

# Project Administration Manual

Project Number: 50348-001  
Grant Number(s):  
March 2018

Regional: Improving Internet Connectivity for  
Micronesia Project

## ABBREVIATIONS

ADB	–	Asian Development Bank
BNL	–	BwebwerikiNet Limited
DFED	–	Department of Finance and Economic Planning
EA	–	executing agency
EMC	–	East Micronesia Cable
FSM	–	Federated States of Micronesia
FSMTC	–	FSM Telecommunication Corporation
IA	–	implementing agency
ICT	–	information and communications technology
MFED	–	Ministry of Finance & Economic Development Nauru Cable Corporation
NCC	–	Nauru Cable Corporation
O3B	–	Other Three Billion
PAM	–	project administration manual
PMU	–	project management unit
SC	–	steering committee
SPS	–	Safeguard Policy Statement 2009 (of ADB)
SXC	–	Southern Cross Cable

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### **Project Administration Manual Purpose and Process**

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with the policies and procedures of the government and Asian Development Bank (ADB). The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Department of Finance and Economic Planning (DFEP) in Nauru and the Ministry of Finance & Economic Development (MFED) in Kiribati (executing agencies) and the cable operating entities, Nauru Cable Corporation (NCC) in Nauru and BwebwerikiNet Limited (BNL) in Kiribati (implementing agencies) –are wholly responsible for the implementation of ADB-financed project, as agreed jointly between the borrowers and ADB, and in accordance with the policies and procedures of the governments and ADB. ADB staff is responsible for supporting implementation including compliance by executing and implementing agencies of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At grant negotiations, the borrowers and ADB shall agree to the PAM and ensure consistency with the grant agreement.<sup>a</sup> Such agreement shall be reflected in the minutes of the grant negotiations. In the event of any discrepancy or contradiction between the PAM and the grant agreements, the provisions of the grant agreements shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP), changes in implementation arrangements are subject to agreement and approval pursuant to relevant government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval, they will be subsequently incorporated in the PAM.

<sup>a</sup> The name of the operational financing document may vary on a project-to-project basis; this reference shall be deemed to encompass such variations, e.g., a Framework Financing Agreement, as applicable



## I. PROJECT DESCRIPTION

1. The Government of Kiribati and the Government of Nauru have requested the Asian Development Bank (ADB) to support a submarine internet cable project connecting the Micronesian sub-region (in the north Pacific) with the world. The project will finance (i) Nauru's share of the East Micronesia Cable (EMC) system and (ii) the submarine cable connection between Kiritimati island of Kiribati to a proposed transpacific cable system connecting Australia and Hawaii. The EMC system will be cofinanced by the World Bank and ADB, and will connect Tarawa, Kiribati; Nauru, and Kosrae State, Federated States of Micronesia (FSM) to Pohnpei, FSM.<sup>1</sup> The Kosrae and Tarawa portions of the EMC system will be financed by the World Bank.<sup>2</sup> The project will complement ongoing and existing cable systems connecting all the major islands in the North Pacific region.<sup>3</sup>

2. **Impact and Outcome.** The project is aligned with the following impact: telecommunications in Micronesia improved. The project will have the following outcome: low cost and high quality internet service in Nauru, Kosrae, and Tarawa and Kiritimati island in Kiribati achieved.<sup>4</sup> The ADB financed part of the project will include two outputs.

### 3. Outputs

- (i) **Output 1:** is the EMC system connecting the islands of Kosrae in FSM, Tarawa in Kiribati, and Nauru, to Pohnpei in FSM.<sup>5</sup> ADB will be financing Nauru's share of output 1, which will be achieved through (i) the construction of the EMC system and landing station in Nauru, (ii) efficient and effective operation of NCC by the Government of Nauru, and (iii) timely negotiation and signing of the C&MA between the consortium members. Nauru will be supported by a project management unit (PMU), funded under the project to implement output 1. The PMU will be initially resourced by a team of project implementation consultant
- (ii) **Output 2:** a submarine cable connection from Kiritimati, Kiribati to the NEXT cable system. Output 2 will be achieved through (i) the construction of a spur, branching unit, and landing station in Kiritimati by SXC; (ii) efficient and effective operation of BNL by the Government of Kiribati; and (iii) timely negotiation and signing of the master purchase agreement (MPA), landing party agreement (LPA), and capacity use agreement (CUA) between BNL and SXC. These agreements will give Kiribati the right to use the spur, branching unit, and landing station for 25 years, and require SXC to provide operation and maintenance for 15 years. ADB will be financing such use by Kiribati. Kiribati will be supported by a PMU, funded under the project to implement output 2.

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<sup>1</sup> Pohnpei, FSM is already connected to the international cable hub in Guam via Hantru-1 submarine cable system.

<sup>2</sup> <http://projects.worldbank.org/P161363?lang=en> and <http://projects.worldbank.org/P159632?lang=en>.

<sup>3</sup> The north Pacific system comprises the ADB financed connection for Palau, the World Bank financed connections for Yap and Chuuk States of FSM, and the United States of America Government financed connections for the Republic of Marshall Islands and Pohnpei State, FSM.

<sup>4</sup> The design and monitoring framework is in Appendix 1.

<sup>5</sup> The project will partially fund (Nauru's share) the EMC system. But EMC is integrated cable system and Nauru specific components cannot be separated. Therefore, end to end EMC system has been considered under project output.

## II. IMPLEMENTATION PLANS

### A. Project Readiness Activities

Indicative Activities	2017				2018		Responsible
	Q1	Q2	Q3	Q4	Q1	Q2	
Steering Committee set up	x						DFEP, MFED
Set up NCC		X					DFEP
Advance contracting actions		x					DFEP
Finalize bidding documents for EMC system					X		SC
International competitive bidding for EMC system			x			X	SC
Establish project implementation arrangements				X			DFEP, MFED
ADB approval					X		ADB
Grant signing						X	ADB, DFEP, MFED
Government legal opinion provided						X	DFEP, MFED
Grant effectiveness						X	ADB
Contracts signed with Southern Cross cable supplier						x	BNL, SCX

Source: Asian Development Bank.



## B. Overall Project Implementation Plan

Indicative Activities	2017		2018				2019				2020				2021				2022				
	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	
<b>Output 1: The EMC system connecting the islands of Kosrae in FSM, Tarawa in Kiribati, and Nauru, to Pohnpei in FSM</b>																							
1. Award contracts by Q3 2018																							
2. Carry out marine survey and complete marine operations for laying cables by Q4 2018																							
3. Install terminal equipment by the end of Q3 2019																							
4. Equip cable landing systems with the necessary cross-connect facilities for customers by Q1 2020																							
5. Train cable company staff on landing facility operation and maintenance, and update skills and knowledge periodically by Q4 2019																							
6. Put in place an appropriate cable repair and maintenance agreement for spur before completing laying of cable by Q1 2020																							
7. Achieve commissioning, provisional acceptance, and be ready for service by Q1 2020																							
8. Final acceptance by Q2 2020																							
<b>Output 2: A submarine cable connection from Kiritimati, Kiribati to the Southern Cross NEXT cable system</b>																							
1. Sign agreements by Q1 2018																							
2. Complete marine operations for laying cables by Q1 2018																							
3. Install terminal equipment by the end of Q3 2019																							
4. Equip cable landing systems with the necessary cross-connect facilities for customers by Q3 2019																							
5. Train cable company staff on landing facility operation and maintenance, and update skills and knowledge periodically by Q3 2019																							
6. Achieve commissioning, provisional acceptance, and be ready for service by Q4 2019																							
7. Final acceptance by Q1 2020																							
<b>Project Management Activities</b>																							
1. Continue regular monitoring and supervision																							
2. Follow up on safeguards issues and risk management plan in a timely manner until Q2 2020																							
3. Manage contracts from Q3 2017 until Q2 2020																							
4. Provide timely progress reports until Q2 2020																							
5. Carry out regular accounting and annual audits until Q2 2020																							

Source: Asian Development Bank.

