

Te Tarai Vaka Activity Progress Report: ADB Loan 3193/Grant 0415-COO Renewable Energy Sector Project

Summary

Activity information

Activity Title	Cook Islands Renewable Energy Sector Project
Goal	Increased energy security in an environmentally sustainable manner.
Intended outcomes	The outcome will be increased access to a higher share of electricity generated by renewable energy sources.

Funding information

Start and end dates	9 February 2015 – 31 December 2017
Total cost	NZD33.22 million* Note that all reported costs will be in NZD
Reporting period	9 February – 30 May 2015

*at today's conversion rate (19/6/2015)

Progress report preparation

Prepared by	Entura Team
Others involved or consulted	REDD staff, MFEM, DCD staff, ADB, Steering Group, Outer Islands Mayors, Councils Members, Aronga Mana, land owners and various stakeholders, CITTI, TAU staff and Board of Directors, Environment Service, Ministry of Justice, CIIC Staff and Board of Directors, Audit Office, Crown Law.
Date of report	30 June 2015

Key Conclusions and Necessary Actions

This first Progress Report has been prepared by Entura (Project Owners Engineers, POE) in cooperation with the Cook Islands Government (CIG) Project Steering Group (PSG) for the ADB funded Loan 3193/Grant 0415-COO Renewable Energy Sector Project. The Progress report provides an update to the ADB and all relevant stakeholders on project progress between 9 February (loan effectiveness date) and 30 May 2015 (end of reporting period). The POE was engaged by CIG on 12 March, and Entura team commenced mobilising from 24 April. The POE team included Christopher Blanksby, Solar PV Engineer and Team Leader, David Procter, Environmental Specialist, Jeremy Tranter, Solar PV Specialist, Tim O'Meara, Social Specialist, Dusan Nikolic, Integration Specialist and local Specialists Teresa Manarangi Trott, Project Management and Teariki Rongo, Project Monitoring. Jayath Atukorala, Financial Specialist and Janybek Omorov Economic Specialist who arrived mid-May. Geoff McDougall, Procurement Specialist was consulted in the home office during this period.

Activities undertaken in the reporting period focused on project inception, including site visits, an ADB inception visit, consultation with stakeholders, and preparation of initial project deliverables, including the project inception report and due diligence reports.

The primary issues of significance at this stage are the intention to include Atiu in the Phase 1 procurement, enabling solar PV modules procured with PEC funding to be used at Rarotonga and Aitutaki once Phase 1 projects are provisioned for, and the availability of GEF funding to support the project.

Review of Progress to Date

A. Project Implementation

1. Administration

The POE is based in REDD and the PMU is not expected to be formerly established until July. The delay in establishing the PMU has not reduced the effectiveness of the current work of POE or REDD. However, having the Project Manager in place prior to procurement of the turnkey supplier is critical, and advertisement of the relevant tenders is underway.

Adequate office space has been made available to POE as well as telecommunications and office equipment.

Procurement.

Engagement of Entura as POE was undertaken during this period. During the Inception mission, additional consulting packages were created to recruit two individual consultants on the PMU. This will assist the IA to expedite the official establishment of the PMU and the procurement plan has been updated accordingly.

Financial disbursements.

There were no financial disbursements recorded during the period of this report.

Field work.

- (i) Field investigations on 1 - 8 May to (a) collect on-site data; (b) discuss the detailed project scope and programs to be presented in the inception report; (c) the recommended scope of the GEF grant; and (d) present key findings and recommendations to the Executing Agency (EA), Implementing Agency (IA), and the ADB Inception Mission from 11 – 15 May 2015. A summary of field investigations key findings is provided in Table 1 below.

Table 1. Summary of site investigation findings

Site	Site investigation findings
Phase 1 – General	
	<ul style="list-style-type: none"> Land identified and surveyed / Landowners and council supportive of the Project Partial distribution upgrades may be beneficial at Mauke, Mitiaro, and Mangaia Likely to be operated (maintenance and billing) using a centralized approach, administered by TAU Requires training and capacity building program plan in place early The existing distribution network needs to be rehabilitated Environmental issues unlikely
Mangaia	<ul style="list-style-type: none"> 1.2 ha site Land likely to be suitable but significant civil works required and higher than usual shading exists Land agreement likely to follow Mitiaro
Mauke	<ul style="list-style-type: none"> 1.0 ha site Land agreement likely to follow Mitiaro model but processed through courts
Mitiaro	<ul style="list-style-type: none"> 0.5 ha site Land likely to be suitable but significant civil works / Draft land agreement has been prepared
Phase 1 Proposed addition	

