

Project Administration Manual

Project Number: 46455
Grant Number(s): TBC
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Nauru: Electricity Supply Security and Sustainability
Project

Contents

ABBREVIATIONS	4
I. PROJECT DESCRIPTION	1
II. IMPLEMENTATION PLANS	2
A. Project Readiness Activities	2
B. Overall Project Implementation Plan (to be updated)	3
III. PROJECT MANAGEMENT ARRANGEMENTS	4
A. Project Implementation Organizations – Roles and Responsibilities	4
B. Key Persons Involved in Implementation	4
C. Project Organization Structure	6
IV. COSTS AND FINANCING	6
A. Detailed Cost Estimates by Expenditure Category	7
B. Allocation and Withdrawal of Grant Proceeds	8
C. Detailed Cost Estimates by Financier	9
D. Detailed Cost Estimates by Outputs/Components	10
E. Detailed Cost Estimates by Year	11
F. Contract and Disbursement S-curve	12
G. Fund Flow Diagram	12
V. FINANCIAL MANAGEMENT	13
A. Financial Management Assessment	13
B. Disbursement	13
C. Accounting	14
D. Auditing	14
VI. PROCUREMENT AND CONSULTING SERVICES	14
A. Advance Contracting	15
B. Procurement of Goods, Works and Consulting Services	15
C. Procurement Plan	16
D. Consultant's Terms of Reference	18
VII. SAFEGUARDS	19
VIII. GENDER AND SOCIAL DIMENSIONS	19
IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION	20
A. Project Design and Monitoring Framework	20
B. Monitoring	22
C. Evaluation	22
D. Reporting	23
E. Stakeholder Communication Strategy	23
X. ANTICORRUPTION POLICY	24
XI. ACCOUNTABILITY MECHANISM	25
XII. RECORD OF PAM CHANGES	26

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 Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Ministry of Finance and Nauru Utilities Corporation are wholly responsible for the implementation of ADB financed projects, as agreed jointly between the grant recipient and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by the Ministry of Finance and Nauru Utilities Corporation of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Grant Negotiations the grant recipient and ADB shall agree to the PAM and ensure 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 Grant Agreement shall prevail.

After ADB Board approval of the project's report and recommendation 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.

Abbreviations

ADB	=	Asian Development Bank
DSC	=	design and supervision consultants
EMP	=	environmental management plan
IEE	=	initial environmental examination
kWh	=	kilowatt-hour
MOF	=	Ministry of Finance
MW	=	megawatt
NUC	=	Nauru Utilities Corporation
PAM	=	project administration manual
PMU	=	project management unit
RRP	=	report and recommendation of the President to the Board
SPS	=	Safeguard Policy Statement

I. PROJECT DESCRIPTION

1. **Rationale.** Nauru is a Pacific island country with a total population of 10,000 people. Access to grid electricity is universal, but unreliable, due to underinvestment and poor maintenance history of its generation and distribution assets. Installed generation currently comprises eight units with a total nameplate capacity of 12.9 megawatts (MW). However, Nauru's available capacity is only 3.7 MW due to inoperability (two units) and de-rating of installed units. Current peak load is 3.75 MW. Scheduled curtailments are a constant feature of electricity service in Nauru. Unscheduled outages due to faults are frequent.

2. The project will improve the quality and reliability of electricity service of Nauru Utilities Corporation (NUC), Nauru's sole electricity utility, to its customers. This will be achieved through the delivery and installation of new diesel-fired generation to provide reliable base-load power for NUC, allowing NUC to retire older generation assets and perform scheduled refurbishment of existing units to extend their service lives. The project will also repair the roof of the existing structure housing NUC's generators to shield them from the elements and provide a safer working environment for NUC employees.

3. Nauru's current diesel-fired generation fleet is unreliable, and extremely inefficient. NUC's older larger generators are operating at far below their nameplate capacity, and have passed their useful lives. The powerhouse (physical structure) is likewise in poor condition, which represents a vulnerability to Nauru's supply security. While Nauru is virtually 100% electrified, service reliability is extremely poor. Unscheduled – and often prolonged – interruptions are frequent. As in other Pacific developing member countries, Nauru has established ambitious targets for renewable generation penetration. But, as in other parts of the Pacific where significant intermittent renewable generation sources are being introduced into legacy diesel-based systems, Nauru will remain reliant on reliable and efficient thermal generation (i.e. diesel) for its base-load, and for system stability and reliability, for the foreseeable future. Nauru's current diesel generation fleet is neither reliable nor efficient.

4. Addressing reliability and efficiency shortcomings in Nauru's current diesel generation fleet is of first-order priority to improve service reliability and mitigate the risk of catastrophic failure of NUC's power generation. Among NUC's investment priorities is the introduction of new diesel-fired generation in the range of 2.6-3.0 MW to replace existing generation, improve efficiency, reliability, and reduce fuel costs. NUC estimates that this will result in a 20% improvement in generation efficiency from the current 3.4 kilowatt-hours (kWh) to 4.1 kWh generated per liter of diesel consumed.

5. **Impact and Outcome.** The project's impact will be increased economic activity—all NUC customers will enjoy more dependable supply with fewer outages, and the NUC will resume supply to commercial and industrial customers. The project's outcome will be increased reliability, lower cost, and greater sustainability of power generation in Nauru. The incidence of power outages is expected to decrease by 50% by June 2016, and generation efficiency is expected to increase from 3.4 kWh per liter of fuel consumed to 4.1 kWh.

6. **Outputs.** The project will have three outputs:

- (i) **New diesel-fired generation put into service.** A new, medium-speed, 2.6-3.0MW diesel generator will be installed in at NUC, together with related auxiliary equipment; NUC personnel will be trained on its operation and maintenance.