### III. PROJECT MANAGEMENT ARRANGEMENTS

#### A. Project Implementation Organizations: Roles and Responsibilities

Project Implementation Organizations	Management Roles and Responsibilities
<p>Department of Finance and Economic Planning (DFEP) in Nauru</p> <p>Ministry of Finance &amp; Economic Development (MFED) in Kiribati</p>	<ul style="list-style-type: none"> <li>• Guide the development of the project and institutional arrangements for the lifetime of the cable</li> <li>• Facilitate the smooth flow of funds and overall management of the project including quality of financial management and submission of withdrawal applications and annual financial audit reports</li> <li>• Ensure budgetary and resource support to enable the implementing agencies to prepare and deliver the project</li> <li>• Facilitate negotiation, signing, and execution of the project financing agreements</li> <li>• Expedite implementation and minimize cost by: <ul style="list-style-type: none"> <li><input type="checkbox"/> ensuring necessary counterpart funds are available</li> <li><input type="checkbox"/> review invoices and payments to contractors, consultants, and other service providers</li> </ul> </li> <li>• Provide representative to the Tender Evaluation Committee (TEC)</li> </ul>
<p>Nauru Cable Corporation</p> <p>BwebwerikiNet Limited</p>	<ul style="list-style-type: none"> <li>• Responsible for providing wholesale internet capacity to local telecom players and expand their capabilities to ensure that access is equitable, non-discriminatory and at prices that reflect costs</li> <li>• Ensure that PMU is fully staffed and functional during the entire period of implementation</li> <li>• Recruit, administer and supervise project management and technical consultants to assist them complete the due diligence including works contracts</li> <li>• Prepare the legal and technical details for the cable solution</li> </ul>
<p>Project Management Unit-Nauru</p>	<ul style="list-style-type: none"> <li>• Responsible for the timely negotiation and signing of construction and maintenance agreement by the SC members and contract maintenance</li> <li>• Train new recruits on the business process and accounting standards</li> <li>• Lead project implementation activities aiming at timely of works</li> <li>• Provide day-to-day support for project preparation activities</li> <li>• Establish and maintain the project accounts</li> <li>• Focal point for communication with ADB on project-related matters</li> <li>• Review consultants' reports and ensure the outputs are suitable to the project objectives and the government policies and regulations</li> <li>• Ensure compliance with grant covenants, project agreements, ADB's guidelines, procedures, and policies</li> </ul>

	<ul style="list-style-type: none"> <li>• Coordinate with implementing agencies on O&amp;M of the project facilities</li> <li>• Prepare and/or submit withdrawal applications to ADB</li> <li>• Submit periodic reports, including semi-annual safeguards monitoring reports, to ADB and executing agency</li> <li>• Monitor and evaluate project activities and outputs and report the findings to MOF and ADB by monthly progress reports</li> <li>• Review and verify documents submitted by contractors and consultants</li> <li>• Facilitate communication with the local stakeholders</li> <li>• Consult with the public and disclose project information with ADB</li> <li>• Coordinate with the Office of Auditor General to have the project account audited annually: submit audited financial statement to ADB</li> <li>• Operate and maintain PMU office</li> </ul>
Project Management Unit-Kiribati	<ul style="list-style-type: none"> <li>• Responsible for the timely negotiation and signing of the Master Purchase Agreement, Landing Party Agreement, and Capacity Use Agreement between Southern Cross Cable Company and BwebwerikiNet Limited</li> <li>• Train new recruits on the business process and accounting standards</li> <li>• Lead project implementation activities aiming at timely of works</li> <li>• Provide day-to-day support for project preparation activities</li> <li>• Establish and maintain the project accounts</li> <li>• Focal point for communication with ADB on project-related matters</li> <li>• Ensure compliance with grant covenants, project agreements, ADB's guidelines, procedures, and policies</li> <li>• Coordinate with implementing agencies on O&amp;M of the project facilities</li> <li>• Prepare and/or submit withdrawal applications to ADB</li> <li>• Submit periodic reports, including semi-annual safeguards monitoring reports, to ADB and executing agency</li> <li>• Monitor and evaluate project activities and outputs and report the findings to MOF and ADB by monthly progress reports</li> <li>• Review and verify documents submitted by contractors and consultants</li> <li>• Facilitate communication with the local stakeholders</li> <li>• Consult with the public and disclose project information with ADB</li> <li>• Coordinate with the Office of Auditor General to have the project account audited annually, submit audited financial statement to ADB</li> <li>• Operate and maintain PMU office</li> </ul>

ADB	<ul style="list-style-type: none"> <li>• Monitor compliance with all agreements, covenants, and reporting requirements.</li> <li>• Process withdrawal applications, claims, advances, liquidations, and disbursements in a timely manner</li> <li>• Facilitate implementation and review progress on a regular basis</li> <li>• Periodically update and revise the PAM as and when necessary during each review mission and following any changes in program investment costs, scope, or implementation arrangements.</li> <li>• Review oversight of compliance with ADB's Safeguard Policy Statement (2009).</li> <li>• Validate progress reports and audit reports. Conduct off-site review of reports and other information provided from time to time; at its option, conduct on-site inspections to confirm such compliance.</li> </ul>
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## B. Key Persons Involved in Implementation

### Executing Agency

Department of Finance and  
Economic Planning (DFEP) in  
Nauru

Officer's Name  
Position  
Telephone  
Email address  
Office Address

Ministry of Finance and  
Economic Development (Kiribati)

Officer's Name  
Position  
Telephone  
Email address  
Office Address

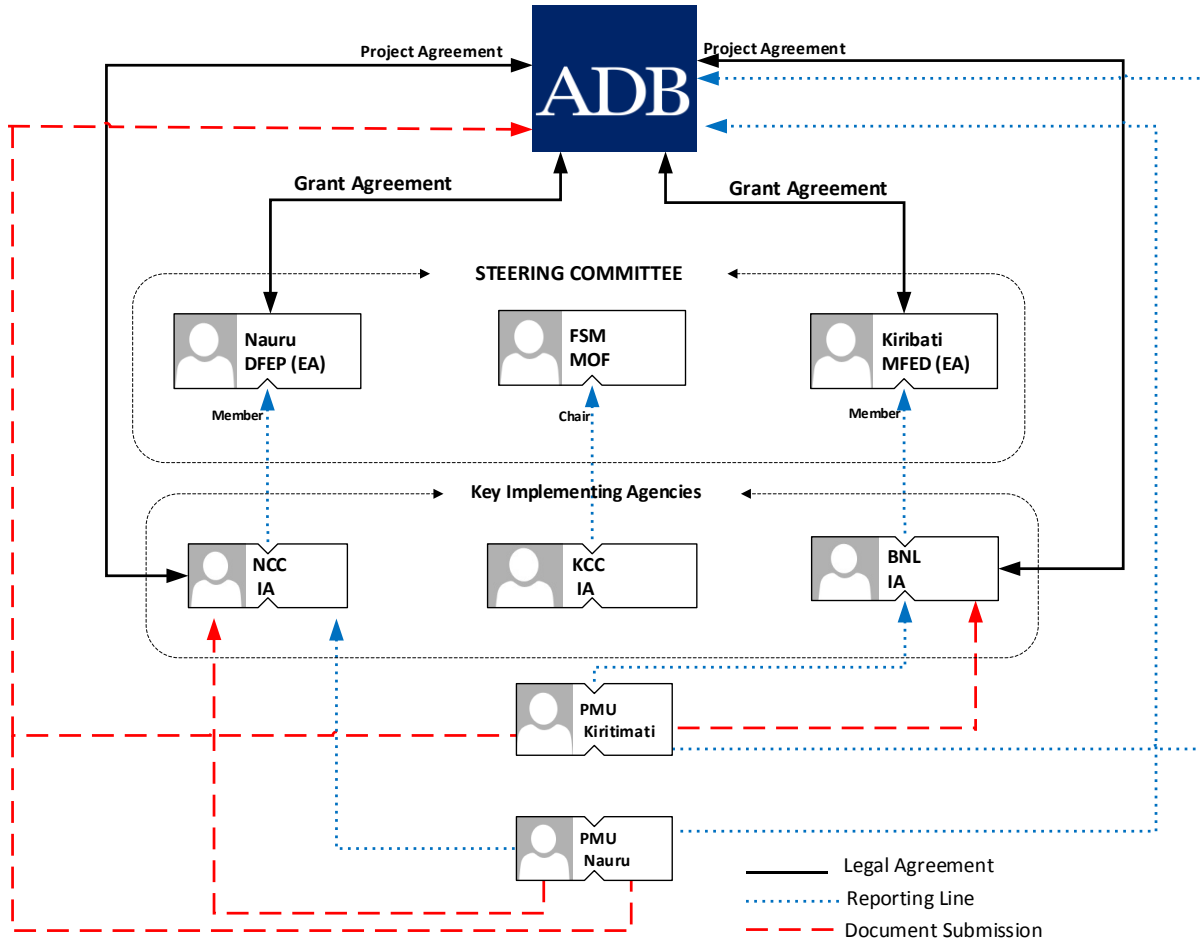
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### C. Project Organization Structure



#### IV. COSTS AND FINANCING

4. The project is estimated to cost \$ 40.0 million (Table 1).
5. Detailed cost estimates by expenditure category and by financier are included in the project administration manual (PAM). ADB will fund Nauru's portion of the EMC supply and installation, and construction of the cable landing station in Nauru. In Kiribati, ADB will fund the cost for branching unit, spur and capacity in NEXT cable for Kiritimati. Project management units in each of Nauru and Kiribati will also be funded.

