

Project Readiness Financing Project Administration Manual

Project Number: 54377-001
Grant Number: {PRFXXXX}
July 2021

Nauru: Preparing the Nauru Sustainable Urban Development Project

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Project Administration Manual for Project Readiness Financing: Purpose and Process

The project administration manual (PAM) for the project readiness financing (PRF) is an abridged version of the regular PAM of the Asian Development Bank (ADB) and describes the essential administrative and management requirements to implement the PRF following the policies and procedures of the government and ADB. The PAM should include references to all available templates and instructions either by linking to relevant URLs or directly incorporating them in the PAM.

The executing agency, the Department of Finance (DOF) and the lead implementing agency, the Department of Climate Change and National Resilience (DCCNR) are wholly responsible for the implementation of ADB-financed PRF projects, as agreed between the recipient and ADB, and following the policies and procedures of the government and ADB. ADB staff is responsible for supporting implementation, including compliance by DOF and DCCNR of their obligations and responsibilities for PRF project implementation following ADB's policies and procedures.

At grant negotiations, the recipient and ADB agreed to the PAM and ensured consistency with the grant agreement. 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 agreement, the provisions of the PRF grant agreement will prevail.

After ADB's approval of the PRF proposal, 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 this PAM.

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
CPD	–	Client's Portal for Disbursement
DCCNR	–	Department of Climate Change and National Resilience
DOF	–	Department of Finance
FMA	–	financial management assessment
PAM	–	project administration manual
PMU	–	project management unit
PRF	–	project readiness financing
PSC	–	project steering committee
TOR	–	terms of reference
WASH	–	water, sanitation and hygiene

I. IMPLEMENTATION PLAN

A. Overall Implementation Plan

1. The project readiness financing (PRF) implementation schedule shall be updated annually and submitted to the Asian Development Bank (ADB) with updated contract and disbursement projections for the following year.

Table 1: Project Readiness Financing Implementation Schedule

Activities	Adv. Action		PRF Year 1			PRF Year 2			PRF Year 3			PRF Year 4		
	2021		2022			2023			2024			2025		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Priority consultant recruitment														
Package 2.1 (Planning & Preliminary Design) - from advertisement to contract award														
PMU Head and Deputy Project Manager - from advertisement to contract award														
Output 1: Enabling environment for the ensuing project created														
Establish the PMU														
Design and implement public awareness and community outreach campaign														
Training for EA, IA and PMU on ADB compliance requirements														
Prepare roadmap for building urban planning capacity														
Support preparation of 'whole of island' development plan														
Output 2: Opportunities for urban services optimization, integration and sustainability agreed														
Prepare sector strategies and strategic documents														
Support review of institutional frameworks														
Finalize risk assessment														
Prepare project due diligence														
Design project hygiene awareness campaign														
Provide capacity building														
Support policy implementation														
Review and implement tariff reforms														
Output 3: Project scope identified, project readiness achieved, and advance procurement activities for the ensuing project completed														
Prioritize and scope ensuing project														
Finalize detailed designs														
Strategic procurement planning exercise														
Finalize bidding documents														
Support for procurement of civil works														
Management Activities														
PRF processing														
Grant negotiations														
PRF approval														
Grant signing														
Grant effectiveness														
Submission of quarterly progress report														
Submission of annual report														
Submission of APFS														
Projected date of ADB approval of ensuing grant project														

ADB = Asian Development Bank, APFS = audited project financial statement, EA = executing agency, IA = implementing agency, PMU = project management unit, PRF = project readiness financing, Q = quarter.

■ =intermittent inputs.

Source: Asian Development Bank.

II. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Readiness Financing Implementation Organizations: Roles and Responsibilities

Table 2: Management Roles and Responsibilities

PRF Project Implementation Organizations	Management Roles and Responsibilities
A. Executing agency	
Department of Finance (DOF)	<ul style="list-style-type: none"> (i) The representative of the government as a grant recipient. (ii) Facilitate negotiation, signing, and execution of the project financing agreement. (iii) Overall delivery of the PRF and reporting to government and donors. (iv) Ensure compliance with financing agreement covenants. (v) Coordinate with the implementing agency in the preparation of withdrawal applications and submission to ADB. (vi) Ensure that separate project accounts are maintained, have all project accounts audited annually and sent to ADB. (vii) Overall management of advance account and its utilization. (viii) Monitor PMU through the Project Director, head of lead implementing agency.
B. Implementing agencies	
Department of Climate Change and National Resilience (DCCNR) – lead implementing agency	<ul style="list-style-type: none"> (i) Secretary, DCCNR shall act as project director overseeing and facilitating work of PMU and all components of the project. (ii) Ensure that PMU is fully staffed and functional during the entire period of implementation. (iii) Provide government counterpart assistance to consultants. (iv) Prepare withdrawal applications and submit to DOF. (v) Review invoices and prepare payment certificates recommending payments to consultants. (vi) Coordinate with ADB for all project activities, including project review missions. (vii) Lead the recruitment of national consultants in line with the agreed matrix (Appendix) (viii) Facilitate the coordination with all government agencies needed to implement the project. (ix) Review and verify documents submitted by consultants. (x) Coordinate with project consultants. (xi) Facilitate and conduct communication with local stakeholders with support of PMU. (xii) Consult with the public and landowners and disclose project information. (xiii) Provide policy directions and implement agreed recommendations. (xiv) Ensure that minutes of PSC meetings are reviewed and filed. (xv) Initiate Project Steering Committee meetings as necessary and at least quarterly.
Department of Commerce, Industry and Environment – technical inputs only	<ul style="list-style-type: none"> (i) Participate in review missions. (ii) Provide counterpart assistance. (iii) Provide policy directions and implement agreed recommendations. (iv) Review consultant outputs.

PRF Project Implementation Organizations	Management Roles and Responsibilities
Nauru Rehabilitation Corporation (NRC) – technical inputs only	<ul style="list-style-type: none"> (i) Lead on all technical aspects of the SWM component, including investment planning and capacity building measures. (ii) Provide counterpart assistance. (iii) Engage with consultants on SWM and review and verify consultant outputs related to SWM.
Nauru Utilities Corporation (NUC) – technical inputs only	<ul style="list-style-type: none"> (i) Lead on all technical aspects of the water supply component, including investment planning and capacity building measures. (ii) Provide inputs on sanitation components as requested. (iii) Provide counterpart assistance. (iv) Engage with consultants on water supply and review and verify consultant outputs on water supply.
Project management unit (PMU) – under DCCNR	<ul style="list-style-type: none"> (i) Responsible for the overall implementation of the project, including the day-to-day project activities and administration of the project. (ii) Ensure compliance with the provisions of the grant agreement and government policies and guidelines. (iii) Prepare overall project implementation plan and consolidated annual work plan. (iv) Recommend contract change orders as appropriate. (v) Lead community public awareness activities under guidance of implementing agencies. (vi) Support consultant recruitment in line with the agreed roles and responsibilities between the government and ADB (Appendix). (vii) Administer all contracts. (viii) Prepare grant withdrawal applications. (ix) Maintain separate project accounts and records, prepare financial reports. (x) Serve as focal point for communication with ADB on project administration related matters. (xi) Prepare reports as required during the implementation of the PRF including progress reports (at least quarterly) for the government and ADB. (xii) Prepare the PRF completion report for the government and ADB. (xiii) Prepare the safeguards categorization screening and categorization forms for the subprojects and components to be included in the ensuing project. Agree the categorizations with ADB before continuing to detailed design phase. (xiv) Support planning for ADB project review missions. (xv) Support development partner coordination through the project steering committee.
C. Project Steering Committee	<ul style="list-style-type: none"> (i) Members include Secretaries of DCCNR (Chair), DCIE (Co-Chair), DOF, DHA, DOE, DOID, DOLS, DPH, DPPES, NDRM; CEOs of EHC, NRC, NUC. (ii) Civil society representatives from CBOs, NCC, NPBSO; Member Secretary: PMU Head. (iii) Ensure effective interagency and development partner coordination. (iv) Provide sector policy guidance related to project implementation and management, including related to institutional strengthening reforms and financial sustainability.

PRF Project Implementation Organizations
Management Roles and Responsibilities

- (v) Make important decisions on project preparation and implementation such as determining of project scope, procurement and consultant selection decisions and seek approval of Cabinet as necessary according to the relevant acts.
- (vi) Oversees project management of PMU, monitoring progress of project preparation and implementation and suggest remedial actions when any indication of delay is identified.
- (vii) Ensure that activities identified in policy action plans or project implementation plans are reflected in departmental, agency and SOE annual work plans and budgets.
- (viii) Discuss, review, and provide guidance on the alignment of project outcomes with Government's priorities and objectives and policies.

D. Asian Development Bank

- (i) Monitor and review overall implementation in consultation with the DOF, implementing agencies and PMU.
- (ii) Provide overall coordination and advisory support.
- (iii) Conduct regular review missions.
- (iv) Undertake consultant recruitment as per the agreed matrices.
- (v) Assist PMU with safeguards categorizations.
- (vi) Train implementing agencies and PMU on ADB compliance requirements (e.g., financial management, reporting, consultant recruitment etc.).

ADB = Asian Development Bank; CBO = community-based organization; CEO = chief executive officer; DCCNR = Department of Climate Change and National Resilience; DCIE = Department of Commerce, Industry and Environment; DHA = Department of Home Affairs; DOE = Department of Education; DOF = Department of Finance; DOID = Department of Infrastructure Development; DOLS = Department of Lands and Survey; DPH = Department of Public Health; DPPES = Department of Police, Prison and Emergency Services; EHC = Eigigu Holdings Corporation; NCC = Nauru Chamber of Commerce; NDRM = National Disaster Risk Management Office; NPBSO = Nauru Private Sector Organization; NRC = Nauru Rehabilitation Corporation; NUC = Nauru Utilities Corporation; PMU = project implementation unit; PRF = project readiness financing; PSC = project steering committee, SOE = state-owned enterprise; SWM = solid waste management.

