

Project Administration Manual

Project Number: 49450-007
Grant Number: (tbd)
22 September 2017

Republic of Marshall Islands: Majuro Power Network
Strengthening Project

ABBREVIATIONS

ADB	–	Asian Development Bank
AMI	–	advanced metering infrastructure
AMIC	–	advanced metering infrastructure center
EA	–	executing agency
GWh	–	gigawatt hour
MEC	–	Marshalls Energy Company
MOF	–	Ministry of Finance
MW	–	megawatt
PAM	–	project administration manual
PSC	–	project steering committee

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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 (the executing agency) and Marshalls Energy Company (the implementing agency) 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 executing and implementing agencies of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At grant negotiations, the borrower and ADB shall agree to the PAM and ensure consistency with the grant^a agreement. Such agreement shall be reflected in the minutes of the grant negotiations. In the event of any discrepancy or contradiction between the PAM and the grant agreement, the provisions of the grant agreement shall prevail.

After ADB President's^b approval of the project's, 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.

^a The name of the operational financing document may vary on a project-to-project basis; this reference shall be deemed to encompass such variations, e.g., a Framework Financing Agreement, as applicable

^b This project is being processed under the Pacific Regional Renewable Energy Facility; approval authority for projects under this facility has been delegated to ADB's President.

I. PROJECT DESCRIPTION

A. Rationale

1. The Project will install an advanced metering infrastructure (AMI) to allow Marshalls Energy Company (MEC) to reduce losses on the Majuro power system, reduce diesel fuel consumption for power generation, and improve revenue collection. Data provided by the AMI will also inform the design of future investments in MEC's power system, including in renewable energy generation, to be financed by ADB or other sources. Concurrently, the project will develop a comprehensive program for management improvements and business process reengineering at MEC to provide for MEC's operational and financial sustainability (including financial management, accounting, and tariff formulation), and for the sustainability of current and future investments.

2. Marshalls Energy Company (MEC) is a fully state-owned electricity utility which generates, distributes, and retails electricity on Majuro to a population of about 28,000 persons (roughly half of RMI's population). Serving the country's capital, the Majuro system accounts for 72% of electricity generated and consumed in RMI (with Ebeye in Kwajalein Atoll accounting for 24%, and outer islands representing the balance).

3. Diesel generation accounts for approximately 98% of the Majuro system's annual power generation of 53.7 GWh, consuming approximately 3.8 million gallons (14.4 million liters) of fuel per year. While Majuro enjoys an abundant solar resource, and may have an economically viable wind resource, development of additional intermittent renewable generation beyond the current 900 kWp installed solar generation is technically infeasible without investment in network asset replacements, new fit-for-purpose efficient diesel generation, and integration control hardware to ensure network stability.

4. Exposure to volatile world oil prices is a significant vulnerability for MEC, and for the RMI economy. At the macroeconomic level, sustained high fuel costs can pose significant challenges to policymakers through their effects on growth, inflation, foreign reserves, and government resources. This feeds directly and indirectly into production and household well-being through transport, electricity, and cooking fuel costs. The 2008 oil price spike nearly bankrupted the country.

5. Diversification of energy supply away from imported fossil fuels in favor of indigenous renewable resources is an important policy direction for RMI, but will require careful planning, phased implementation over several years, and a number of precursor supporting investments (including the deployment of the AMI under this project).

6. Beyond the constraint on installation of additional solar generation, Majuro exhibits very high technical and non-technical network losses¹, estimated in 2010 approximately 20% of electricity introduced into the distribution network. By comparison, typical network losses for utilities of similar size and technology in the United States is 4.2%². Reducing Majuro's network

¹ This is a measure of energy lost in the utility's electrical system, and is an indicator of the efficiency of the electrical system. It represents the percentage of electrical energy generated by the utility, but not available to be sold to customers. It includes both physical losses that occur in the distribution system and metering and billing losses (theft).

² APPA Selected Financial and Operating Ratios of Public Power Systems. American Public Power Association, November 2013.

losses will significantly reduce generation requirements and corresponding diesel consumption costs, while improving MEC's revenue generation by curtailing unbilled consumption.

7. While the installation of prepayment meters for the majority of MEC's customers has contributed to improved revenue performance, high losses on Majuro's distribution system remain. Transformer-level metering through the AMI investment is necessary to enable MEC to balance consumption recorded at the end-user metering points with power delivered through each distribution transformer. The AMI will provide data to identify network areas suffering high technical and non-technical losses, which will enable MEC to implement low-cost measures, such as re-configuration of customer supply connections to distribution transformers and repair of malfunctioning customer meters, to rapidly reduce network losses by at least 4% of generated power (2.2 GWh, with concomitant reduction in diesel consumption of 152,000 gallons, or 575,320 liters). The AMI will also provide required data on the Majuro network's operation and power flows to inform further network loss reduction investments (e.g. replacement of oversized and high-loss transformers), as well as the siting of distributed renewable energy generation and distribution network upgrades to enable the same without jeopardizing stable system operation.

8. Deficiencies in MEC's business processes, including budget formulation, asset management and maintenance, cost accounting and reporting, and capital project planning and execution, among others, are cause for concern for MEC's long-term ability to provide power service. The consequences of these deficiencies are manifest in the decrepit condition of MEC's core operational assets, and in its recent audited financial statements (MEC was technical insolvent in 2014 and 2015). To ensure the sustainability of investments under this project, and of future investments financed by ADB or other development partners, a far-reaching capacity-building and institutional strengthening program is essential. Consulting services to examine MEC's business processes, management practices, and governance arrangements will be provided as a second project output, separate and apart from the investment in the AMI. Consultants will develop business process reengineering and management improvement action plans for implementation in parallel with subsequent investment projects.

9. MEC's financial management and accounting practices do not provide adequate basis for identification, validation, and analysis of its costs associated with providing electricity service. This impedes management's ability to control costs, and renders it impossible to determine an appropriate and justifiable revenue requirement for MEC. In the absence of reliable cost data, tariff formulation and rate design cannot be made to be cost-reflective (other than a fuel-cost adjustment provision), nor can appropriate and effective incentives through tariff policy be applied to compel MEC to control its costs. This has obvious implications for MEC's efficiency as a public utility, with concomitant deleterious consequences for MEC's customers and RMI's economy. Action plans developed by consultants engaged to examine MEC's business processes, management practices, and governance arrangements (including tariff policy and procedures) will provide recommendations to remedy these and other deficiencies affecting MEC's operations.