**Table 1: Summary Cost Estimate (\$ million)**

Item	Amount
<b>A. Base Cost<sup>a</sup></b>	
1. Output 1	15.0
East Micronesia Cable supply and installation - Nauru	13.5
Cable landing station and fit out - Nauru	1.0
Project Management Unit - Nauru	0.5
2. Output 2	20.5
Lease payments for Kiritimati spur, branching unit, landing station and capacity	20.0
Project Management Unit - Kiritimati	0.5
<b>Subtotal (A)</b>	<b>35.5</b>
<b>B. Contingencies<sup>b</sup></b>	<b>1.1</b>
<b>C. Cable company cost and Taxes and duties<sup>c</sup></b>	<b>3.4</b>
<b>Total (A+B+C)</b>	<b>40.0</b>

<sup>a</sup> In January 2018 prices.

<sup>b</sup> Physical and price contingencies are considered together due to large turn key contract, and is computed at 3% for civil works and cable implementation.

<sup>c</sup> Taxes and duties of \$3.0 million to be financed by the Government of Nauru (\$2.0) and the Government of Kiribati (\$1.0) through exemption. Such amount does not represent an excessive share of the project cost. ADB will finance taxes and duties for PMU costs.

Source: Asian Development Bank.

6. The government of Nauru has requested a grant of \$15.0 million from ADB's Special Funds resources to help finance their portion of the project. The Government of Kiribati requested a grant of \$ 21.6 million for output 2 from the same source. The World Bank will provide parallel grant financing of \$36.2 million to the projects (Footnote 2) covering the Tarawa portion of Kiribati costs and FSM costs.

7. The Governments will make the proceeds of the grant available to the cable operating companies (NCC in Nauru and BNL in Kiribati) through on-lending arrangements.<sup>6</sup> The Governments will exempt taxes and duties of \$3.0 million and Nauru will support operation of NCC during the project implementation with a contribution \$0.4 million.

<sup>6</sup> The draft terms and conditions, will be subject to ADB endorsement, and will be formalized in a subsidiary grant agreement between the Department of Finance and Economic Planning and NCC in Nauru and similarly between Ministry of Finance & Economic Development and BNL in Kiribati.

**Table 2: Summary Financing Plan (\$ million)**

<b>Source</b>	<b>Amount (\$ million)</b>	<b>Share of Total (%)</b>
Asian Development Bank	36.6	92.0
Special Funds resources (ADF grant) - Nauru	15.0	38.0
Special Funds resources (ADF grant) - Kiribati	21.6	54.0
Government of Kiribati <sup>a</sup>	1.0	2.7
Government of Nauru	2.4	5.3
<b>Total</b>	<b>40.0</b>	<b>100.0</b>

<sup>a</sup> The Government of Nauru and the Government of Kiribati will contribute in form of taxes and duties and the Government of Nauru will finance the cost of operating NCC during the project construction period and until revenues can sustain this cost. The cost of running BNL during project implementation is covered under EMC implementation.

Source: Asian Development Bank.

### **A. Cost Estimates Preparation and Revisions**

8. ADB funded SC to engage a consulting firm to prepare technical specification and cost estimates for EMC. ADB separately funded a technical consultant to support Nauru to independently review the proposed configuration and validate the cost estimates. They followed submarine cable industry practice and considered similar project in the region in recent past to come up with the estimates. The estimates will be revalidated just after the bidding process and NCC will be responsible to inform ADB for any required adjustment. ADB project officer will then update the procurement plan to reflect the latest cost estimate or any change in the cost categories.

9. In Kiribati, ADB funded technical consultant negotiated and finalized the price with SXC.

### **B. Key Assumptions**

10. The following key assumptions underpin the cost estimates and financing plan:

- (i) Overall contingencies based on submarine cable industry standard and previous ADB funded similar projects in the region.

### C. Detailed Cost Estimates by Expenditure Category

**Table 3: Detailed Cost Estimates by Expenditure Category (\$ million)**

Item	Total Cost (\$m)	% of Total
<b>A. Investment Costs</b>		
A.1. Output 1 - Nauru		
A.1.1. East Micronesia Cable supply and installation	13.5	33.75%
A.1.2. Cable landing station and fit out	1.0	2.50%
A.1.3. Project Management Unit	0.5	1.25%
A.2. Output 2 Kiritimati		
A.2.1. Spur, branching unit, landing station and capacity	20.0	50.00%
A.2.2. Project Management Unit	0.5	1.25%
<b>Subtotal (A)</b>	35.5	88.75%
<b>B. Contingencies</b>		
	1.1	2.75%
<b>Subtotal (A + B)</b>	36.6	91.50%
<b>C. Cable Company (NCC Nauru, BNL Kiribati) Costs</b>		
	0.4	1.00%
<b>D. Import Taxes and Duties</b>		
	3.0	7.50%
<b>Total Project Costs (A + B + C + D)</b>	40.0	100%
<b>% Total Project Costs</b>	100%	

Source: Asian Development Bank.



**D. Allocation and Withdrawal of Grant Proceeds**

**Table 4-A: Allocation and Withdrawal of Grant Proceeds (\$ million)**

<b>ALLOCATION AND WITHDRAWAL OF NAURU GRANT PROCEEDS – ADF (Improving Internet Connectivity for Micronesia)</b>			
<b>CATEGORY</b>			<b>ADB FINANCING</b>
<b>No.</b>	<b>Item</b>	<b>Total Amount Allocated For ADB Financing (\$ million)</b>	<b>Percentage and Basis for Withdrawal from the GRANT Account</b>
1	EMC supply and installation **	13.5	100% of total expenditures claimed*
2	Nauru Cable landing station construction and fit out	1.0	100% of total expenditures claimed*
3	Project Management Unit- Nauru	0.5	100% of total expenditures claimed
	Total	15.0	

ADB = Asian Development Bank, EMC = East Micronesia Cable, SXC = Southern Cross Cable

\* Exclusive of taxes and duties within the territory of the recipient

\*\* The EMC Contract is financed by NCC, BNL and FSM Telecommunications Cable Corporation pursuant to the C&MA.

Source: Asian Development Bank.

**Table 4-B: Allocation and Withdrawal of Grant Proceeds (\$ million)**

<b>ALLOCATION AND WITHDRAWAL OF KIRIBATI GRANT PROCEEDS – ADF (Improving Internet Connectivity for Micronesia)</b>			
<b>CATEGORY</b>			<b>ADB FINANCING</b>
<b>N o.</b>	<b>Item</b>	<b>Total Amount Allocated For ADB Financing (\$ million)</b>	<b>Percentage and Basis for Withdrawal from the GRANT Account</b>
1	SXC contracts	20.0	100% of total expenditures claimed*
2	Project Management Unit- Nauru-Kiribati	0.5	100% of total expenditures claimed
3	Unallocated	1.1	
	<b>Total</b>	<b>21.6</b>	

ADB = Asian Development Bank, EMC = East Micronesia Cable, SXC = Southern Cross Cable

\* Exclusive of taxes and duties within the territory of the recipient

Source: Asian Development Bank.

## E. Detailed Cost Estimates by Financier

**Table 5: Detailed Cost Estimates by Financier (\$million)**

Item	Total Cost (\$m)	% of Total	ADB ADF Nauru		ADB ADF Kiribati		Government of Nauru		Government of Kiribati	
			Amount	%	Amount	%	Amount	%	Amount	%
A. Investment Costs										
A.1. Output 1 - Nauru										
A.1.1. East Micronesia Cable supply and installation	13.5	34%	13.5	100.0%			0.0	0.0%		
A.1.2. Cable landing station and fit out	1.0	3%	1.0	100.0%						
A.1.3. Project Management Unit-Nauru*	0.5	1%	0.5	100.0%			0.0	0.0%		
A.2. Output 2 Kiritimati										
A.2.1. Spur, branching unit, landing station and capacity	20.0	50%			20.0	100.0%				
A.2.2. Project Management Unit-Kiribati*	0.5	1%			0.5	100.0%				
<b>Subtotal (A)</b>	<b>35.5</b>	<b>89%</b>	<b>15.0</b>	<b>100.0%</b>	<b>20.5</b>	<b>100%</b>	<b>0.0</b>	<b>0.0%</b>		
B. Contingencies	1.1	3%			1.1	100.0%	0.0	0.0%		
<b>Subtotal (A + B)</b>	<b>36.6</b>	<b>92%</b>	<b>15.0</b>	<b>100.0%</b>	<b>21.6</b>	<b>100%</b>	<b>0.0</b>	<b>0.0%</b>		
C. Cable Company (NCC Nauru, BNL Kiribati) Costs	0.4	1%	0.0	0.0%			0.4	75.0%	0.0	25.0%
D. Import Taxes and Duties	3.0	8%	0.0	0.0%			2.0	67.0%	1.0	33.0%
<b>Total Project Costs (A + B + C + D)</b>	<b>40.0</b>	<b>100%</b>	<b>15.0</b>	<b>37.5%</b>	<b>21.6</b>	<b>54.0%</b>	<b>2.4</b>	<b>5.8%</b>	<b>1.0</b>	<b>2.8%</b>
% Total Project Costs	100%									

ADB = Asian Development Bank, EMC = East Micronesia Cable, SXC = Southern Cross Cable.