Source: Asian Development Bank.

B. Key Persons Involved in Implementation
Executing Agency

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Asian Development Bank

Pacific Department

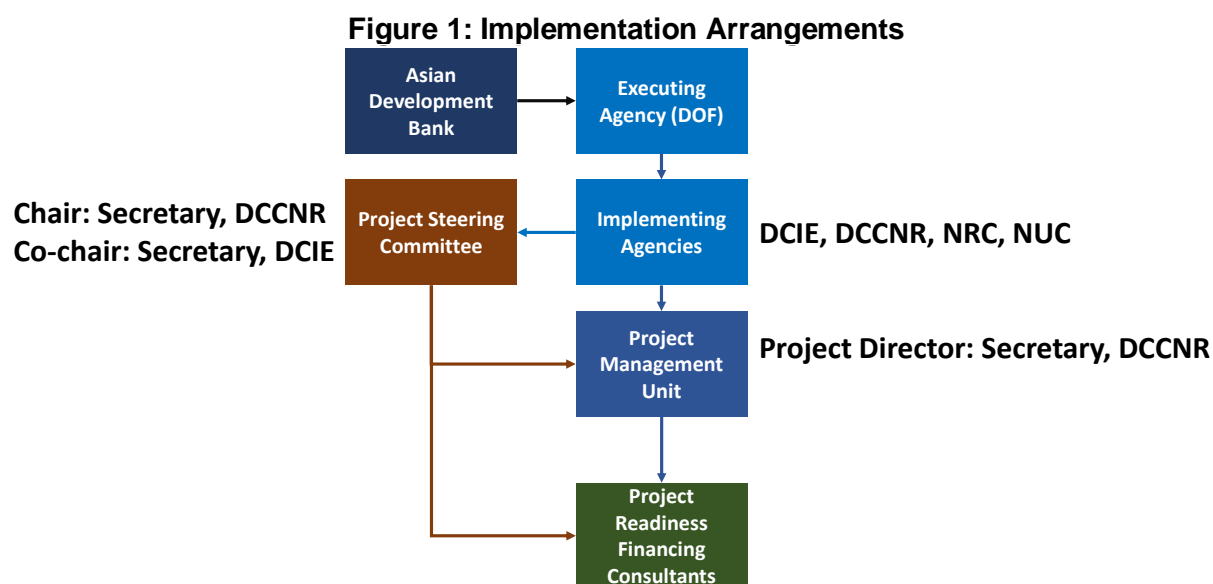
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2. **Project organization structure.** The Government of Nauru will be the grant recipient. The executing agency will be the Department of Finance (DOF) and the lead implementing agency will be the Department of Climate Change and National Resilience (DCCNR). Other key agencies involved for coordination and providing technical inputs are (i) Department of Commerce, Industry and Environment; (ii) Nauru Utilities Corporation; and (iii) the Nauru Rehabilitation Corporation. For the PRF, the PMU will be housed in the DCCNR and the secretary of the DCCNR shall be the project director. The PMU will be responsible for facilitating active engagement and coordination of all implementing agencies throughout the PRF implementation period. The implementation arrangements for the ensuing project may be revisited and adjusted if required.

3. The project structure is shown in Figure 1.



DCCNR = Department of Climate Change and National Resilience; DCIE = Department of Commerce, Industry and Environment; DOF = Department of Finance; NRC = Nauru Rehabilitation Corporation; NUC = Nauru Utilities Corporation.

Note: DCCNR is the lead implementing agency. Other agencies will be responsible for providing technical inputs.

Source: Asian Development Bank

4. At processing of PRF, the Nauru Utilities Corporation is responsible for water supply, the Nauru Rehabilitation Corporation is responsible for solid waste management, and the mandate for sanitation is unclear. Septic tank emptying services and transport of septage to treatment plants are currently provided by Eigigu Holdings. Septage treatment plants are currently managed by Nauru Utilities Corporation and Eigigu Holdings.

III. COSTS AND FINANCING

A. Key Assumptions

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

- (i) Exchange rate: Australian dollars (AS\$)1.31 = \$1.00 (as of 8 April 2021).

- (ii) Price contingencies based on expected cumulative inflation over the implementation period are as follows:

Table 3: Escalation Rates for Price Contingency Calculation

Item	2021	2022	2023	2024	2025	Average
Foreign rate of price inflation	1.6%	1.7%	1.7%	1.8%	1.8%	1.72%
Domestic rate of price inflation	1.1%	2.0%	1.8%	2.3%	2.4%	1.92%

Source: Asian Development Bank.

- (iii) In-kind contributions were estimated based on information provided by the Department of Finance.

B. Allocation and Withdrawal of Grant Proceeds

Table 4: Allocation and Withdrawal of Grant Proceeds

Category	Amount Allocated \$	Percentage and Basis for Withdrawal from the Grant Account
1. Consultancy services, Equipment and PMU costs	5,000,000	100% of total expenditure claimed*
Total	5,000,000	

PMU = project management unit.

* Exclusive of local taxes and duties imposed within the territory of the Recipient.

Source: Asian Development Bank.

C. Detailed Cost Estimates by Expenditure Category and Financier

Table 5: Detailed Cost Estimate by Expenditure Category and Financier
(\$ million)

Item	ADB		Government of Nauru		Total Cost ^a	
	Amount	% of Cost Category	Amount	% of Cost Category	Amount	Taxes and Duties
A. Investment Costs						
1. Consultants	4.42	100%			4.42	0.21
2. Equipment, Recurrent costs ^b	0.27	100%			0.27	
3. Taxes and Duties			0.21	100%	0.21	
Subtotal (A): Total Base Cost	4.69	96%	0.21	4%	4.90	0.21
B. Contingencies^c						
1. Physical	0.22	100%			0.22	
2. Price	0.09	100%			0.09	
Subtotal (B)	0.31	100%			0.31	
Total Project Cost (A+B)	5.00		0.21		5.21	0.21
% Total Project Cost		96%		4%	100%	

ADB = Asian Development Bank.

^a In prices as of April 2021.

^b Including cost of annual audit.

^c Physical contingencies computed at 4.6%. Price contingencies computed at average of 1.7% on foreign exchange costs and 1.9% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

Source: Asian Development Bank.

D. Detailed Cost Estimates by Year

Table 6: Detailed Cost Estimate by Expenditure Category and Year
(\$ million)

Item	Total Cost ^a	2021	2022	2023	2024	2025
A. Costs						
Consultants	4.63	-	0.56	1.23	1.06	1.78
Equipment, Recurrent costs ^b	0.27	-	0.10	0.11	0.04	0.03
Subtotal (A)	4.90	-	0.66	1.34	1.10	1.81
B. Contingencies^c						
	0.31	-	-	0.03	0.12	0.15
Total Project Cost (A+B)	5.21	-	0.66	1.37	1.23	1.96
% of Total Cost		0%	13%	25%	24%	38%

Note: Numbers may not sum precisely because of rounding.

^a In prices as of April 2021.

^b Including cost of annual audit.

^c Physical contingencies computed at 4.6%. Price contingencies computed at average of 1.7% on foreign exchange costs and 1.9% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

Source: Asian Development Bank.

E. Contract and Disbursement S-Curve

Figure 2: Contract Awards and Disbursements S-Curve

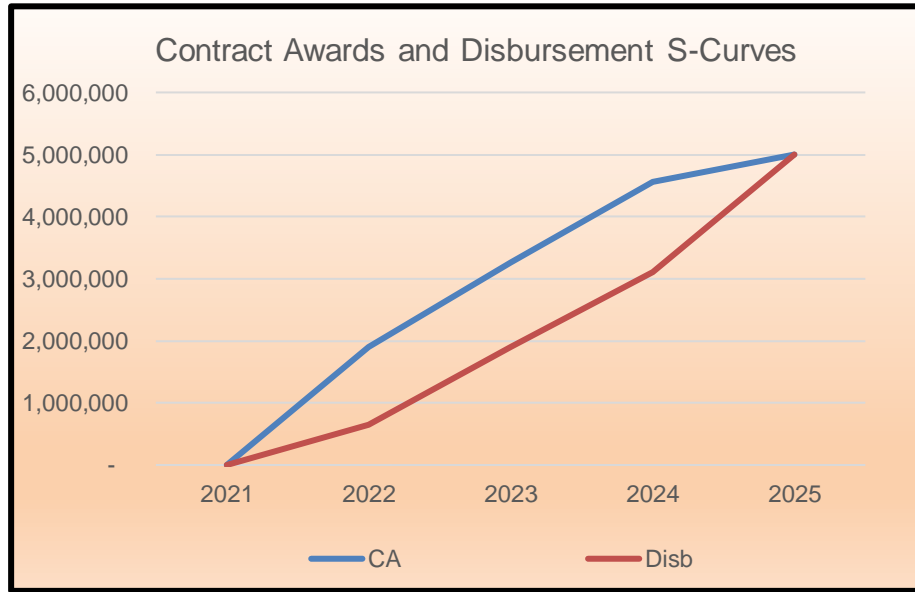


Table 7: Projected Contract Awards and Disbursements (\$)

Year	Contract Awards (\$)					Disbursements (\$)				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
2021	-	-	-	-	-	-	-	-	-	-
2022	50,000	308,000	1,150,000	400,000	1,908,000	50,000	150,000	175,000	275,000	650,000
2023	105,600	79,200	140,800	1,020,000	1,345,600	200,000	350,000	350,000	350,000	1,250,000
2024	350,000	50,000	300,000	600,000	1,300,000	125,000	200,000	380,000	495,000	1,200,000
2025	200,000	246,400	-	-	446,400	330,000	350,000	520,000	700,000	1,900,000
Total					5,000,000					5,000,000

Q = quarter.

