



Project Data Sheet

Project 45048-001

Project Name	Regulatory and Governance Reform for Improving Water and Electricity Supply in Nauru	
Project Number	45048-001	
Country / Economy	Nauru	
Project Status	Closed	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	TA 7873-NAU: Regulatory and Governance Reform for Improving Water and Electricity Supply in Nauru	
	Technical Assistance Special Fund	US\$ 200,000.00
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Governance and capacity development	
Sector / Subsector	Energy / Energy sector development and institutional reform Water and other urban infrastructure and services / Urban water supply	
Gender	No gender elements	

Description	<p>The Ministry of Commerce, Industry and Environment is responsible for the regulation of the utilities sector, but it does not operate within a clear regulatory framework. This limits its ability to effectively perform its regulatory oversight role. For many years, electricity was free in Nauru. Metering was introduced in 2009 but electricity charges do not cover all the costs of running the utility. The utilities authority, for example, received a fuel subsidy of approximately A\$6 million in 2009-2010. The NUA inherited the key infrastructure and physical assets from the Nauru Phosphate Company following its restructure in 2005. However, there is no record of a formal handover. Significant investments have also been made by the government and its development partners (i.e., Australian Agency for International Development and the European Union) on NUA operations to strengthen and improve its existing infrastructure and management capacity. Nevertheless, poor management of the NUA's assets over a number of years has led to frequent power outages. This restricted phosphate processing and exports in 2011, requiring RonPhos, the phosphate export company to purchase its own generating capacity. The Utilities Working Group was established in early 2010 to advise the government on an appropriate legal and regulatory policy framework for the utilities sector. Two studies of the utilities sector were commissioned by the government with the support of ADB staff consultancy in early 2011--one examined the economic regulation of the sector, and the other examined safety regulation. The key recommendations of the economic regulation studies are: (i) the NUA should be corporatized immediately; (ii) the NUA should be gradually commercialized through the use of performance contracts; and (iii) a private management contractor should eventually be engaged to help improve the financial and operational performance of the NUA. Cabinet has approved the key recommendations of this study, and an Act to establish the Nauru Utilities Corporation (NUC) was enacted in June 2011. The Act commenced on 1 August 2011. The government has requested further assistance from ADB to (i) ensure the newly established NUC operates effectively; and (ii) ensure effective regulatory oversight of the utilities sector.</p>
Project Rationale and Linkage to Country/Regional Strategy	<p>One of the key components of Nauru's national development agenda concerns restructuring the utilities sector, particularly the provision of electricity, water and fuel, which were previously provided by the former Nauru Phosphate Company and are currently provided by the Nauru Utilities Authority (NUA), an unincorporated government entity. This reform is part of its effort to restore the economic security of the nation as guided by the Nauru National Sustainable Development Strategy (NSDS) 2005-2020. The NSDS identifies the corporatization of utilities as a key economic priority under the NSDS and the Government of Nauru has requested assistance from Asian Development Bank (ADB) for the corporatization and commercialization of the NUA. This small scale capacity development technical assistance (TA) is included in ADB's Nauru Country Operations Business Plan 2012-2014 and is consistent with ADB's Pacific Approach 2010-2014.</p>
Impact	<p>Reduced drain on the fiscal position of the government. Better management of infrastructure assets.</p>

Project Outcome

Description of Outcome	Improved financial and governance performance of NUC.
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Progress Toward Outcome

Implementation Progress

Description of Project Outputs

Separate NUC from the government physically and in terms of accounting.
Review NUC institutional capacity and develop its business/corporate strategy.
Develop performance management system for NUC.

Status of Implementation Progress (Outputs, Activities, and Issues)

Geographical Location

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Business Opportunities

Consulting Services

The TA will finance the services of international consultants for a total period of 6 person-months for (i) physical and accounting separation of NUC from the government; (ii) review NUC's institutional capacity and develop its business/corporate strategy; and (iii) develop a performance management system for NUC. The consultants will provide expertise in regulation and restructuring of public enterprises, institutional capacity development and training, operational management, and financial analysis. The consultants will be selected and engaged on an individual basis in accordance with ADB's Guidelines on the Use of Consultants (2010, as amended from time to time). The proceeds of the TA will be disbursed in accordance with the Technical Assistance Disbursement Handbook (2010, as amended from time to time). The seminars and workshops will be administered by the consultants. The government will ensure that all required counterpart staff, other human resources and support facilities will be available to the consultants in a timely manner.

The consultants will prepare and submit to the government and ADB (i) an inception report 1 month after the TA starts, including an issues paper outlining the approach, emerging factors and constraints, and a detailed TA work plan; (ii) a midterm report; and (iii) a draft final report.

Procurement

Procurement under the TA will follow ADB's Procurement Guidelines (2010, as amended from time to time).

Responsible ADB Officer Lucich, Milovan Stephen

Responsible ADB Department Pacific Department

Responsible ADB Division Pacific Liaison and Coordination Office in Sydney, Australia

Executing Agencies

Department of Finance
Yaren District, Republic of Nauru,
Central Pacific

Timetable

Concept Clearance	-
Fact Finding	21 Mar 2011 to 23 Mar 2011
MRM	-
Approval	29 Sep 2011
Last Review Mission	-
Last PDS Update	07 Oct 2011

TA 7873-NAU

Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
29 Sep 2011	-	29 Sep 2011	30 Jun 2013	-	30 Jul 2013

Financing Plan/TA Utilization							Cumulative Disbursements	
ADB	Cofinancing	Counterpart		Project Sponsor	Others	Total	Date	Amount
		Gov	Beneficiaries					
200,000.00	0.00	0.00	0.00	0.00	0.00	200,000.00	17 Jun 2022	194,321.37

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