\*PMU cost will include consulting services with travel cost and per diem.

Source: Asian Development Bank.

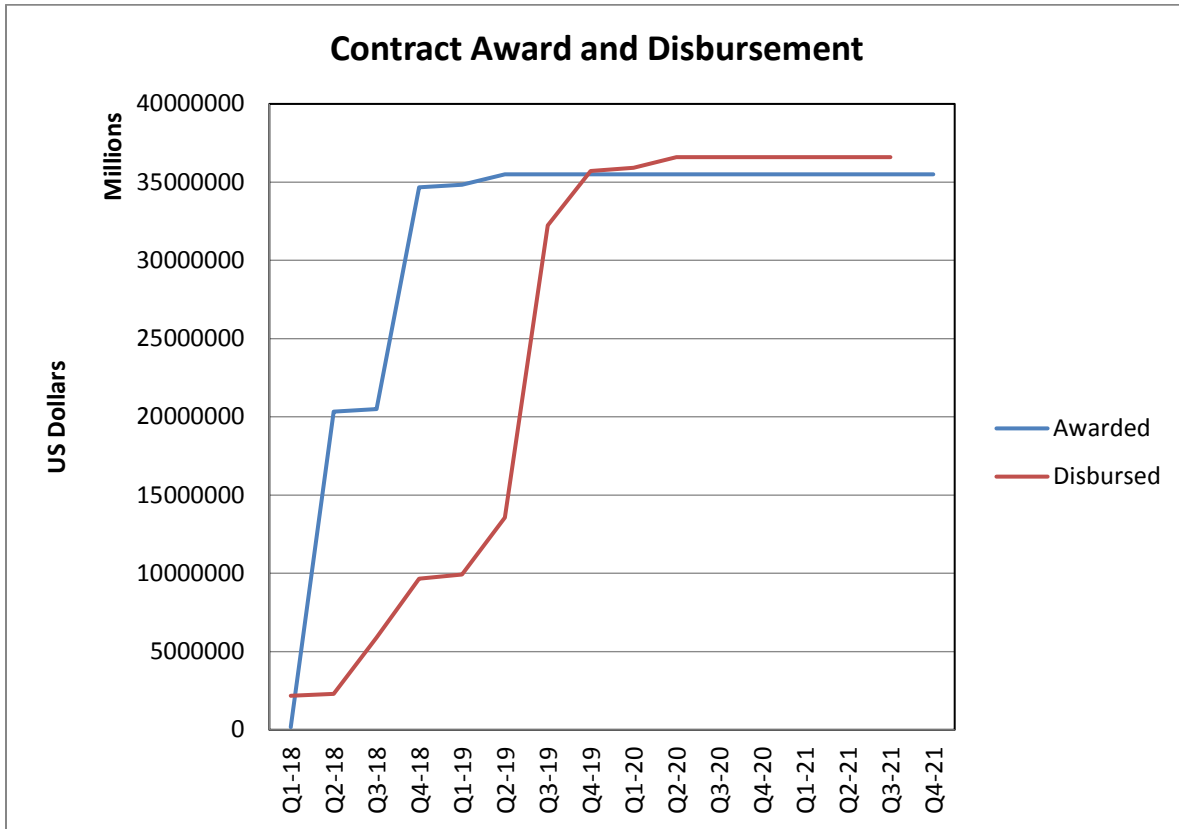
## F. Detailed Cost Estimates by Year

**Table 6: Detailed Cost Estimates by Year (\$ million)**

Item	Total Cost (\$m)	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20	Q3-20
<b>A. Investment Costs</b>											
A.1. Output 1 - Nauru											
A.1.1. East Micronesia Cable supply and installation	13.5			3.38	3.38		3.38		3.38		
A.1.2. Cable landing station and fit out	1.0			0.15	0.15	0.15	0.15	0.1	0.1	0.1	0.1
A.1.3. Project Management Unit	0.5	0.13	0.13		0.13		0.13				
A.2. Output 2 Kiritimati											
A.2.1. Spur, branching unit, landing station and capacity	20.0	2.0						18.0			
A.2.2. Project Management Unit	0.5	0.05						0.45			
<b>Subtotal (A)</b>	<b>35.5</b>	<b>2.18</b>	<b>0.13</b>	<b>3.53</b>	<b>3.65</b>	<b>0.15</b>	<b>3.65</b>	<b>18.55</b>	<b>3.48</b>	<b>0.1</b>	<b>0.1</b>
<b>B. Contingencies</b>	<b>1.1</b>			<b>0.06</b>	<b>0.11</b>	<b>0.11</b>	<b>0.0</b>	<b>0.11</b>	<b>0.0</b>	<b>0.11</b>	<b>0.57</b>
<b>Subtotal (A + B)</b>	<b>36.6</b>	<b>2.18</b>	<b>0.13</b>	<b>3.59</b>	<b>3.76</b>	<b>0.26</b>	<b>3.65</b>	<b>18.66</b>	<b>3.48</b>	<b>0.21</b>	<b>0.67</b>
<b>C. Cable Company (NCC Nauru, BNL Kiribati) Costs</b>	<b>0.4</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>						
<b>D. Import Taxes and Duties</b>	<b>3.0</b>			<b>3.0</b>							
<b>Total Project Costs (A + B + C + D)</b>	<b>40.0</b>	<b>2.18</b>	<b>0.13</b>	<b>3.59</b>	<b>3.76</b>	<b>0.26</b>	<b>3.65</b>	<b>18.66</b>	<b>3.48</b>	<b>0.21</b>	<b>0.67</b>
% Total Project Costs	0.0	6%	0%	10%	10%	1%	10%	51%	10%	1%	0.0
							3.71	18.67	0.1		

Source: Asian Development Bank.

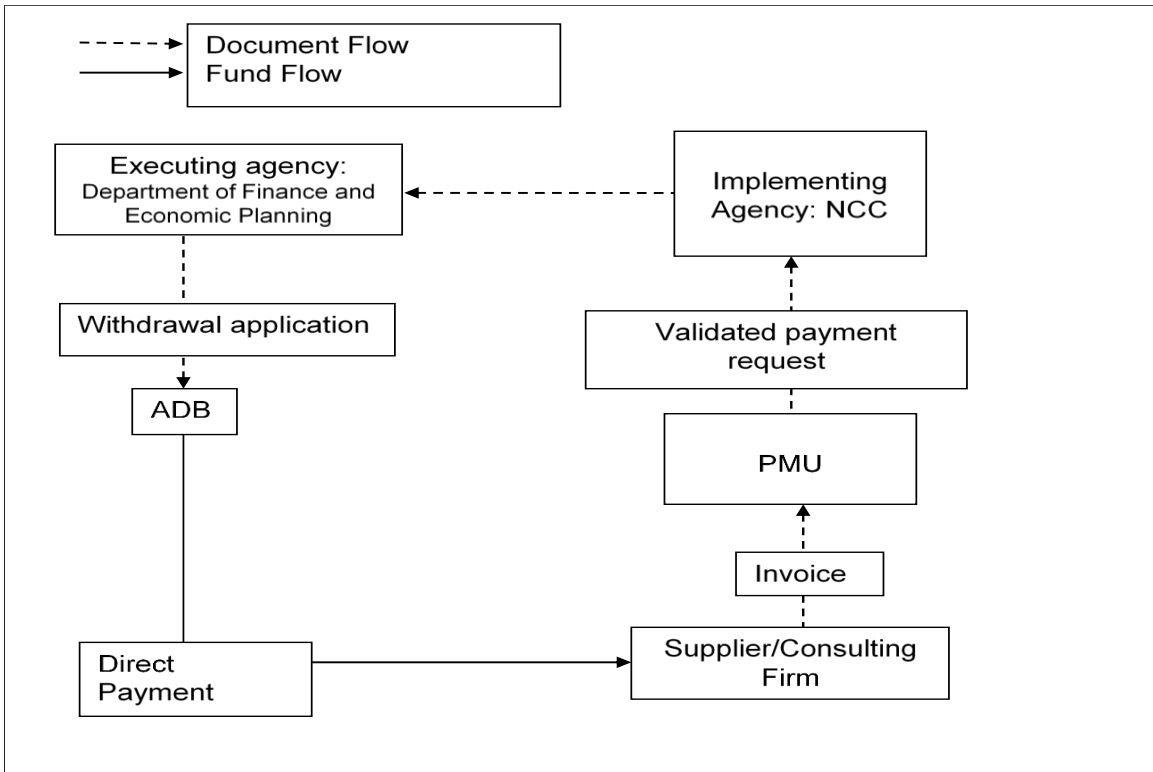
**G. Contract and Disbursement S-Curve**