Source: Asian Development Bank estimates.

IV. FINANCIAL MANAGEMENT

A. Financial Management Assessment

6. ADB conducted the financial management assessment (FMA) from February to May 2021, in accordance with ADB's 2015 Financial Management Assessment Technical Guidance Note¹. The FMA included a review of ADB's ongoing experience in-country, interviews with key staff attached to DOF as the executing agency and DCCNR as the lead implementing agency for the PRF. The FMA considers the capacity of the executing and implementing agencies in terms of governance, staffing, budgeting, accounting and financial reporting, internal control, funds flow arrangement and internal and external auditing. The PRF funds flow diagram is in Figure 3.

7. ADB has carried out the assessment as part of the due diligence for the PRF of the proposed Nauru Sustainable Urban Development Project for ADB financing. Nauru has faced significant public finance lapses in the past and is still dealing with several inherited issues which have led to audit qualifications on the whole of government financial statements. DOF is actively addressing these issues with the assistance of development partners through improved public financial management. The FMA is carried out to assess the degree to which financial management arrangements are adequate to manage fiduciary risks and provide reasonable assurance that ADB funds will be used for its intended purpose. Key findings of the FMA are: (i) account reconciliation process is not done regularly; (ii) DOF and DCCNR lack an internal audit function but DOF is negotiating with an overseas firm for outsourcing the internal audit function, and they may extend the service to cover DCCNR during project implementation; and (iii) that DOF is preparing an accounting procedures and policy manual. Account reconciliation refers to discrepancies in the beginning and ending balances of various accounts due to the absence of financial statements for several years.

8. The overall pre-mitigated financial management risk was rated substantial due to the (i) control risks arising from lack of internal audit at both DOF and the implementing agency, (ii) irregular account reconciliation processes, (iii) off-system fixed assets register, and (iv) absence of an accounting policy and procedures manual at DOF.

9. The identified risks will be mitigated by: (i) implementing internal audit on a quarterly basis at DOF, and the outsourced internal auditor may be extended to the implementing agency; (ii) completion of the accounting procedures and policy manual for DOF; (iii) ensuring sufficient resources in terms of staffing are made available by DOF and/or DCCNR for managing ADB disbursements, accounting, and financial reporting through a separate PMU, and (iv) ensuring regular account reconciliation is conducted. A project accountant will be recruited under the project to manage ADB disbursements, and to ensure compliance with accounting and financial reporting requirements under the project. The financial management capacity of the DOF to manage the advance account was assessed to be adequately robust with designated signatories to ensure the integrity of the account. However, as this will be the first time that Nauru will use the advance account, DOF will submit complete documentation when liquidating the initial advance and seeking replenishment.

10. **Risk analysis.** During the implementation phase, the DOF and DCCNR might face some risks that can generally be divided into two main categories: (i) country level, and

¹ Financial Management Technical Guidance Note 2015 Financial Due Diligence, A Methodology Note, 2009, Financial Analysis and Evaluation, Technical Guidance Note, 2019.

(ii) organization/project level. Financial management risks shall be monitored and updated throughout the life of the project and risk mitigation measures shall also be updated accordingly. The risk assessment and mitigation Measures are listed in Table 8.

Figure 3: PRF Funds Flow Diagram

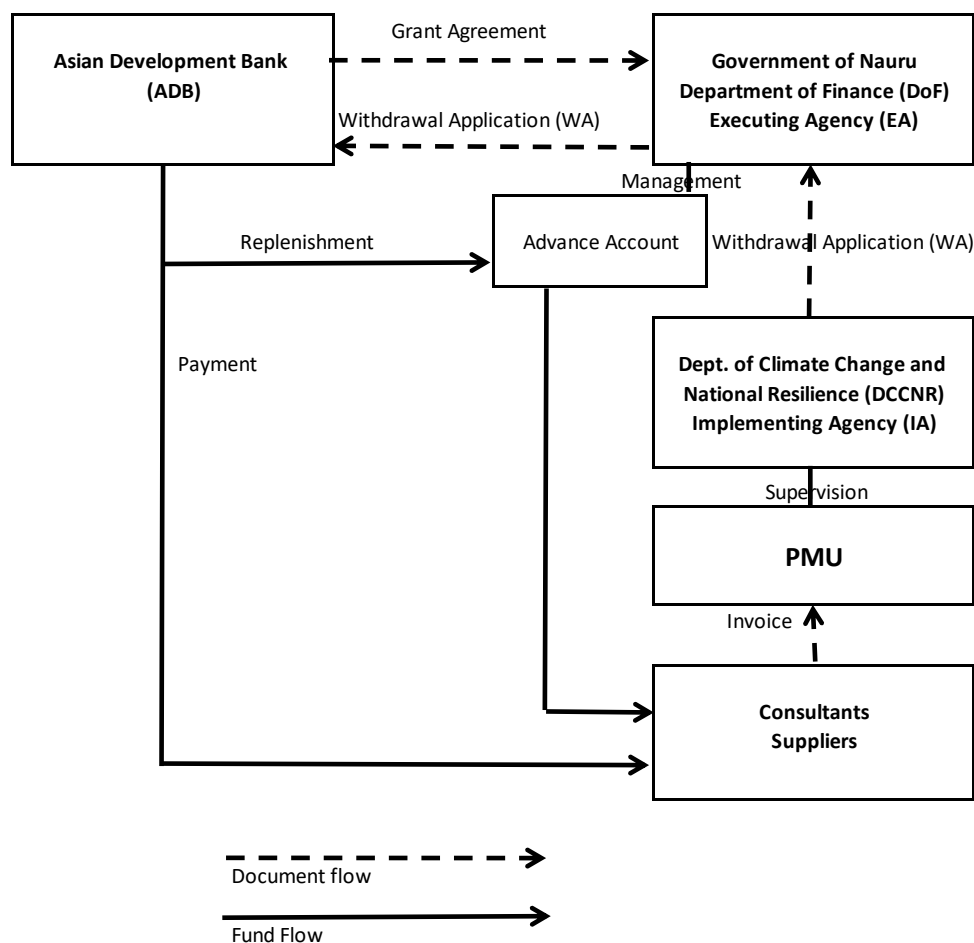


Table 8: Financial Management Internal Control and Risk Management Assessment

Risk Type	Risk Assessment Rating *	Risk Description	Mitigation Measures
A. Inherent Risk (the susceptibility of the project financial management system to factors arising from the environment in which it operates, such as country rules and regulations and entity working environment [assuming absence of any counter checks or internal controls]).			
1. Country-specific Risks	High	Lapses in PFM (e.g., no government financial statements for 10 years from 1997/98 and as a result, the audit qualification on the whole of government financial statements for 2016/17.)	Ongoing PFM support under ADB's Improving Public Investment Program and PACTAM by DFAT. Whole of government financial statements have been updated although audits are ongoing.

Risk Type	Risk Assessment Rating *	Risk Description	Mitigation Measures
		<p>(i) there is no adequate monitoring of SOE performances; (ii) the budget formulation process is satisfactory, but multi-year budgeting is not practiced; (iii) systems for the collection of taxes and tax arrears is weak; (iv) although a debt database is available, a debt management framework is not available; and (v) the overall standard of internal control is weak.</p> <p>IMF Article IV consultations in 2019 emphasize the need to preserve fiscal and debt sustainability in the light of dwindling phosphate revenues and revenues from RPC.</p>	<p>Legislation pertaining to the monitoring of SOE enacted in 2019.</p> <p>A new SOE monitoring unit has been set up at DOF.</p>
2. Entity-specific Risks	Substantial	<p>Account reconciliation is not done regularly. DOF has updated the preparation of whole-of-government financial statements; audit is ongoing.</p> <p>Lack of internal audit function at DOF which undermines internal control and compliance with processes.</p>	<p>Ongoing efforts at accounts reconciliation through an expatriate advisor funded under PACTAM.</p> <p>DOF has engaged an overseas firm to outsource the internal audit function</p>
3. Project-specific Risks	Moderate	There may be implementation delays of the PRF caused by the ongoing COVID-19 (coronavirus) pandemic.	A strong project manager will identify potential risks and mitigate these in advance, and apply learning from other project responses to COVID-19.
Overall Inherent Risk	Substantial		
B. Control Risk (the risk that the project's accounting and internal control framework are inadequate to ensure project funds are used economically and efficiently and for the purpose intended, and that the use of funds is properly reported).			
1. Staffing and Funds Flow	Substantial	While DOF has previous experience as an executing agency, DCCNR has no previous experience as an implementing agency. There is also no experience in managing an Advance Account.	The project accountant and other PMU staff will be trained in ADB procedures before PRF becomes effective.