Site	Site investigation findings
Atiu	<ul style="list-style-type: none"> • 1.5 ha site • Land identified and survey to be undertaken / Siting is suitable for technical requirements • Land agreement likely to follow Mitiaro model but processed through courts • Requires due diligence
Phase 2	
Aitutaki	<ul style="list-style-type: none"> • ~2 ha site • Primary site identified by island council Land holding status – existing government lease appears to be valid • Environmental issues unlikely / Landowners and council supportive • Requires due diligence
Rarotonga	<ul style="list-style-type: none"> • The project has not been identified. • Many options for mid-sized solar PV installations exist as identified by TAU, none yet selected

- (ii) Proposed Site Plans and Preliminary Phase 1 System Specifications are provided as Appendix 3.

Due Diligence.

- (iii) **Atiu Subproject.** It was confirmed during introductory meetings that the Executing Agency (EA) proposed procuring this subproject together with Phase 1 due to similar technical and demographic nature of Atiu with other Phase 1 subprojects (Mangaia, Mauke and Mitiaro). POE commenced the detailed work during this time to include the Atiu subproject and POE is expected to submit the due diligence report for Atiu by July/August 2015.
- (iv) **Aitutaki.** Initial field investigation identified suitable land options for the proposed solar installation site.
- (v) **Rarotonga.** Discussions with Te Aponga Uira identified a number of options and the project has yet to be selected.

Safeguards and monitoring

- (vi) **Environment.** Environmental safeguards monitoring has focused on gathering background environmental data for each of the sub-project sites and preparing documentation to meet requirements under the Cook Islands Environment Act 2003. An Initial Environmental Examination (IEE) report was prepared for Mangaia, Mauke and Mitiaro during the PPTA however this was not based on any specialist environmental assessments, most notably a flora and fauna assessment of the sub-project sites. Comments from the National Environmental Service (NES) on the IEE indicated that this would not be acceptable. Flora and fauna assessments were undertaken at each of the project sites (including Atiu) and a site inspection of the likely project site on Aitutaki completed to allow initial design work to progress. In addition, a noise assessment has been completed at Mitiaro and Mauke (the two islands where new diesel generation will be installed) and the Island Councils approached on all islands to provide confirmation that there are no cultural heritage values associated with the sites.

A meeting was held with the National Environmental Service (NES) (Appendix 1) to discuss the likely environmental approvals for Mauke, Mitiaro and Atiu under the Environment Act 2003 (Mangaia is not subject to the Environment Act 2003). It was indicated that a full Environmental Impact Assessment (EIA) would be required for each of the sub-projects. An Environmental Significance Declaration (ESD) has been submitted to the NES for each of the sub-projects (the first stage in the EIA process) which will be used by the NES to prepare

Terms of Reference for the EIA. An EIA will also be prepared for the sub-project at Mangaia to be assessed by the Island Council.

- (vii) **Land Acquisition/Resettlement Plan.** Social safeguards activities have focused on clarifying the land acquisition process, undertaking interviews with landowners, and preparing updates to the Resettlement Plan (RP.) Details of the findings are set out in the table below.

Table 2: Summary of Subproject Features and Land Requirements

Phase 1 Subprojects					
Feature	Atiu	Mitiaro	Mauke	Mangaia	Total
Ownership of Land to Be Acquired	Privately owned native freehold land.	Privately owned native customary land.	Privately owned native freehold land.	Privately owned native customary land.	
Location of Site for Solar Installation	Vaitamina 556, former agricultural land approximately 140 m south of existing power station in Teenui village.	Teramake Section 8 and Tueru Section 9, <i>makatea</i> land about 230 m inland from existing power station behind Mangarei village.	Tengaru 6B, agricultural land in Areora village adjacent to Public Works shed and Agriculture Research buildings.	XXXXX block, former agricultural land and <i>makatea</i> 150 m SSE of existing power house on E side of Aremauku Road.	
Area to Be Acquired for Solar Site m ² (ha)	15,000 (est.) (1.5)	4,837 (0.4837)	8,400 (1.0)	12,216 (1.2216)	40,453 (est.) (4.0453)
Area to Be Acquired for Substation and Transformers for Distribution Upgrade m ² (ha)	None expected	None expected	100 (est.) (0.01)	None expected	100 (est.) (0.01)
Area to Be Acquired for Existing Power Station m ² (ha)				1,600 (est.) (0.16)	1,600 (est.) (0.16)
Total Area to Be Acquired m ² (ha)	15,000 (est.)	4,837 (0.4837)	8,500 (est.)	13,816 (1.3816)	42,153 (est.) (4.2153)

