

Project Administration Manual

Project Number: 49453-002

Grant Numbers: G0652-KIR, G0653-KIR, GXXXX-KIR, GXXXX-KIR

November 2022

Republic of Kiribati: South Tarawa Water Supply Project (Additional Financing)

ABBREVIATIONS

ADB	–	Asian Development Bank
GCF	–	Green Climate Fund
GEF	–	Global Environment Facility
KFSU	–	Kiribati Fiduciary Services Unit
MFED	–	Ministry of Finance and Economic Development
MISE	–	Ministry of Infrastructure and Sustainable Energy
O&M	–	operation and maintenance
PIA	–	project implementation assistance
PMU	–	project management unit
PUB	–	Public Utilities Board
WASH	–	water, sanitation and hygiene

NOTE

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

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Project Administration Manual Purpose and Process

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

The Ministry of Finance and Economic Development (MFED), as the executing agency, and the Ministry of Infrastructure and Sustainable Energy (MISE) and the Public Utilities Board (PUB), as the implementing agencies, are wholly responsible for the implementation of ADB-financed projects, as agreed jointly between the borrower and ADB, and in accordance with the policies and procedures of the government and ADB. ADB staff is responsible for supporting implementation including compliance by MFED, MISE, and PUB of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At grant negotiations, the recipient and ADB agreed to the PAM and ensured consistency with the grant agreements. Such agreement shall be reflected in the minutes of the grant negotiations. In the event of any discrepancy or contradiction between the PAM and the grant agreements, the provisions of the grant agreements shall prevail.

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

I. PROJECT DESCRIPTION

1. The project will combat factors which result in the high incidence of waterborne disease in South Tarawa, the capital of Kiribati, through the delivery and effective management of new and rehabilitated climate-resilient water supply assets and improved hygiene practices.
2. The project is aligned with the following impact: health and climate change resilience of South Tarawa's population improved. The project will have the following outcome: access of South Tarawa's population to safe, climate-resilient water supplies increased.
3. **Output 1: Climate resilient and low-carbon water supply infrastructure constructed.** Output 1 will be achieved through the construction of two Sea Water Reverse Osmosis desalination plants with energy consumption offset by solar photovoltaic (PV), and rehabilitation of the South Tarawa water supply network to address leakages, and 100% metered household connections to piped water supplies. The desalination plants will be located in Betio and McKenzie and have freshwater production capacities of 3,500 cubic meters per day and 2,500 cubic meters per day respectively.
4. **Output 2: Capacity of the Ministry of Infrastructure and Sustainable Energy and the Public Utilities Board to effectively manage water supply infrastructure increased.** Output 2 will be delivered through 5-year operation and maintenance (O&M) contracts for the desalination plants and water supply network as well as specialist support to PUB in key result areas, and vocational training.
5. **Output 3: Awareness of Water, Sanitation, and Hygiene and climate change issues raised.** Output 3 will be achieved through the implementation of a comprehensive and intensive 5-year WASH and climate change awareness program.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Table 1: Additional Financing Readiness Plan

Indicative Activities	Months						Responsible Individual/Unit/Agency/Government
	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	
Advance contracting actions							PMU, MISE
ADB Board approval							ADB
Grant signing							ADB, MFED
Government legal opinion provided							OAG
Grant effectiveness							ADB

ADB = Asian Development Bank, MFED = Ministry of Finance and Economic Development, MISE = Ministry of Infrastructure and Sustainable Energy, OAG = Office of the Attorney General, PMU = project management unit.
Source: Asian Development Bank.

B. Overall Project Implementation Plan

6. Refer to the Gantt chart in Table 2 for an indicative overall project implementation plan.

Table 2: Overall Project Implementation Plan

Project Component	2020				2021				2022				2023				2024				2025				2026				2027							
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
Output 1: Climate resilient and low carbon water supply infrastructure																																				
1.1 Desalination Plants																																				
1.2 Upgrade and expand Water Supply Network																																				
1.3 Construct a solar PV plant and system																																				
Output 2: Capacity of MISE and PUB to effectively manage water supply infrastructure increased																																				
2.1 Undertake 0&1,1of desalination plants (5 years)																																				
2.2 Implement institutional Strengthening																																				
2.3 Project Implementation and Safeguards																																				
2.4 Treat water (additional treatment needs due to climate change for 5 years)																																				
Output 3: Awareness on WASH and climate change issues is raised																																				
3.1 Implement water conservation and WASH awareness program																																				

Source: Asian Development Bank.

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations: Roles and Responsibilities

Table 3: Responsibilities of the Project Implementation Organizations

Project Implementation Organizations	Management Roles and Responsibilities
Ministry of Finance and Economic Development (Executing agency)	<ul style="list-style-type: none"> (i) The representative of the government as a grant recipient. (ii) Facilitate negotiation, signing, and execution of the grant agreements with ADB. (iii) Through KFSU, lead the project's procurement actions in coordination with MISE. (iv) Provide the secretariat to the National Infrastructure Development Steering Committee. (v) Responsible for financial management through KFSU. (vi) Submit approved withdrawal applications to ADB. (vii) Expedite implementation and minimize cost by: <ul style="list-style-type: none"> o ensuring the timely availability of necessary counterpart funds. o review invoices and payments to contractors, consultants, and service providers. o monitor project progress and instruct MISE to take corrective action to prevent significant variations and deviations from schedules and budgets. (viii) Ensure sufficient counterpart budget is provided for the project. (ix) Signatory to goods, works, and nonconsulting services contracts via Minister (MFED) or his delegate.
The National Water and Sanitation Steering Committee reporting to the National Infrastructure Development Steering Committee	<ul style="list-style-type: none"> (i) Provide strategic direction and guidance for the project. (ii) Chaired by the Secretary to MISE (iii) Members include but are not limited to representatives from MISE, MFED, MHMS, MELAD, OB. (iv) Provide policy guidance on project implementation and management, such as institutional strengthening. (v) Make important decisions on the project preparation and implementation such as determining of project scope, procurement (selection of a civil work contractor) and consultant selection decisions and seek approval of Cabinet as necessary according to the relevant acts. (vi) Oversees project management of MISE and PMU, monitoring progress of project preparation and implementation and suggest remedial actions when any indication of delay is identified.
Ministry of Infrastructure and Sustainable Energy (Implementing Agency)	<ul style="list-style-type: none"> (i) Ensure that PMU is fully staffed and functional during the entire period of project implementation. (ii) Provide technical advice on the project scope, facility designs, procurement or others, from the viewpoints of the government agency in charge of maintenance of project facilities, and procurement matters. (iii) Act as a secretariat to the NIDSC. (iv) Review consultant reports and ensure the outputs are suitable to the project objectives and the government policies and regulations. (v) Provide technical inputs to consultant and works contracts, in coordination with MFED. (vi) Ensure compliance with grant covenants, ADB's guidelines, procedures, and policies. (vii) Provide inputs to the project scope and facility designs.

Project Implementation Organizations	Management Roles and Responsibilities
	(viii) Signatory of consultancy services contracts via Secretary (MISE) or his delegate.
Public Utilities Board (Implementing Agency)	(i) Provide one or more representatives to PMU. (ii) Provide feedback to the project design and implementation from the view points of the end user of project deliverables. (iii) Provide technical advice on the project scope, facility designs, procurement or others, from the viewpoints of the government agency which will take over the assets after the project; (iv) Participate in the project management.
Kiribati Fiduciary Services Unit (MFED)	(i) In coordination with MISE, PUB, the PDA consultant and ADB, lead financial management, procurement and consultant selection under the Project. (ii) Review bidding documents and request for proposal. (iii) Advertise the request for expression of interest and the invitation to bid. (iv) Organize a pre-bid meeting. (v) Organize a public opening of consultant proposals and bids. (vi) Lead evaluating consultant proposals and bids. (vii) Coordinate the government approval of procurement milestones. (viii) Lead communication with proposers and bidders (ix) Support the PMU in managing project safeguard issues. (x) Administer advance accounts
Project Director (Director, MISE)	(i) Coordinate with ADB for consultant recruitment. (ii) With the support of the Project Management Unit, manage the activities of project preparation and implementation and ensure that all project activities comply with the government and ADB's requirements. (iii) Regularly monitor the progress of project preparation and implementation including the achievement of the gender action plan activities and targets and, through KFSU, initiate the NIDSC meeting as necessary and at least quarterly. (iv) Review the monthly progress report that PMU prepares and endorse to the task force. (v) Supervise the Project Management Unit. (vi) Instruct the PMU to provide government counterpart assistance to the PDA and PIA consultants. (vii) With the support of the PMU, supervise the PDA and PIA consultants. (viii) Facilitate coordination with government agencies necessary to prepare and implement the project. (ix) Oversee reporting and monitoring of project performance including preparation of monthly and quarterly project progress reports, gender action plan progress report. (x) Review the recommendations from the PMU on the contract administration matters including claims and contract variations and recommend approval to the higher authorities when the recommendations are found to be in order. (xi) Regularly communicate with ADB staff for any matters related to project management and progress of consulting services. (xii) Assist ADB project review missions
Project Management Unit	(i) Assist Project Director in project management. (ii) Monitor and evaluate project activities and outputs and report the findings to Project Director by monthly progress reports. (iii) Review and verify documents submitted by consultants.

