



Project Design Advance

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Nauru: Port Development Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 5 November 2015)

Currency unit – Australian dollars (A\$)

A\$1.00 = \$0.71

\$1.00 = A\$1.39

ABBREVIATIONS

ADB – Asian Development Bank

NPA – Nauru Ports Authority

PDA – project design advance

UXO – unexploded ordnance

NOTE

In this report, “\$” refers to US dollars, unless otherwise stated.

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I. THE PROPOSED PROJECT

1. The Nauru Port Development Project will improve port operations in Nauru by building a quay wall and access causeway at Aiwo, reconstructing port buildings and the container storage area, and strengthening the institutional capacity of Nauru Ports Authority (NPA).¹ The Government of Nauru requested project design advance (PDA) financing, in the form of a grant, to carry out an assessment of unexploded ordnance (UXO) and clearance (if required), geotechnical investigations, topography and cadastral surveys, and detailed engineering services for the ensuing project, as further discussed in section II.² The PDA aligns with the Interim Pacific Approach, 2015 of the Asian Development Bank (ADB).³

2. As a small island nation, Nauru imports over 95% of its goods by sea transport. The effective and safe operation of the Aiwo port is central to maintaining trade and commerce with the region and the world. However, the port facilities are in extremely poor condition, have occupational health and safety issues, and capacity limitations. In addition, the port is vulnerable to both extreme and seasonal weather events.

3. The impact of the project will be affordable and reliable supply of imported goods. The outcome will be efficient, reliable, and safe port operations. The project outputs will be: (i) UXO assessed and removed if required;⁴ (ii) a quay wall and access causeway on the edge of the reef north of the existing Aiwo harbor made fully operational;⁵ (iii) port buildings and facilities established, including office space, gatehouse, workshop, container storage area, and fencing; (iv) NPA's institutional capacity adequately strengthened, and (v) project management carried out efficiently and effectively during implementation.

4. The tentative project cost is \$22.1 million. The indicative ADB financing is a grant of \$9 million from the Asian Development Fund. The remaining financing is expected to come from development partners and the government.⁶ The government has requested \$3.0 million under ADB–PDA financing UXO assessment and clearance, geotechnical investigations, topography and cadastral surveys, and detailed engineering services.⁷

II. ACTIVITIES TO BE FINANCED BY THE PROJECT DESIGN ADVANCE

5. The activities of the PDA include: stage 1—identification and assessment of UXO (including preliminary clearance and disposal necessary for safe and effective geotechnical investigations), geotechnical investigation, and topography survey; and stage 2—cadastral survey and detailed engineering services. The stage 1 of the PDA will provide sufficient information on the bearing capacity of the coral reef to determine a suitable foundation type for

¹ Nauru Ports Authority is a state-owned enterprise.

² The PDA financing is listed in ADB. 2015. *Country Operations Business Plan: Nauru, 2016–2018*. Manila.

³ The Interim Pacific Approach, 2015—which extends the validity of the Pacific Approach, 2010–2014—acts as the country partnership strategy for Nauru, as approved by the Vice-President, Operations 2 on 1 July 2011.

⁴ Australian Defense Force Disposes of Unexploded Ordnance in Nauru. 2010.
<http://www.defence.gov.au/media/departmentaltpl.cfm?CurrentId=10633>

⁵ The scope includes limited improvements to the hardstand area at Anibare boat harbor to provide for operations during construction at Aiwo port. These works at Anibare boat harbor will improve its use during the monsoon season, when high waves and strong winds prevent operations at Aiwo harbor.

⁶ The Government of Australia is considering cofinancing the project. The details will be advised in due course.

⁷ Detailed engineering services include detailed designs, specifications, detailed cost estimates, bidding documents, and procurement support to NPA.

the quay wall, and will allow a realistic estimation of the project costs. A decision to advance the project could be made upon completion of the first stage of PDA activities.

III. COST ESTIMATES AND FINANCING ARRANGEMENTS

6. The costs of activities under the PDA and the financing plan are summarized in Table 1. The taxes and duties are proposed to be exempted by the government as in-kind contribution. The government will also provide in-kind contribution for undertaking a PDA audit.