B. Impact and Outcome

10. The project is aligned with the following impacts: (i) dependence on imported fossil fuels reduced; (ii) supply-side losses reduced; and (iii) renewable electricity generation increased.³ The project will have the following outcome: MEC's consumption of diesel fuel for power generation reduced.

³ Ministry of Resources and Development. 2016. *National Energy Policy and Energy Action Plan*, Majuro.

C. Outputs

11. The project will have the following outputs: (i) Output 1 - Advanced Metering Infrastructure on Majuro distribution network installed; and (ii) Output 2 - MEC business process reengineering and management improvement action plans endorsed.

12. The AMI will consist of telemetry-capable meters at each distribution transformer on the Majuro power system and a central control center for collection and analysis of reported power flow data. Business process reengineering and management improvement action plans will derive from a comprehensive examination of MEC's existing business processes, management practices and policies, and governance arrangements. The action plans will provide for wholesale transformation of MEC to render it a self-sustaining and efficient electric power utility, and will be intended to be implemented as a component part of future ADB-financed investments in MEC.

13. *Output 1 – Advanced Metering Infrastructure (AMI):* The project will support the reduction of Majuro's dependence on imported diesel fuel by reducing its distribution network losses, which constitute around 20% of total generated energy in Majuro. The AMI will provide high-frequency interval data to MEC on consumption and loads, and precisely determine network areas suffering high technical or non-technical losses. The AMI will include a control and metering distribution network center to automatically collect and compile metered data from all distribution transformers. By measuring power generated by the Majuro power plant, and power delivered to its customers via distribution transformers, MEC will be able to determine distribution network technical losses. Measured data will also determine where the worst-performing sections of the distribution grid are. It is estimated that the AMI will allow MEC to realize at least a 4% reduction in system losses within six months of the AMI's installation, comprising technical loss reduction of at least 3%, and of at least 1% in non-technical losses. By measuring electric energy delivered to customers from each distribution transformer, and subsequently comparing it to electricity consumption recorded at customer meters served by the corresponding transformers, MEC will be able to identify and eliminate unregistered and unbilled power consumption. Further technical loss reduction will be facilitated by the AMI by confirming the distribution transformer loads and identifying where transformer replacement or reconfiguration is indicated (i.e. where transformers perform inefficiently due to a mismatch between load and transformer capacity). (Where transformer replacement is indicated, the proposed project will inform investments to be financed under successive phases of the Majuro Power Network Strengthening project, as discussed in paragraph 13.)

14. *Output 1 – Continued:* The AMI will include:

- (i) Up to 500 smart meters, to be designed, procured, supplied and installed on all distribution transformers in Majuro. Meters will be installed inside the existing transformer cubicles (for ground mounted transformers), or on existing distribution poles, next to existing pole-mounted transformers. All meters will be equipped with communications infrastructure, for remote data access. All necessary tools for installation of the equipment will be provided under this output.
- (ii) An AMI control center, to be designed, procured and installed within the offices of Majuro power station. The system will consist of operator computers, databases,

communication infrastructure and control system for automatic collection and storage of metering data.

- (iii) Training, installation and commissioning services. The AMI will be installed by MEC personnel who will receive, prior to installation, necessary installation, operation and maintenance trainings. In parallel, MEC personnel who will operate the AMI control center will also be trained to troubleshoot, operate, maintain, and perform data analysis. Finally, all AMI field devices will be commissioned by the supplier and their communications proven in the AMI control center.
- (iv) Consulting services to monitor and support the procurement and execution of the AMI delivery contract: The project will field a consultant to serve as owner's engineer to supervise the execution of the AMI delivery contract. Prior to the contract's execution, ADB will support MEC's management of the tender process for award of the AMI delivery contract through consultants under existing regional technical assistance resources and in-house subject-matter experts (smart grids).

15. *Output 2 - Consulting services to review MEC's business processes and develop business process reengineering and management improvement action plans:* The project will deploy consultants to support capacity-building within and support MEC's management and Combined Utilities Board in reviewing MEC's business processes and practices and developing recommendations for business process reengineering and management improvement action plans. The scope of consultants' review will include:

- (i) confirmation of MEC's performance against acknowledged industry-standard metrics and indicators, such as: SAIDI, SAIFI, CAIDI, system load factor, energy losses, revenue per kWh (disaggregated by customer class), debt to total assets ratio, operating and current ratios, debt service coverage ratio, and appropriate labor productivity metrics;
- (ii) assessment of asset and inventory management systems and condition assessment of utility's fixed, moveable and expendable assets;
- (iii) review and analysis of all relevant legislation, regulations, and policies pertaining to the utility's operations;
- (iv) review and analysis of MEC's governance arrangements and practices, assessed against industry-accepted best practices for public utilities;
- (v) review and analysis of the utility's organizational and management structures;
- (vi) review and analysis of MEC's budgeting, accounting, and financial management capabilities and procedures;
- (vii) review of MEC's human resources and staff management policies and procedures, including;
- (viii) review and assessment of MEC's management information system(s);
- (ix) revenue requirement determination, tariff methodologies, and tariff-approval process and procedures; and
- (x) assessment of operational and maintenance performance, policies, and procedures.

16. The scope of the recommended business process reengineering and management improvement action plans will include, *inter alia*: (i) management and decision-making authorities and delegations; (ii) organizational structure and culture; (iii) internal audit and cost control procedures; (iv) strategic and system planning; (v) budget planning and execution; (vi) accounting and financial management systems and policies; (vii) human resource management and staffing; (viii) asset and inventory management; (ix) management information system adequacy; (x) tariff methodology and regulatory framework; (xi) business support functions; (xiii) technical and

commercial loss reduction targets; (xiv) metering, billing and collection systems, policies, and procedures; (xv) customer service standards and systems; (xvi) capital investment program development; (xvii) procurement policies and systems; and (xviii) financial management systems.

17. Recommendations will include details on the process of implementation, including enhancement of MEC's governance and management processes, and improvement of MEC's operational efficiency, financial viability and service delivery. The recommendations will also include a comprehensive training schedule for MEC personnel and other public-sector employees, as relevant.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Indicative Activities	Months					Responsible Individual Unit/ Agency Government
	Sep 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	
Advance contracting actions	x					Govt of RMI, ADB
Retroactive financing actions	x					Govt of RMI, ADB
Establish project implementation arrangements	x					PSC
ADB Approval		x				ADB
Grant signing		x				Govt. of RMI, ADB
Government legal opinion provided			x			Govt of RMI
Grant effectiveness			x			Govt of RMI, ADB

ADB = Asian Development Bank; PSC = project steering committee; RMI = Republic of Marshall Islands.
Source: Asian Development Bank.