Project Implementation Organizations	Management Roles and Responsibilities
	<ul style="list-style-type: none"> (iv) Review the consultant's invoices and advise Project Director of its findings. (v) Supervise the PDA and PIA consultants. (vi) Provide day-to-day support for the consultant's project preparation activities. (vii) Actively participate in the project preparation activities aiming at early completion of preparation works. (viii) Facilitate implementation of the project's communication and consultation plan. (ix) Implement the safeguards requirements and plans and monitor effectiveness of the same. Prepare and submit semi-annual safeguards monitoring reports. (x) Supervise PDA consultant to carry out surveys. (xi) Assist PDA consultant to develop detailed engineering design where required. (xii) Consult with the public and disclose project information with ADB.
ADB	Assist all government agencies involved in preparing and implementing the project by: <ul style="list-style-type: none"> (i) Guiding the government agencies for smooth decision making on project preparation and implementation. (ii) Assist in consultant recruitment where requested by the Government. (iii) Fielding review missions and participate in key workshops. (iv) Advise PMU on various project management matters. (v) Disclosing project information to the public.

ADB = Asian Development Bank; KFSU = Kiribati Fiduciary Services Unit; MELAD = Ministry of Environment, Lands and Agricultural Development; MFED = Ministry of Finance and Economic Development; MHMS = Ministry of Health and Medical Services; MISE = Ministry of Infrastructure and Sustainable Energy; NIDSC = National Infrastructure Development Steering Committee; OB = Office of Te Berititenti (Office of the President); PDA = project design advance; PIA = project implementation assistance; PMU = project management unit; PUB = Public Utilities Board.
Source: Asian Development Bank.

B. Key Persons Involved in Implementation

Executing Agency

Ministry of Finance and
Economic Development

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Asian Development Bank

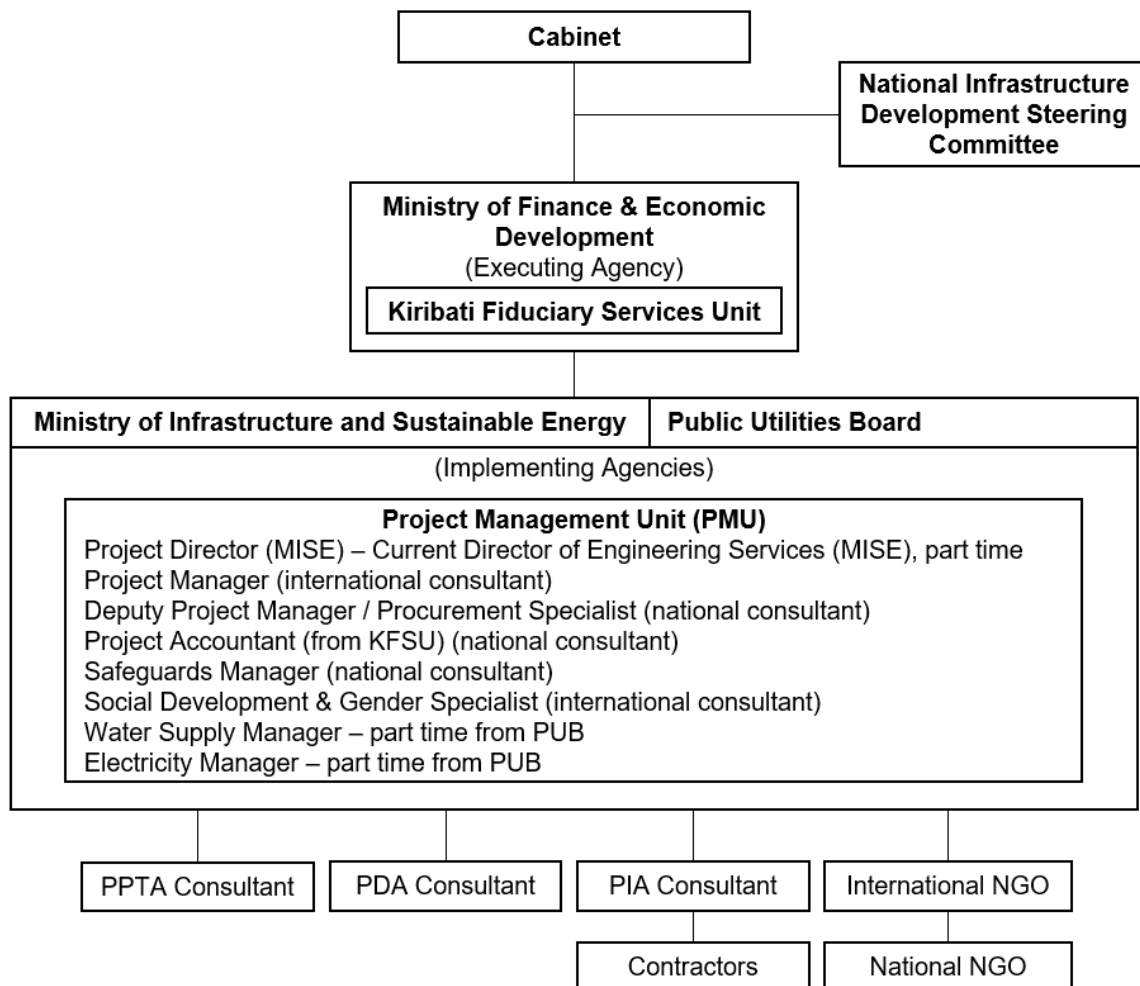
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C. Project Organization Structure



Note: MFED: Ministry of Finance and Economic Development
 MISE: Ministry of Infrastructure and Sustainable Energy
 NGO: Non-government organization
 PDA: Project Design Advance
 PIA: Project Implementation Assistance
 PPTA: Project Preparatory Technical Assistance
 PUB: Public Utilities Board

IV. COSTS AND FINANCING

7. ADB, World Bank, Green Climate Fund, Global Environment Facility, and Government will finance a proportion of all expenditures. Government's cash contribution will fund support for safeguards implementation where required, and a proportion of the water supply network rehabilitation, while the in-kind contribution consists of tax and duties exemptions, support to the PMU and office space. The additional financing will help address the expected project cost overrun.

A. Cost Estimates Preparation and Revisions

8. Cost estimates are periodically updated by the PMU with support from the project implementation assistance consultants. The cost estimates presented below were updated in August 2022 and are based on actual contract sums and the latest cost estimate for remaining contract to be awarded (Contract GDW-2: *Water Supply Networks and Associated Works and Management Services in South Tarawa Kiribati*).

B. Key Assumptions

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

- (i) Exchange rate: A\$1.57 = \$1.00 (3 November 2022).
- (ii) Price contingencies based on expected cumulative inflation over the implementation period are as follows:

Table 4: Escalation Rates for Price Contingency Calculation

Item	2022	2023	2024	2025	2026	Average
Foreign rate of price inflation	1.7%	1.7%	1.8%	1.8%	1.8%	1.8%
Domestic rate of price inflation	5.0%	3.7%	3.0%	2.2%	1.6%	3.1%

Source: Asian Development Bank.

- (iii) In-kind contributions were calculated based on the prevailing rates for value-added and income taxes.

C. Detailed Cost Estimates by Expenditure Category

Table 5: Detailed Cost Estimates by Expenditure Category

Subproject	Total ^a (\$ million)
A. Goods, Works, and Non- consulting services ^b	77.48
1. Water Supply	73.72
2. Solar PV Array	3.76
B. Consulting Services ^b	6.20
C. Support for safeguards implementation ^b	0.53
D. Sub-total	84.21
E. Contingencies ^c	5.82
Total (D+E)	90.02

PV = photovoltaic.

Notes:

^a Includes taxes and duties of \$9.36 million (\$5.75 million for the current amount and \$3.61 million for the additional financing).

^b In mid-2022 prices as of 1 September 2022.

^c Physical and price contingencies, and a provision for exchange rate fluctuation are included.

Source: Asian Development Bank.

D. Allocation and Withdrawal of Grant Proceeds

10. The cost sharing arrangements for the ongoing ADB and GCF project grants will be amended following the approval of the additional financing. The revised cost sharing arrangements for the ADB grant, GCF grant, ADB additional financing grant, and the Global Environment Facility grant are provided in Tables 6–9.

Table 6: Ongoing ADB Grant

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Grant Account
1	Water Supply	8,222,000	14.00% of total expenditure claimed*
2	Consulting Services	3,857,000	61.94% of total expenditure claimed*
3	Unallocated**	921,000	
	TOTAL	13,000,000	

ADB = Asian Development Bank.

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

**Includes physical and price contingencies.

Note: No withdrawals shall be made from the Grant Account for the Water Supply until the World Bank Grant Agreement has been duly executed and delivered, and all conditions precedent to its effectiveness have been fulfilled or arrangements satisfactory to ADB have been made for the fulfilment thereof within a period of time satisfactory to ADB.

Table 7: ADB Additional Financing Grant

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Grant Account
1	Water Supply	20,000,000	34.05% of total expenditure claimed*
	TOTAL	20,000,000	

ADB = Asian Development Bank

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

Note: No withdrawals shall be made from the Grant Account for the Water Supply until the World Bank Grant Agreement has been duly executed and delivered, and all conditions precedent to its effectiveness have been fulfilled or arrangements satisfactory to ADB have been made for the fulfilment thereof within a period of time satisfactory to ADB.

Table 8: Green Climate Fund Grant

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Grant Account
1	Water Supply	15,174,100	25.83% of total expenditure claimed*
2	Solar PV	6,190,400	100% of total expenditure claimed*
2	Consulting Services	2,370,000	38.06% of total expenditure claimed*
3	Unallocated**	4,895,500	
	TOTAL	28,630,000	

ADB = Asian Development Bank, PV = photovoltaic.

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

**Includes physical and price contingencies.

Note: No withdrawals shall be made from the Grant Account for the Water Supply until the World Bank Grant Agreement has been duly executed and delivered, and all conditions precedent to its effectiveness have been fulfilled or arrangements satisfactory to ADB have been made for the fulfilment thereof within a period of time satisfactory to ADB.

Table 9: Global Environment Facility Grant

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Grant Account
1	Water Supply	4,587,156	7.81% of total expenditure claimed*
	TOTAL	4,587,156	

ADB = Asian Development Bank.