- (ii) **Repair and/or replacement of existing roof and structural reinforcements of NUC's powerhouse.** The NUC powerhouse roof will be rehabilitated and all asbestos will be removed and safely disposed.
- (iii) **Efficient project implementation.** NUC will be assisted by design and supervision consultants (DSC) during project implementation.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Indicative Activities	2014-2015						Who responsible
	Sep	Oct	Nov	Dec	Jan	Feb	
Advance DSC recruitment	√						ADB Government of Nauru
Establish PSC and PMU	√						ADB Government of Nauru and ADB
ADB Board approval			√				ADB Government of Nauru and ADB
Grant agreement signing				√			ADB Government of Nauru and ADB
Grant effectiveness					√		ADB

ADB = Asian Development Bank, DSC = design and supervision consultants, PSC = Project Steering Committee, PMU = Project Management Unit
Source: ADB estimates.

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations – Roles and Responsibilities

Project implementation organizations	Management Roles and Responsibilities
Ministry of Finance (Executing Agency)	Receive and review withdrawal applications from PMU for submission to ADB Receive and review audit reports and financial statements from PMU and submit to ADB
Project Steering Committee	Oversee project implementation Monitor project progress Resolve any obstacles or impediments to implementation Guide the Executing Agency
Nauru Utilities Corporation (Implementing Agency)	Timely provision of specified in-kind components Establish PMU comprising competent NUC staff
Project Management Unit	Confirmation of project implementation schedule Overall project coordination Preparation and submission of all withdrawal applications to IA for payment of vendors Preparation and submission of regular audit, financial, and project reports to IA
ADB	Overall coordination and advisory support Manage all procurement actions funded by grant proceeds Conduct periodic grant review missions

ADB = Asian Development Bank, IA = Implementing Agency, PMU = Project Management Unit
Source: Asian Development Bank

B. Key Persons Involved in Implementation

Executing Agency Ministry of Finance

Mr. Martin Hunt
Secretary of Finance
Telephone: +674 557 3004
E-mail: naurufinance@gmail.com
Government House
Ministry of Finance
Yaren
Republic of Nauru

ADB
Pacific Department

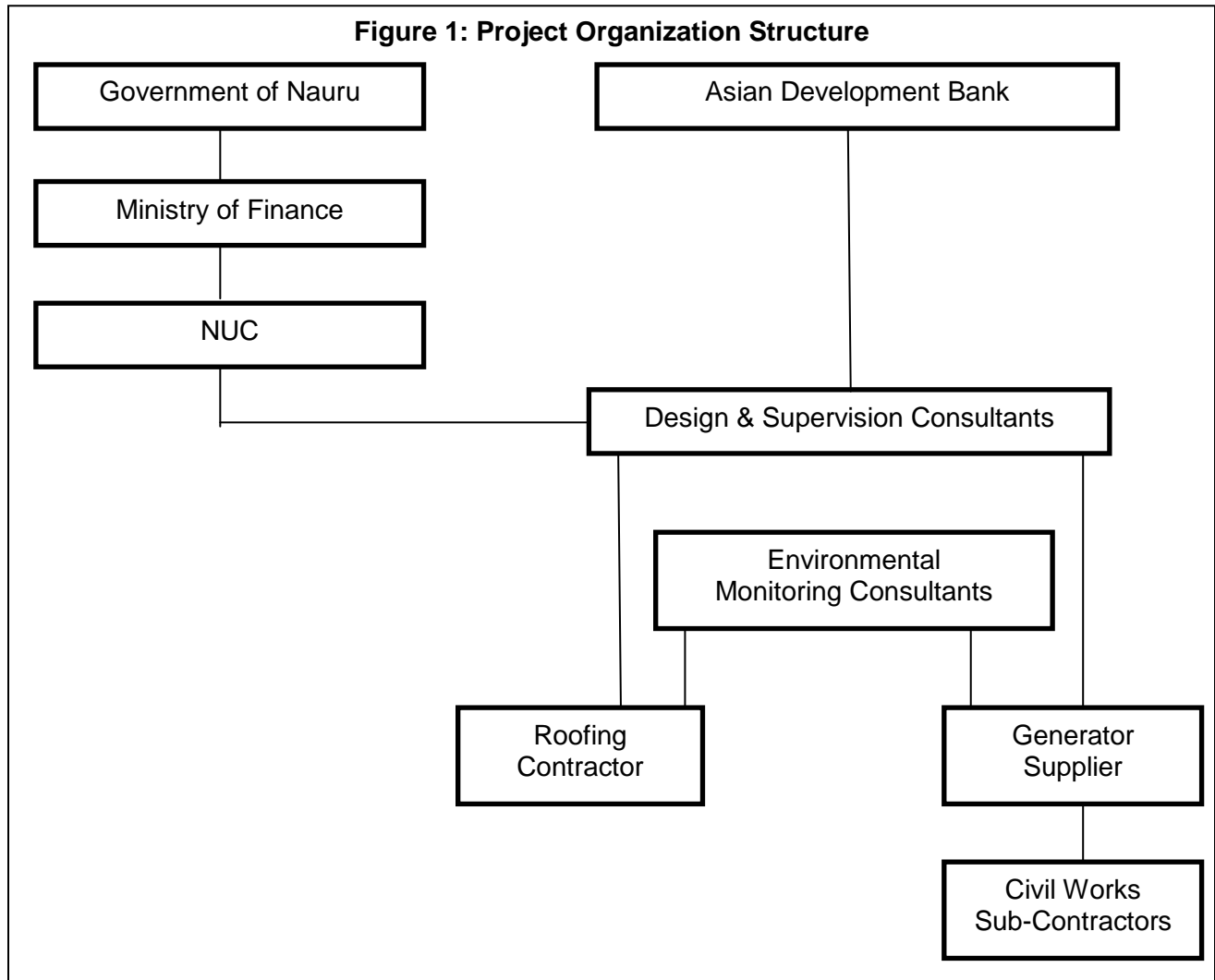
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C. Project Organization Structure

7. The Government of Nauru will be the grant beneficiary. The executing agency will be the Ministry of Finance. A Project Management Unit (PMU) will be established within NUC to coordinate project implementation, with support from the Asian Development Bank for certain delegated functions, including procurement of goods, works, and services under funding provided through the grant. The overall project structure is shown in Figure 1.