B. Overall Project Implementation Plan

Indicative Activities	2017 Qtr			2018 Qtr			2019 Qtr			2020 Qtr			Year 5 Qtr			Year 6 Qtr			Year 7 Qtr		
A. DMF																					
Output 1: Advanced Metering Infrastructure on Majuro Distribution Network																					
Activity 1.1: Advanced Metering Infrastructure installed and functioning at least 500 distribution transformers.																					
Activity 1.2: MEC staff trained on its use and application of AMI (of which four female).																					
Output 2: MEC business process reengineering and management improvement action plans.																					
Activity 2.1: Recommendations presented for MEC Board of Directors and Government adopted.																					
Key Management Activities																					
1. Advanced Metering Infrastructure on Majuro distribution network																					
1.1 Procurement package (ICB) for AMI produced by project preparation consultants (Oct 2017)																					
1.2 Advance procurement action IFB issued by MEC (November 2017)																					
1.3 AMI and supervision consultant contracts awarded (March 2018)																					
1.4 MEC commissions AMI (March 2020)																					
2. MEC business process reengineering and management improvement action plans																					
2.1 Advance procurement action IFB issued by ADB (November 2017)																					
2.2 Consultant contract awarded (Feb 2018)																					
2.3 Consultant mobilized (March 2018)																					
2.3 Consultant analyses, recommendations, and business-process reengineering and management improvement plans presented (September 2018)																					

ADB = Asian Development Bank, AMI = advanced metering infrastructure, DMF = design and monitoring framework, IFB = Invitation for Bids; MEC = Marshalls Energy Company, mth = month, qtr = quarter; R-CDTA = regional capacity development technical assistance.

Source: Asian Development Bank.

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations: Roles and Responsibilities

Project Implementation Organizations	Management Roles and Responsibilities
Executing agency (Ministry of Finance)	<ul style="list-style-type: none"> ➤ Overall delivery of the project and reporting to Government. ➤ Ensure compliance with grant agreement covenants. ➤ Coordinate with MEC the preparation of withdrawal applications and submission to ADB. ➤ Maintain separate project accounts, have all project accounts audited annually and sent to ADB. ➤ Ensure the compilation and presentation of all reporting requirements under the project.
Project Steering Committee	<ul style="list-style-type: none"> ➤ The decision makers of the project and approving anything proposed, presented or recommended by MEC (i.e. variations, reports, bids, evaluations, etc.). The PSC will consist of Combined Utility Board chairman, Ministry of Finance Division of International Development Assistance Director, Ministry of Resources & Development National Energy Planner, Minister of Public Works, and ADB project officer and ADB Development Coordination Officer
Implementing agency (Marshall's Energy Company)	<ul style="list-style-type: none"> ➤ Responsible for the overall implementation of the project. ➤ Ensure compliance with the provisions of the Grant and Project Agreements and government policies and guidelines. ➤ Responsible for procurement and services for the project (including civil work contracts) ➤ Issue contract change orders as appropriate. ➤ Establish and implement the project monitoring and evaluation framework
ADB	<ul style="list-style-type: none"> ➤ Monitor and review overall implementation in consultation with MOF and MEC, including project implementation schedule; actions required with reference to summary poverty reduction and social strategy; gender action plan and environment management plan (as applicable); project expenditures progress with procurement and disbursement; compliance with grant covenants and likelihood of attaining project outputs and outcome. ➤ ADB will be responsible for selection of consultants for Output 2, while contract negotiations, signature, and management of the consultant's performance will be the responsibility of MEC (with ADB support)

ADB = Asian Development Bank, MEC = Marshall's Energy Company, MOF = Ministry of Finance, PSC = project steering committee.

B. Key Persons Involved in Implementation**Executing Agency**

Ministry of Finance

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Government of RMI
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Republic of the Marshall Islands

Implementing Agency

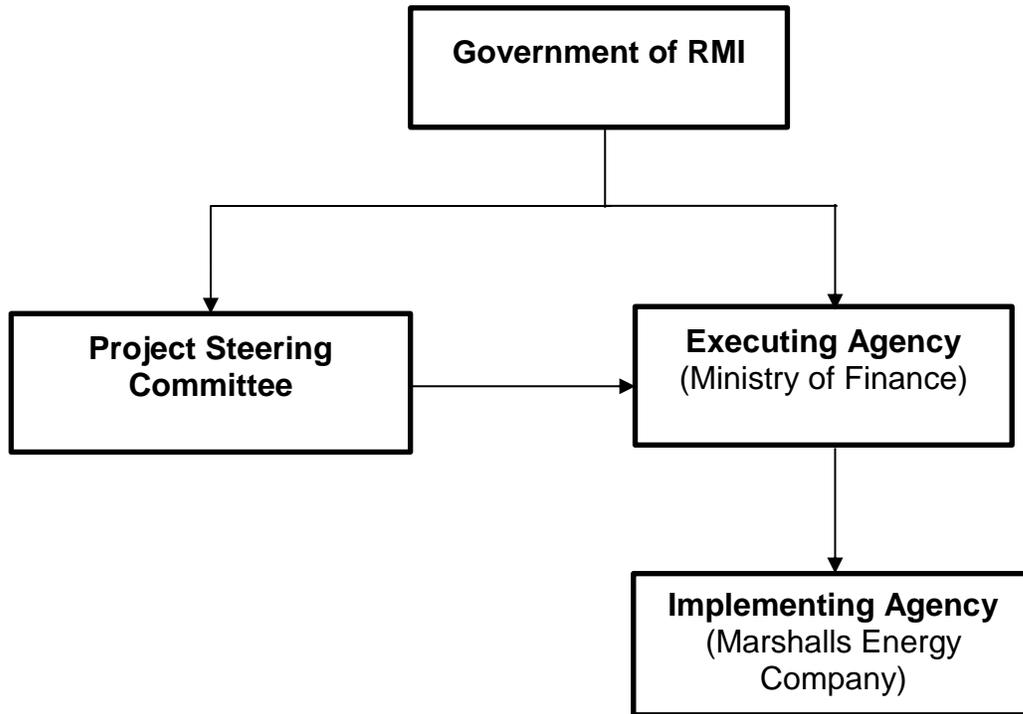
Marshall's Energy Company

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C. Project Organization Structure

IV. COSTS AND FINANCING

A. Cost Estimates

Table 1: Summary Cost Estimates
(\$ million)

Item	Amount
A. Base Cost^a	
1. Advanced Metering Infrastructure ^b	1.366
2. Supervising consultants	0.234
3. Capacity-building and business-process reengineering consultants	0.500
Subtotal (A)	2.100
B. Contingencies	0.147
Physical	0.147
Total (A+B+C)	2.247

^a In mid-2017 prices as of 15 July 2017.