Progress against Results Measurement Table

Finalisation of a Results Measurement Table is identified as an action for discussion at PSG meetings in July. See draft framework in Appendix 2.

Changes to Activity Context in the Reporting Period

There are three key changes in activity context, as identified in the previous sections:

- Inclusion of the GEF funds and related subproject for grid stabilization and upscaling
- The intention to shift Atiu to Phase 1 procurement
- The intention to make panels acquired under PEC funding available for use on Aitutaki and Rarotonga, after fulfilling requirements for Phase 1

The POE has also nominated a range of minor variations to its Terms of Reference to be negotiated, however, these do not have a substantial bearing on context of the project.

Relationship between Implementing Agencies, Beneficiaries and Other Stakeholders

During the first week introductory meetings were held on Rarotonga with the Steering Committee, Government Ministries and officials and stakeholders on Rarotonga.

POE conducted field investigations to Aitutaki, Atiu, Mitiaro, Mauke and Mangaia from 1 - 8 May to collect on-site data and discuss the detailed project scope and programs to be presented in the inception report. Meetings were held with the Mayor, Island Council members, landowners and stakeholder representatives on each of the islands to discuss the design of the project.

ADB Inception Mission

A mission¹ (the Mission) from the Asian Development Bank (ADB) visited Rarotonga, Cook Islands from 11 - 14 May 2015 to conduct an inception mission for the captioned project (the Project). The Mission discussed additional financing for the Project from the Global Environment Facility (GEF). The Mission also provided briefing sessions on ADB's Procurement and Disbursement Guidelines to POE as well as Executing Agency and Implementing Agency EA/IA staff.

Cofinancing from GEF

On 28 April 2015, the GEF secretariat cleared the project concept for inclusion in the upcoming work program of the GEF Trust Fund. They also approved the request for project preparation grant (PPG) of US\$136,986. Once ADB receives the Letter of Commitment for the PPG from the GEF Trustee, the official request for cash transfer for the PPG will be made. Additional grant funding of about US\$4.12 million from GEF will increase the overall project investment to about US\$28.40 million from the current US\$24.28 million.

A project definition and plan is required for use of GEF funds. The POE recommended during discussions that there are a range of options for use of the GEF funding, including (i) diesel UPS for grid stabilization and integration (including control system and software as required); (ii) increasing storage system capacity. More detailed technical options are expected to be recommended in the inception report. Following recommendation of the option to progress, ADB will conduct a due diligence of this option. Subsequent actions will submit the selected project to GEF for CEO approval.

At the same time, TAU will progress its own investigations and detailed scoping of these options (independent of the ADB process). These activities will be vital in providing the detailed definition needed to take the selected project option to tender.

Details of the GEF cofinancing are available at https://www.thegef.org/gef/project_detail?projID=9067.

Updates to Key TTV Activity Management Documents

Activity Results Framework is replaced with the Indicative Implementation Plan for the Project.

Indicative Implementation Plan for the next 18 months is provided in the Table below including key deliverables due during the next reporting period (highlighted).

¹The Mission comprised Woo Yul Lee, Energy Specialist, PATE (Mission Leader); Aivy Katherine Dizon, Associate Project Analyst, PATE; and Ishwori Prasad Aryal, Director's Advisor, BOD.