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

Note: No withdrawals shall be made from the Grant Account for the Water Supply until the World Bank Grant Agreement has been duly executed and delivered, and all conditions precedent to its effectiveness have been fulfilled or arrangements satisfactory to ADB have been made for the fulfilment thereof within a period of time satisfactory to ADB.

E. Detailed Cost Estimates by Financier

Table 10: Detailed Cost Estimates by Financier ^a
(\$ million)

Item	ADB Ongoing Grant		ADB Additional Grant		GCF		GEF ^a		WB		Government		Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
A. Investment Cost													
Water Supply	8.22	14.0	20.00	34.0	15.2	25.8	4.59	7.8	10.01	17.0	0.75	1.3	58.74
Solar PV	-	-	-	-	6.2	100.0	-	-	-	-	-	-	6.19
Consulting Services	3.86	61.9	-	-	2.4	38.1	-	-	-	-	-	-	6.23
Support for safeguards implementation	-	-	-	-	-	-	-	-	-	-	0.47	100.0	0.47
Taxes and Duties	-	-	-	-	-	-	-	-	-	-	9.36	100.0	9.36
Sub-total	12.08	14.9	20.00	24.7	23.7	29.3	4.59	5.7	10.01	12.4	10.58	13.1	80.99
B. Contingencies ^b	0.92	10.2	-	-	4.9	54.	-	-	2.95	32.6	0.28	3.1	9.05
Total Project Cost (A+B)	13.00		20.00		28.63		4.59		12.9		10.86		90.03
% of Total Project Costs		14.4		22.2		31.8		5.1		14.4		12.1	

ADB = Asian Development Bank; GCF = Green Climate Fund; GEF = Global Environment Facility; PV = photovoltaic, WB = World Bank.

^a In mid-2022 prices as of 18 August 2022.

^b Physical and price contingencies, and a provision for exchange rate fluctuation are included.

Source: Asian Development Bank.

F. Detailed Cost Estimates by Outputs

Table 11: Detailed Cost Estimates by Outputs
(\$ million)

Item	Current Amount ^{a,b}	Additional Financing ^b	Overall Project Amount
A. Base Cost^c			
Output 1: Climate-resilient and low-carbon water supply infrastructure constructed.	40.73	25.53	66.26
Output 2: Capacity of MISE and PUB to effectively manage water supply infrastructure increased	11.48	4.94	16.42
Output 3: Awareness of WASH and climate change issues raised	1.41	0.10	1.51
Output 4: Project implementation is managed efficiently and effectively ^d	2.39	-2.39	0.00
Subtotal (A)	56.01	28.18	84.20
B. Contingencies^e	5.82	0.00	5.82
Total (A+B)	61.83	28.19	90.02

MISE = Ministry of Infrastructure and Sustainable Energy; PUB = Public Utilities Board; WASH = water, sanitation, and hygiene.

^a Refers to the ongoing financing.

^b Includes taxes and duties of \$9.36 million (\$5.75 million for the current amount and \$3.61 million for the additional financing). Taxes and duties will be exempted by the government.

^c In mid-2022 prices as of 8 September 2022.

^d Output 4 is removed from the project and its costs redistributed to Outputs 1, 2, and 3.

^e Physical and price contingencies, and a provision for exchange rate fluctuation are included.

Source: Asian Development Bank.

G. Detailed Cost Estimates by Year

Table 12: Detailed Cost Estimates by Year
(\$ million)

Item	Total	2021	2022	2023	2024	2025	2026	2027
A. Investment Cost								
Water Supply								
a. Desalination Plant	24.33	-	2.63	9.73	2.93	2.93	2.93	3.17
b. Network upgrades & O&M	41.20	-	-	8.00	7.76	7.76	7.76	9.94
Solar PV	3.34	-	0.33	1.72	1.29	-	-	-
Consulting Services	5.51	0.77	0.86	1.49	1.50	0.70	0.19	-
Support for safeguards implementation	0.47	0.07	0.10	0.10	0.10	0.10	-	-
Sub-total	74.85	0.85	3.82	20.94	13.48	11.39	10.88	13.10
B. Contingencies	5.82	-	-	-	-	2.12	2.12	1.59
TOTAL	80.67	0.85	3.82	20.94	13.48	13.50	12.99	14.69
% Total Project Cost		1.0	4.7	26.0	16.7	16.7	16.1	18.2

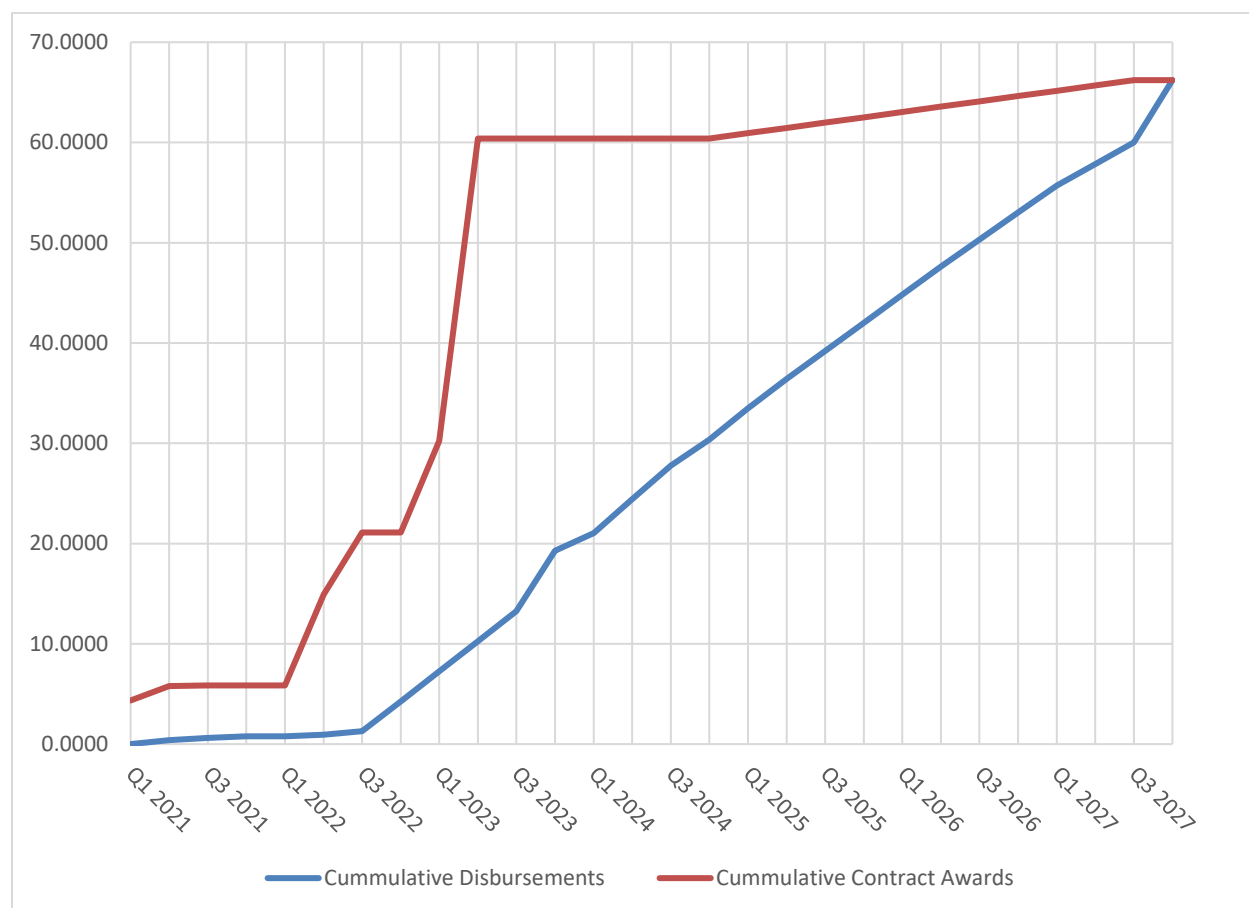
O&M = operation and maintenance, PV = photovoltaic.

Source: Asian Development Bank.

H. Contract and Disbursement S-Curve

11. The graph and tables show quarterly contract awards and disbursement projections over the life of the project. The S-curve is only for ADB financing and ADB-administered cofinancing, which will be recorded in ADB's systems and reported through eOps. The projection for contract awards includes contingencies and unallocated amounts, but exclude front-end fees, service charges, and interest during construction.

Figure 1: Contract Awards and Disbursement S-Curve



Source: Asian Development Bank.