^b Includes taxes and duties of \$0.056 million. Such an amount does not represent an excessive share of the project cost. The government will finance taxes and duties of \$0.056 million through exemption. government in-kind contribution of \$0.175 million.

Source: Asian Development Bank Estimates

B. Detailed Cost Estimates by Expenditure Category

Item	Total Cost (\$ million)	% of Total Base Cost
A		
. 1. Investment Costs		
a. Advanced Metering Infrastructure	1.366	65.0%
2. Procurement & Installation of Meters	0.710	33.8%
a. Equipment (AMIC)– Procurement, installation, training & commissioning	0.656	31.2%
3. Supervising International Consultants		
a. Consulting Services	0.234	11.1%
4. Capacity building & business process re-engineering		
a. Consulting Services	0.500	23.8%
Subtotal Base Cost (A)	2.100	100.0%
B		
. Contingencies		
1. Physical	0.147	7.0%
Subtotal (B)	0.147	7.0%
Total Project Cost (A+B)	2.247	107.0%

Notes: Numbers may not sum precisely because of rounding.
Source: Asian Development Bank.

C. Allocation and Withdrawal of Grant Proceeds

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS			
Category			ADB Financing
Item		Total Amount Allocated for ADB Financing (\$)	Percentage and Basis for Withdrawal from the Grant Account
		Category	
Advanced Metering Infrastructure (AMI) and Consulting Services (AMI and AMI Control Center, Commissioning Services & Training)		2,000,000	100% of total expenditure claimed*
Total		2,000,000	

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

D. Detailed Cost Estimates by Financier (\$ million)

Item	ADB Grant		Government		Total Cost {D}
	Amount {A}	% of Cost Category {A/D}	Amount {C}	% of Cost Category {C/D}	
A. Investment Costs					
1. Advanced Metering Infrastructure (AMI)	1.135	83.1%	0.231	16.9%	1.366
a. Procurement & Installation of Meters	0.495	69.8%	0.215 ^a	30.2%	0.710
b. Equipment (AMIC) – Procurement, installation, training & commissioning	0.640	97.6%	0.016 ^b	2.4%	0.656
2. Supervising Consultants					
a. Consulting Services	0.234	100.0%	0.00	0.0%	0.234
3. Capacity building & business process reengineering					
a. Consulting Services	0.500	100.0%	0.00	0.0%	0.500
Subtotal Base Cost (A)	1.869	89.0%	0.231	11.0%	2.100
B. Contingencies	0.131	89.0%	0.016	11.0%	0.147
Total Project Cost (A+B)	2.000	89.0%	0.247	11.0%	2.247
% Total Project Cost		89.0%		11.0%	100%

Note: Numbers may not sum precisely because of rounding.

^a \$0.040 million is for exemption on taxes and customs on imported goods/hardware, and \$0.175 million is government in-kind contribution for personnel labor and use of equipment.

^b For exemption on taxes and customs on imported goods/hardware.

Source: Asian Development Bank.

E. Detailed Cost Estimates by Outputs and/or Components (\$ million)

Item	Total Cost	Advanced Metering Infrastructure		Consulting Services to Monitor AMI		Consulting Services for business process re-engineering	
		Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
A. Investment Costs							
1. Advanced Metering Infrastructure	1.366	1.366	100.0%	0.000	0.0%	0.00	0.0%
a. Procurement & Installation of Meters	0.710	0.710	100.0%	0.000	0.0%	0.00	0.0%
b. Equipment (AMIC)– Procurement, installation, training & commissioning	0.656	0.656	100.0%	0.000	0.0%	0.00	0.0%
2. Supervising Consultants							
a. Consulting Services	0.234	0.000	0.0%	0.234	100.0%	0.000	0.0%
3. Capacity building & business process re-engineering							
a. Consulting Services	0.500	0.00	0.0%	0.000	0.0%	0.500	100.0%
Subtotal (A)	2.100	1.366	65.0%	0.234	11.2%	0.500	23.8%
B. Contingencies							
1. Physical	0.147	0.096	65.0%	0.020	11.2%	0.040	23.8%
Subtotal B	0.147	0.096	65.0%	0.020	11.2%	0.040	23.8%
Total Project Cost (A+B)	2.247	1.461	65.0%	0.250	11.2%	0.540	23.8%

ADB = Asian Development Bank,

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank.

F. Detailed Cost Estimates by Year (\$ million)

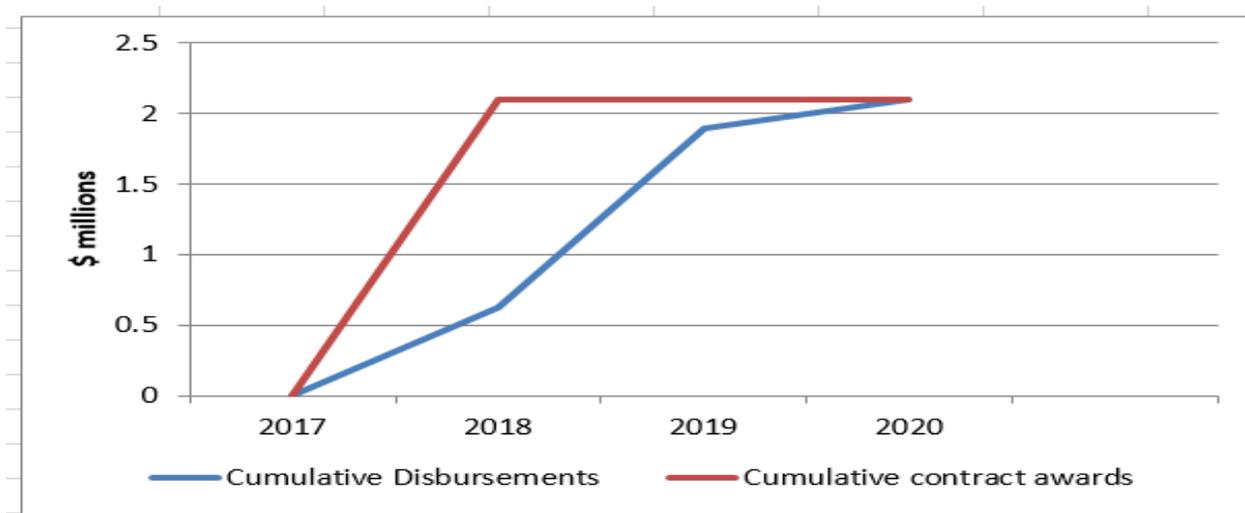
Item	Total Cost	2017	2018	2019	2020	2021	2022
A. Investment Costs							
1. Advanced Metering Infrastructure	1.366	0.000	1.092	0.273	0.000	0.000	0.000
a. Procurement & Installation of Meters	0.710	0.000	0.568	0.142	0.000	0.000	0.000
b. Equipment (AMIC) – Procurement, installation, training & commissioning	0.656	0.000	0.525	0.131	0.000	0.000	0.000
2. Supervising International Consultants							
a. Consulting Services	0.234	0.000	0.188	0.047	0.000	0.000	0.000
3. Capacity building & business process re-engineering							
a. Consulting Services	0.500	0.000	0.400	0.100	0.000	0.000	0.000
Subtotal (A)	2.100	0.000	1.680	0.420	0.000	0.000	0.000
B. Contingencies	0.147	0.000	0.118	0.029	0.000	0.000	0.000
Total Project Cost (A+B)	2.247	0.000	0.179	0.045	0.000	0.000	0.000
% Total Project Cost	100%	{0%}	{80%}	{20%}	{0%}	{0%}	{0%}