IV. COSTS AND FINANCING

8. The project will be financed by a grant from ADB's Special Funds resources (Asian Development Fund) of \$2.0 million, and a grant to be provided by the European Union in the amount of EUR 2.0 million (\$2.7 million equivalent), which will be denominated in US dollars pursuant to ADB's standard accounting practices, and fully administered by ADB. ADB and the European Union will conclude a cofinancing agreement and will finance project costs on a pro rata basis. The government will provide contributions equivalent to \$0.57 million in-kind, and in taxes and duties exemptions of \$0.27 million. The government will make the proceeds of the grants available to NUC under a subsidiary grant agreement upon terms and conditions satisfactory to ADB.

A. Detailed Cost Estimates by Expenditure Category

	USD Millions		Total Cost	% of Total Base Cost
	Foreign Cost	Local Cost		
A. Investment Costs				
1 Generator Contract	-	-	3.01	60.1%
a. Generator (ex-works)	1.80	-	1.80	
b. Delivery, Site Works and Installation	0.97	0.12	1.09	
c. Commissioning, testing, and training	0.10	0.02	0.12	
2 Roof Replacement Contract	0.47	0.28	0.75	15.0%
3 Design and supervision consultants	0.41	-	0.41	8.2%
Subtotal (A)	3.74	0.42	4.16	83.2%
B. Government Contribution				
1 Administrative, logistics, other in-kind	-	0.57	0.57	10.3%
2 Taxes and duties (10% ad valorem on imported goods and materials)	-	0.27	0.27	5.4%
Subtotal (B)	-	0.84	0.84	16.7%
Total Base Cost	3.75	1.26	5.00	100.0%
C. Contingencies				
1 Physical	0.37	0.04	0.42	8.4%
2 Price	0.09	0.02	0.11	2.2%
Subtotal (C)	0.46	0.06	0.52	10.6%
Total Project Cost (A+B+C)	4.20	1.32	5.54	110.6%

Note: Figures may not sum precisely due to rounding

Source: Asian Development Bank staff estimates.

B. Allocation and Withdrawal of Grant Proceeds

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS - ADF Grant (NAU Electricity Supply Security and Sustainability Project)			
CATEGORY			ADB FINANCING
No.	Item	Total Amount Allocated For ADB Financing (\$) Category	Percentage and Basis for Withdrawal from the Grant Account
1	New Generator Contract**	1,278,723	42.6% of total expenditure claimed*
2	Roof Replacement Contract**	318,723	42.6% of total expenditure claimed*
3	Design and supervision consultants**	176,282	42.6% of total expenditure claimed*
4	Unallocated	226,272	
	Total	2,000,000	

ADB = Asian Development Bank, ADF = Asian Development Fund

* Exclusive of taxes and duties within the territory of the grant recipient.

**Subject to the condition for withdrawal indicated in paragraph 5 of Schedule 2 to the Grant Agreement (Special Operations).

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS – EU Grant^a (NAU Electricity Supply Security and Sustainability Project)			
CATEGORY			EU FINANCING
No.	Item	Total Amount Allocated for EU Financing (\$) Category	Percentage and Basis for Withdrawal from the Grant Account
1	New Generator Contract**	1,726,277	57.4% of total expenditure claimed*
2	Roof Replacement Contract**	430,277	57.4% of total expenditure claimed*
3	Design and supervision consultants**	237,980	57.4% of total expenditure claimed*
4	Unallocated ^b	305,466	
	Total	2,700,000	

EU = European Union

^a Administered by the Asian Development Bank.

^b This amount includes ADB's administration fee, audit cost, bank charges and provision for foreign exchange fluctuations (if any), to the extent that these items are not covered by the interest and investment income earned on this grant, or any additional grant contribution by the European Union.

* Exclusive of taxes and duties within the territory of the grant recipient.

**Subject to the condition for withdrawal indicated in paragraph 5 of Schedule 1 to the Grant Agreement (Externally Financed).

C. Detailed Cost Estimates by Financier

Item	(\$ million)							Total Cost
	ADB		EU		Government of Nauru			
	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category		
A. Investment Costs								
1 Generator Contract	1.28	39.6%	1.73	53.4%	0.23 ^a	7.1%	3.23	
2 Roof Replacement Contract	0.32	40.4%	0.43	54.6%	0.04 ^a	5.0%	0.79	
3 Design and supervision consultants	0.18	42.5%	0.24	57.4%	0.01 ^a	0.1%	0.41	
Subtotal (A)	1.78	40.0%	2.39	54.0%	0.27	6.1%	4.43	
B. Government Contributions								
1 Administrative costs ^b , logistics, site works	-	-	-	-	0.57 ^c	100.0%	0.57	
Subtotal (B)	-	-	-	-	0.57	0.0%	0.57	
Total Base Cost	1.78	35.5%	2.39	47.7%	0.84	16.8%	5.00	
C. Contingencies	0.23	0.43%	0.31	0.57%	-	-	0.54	
Total Project Cost (A+B+C+D)	2.00	0.0%	2.70	0.0%	0.84	0.0%	5.54	
% Total Project Cost		36.1%		48.7%		15.2%	100%	

a. Government contribution in the form of taxes and duties exemption;

b. Including annual audit costs of \$0.01 million

c. Government contribution in-kind

Note: Figures may not sum precisely due to rounding

Source: Asian Development Bank staff estimates.