Risk Type	Risk Assessment Rating *	Risk Description	Mitigation Measures
2. Accounting Policies and Procedures	Moderate	Accounting policy and procedures manual still being prepared by DOF.	Accounting policy and procedures manual to be completed before the approval of ensuing projects and updated annually thereafter.
3. Internal Audit	Substantial	No internal audit function in place in DCCNR, which weakens internal controls	DOF will arrange to extend the outsourced internal audit services to the implementing agency
4. External Audit	Substantial	Possible delays in audit reports due to low capacity of the AGO.	Project accounts will be audited by a private independent auditor, and cost of audit have been included in the cost estimates.
5. Regular account reconciliation	Substantial	Accounts are not regularly reconciled which will result in adverse audit opinion.	Project accountant to undertake regular reconciliation with ADB's GFIS. Training will be provided by ADB.
Overall Control Risk	Substantial		
Overall (Combined) Risk	Substantial		

ADB = Asian Development Bank, AGO = Auditor General's Office, COVID-19 = coronavirus disease, DCCNR = Department of Climate Change and National Resilience, DFAT = Department of Foreign Affairs and Trade (Australia), DOF = Department of Finance, GFIS = grant financial information system, IMF = International Monetary Fund, PACTAM = Pacific Technical Assistance Mechanism, PFM = public financial management, PMU = project management unit, PRF = project readiness financing, RPC = regional processing center, SOE = state-owned enterprise.

Note: High = likely to occur, will have high impact if occurs; Substantial = likely to occur, will have substantial impact if occurs; Moderate = likely to occur will have low impact if occurs; Low or Negligible = unlikely to occur, will have low impact if occurs.

Source: Asian Development Bank

11. **Recommended action plan.** Tables 9 and 10 below set out the time-bound financial management action plans for the executing and implementing agencies.

Table 9: Financial Management Action Plan – DOF (Executing Agency)

Weakness	Mitigation Actions	Responsibility	Timeframe
Lack of regular internal auditing at DOF	DOF outsourced its internal audit function	DOF	Prior to grant disbursement
Formal accounting policy and procedures manual being prepared at DOF	Accounting policy and procedures manual to be prepared and updated annually thereafter	DOF	To be finalized prior to approval of the ensuing project
There may be implementation delays caused by the ongoing COVID-19 pandemic.	DOF to monitor project implementation plan with respect to contract awards and disbursements, and cost estimates on a monthly basis	DOF	Within 6 months of grant effectiveness

COVID-19 = coronavirus disease, DOF = Department of Finance.

Source: Asian Development Bank

Table 10: Financial Management Action Plan – DCCNR (Implementing Agency)

Weakness	Mitigation Actions	Responsibility	Timeframe
Lack of internal auditing at DCCNR	DOF will arrange to extend its outsourced internal audit function to the implementing agency	DOF/DCCNR	Prior to grant disbursement
DOF has no experience in operating an advance account for PMU's day to day expenses	Ensure adequate staffing resources available with the establishment of a PMU; ADB to conduct training on disbursement procedures.	DOF/ADB	Prior to grant effectiveness
Regular account reconciliation	Project accountant to undertake monthly account reconciliation	PMU/ADB	Monthly until project completion

ADB = Asian Development Bank, DCCNR = Department of Climate Change and National Resilience, DOF = Department of Finance, PMU = project management unit.

Source: Asian Development Bank

B. Disbursement

12. The proceeds of the PRF grant will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time), and detailed arrangements agreed between the government and ADB. Online training for project staff on disbursement policies and procedures is available.² Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

13. Direct payment and advance account procedures will be used for disbursements for the consulting services and other minor contracts under the proposed PRF. The PMU, through the DCCNR, will be responsible for (i) collecting supporting documents, and (ii) preparing and sending the withdrawal applications to DOF for approval. DOF, as the executing agency, will be responsible for sending the withdrawal applications to ADB.

14. **Advance fund procedure.** Advance accounts should be established and maintained by DOF. The currency of the advance account is the Australian dollar. The advance account will be used exclusively for ADB's share of eligible expenditures like PMU-related costs and consulting services. The DOF who administers the advance account is accountable and responsible for the proper use of advances to the advance account. The total outstanding advance to the advance fund account should not exceed the estimate of ADB's share of expenditures to be paid through the advance account for the forthcoming 6 months. The DOF may request for initial and additional advance based on an estimate of expenditure sheet setting out the estimated expenditures³ to be financed through the account for the forthcoming 6 months. The DOF may request for liquidation of advance when at least 30% of the outstanding advance is used. Supporting documents should be submitted to ADB or retained by the DOF in accordance with ADB's *Loan Disbursement Handbook* when liquidating or replenishing the advance account.

15. The project accountant will support the PMU in preparing the withdrawal applications, with complete supporting documents, for submission to DOF staff, for their review and approval and

² Disbursement eLearning. http://wpqr4.adb.org/disbursement_elearning.

³ Estimate of Expenditure sheet is available in Appendix 8A of ADB's *Loan Disbursement Handbook*.

then to ADB for the processing of payments. All these processes will be done online in the Client's Portal for Disbursement (CPD) system.

16. Before submitting the first withdrawal application, the government should submit to ADB sufficient evidence of the authority of the persons who will sign the withdrawal applications on behalf of the government, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is stipulated in ADB's *Loan Disbursement Handbook*. The borrower should ensure sufficient category and contract balances before requesting disbursements. Use of ADB's CPD system is encouraged for submission of withdrawal applications to ADB.⁴

C. Accounting

17. The DOF will cause DCCNR to maintain separate books and records by funding source for all expenditures incurred on the project following International Public Sector Accounting Standard for cash-based accounting. DOF 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

18. The DOF will cause the detailed project financial statements to be audited following the International Standards on Auditing by an independent auditor acceptable to ADB. The DOF will present the audited project financial statements together with the auditor's opinion, in English, to ADB within 6 months from the end of the fiscal year.

19. 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, following the applicable financial reporting standards; (ii) whether the proceeds of the grant were used only for the purposes of the project; and (iii) whether the recipient or executing agency complied with the financial covenants contained in the legal agreements (where applicable).

20. The DOF will monitor compliance with financial reporting and auditing requirements during review missions and normal program supervision and will follow up regularly with all concerned, including the external auditor.

21. ADB has made the government, DOF, and DCCNR aware of its approach to delay submission and the requirements for satisfactory and acceptable quality of the audited project financial statements.⁵ ADB reserves the right to require a change in the auditor (in a manner

⁴ ADB's Client Portal for Disbursements (CPD) system facilitates online submission of withdrawal applications to ADB, resulting in faster disbursement. The forms to be completed by the borrower are available at ADB. [Guide to the Client Portal for Disbursements](#).

⁵ ADB's approach and procedures regarding delayed submission of audited project financial statements:

- (i) When ADB does not receive the audited project financial statements by the due date, ADB will write to the executing agency to inform it 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 ADB does not receive the audited project financial statements 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

consistent with the constitution of the recipient) 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 its policies and procedures were followed when the share of ADB's financing was used.

22. ADB's Access to Information Policy will guide the public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements. 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 its website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.⁶

V. PROCUREMENT AND CONSULTING SERVICES

A. Procurement of Consulting Services

23. DCCNR and ADB will jointly recruit all consultants following the ADB Procurement Policy (2017, as amended from time to time), the Procurement Regulations for ADB Borrowers (2017, as amended from time to time), and associated staff instructions. Consulting services will comprise four output-based consulting firm packages,⁷ and seven input-based individual consultants as outlined in Table 11. The terms of reference for all consulting services are detailed in Section E.

24. A delegation matrix outlining the responsibilities of DOF, DCCNR, and ADB for consultant selection has been provided by the recipient. ADB will support the consultant recruitment process including the advertisement, tender, and evaluation stages for international consultants (individuals) and for firms. For national individual consultancy assignments, DCCNR signified its intention to undertake the evaluation of the expressions of interest received through the ADB consultant management system. Prior review of all national individual consulting packages shall be used. DCCNR will remain responsible for negotiating, signing and administering all of the consulting services contracts.

inform the executing agency (a) of ADB's actions and (b) that the grant may be suspended if the audit documents are not received within the next 6 months.

(iii) When ADB DOIDs not receive the audited project financial statements within 12 months after the due date, ADB may suspend the grant.

⁶ Such information generally falls under public communications policy exceptions to disclosure (ADB. 2011. *Public Communications Policy 2011: Disclosure and Exchange of Information*. Manila [para. 97(iv-v)]).

⁷ Package 2.1 is phase 1 of a potentially 3 phase contract, if ADB and the government agreed for package 2.2. and 2.3 are included as a variation. In that case, the project would only have 2 packages for consulting services through firms.

Table 11: Consulting Services Requirements

Package No.	Assignment	Purpose	Recruitment Method
1.1	PMU Head/Project Manager (40 person-months, input-based, full-time)	Lead and manage the PRF implementation, coordinate between agencies, establish the PMU, Secretary to the Project Steering Committee	ICS
1.2	Deputy Project Manager/Utilities Specialist (18 person-months, input-based, intermittent)	Provide support to the Project Manager for PRF implementation, procurement, contract management of firms and individuals and review other consultants' outputs	ICS
1.3	Project Accountant (8 person-months; input-based, intermittent)	Financial management of the PRF and assist the Government to establish the PMU.	ICS
1.4	Community Engagement and Gender Expert (24 person-months, input-based, intermittent)	Ensure meaningful consultations, community support and high social impact through the project design	ICS
1.5	Hygiene Awareness and Education Expert (3 person-months, input-based, intermittent)	Lead the design and development of hygiene awareness and education programs during the PRF and for the ensuing project.	ICS
1.6	Urban Planning Expert (8 person-months, input-based, intermittent)	Provide support to government to design the approach to urban planning for Nauru and define scope of work of the urban planning firm	ICS
1.7	Legal Expert (9 person-months, input-based, intermittent)	Provide support for policy, regulatory and related work	ICS
2.1	Consulting Firm – Project Preparation Phase 1 (Output-based contract delivered over 18 months)	Prepare water supply and sewerage master plans, strategic plans, feasibility studies, and due diligence (safeguard, financial management, procurement).	QCBS
2.2	Consulting Firm – Project Preparation Phase 2a (Output-based contract delivered over 8 months)	Design the institutional arrangements, including identification of policy or legislative reforms required for sustainable O&M	QCBS
2.3	Consulting Firm – Project Preparation Phase 2b (Output-based contract delivered over 10 months)	Detailed engineering design, update due diligence and procurement assistance.	QCBS
2.4	Consulting Firm – Urban Development Plan Preparation (Output-based contract delivered over 12 months)	Prepare whole of island urban development strategy and implementation plan	QCBS

ICS = individual consultant selection, O&M = operations and management, PMU = project management unit, PRF = project readiness financing, QCBS = quality- and cost-based selection.