Table 3: Indicative Project Implementation Action Plan for the Next 18 Months

Activity	Responsibility	Target Date
Engagement of the two PMU staff	MFEM	May-Jun 2015
Engagement of the PEC fund coordinator	MFEM	May-Jun 2015
Submission of inception report	Entura	Jun 2015
1 st quarterly progress report	Entura/MFEM	Jun 2015
Advertisement of solar PV modules (PEC Fund)	PMU/Entura/PEC	Jun 2015
Developing energy efficiency policy implementation plan; tariff/subsidy recommendations; electricity load demand study	Entura	Jul 2015
Submission of draft bidding document (BD) for turnkey package (Phase 1 + Atiu) for ADB's review	PMU/Entura	Jul/Aug 2015
Submission of due diligence report for Atiu	Entura/MFEM	Jul/Aug 2015
Firming-up GEF scope	MFEM/ADB	Aug 2015
Submission of bid evaluation report (BER): solar PV modules	Entura/PEC	Aug/Sep 2015
Contract award of solar PV modules (PEC Fund)	PMU/Entura	Sep 2015
Approval of Atiu to be included in Phase 1	ADB	Sep 2015
Due diligence for GEF scope	Entura	Aug - Oct 2015
Advertisement of: Package 1 (turnkey Phase 1)	ADB/PMU	Sep 2015
2 nd quarterly progress report	Entura/MFEM	Oct 2015
Review/fact-finding mission for GEF	ADB	Nov 2015
Submission of BER: Package 1	PMU/Entura	Dec 2015
Approval of BER: Package 1	MFEM/ADB	Jan 2016
Contract Award: Package 1	PMU/Entura	Feb 2016
Feasibility study for Phase 2*	PMU/Entura	TBD
Submission of draft BD for turnkey package (Phase 2)	PMU/Entura	TBD
Advertisement of bid: Package 2	ADB/PMU	TBD
Submission of BER: Package 2	PMU/Entura	TBD
Approval of BER: Package 2	ADB	TBD
Contract Award: Package 2	PMU/Entura	TBD
Submission for GEF's CEO Endorsement	ADB/MFEM	TBD

* Subject to change depend on the progress of the site identification and preparation for Rarotonga

Costed workplan

There is currently no costed workplan. Procurement packaging has been prepared and is currently under review by Entura, REDD and ADB. This will enable the costed workplan to be developed by the POE in conjunction with the PMU over the subsequent period.

The following expenditures are planned in the subsequent period.

- POE invoice milestone 1 (10%): NZD132,000
 - *Milestone 1 deliverables: Delivery of inception report*
- POE invoice milestone 2 (15%): NZD198,000
 - *Milestone 2 deliverables: Developing energy efficiency policy implementation plan; Tariff and subsidy recommendations; electricity load demand up to 2020.*
- PMU staffing commencement: NZD100,000
- PEC Coordinator: NZD20,000

Risk management

Key risks identified for the project, including current actions, are identified in Appendix C.

Governance and management arrangements

The ADB Project Administration Manual includes reference to the Office of the Energy Commissioner which is now the Chief of Staff, Ms Koteka-Wright. There are no other changes recommended to the governance and management arrangements between partners, contractors and donors at this stage.

Authorisation

I declare that the information contained in this report is true and correct and confirm:

- Funds were received and used only for the agreed purpose(s); and
- All conditions attached to Funding have been met; and
- Funds have been fully utilised for the intended purpose, OR
- There are unspent Funds and I understand that these may deduct this amount from the next tranche payment of Funds OR a cheque is attached returning these Funds to MFEM.

Full Name (in block capitals)

Title / Position (e.g. CEO)

Signature

Date

Appendices

This report includes the following appendices:

- Appendix A: Progress Against Agreed Workplan and Budget (table)
- Appendix B: Progress against Results Framework (table)
- Appendix C: Risk matrix (table)
- Appendix D: Project specific covenants - as displayed in legal agreements (table)

Appendix A: Progress Against the Agreed Workplan and Budget

Output	Planned Expenditure	Actual Expenditure	Variance	Reason for Variance
Output 0. Non-output specific costs / Management costs	132,000	132,000	0	NB: Billing will not occur until July 2015.
Output 1. Three core subprojects on Mangaia, Mauke, and Mitiaro islands				
1.1 Bidding for single turnkey contract completed (Q3 2015)				
1.2 Turnkey contractor award (by Q2 2015)				
1.3 Commencement of construction (by Q3 2015)				
1.4 Systems commissioning including test run. (by Q2 2016)				
1.5 O&M training by turnkey contractor complete (by Q 2 2017)				
Output 2. Three non-core subprojects on Atui, Aitutaki, and Rarotonga				
2.1 Feasibility studies completed. (by Q 1 2015)				
2.2 Bidding for two turnkey contracts completed (by Q1 2016)				
2.3 Turnkey contractor award (by Q 4 2015)				
2.4 Start of Construction (by Q2 2016)				
2.5 Systems commissioning including test run. (by Q4 2016)				
2.6 O&M training by turnkey contractor complete (by Q 2 2017)				
Output 3 Institutional strengthening and project management support				
3.1 Selection of consultant and contract award (by Q3 2014)				
3.2 Complete capacity development for project management (by Q2 2017)				
3.3 Updating CIRECIP complete (Q4 2016)				
3.4 Implementation of the environment and social safeguard actions (2014-2017)				
TOTALS				