Source: Asian Development Bank.

G. Contract and Disbursement S-Curve

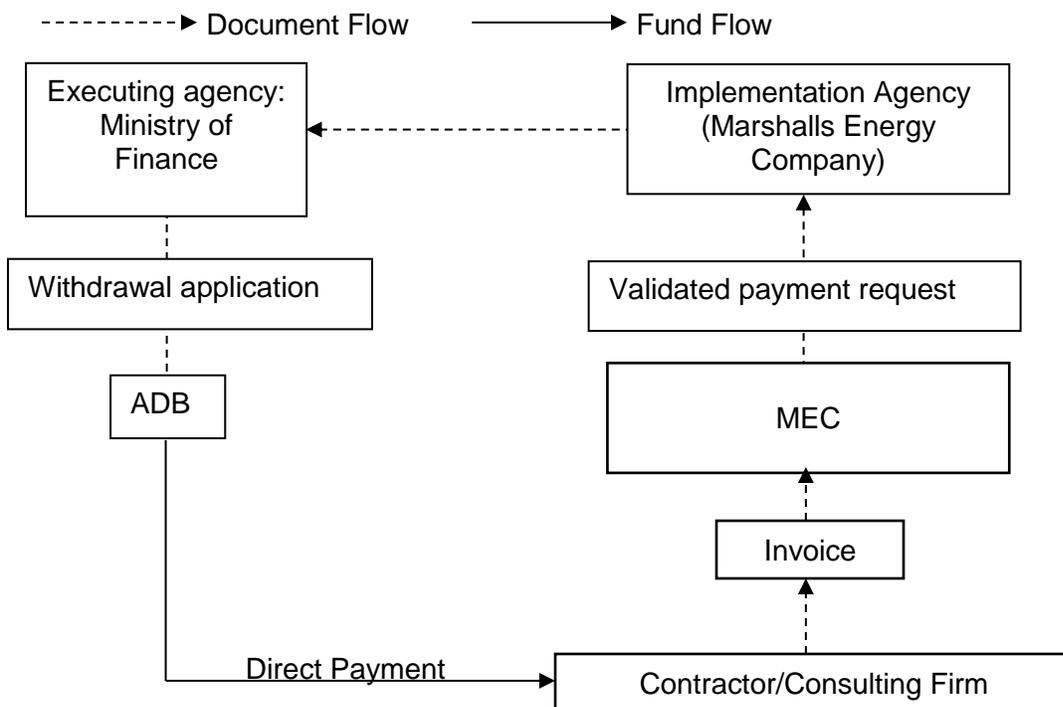
18. The graphs below show quarterly contract awards and disbursement projections over the life of the project. The projection for contract awards should include contingencies and unallocated amounts, but excludes front-end fees, service charges, and interest during construction. The total projected disbursements should be equal to the full grant amount, up to 4 months after loan grant closing.

RMI: POWER NETWORK STRENGTHENING PROJECT																
Proposed Contract Awards and Disbursements Projections																
Contract	2018					2019					2020					Total
	QTR 1	QTR 2	QTR 3	QTR 4	Subtotal	QTR 1	QTR 2	QTR 3	QTR 4	Subtotal	QTR 1	QTR 2	QTR 3	QTR 4	Subtotal	
Advance Metering		1.366														
Supervising Consultants		0.234														
Capacity Building consultants		0.500														
Total		2.10			2.10											
Disbursements	2018					2019					2020					Total
	QTR 1	QTR 2	QTR 3	QTR 4	Subtotal	QTR 1	QTR 2	QTR 3	QTR 4	Subtotal	QTR 1	QTR 2	QTR 3	QTR 4	Subtotal	
Advance Metering			0.137	0.137		0.205	0.205	0.205	0.205		0.137	0.137				
Supervising Consultants			0.023	0.023		0.035	0.035	0.035	0.035		0.023	0.023				
Capacity Building consultants			0.050	0.050		0.075	0.075	0.075	0.075		0.050	0.050				
Total			0.210	0.210	0.420	0.315	0.315	0.315	0.315	1.260	0.210	0.210			0.420	2.100



H. Fund Flow Diagram

19. The diagram below shows how the funds will flow from ADB, cofinanciers, and the borrower to implement project activities.



V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

20. The financial management assessment (FMA) was conducted in April 2017 in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects and the Financial Due Diligence: A Methodology Note. The FMA considered the capacity of the Ministry of Finance and MEC, including funds-flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements. Based on the assessment, the key financial management risks identified are listed in the table below. It is concluded that the overall premitigation financial management risk of executing agency and implementing agencies is moderate. The Ministry of Finance and MEC have agreed to implement an action plan as key measures to address the deficiencies. The financial management action plan mitigation measures are provided in the table below.