Note: Package 2.2 and 2.3 may be awarded as a variation to the contract of the consultant awarded package 2.1.

Source: Asian Development Bank.

25. Individual consultants will be recruited using the individual consultant selection method.
26. Consulting firms will be engaged to deliver Package 2.1: Project Preparation Phase 1; Package 2.2: Project Preparation Phase 2a; Package 2.3: Project Preparation Phase 2b; and Package 2.4: Urban Development Plan and Strategy. The firms will be recruited using the quality- and cost-based selection method with a 90:10 quality-cost ratio. Subject to (i) satisfactory performance of the firm selected to deliver Package 2.1 and the quality of the Package 2.1 outputs; (ii) mutual agreement between PMU and Package 2.1 consulting firm; and (iii) ADB no-objection, the Package 2.1 consulting firm may be directly engaged to deliver Package 2.2: Project Preparation Phase 2a and/or Package 2.3: Project Preparation Phase 2b.
27. **Coronavirus disease considerations.** The ongoing coronavirus disease (COVID-19) pandemic brings uncertainties and potential for prolonged travel restrictions that can impact on consulting services in terms of time and cost. Consulting services contracts should accommodate the risk. Quarantine-related costs shall be paid out of provisional sum for consulting firms. Consultants will be asked to prepare detailed workplans during the inception phase with suggestions to adjust phasing of activities if still found to be needed in order to accommodate travel restrictions. Terms of reference should clearly recognize the possibility of delays due to COVID-19 and provide for some flexibility. Firms will be expected to propose international experts who are able to travel to Nauru.

B. Procurement of Goods

28. All procurement of goods will follow the ADB Procurement Policy and its associated staff instructions.
29. The PMU will procure a project vehicle. Advance contracting will apply for procurement of goods and consultancy contracts. ADB has advised the recipient, DOF, and the implementing agencies that approval of advance contracting and retroactive financing does not commit ADB to finance the PRF project. Retroactive financing will not be used for the PRF.

C. Procurement Plan

Basic Data		
Project Name: Preparing the Nauru Sustainable Urban Development Project		
Project Number: 54377-001	Approval Number:	
Country: Nauru	Executing Agency: Department of Finance	
Project Procurement Classification: A	Implementing Agency: DCCNR	
Procurement Risk: High		
Project Financing Amount: \$ 5.21 million ADB Financing: \$5.0 million Non-ADB Financing: \$ 0.21 million	Project Closing Date: 30 June 2026	
Date of First Procurement Plan: 22 April 2021	Date of this Procurement Plan: 22 April 2021	
Procurement Plan Duration: 18 months	Advance contracting: Yes	eGP: No

D. Methods, Review and Procurement Plan

30. Except as the ADB may otherwise agree, the following methods shall apply to procurement of goods, and consulting services.

Procurement of Goods	
Method	Comments
Request for Quotation for Goods	

Consulting Services	
Method	Comments
Quality- and cost-based selection (QCBS)	Applicable for selection of a firm. The quality-cost ratio will be 90:10
Individual consultation selection (ICS)	Applicable for individual consultants

E. List of Active Procurement Packages (Contracts)

31. The following table lists goods and consulting services contracts for which the procurement activity is either ongoing or expected to commence within the procurement plan's duration.

Goods							
Package Number	General Description	Estimated Value (\$)	Procurement Method	Review	Bidding Procedure	Advertisement Date	Comments
1	Project vehicle	50,000	RFQ	Prior		Q1 2022	

Consulting Services							
Package Number	General Description	Estimated Value (\$)	Selection Method	Review	Type of Proposal	Advertisement Date	Comments
1.1	PMU Head/ Project Manager	308,000	ICS	Prior		Q3 2021	Type: Individual Assignment: National Expertise: Project management/ policy Advance contracting: Yes Prior review: Yes
1.2	Deputy Project Manager/ Utilities Specialist	422,000	ICS	Prior		Q4 2021	Type: Individual Assignment: International Expertise: Project management/ engineering/

Consulting Services							
Package Number	General Description	Estimated Value (\$)	Selection Method	Review	Type of Proposal	Advertisement Date	Comments
							utility services Advance contracting: Yes
1.3	Project Accountant	105,600	ICS	Prior		Q4 2021	Type: Individual Assignment: International Expertise: Financial management / Accounting Advance contracting: Yes
1.4	Community Engagement and Gender Expert	75,000	ICS	Prior		Q1 2022	Type: Individual Assignment: National Expertise: Community engagement, gender Advance contracting: No Prior review: Yes
1.5	Hygiene Awareness and Education Expert	52,000	ICS	Prior		Q3 2022	Type: Individual Assignment: International Expertise: water sanitation and hygiene Advance contracting: No
1.6	Urban Planning Expert	140,000	ICS	Prior		Q2 2022	Type: Individual Assignment: International Expertise: Urban planning Advance contracting: No
1.7	Legal Expert	80,000	ICS	Prior		Q4 2022	Type: Individual

Consulting Services							
Package Number	General Description	Estimated Value (\$)	Selection Method	Review	Type of Proposal	Advertisement Date	Comments
							Assignment: National Expertise: Law Advance contracting: No Prior review: Yes
2.1	Project Preparation Phase 1: Planning and preliminary designs (water supply, sanitation, solid waste management)	1,400,000	QCBS	Prior	FTP	Q2 2021	Type: Consulting firm Assignment: International Expertise: water supply and sanitation/ solid waste/due diligence Advance contracting: Yes
2.2	Project Preparation Phase 2a: Supporting policy and institutional reform	800,000	QCBS	Prior	FTP	Q3 2022	Type: Consulting firm Assignment: International Expertise: institutional capacity/ development Advance contracting: No
2.3	Project Preparation Phase 2b: Preparing Detailed Engineering Designs and Bidding Documents and Due Diligence	500,000	QCBS	Prior	STP	Q1 2023	Type: Consulting firm Assignment: International Expertise: detailed engineering design/ procurement Advance contracting: No
1.8	Urban Development Plan Preparation	380,000	QCBS	Prior	STP	Q4 2022	Type: Consulting firm

Consulting Services							
Package Number	General Description	Estimated Value (\$)	Selection Method	Review	Type of Proposal	Advertisement Date	Comments
							Assignment: International Expertise: Urban development and Implementation Advance contracting: No

F. List of Indicative Packages (Contracts) Required under the Project

32. The following table lists goods and consulting services contracts for which the procurement activity is expected to commence beyond the procurement plan duration and over the life of the project (i.e., those expected beyond the current procurement plan's duration).

Goods						
Package Number	General Description	Estimated Value (\$)	Procurement Method	Review	Bidding Procedure	Comments

Consulting Services						
Package Number	General Description	Estimated Value (\$)	Selection Method	Review	Type of Proposal	Comments

G. List of Awarded and Completed Contracts

33. The following table lists the awarded contracts and completed contracts for goods and consulting services.

Goods					
Package Number	General Description	Contract Value	Date of ADB Approval of Contract Award	Date of Completion	Comments

Consulting Services					
Package Number	General Description	Contract Value	Date of ADB Approval of Contract Award	Date of Completion	Comments

H. Non-ADB Financing

34. The following table lists goods and consulting services contracts over the life of the project, financed by non-ADB sources.

Goods, Works and Nonconsulting Services				
General Description	Estimated Value (cumulative, \$)	Estimated Number of Contracts	Procurement Method	Comments

Consulting Services				
General Description	Estimated Value (cumulative, \$)	Estimated Number of Contracts	Recruitment Method	Comments

I. Consultant's Terms of Reference

35. Services of individual consultants include: (i) PMU head/project manager (national, 40 person-months, full-time); (ii) deputy project manager/utilities specialist (international, 18 person-months, intermittent); (iii) project accountant (international, 8 person-months, intermittent); (iv) community engagement and gender expert (national, 24 person-months, intermittent); (v) hygiene awareness and education expert (international, 3 person-months, intermittent); (vi) urban planning expert (international, 8 person-months, intermittent); and (vii) legal expert (national, 9 person-months, intermittent). The outline terms of reference (TOR) for the consultants are provided below.

36. **Package 1.1: PMU head/project manager** (national, 40 person-months, full-time). The PMU head will work within the PMU and will oversee the delivery and the implementation of the PRF, and also build PMU's project management capacity. The PMU head will have a degree in economics, finance or engineering and at least 20 years' professional experience, including at least 10 years of experience in project management. The PMU head will report to the project director. Specific tasks of the PMU Head will include but are not limited to:

- (i) **Project Management**
 - (a) establishing the PMU through the development and implementation of project management processes, tools, and systems;
 - (b) establishing a physical office for PMU;
 - (c) developing prioritized workplan to deliver the PRF and the ensuing Nauru Urban Sustainable Development Project;
 - (d) leading and managing PMU personnel;
 - (e) managing PRF procurement for the duration of the PRF;
 - (f) ensuring full compliance with ADB and PMU (where applicable) procurement policies and regulations;
 - (g) managing individual consultants and consulting firms to ensure the PRF outputs are delivered as per contracts and to the agreed standards and expectations;

- (h) leading PMU coordination with national agencies to facilitate implementation of the PRF and delivery of PRF outputs;
- (i) providing Secretariat services for the project steering committee;
- (j) ensuring appropriate safeguards and governance controls are in place, managed and reported as required;
- (k) maintaining strong relationships with key PRF stakeholders;
- (l) preparing and ensuring timely submission of quarterly and annual progress reports to ADB; and
- (m) coordinating ADB review missions.