Appendix B: Progress Against Results Framework

This table shows progress of the Activity against the intended outcomes and outputs defined in the Results Framework and the Project Administration Manual (PAM). Note that this framework still requires finalisation with the Steering Group Committee.

Note: Planned and actual indicators and targets should be sex-disaggregated where possible.

<i>From agreed Results Measurement Table in the Activity Design Document</i>				<i>Data up to and including this reporting period</i>	
Outcomes and outputs	Planned indicators	Planned targets	Planned methodology and data sources	Actual measurement against targets (using indicators)	Actual methodology and data sources
Impact Increased energy security in an environmentally sustainable manner	100% of islands convert energy system from diesel fuel to renewable energy source. (baseline: 0% in 2012)	By 2020	Government Statistics	6 of 15 islands commissioned with renewable energy generation systems	Project completion reports held by REDD
Medium-term outcome Increased access to a higher share of electricity generated by renewable energy sources	Four islands in the Southern group fully convert energy system from diesel fuel to renewable energy. (base line:0% in 2012)	By end of 2018	Government statistics Project Completion Report		
Short-term outcome					
Output 1. Solar photovoltaic power system for three core subprojects developed on Mangaia, Mauke, and Mitiaro islands.	Solar photovoltaic power system of core subprojects (with 780 kW installed capacity) connected to the existing power grid on Mangaia, Mauke, and Mintaro islands. (baseline: 0% in 2012)	By the end of 2016	Project Progress Reports Project Completion Report		
Output 2. Solar photovoltaic power system for three non-core subprojects developed on	Solar photovoltaic power system of non-core subprojects (2400kW) connected to the existing power grid on Aitu, Aitutaki, and Rarotonga islands. (baseline 0% in	By end-2017	Project Progress Reports Project Completion Report		

Aitu, Aitutaki, and Rarotonga.	2012)				
Output 3. Institutional and project management capacity strengthened.	<p>Energy efficiency policy implementation plan is developed (2012 baseline 0%)</p> <p>Capacity of OEC and REDD (10 staff in total) for renewable energy technology assessments and tariff setting in private sector-funded developed (2012 baseline: 0%)</p> <p>The updated CIRECIP which incorporates load demand update, viable renewable technology choice, and least-cost investment plan, developed. (2012 baseline: 0%)</p> <p>Project management support for REDD and TAU to implement core and non-core subprojects (6 in total) completed (2012 baseline: 0%</p>	By end-2017	<p>Project Progress Reports</p> <p>Project Completion Report</p>		