Risk Type	Risk Assessment Rating	Risk Description	Mitigation Measures
A. Inherent Risk (the susceptibility of the project financial management system to factors arising from the environment in which it operates, such as country rules and regulations and entity working environment (assuming absence of any counter checks or internal controls)).			
1. Country-specific Risks	Moderate	PEFA report 2013 notes several PFM challenges such as the credibility of the national budget and expenditure control, delays in account payable settlements, fiscal risk from SoE's and local government, lack of multi-year fiscal perspective, inadequacy of account reconciliation procedures, inadequacy of periodic reporting	RMI has recruited full time expatriate staff to strengthen the account reconciliation process and general accounting. They are actively considering a new FMIS.
2. Entity-specific Risks	Moderate	Lack of skilled staff, especially at managerial level.	Must have more robust staff training programs at regular intervals and incentives to retain key staff
3. Project-specific Risks	Low	Straightforward project to be implemented in a short time frame	The project will finance project supervision consultants who will ensure that the project is implemented efficiently and effectively.
Overall Inherent Risk	Moderate		
B. Control Risk (the risk that the project's accounting and internal control framework are inadequate to ensure project funds are used economically and efficiently and for the purpose intended, and that the use of funds is properly reported).			
1. Implementing Entity	Low	State-owned enterprise owned and controlled by RMI	
2. Funds Flow	Low	RMI well versed with ADB procedures. Likely to be a direct payment from the ADB to the supplier	
3. Staffing	Moderate	Difficulty in attracting and retaining qualified and experienced staff.	Must have more robust staff training programs at regular intervals and incentives to retain key staff
4. Accounting Policies and Procedures	Moderate	EA/IA accounting according to U.S Government Standards. ADB generally requires financial statements in accordance with International Financial Reporting	The project accounts will be audited separately by qualified auditors.

		Standards (IFRS), but can accept US GAAP.	
	High	Several accounting procedural issues to be rectified. (i) non recording of assets relating to old generation station, tank farm and distribution system; (ii) long outstanding receivables many of which are government entities; (iii) unpaid dues to the government; (iv) landowner's grant of electricity; (v) transparency in pricing of fuel	Among other aspects of MEC's operations, these items will be subject of analysis by capacity-building and business-process reengineering consultants.
5. Internal Audit	High	MEC has no internal audit function. Very difficult to recruit skilled internal auditors. Constraint on verification of use of project resources.	ADB TA consultant support will be provided to monitor and report on use of project resources; scope of review and recommendations by consultants under Output 2 of project will include financial management.
6. External Audit	Low	Financial statements of all entities are up to date and audited with unqualified opinions.	The external auditors have given an unqualified opinion on the financial statements
7. Reporting and Monitoring	Low	Financial statement production is on time and monthly reporting to the Board on time	
8. Information systems	Low	Automated systems are functioning. The GL is on Abila Micro Information Product (MIP) by the Sage group and interfaces with the billing software	
Overall Control Risk	Moderate		

H = High; M = Moderate; L = Low or Negligible.

Source: Asian Development Bank.

B. Disbursement

21. The grant proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time), and detailed arrangements agreed upon between the government and ADB. Online training for project staff on disbursement policies and procedures is available.⁴ Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

22. Direct payment, reimbursement and commitment letter procedure may be used for civil works, consulting services, and equipment. MEC will be responsible for: (i) preparing disbursement projections; (ii) requesting budgetary allocations for counterpart funds (if applicable); and (iii) collecting supporting documents. MEC will be responsible for preparing and sending the withdrawal applications to ADB.

23. Before the submission of the first withdrawal application, the borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the government, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is US\$100,000 equivalent. Individual payments below this amount should be paid (i) by the executing agency and/or implementing agency and subsequently claimed to ADB through reimbursement, unless

⁴ Disbursement eLearning. http://wpqr4.adb.org/disbursement_elearning

otherwise accepted by ADB.

C. Accounting

24. The executing agency will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project following accrual-based accounting following the International Financial Reporting Standards. The executing agency will prepare consolidated project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

D. Auditing and Public Disclosure

25. The Ministry of Finance (MOF) will cause the detailed consolidated project financial statements to be audited in accordance with the Government's audit regulations 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 within 9 months from the end of the fiscal year by the MOF.

26. The Ministry of Finance will also cause the entity-level financial statements to be audited in accordance with Government Auditing Standards issued by the Comptroller General of the United States and adopted by RMI Government, by an independent auditor acceptable to ADB. The audited entity-level financial statements, together with the auditor's report and management letter, will be submitted in the English language to ADB within 1 month after their approval by the competent authority.

27. The annual audit report for the project accounts 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 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 for the project.

28. 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.

29. The Ministry of Finance and Marshalls Energy Company 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.⁵ ADB reserves the right to require a change

⁵ 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 imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- (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 imprest 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.

in the auditor (in a manner 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.

30. Public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements, will be guided by ADB's Public Communications Policy 2011.⁶ 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.⁷

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting and Retroactive Financing

31. **Advance contracting.** Government has requested ADB approval for advanced action for the commencement of tendering for the AMI procurement and recruitment of an international consultant to serve as owner's engineer for supervision of the AMI contract's execution (Output 1, packages 1 and 2), prior to the anticipated Grant Effectiveness date in December 2017. ADB will provide consultant support for these procurement actions under a pre-existing regional technical assistance mechanism (TA 9086), and through in-house subject-matter experts. ADB will likewise initiate recruitment for business-process reengineering consultants (Output 2, package 3). The Mission will seek ADB Management approval for the requested advance procurement action. The Government is aware that approval of advance procurement actions does not commit ADB to finance the project, nor does it commit the Government to accept ADB financing for the project. **Accordingly, no contractual obligation should be created prior to project approval.**

B. Procurement of Goods, Works, and Consulting Services

32. All procurement of goods and works will be undertaken in accordance with ADB's Procurement Guidelines (2015, as amended from time to time).

33. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Section C.

34. All consultants will be recruited according to ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).⁸ The terms of reference for all consulting services are detailed in Section D.

35. **Project implementation arrangements.** ADB and the consultants engaged under TA-

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

⁶ Public Communications Policy: <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

⁷ 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).

⁸ Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>

9225 have coordinated closely and effectively with MEC's management on the consultants' activities during project preparation.

36. For implementation of the proposed project, the Republic of the Marshall Islands' Ministry of Finance will serve as the project's Executing Agency. MEC will serve as the project's Implementing Agency. ADB and the Government have agreed on the formation of a project steering committee (PSC), and that project management will be the responsibility of MEC, with support from consultants. The PSC will be chaired by the Combined Utilities Board chairman, Ministry of Finance Division of International Development Assistance Director, Ministry of Resources & Development National Energy Planner, Minister of Public Works, and ADB project officer and ADB Development Coordination Officer.