D. Detailed Cost Estimates by Outputs/Components

(\$ million)

Item	Total Cost	Generator		Powerhouse Roof	
		Amount	% of Cost Category	Amount	% of Cost Category
A. Investment Costs^a					
1 Mechanical, Equipment, Materials	2.79	2.53	90.7%	0.26	9.3%
2 Works, Logistics, Commissioning, Training	1.81	0.86	47.5%	0.95	52.5%
3 Consultants	0.41	0.21	51.2%	0.20	48.8%
Subtotal (A)	5.01	3.60	71.9%	1.41	28.1%
Total Base Cost	5.01	3.60	71.9%	1.41	28.1%
B. Contingencies^b					
1 Physical	0.42	0.32	76.2%	0.10	23.8%
2 Price	0.12	0.09	75.0%	0.03	25.0%
Subtotal (B)	0.54	0.41	75.9%	0.13	24.1%
Total Project Cost (A+B)	5.54	4.01	72.2%	1.54	27.8%

a In mid-2014 prices.

b Physical contingencies computed at 10.0% of base costs. Price contingencies computed at 2.5% on foreign exchange costs and 5.0% on local currency costs. Includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

Note: Figures may not sum precisely due to rounding.

Source: Asian Development Bank staff estimates.

E. Detailed Cost Estimates by Year

\$ millions

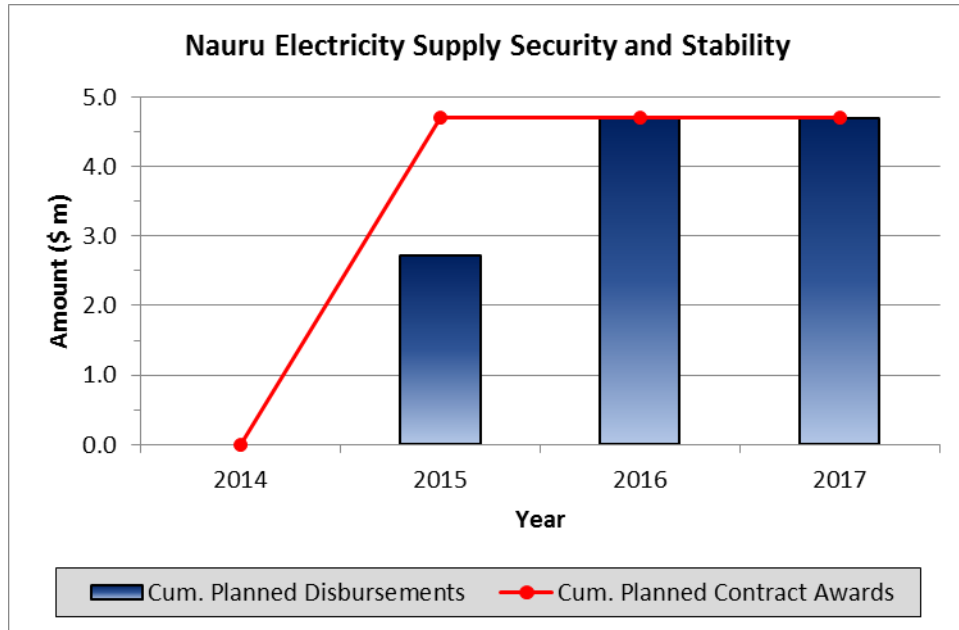
Item	Total Cost	Year 1	Year 2	Year 3 ^a
A. Investment Costs^b				
1 Generator Contract	3.23	1.62	1.62	0.00
2 Roof Replacement Contract	0.79	0.79	0.00	0.00
3 Design and supervision consultants	0.41	0.21	0.20	0.00
Subtotal (A)	4.43	2.61	1.82	0.00
B. Government Contributions				
1 Administrative costs, logistics, site works	0.57	0.23	0.23	0.11
Subtotal (B)	0.57	0.23	0.23	0.11
Total Base Cost	5.00	2.84	2.05	0.11
C. Contingencies				
Subtotal (C)	0.54	0.27	0.27	0.00
Total Project Cost (A+B+C)	5.54	3.11	2.32	0.11
% Total Project Cost	100%	56.1%	41.9%	2.0%

a Costs in year three are in-kind costs to be borne by the executing agency.