Table 13: Contract Award Projections
(\$ million)

Quarter /Year	G0652-KIR	G0653-KIR	ADB-AF	GEF	Quarter Total	Cumulative Quarterly Total	Annual Total
Q1 2021	2.6955	1.6563	0.0000	0.0000	4.3519	4.3519	
Q2 2021	0.8820	0.5420	0.0000	0.0000	1.4240	5.7759	
Q3 2021	0.0510	0.0314	0.0000	0.0000	0.0824	5.8583	
Q4 2021	0.0000	0.0000	0.0000	0.0000	0.0000	5.8583	5.8583
Q1 2022	0.0000	0.0000	0.0000	0.0000	0.0000	5.8583	
Q2 2022	3.2807	5.7735	0.0000	0.0000	9.0542	14.9125	
Q3 2022	0.0000	6.1904	0.0000	0.0000	6.1904	21.1029	
Q4 2022	0.0000	0.0000	0.0000	0.0000	0.0000	21.1029	15.2446
Q1 2023	0.0000	0.0000	7.4248	1.7029	9.1277	30.2306	
Q2 2023	5.1697	9.5409	12.5752	2.8842	30.1700	60.4007	
Q3 2023	0.0000	0.0000	0.0000	0.0000	0.0000	60.4007	
Q4 2023	0.0000	0.0000	0.0000	0.0000	0.0000	60.4007	39.2977
Q1 2024	0.0000	0.0000	0.0000	0.0000	0.0000	60.4007	
Q2 2024	0.0000	0.0000	0.0000	0.0000	0.0000	60.4007	
Q3 2024	0.0000	0.0000	0.0000	0.0000	0.0000	60.4007	
Q4 2024	0.0000	0.0000	0.0000	0.0000	0.0000	60.4007	0.0000
Q1 2025	0.0837	0.4450	0.0000	0.0000	0.5288	60.9294	
Q2 2025	0.0837	0.4450	0.0000	0.0000	0.5288	61.4582	
Q3 2025	0.0837	0.4450	0.0000	0.0000	0.5288	61.9870	
Q4 2025	0.0837	0.4450	0.0000	0.0000	0.5288	62.5157	2.1151
Q1 2026	0.0837	0.4450	0.0000	0.0000	0.5288	63.0445	
Q2 2026	0.0837	0.4450	0.0000	0.0000	0.5288	63.5733	
Q3 2026	0.0837	0.4450	0.0000	0.0000	0.5288	64.1021	
Q4 2026	0.0837	0.4450	0.0000	0.0000	0.5288	64.6308	2.1151
Q1 2027	0.0837	0.4450	0.0000	0.0000	0.5288	65.1596	
Q2 2027	0.0837	0.4450	0.0000	0.0000	0.5288	65.6884	
Q3 2027	0.0837	0.4450	0.0000	0.0000	0.5288	66.2172	
Q4 2027	0.0000	0.0000	0.0000	0.0000	0.0000	66.2172	1.5863
Total	13.0000	28.6300	20.0000	4.5872	66.2172		66.2172

ADB-AF = Asian Development Bank additional financing grant, G0652-KIR = ongoing ADB grant, G0653-KIR = Green Climate Fund grant, GEF = Global Environment Facility grant, Q = quarter.

Source: Asian Development Bank.

Table 14: Disbursement Projections
(\$ million)

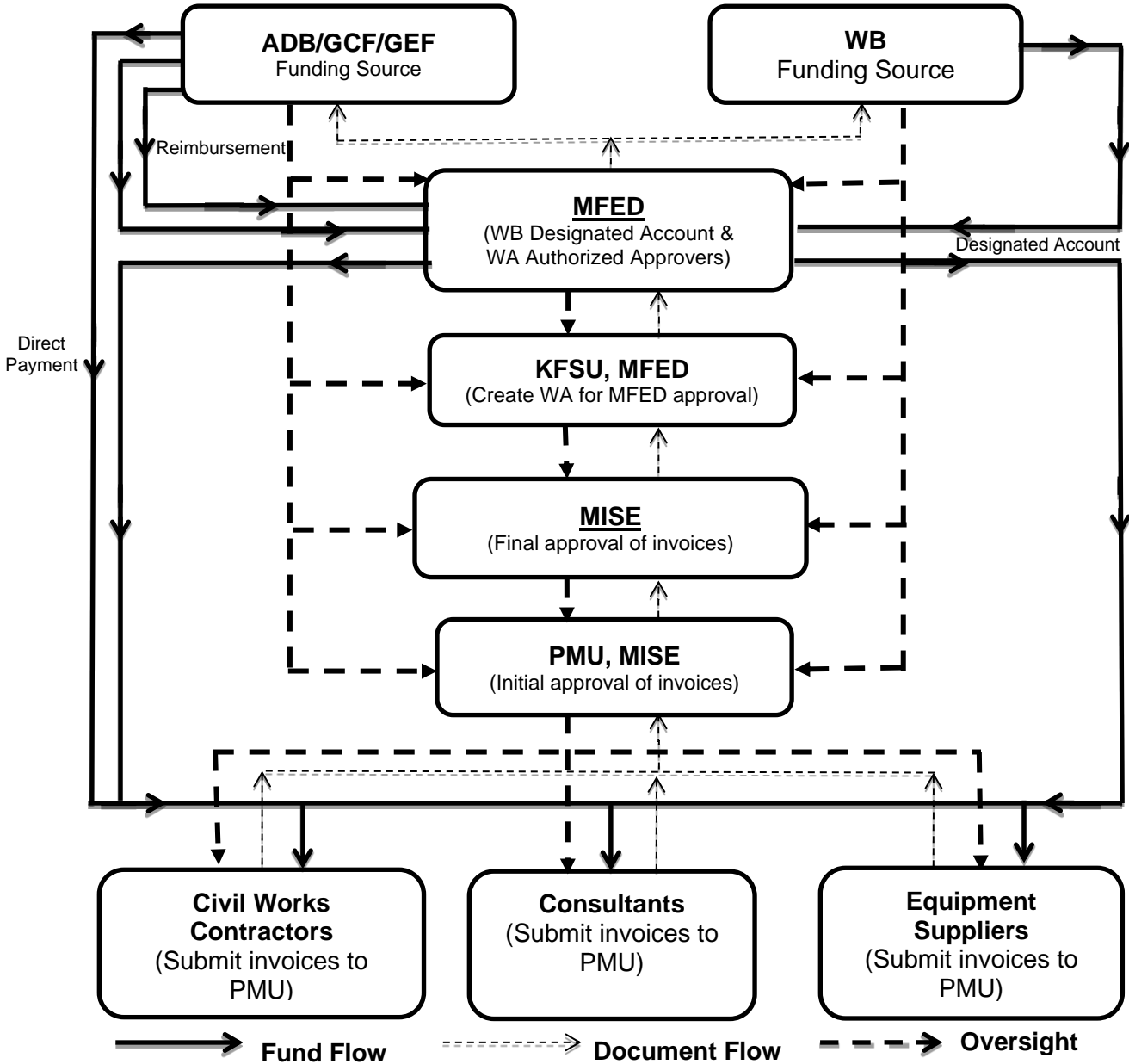
Quarter /Year	G0652-KIR	G0653-KIR	ADB-AF	GEF	Quarter Total	Cumulative Quarterly Total	Annual Total
Q1 2021	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
Q2 2021	0.2370	0.1447	0.0000	0.0000	0.3817	0.3817	
Q3 2021	0.1542	0.0958	0.0000	0.0000	0.2500	0.6317	
Q4 2021	0.0872	0.0531	0.0000	0.0000	0.1403	0.7720	0.7720
Q1 2022	0.0130	0.0080	0.0000	0.0000	0.0210	0.7930	
Q2 2022	0.0974	0.0599	0.0000	0.0000	0.1573	0.9503	
Q3 2022	0.2163	0.1329	0.0000	0.0000	0.3492	1.2995	
Q4 2022	0.5897	1.3872	0.8020	0.1839	2.9628	4.2623	3.4903
Q1 2023	0.5652	1.5190	0.7425	0.1703	2.9970	7.2593	
Q2 2023	0.5652	1.5190	0.7425	0.1703	2.9970	10.2563	
Q3 2023	0.5678	1.5206	0.7425	0.1703	3.0012	13.2575	
Q4 2023	1.0848	2.4747	2.0000	0.4587	6.0182	19.2757	15.0134
Q1 2024	0.3546	1.1271	0.2239	0.0513	1.7570	21.0327	
Q2 2024	0.6327	1.6403	0.9002	0.2065	3.3796	24.4123	
Q3 2024	0.6327	1.6403	0.9002	0.2065	3.3796	27.7919	
Q4 2024	0.6327	0.8443	0.9002	0.2065	2.5837	30.3756	11.0999
Q1 2025	0.7164	1.2894	0.9002	0.2065	3.1125	33.4881	
Q2 2025	0.5995	1.2181	0.9002	0.2065	2.9243	36.4124	
Q3 2025	0.5249	1.1717	0.9002	0.2065	2.8032	39.2156	
Q4 2025	0.5249	1.1717	0.9002	0.2065	2.8032	42.0188	11.6432
Q1 2026	0.5249	1.1717	0.9002	0.2065	2.8032	44.8220	
Q2 2026	0.5180	1.1675	0.9002	0.2065	2.7922	47.6142	
Q3 2026	0.4641	1.1344	0.9002	0.2065	2.7051	50.3194	
Q4 2026	0.4538	1.1280	0.9002	0.2065	2.6885	53.0079	10.9890
Q1 2027	0.4538	1.1280	0.9002	0.2065	2.6885	55.6963	
Q2 2027	0.3618	0.9582	0.6763	0.1551	2.1514	57.8477	
Q3 2027	0.3618	0.9582	0.6763	0.1551	2.1514	59.9991	
Q4 2027	1.0655	1.9664	2.5918	0.5944	6.2181	66.2172	13.2093
Total	13.0000	28.6300	20.0000	4.5872	66.2172		66.2172

ADB-AF = Asian Development Bank additional financing grant, G0652-KIR = ongoing ADB grant, G0653-KIR = Green Climate Fund grant, GEF = Global Environment Facility grant, Q = quarter.

Source: Asian Development Bank.

I. Fund Flow Diagram

Figure 2: Fund Flow Diagram



ADB = Asian Development Bank, GCF = Green Climate Fund, GEF = Global Environment Facility, KFSU = Kiribati Fiduciary Services Unit, MFED = Ministry of Finance and Economic Development, MISE = Ministry of Infrastructure and Sustainable Energy, PMU = project management unit, WA = withdrawal application, WB = World Bank.
 Source: Asian Development Bank

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

12. The financial management assessment (FMA) was initially prepared in 2018 as part of due diligence for the South Tarawa Water Supply Project and was updated in June 2022 in accordance with ADB's Financial Management Technical Guidance Note, 2015. The FMA considered the capacity of the Ministry of Finance and Economic Development (MFED) as executing agency and the Ministry of Infrastructure and Sustainable Energy (MISE), including funds-flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements. The 2018 FMA concluded that financial management arrangements within the MFED and MISE were reasonable and presented moderate risk to the project during implementation. The risk rating of some items in the financial management, internal control and risk assessment has been reassessed from low to moderate and the overall risk rating has been downgraded to substantial (Table 15).