37. **Package 1.2: Deputy project manager/utilities specialist** (international, 18 person-months, intermittent). The deputy project manager will work within the PMU and will provide implementation support for the delivery and the implementation of the PRF, and also build PMU's project, procurement and contract management capacity. The deputy project manager will have a degree from a tertiary institution in civil or mechanical engineering and at least 20 years' professional experience, including at least 10 years of experience in a utility in a senior role and experience working in small island developing states. He/she shall have proven multilateral development bank procurement and contract management expertise. The deputy project manager will report to the PMU head. Specific tasks of the deputy project manager will include but are not limited to:

- (i) **Project Management**
 - (a) supporting the establishment of the PMU through the development and implementation of project management processes, tools, and systems;
 - (b) working with PMU head to develop prioritized workplan to deliver the PRF and the Nauru Urban Sustainable Development Project;
 - (c) helping the executing agency/implementing agency prepare, negotiate, and manage consultant contracts;
 - (d) preparing comprehensive risk register and periodically reassess implementation risks (including related to COVID-19) and recommend mitigation measures;
 - (e) providing support to ensure appropriate safeguards and governance controls are in place, managed and reported as required;
 - (f) providing coaching and mentoring to PMU staff managing design and construction projects using best practice project management; and
 - (g) reviewing quarterly and annual progress reports for the PRF.
- (ii) **Technical Inputs**
 - (a) reviewing consultant inputs and outputs to ensure TOR scope is fulfilled and delivered to expected quality;
 - (b) preparing consultant TORs as required;
 - (c) leading on technical discussions including improving cross-institutional integration/coordination;
 - (d) presenting to key PRF stakeholders as required or supporting preparation of presentation materials;
 - (e) participating in ADB review missions; and
 - (f) providing knowledge transfer to PMU staff.

38. **Package 1.3: Project accountant** (international, 8 person-months, intermittent). The Project accountant will strengthen PMU's financial management capacity and assist PMU to establish and maintain the PRF accounts and to prepare the PRF financial documentation. The

project accountant will have a degree in accounting, finance, or a related field, and will have a recognized professional accountancy qualification and at least 10 years' experience in financial management. The project accountant will report to the PMU Manager. Specific tasks and responsibilities of the project accountant will include:

- (i) establishing PMU's financial management and financial record keeping procedures.
- (ii) preparing guidelines for financial record management and monitor the implementation of the guidelines;
- (iii) establishing and monitoring financial indicators, as required;
- (iv) establishing and maintaining separate project accounts and records for all expenditures incurred under the PRF;
- (v) preparing and supporting submission of PRF grant withdrawal applications and associated documentation to ADB;
- (vi) monitoring the PRF grant financial activities;
- (vii) reviewing the project accounts quarterly and identify project financial risks and recommend corrective actions to ensure the project accounts follow international accounting principles and practices;
- (viii) reconciling advance account expenditures; and
- (ix) preparing guidelines for quarterly and annual financial reporting. Prepare quarterly, and annual financial reports and accounts, including the PRF accounts, required for internal and external use, including for the PMU annual report.

39. Package 1.4: Community engagement and gender expert (national, 24 person-months, input-based, intermittent). The community engagement and gender expert will work with the project manager to oversee the project communications strategy prepared by the consultant (Package 2.1) and ensure meaningful consultations with beneficiary communities and civil society, including through community-based organizations. The expert shall preferably have a university degree and experience with community mobilization. The expert shall have at least 5 years of work experience, and preferably have experience working on a multilateral or bilateral funded project. The community engagement and gender expert will report to the PMU manager. Specific tasks and responsibilities of the expert will include, but are not limited to:

- (i) supporting all implementing agencies in community consultations to foster community understanding and support for the ensuing project;
- (ii) supporting all implementing agencies to ensure gender and social inclusion considerations are included in the design, monitoring, and implementation of all project activities and communications;
- (iii) attending community meetings and helping facilitate during meetings, as needed;
- (iv) providing advice to implementing agencies and consultants to ensure that women, youth and marginalized groups are being reached with project communications and consultations;
- (v) reviewing consultants' outputs related to community, gender and social components and ensuring that consulting services, costs and benefits for women and communities are clearly identified;
- (vi) working closely with the hygiene awareness and education specialist (international);
- (vii) supporting the PMU to coordinate and ensure continued interaction with civil society organizations, non-governmental organizations, women's groups and other community groups on project scope and reforms; and
- (viii) supporting the PMU and consultants with pretesting and production of communication materials.

40. **Package 1.5: Hygiene awareness and education expert** (international, 3 person-months, input-based, intermittent). The hygiene awareness and education expert will support the PMU to review the water, sanitation and hygiene (WASH) related outputs of the consultant Package 2.1 and ensure the project design leverages the links between WASH and health. The expert shall have at least 10 years' experience designing and implementing WASH programs, and experience working on WASH projects in the Pacific. The expert shall have a degree in sociology, public health, communications, or related field. Specific tasks and responsibilities of the expert will include, but are not limited to:

- (i) reviewing WASH related outputs of the Package 2.1;
- (ii) transferring knowledge on WASH approaches to the PMU;
- (iii) identifying opportunities to leverage links between WASH and health in the ensuing project;
- (iv) developing the hygiene awareness and education component of the ensuing project with the goal of increasing hygiene awareness at multiple levels and including with gender dimensions and fostering sustained improvements in hygiene behavior; and
- (v) ensuring a robust methodology for behavior change campaigns and developing the detailed terms of reference and the procurement strategy for WASH activities.

41. **Package 1.6: Urban planning expert** (international, 8 person-months, input-based, intermittent). The urban planning expert will support the project steering committee (PSC) and the PMU on issues related to Nauru's urban planning approach and strategy and land management to help ensure that the project contributes to longer term urban development objectives relevant to Nauru and incorporates climate change considerations. The expert shall have at least 20 years' professional experience and experience working on urban planning assignments in several small island developing countries in the Pacific, including strategy development and realigning planning institutions. The expert shall have a university degree in urban planning, urban economics, sociology, or related field. Specific tasks and responsibilities of the expert will include, but are not limited to:

- (i) advising the PMU and PSC on issues related to urban planning and land management as requested, including those that are relevant to water supply and sanitation sectors;
- (ii) drawing on lessons learned from any similar work in the Pacific by ADB or other development partners;
- (iii) building an understanding on priority 'whole of island' urban planning issues for Nauru;
- (iv) developing a strategic document on housing with a view to help address housing shortage;
- (v) identifying a range of entry points to build capacity for urban planning and strengthening the enabling environment for project implementation and sustainability;
- (vi) developing the planning approach and roadmap for strengthening urban planning capacity in country, including institutional options;
- (vii) supporting implementation of priority actions of the roadmap;
- (viii) advising on capacity needs and developing a capacity building program to establish an enabling environment for planning;
- (ix) ensuring dialogue on urban planning includes short-term and long-term climate change impact considerations and adaptation measures;
- (x) developing the TOR for Package 1.8 (firm)– *Urban Development Plan Preparation*;

- (xi) reviewing the outputs of Consultant (Package 1.8); and
- (xii) with the guidance of key stakeholders, developing the urban planning system strengthening component of the ensuing project, including preparing any detailed terms of reference for consultancy services.

42. **Package 1.7: Legal expert** (national, 9 person-months, input-based, intermittent). The legal expert will provide advice to the PMU and the PSC on legal requirements to implement policy and institutional reform related recommendations and for land related issues. The legal expert shall have at least 10 years' professional experience and preferably have experience working on multilateral funded projects and providing support to government for legal drafting. The expert shall have a law degree from a recognized university. Specific tasks and responsibilities of the expert will include, but are not limited to:

- (i) providing advice and support to PMU and PSC on legal issues related to sector policies, land or other aspects of the project;
- (ii) drafting legal documents related to institutional restructuring, tariffs, regulations, operations or policies to be finalized by the government or state owned enterprises; and
- (iii) reviewing relevant documents of the consultant (Package 2.2) as requested.

43. The outline TORs for consulting firms are provided below.

44. The Nauru Sustainable Urban Development Project covers the urban services of water supply, sanitation, and solid waste. There is also the possibility that a series of projects will be recommended in phases in accordance with the strategic documents prepared by the consultant and depending on absorption capacity, availability of financing and other such considerations. The consultancies for water supply, sanitation and solid waste comprise of two phases as follows:

- Phase 1: Planning and Project Preparation (Package 2.1)
- Phase 2A: Establishing an Enabling Environment (Package 2.2)
- Phase 2B: Preparing Detailed Designs and Bidding Documents (Package 2.3)

45. The consultant shall undertake Phase 1 (Package 2.1) and may undertake Phase 2A (Package 2.2) and Phase 2B (Package 2.3) subject to satisfactory performance.