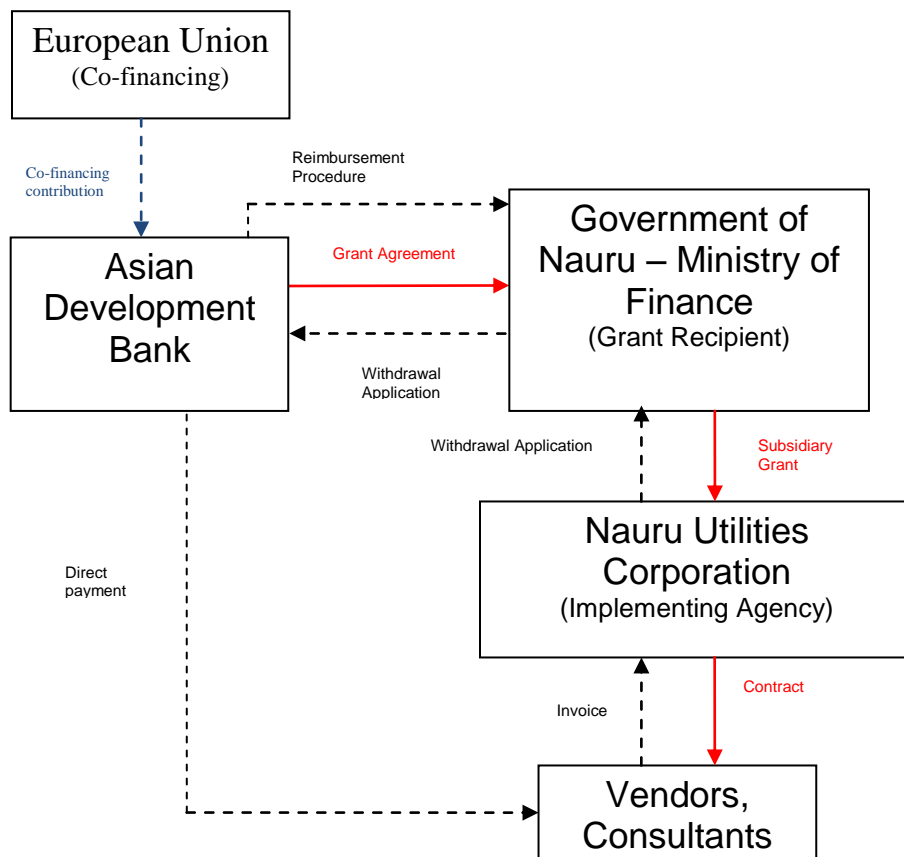
b Includes taxes and duties of \$0.27 million financed through exemptions on goods and materials imported

Source: Asian Development Bank

F. Contract and Disbursement S-curve



G. Fund Flow Diagram



V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

9. A financial management assessment was carried out at NUC. NUC's financial management systems and practices, like its other business processes, are only recently established and rudimentary in nature. For this and other reasons, and in the interest of time and efficiency, procurement activities to be funded through grants proceeds will be conducted by design and supervision consultants (DSC). The PMU will participate in the preparation of the bid documents and evaluation of the bids. Signing contracts and contract management responsibilities will remain with the Grant Recipient. Direct payment procedures to vendors will apply.

10. NUC does not have any formally adopted accounting standards, nor follow international financial reporting standards (IFRS). In part this is attributable to the fact that NUC is a relatively new entity, and it is also partly due to the fact that Nauru's Audit Act and Corporation Act are both silent on the matter of accounting standards. The lack of standards, together with the lack of defined financial management policies and procedures, is a matter of great concern that needs to be rectified on an urgent basis. The introduction of policies and procedures is to be a covenant in the grant agreement and the DSC's scope will include for assistance with the development of these, as well as with related training of NUC Finance staff. NUC currently runs its own computer-based accounting system (a "Mind Your Own Business" application) but currently does not have the ability to generate detailed project reports. The current subsidies received from the Nauru Government (in terms of fuel for the power station) or from Australia or the European Union are simply journalized in NUC's accounts to recognize value of the subsidy received, whilst accounting the expense or asset in NUC's books to recognize transaction. There is no further breakdown of the project funds budget, balance etc. This is a limitation that can impact NUC's ability to account for and report the value of its in-kind contribution to the project. The DSC's terms of reference will include support to NUC in recording and reporting NUC's (and the Government of Nauru's) in-kind and other contributions to the project.

B. Disbursement

11. The grant proceeds (including ADB-administered European Union funds) will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time),¹ and detailed arrangements agreed upon between the Government and ADB.

12. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS),² ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS.

13. To facilitate cash flow during project implementation, the Ministry of Finance (MOF), as executing agency, will approve and submit to ADB withdrawal applications, assisted by the DSC, for direct payment procedure for project goods, works and services. Disbursements of grant funds under the project will be to procure goods, works, services. Before the submission of the first withdrawal application, the executing agency should submit to ADB sufficient

¹ Available at: http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf

² Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the executing agency, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is \$100,000 equivalent, unless otherwise approved by ADB. The government is encouraged to claim to ADB through reimbursement procedure for individual payments below this amount. ADB reserves the right not to accept withdrawal applications below the minimum amount.

14. All disbursements under government financing will be carried out in accordance with regulations of the government and prevailing ADB guidelines.

C. Accounting

15. The MOF, through NUC, will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project. The MOF, through NUC, 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

16. The MOF will cause the detailed consolidated project accounts to be audited in accordance with International Standards on Auditing and in accordance with the Government's audit regulations by an independent auditor acceptable to ADB. The audited accounts will be submitted in the English language to ADB within six months of the end of the fiscal year by the executing agency. The Government and the Ministry of Finance have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited accounts. 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. For revenue generating projects only, ADB requires audited financial statements for each executing and/or implementation agency associated with the project. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011). After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website. The Audit Management Letter will not be disclosed.

VI. PROCUREMENT AND CONSULTING SERVICES

17. Procurement of goods, works, and services will be conducted through contracts for: (i) the 2.6-3.0MW medium-speed diesel generator, auxiliaries, civil works, installation and training; and (ii) the rehabilitation of the powerhouse roof.

18. The contract for the 2.6-3.0MW medium-speed diesel generator will include final design and engineering, supply and installation of equipment, construction works and commissioning, and an operations & maintenance knowledge transfer program for at least 1 year after plant commissioning.

19. The contract for the rehabilitation of the powerhouse roof will cover removal of existing roofing material, minor roof structure repairs and minor building repairs. Special measures will be needed to ensure that materials containing asbestos are handled and stored in a way that

complies with environmental requirements. Monitoring of the environmental aspects of this work will be provided by a specialist engaged by the DSC.