Appendix C: Project Risk Table

				<i>Prior to implementing mitigating actions</i>				<i>After mitigating actions implemented</i>		
ID	Discipline	Category	Risk description	Likelihood	Consequence	Risk ranking	Mitigation	Likelihood ²	Consequence ²	Risk Ranking ²
1	Project management	Human resources management	PMU Recruitment not commenced on time and delays implementation or reduces effectiveness	C. Possible	3. Moderate	M	Early completion of recruitment process and contracts by Steering Committee. REDD and POE agrees to provide further support as necessary.	C. Possible	2. Minor	L
2	Project management	Contract/procurement management	Approval of PEC tender bidding documents is delayed or insufficient capacity to finalise contracts.	C. Possible	2. Minor	L	Crown Law and Tender Committee gives priority to confirming bidding documents.	C. Possible	2. Minor	L
3	Project management	Risk management	PEC tender documents or contracts are approved but do not provide sufficient coverage	D. Unlikely	4. Major	M	POE to review and comment on sufficiency of Crown Law processes	C. Possible	2. Minor	L
4	Project management	Cost management	PEC Tender bids are higher than expected No responses available to PEC tender, thus specification of panels and logistics not available for bidding documents	D. Unlikely	3. Moderate	L	Ensure the widest possible distribution to eligible bidders including distribution through the Japanese High Commission in Wellington Adjust project definitions and budgets to suit	C. Possible	2. Minor	L
5	Science	Social and cultural	Payment confirmation report cannot be completed due to delays in land acquisition payments. Impact on civil works and turnkey contract timing (and liquidated damages)	C. Possible	4. Major	H	Payment confirmation report cannot be completed due to delays in land acquisition payments. Impact on civil works and turnkey contract timing (and liquidated damages)	C. Possible	3. Moderate	M
6	Project management	Time management	Atiu sub-project due diligence not approved in time for bidding documents	C. Possible	3. Moderate	M	Enable Atiu to be removed from bidding documents if necessary (tender separately) Accommodate small delays in issue of bidding documents (<1 month); taking into account safeguards may form critical path for construction.	C. Possible	2. Minor	L
7	Project management	Contract/procurement management	Agreement on ADB Works Procurement Packages	C. Possible	2. Minor	L	Steering Committee gives priority to ensuring ADB works procurement packages are understood managed with PMU and POE	C. Possible	2. Minor	L
5	Science	Political	Local contractors do not have sufficient opportunity to participate in works	C. Possible	3. Moderate	M	REDD undertake early discussions with private sector informing them of the proposed works contracts Chamber of Commerce is involved in supporting local contractors through the business mentor programme CITTI commences training programme prior to procurement packages being advertised. The Tender Evaluation criteria will include 5% local content in all bids. Smaller contracts are restricted to local bidders. Skills set of local staff to be provided to international bidders	D. Unlikely	3. Moderate	L
9	Project management	Contract/procurement management	Scoping work for distribution rehabilitation not completed in time for bidding documents	C. Possible	2. Minor	L	Allow for separate tender – this currently appears to be the most likely option, though procurement packaging is currently under	C. Possible	2. Minor	L

							review.			
10	Project management	Contract/procurement management	REDD and TAU has sufficient capacity to implement and maintain the project.	C. Possible	3. Moderate	M	The government adopts policy actions recommended under the institutional strengthening and project management that will support the performance and service delivery of TAU and REDD.	D. Unlikely	3. Moderate	L
11	Project management	Human resources management	To deliver project may require assistance from others outside of the project team that is not currently costed.	C. Possible	3. Moderate	M	PMU recruitment underway. Consideration and requests in-place for capacity support between government departments	D. Unlikely	2. Minor	L
12	Test and Commissioning	Protection & test services	Equipment is incorrectly jointly commissioned with project implementation agencies	C. Possible	4. Major	H	Check facilities equipment and systems specified and commissioning procedures required at Turnkey Contractor contract award stage.	C. Possible	3. Moderate	M
13	Engineering	Electrical - Primary	Connection of solar PV hybrid systems to remote grids has unforeseen technical difficulties	C. Possible	4. Major	H	Ensure grid assessment reviews the issues and risks and ensure contractual clauses in place for these eventualities in Turnkey contract.	C. Possible	3. Moderate	M
14	Engineering	Renewable energy	Turnkey contractors designs, construction and commissioning have unforeseen difficulties on site	C. Possible	4. Major	H	Ensure sites assessment reviews the issues and risks and ensure contractual clauses in place for these eventualities in contract for Turnkey suppliers	C. Possible	3. Moderate	M
15	Project management	Scope management	Environmental & Social Safeguards scope or site visits highlights significant issues arising or mitigation required.	C. Possible	3. Moderate	M	Ensure sites assessment reviews the issues and risks early, and mitigations are put in place through EMP.	C. Possible	3. Moderate	M
16	Technical	Environment	Environmental issues are not identified resulting in environmental impacts	D. Unlikely	4. Major	M	Use local expert support through the POE; follow NES and ADB requirements	D. Unlikely	4. Major	M

KEY

Risk status (column L)

Symbol Definition

-  Satisfactory - everything necessary and possible is being done
-  Some concerns - actions are in place but are not fully implemented or effective - close monitoring required
-  Unsatisfactory - current actions are not sufficient, or actions still to be commenced - immediate attention required

KEY

Risk trend (column M)

Symbol Definition

-  Risk is likely to reduce
-  Risk is likely to remain the same
-  Risk is likely to become moderately worse
-  Risk is likely to become significantly worse

