million to Extend Electricity Services to 22,000 Residents in Vanuatu

Port Vila, June 19, 2014 – The World Bank, acting as administrator for the Global Partnership on Output-Based Aid (GPOBA), has signed an agreement with the Republic of Vanuatu to grant US$4,850,000 to provide on-grid electricity connections to nearly 22,000 low-income residents. This project is facilitated by the Australian Government’s contribution to GPOBA (AUD 43 million since 2007) which is focused on supporting projects in the Indo-Pacific region.

Australia is a key partner for GPOBA on this project and is the lead bilateral donor in the Pacific and in Vanuatu. Investing in infrastructure initiatives like this is an important priority for the Australian aid program, which is focused on promoting prosperity, reducing poverty and enhancing stability. Expanding access to reliable energy is one of Australia’s responses to tackling infrastructure bottlenecks in the region —vital for businesses and for communities. It complements Australia’s other investments in Vanuatu in key infrastructure and human development, such as the transport and sanitation infrastructure projects across the country, and the work to support effective regulation to reduce costs and increase supply in the energy sector.

“Improving access to the electrical grid will deliver tangible benefits to thousands of families in Vanuatu,” said Franz Drees-Gross, World Bank Country Director for the Pacific Islands. “The World Bank is pleased to be supporting the government’s efforts to expand access to the electricity grid.”

Only 28 percent of Vanuatu’s population currently has access to electricity on the formal grid, with access centered in the urban areas of Port Vila and Luganville. The Vanuatu National Energy Road Map, approved by the government in 2013, lists universal access to energy as one of its top priorities, but the cost of connection --- an average of US$700 per household--- is a barrier for low-income consumers.

This is the first output-based aid project in the Pacific Islands. Output-based aid, also known as results-based aid, is a cutting-edge form of development assistance, designed to involve the private sector and promote sustainable, accountable development.

“This project is the first of its kind in the Pacific Islands, and it builds on our experience and replicates successful output-based aid approaches in the energy sector in other countries,” said Carmen Nonay, Manager of GPOBA.

The project will be implemented over the next four years, and will help improve access to energy for low-income households by partially subsidizing the cost of electricity connections and household wiring.

The project will be implemented by the government’s Department of Energy and two private sector utilities, the Union Electrique du Vanuatu Ltd and Vanuatu Utilities and Infrastructure Ltd. The subsidies will be paid according to output-based aid principles, and will only be awarded to the utilities after the targeted households have been provided with electricity supply, and this has been independently verified. The subsidy covers 80 percent of the cost of connection as well as the cost of internal wiring, and provides technical support for project management, communications and outreach, and training.

GPOBA is a global partnership program established in 2003 and administered by the World Bank. It is a multi-donor trust fund used to develop output-based, or results-based aid approaches across a variety of sectors including infrastructure, health, and education. It has a portfolio of 38 OBA pilot projects with US$174 million in commitments, providing access to basic services to more than six million poor beneficiaries.

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