20. Efficient project implementation related to the oversight of the generator and roof rehabilitation contracts will be provided by design and supervision consultants (DSC) and will include preparation of bidding documents; assistance during the bidding process; and supervision of the project design, supply, construction, and commissioning for both the new diesel generator and the roof rehabilitation. The DSC will have expertise in implementation and supervision of diesel power projects. The Consultants will also be responsible for the provision of environmental health and safety services for the project, including monitoring and training. Procurement of consultancy services will be undertaken in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). Goods and works will be procured in accordance with ADB's Procurement Guidelines (2013, as amended from time to time).

21. The project will be implemented over 18 months, with monitoring and training likely to continue into 2017. In the interest of time and efficiency, procurement activities to be funded through grants proceeds will be conducted by the DSC. The PMU will participate in the preparation of the bid documents and evaluation of the bids. Signing contracts and contract management responsibilities will remain with the Grant Recipient.

22. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government, MOF, and NUC.

23. The DSC's services will be provided on an intermittent basis for a total duration of 18 person-months over the duration of project implementation.

24. A summary of consultancy services for the DSC is presented below under *D. Consultants' Terms of Reference*.

A. Advance Contracting

25. All advance contracting will be undertaken in conformity with ADB's *Procurement Guidelines* (February 2007, as amended from time to time) (ADB's *Procurement Guidelines*) and ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time) (ADB's *Guidelines on the Use of Consultants*).³ The recipient, Ministry of Finance and NUC have been advised that approval of advance contracting does not commit ADB to finance the project.

B. Procurement of Goods, Works and Consulting Services

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

27. International competitive bidding procedures will be used for all contracts estimated to cost above \$100,000. Shopping will be used for contracts for procurement of works and equipment worth \$100,000 or below.

28. A procurement plan indicating threshold and review procedures, goods, works, and

³ Preliminary recruitment of DSC will be initiated in advance of grant effectiveness in the interest of time, but no contract for these services will be concluded until grant effectiveness.

consulting service contract packages is in Section C.

29. All consultants will be recruited according to ADB's *Guidelines on the Use of Consultants*.⁴ The terms of reference for all consulting services are detailed in Section D.

30. DSC services will be provided on an intermittent basis for a total of 18 person-months on an intermittent basis for the duration of the project to (i) facilitate project management and implementation, and (ii) strengthen the institutional and operational capacity of the executing agency. Consulting firms will be engaged using the fixed budget selection.

C. Procurement Plan

Basic Data

Project Name: Nauru Electricity Supply Security and Sustainability Project	Approval Number: to be confirmed
Project Number: 46455-002	Executing Agency: Ministry of Finance
Country: Republic of Nauru	Implementing Agency: Nauru Utilities Corporation
Grant Amount: \$ 4,700,000	Date of this Procurement Plan: 2 October 2014
Date of First Procurement Plan: 2 October 2014	

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

1. Procurement and Consulting Methods Thresholds

31. Except as the ADB may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works

Method	Threshold
International Competitive Bidding for Works	Above \$100,000
International Competitive Bidding for Goods	Above \$100,000
Shopping for Works	Below or equal to \$100,000
Shopping for Goods	Below or equal to \$100,000

Consulting Services

Method	Comments
Fixed Budget Selection	

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

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

Package Number	General Description	Estimated Value	Procurement Method	Review (Prior/ Post)	Bidding Procedure	Advertisement Date (quarter/year)	Comments
Package 1	Diesel Generator and Ancillary Equipment	\$ 3,005,400.00	ICB (Design, Build, Transfer)	Prior	1S1E	Q2 / 2015	Prequalification of Bidders: N Domestic Preference Applicable: No

ICB: international competitive bidding; 1S1E: One Stage –One Envelope.

⁴ 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/>

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

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

Package Number	General Description	Estimated Value	Recruitment Method	Review (Prior/ Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
	Design and Supervision Consultants	\$ 414,000.00	FBS	Prior	Q4 / 2014	STP	Assignment: International

FBS: Fixed Budget Selection; STP: Simplified Technical Proposal.

4. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts \$100,000 or Less

35. The following table groups smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

Goods and Works								
Package Number	General Description	Estimated Value	Number of Contracts	Procurement Method	Review (Prior/ Post)	Bidding Procedure	Advertisement Date (quarter/year)	Comments
Package 2	Roof Replacement contract	\$ 749,000.00	1	ICB (Design, Build, Transfer)	Prior	1S1E	Q3 / 2015	Prequalification of Bidders: N Domestic Preference Applicable: No

ICB: international competitive bidding; 1S1E: One Stage-One Envelope.

Consulting Services								
Package Number	General Description	Estimated Value	Number of Contracts	Recruitment Method	Review (Prior/ Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
None								

B. Indicative List of Packages Required Under the Project

36. The following table provides an indicative list of goods, works and consulting services contracts over the life of the project, other than those mentioned in previous sections (i.e., those expected beyond the current period).

Goods and Works					
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Comments
	Site Works	\$ 90,000.00	1	NUC	NUC Funded
	Water collection and oil separation facilities	\$ 230,000.00	1	NUC	NUC Funded
	Demolition of water tower	\$ 100,000.00	1	NUC	NUC Funded
	Environmental monitoring	\$ 82,450.00	1	NUC	NUC Funded
	Operation and maintenance contract	\$ 65,000.00	1	NUC	NUC Funded

NUC = Nauru Utilities Corporation.

D. Consultants' Terms of Reference

37. DSC will demonstrate key expertise in the specification and site supervision of small diesel power station and related assets as its core business, in addition to expertise in structural design.