Phase 1 Planning and Project Preparation

46. **Master plans.** The consultant shall prepare master plans for each of the three urban services by undertaking the following:

- (i) review the government policies, strategies, development priorities and codes relating to each of the three urban services;
- (ii) review the existing and planned development projects and other donor projects and determine alignment and coordination requirements;
- (iii) develop and implement a community and customer consultation program.
- (iv) regularly report to and consult the PSC on key issues and decisions;
- (v) determine the existing and forecast demands, and the spatial distribution of these demands, for each of the urban services to 2060;

- (vi) assess the existing capacity to service the demands and develop interventions and intervention phasing to close any gaps and regard to the project's key success factors of acceptable, affordable, sustainable and resilient;
- (vii) prepare social and environmental due diligence documents and where necessary revise the interventions;
- (viii) identify and catalogue any land issues and seek PSC advice on resolving these;
- (ix) determine the resources and services that will be required to support the implementation of the interventions and to support the ongoing compliant delivery of each of the urban services;
- (x) review the enabling environment and recommend changes required to ensure the efficiency and effective implementation and ongoing delivery of each of the urban services;
- (xi) prepare a high-level estimate of the intervention costs and the ongoing delivery costs of each of the urban services;
- (xii) consolidate this information into a master plan for each of the urban services and submit for review and approval; and
- (xiii) explore potential and identify opportunities for community-driven development approaches to complement large trunk infrastructure with small-scale and community-managed urban services.

47. **Feasibility studies.** The consultant shall undertake feasibility studies for each of the proposed interventions by undertaking the following:

- (i) continue to implement the community and customer consultation program;
- (ii) continue to regularly report to and consult the PSC on key issues and decisions;
- (iii) for each of the main components of the master plans examine the proposed solution in detail taking into account financial, social and environmental factors. Test the proposed solutions against the project's key success factors of acceptable, affordable, sustainable and resilient. Modify the master plans and refine the proposed solutions accordingly. Prepare detailed solutions and specification for each of the master plan components;
- (iv) update the land issues catalogue and continue to work on resolving these. If necessary, modify the master plans and/or proposed detailed solutions;
- (v) update and refine the due diligence documents;
- (vi) check the recommended changes to the enabling environment to ensure they accommodate any outcomes or refinements from the feasibility studies;
- (vii) check the resources and services proposed to for the implementation and ongoing delivery of services to ensure they any outcomes or refinements from the feasibility studies;
- (viii) refine and improve the high-level estimate of the intervention costs and the ongoing delivery costs of each of the urban services; and
- (ix) consolidate this information into a feasibility report for each of the urban services and submit for review and approval.

48. **Optimization study.** The consultant shall undertake an optimization study of the three urban services by undertaking the following:

- (i) examine the resources, skillsets and support systems required by each of the urban services and determine those which are common to all three. Assess opportunities to share these services and estimate the efficiency savings;

- (ii) develop a sharing methodology and consult with the three urban service entities and determine the feasibility of adopting a common approach and cost sharing arrangement, and where agreed prepare a schedule to moving to a shared services arrangement;
- (iii) in undertaking this work the consultant shall take into account the following criteria: the simplest and most customer-friendly approach; the concentration and retention of specialist resources; the development of a critical mass to enable the same support services to be offered to external parties; and the cost savings to be made;
- (iv) from time to time seek the views of the PSC regarding the feasibility of particular sharing options; and
- (v) prepare an optimization study report.

49. **Due diligence studies.** For each of the master plans, the consultant shall undertake preliminary social and environmental due diligence studies having regard for any national social or environmental policies and the ADB's due diligence requirements and shall prepare due diligence reports in accordance with the ADB's standard formats. The consultant shall update these due diligence reports following the completion of the feasibility studies and again at the completion of the detailed design. The consultant shall initially prepare the following documents in accordance with the ADB templates. Further documents may be required depending upon the findings of these initial documents:

- (i) Initial Environmental Examination
- (ii) Resettlement Plan
- (iii) Initial Poverty and Social Analysis (including gender analysis)
- (iv) Gender, Equality and Social Inclusion Action Plan
- (v) Sector Assessment: Water and Other Urban Infrastructure and Services
- (vi) Financial analysis
- (vii) Economic Analysis
- (viii) Summary Poverty Reduction and Social Strategy
- (ix) Risk Assessment and Risk Management Plan
- (x) Climate Change Assessment
- (xi) Community Awareness and Participation Plan
- (xii) Governance Assessment

50. **Implementation plan.** The consultant shall prepare an implementation plan for each of the urban services. The implementation plan shall include a detailed implementation schedule (monthly) and show any proposed implementation phasing. The key milestones and target dates shall be listed. The implementation plan shall include the procurement, mobilization and implementation stages of the project, and where appropriate shall also include any contracted-out operations and maintenance activities.

51. **Investment plan.** The consultant shall prepare an investment plan showing the capital and operational expenses over the life of the project. The investment plan shall include a cash flow and a grant disbursement schedule. The investment plan shall also show funding sources. The investment plan shall include a cost-benefit analysis (intangible benefits shall be listed only) covering a 40-year period.

52. **Draft procurement plan.** The consultant shall prepare a draft procurement plan in accordance with ADB's Strategic Procurement Planning, Guidance Note on Procurement.

Phase 2A: Enabling Environment

53. The consultant shall study the enabling environment and recommend changes or additions to ensure the effective and efficient delivery of the urban services. The scope of the study is the relevant legislation, regulations, orders, codes and policies. The consultant shall review the taxes, tariffs, fees and charges made for each of the urban services for adequacy and economic efficiency and taking into account the social equity code and alignment with Government priorities and strategies and recommend changes required to provide full cost recovery in an equitable, efficient and socially responsible way.

Phase 2B: Detailed and Bidding Documents

54. Following the approval of the feasibility study reports, (and detailed specifications contained therein) prepare detailed design, specifications, drawings and design reports for each of the proposed capital works or capital items (either acquired or constructed). Prepare associated bills of quantities, and provide a detailed design estimate of the costs taking into account logistical issues. Update the project due diligence, including social and environmental safeguard documents using the detailed designs. Prepare the bidding documents using the ADB standard bidding documents (works, plant, goods or information technology) as a template.

55. **Package 1.8: Urban development plan preparation** (output-based). The firm will develop a whole of island urban development plan and strategy, building on the work of the urban planning expert (individual). The work should be carried out through a participatory process (including the involvement of women and vulnerable people), align with needs of the community and government, utilize available climate change impact data, and be based on economic, social and environmental sustainability factors. The plan should identify key economic drivers and identify the land, infrastructure and other requirements to promote promising economic sectors and inclusive growth and build resilience. It should also provide strategic orientations for urban expansion at different scales and be linked with the Higher Ground Initiative while providing a whole of island perspective. The strategy will include a phased implementation plan, a financing strategy and include activities to strengthen capacity in Nauru for urban planning and sustainable urban development based on the agreed approach to planning.

VI. SAFEGUARDS

56. Since the proposed activities consist of consulting services and goods procurement only, activities have not been categorized in accordance with ADB's Safeguard Policy Statement (2009). The safeguard categories for the ensuing project will be confirmed during the due diligence as set out in para. 54 but are expected to be category B for environment and involuntary resettlement, and category C for indigenous peoples. The gender category for the ensuing project is effective gender mainstreaming. The TOR has been developed for the preparation of the safeguards due diligence to be undertaken as part of the PRF.

57. The safeguards categorization shall be agreed with ADB before proceeding to detailed design. Any safeguards assessment shall be finalized based on detailed designs.

58. **Prohibited investment activities.** Pursuant to ADB's Safeguard Policy Statement (2009), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth in Appendix 5 of ADB's Safeguard Policy Statement (2009).

VII. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

A. Monitoring

59. **Project readiness financing project performance monitoring.** The DOF will monitor PRF project performance semiannually and provide consolidated reports to ADB. These reports will include (i) each activity's progress measured against the implementation schedule, (ii) key achievements, (iii) key implementation issues and solutions, (iv) financial status for contract award and disbursements, (v) an updated procurement plan, and (vi) an updated implementation plan for the next 12 months. To ensure PRF projects continue to be both viable and sustainable, the DOF should adequately review PRF project financial statements and the associated auditor's report. If an ensuing project (grant) is not approved, the DOF will submit a PRF project completion report to ADB within 6 months of physical completion of the PRF project.⁸

60. **Compliance monitoring.** ADB will closely monitor the compliance of grant covenants on policy and regulations, legal, financial and safeguards through the semi-annual progress reports and during project administration missions including periodic review, midterm, and completion. Any significant noncompliance will be reported and discussed at the Project Steering Committee project or directly with DOF and PMU.

B. Reporting

61. The DOF and PMU will provide ADB with:

- (i) semiannual progress reports on the PRF project in a format consistent with ADB's project performance reporting system;
- (ii) consolidated annual reports, including (a) progress achieved by output measured against the performance targets, (b) key implementation issues and solutions, (c) an updated procurement plan, and (d) an updated implementation plan for the next 12 months;⁹ and
- (iii) PRF project accounts, and the associated auditor's report.

VIII. ANTICORRUPTION POLICY

62. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy (1998, as amended to date) relating to the PRF project following ADB's Integrity Principles and Guidelines.¹⁰ All contracts financed by ADB will include provisions specifying ADB's right to audit and examine the records and accounts of the executing agency and all PRF project contractors, suppliers, consultants, and other service providers. This includes the examination of project outputs, assets, and all other information that may be considered relevant for audit or inspection by ADB regardless of project completion, termination, or cancellation. Firms or individuals on ADB's anticorruption debarment list are ineligible to participate in activities that are financed, supported, or administered by ADB; and may not be awarded any contracts under the PRF project.¹¹

⁸ ADB. 2018. *Project Completion Report for Sovereign Operations. Project Administration Instructions*. PAI 6.07A. Manila.

⁹ The regional departments will present the performance of the completed PRF in the project completion report of the ensuing loan.

¹⁰ ADB. 2015. *Integrity Principles and Guidelines (2015)*. Manila.

¹¹ ADB. *Anticorruption and Integrity*.