Table 15: Financial Management, Internal Control and Risk Assessment

Risk Category/Description	Risk Assessment		Remarks/ Mitigation Measures	
	2017 FMA / 2020 FMA	2022 FMA	2017 FMA / 2020 FMA	2022 FMA
Country-Specific Risk Outdated legislation and regulations related to financial management, and poor accounting practices across Government.	Moderate	Moderate	KFSU has been formed within the MFED with donor assistance to handle financial management on behalf of donor-financed infrastructure projects, and conforms to international best practices.	No change.
The absence of an asset management policy at the state level will affect the sustainability of new investments.		Substantial	Generally, no inventory and depreciation are made of the state assets and inadequate repairs and maintenance budget is provided. An asset management policy should be developed so that the investments will have adequate repairs and maintenance and ensure sustainability in the future.	Government is seeking support from donors to address this weakness.
Entity-Specific Risks Low in-house capacity for project financial management.	Moderate	Moderate	The PMU based in MISE will handle supervisory, safeguards, and technical tasks and initial approval of invoices. All project financial work will be handled by a qualified and experienced project accountant to be recruited by the PMU but based in the KFSU.	An experienced project accountant with experience of ADB and World Bank financial management requirements has been recruited (in July 2022) and commenced services at KFSU in August 2022.
Overall Inherent Risk	Moderate	Moderate		
Project Risk				
Implementing Entity The project could face a capital cost overrun.	Moderate	Substantial	Adequate physical and price contingencies have been provided in the cost estimates.	Additional financing has been requested to cater for increase in

Risk Category/Description	Risk Assessment		Remarks/ Mitigation Measures	
	2017 FMA / 2020 FMA	2022 FMA	2017 FMA / 2020 FMA	2022 FMA
				capital costs beyond what was allowed for in contingencies. The updated cost estimate reflects actual bid prices, which in turn reflect underlying oil price escalation and the impact of the COVID-19 pandemic. Some contingency allowance remains in the cost estimate (\$2.35 million).
Funds Flow Foreign exchange risk.	Moderate	Low	ADB maintains 7% of the grant proceeds unallocated as reserve for foreign exchange risks.	Updated base cost estimates were prepared in foreign currency terms, minimizing the project's (capital) foreign exchange risk.
Staffing The EA and IA lack sufficient staff to undertake project financial management functions.	Low	Moderate	Qualified and experienced experts, including engineering, and procurement, specialists will be recruited into the PMU, funded by the project. A qualified and experienced project accountant will be recruited, funded by the project and based in KFSU, to work closely with the PMU to handle all expenditure reviews and approvals, disbursements, accounting, financial reporting and auditing requirements.	An experienced project accountant with experience of ADB and World Bank financial management requirements has been recruited (in July 2022) and commenced services at KFSU in August 2022.
Accounting Policies and Procedures Government policies and procedures might not suit or may be too cumbersome for project requirements.	Low	Low	KFSU procedures are governed by the KFSU Operational Procedures Manual, March 2015 and operate an ADB-approved project accounting and financial reporting system for use in the administration of donor-assisted projects, which operates independently of the Government accounting system.	No change.
Poor filing practices will affect the preparation of financial statements and the auditor's opinion on it.	Substantial	Moderate	KFSU staff has adequate filing skills and has been briefed on the new FM requirements on the timely	No change.

Risk Category/Description	Risk Assessment		Remarks/ Mitigation Measures	
	2017 FMA / 2020 FMA	2022 FMA	2017 FMA / 2020 FMA	2022 FMA
			submission of APFS: that complete submission is required as per financing agreement and, unqualified opinion, as much as possible.	
External audit Audit reports of Government entities by the KAO in the past have often not resulted in corrective actions.	Low	Moderate	The Audit Act 2017 strengthens the powers of the KAO including undertaking of legal recovery actions. The PMU will have a qualified and experienced project accountant responsible for addressing issues raised in the project audit reports prepared by the KAO, in a timely manner.	The 2019 performance audit of the KAO indicated that the KAO has struggled to implement some aspects of the Audit Act 2017, particularly with respect to compliance audits. For this reason, the risk rating has been increased from low to moderate.
Internal Audit Findings of internal auditing by MFED are not always acted upon. Limited internal audit support to implementing agencies.	Low	Low	A qualified and experienced project accountant will be recruited, funded by the project and based in the KFSU, to handle all the disbursements, accounting, financial reporting and auditing requirements, including ensuring that audit issues are resolved in a timely manner.	Upon review, it has been decided that a qualified and experienced project accountant will be recruited directly into the KFSU rather than into the PMU. (Please see similar comment above.)
	Substantial	Moderate	In the absence of internal audit units in the implementing agencies, MFED should consider a more formal arrangement to lend internal audit support to MISE.	In the absence of internal audit units in the implementing agencies, the IAD under MFED will provide internal audit support to MISE (see para 17b).
Reporting and Monitoring. Government accounting system does not yet fully conform to international public sector accounting standards.	Low	Low	KFSU and PMU project staff are trained and experienced in ADB procedures and use of accounting software, and in monitoring progress against the DMF. KFSU prepare project financial statements in accordance with IPSAS cash-based accounting and will continue to do so for the proposed project. Training on ADB's financial reporting and auditing requirements has been provided, as needed,	No change.

Risk Category/Description	Risk Assessment		Remarks/ Mitigation Measures	
	2017 FMA / 2020 FMA	2022 FMA	2017 FMA / 2020 FMA	2022 FMA
			including training on disbursements and CPD.	
Management Information systems Government accounting software is not appropriate to the government's needs.	Low	Low	KFSU will continue to use Quickbooks for its project accounting and financial reporting purposes.	No change.
Overall Project Risk	Low	Moderate		
Overall (Combined) Risk	Moderate	Substantial	Note: The rating has been downgraded due to the absence of an asset management policy that would help allocate adequate repair and maintenance budget to government assets without which sustainability of project investment is significantly diminished.	

ADB = Asian Development Bank, APFS = audited project financial statement, COVID-19 = coronavirus disease, CPD = Client Portal for Disbursements, DMF = design and monitoring framework, EA = executing agency, FM = financial management, FMA = financial management assessment, IA = implementing agency, IPSAS = International Public Sector Accounting Standard, KAO = Kiribati Audit Office, KFSU = Kiribati Fiduciary Services Unit, MFED = Ministry of Finance and Economic Development, MISE = Ministry of Infrastructure and Sustainable Energy, PMU = project management unit.
Source: Asian Development Bank.

13. The assessment concludes that, some concerns regarding shortcomings in public sector financial management at the national level have been addressed, and arrangements within MFED and MISE (and particularly within the KFSU) are satisfactory and appropriate for the project. However, the uncertainties relating to cost escalation and sustainability concerns due to inadequate provision of repair and maintenance budgets still pose substantial risk to the project investment MFED and MISE have agreed to implement an action plan as key measures to address the deficiencies. The financial management action plan is provided in Table 16.

Table 16: Financial Management Action Plan

Issue	Action	Timeframe	Responsible Agency
The absence of an asset management policy at the state level will affect the sustainability of new investments.	PUB will develop an asset management policy to ensure that investments will have adequate repairs and maintenance and are sustainable.	December 2023	PUB
The Project Manager (PMU) and new Accountant (KFSU) are not familiar with ADB's disbursement, financial management and reporting requirements.	MFED has recruited a national accountant to bolster resources at the KFSU who is familiar with ADB's financial management guidelines and ADB's financial reporting and auditing requirements	July 2022	MFED (KFSU) and ADB

Issue	Action	Timeframe	Responsible Agency
ADB's project financial reporting and auditing requirements are not adhered to in a timely manner.	ADB review mission(s) to meet with KAO to discuss ADB's requirements to ensure compliance (and to discuss remedial measures where necessary).	Continuous	ADB, KAO, MFED (KFSU)
The project could face cost overruns.	Additional financing has been requested to cater for increase in capital costs beyond what was allowed for in contingencies. The updated cost estimate reflects actual bid prices, which in turn reflect underlying oil price escalation and the impact of the Covid-19 pandemic. Some contingency allowance remains in the cost estimate (\$7.4 million).	Costs should be closely monitored	KFSU, ADB
Foreign exchange risk exists in cost estimates.	Updated base cost estimates were prepared in foreign currency terms, minimizing the project's (capital) foreign exchange risk.	No further action required	NA

ADB = Asian Development Bank, KAO = Kiribati Audit Office, KFSU = Kiribati Fiduciary Services Unit, MFED = Ministry of Finance and Economic Development, NA = not applicable, PMU = project management unit; PUB = Public Utilities Board.

Source: Asian Development Bank

B. Disbursement

1. Disbursement Arrangements for ADB (and ADB-administered cofinancier) Funds

14. The grant proceeds including ADB-administered cofinancier funds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time),¹ and detailed arrangements agreed upon 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.

15. Kiribati Fiduciary Services Unit (KFSU) and MFED staff attended a training on ADB's Client Portal for Disbursements (CPD) system in March 2022. MISE, the project accountant and the KFSU Finance Manager, are working closely with MISE and MFED's *authorized* signatories on the withdrawal applications to ensure withdrawal applications are submitted to ADB, in a timely manner. Disbursement procedures that will apply for the additional ADB and GEF grant and for the ongoing ADB and GCF grant are: (i) direct payment; and (ii) reimbursement.

16. **Direct payment procedure.** At the recipient's request, ADB will directly pay a

¹ The handbook is available electronically from the ADB website (<https://www.adb.org/documents/loan-disbursement-handbook>).