38. The consulting firm shall also have expertise, or be able to sub-contract and oversee suitably-qualified specialists in the field of environmental monitoring.

39. Services provided by the DSC will also include monitoring of compliance with ADB social and environmental safeguards.

40. Terms of Reference for the DSC are summarized below:

41. A Consulting Firm will be engaged to prepare and/or finalize tender documentation for the generator supply contract, roof replacement contract and environmental, health and safety and national staff training activities. The Consultants' main activities will be:

- Finalize generator technical specifications for tendering (ADB will add the commercial/contract conditions and manage the procurement)
- Prepare detailed roof replacement design and specification (this will need a site visit)
- Respond to tenderers' queries
- Participate in tender evaluation meetings
- Visit Nauru regularly during implementation of the roof and generator works (not for detailed supervision, but to observe and coordinate with NUC counterparts)
- Review generator supplier's drawings during manufacture (particularly for control panels, exhaust and cooling system pipework)
- Review roofing contractor construction plans and project schedules
- Monitor project progress
- Report regularly to ADB and NUC
- Approve contractor progress payment invoices, etc.
- Attend/witness testing and commissioning of the generator
- Provide an international professional for health and safety and environmental support – 3 x 1 week visits during first year of implementation/construction
- Provide an international professional for monitoring and training of Ministry of Commerce, Industry & Environment and NUC personnel – 3 x 1 week visits during first year of implementation/construction
- Issue delivery and acceptance certificates, and lists of defects and deficiencies, on behalf of NUC

Summary of Consulting Services

International Specialists		Person-Months
1	Generator specialists electrical/mechanical	8
2	Roof designer civil/structural engineers	4
3	Environmental specialist	2
4	Health and safety specialist	1
5	Procurement Specialist	3
Total		18

VII. SAFEGUARDS

42. **Environment** (category B). The project works will have impacts that are site-specific; none of the foreseen environmental impacts are irreversible or cannot be readily mitigated. The project has been categorized as category B for environment and an initial environmental examination (IEE) has been undertaken. The project will undertake: (i) delivery and installation of replacement diesel generator; (ii) decommissioning and disposal of generators to be retired; (iii) rehabilitation of existing generators; and (iv) repair and/or demolition of existing structures at NUC's generation site, and removal and safe disposal of hazardous material (asbestos-cement corrugated roof sheeting), activities which are expected to create a small range of impacts that are within the site owned and managed by NUC and which can be mitigated through the measures set out in the IEE and environmental management plan (EMP). NUC have assigned staff to a PMU which will be responsible for overall project implementation including the EMP. Project implementation consultants will support the PMU as the owner's engineer, and will also assist in EMP implementation. The IEE is presented in the RRP linked documents.

43. **Involuntary Resettlement and Indigenous Peoples.** The project has been categorized as category C for involuntary resettlement and category C for indigenous peoples, following the guidelines of SPS. The project is not expected to involve physical displacement or relocation of people since the works to be undertaken through the project will be entirely contained within the existing NUC power station compound.

44. Nauru does not have indigenous peoples, as defined under ADB's Safeguard Policy Statement (2009), and the dominant ethnic group – 94% of the population - are descendants of the original inhabitants. There are ethnic minorities in Nauru but the level of economic and social integration is high.

VIII. GENDER AND SOCIAL DIMENSIONS

45. The project is expected to deliver strong economic and social benefits through more reliable NUC grid-supplied power, i.e. appreciably more reliable than current levels that equate to daily outages of several hours. These improvements in reliability will positively impact on health, welfare, productivity and employment.

46. The project is categorized as 'no gender elements.' However, women and young children will benefit from improvements in household air pollution due to a reduced need to use polluting alternatives to mains electricity for cooking and lighting. Children may benefit from having better lighting in the evenings, for study purposes. Women, as traditionally the main home-maker, will benefit from greater use of labor-saving appliances at their disposal with more reliable power supply. Opportunities for home-based enterprises, such as dressmaking, baking, hairdressing, etc., will also be improved for women. The project will make a significant indirect contribution towards poverty reduction in Nauru, through reliable and more cost effective supply of power.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>Increased economic activity</p>	<p>By December 2019:</p> <p>10% increase in average monthly consumption (June 2015 baseline: to be confirmed during implementation)</p> <p>20% increase in peak load (2014 baseline: 3.75 MW)</p>	<p>NUC billing records and performance logs</p>	<p>Assumption</p> <p>NUC supply will be sufficiently reliable and more economical than self-generation for residential, commercial, and industrial consumers.</p> <p>Risk</p> <p>Deterioration of performance of NUC's distribution network causes an increase in widespread service outages not related to generation faults.</p>
<p>Outcome</p> <p>Increased reliability, lower cost, and greater sustainability of power generation in Nauru</p>	<p>By December 2016:</p> <p>1. Frequency and duration of unplanned generation outages: reduced by 50%^a (baseline: January–June 2015)</p> <p>2. Fuel efficiency of NUC's generators increased to 4.1 kWh/liter of diesel consumed (2013 baseline: 3.4 kWh/liter of diesel consumed)</p> <p>3. Tariffs cover 50% operational costs (2012 baseline: tariffs cover 20% operational costs)</p>	<p>NUC service logs</p>	<p>Assumptions</p> <p>New plant will be appropriately sized for integration with existing system.</p> <p>NUC plant operators will be competent to operate new generation assets.</p> <p>Powerhouse structure will prove sound.</p> <p>Distribution network will be sufficiently reliable.</p> <p>Risk</p> <p>Cessation of delivery of government-subsidized fuel to NUC while NUC unable to generate revenue to purchase fuel on commercial</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
			basis
Outputs 1. New diesel-fired generation put into service	By December 2016: 2.6–3.0 MW of new diesel-fired generation commissioned (2014 baseline: not installed)	Progress and/or completion reports of DSC; acceptance report of NUC	Assumptions Appropriate units are available on the market for purchase and timely delivery. Risk Site preparation delayed because of unforeseen complications.
2. Repair and/or replacement of existing roof and structural reinforcements of NUC's powerhouse	By December 2016: Roof will be repaired. (2014 baseline: roof is in poor condition and leaks during rain)	Progress/completion reports of DSC; acceptance report of NUC	Assumption Preliminary assessment of extent of needed repair to structure is accurate. Risk More extensive repair requirements discovered; hazardous material problems exceed expectations.
3. Efficient project implementation	PMU meets target contract awards and disbursements Works are completed on schedule	Progress/completion reports of DSC; acceptance report of NUC	
Activities with Milestones 1. New generation unit(s) 1.1 Establish specifications – April 2015 1.2 Contract tendering, award – September 2015 1.3 Deliver to Nauru – April 2016 1.4 Install/commission – June 2016 2. Powerhouse structure repairs 2.1 Inspect powerhouse, confirm repair scope and contract specifications – April 2015 2.2 Tender and award contract – June 2015 2.3 Complete repair work– December 2015		Inputs ADB ADF: \$2.000 million European Union (grant) (fully administered by ADB): \$2.700 million Technical Assistance Special Fund (TASF-V): \$0.225 million Government of Nauru: \$0.840 million	

