



Draft Design and Monitoring Framework

Project Number: 39072
January 2006

NAU: Reform of the Nauru Phosphate Corporation

A design and monitoring framework is an active document, progressively updated and revised as necessary, particularly following any changes in project design and implementation. In accordance with ADB's public communications policy (2005), it is disclosed before appraisal of the project or program. This draft framework may change during processing of the project or program, and the revised version will be disclosed as an appendix to the report and recommendation of the President.

Asian Development Bank

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
<p>Impact Improved electricity and water services to the people of Nauru</p>	<p>Reduced load shedding</p> <p>Increased water production</p>	<p>Utility records and data on load shedding and sales</p>	<p>Assumption</p> <ul style="list-style-type: none"> • Sustained Government commitment to reforms
<p>Outcome A reformed and independent water and power utility with transparent subsidy mechanism</p>	<p>Adequate financing of water and power utilities</p>	<p>Government decision</p> <p>Government budget and policy documents</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Private sector participation • Government commitment to transparency
<p>Outputs</p> <p>Phase 1</p> <ol style="list-style-type: none"> 1. Financial position of NPC 2. NPC's business procedures and practices and reporting arrangements 3. Management and staff capacity assessment <p>Phase 2</p> <ol style="list-style-type: none"> 1. Private sector participation in water and power services 2. Contractual arrangements for private sector participation 3. Adequate and appropriate least-cost investment 4. Staffing and skill requirements for the utility 	<p>Improved and updated NPC accounts</p> <p>Improved business procedures and reporting arrangements to the Government</p> <p>Review of management and staff capacity and recommendations</p> <p>Improved management and independence of the utility operations</p> <p>International bidding and contract agreement</p> <p>Financial projections</p> <p>Demand forecast</p> <p>Enhanced technical performance</p>	<p>Consultant's reports</p> <p>Government reports on NPC consultant's report</p> <p>NPC staff records and Government reports</p> <p>Government and utility reports</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Reengagement of NPC's former accountant • Government ceases to interfere in daily operations of NPC • Management capacity <ul style="list-style-type: none"> • Sustained Government commitment to reforms and to conducting public consultations, and noninterference in daily operations • Government decision on policy reform option • Availability of investment funds through Government allocations and sustained external assistance to the power sector

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<p>5. Financial projections for the utility</p> <p>6. Design of a transparent subsidy mechanism</p> <p>7. Time-bound plan for phasing of subsidies</p> <p>8. Reduced risk of nonpayment of electricity bills</p> <p>9. Public dissemination</p>	<p>Financial management model</p> <p>Fiscal subsidy allocation</p> <p>Fiscal budget and financial projections</p> <p>Improved revenue collection</p>		<ul style="list-style-type: none"> • Training and skills development—sustained external assistance • Government affordability of subsidies and sustained external assistance to the power sector
<p>Activities with Milestones</p> <p>Phase 1—NPC operations</p> <p>1.1 Diagnostic of the activities and business structure of NPC</p> <p>1.2 Assessment of NPC’s financial position</p> <p>1.3 Assessment of staff and management capacity</p> <p>1.4 Recommendations of restructuring of NPC</p> <p>1.5 Interim report and tripartite meeting</p> <p>Phase 2—Water and power utility operations</p> <p>2.1 Assessment of least-cost investment requirements</p> <p>2.2 Assessment of staffing and skills requirements</p> <p>2.3 Proposed models for private sector participation</p> <p>2.4 Contractual arrangements and procedures for international bidding</p> <p>2.5 Preparation of financial management model and financial projections</p> <p>2.6 Subsidy assessment, including subsidy mechanism and time-bound plan for phasing out subsidies</p> <p>2.7 Assessment of prepay meters or other means of enhancing revenue collection</p> <p>2.8 Public dissemination strategy and implementation</p> <p>2.9 Draft final report and tripartite meeting</p> <p>2.10 Final report</p>			<p>Inputs</p> <ul style="list-style-type: none"> • ADB • Government • Consultants • Australian financial team • AusAID • NPC

ADB = Asian Development Bank, AusAID = Australian Agency for International Development, NPC = Nauru Phosphate Corporation.