37. The proposed Majuro Power Network Strengthening Project will consist of:

- (i) **Package 1**, procurement and installation of an *advanced metering infrastructure* (AMI);
- (v) **Package 2** consulting services to support MEC in supervising the execution of the AMI contract; and
- (vi) **Package 3** consulting services for capacity-building within MEC and preparation of business-process reengineering recommendations and action plans.

38. MEC, as Implementing Agency, will employ its existing systems and capacities to manage the tendering process for Package 1 with direct assistance from ADB as noted above

39. Selection of consultants for services under Package 3 will be managed by ADB's Pacific Department staff, due to limited experience of MEC and government personnel with the type of services to be procured under Package 3. Per ADB's Guidelines on the Use of Consultants (2013), paras. 2.30 and 2.31, and on the advice of OSFMD, ADB may select consultants for capacity-building and business-process-reengineering consultants under a single-source-selection to the consultants retained to perform equivalent services under project 49450-010, Capacity Building and Sector Reform for Renewable Energy Investments in the Pacific. The contract for services will be executed between MEC and the selected consultants, and managed by MEC with oversight by the PSC.

C. Procurement Plan

Basic Data

Project Name: Majuro Power Network Strengthening Project	
Project Number: 49450-007	Approval Number: To be determined
Country: Republic of the Marshall Islands	Executing Agency: Ministry of Finance
Project Procurement Classification: B	Implementing Agency: Marshalls Energy Company (MEC)
Procurement Risk: Moderate	
Project Financing Amount: \$2 million ADB Financing: \$2 million	Project Closing Date: July 2020
Date of First Procurement Plan: 29 August 2017	Date of this Procurement Plan: 22 September 2017

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

1. Procurement and Consulting Methods, and Thresholds

40. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works		
Method	Threshold	Comments
International Competitive Bidding (ICB) for Goods and Related Services ^a	≥ \$0.5 million	No plant or works contracts are planned.

^a Including limited international bidding.

Consulting Services	
Method	Comments
Quality and Cost Based Selection (QCBS)	For consulting firm

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

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

Package Number	General Description	Estimated Value	Procurement Method	Review	Bidding Procedure	Advertisement Date (quarter/year)	Comments
Package 1	Provision and installation of advanced meters and supporting hardware and software	\$1.366 million	ICB	Prior	Procurement of Goods and Related Services. Single stage, two envelope.	Q4 2017	

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

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

Package Number	General Description	Estimated Value	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
Package 2	Owner's engineer to supervise the execution of the AMI delivery contract	\$0.234 Million	ICS	Prior	Q4 2017	BTP	

Package Number	General Description	Estimated Value	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
Package 3	Business process re-engineering	\$0.500 Million	QCBS or Single Source Selection	Prior	Q1 2018	FTP	

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

43. No contracts for goods, works and consulting services contracts in this range are planned.

B. Non-ADB Financing

44. No contracts for goods, works and consulting services contracts are planned to be financed by Non-ADB sources.

C. Consultant's Terms of Reference

45. **The Advanced Metering Contract (Procurement Plan Package 1)** will cover:

- (i) the supply and installation of advanced energy meters at approximately 305 pole-mounted transformers and approximately 169 ground-mounted transformers;
- (ii) the supply and installation, on MEC premises, of computer servers for data logging;
- (iii) including associated hardware such as UPS and backup storage;
- (iv) the implementation, utilizing the current 3G wireless network or otherwise, of communications from each meter back to the servers;
- (v) the supply of training and supervision of MEC crews who will undertake all meter installation by way of in-kind contribution;
- (vi) system commissioning;
- (vii) the supply of spare parts and operation and maintenance manuals; and
- (viii) provision of remote access and on-line support for a period of one year from date of Practical Completion (to be the date of successful commissioning).

46. **Supervision Consultant – implementation phase (Package 2B)** shall assist MEC with the implementation of the AML project by:

- (i) providing technical assistance by way of an experienced on-site electrical distribution engineer;
- (ii) ensure that the contractor provides suitable technical training for MEC lines personnel who will be installing the meters,
- (iii) ensure that these MEC lines personnel have current safety training including current CPR training and are provided with all necessary personnel protective equipment, as appropriate for the operating conditions and climate,
- (iv) ensure that line trucks used for the installation are fit for purpose,
- (v) assist MEC with monitoring progress and quality of the installations,
- (vi) assist MEC with processing any contractor's variation claims and with the keeping of appropriate records,
- (vii) assist MEC in handling contractor's progress claims,
- (viii) assist MEC with witnessing tests,

- (ix) assist MEC in preparing extensions of time advices and in preparing the Certificate of Practical Completion
- (x) ensure that all surplus meters and spare parts and Operation and Maintenance Manuals are properly entered into inventory and safely stored,
- (xi) prepare a post-implementation report for MEC and the ADB detailing, amongst other things, the work carried out, progress against program and the history of departures, problems encountered and their solutions and the performance of the contractor.

47. Business-process reengineering and capacity-building action plans (Package 3)

The project will deploy consultants to support capacity-building within and support MEC's management and Combined Utilities Board in reviewing MEC's business processes and practices and developing recommendations for business-process reengineering and action plans for implementation. The scope of review will include:

- (i) confirmation of MEC's performance against acknowledged industry-standard metrics and indicators, such as: SAIDI, SAIFI, CAIDI, system load factor, energy losses, revenue per kWh (disaggregated by customer class), debt to total assets ratio, operating and current ratios, debt service coverage ratio, and appropriate labor productivity metrics;
- (ii) assessment of asset and inventory management systems and condition assessment of utility's fixed, moveable and expendable assets;
- (iii) review and analysis of all relevant legislation, regulations, and policies pertaining to the utility's operations;
- (iv) review and analysis of MEC's governance arrangements and practices, assessed against industry-accepted best practices for public utilities;
- (v) review and analysis of the utility's organizational and management structures;
- (vi) review and analysis of MEC's budgeting, accounting, and financial management capabilities and procedures;
- (vii) review of MEC's human resources and staff management policies and procedures, including;
- (viii) review and assessment of MEC's management information system(s);
- (ix) revenue requirement determination, tariff methodologies, and tariff-approval process and procedures;
- (x) assessment of operational and maintenance performance, policies, and procedures

48. The scope of the recommended business-process reengineering and implementation action plans will address re-design and corresponding investments vis-a-vis:

- (i) management and decision-making authorities and delegations;
- (ii) organizational structure and culture;
- (iii) internal audit and cost control procedures;
- (iv) strategic and system planning;
- (v) budget planning and execution;
- (vi) accounting and financial management systems and policies;
- (vii) human resource management and staffing;
- (viii) asset and inventory management;
- (ix) management information system adequacy;
- (x) tariff methodology and regulatory framework;
- (xi) business support functions;

- (xii) technical and commercial loss reduction targets;
- (xiii) metering, billing and collection systems, policies, and procedures;
- (xiv) customer service standards and systems;
- (xv) capital investment program development;
- (xvi) procurement policies and systems; and
- (xvii) financial management systems

49. Recommendations will include details on the process of implementation, including enhancement of MEC's governance and management processes, and improvement of MEC's operational efficiency, financial viability and service delivery. The recommendations will also include a comprehensive training schedule for MEC personnel and other public-sector employees, as relevant.