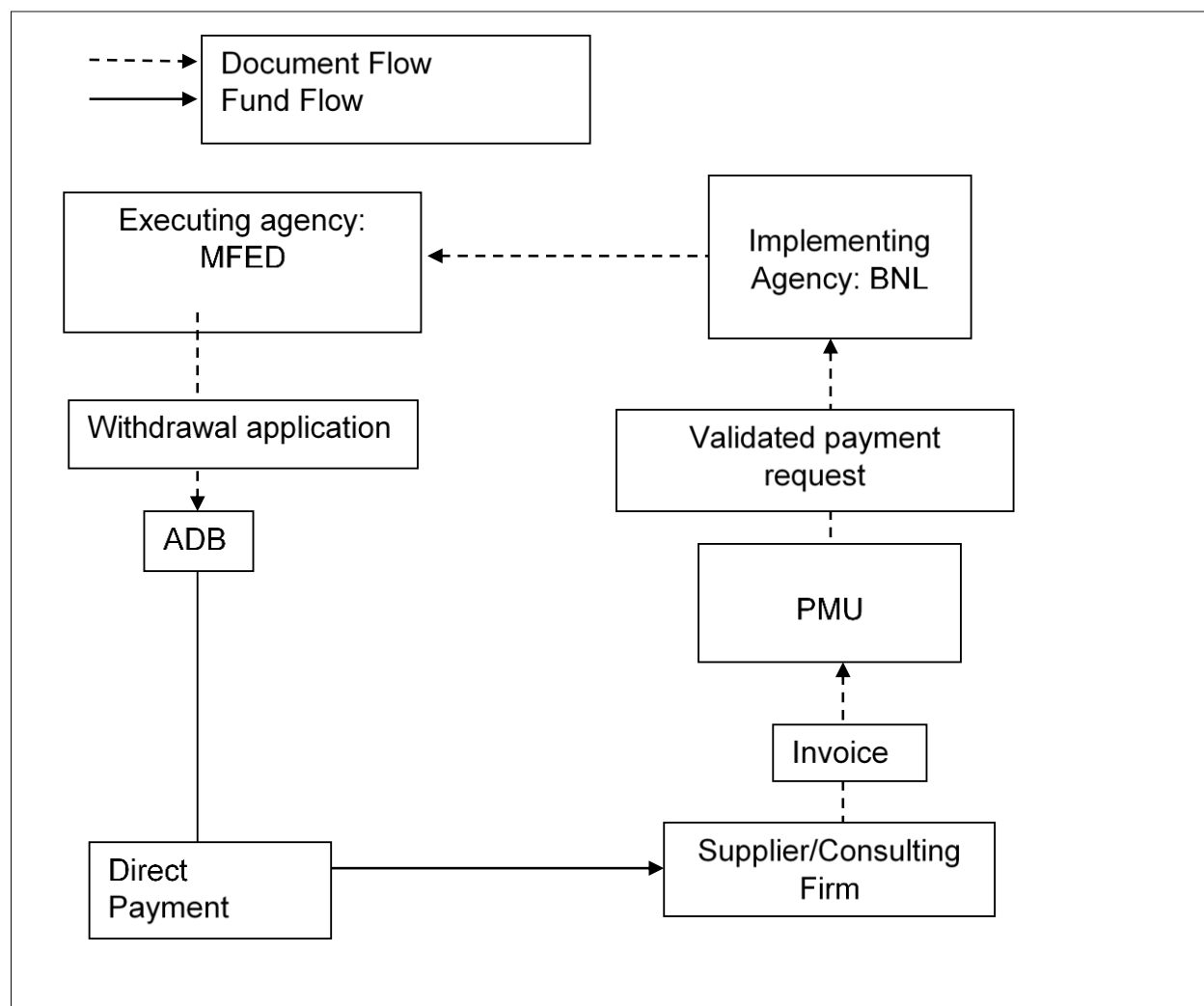
\* Difference between contract award and disbursement is due to unallocated contingency.  
 Source: Asian Development Bank

H. Fund Flow Diagram

Fund Flow Diagram for Nauru



### Fund Flow Diagram for Kiribati



## V. FINANCIAL MANAGEMENT

11. The DFEP and MFED are the project executing agencies. The NCC and BNL are the implementing agencies. A set of consultants under the PMU will support NCC and BNL to set up the accounting system and facilitate yearly external auditing following Nauru and Kiribati's financial management policy. Both EA and IA will maintain separate accounting book for the project and monitor the fund flows.

### A. Financial Management Assessment

12. NCC and BNL are both newly established entities and will need to recruit personnel to manage accounting. During implementation, the project will engage experienced consultants to set up procedure, systems and reporting mechanism to implement robust financial management practice. NCC and BNL will recruit permanent accounting staff on time to have sufficient overlap with consultants. This will help developing adequate capacity to continue accounting practices after implementation period. The detailed time bound action plan is in table below.

<b>Action</b>	<b>Purpose</b>	<b>Responsibility</b>	<b>Time frame</b>
A specialized team of financial management specialist is recruited as part of the Project Management Unit.	To set up accounting practices, system and procedures.	NCC and BNL	After with 6 months of project effectiveness.
An organizational structure is set up.	To ensure proper approval authority and prevent conflict of interest.	NCC and BNL	After with 6 months of project effectiveness.
Permanent account staff is recruited.	To make the accounting practice sustainable.	NCC and BNL	By Q4 2018 to have sufficient overlap with consultants ensuring proper training and hand over.
Arrange periodic internal audit.	To ensure compliance with the Nauru and Kiribati accounting policy.	NCC and BNL	By Q1 2019
Arrange periodic external audit.	To ensure compliance with the Nauru and Kiribati accounting policy and other requirements	NCC and BNL	By Q1 2019
Allocate budget for audit		EAs and IAs	During the project implementation period by EAs and IAs afterwards.
Arrange periodic training program and capacity development including ADB disbursement process.	To introduce new process, manual and systems.	EAs and IAs	Once in every year.

13. NCC and BNL will follow their government's yearly auditing process.

14. Overall the financial management risk is expected to be high.

<b>Risk Area</b>	<b>Impact</b>	<b>Mitigation</b>
NCC and BNL do not have dedicated staff to manage finance and accounting.	High	PMU to have experienced financial management consultants to support NCC and BNL to set up practice, system and procedures to manage accounting. A time-based action plan is prepared to make sure the proper hand over and training for NCC's and BNL's permanent staff.



Limited Government experience in implementing ADB project	High	ADB has provided technical assistance support to help Nauru and Kiribati preparing the project. During implementation, ADB will closely monitor the progress and help them in reviewing procurement related matters. The procurement packages are designed to minimize number of contracts. PMU budget includes hiring implementation specialists to help NCC and BNL. Simplified disbursement process of all direct payment to suppliers and consultants (subject to the minimum withdrawal application amount) will minimize issues in financial management and book keeping.
Limited Government's account structure to provide expenditure detail	Moderate	NCC and BNL will maintain separate book to keep detailed level transactions.
Delay in closing project account.	Moderate	NCC and BNL will be a newly established state owned corporation. It is not expected to have a full range of experience staff at the beginning. They will engage an experience Project Management Unit (PMU) to support them in contract and financial management. ADB will oversee the procurement process. The Nauru and Kiribati will not have any imprest account for the project cost. ADB will disburse directly to the supplier and consulting firm against withdrawal application (subject to the minimum withdrawal application amount). Such arrangement will minimize financial management issues

## B. Disbursement

### 1. Disbursement Arrangements for ADB Funds

15. The grants proceeds will be disbursed in accordance with ADB's Loan Disbursement Handbook (2017, as amended from time to time), and detailed arrangements agreed upon between the Governments and ADB. Online training for project staff on disbursement policies and procedures is available at: [http://wpqr4.adb.org/disbursement\\_elearning](http://wpqr4.adb.org/disbursement_elearning). Project staff is encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

16. The respective Governments will not have any advance account for the project. Instead, Governments have requested ADB to make direct payment to the suppliers or consulting firms. The Governments will submit withdrawal applications to ADB against validated invoices from the suppliers and ADB will pay directly subject to the minimum withdrawal application amount as stipulated in the Loan Disbursement Handbook. Individual payments below this amount should be paid by the EA/IA and subsequently claimed to ADB through reimbursement unless otherwise accepted by ADB. The recipient should ensure sufficient category and contract balances before requesting disbursements. Use of ADB's Client Portal for Disbursements (CPD) system is encouraged for submission of withdrawal applications to ADB.<sup>7</sup>

<sup>7</sup> The CPD facilitates online submission of WA to ADB, resulting in faster disbursement. The forms to be completed by the Borrower are available online at <https://www.adb.org/documents/client-portal-disbursements-guide>.