Table 1: Investment and Financing Plan for the Project Design Advance
(\$ million)

| Item | Cost | ADB | Government |
|-------------------------------------|-------------|-------------|-------------------|
| A. Base Cost^a | | | |
| 1. Consultants | | | |
| a. Remuneration and per diem | 0.38 | 0.38 | |
| b. International and local travel | 0.02 | 0.02 | |
| 2. UXO clearance | 1.33 | 1.30 | 0.03 ^b |
| 3. Geotechnical investigations | 0.69 | 0.60 | 0.09 ^b |
| 4. Topography and cadastral surveys | 0.40 | 0.40 | |
| 5. Studies, surveys, and reports | 0.04 | 0.04 | |
| 6. Equipment (printer) | 0.01 | 0.01 | |
| 7. Vehicle hire | 0.01 | 0.01 | |
| 8. Seminars, workshops, training | 0.02 | 0.02 | |
| 9. Communication | 0.01 | 0.01 | |
| 10. PDA audit cost | 0.03 | | 0.03 ^c |
| Subtotal (A) | 2.94 | 2.79 | 0.15 |
| B. Contingencies^d | 0.21 | 0.21 | 0.00 |
| 1. Physical | 0.14 | 0.14 | 0.00 |
| 2. Price | 0.07 | 0.07 | 0.00 |
| Total (A+B) | 3.15 | 3.00 | 0.15 |

ADB = Asian Development Bank, PDA = project design advance, UXO = unexploded ordnance.

^a In mid-2015 prices.

^b For taxes and duties to be exempted by the government as in-kind contribution.

^c To be provided by the government as in-kind contribution.

^d Physical and price contingencies are computed at 10% and 5% of the ADB base cost (excluding UXO clearance) to provide for potential exchange rate fluctuations under the assumption of a purchasing power parity exchange rate.

Source: Asian Development Bank estimates.

IV. IMPLEMENTATION ARRANGEMENTS

7. The implementation arrangements are summarized in Table 2 and described in detail in the PDA project administration manual.

Table 2: Implementation Arrangements for the Project Design Advance

| Aspects | Arrangements | | |
|---|--|----------|-------------|
| PDA implementation period | July 2016–September 2017 | | |
| Estimated PDA completion date | 30 September 2017 | | |
| Management | | | |
| (i) Oversight body | PARD/PLCO | | |
| (ii) Executing agency | Ministry of Finance, Government of Nauru | | |
| (iii) Key implementing agencies | NPA | | |
| (iv) Implementation unit | PMU, 3 NPA staff | | |
| Consulting services | | | |
| (i) UXO assessment and clearance (if required), geotechnical investigations, topography survey, cadastral survey, and detailed engineering services | QCBS | Lump sum | \$3,150,000 |
| Advance contracting | Yes | | |

| Aspects | Arrangements |
|--------------|---|
| Disbursement | Disbursements under the PDA will be made in accordance with ADB's <i>Loan Disbursement Handbook</i> (2015, as amended from time to time). |

ADB = Asian Development Bank, PARD = Pacific Department, PDA = project design advance, PLCO = Pacific Liaison and Coordination Office, NPA = Nauru Ports Authority, PMU = project management unit, QCBS = quality- and cost-based selection, UXO = unexploded ordnance.

Source: Asian Development Bank.

V. SAFEGUARDS

8. The ensuing project is categorized B for environment, and C for involuntary settlement and indigenous peoples. An individual consultant will prepare an initial environmental examination commensurate with the scope of the PDA, including an environmental management plan, to comply with the Safeguard Policy Statement (2009) and to guide preconstruction activities included in the scope of the PDA. The contracts for the PDA investigations and surveys will include the environmental management plan, and define measures and protocols that must be addressed by consultants and contractors before any investigations and UXO-related works can start. The terms of reference for the individual consultant are included in the Appendix.

VI. DECISION

9. Management has approved the provision of a grant not exceeding \$3,000,000 to Nauru from ADB's Special Funds resources, in the form of a project design advance, for the Port Development Project, and the President hereby reports this action to the Board.

TERMS OF REFERENCE FOR ENVIRONMENTAL SPECIALIST AND ASSESSMENT OF PRECONSTRUCTION IMPACTS

A. BACKGROUND

1. Nauru imports over 95% of its goods by sea transport. It is also the vital link for the country's current and potential exports (phosphate, dolomite aggregate, and fish), all of which require bulk transport. Even though an average of 5–7 vessels visit Nauru per month, a regular shipping service is required in partnership with other small island nations in the region (such as Kiribati and Tuvalu). This calls for a regular schedule unaffected by mooring restrictions or weather. The Government of Nauru has made the upgrade of the existing port a key priority to improve the turnaround of vessels, reduce demurrage, and improve safety, and has requested development partner assistance in undertaking an assessment of options.

2. **Previous studies.** Preliminary scoping of potential options was undertaken by the Asian Development Bank (ADB) in 2009.¹ The report identified five potential development scenarios, ranging from enhancement of the existing port facilities to a major new, enclosed harbor offering all-weather protection for all vessels operating to Nauru. The report concluded that three of these scenarios were worthy of further consideration, as they exhibit operational and economic benefits without excessive capital cost. Further and more detailed work was done by Japan International Cooperation Agency in 2014. In 2015, a prefeasibility study of the three development scenarios was undertaken through the Pacific Region Infrastructure Facility to determine the preferred technically and economically feasible option for implementation.² The prefeasibility study included preliminary engineering, technical (wave climate), economic, and safeguard information and provided a clear recommendation on the preferred option—a new quay wall constructed on the edge of the reef north of the existing harbor, and accessible by causeway—on which the government and its development partners can base project preparatory work and detailed engineering design.