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

designated beneficiary stipulated in the contract and approved by ADB (e.g., contractor, supplier, or consultant). It will generally be used for goods with a value that exceeds \$100,000 equivalent, international consulting services and works that exceed \$100,000 equivalent in value during project implementation. A signed withdrawal application will be submitted by MFED to ADB, based on invoices approved by the MISE, together with a summary sheet and the required supporting documents. The KFSU in the MFED will be responsible for collecting and retaining supporting documents, as well as preparing and sending withdrawal applications to ADB.

2. Disbursement Arrangements for Counterpart Fund

17. MISE will be responsible for (i) preparing disbursement projections, and (ii) requesting budgetary allocations for counterpart funds. The government will finance local taxes and duties under the project through exemptions.

C. Accounting

18. MFED, through the Kiribati Fiduciary Services Unit (KFSU) will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project following International Public Sector Accounting Standard for cash-based accounting. MFED will prepare harmonized consolidated project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

D. Auditing and Public Disclosure

19. MFED will prepare a harmonized detailed consolidated project financial statements to be audited in accordance with the International Standards for Supreme Audit Institutions (as provided in Kiribati under the Audit Law 2017), by an independent auditor acceptable to ADB. The audited project financial statements together with the auditor's opinion will be presented in the English language to ADB and WB within 6 months from the end of the fiscal year by the MFED.

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

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

22. The government, MFED, and MISE have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.³ ADB reserves the right to require a change in the auditor (in a manner

³ ADB's approach and procedures regarding delayed submission of audited project financial statements:

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

consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

23. Public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements, will be guided by ADB's Access to Information Policy.⁴ After the review, ADB will disclose the audited project financial statements and the opinion of the auditors on the project financial statements no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.⁵

VI. PROCUREMENT AND CONSULTING SERVICES

24. Procurement of the project components is complete except for the upgrading works and operation, maintenance, and management services for the South Tarawa water supply network. The South Tarawa water supply network upgrading works and operation, maintenance, and management services will bid under a single procurement package.

A. Advance Contracting

25. Advance contracting for the South Tarawa water supply network upgrading works and operation, maintenance, and management services will be undertaken in conformity with ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations (2017, as amended from time to time). To achieve high project readiness prior to the effectiveness of the ADB additional financing grant and the GEF grant, bidding documents for the works and services may be released under advance contracting and the procurement process progressed to completion of evaluation stage and the remaining steps undertaken after the ADB additional financing grant and the GEF grant are declared effective. The issuance of invitations to bid under advance contracting will be subject to ADB approval. The borrower, MFED, and MISE have been advised that approval of advance contracting does not commit ADB to finance the proposed South Tarawa water supply network upgrading works and operation, maintenance, and management services.

B. Procurement of Goods, Works, and Services

26. The South Tarawa water supply network upgrading works and operation, maintenance, and management services package will be procured by open competitive bidding (international advertised) procedures in accordance with ADB's Procurement Policy (2017, as amended from time to time) and Procurement Regulations (2017, as amended from time to time). As the project

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

- (iii) When audited project financial statements are not received within 12 months after the due date, ADB may suspend the loan.

⁴ ADB. 2018. *Access to Information Policy*. <https://www.adb.org/documents/access-information-policy>.

⁵ This type of information would generally fall under public communications policy exceptions to disclosure. ADB. 2011. *Public Communications Policy*. Paragraph 97(iv) and/or 97(v).

procurement packages will be cofinanced, universal procurement will apply.⁶

27. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages is in Section C.

C. Procurement Plan

Basic Data	
Project Name: South Tarawa Water Supply Project	
Project Number: 49453-002	Approval Number: G062-KIR, G0653-KIR, G-XXXXKIR, GXXXX-KIR
Country: Kiribati	Executing Agency: Ministry of Finance and Economic Development
Procurement Risk: High	Implementing Agency: Ministry of Infrastructure and Sustainable Energy
Project Financing Amount: \$90.0 million ADB Financing: \$33.0 million Cofinancing (ADB Administered): \$33.2 million Non-ADB Financing: \$23.8 million	Project Closing Date: 31 December 2027
Date of First Procurement Plan: 30/08/2019	Date of this Procurement Plan: 25/08/2022
Procurement Plan Duration: 18 months	Related to COVID-19 response efforts: no
Advance contracting: yes	Use of e-procurement (e-GP): yes

1. Methods, Review and Procurement Plan

28. Except as the Asian Development Bank (ADB) may otherwise agree, the following methods shall apply to procurement of goods, works, nonconsulting services, and consulting services.

Procurement of Goods, Works and Nonconsulting Services	
Method	Comments
<i>Open Competitive Bidding</i>	

Consulting Services	
Method	Comments
<i>Quality- and Cost-base Selection</i>	Recruitment of consulting firms
<i>Individual Consultant Selection</i>	Recruitment of individual consultants

2. List of Active Procurement Packages (Contracts)

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

⁶ ADB. 2013. Blanket Waiver of Member Country Procurement Eligibility Restrictions in Cases of Cofinancing for Operations Financed from Asian Development Fund Resources. Manila.

Goods, Works, and Nonconsulting Services							
Package Number	General Description	Estimated Value (\$)	Procurement Method	Review	Bidding Procedure	Advertisement Date	Comments
GDW-2	Upgrading works and operations, maintenance and management services	39,000,000	OCB	Prior	1S2E	Q4 2022	<ul style="list-style-type: none"> Advertising: international COVID-19 response: No

Consulting Services							
Package Number	General Description	Estimated Value (\$)	Selection Method	Review ⁶	Type of Proposal ⁷	Advertisement Date	Comments ⁸
Nil							

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

30. The following table lists goods, works, nonconsulting, 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, Works and Nonconsulting Services						
Package Number ¹	General Description	Estimated Value (\$)	Procurement Method	Review	Bidding Procedure	Comments
Nil						

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

4. List of Awarded and Completed Contracts

31. The following table lists the awarded contracts and completed contracts for goods, works, nonconsulting, and consulting services.

Goods, Works and Nonconsulting Services					
Package Number	General Description	Contract Value	Date of ADB Approval of Contract Award	Date of Completion	Comments
GDW-1	Desalination Plants - DBO	A\$ 36,400,186	13/05/2022		<ul style="list-style-type: none"> Contractor: CCB Envico/Osmoflo Joint Venture COVID-19 response?: No
GDW-3	Solar PV Array	\$3,339,587.93	08/08/2022		<ul style="list-style-type: none"> Contractor: Instec/Sino Soar Consortium, COVID-19 response?: No

Consulting Services					
Package Number	General Description	Contract Value	Date of ADB Approval of Contract Award	Date of Completion	Comments
CSF-2	Project Implementation	\$3,120,075	11/01/2021		<ul style="list-style-type: none"> Firm: Finnish

Consulting Services					
	Assistance Consultants				Consulting Group Asia Pte Ltd in association with Fraser Thomas Partners <ul style="list-style-type: none"> COVID-19 response?: No
CSF-3	WASH Awareness program - Part B "WASH Community Partnership"	\$899,902	30/04/2021		<ul style="list-style-type: none"> Firm: Plan International Australia COVID-19 response?: No
CSI-1	PMU Project Manager/Technical Advisor	\$224,000	19/12/2020		<ul style="list-style-type: none"> Individual: Joshua Chappelow COVID-19 response?: No
CSI-2	PMU Deputy Project Manager/Procurement Specialist	A\$52,500	19/03/2021		<ul style="list-style-type: none"> Individual: Ioataake Timeon COVID-19 response?: No
CSI-3	PMU Project Accountant	A\$52,080	1/07/2022		<ul style="list-style-type: none"> Individual: Tony Vaaia COVID-19 response?: No
CSI-4	PMU Safeguards Manager	A\$35,910	16/07/2021		<ul style="list-style-type: none"> Individual: Taobiina Birati COVID-19 response?: No
CSI-5	PMU Social Development & Gender Specialist	\$73,500	15/05/2022		<ul style="list-style-type: none"> Individual: Rosemary Faletoese COVID-19 response?: No

5. Non-ADB Financing

32. The following table lists goods, works, nonconsulting, 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 ¹³
Nil				

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

VII. SAFEGUARDS

33. **Environment.** The environment category for the overall project is category B and category C for the additional financing since the additional financing covers cost overruns and will not finance additional components. The environmental impacts are largely site-specific, intermittent and/or temporary (during construction) and mitigation measures can be readily designed and implemented. An initial environmental and social impact assessment (ESIA)—as equivalent to an

initial environmental examination (IEE) and appropriate for the category B project—has been undertaken and includes an environmental management plan (EMP) which will be updated based on detailed design. ESIA's for each project civil works subcomponent have been prepared, publicly exhibited, and approved by ADB. Government issued the environmental licenses for Package GDW-1: *Two Bore Fields and Two Desalination Plants, South Tarawa, Kiribati* and Package GDW-3: *Solar PV Array (2.5-megawatt peak) and Associated Works* on 24 June 2022 and 29 October 2021, respectively. The environmental license for Package GDW-2: *Water Supply Networks* is currently being processed by the government. As described below, institutional arrangements have been incorporated into the project management structure and system to ensure effective safeguards implementation. The contractor will prepare a construction EMP (CEMP) responding to the EMP and environmental license conditions, the PMU will review and MELAD will approve the CEMP. Implementation of the approved CEMP will be monitored for effectiveness.

34. The project supports a position in the PMU for safeguards manager which will enhance the institutional capacity of the recipient to manage environmental and social risks. The PMU is supported by the PIA consultants which are providing capacity building and training as core elements of their TOR.