Appendix D: Project specific covenants - as displayed in legal agreements

Product	Schedule	Para No.	Description	Remarks/Issues	Type
Loan 3193	Article IV	1	(a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and development practices.	Being complied with.	Others
Loan 3193	Article IV	2	The Borrower shall make available, or cause to be made available, promptly as needed, and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Project.	Being complied with.	Others
Loan 3193	5	2	The Borrower shall ensure, and shall cause the Implementing Agencies and other involved agencies to ensure, that the preparation, design, construction, implementation, operation and decommissioning of the Project, and that all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment; (b) the Environmental Safeguards as set out in the SPS; and (c) all measures and requirements set forth in the IEE, the EMP, the EARF, and any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report, or (ii) as subsequently agreed among ADB, the Borrower, and the Implementing Agencies.	Being complied with.	Safeguards
Loan 3193	Article IV	3	The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.	Being complied with.	Others
Loan 3193	5	3	The Borrower shall ensure and cause the Implementing Agencies to ensure that all land and all rights-of-way required for the Project are made available to the Works contractors in a manner and within timeframes compliant with the RP, the RF and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of	Being complied with.	Safeguards

Product	Schedule	Para No.	Description	Remarks/Issues	Type
			the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; and (c) all measures and requirements set forth in the RP and the RF, and any corrective or preventative actions (i) set forth in the Safeguards Monitoring Report, or (ii) as subsequently agreed among ADB, the Borrower, and the Implementing Agencies.		
Loan 3193	5	4	Without limiting the application of the Involuntary Resettlement Safeguards or the RP, the Borrower shall ensure, or cause the Implementing Agencies to ensure, that no physical or economic displacement takes place until: (a) compensation and other entitlements have been provided to the displaced persons under Involuntary Resettlement Safeguards as described in and in accordance with the RP and the RF, and (b) a comprehensive income and livelihood restoration program has been established in accordance with the RP and the RF.	Being complied with. Note specific instructions from ADB with regards to determination of compensation payments for multiple, absent landowners.	Safeguards
Loan 3193	Article IV	4	The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.	Being complied with.	Others
Loan 3193	Article IV	5	(b) ADB shall disclose the annual audited financial statements for Parts B and C the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.		Financials
Loan 3193	5	5	The Borrower shall ensure and cause the Implementing Agencies to ensure that the provisions of the IEE, EMP and RP as well as any requirements under the SPS also apply to the portion of the Project to be financed by the Borrower.	Being complied with.	Safeguards
Loan 3193	Article IV	5	(c) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for Parts B and C of the Project and the Borrower's financial affairs where they relate to Parts B and C of the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer		Financials

Product	Schedule	Para No.	Description	Remarks/Issues	Type
			of the Borrower, unless the Borrower shall otherwise agree.		
Loan 3193	Article IV	5	(a) The Borrower shall (i) maintain accounts and records for Parts B and C of the Project (separate from those for Part A, which will be maintained by TAU); (ii) prepare annual financial statements for Parts B and C of the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements and use of the Loan proceeds) and a management letter (which sets out the deficiencies in the internal control of Parts B and C of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.		Financials
Loan 3193	4	6	The Borrower shall ensure that the Implementing Agencies shall not award any Works contracts until all land and related rights for the construction of the Project facilities, to be handed over to the contractor before construction commences, have been acquired or rights to access and use the land for the purposes of constructing and operating the Project facilities on an ongoing basis have been secured by the Borrower. (d) reinstate pathways and other local infrastructure to at least their pre-project condition as soon as possible and no later than the completion of construction.	Being complied with.	Safeguards
Loan 3193	Article IV	7	(a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan. (b) No rights or obligations under the Subsidiary Loan Agreement shall be assigned,	Subsidiary Loan Agreement not yet finalized/effective.	Others