17. Before the submission of the first withdrawal application, the Government should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person.

### **C. Accounting**

18. Each IA and PMU will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project following national accounting standards. The respective PMUs will prepare consolidated project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

### **D. Auditing and Public Disclosure**

19. The EAs will cause the detailed project financial statements to be audited in accordance with International Standards on Auditing or its equivalent national standards adopted by the government. The audited project financial statements together with the auditors' opinion will be submitted in the English language to ADB within six months of the end of the fiscal year by the MOF.

20. The annual audit report for the project accounts will include an audit management letter and audit opinions which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether grant proceeds were used only for the purposes of the project or not; (iii) the level of compliance for each financial covenant contained in the legal agreements for the project.

21. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

22. The government, and EAs have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.<sup>8</sup> ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

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<sup>8</sup> ADB's approach and procedures regarding delayed submission of audited project financial statements:

- (i) When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (a) the audit documents are overdue; and (b) if they are not received within the next 6 months, requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- (ii) When audited project financial statements are not received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (a) inform the executing agency of ADB's actions; and (b) advise that the loan may be suspended if the audit documents are not received within the next 6 months.
- (iii) When audited project financial statements are not received within 12 months after the due date, ADB may suspend the loan.

23. The audit report for the project financial statements will include a management letter and auditor's opinions, which cover (i) whether the project financial statements present an accurate and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (ii) whether the proceeds of the grant were used only for the purpose(s) of the project; and (iii) whether the borrower or executing agency was in compliance with the financial covenants contained in the legal agreements (where applicable).

24. Public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements, will be guided by ADB's Public Communications Policy 2011.<sup>9</sup> After the review, ADB will disclose the audited project financial statements and the opinion of the auditors on the project financial statements no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.<sup>10</sup>

## VI. PROCUREMENT AND CONSULTING SERVICES

25. All advance contracting and retroactive financing will be undertaken in conformity with ADB Procurement Guidelines (2015, as amended from time to time) and ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The issuance of invitations to bid under advance contracting and retroactive financing will be subject to ADB approval. The borrowers have been advised that approval of advance contracting and retroactive financing does not commit ADB to finance the project.

### A. Advance Contracting and Retroactive Financing

26. To expedite project implementation, the SC comprising the governments of FSM, Nauru and Kiribati requested advance contracting of the submarine cable system. Advance contracting allows the three governments to commence procurement activities, at its own risk, prior to signing of the grant agreement but does not allow for the award of contract until grants from all co-financiers have become effective. The steps to be concluded in advance include (i) preparation of bidding documents to procure materials, equipment and services; (ii) receiving bids through limited international bidding; and (iii) evaluation of bids. No retroactive financing is envisaged for the EMC system contract. To ensure consistency with ADB's Procurement Guidelines, bidding documents for such advance contracting to be submitted for prior review by ADB. The Governments of Kiribati and Nauru have been informed that approval of advance contracting does not commit ADB to finance the project.

27. To meet the time line of SCX, Kiribati started negotiation for Kiritimati connection and in process to finalize the contracts with SCX. Kiribati plan to sign the contracts only after the grant is approved by ADB.

28. **Retroactive financing.** The Government of Kiribati has requested ADB's approval of retroactive financing for the reimbursement of \$0.350 million paid to SXC in May 2017 for marine surveys needed to better understand technical specifications and improve negotiation positions for the Kiritimati connection. SXC conducted the surveys for their entire cable and requested Kiribati to include Kiritimati section to save cost. Retroactive financing will be up less than 2% of the total ADB grant amount for eligible expenditures incurred prior to grant effectiveness, but not

<sup>9</sup> Public Communications Policy: <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

<sup>10</sup> This type of information would generally fall under public communications policy exceptions to disclosure. ADB. 2011. *Public Communications Policy*. Paragraph 97(iv) and/or 97(v).

earlier than 12 months prior to the signing of the grant agreement. The Government of Kiribati understands that approval of this retroactive financing does not however commit ADB to finance the project. There is no retroactive financing for Nauru.

## B. Procurement of Goods, Works and Consulting Services

29. All procurement of goods and works will be undertaken in accordance with ADB's Procurement Guidelines.

- (i) All consultants will be recruited in accordance with the ADB Guidelines on the Use of Consultants (2013, as amended from time to time).<sup>11</sup> The terms of reference for consulting services assignments are outlined in Section D.
- (ii) Procurement of goods and works will be undertaken in accordance with ADB's Procurement Guidelines (2015, as amended from time to time), with the exception of the procurement package under (iii) below.
- (iii) The EMC is an integrated system of plant, materials, equipment and services. For technical reasons, consideration of economy and efficiency, management risks, and in view of the limited number of suppliers, the EMC is best procured as a single contract. The contract for the EMC package will be financed by SC consortium members, using international competitive bidding in accordance with the World Bank procurement rules and procedures. The NCC portion of the cost will be funded by ADB, for which ADB and the World Bank will enter into a memorandum of understanding that sets out detailed collaboration and coordination arrangements in relation to this procurement, and the project more generally. The final bidding documents will be endorsed by ADB. ADB will be involved throughout the review process and exercise procurement oversight in accordance with its usual procurement procedures and practices to ensure that the procurement meets the minimum requirements of the ADB Procurement Guidelines, and that no company on ADB's sanction list participates in the bidding process. Furthermore, contracts between contractors and the borrowers will contain a provision permitting ADB and other relevant entities to inspect the project and to inspect and audit all records and accounts of any bidders, contractors, suppliers, or service providers as they relate to the project in accordance with their respective policies and procedures.

30. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Section

## C. Procurement Plan

**Table 7: Basic Data**

<b>Project Name:</b> Improving Internet Connectivity for Micronesia	
<b>Project Number:</b> 50348-001	<b>Approval Number:</b> TBD
<b>Countries:</b> Kiribati, Nauru	<b>Executing Agencies:</b> Department of Finance and Economic Planning (DFEP) in Nauru Ministry of Finance & Economic Development (MFED) in Kiribati

<sup>11</sup> Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>.

<b>Project Procurement Classification:</b> B	<b>Implementing Agencies:</b>
<b>Procurement Risk:</b> Moderate	
<b>Project Financing Amount:</b> \$ 72.8 million <b>ADB Financing:</b> \$36.6 million <b>Cofinancing (The World Bank):</b> \$36.2 million	<b>Project Closing Date:</b> 31 December 2021
<b>Date of First Procurement Plan:</b> {Grant approval date):	<b>Date of this Procurement Plan:</b> ___ October 2017

## A. Methods, Thresholds, Review and 18-Month Procurement Plan

### 1. Procurement and Consulting Methods and Thresholds

31. The cable operating agencies will engage the two (2) consulting firms for 16 person-months of inputs of international experts each, using quality- and cost-based selection with a quality-cost ratio of 90:10 using simplified technical proposals.

**Table 8: Procurement of Goods and Works**

Method	Threshold	Comments
International Competitive Bidding (ICB) for Works	\$3,000,000	
International Competitive Bidding for Goods	\$1,000,000	
National Competitive Bidding (NCB) for Works	Beneath that stated for ICB, Works	
National Competitive Bidding for Goods	Beneath that stated for ICB, Goods	
Shopping for Works	Below \$100,000	
Shopping for Goods	Below \$100,000	

Consulting Services	
Method	Comments
Quality and Cost Based Selection (QCBS)	\$500,000 each

### 2. Goods and Works Contracts Estimated to Cost \$1 Million or More

32. The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

**Table 9: Goods and Works Contracts**

Package Number	General Description	Cost Estimate	Procurement Method	Review	Bidding Procedure	Advertisement Date	Comments
01-W	Kiritimati Spur, Branching Unit, Landing	20.0 million	DC	Prior	1S1E	Q4 2017	Direct contracting of SXC (AU) by BNL, using SBD Goods and Related Services

	Station and Capacity						
02-W	East Micronesia Cable Supply and Installation	\$13.5 million	ICB	Prior	1S1E	Q1 2018	Procurement under World Bank rules. Prequalification of bidders and domestic preference are not applicable. Plant bidding documents to be used
03-W	Cable Landing Station construction and fit out	\$1.0 million	ICB	Prior	1S1E	Q3 2018	Procured by NCC. Prequalification and domestic preference are not applicable. Bidding documents to be used: Small Works

### 3. Consulting Services Contracts Estimated to Cost \$100,000 or More

33. The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

**Table 10: Consulting Services Contracts**

Package Number	General Description	Estimated Value	Recruitment Method	Review	Advertisement Date	Type of Proposal
01-CS	Project Management (Kiribati)	0.5 million	QCBS 90:10	Prior	Q1 2018	STP
01-CS	Project Management (Nauru)	0.5 million	QCBS 90:10	Prior	Q2 2018	STP

### D. Consultant's Terms of Reference

34. The consulting services will be provided by a team of international consultants working cohesively and together under the overall leadership of a Team Leader, who reports directly to the Director of the respective PMUs. The consultants will be responsible for providing training to the new recruits on project management and/or support in the implementation of new accounting processes and procedures, safeguards requirements, technical advice where there is a knowledge gap. Detailed scope of work and requirements will be prepared during implementation.