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
3. Project management services 3.1 Establish PMU within NUC – September 2014 3.2 Short list DSC – November 2014 3.3 Award DSC contract – March 2015 3.4 Field DSC – by April 2015			

ADB = Asian Development Bank, ADF = Asian Development Fund, DSC = design and supervision consultant, kWh = kilowatt-hour, MW = megawatt, NUC = Nauru Utilities Corporation, PMU = project management unit, TASF = Technical Assistance Special Fund

^a System average interruption duration index and system average interruption frequency index will be used to indicate performance.

Source: Asian Development Bank.

B. Monitoring

47. **Project performance monitoring** The PMU will prepare quarterly progress reports, including disaggregated baseline data for output and outcome indicators. The quarterly reports will provide information necessary to update ADB's project performance reporting system. The twice annual grant reviews and the quarterly monitoring reports will include environmental and social safeguard monitoring reports.⁵

48. **Compliance monitoring:** In addition to the standard assurances, compliance with the specific assurances will be monitored. Implementation of covenants will be (i) summarized in the PMU quarterly progress reports, (ii) discussed during project steering committee meetings, and (iii) reviewed during semi-annual grant review missions. NUC will cause the detailed consolidated project accounts to be audited in accordance with International Standards on Auditing by an auditor acceptable to ADB. The audited accounts will be submitted in the English language to ADB within six months of the end of the fiscal year by the executing agency. The Government and NUC have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited accounts. 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.

49. **Safeguards monitoring:** Environment and social safeguards will be monitored by international and national specialists within the PMU, in accordance with the IEE. The results of monitoring will be reported in the PMU progress reports (safeguards monitoring will be updated on a semi-annual basis). Additionally, the twice annual review missions will report on safeguard compliance.

C. Evaluation

50. ADB will conduct twice annual reviews throughout the implementation of the project as well as a midterm grant review for the project. The reviews will monitor (i) project output quality, (ii) implementation arrangements, (iii) implementation progress, and (iv) disbursements. Within six months of physical completion of the project, the MOF will submit a project completion report to ADB. The MOF needs to submit audited project financial

⁵ Safeguards monitoring will be reported on a semi-annual basis.

statements within six months after the close of each financial year, and entity-level audited financial statements of NUC within one month after their approval by the competent authority.⁶

D. Reporting

51. 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 next 12 months; and (iii) a project completion report within six months of physical completion of the Project. To ensure projects continue to be both viable and sustainable, project accounts and the executing agency's audited financial statements, together with the associated auditor's report, should be adequately reviewed.

E. Stakeholder Communication Strategy

52. NUC will prepare a stakeholder communication strategy and submit to ADB for review by the end of Month 3 after grant effectiveness. All communication will be in language suitable for the specific audience and will follow the ADB Public Communications Policy. The stakeholder strategy will incorporate the following components:

- (i) Compilation of stakeholder communication activities already undertaken,
- (ii) Role of the project steering committee in coordinating and communicating with relevant government stakeholders, and
- (iii) Public communication plan for disseminating information regarding project development to the public who may be impacted by the proposed projects.

⁶ Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

X. ANTICORRUPTION POLICY

53. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.⁷ 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/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.⁸

54. To support these efforts, relevant provisions are included in the grant agreement and the bidding documents for the Project. Additionally, the government will (i) comply with ADB's Anticorruption Policy (1998, as amended to date), and cooperate fully with any investigation by ADB and extend all necessary assistance, including providing access to all relevant books and records for the satisfactory completion of such investigation; (ii) ensure that relevant staff are trained in ADB's Anticorruption Policy; (iii) ensure that the audited annual project accounts under the project, project progress reports, and procurement activities are disclosed on relevant government entities; and (iv) allow and facilitate ADB's representatives to conduct spot and random checks on (a) flow of funds, and their use for the projects in accordance with the legal agreements; (b) work-in-progress; and (c) project implementation under the project.

⁷ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

⁸ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

XI. ACCOUNTABILITY MECHANISM

55. 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 a good faith effort 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.⁹

⁹ For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

XII. RECORD OF PAM CHANGES

Date Changed	Section Changed	Changes Made
1.		
2.		
3.		
4.		
5.		