35. **Social.** The overall project is classified as category B for involuntary resettlement and category C for indigenous peoples. The additional financing is category C for both involuntary resettlement and indigenous peoples. The proposed water supply infrastructure will not have significant involuntary resettlement impacts, with impacts confined to minor land acquisition/lease and some affected assets such as crops and trees. The PMU national safeguards manager and International Social Development and Gender Specialist will have the overall responsibility in overseeing the implementation of resettlement framework and resettlement plan. Their key responsibilities include ensuring continuous consultation and information disclosure to affected persons; coordination with key government agencies to complete land acquisition/lease and payment for affected assets; drafting/updating of resettlement plan based on the resettlement framework and following detailed design; identifying unanticipated impacts and preparation of safeguards documents in compliance with ADB safeguards; establishing grievance redress mechanism and timely resolution of affected persons grievances and monitoring and reporting of resettlement activities.

36. Establishment of project sites construction activities will not commence until the compensation to affected persons has been completed. The PMU consultants, jointly with MISE and Ministry of Environment, Land and Agricultural Development, will undertake the following key activities below prior to site establishment and commencement of civil works:

- (i) update the resettlement plan based on detailed engineering and consultations and disclosure to all affected persons and other key stakeholders;
- (ii) confirmation of valuation based on full replacement cost at existing market price for all affected assets and lands to be acquired;
- (iii) assist in disbursement of government funds for compensation and entitlements to affected persons;
- (iv) ensure that the project grievance redress mechanism is fully implemented; and
- (v) Compensation Completion Report are submitted to ADB for clearance following payment of all compensation and entitlements to affected persons

37. The capacity building on social safeguards within MISE will be supported by the International Social Development and Gender Specialist through training and coaching.

38. **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 the Safeguard Policy Statement (2009).

VIII. GENDER AND SOCIAL DIMENSIONS

39. The project is categorized as *effective gender mainstreaming* and a Gender Action Plan has been prepared (Table 17). Some of the gender targets to be implemented by the project include establishing new connections in project areas which will benefit 100% female-headed households; PUB customers in 250 communities are provided with quarterly Financial Literacy training to facilitate improved ability to pay for water, of which 75% are women; at least 50% of community mobilizers are women; monthly WASH awareness-raising seminars with participation of students of whom at least 50% are girls; at least 20% of new recruits to MISE's Water & Sanitation Engineering Unit and PUB's water engineering department are women; at least 20% of PUB/MISE staff trained through the project are women; and at least 10% women involvement in community work during civil works and employment during operations and maintenance.

40. The PMU will be responsible for ensuring that the social and gender related design measures and targets are properly resourced, monitored and implemented as designed. An International Social Development and Gender Specialist will be contracted to coordinate the GAP implementation and monitoring. The nongovernment organization (NGO) to be engaged under the WASH component will also be responsible to support the implementation and monitoring of the GAP particularly relating to the WASH activities, data collection and surveys and implementing capacity building and trainings.

Table 17: Gender Action Plan

	Gender Targets and Activities	Timeline	Responsibility
Output 1 <i>Climate-resilient and low-carbon water supply infrastructure constructed</i>	By 2024, >95% of 7,880 households have a piped water connection, including 100% of households headed by women (2017 baseline: 62% of households have a piped water connection. Approx. 20–25% of households are female-headed households ^a	Q1 2020– Q4 2027	MISE staff and project engineers/ social and gender specialists
	Project staff in MISE and contractors receive awareness session on sexual harassment. The contractors will submit to MISE a policy against sexual harassment to be implemented during the entire project duration (baseline: 0)	Q1 2020– Q4 2024	MISE supported by SDGS
	Contractors engage at least 10% women Orientation and guidance on labor standards, gender equality in wages, safety and hygiene to all contractors at commencement of work and monitor implementation Target: 100% of contractors Baseline = 0	Q1 2020– Q4 2027	Contractors
	Separate toilet/sanitation facilities for men and women workers (Baseline: 0)		
Output 2 <i>Capacity of MISE and PUB to effectively manage water supply infrastructure increased</i>	By 2027, MISE and PUB staff report positive outcome from exposure to training and/or mentoring programs (2019 baseline: 0. At least 20% of program attendees are women). [9% (7 out of 81) of MISE WSEU and PUB water engineering unit staff are women].	Q1 2020– Q2 2027	MISE/PUB with support from PIA/PMU
	O&M firm will employ at least 10% women Orientation and guidance on labor standards, gender sensitive work environment, gender equality in wages, safety and hygiene to all O&M firm employees at commencement of work and monitor implementation Target: 100% of contractors Baseline = 0	Q1 2022– Q2 2027	O&M firm supervised by PIA/PMU
	Separate toilet/sanitation facilities for men and women workers (Baseline: 0)		
	At least 20% of new technical recruits to MISE WSEU and PUB's water engineering department are women (Baseline = female staff = 9%) ^b	Q1 2020– Q2 2027	MISE Director/PUB staff
Output 3 <i>Awareness of WASH and climate change issues raised</i>	3a. By 2027, >95% of the population (51.5% of them women) is reached directly or indirectly by WASH and climate change awareness programs which use gender sensitive materials (2019 baseline: <10%).	Q1 2020– Q2 2027	MHMS/MISE Director
	At least 50% of community mobilizers contracted through the WASH and climate change program are women (Baseline=0) ^c	Q1 2020– Q2 2027	MHMS with support from PMU
	PUB customers (75% of them women) in 250 communities report improved financial literacy (2019 Baseline: N/A)	Q1 2020– Q2 2027	MHMS/PMU to ensure financial literacy training is included in scope of NGO
	Effective gender-sensitive audio and visual materials developed to raise awareness at the HH level of proper water usage & environmental management issues, & implemented through radio, mobile phone applications, posters, and public discussion materials. Distributed to village heads and community leaders. Locations of posters will be on strategic places frequented by women. Target: over 7,000 HHs including all female-headed households	Q1 2020– Q2 2027	MHMS, PUB, PMU staff/SDGS and WASH consultants

	Gender Targets and Activities	Timeline	Responsibility
	Monthly WASH awareness-raising seminars and activities through the community partnerships including – Women’s Groups (faith and non-faith based) and Mother Health Committee, and encouraging minimum 50% women in group membership for Youth Groups. For engagement with schools at least 50% of student participants are girls (note 53% of 2017 student enrolments were females (7,103 students). Baseline = 0	Q1 2020– Q2 2027	MHMS/PMU/NGOs
	At least bi-annual M&E and Learning surveys to allow feedback mechanisms from community members on the WASH Community Partnership program. 50% of those consulted are women (Baseline =0)	Q1 2020– Q2 2027	MHMS/PMU/NGOs

ADB = Asian Development Bank; GAP = gender action plan; GRM = grievance redress mechanism; HH = household; MHMS = Ministry of Health and Medical Services; MISE = Ministry of Infrastructure and Sustainable Energy; M&E = monitoring and evaluation; N/A = not applicable; NGO = nongovernment organization; O&M = operation and maintenance; PDA = project design advance; PIA = project implementation assistance; PMU = project management unit; PUB = Public Utilities Board; Q = quarter; SDGS = Social Development and Gender Specialist; WASH = water, sanitation and hygiene; WSEU = Water & Sanitation Engineering Unit.

^a Data on household connections based on 2017 data obtained from the International Benchmarking Network for Water and Sanitation Utilities. <https://www.ib-net.org/> (accessed 12 March 2019). Baseline will be revisited during implementation upon availability of updated data. The 2006 HIES stated that between 20% and 25 % of HHs were female-headed.

^b As at Oct 2018, PUB water engineering unit has 47 staff of which 1 is female; MISE WSEU has 34 staff of which 6 are female.

^c Lesson from South Tarawa Sanitation Improvement Sector Project is that it is important for gender balance across the implementing team as whilst more women were employed as mobilisers this resulted in limited engagement from men within the target audience).

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

A. Revised Project Design and Monitoring Framework

Impacts the Project is Aligned with			
Health ^a and climate change resilience ^b of South Tarawa's population improved			
Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
Outcome			
Access of South Tarawa's population to safe, climate-resilient water supplies increased ^c	a. By 2027 8 , at least 95% of South Tarawa's population (51.5% of them women) has access to safe, climate-resilient water supplies (2019 baseline: <10%) (OP 1.2; OP 1.3.1; OP 2.5.2; OP 3.2.5)	a. PUB reports	R: Government does not allocate sufficient funds for O&M after the project.
Outputs			
1. Climate-resilient and low-carbon water supply infrastructure constructed	1a. By 2023 5 , 64,000m ³ /day desalination capacity is installed (2019 baseline: 0) (OP 3.1.4; OP 4.1) 1b. By 2024 6 , >95% of households have a piped water connection, including 100% of households headed by women (2022 baseline: 62% of households have a piped water connection). ^d (OP 2.1.4; OP 4.1.2) 1c. By 2024 6 , 473180km of water supply pipes installed or upgraded (2019 baseline: 0) (OP 4.1.2) 1d. By 2022 2024, additional 2500kW solar capacity is installed (2019 baseline: 1,630kW capacity). (OP 3.1.4)	1a. PUB/DBO reports 1b. PUB reports 1c. PUB reports 1d. PUB reports	R: Extreme weather events outside of climate change projections occur.
2. Capacity of MISE and PUB to effectively manage water supply infrastructure increased	2a. By 2024, private operator supporting PUB operations is in place and operational (2019 baseline: Not applicable) (OP 4.1.1)	2a. PUB reports	R: Lack of private sector interest or lack of suitable candidates to participate in the project