VII. SAFEGUARDS

50. In compliance with ADB's Safeguard Policy Statement (2009), the project's safeguard categories are as follows:

51. **Environment (category C).** The project has been classified as category C for environment following ADB's Safeguard Policy Statement. The project involves minor augmentation of existing infrastructure and will not disturb natural habitat or physical cultural resources. No existing infrastructure will be removed and no significant waste will be generated. Minimal or no adverse impacts are anticipated.

52. **Involuntary resettlement and indigenous peoples (category C).** The project has been classified as category C for involuntary resettlement following ADB's Safeguard Policy Statement. The project does not involve land acquisition or resettlement and does not involve physical or economic displacement of people or structures. Government has acquired utility easements of varying formality across Majuro Atoll by a series of largely ad hoc processes that generally do not accord in part with the legal procedures laid out in the RMI constitution and applicable laws. Nevertheless, government acquisition of and compensation for these easements has been carried out in ways that fulfill the intent of local laws and of ADB policy in protecting the interests of landowners. The project has been classified as category C for indigenous peoples following ADB's Safeguard Policy Statement as there will be no impact on distinct and vulnerable indigenous peoples.

53. **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 at Appendix 5 of the Safeguard Policy Statement (2009).

VIII. GENDER AND SOCIAL DIMENSIONS

54. The project is categorized as no gender elements. The scope of work which focuses on installation of advanced metering infrastructure provides very limited opportunity to mainstream gender. The project outcome is not expected to provide direct or tangible benefits to women other than the expected reliable electricity supply to the existing customers.

IX. Performance Monitoring, Evaluation, Reporting, and Communication

A. Project Design and Monitoring Framework

Design and Monitoring Framework

Impact(s) the Project is Aligned with			
The impacts will be (i) reduced dependence on imported fossil fuels, (ii) supply-side losses reduced, (iii) renewable electricity generation increased. ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome MEC's consumption of diesel fuel for power generation reduced	By 2021 a. MEC's Majuro power generation requirement reduced to 51.5 GWh (2016 baseline: 53.7 GWh.) b. MEC's Majuro network losses reduced to 16%. (2010 baseline: 20%.)	a. MEC generation output reporting b. Transformer meter consumption data and generation output reporting.	Exogenous increases in load and demand off-set reductions achieved through loss-reduction measures.
Outputs 1. Advanced Metering Infrastructure on Majuro distribution network	By 2020 1a. Advanced Metering Infrastructure installed and functioning at MEC's distribution transformers (numbering approximately 500). (baseline 2017 = zero); 1b. MEC staff trained on use and application of	Implementation consultants' and MEC contract implementation and commissioning reports.	MEC installation crews and operations personnel are unable to perform on schedule due to diversion to other MEC tasks.

	Advanced Metering Infrastructure (of which four female) (baseline 2017 = zero)		
2. MEC business process reengineering and management improvement action plans	Recommendations presented for MEC Board of Directors and Government adopted	Consultant reporting and contract deliverables.	No political will for institutional change.
Key Activities with Milestones.			
1. Advanced Metering Infrastructure on Majuro distribution network			
1.1 Procurement package (ICB) for AMI produced by project preparation consultants (October 2017)			
1.2 Advance procurement action IFB issued by MEC (November 2017)			
1.3 AMI and supervision consultant contracts awarded (March 2018)			
1.4 MEC commissions AMI (January 2020)			
2. MEC business process reengineering and management improvement action plans			
2.1 Advance procurement action IFB issued by ADB (November 2017)			
2.2 Consultant contract awarded (February 2018)			
2.3 Consultants mobilized (March 2018)			
2.3 Consultant analyses, recommendations, and business-process reengineering and management improvement plans presented (September 2018)			
Inputs			
ADB (COL): \$2.0 million. Government: \$0.247 million (in-kind)			
Assumptions for Partner Financing			
Not Applicable.			

ADB = Asian Development Bank, AMI = Advanced Metering Infrastructure, ICB = International Competitive Bidding, IFB = Invitation for Bids, MEC = Marshalls Energy Company

^a Ministry of Resources and Development. 2016. *National Energy Policy and Energy Action Plan*, Majuro.

Source: Asian Development Bank.

B. Monitoring

55. **Project performance monitoring.** Within 1 month of the grant effectiveness, MEC will establish a project performance and monitoring system.

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

57. **Safeguards monitoring.** N/A

58. **Gender and social dimensions monitoring.** N/A

C. Evaluation

59. Within 6 months of physical completion of the project, the executing agency will submit a project completion report to ADB.⁹

D. Reporting

60. The executing agency 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

61. Prior to the inception mission, a communication strategy and communication plan will be prepared MEC. The communication strategy and communications plan will indicate the types of information, the mode of communication, and the timing of communications to be conveyed to stakeholders regarding the project and its implementation. The government and MEC will ensure that the installation of the AMI will not require additional land, and will notify landowners or their representatives on whose land AMI installation will take place prior to installation, and confirm through due diligence that no legacy or outstanding land tenure issues exist in relation to AMI installation sites.

X. ANTICORRUPTION POLICY

62. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.¹⁰ 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 anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.¹¹

63. To support these efforts, relevant provisions are included in the grant agreement/regulations and the bidding documents for the project.

XI. ACCOUNTABILITY MECHANISM

64. 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

⁹ Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

¹⁰ Anticorruption Policy: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

¹¹ ADB's Integrity Office web site: <http://www.adb.org/integrity/unit.asp>

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.¹²

XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL

65. All revisions and/or updates during the course of implementation should be retained in this section to provide a chronological history of changes to implemented arrangements recorded in the PAM, including revision to contract awards and disbursement s-curves.

¹² Accountability Mechanism. <http://www.adb.org/Accountability-Mechanism/default.asp>.