35. NCC and BNL will establish the PMU for:

- (i) Successful end-to-end completion of the EMC system, in compliance with all applicable laws, regulations, permit requirements, land access rights, and the Environmental and Social Management Plan (the “ESMP”);
- (ii) Managing and supervise the Spur and BU for Kiritimati connection in full consideration of the ESMP;
- (iii) Implementing the cable landing station in Nauru (the “CLS”) which will terminate and power the spur and associated bandwidth, in full consideration of, amongst other things, the environmental assessments, safeguards due diligence reports and national laws and regulations and in consideration of “green IT” aspects;
- (iv) Developing and implementing operations and maintenance processes for the EMC in Nauru;
- (v) Facilitating dialogue with domestic telecommunications operators and supporting the connection of domestic backbones into the CLS;
- (vi) Establishment of and day-to-day operations of the NCC office in Nauru, specifically in terms of financial management, project management, status reporting, etc.
- (vii) Providing necessary training and knowledge transition to the NCC board of directors and staff and any other persons supporting the Project.
- (viii) Implementing the requirements set out in the project environment and social assessments.
- (ix) Facilitating financial audits in a timely manner.

#### **1. Scope of Services**

36. The PMU will be required to undertake all activities necessary to ensure the timely, cost effective and secure installation and implementation of the EMC, which must comply with the agreements and policies of ADB as well as national laws and regulations and procedures. Specifically, these include, (i) the Project Agreement entered by the ADB and the NCC; (ii) the Grant Agreement entered by the ADB and the Government of Nauru; and (iii) the Project Administration Manual.

37. The following describes the key expertise required for this assignment and to be provided by the consultant:

- Project management, coordination and advisory skills: 8 person-months (facilitating and coordinating multi-stakeholder efforts, effectively managing the team resources to achieve results, ability to work in developing country context and provide advisory services based on international best practices applicable to the given context, etc.);
- Submarine cable technical specialist skills: 8 person-months (telecommunications network, especially, submarine fiber optic cable spanning engineering design, construction, laying and implementation, telecommunications infrastructure development skills, operations and maintenance, etc.); and
- Financial management and corporate financing expertise: 8 person-months (financial analysis, costing, revenue projections, financing options, financial accounting, financial audit, etc.).

38. Other non-key expertise for this assignment and to be provided by the consultant are as follows:

- Telecommunications business experience and skills (market trend analysis, strategic management, telecommunications operations management, organizational structure, etc.);
- Telecommunications legal and regulatory knowledge covering both domestic and international aspects (review of relevant regulatory and legal arrangements, drafting legal agreements and contracts, telecommunications industry best practices in legal and institutional arrangement);
- Safeguards (environmental and social) and community consultation; and
- Specific knowledge of Nauru and Kiribati telecommunications sector and general knowledge of small island nation telecommunications sectors will be an advantage.

## **2. Detailed Tasks & Activities**

39. The PMU will be required to provide all the required resources and expertise to competently carry out the following tasks and activities:

- Overall project management for the implementation of the EMC, covering the period from the time the Supply Contract comes into force and until the EMC carries live traffic from Nauru;
- Coordinate, communicate and team with suppliers, employers, customers and other individual organizations to ensure a single focused representation of the NCC and Nauru;
- Conduct discussions with stakeholders, suppliers, partners and other counterparts as required, particularly the ADB;
- Make necessary procurement of infrastructure such as the CLS and related civil works in accordance with ADB International Competitive Bidding (ICB) procedures;
- Project management for planning, implementation and acceptance of the CLS, inclusive of hardened ducting to the beach manhole (if necessary), and including updating and gap-filling in the safeguards documents (based on the detailed surveys to be undertaken to confirm the cable alignment) and ensuring review and clearance of updated documents by ADB and government to facilitate updating of the environmental and social management plan (ESMP) and incorporation of the ESMP into the contracts for cable laying and installation. This task includes preparation of tender documents and coordination during planning, implementation and acceptance test phases with all local and international stakeholders, furthermore close cooperation with the cable suppliers and their project team for submarine cable laying as necessary;
- In coordination with ADB, review and clear the construction ESMP prepared by the cable contractor prior to any cable-laying works being undertaken
- Establish financial management practices for the NCC following national laws and regulations and procedures, and in compliance with ADB requirements;
- Financial management of the project implementation including verifying supplier invoices and coordinating approval by NCC and payment by the ADB;
- Develop, document and implement operational and maintenance processes for the system to ensure high availability, secure and reliable service provision. This includes implementing a Network Operations Centre (NOC) and submarine cable management and operational processes, including spare part handling;
- Provide all legal support and advisory services needed during the implementation of the Project. This aspect amongst other things, may include developing the



required product documentation and contracts for the sale of services on the network;

- Advise the NCC board of directors on all telecom related matters, including, but not limited to, operation and maintenance processes, spare parts handling, compliance with C&MA, wholesale pricing strategies and analysis, access agreements with the local telecommunications operators, SLAs, KPIs, technology, processes, and selection of and training of technical staff;
- Plan, design, have approved and implement suitable backhaul arrangements in Nauru to facilitate connection of NCC customers to the CLS;
- Facilitate capacity building for NCC technical staff;
- Subcontract specific services to short-term consultants in specified areas, as needed;
- Supervise short-term consultants;
- Create and maintain a website for the NCC;
- Establishment of and day-to-day operations of the NCC office in Nauru including, but not limited to, accounting, regular external and internal financial audits;
- Develop various reports for the Nauru, the Government of Nauru and the ADB on a timely and accurate manner.
- Develop a Preventative Maintenance Plan that may include a preventative maintenance checklist that technicians will follow or implement part of a systematic maintenance process.
- Develop a Disaster Recovery Plan that may also include a checklist that technicians will follow or implement in the event that a disaster occurs (e.g. cable breaks, prolonged power outage, natural disasters).
- Produce a Network Map detailing the submarine fiber optic cable, cable landing station, main domestic cable routes, and other prominent domestic telecommunications infrastructure.

## **VII. SAFEGUARDS**

### **A. Environment**

40. The project has been screened and categorized as B for environment as per the SPS.<sup>12</sup> An environmental assessment of the project has been undertaken which is documented in an environmental and social impact assessment of the Nauru-Kiritibati-Kosrae cable<sup>13</sup> and an initial environmental examination of the Kiritimati link. Each assessment report includes an ESMP which will be updated based on the detailed marine surveys to be undertaken to confirm the cable alignment and detail seabed and benthic conditions. The contractor for submarine cable system will prepare their construction ESMP (CESMP) based on the updated ESMP to be included in the tender and contract documents. The government (through the PMU) and ADB will clear the CESMP. Compliance with the approved CESMP will be monitored by the PMU and supervision consultant and reported on a quarterly and semi-annual basis as part of the project reporting system.

### **B. Land Acquisition and Resettlement**

41. Classified as involuntary resettlement category C under ADB's Safeguard Policy Statement. The cable landing site and cable station are on either government-owned or existing

<sup>12</sup> Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>.

<sup>13</sup> Financed by World Bank. The ESIA complies with the requirements of the SPS.

leasehold lands and existing networks or rights of way will be utilized for the cable routes. No permanent impact on fishing and aquaculture is expected and temporary impact from cable laying during construction will be mitigated following environment management plan. Grievance Redress Mechanism will be established to ensure that complaints and grievances will be addressed during implementation.

### C. Indigenous People

42. Classified as category C under ADB's Safeguard Policy Statement. The project is not expected to affect indigenous people as defined under the ADB's Safeguard Policy Statement.

## VIII. GENDER AND SOCIAL DIMENSIONS

43. More reliable and affordable ICT will indirectly contribute to poverty reduction in FSM, Kiribati, and Nauru. Lower price and better internet services are expected to facilitate increase service providers able to provide more innovative and affordable services to the public. This is expected to improve social and public services such as health and education. New businesses are also expected to create more employment opportunities to fuel economic growth. The project is categorized as no gender elements given its limited potential to mainstream gender in its scope. Access to ICT services depends on the availability and affordability of these services than social factors that might disadvantage women and girls.

## IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

### A. Project Design and Monitoring Framework

44. ADB and the governments have agreed on a set of indicators for project performance in relation to its impact and outcomes, consistent with the design and monitoring framework presented below. The project management unit (PMU) will monitor and evaluate the progress towards the performance targets in the design and monitoring framework, safeguard issues, covenants of grant agreements, and other aspects of the project subject to performance monitoring.

<b>Impact(s) the Project is Aligned with</b>			
Telecommunications in Micronesia improved.			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting</b>	<b>Risks</b>
<b>Outcome</b> Decrease in cost and increase in quality of internet service in Micronesia	a. Retail price of fixed internet service for 2-megabit-per-second connection decreases at least 20% against 2017  c. Bandwidth availability will be increased at least 20% against 2017 baseline	a. Internet service price list published by ISPs and telecom operators.  b. 'Ping' time at consumer level as measured by tools such as web-based speed tests (e.g. <a href="http://www.speedtest.net">www.speedtest.net</a> )	Lack of guidelines, policy, and capacity to manage the assets around the submarine cable.  Monopoly or collusion among local supplier(s) prevents decrease in retail internet price.

	<p>Availability of service will be 99% in accordance with the industry standard</p> <p>d. Retail price of fixed internet service for 2-megabit-per-second connection decreases at least 20% against 2017</p>		
<b>Outputs</b>			
<p>1. The EMC system connecting the islands of Kosrae in FSM, Tarawa in Kiribati, and Nauru, to Pohnpei in FSM</p>	<p><b>By 2019:</b></p> <p>1a. The regional submarine cable EMC system constructed connecting Nauru.</p> <p>1b. Landing stations constructed in Nauru with in land cable system.</p> <p>1c. Submarine cable operationalized.</p>	<p>1a. Progress reporting</p> <p>1b. Operational reporting logs and periodic inspection.</p> <p>1c. Performance testing report</p>	<p>Lack of technical experience in government relating to submarine cables.</p>
<p>2. A submarine cable connection from Kiritimati, Kiribati to the Southern Cross NEXT cable system</p>	<p>2a. The spur and branching unit are constructed to connect Kiritimati.</p> <p>2b. Landing stations constructed in Kiritimati with in land cable system.</p> <p>2c. Submarine cable operationalized.</p>	<p>2a. Progress reporting</p>	
<p><b>Activities with Milestones</b></p> <p>1. The EMC system connecting the islands of Kosrae in FSM, Tarawa in Kiribati, and Nauru, to Pohnpei in FSM</p> <p>1.1 Award contracts by Q3 2018</p> <p>1.2 Carry out marine survey and complete marine operations for laying cables by Q4 2018</p> <p>1.3 Install terminal equipment by the end of Q3 2019</p> <p>1.4 Equip cable landing systems with the necessary cross-connect facilities for customers by Q1 2020</p> <p>1.5 Train cable company staff on landing facility operation and maintenance, and update skills and knowledge periodically by Q4 2019</p> <p>1.6 Put in place an appropriate cable repair and maintenance agreement for spur before completing laying of cable by Q1 2020</p> <p>1.7 Achieve commissioning, provisional acceptance, and be ready for service by Q1 2020</p> <p>1.8 Final acceptance by Q1 2020</p> <p>2. A submarine cable connection from Kiritimati, Kiribati to the Southern Cross NEXT cable system</p> <p>2.1 Sign MPA, CUP and LPA by Q1 2018</p> <p>2.2 Train cable company staff on landing facility operation and maintenance, and update skills and knowledge periodically by Q3 2019</p> <p>2.3</p>			

<p><b>Project Management Activities</b></p> <p>Continue regular monitoring and supervision until Q2 2020  Follow up on safeguard issues and risk management plan in a timely manner until Q2 2020  Manage contracts from Q1 2018 until Q2 2020  Provide timely progress reports until Q2 2020  Carry out regular accounting and annual audits until Q2 2020</p>
<p><b>Inputs</b></p> <p>ADB: \$36.6 million grant  Government: \$3.4 million</p>
<p><b>Assumptions for Partner Financing</b></p> <p>World Bank: \$36.2 million for FSM's and Kiribati's share of the EMC system</p>

ADB = Asian Development Bank, DMF = Design and Monitoring Framework, EMC = East Micronesia Cable  
Source: Asian Development Bank.

## B. Monitoring

45. **Project performance monitoring.** Monitoring of the project will be done through two mechanisms. First, the PMUs will provide MOF, the relevant agencies, and ADB quarterly and annual progress reports on implementation. Second, the government and ADB will undertake joint reviews of the subcomponents every six months to assess progress in component and activities, the quality of activities and the outputs produced, the performance of the subproject and identify issues and challenges. The quarterly and annual progress reports will be prepared in a format consistent with ADB's project performance reporting system, including (i) progress achieved by output as measured through the indicator's performance targets, (ii) key implementation issues and solutions, and (iii) updated implementation plan for the next 12 months. These reports will be ADB's basis for monitoring and updating project performance and measuring the development impact of the project.

46. **Compliance monitoring.** Compliance of the EAs and IAs to project agreement covenants will be monitored through periodic ADB review missions, quarterly progress reports by the PFIs, random spot checks of grant documents, and review of the IAs' audited project financial statements. The EA will monitor and ensure the compliance of grant assurances – policy, legal, financial, safeguards and others. All noncompliance issues, if any, will be updated in quarterly progress reports, together with remedial actions. Each review mission by ADB will monitor the status of compliance with grant assurances and recommend measures to tackle noncompliance issues.

47. **Safeguards monitoring.** The PMUs will be responsible for monitoring safeguard activities through the consultants. NCC and BNL will submit semi-annual safeguard monitoring reports to ADB, and the findings will be incorporated into the progress reporting of the PMU. Before commencing work, the contractor(s) will prepare a contractor's EMP (CEMP) which will establish how the contractor(s) will comply with the EMP safeguard requirements. The CEMPs will be reviewed and approved by the PMUs prior to commencement of work. Monitoring of the contractors' compliance with the approved CEMPs will be undertaken by the resident technical consultant with assistance of the safeguards specialist. Monitoring will also be carried out independently by the National Environment Service. The ADB review missions will also check the progress on implementation of safeguard requirements, if any subproject involved significant safeguard issues. Checklists for monitoring and outline contents of safeguards monitoring reports,

including for involuntary resettlement if required during implementation, are included in Appendix A.

48. **Gender and social dimensions monitoring.** The PMUs will ensure that there will be no adverse social impacts arising from the project implementation. All stakeholders including both men and women will be consulted. Reporting on any social related issues will be part of the overall project monitoring as required.

### C. Evaluation

49. An inception mission will be fielded soon after the selection of consultants for project components are completed. At least 2 project review missions will be carried out annually. These will include: (i) performance of the EA, IAs, consultants, and contractors. Within 6 months of physical completion of the Project the EAs will submit a project completion report to ADB.

### D. Reporting

50. The Ministry of Finance will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, (c) updated procurement plan, and (d) updated implementation plan for the next 12 months; and (iii) a project completion report within 6 months of physical completion of the project. To ensure that projects will continue to be both viable and sustainable, project accounts and the executing agency audited financial statement together with the associated auditor's report, should be adequately reviewed.

### E. Stakeholder Communication Strategy

51. The key communication objectives of the project are below. Key stakeholders will be updated and consulted about the project progress during implementation.

- (i) To provide public accountability to mitigate the risk of allocation collusion; and
- (ii) To create public support for the project.

## X. ANTICORRUPTION POLICY

52. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.<sup>14</sup> All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all project contractors, suppliers, consultants, and other service providers. Individuals and/or entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.<sup>15</sup>

53. To support these efforts, relevant provisions of ADB's Anticorruption Policy are included in the grant regulations for the program. ADB's handbooks on Anticorruption Policy and Anticorruption and Integrity will be provided to government and PCBs during grant negotiations. All projects financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and financial statements of the executing and implementing agencies and

<sup>14</sup> Anticorruption Policy: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

<sup>15</sup> ADB's Integrity Office web site: <http://www.adb.org/integrity/unit.asp>

all sub borrowers, contractors, suppliers, consultants, and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in any ADB-financed activity and may not be awarded any contracts under the grant.

## **XI. ACCOUNTABILITY MECHANISM**

54. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make an effort in good faith to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.<sup>16</sup>

## **XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL**

55. All revisions and/or updates during the course of implementation should be retained in this section to provide a chronological history of changes to implemented arrangements recorded in the PAM, including revision to contract awards and disbursement s-curves.

Original version	___ February 2018
First revision	
Second revision	
Third revision	

<sup>16</sup> Accountability Mechanism. <http://www.adb.org/Accountability-Mechanism/default.asp>.