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
3. Awareness of WASH and climate change issues raised.	2b. By 2027, nonrevenue water declines to 25% (2017 baseline: 89%) ^d <u>(OP 4.1.1)</u>	2b. PUB reports	
	2c. By 2027, PUB achieves 95% collection ratio (2017 baseline: 70%) ^d <u>(OP 4.2.1)</u>	2c. PUB reports	
	2d. By 2027, MISE and PUB staff report positive outcomes from exposure to training and/or monitoring programs (2019 baseline: 0. At least 20% of program attendees are women). <u>(OP 4.1.1)</u>	2d. Post-training/mentoring program participant survey responses reported in MISE/PUB reports	
	2e. At least 20% of new technical recruits to MISE's Water and Sanitation Engineering Unit and PUB's Water Engineering Department are women (2019 baseline: 9% female staff) ^e <u>(OP 2.1)</u>	2e. MISE and PUB reports	
	3a. By 2027, >95% of the population (52% of them women) is reached directly or indirectly by WASH and climate change awareness programs, which use gender-sensitive materials (2019 baseline: <10%) <u>(OP 3.2.2)</u>	3a. PMU reports	
	3b. PUB customers (75% of them women) in 250 communities report improved financial literacy (2019 baseline: not applicable)	3b. PMU reports	
	3c. At least 50% of community mobilizers contracted through the WASH and climate change program are women (2019 baseline: 0)	3c. PMU reports	
3d. By 2027, 1,000 people have visited the WASH and climate change visitor	3d. PMU reports		

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
4. Project implementation is managed efficiently and effectively	<p>education center (2019 baseline: 0)</p> <p>4a. By 2027, PMU meets disbursement targets (2019 baseline: 0)</p> <p>4b. PMU delivers project progress and semiannual gender action plan reports, including sex-disaggregated data (2019 baseline: not applicable)</p> <p>4c. Using a variety of social science techniques, qualitative data is collected over the life of the project in 4–6 project areas to measure positive impacts on women's daily lives resulting from 24/7 access to safe water. These would include baseline, mid and end of project surveys. (2019 Baseline: not applicable)</p>	<p>4a. PMU reports</p> <p>4b. PMU reports</p> <p>4c. PMU reports</p>	

Key Activities with Milestones

1. Climate-resilient and low-carbon water supply infrastructure constructed

- 1.1 Prepare bid documents for ~~main works~~ desalination package (Q3 2019 Q2 2021 complete).
- 1.2 Prepare bid documents for solar photovoltaic system package (~~Q3 2019 Q3 2021 complete~~).
- 1.3 Award ~~main works~~ desalination contracts (Q2 2020 2022 complete).
- 1.4 Award ~~main works~~ solar photovoltaic system contracts (Q2 2020 2022 complete).
- 1.5 Award ~~main works~~ water supply network upgrades contracts (Q1 2020 2023).
- 1.6 Commission Beto desalination plant (Q2 2022 2023).
- 1.7 Commission McKenzie desalination system (Q1 2024).
- 1.8 Commission solar photovoltaic system (Q2 2023)
- 1.9 Sequential commission water supply network upgrades (Q3 2024–Q2 2027)
- 1.10 ~~Commission desalination plant and water supply network (Q2 2022)~~.

2. Capacity of MISE and PUB to effectively manage water supply infrastructure increased

- 2.1 Engage project implementation assistance firm (Q1 ~~2020 2021 complete~~).
- 2.2 Commence ~~5-year~~ O&M and capacity support to PUB (Q3 2022 2024).
- 2.3 Complete 5-year O&M and capacity support to PUB (Q2 2027).
- 2.4 Complete vocational education program (Q4 ~~2024 2026~~).

3. Awareness on WASH and climate change issues raised

- 3.1 Complete request for proposal for WASH program (Q3 ~~4 2019 2020 complete~~).
- 3.2 Award contract to nongovernment organization (Q1 ~~2020 2021 complete~~).
- 3.3 Engage civil society organizations in community outreach (Q4 ~~1 2020 2021 complete~~).
- 3.4 Complete WASH program (Q4 ~~2024 2025~~).

4. Project implementation is managed efficiently and effectively

- 4.1 Establish PMU (~~done in August 2018~~)
- 4.2 PMU supports midterm review (Q2 2022 2023).
- 4.3 PMU supports project completion mission (Q2 2027).

Project Management Activities

Establish PMU (~~done, August 2018 complete~~)

<p>Mobilize project design advance firm (January 2019 <u>complete</u>).</p> <p>Complete bidding documents (Q3 <u>2021</u> onwards).</p> <p>Award contract for main works packages (Q2 2020<u>2022</u> onwards).</p> <p>Complete all civil works complete (Q2 2023<u>2027</u>).</p> <p>Monitoring and evaluation and contract management until Q2 2027.</p>
<p>Inputs</p> <p>Asian Development Bank:</p> <p style="padding-left: 20px;"><u>Ongoing</u>: \$13.0 million (grant)</p> <p style="padding-left: 20px;"><u>Additional financing</u>: \$20.0 million (grant)</p> <p>Green Climate Fund: \$28.63 million (grant)</p> <p>Global Environment Facility: \$4.59 million (grant)</p> <p>Government of Kiribati: \$7.24 <u>\$10.85</u> million, including \$5.75 <u>\$9.36</u> million in taxes and duties exemption</p> <p>World Bank: \$12.96 million (grant)</p>

DBO = design, build, operate; km = kilometer; kW = kilowatt; m³ = cubic meter; MISE = Ministry of Infrastructure and Sustainable Energy; O&M = operation and maintenance; OP = operational priority; PMU = project management unit; PUB = Public Utilities Board; Q = quarter; WASH = water, sanitation, and hygiene.

- ^a As outlined in the Kiribati Development Plan 2016–2019, increased water and sanitation coverage is to achieve the outcome of “Improved Infrastructure to facilitate economic growth, poverty reduction, trade. Industrialization, health for economic, technological and socio transformation” under Key Priority Area 6: Infrastructure.
- ^b Kiribati Joint Implementation Plan for Climate Change and Disaster Risk Management 2014–2023. In particular, the project is aligned to these major strategies: “Increasing water and food security with integrated and sector-specific approaches and promoting healthy and resilient ecosystems; Promoting sound and reliable infrastructure development and land management; Promoting the use of sustainable, renewable sources of energy and energy efficiency; and Delivering appropriate education, training and awareness programs”.
- ^c “Access” implies sufficient water to meet domestic needs is reliably available close to home, “Safe” water is free from pathogens and elevated levels of toxic chemicals at all times. (http://www.who.int/water_sanitation_health/monitoring/coverage/indicator-6-1-1-safely-managed-drinking-water.pdf).
- ^d Based on 2017 data obtained from the International Benchmarking Network for Water and Sanitation Utilities. <https://www.ib-net.org/> (accessed 12 March 2019). Baseline will be revisited during implementation upon availability of updated data.
- ^e Based on 2018 data. Seven women out of 81 engineering staff from MISE and PUB (six out of the Water and Sanitation Engineering Unit’s 34 technical staff, one out of the PUB Water Engineering Department’s 47 staff).

Contribution to Strategy 2030 Operational Priorities:

The expected values and methodological details for all OP indicators to which this operation will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 2).

Source: Asian Development Bank.

B. Monitoring

41. **Project performance monitoring.** The PMU has established a project performance and monitoring system and ADB and the government have agreed on a set of indicators for monitoring project progress and performance on a quarterly basis. The indicators include, but not be limited to, the targets and indicators in the design and monitoring framework (DMF), and contributions to ADB results framework and the implementation schedule. The PIA consultants will provide hands-on training to PMU, MISE, and PUB staff in data collection, monitoring, and evaluation. The PMU shall monitor and evaluate the indicators according to the agreed framework on a quarterly basis to determine the efficiency and effectiveness of the project. These quarterly reports will provide information necessary to update ADB’s project performance reporting system. Beneficiaries will be involved in project monitoring and evaluation. In addition, the project steering committee will oversee and monitor the overall implementation.

42. **Compliance monitoring.** Compliance monitoring will be provided through regular quarterly progress reports and during regular ADB review missions.

43. **Safeguards monitoring.** Implementation of the approved CEMP will be monitored and reported. Monitoring for social safeguards will include reporting on progress of activities in the

resettlement plan with particular focus on public consultations, timeliness of payment of compensation, and level of satisfaction including grievance resolution among the affected households.

44. Semi-annual safeguards monitoring reports (SMR) will be prepared by the PMU and submitted to MISE and ADB and will be disclosed. The SMR will cover all aspects of safeguards implementation including training and capacity building, consultations and information disclosure and grievance redress. Annex 1 includes implementation checklists and an outline of contents of a SMR.

45. **Gender and social dimensions monitoring.** The PMU's International Social Development and Gender Specialist with support from the NGO under WASH component and PIA, will monitor specific activities and targets set out in the GAP. Sex-disaggregated baseline data will be collected and used to monitor GAP implementation and impact, and reported semi-annually to MISE and ADB.

C. Evaluation

46. Review missions will be fielded twice a year in coordination with cofinanciers. A midterm review mission will also be held during the 3rd year. Within 6 months of physical completion of the project, MFED will submit a project completion report to ADB.

D. Reporting

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

E. Stakeholder Communication Strategy

48. The PMU and NGO engaged under WASH component will provide all necessary information to various key stakeholders in a timely and easily understandable manner during implementation. They will be responsible for implementing the stakeholder communication plan.

X. ANTICORRUPTION POLICY

49. 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 and/or entities on ADB's Sanctions List are ineligible to participate in ADB-financed, -administered, or -supported activities and cannot be awarded any contracts under the project.⁸

50. To support these efforts, relevant provisions are included in the grant agreements and the

⁷ ADB's Anticorruption Policy. <https://www.adb.org/sites/default/files/institutional-document/32026/anticorruption.pdf>.

⁸ ADB's Office of Anticorruption and Integrity. <https://www.adb.org/site/integrity/main>.

bidding documents for the project. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government.

XI. ACCOUNTABILITY MECHANISM

51. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make an effort in good faith to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.⁹

XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL

52. Updates of the project administration manual (PAM) are list below.

- Approved PAM – July 2019
- Draft revised PAM – November 2021

⁹ Accountability Mechanism. <http://www.adb.org/Accountability-Mechanism/default.asp>.