63. To support these efforts, ADB included relevant provisions in the grant agreement for the PRF project. ADB under its technical assistance will also conduct integrity knowledge management session/s for DOF and DCCNR and other project stakeholders to increase their awareness and compliance with ADB's Anticorruption Policy.

IX. ACCOUNTABILITY MECHANISM

64. People who are, or may in the future be, adversely affected by the PRF 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 PRF projects can voice and seek a resolution for 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.¹²

X. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL

¹² ADB. [Accountability Mechanism](#).

MATRIX OF RESPONSIBILITIES FOR CONSULTANT RECRUITMENT

DELEGATION OF GRANT FUNDED INDIVIDUAL CONSULTANT RECRUITMENT TO ADB

Matrix of Responsibilities

Project Name:	P54377-001-NAU: Nauru Sustainable Urban Development Project Readiness Financing
Executing Agency:	Department of Finance
Implementing Agency:	Department of Climate Change and National Resilience
Name of Consulting Service:	[to be filled in]

Purpose of this Matrix:

This matrix establishes the roles and responsibilities of the executing agency (EA)¹ and ADB when ADB is requested by the EA to recruit a grant financed individual consultant on its behalf.

ADB shall procure the Consultant in accordance with its established practices, using ADB's Consultant Management System (CMS), using reasonable skill and care. ADB shall not be a party to the contract between the Consultant and the EA. The EA shall consult with its legal and other professional advisors before signing the consultancy contract. ADB shall take no responsibility for the performance of the Consultant.

If the EA concurs with the matrix, the EA staff shall sign on the last page and send all pages back to ADB.



No.	Stage	Activity	Responsible
1	Pre-advertisement Procurement plan	Preparation of terms of reference, budget estimate, shortlisting criteria and recommendation of selection method choice	EA/IA in coordination with ADB
2	Advertisement/ Consulting Services Recruitment Notice (CSRN)	Advertisement of consulting services assignment and collection of EOIs	ADB
3	Preparation of Long List	EOIs are received electronically through CMS and by email. Submitted EOIs will be shared with the EA/IA.	ADB
4	Shortlisting consultants of	For international assignments, ADB staff evaluate EOIs, prepares a shortlist, and seeks EA/IA's concurrence. For national assignments, EA/IA evaluates EOIs, prepares a shortlist, and seeks ADB's concurrence.	ADB and EA/IA
5	Contract negotiations	EA/IA negotiates the contract with the first-ranked individual consultant. ADB may facilitate negotiations, if required, however the EA/IA shall be solely responsible for the negotiations and shall not rely on ADB's facilitation.	EA/IA (and ADB, if requested)
6	Notice to Proceed	EA/IA issues Notice to Proceed.	EA/IA

¹ or the implementing agency, as applicable

No.	Stage	Activity	Responsible
7	Contract Administration	EA/IA shall be responsible for contract administration including issuing variations to the contract, and cost extensions. The EA/IA must seek ADB's approval if it intends to increase the contract price by 15% or more from the original contracted amount.	EA/IA
8	Procurement Complaints	ADB to handle all recruitment related complaints and EA/IA to handle all contract administration complaints	ADB and EA/IA

ADB = Asian Development Bank, CMS = consultant management system; CSRN = consulting services recruitment notice; EA = executing agency, EOI = expression of interest; IA = implementing agency.

Confirmed:

Signature:		
Printed name:	Redson M. Lucas	JOHN LIMEN
Title:	SECRETARY	DEPUTY SECRETARY P&A
Agency Name:	DECAR	FINANCE
Date:	9/6/21	9/6/21

DELEGATION OF GRANT FUNDED FIRM CONSULTANT RECRUITMENT TO ADB

Matrix of Responsibilities

Project Name:	P54377-001-NAU: Nauru Sustainable Urban Development Project Readiness Financing
Executing Agency:	Department of Finance
Implementing Agency:	Department of Climate Change and National Resilience
Name of Consulting Service:	[to be filled in]

Purpose of this Matrix:

This matrix establishes the roles and responsibilities of the executing agency¹ and ADB when ADB is requested by the EA to recruit a grant financed consultant on its behalf.

ADB shall procure the Consultant in accordance with its established practices, using ADB's Consultant Management System (CMS), using reasonable skill and care. ADB shall not be a party to the contract between the Consultant and the EA. The EA shall consult with its legal and other professional advisors before signing the consultancy contract. ADB shall take no responsibility for the performance of the Consultant.

If the EA concurs with the matrix, the EA staff shall sign on the last page and send all pages back to ADB.

No.	Stage	Activity	Responsible
1	Pre-advertisement Procurement plan	Preparation of terms of reference, budget estimate, shortlisting criteria and recommendation of selection method choice	EA/IA in coordination with ADB
2	Advertising/ Consulting Services Recruitment Notice (CSRN)	Advertisement of consulting services assignment and collection of EOIs	ADB
3	Preparation of Long List	EOIs are received electronically through CMS and by email. Submitted EOIs will be shared with the EA/IA.	ADB
4	Shortlisting of consultants	ADB staff evaluate EOIs, prepares a shortlist, and seeks EA/IA's concurrence.	ADB and EA/IA
5	Preparation of Request for Proposal	Request for Proposal is prepared using ADB's current standard template and based on current understanding of the assignment scope, complexity, and risks. Feedback received from consulting firms on adequacy of budget and adequacy of TOR, as advertised, is reviewed and incorporated, as applicable.	ADB prepares RFP
6	Approval of shortlist and RFP	ADB officially approves shortlist and RFP.	ADB
7	Issuance of RFP to the shortlisted firms	ADB issues RFP to the shortlisted firms through ADB's CMS.	ADB

¹ or the implementing agency, as applicable

No.	Stage	Activity	Responsible
8	Clarifications to the RFP	ADB responds to clarifications requests. If required, ADB staff seeks clarifications from EA/IA.	ADB and EA/IA, if applicable
9	Receipt of the proposals	Proposals are submitted through CMS.	ADB
10	Distribution of technical proposals	Technical proposals are distributed to the members of the consultant selection committee (CSC)(see 12 for CSC).	ADB
11	Copy of technical proposals shared with EA/IA	ADB project officer shares electronic copies of technical proposals with the EA/IA.	ADB
12	Technical evaluation	<p>ADB staff form CSC and evaluate technical proposals and notifies the results to EA/IA. EA/IA may send ADB any concerns on technical proposals before ADB holds a CSC meeting.</p> <p><i>For EA/IA Evaluators:</i> The EA/IA shall be permitted to nominate an evaluator to evaluate the proposal along with the ADB evaluators. This EA/IA evaluator shall be entitled to read the technical proposals in advance of the meeting, shall attend the entire evaluation meeting (in person or virtually) and have the same status as the other evaluators, however the chair of the evaluation committee shall be an ADB evaluator. The EA/IA evaluator shall be required to sign the Statement of Ethical Conduct².</p>	ADB
13	Electronic Approval of technical evaluation	ADB officially approves technical evaluation.	ADB
14	Confidential notification of total scores of evaluated technical proposals	ADB notifies EA/IA of the total scores of evaluated technical proposals.	ADB
15	Electronic opening of financial proposals for.	<p><i>For QCBS, FBS, or LCS Method:</i> CMS issues notifications of electronic opening of financial proposals to consulting firms whose technical proposals are evaluated above qualifying threshold of 750 points out of 1000.</p> <p><i>For QBS, CQS or SSS Method:</i> CMS issues notification of electronic opening of the financial proposal to the first-ranked technically consulting firm and opens its financial proposal.</p>	ADB
16	Financial evaluation and final ranking	ADB's PPFD evaluates financial proposals and prepares final ranking. ADB consults with EA/IA on the results of financial evaluation and final ranking. EA/IA reviews and may point out any inconsistencies in the financial proposals that might need to be discussed during the negotiations with the first-ranked firm. If no issues are uncovered within 3 working days or no feedback is received within 3 working days, the final ranking will be finalized.	ADB
17	Notification of final ranking and recommendation of contract award	CMS notifies EA/IA of the final ranking and recommendation of contract award to the first-ranked firm.	ADB

² form available at <https://www.adb.org/documents/recruitment-firms-individual-consultants-executing-agencies>

No.	Stage	Activity	Responsible
18	Contract negotiations	EA/IA negotiates the contract with the first-ranked firm. ADB may facilitate negotiations, if required, however the EA/IA shall be solely responsible for the negotiations and shall not rely on ADB's facilitation.	EA/IA (and ADB, if requested)
19	Publication of contract award	EA/IA publishes the award on government website, if applicable. ADB publishes the award on CMS.	EA/IA and ADB
20	Notice to Proceed	EA/IA issues Notice to Proceed.	EA/IA
21	Contract Administration	EA/IA shall be responsible for contract administration including issuing variations to the contract for replacement of experts, and cost extensions. The EA/IA must seek ADB's approval if it intends to increase the contract price by 15% or more from the original contracted amount.	EA/IA
22	Procurement Complaints	ADB to handle all recruitment related complaints and EA/IA to handle all contract administration complaints	ADB and EA/IA

ADB = Asian Development Bank; CMS = consultant management system; CSC = consultant selection committee; CSRN = consulting services recruitment notice; CQS = consultants qualification selection, EA = executing agency, EOI = expression of interest, FBS = fixed budget selection, IA = implementing agency; LCS = least-cost selection; PPF = Procurement, Portfolio and Financial Management Department; QBS = quality-based selection; QCBS = quality- and cost-based selection; RFP = request for proposal; SSS = single-source selection; TOR = terms of reference.

Confirmed:

Signature:		
Printed name:	RECTOR MARCOS	JOHN LIMEN
Title:	SECRETARY	DEPUTY SECRETARY PAD
Agency Name:	DCCNR	FINANCE
Date:	9/6/21	9/6/21