3. ADB is now supporting the government in preparing a project based on the preferred option.

B. PROJECT PREPARATORY ACTIVITIES

4. In preparing the project, ADB proposes to utilize a project design advance (PDA) facility for more detailed investigations and a more detailed design prior to project approval. This will improve project quality at entry. The prefeasibility study noted the need for further survey work in order to prepare an economic analysis in sufficient detail to provide certainty on the costs of the project. Therefore, provided that the project is proven to be economically justifiable, the PDA activities take place in two stages: (i) geotechnical, topography, and cadastral survey work; and (ii) detailed design. Parallel project preparatory technical assistance will allow to meet the various due diligence requirements, and develop the report and recommendations of the President as well as the linked documents.

¹ ADB. 2009. *Scoping Study for Nauru Port Development*. Prepared by Doug Oldfield, Oldfield Consulting Australasia.

² Government of Nauru. 2015. *Nauru Port Pre-Feasibility Study by Pacific Region Infrastructure Facility*. Nauru.

C. TERMS OF REFERENCE

5. **Qualifications and experience.** The consultant will have at least 15 years of experience in environmental assessments of medium to large infrastructure projects, and demonstrate, in the curriculum vitae, experience in at least five project impact assessments located in the Pacific. Experience in assessment of maritime infrastructure will be considered an advantage. Due to the requirements for work on the coral reef, experience with projects that have impacts on near-shore marine environments and coral reefs, and/or identification of requirements for transplanting coral, will also be considered an advantage. Previous work in Nauru will be considered an advantage.

6. **Background information provided.** ADB will provide to the successful consultant the following:

- (i) Prefeasibility Study for Nauru Port Development (2015) and annexes, including Baseline and Environmental and Social Issues report;
- (ii) Initial environmental examination (IEE) for the Nauru Electricity Supply Security and Sustainability Project (2014); and
- (iii) Information on the scope of works anticipated for the geotechnical investigations and the unexploded ordnance (UXO) risk assessment for the proposed port development.

7. **Terms of reference.** The consultant will prepare an assessment of the PDA preconstruction activities, generally following the requirements for initial environmental examinations (IEEs). This includes geotechnical, topography, and cadastral survey work along with possible UXO clearance. The assessment is required so that an environmental management plan or environmental management guidelines can be included in the contracts for the geotechnical investigations and UXO assessment and clearance, to avoid, mitigate and/or manage the anticipated environmental, health, and safety impacts. Since Nauru does not have any environmental laws or regulations, the consultant will closely follow ADB's Safeguard Policy Statement (2009) in preparing the assessment. The consultant will have the following tasks:

- (i) Become familiar with the provided background information, and related issues and practices in the region.
- (ii) Consult with ADB, Nauru Port Authority, and other relevant authorities and agencies to understand the nature and type of preconstruction activities and the likelihood of UXO.
- (iii) Confirm with the ADB Pacific Department's environment specialist the coverage and content of the IEE.
- (iv) Undertake consultations as required, particularly in relation to reef-based geotechnical investigations, and discovery and handling of UXO.
- (v) Identify—and propose mitigation and management measures for—impacts associated with the geotechnical investigations on the coral reef area.
- (vi) Identify—and propose risk avoidance and management measures for—impacts associated with the UXO assessment and clearance (from land and marine areas of the existing cargo-handling facilities and proposed port development area). In addition to requirements set out in the World Bank Group's *Environmental, Health, and Safety Guidelines* and the International Finance Corporation's performance standards, this will include a review of best practices for UXO assessment, clearance, and disposal in the region. Examples may be derived from, among others, Kiribati Road Rehabilitation Project, and Munda Airfield Extension Project (Solomon Islands).

- (vii) Prepare a section of the IEE report as an environmental management plan or environmental management guidelines for the above, suitable to be included in the PDA contracts, to guide the work and studies or surveys being undertaken.
- (viii) Prepare terms of reference for any specialists required for each contract team to ensure that the measures set out in the contracts are complied with.
- (ix) Submit draft and final versions of the IEE, as per para. 9 below.

D. INPUTS AND OUTPUTS

8. **Inputs.** The inputs include the background information listed in para. 6. The assignment will be an outputs-based contract with an advance available for travel. The contract will provide 15 working days (plus 3 travel days), as well as one round trip to Nauru and per diem for up to 12 days. ADB will assist in obtaining government clearances and the like for the in-country assignment.

9. **Outputs.** The consultant will produce a draft of the IEE within 5 days of completion of the in-country assignment and submit to ADB for comment. The draft report will be revised based on comments and/or suggestions by ADB. The final report will be produced 5 days after receipt of ADB's comments.