Product	Schedule	Para No.	Description	Remarks/Issues	Type
			amended, abrogated or waived without the prior concurrence of ADB.		
Loan 3193	4	8	(a) The Borrower shall cause the Implementing Agencies to ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party. (b) The Borrower shall cause the Implementing Agencies to ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.	Being complied with.	Others
Loan 3193	5	8	The Borrower shall do, or cause the Implementing Agencies to do, the following: (a) submit Safeguards Monitoring Reports to ADB: (i) in respect of implementation of and compliance with Environmental Safeguards and the EMP, annually during construction and the implementation of the Project and the EMP until the issuance of ADB's project completion report unless a longer period is agreed in the EMP; and (ii) in respect of implementation of and compliance with Involuntary Resettlement Safeguards and of the RP, semiannually during the implementation of the Project, and the RP until the issuance of ADB's project completion report unless a longer period is agreed in the RP; and disclose relevant information from such reports to respective affected people under Environmental Safeguards, Involuntary Resettlement Safeguards, and Indigenous Peoples Safeguards promptly upon submission; (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation, or operation of the Project that were not considered in the IEE, the EMP and the RP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and (c) report any actual or potential breach of compliance with the measures	Being complied with.	Safeguards

Product	Schedule	Para No.	Description	Remarks/Issues	Type
			and requirements set forth in the EMP or the RP promptly after becoming aware of the breach.		
Loan 3193	4	9	The Borrower shall cause the Implementing Agencies to ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.	Being complied with.	Others
Loan 3193	5	10	The Borrower shall cause the Implementing Agencies to ensure that Works contracts include provisions to require the contractors (a) not to discriminate against people seeking work on the basis of age, provided they are capable of doing such work; (b) to provide equal pay for equal work, regardless of gender or ethnicity; (c) to comply with core labor standards and the applicable labor laws and regulations, including stipulations related to employment, such as health, safety, welfare, the workers' rights and anti-trafficking laws; (d) not to force the labor to work against their will; and (e) not to employ child labor.		Social
Loan 3193	5	11	The Borrower shall cause the Implementing Agencies to ensure that the Works contractors (a) implement HIV/AIDS and STIs awareness and prevention training for all employees; (b) provide necessary measures to ensure the safety and health of their employees; and (c) together with the local centers of disease control, disseminate information on the risks, hazards, impacts and prevention know-how on HIV/AIDS and STIs among the staff, workers on the construction sites and the local community by means of information disclosure, education and consultation.		Social
Loan 3193	5	12	The Borrower shall ensure to provide Counterpart Funds in a timely manner, including any additional Counterpart Funds required for any shortfall of funds or cost overruns. The Borrower shall also ensure to ensure that O&M of all Project facilities is fully funded without any delay.		Financials
Loan 3193	5	13	The Borrower shall, and shall cause the Implementing Agencies to, establish and maintain sound financial management systems in accordance		Financials

Product	Schedule	Para No.	Description	Remarks/Issues	Type
			with ADB's Financial Management and Analysis of Projects (July 2005), including the establishment of separate Project accounts.		
Loan 3193	5	14	The Borrower shall, and shall cause the Implementing Agencies to, (a) comply with ADB's Anticorruption Policy (1998, as amended to date); (b) acknowledge ADB's right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project; and (c) agree to cooperate, and shall cause the Implementing Agencies and all other government offices, organizations and entities involved in implementing the Project to cooperate, fully with any such investigation, and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation. In particular, the Borrower shall ensure, or cause to be ensured, that (i) periodic inspections of the Project contractors' activities related to fund withdrawals and settlements are carried out; (ii) relevant provisions of ADB's Anticorruption Policy (1998, as amended to date) are included in all bidding documents for the Project; and (iii) contracts, financed under the Project, include provisions specifying the right of ADB to audit and examine the records and accounts of the Implementing Agencies, contractors, suppliers, consultants, and other service providers as they relate to the Project.	Being complied with.	Others
Loan 3193	5	15	In the event of (a) any change in ownership of the Project facilities, or (b) any sale, transfer or assignment of shares or interest or other change of control in the Implementing Agencies is anticipated, the Borrower shall consult with ADB at least 6 months prior to the implementation of such change. The Borrower shall ensure that such change be carried out in a lawful and transparent matter. The Borrower shall further ensure that the new controlling management of Implementing Agencies complies with (a) all Project-related agreements executed between ADB or the Borrower and the Implementing Agencies; and (b) the policies of ADB relevant to the Project.	Being complied with.	Others
Loan 3193	5	16	Within 90 days following effectiveness of the Loan Agreement and Grant Agreement, the Borrower shall establish and maintain a Project website which will be regularly updated to include information on the following	Project website established	Others

Product	Schedule	Para No.	Description	Remarks/Issues	Type
			general matters: (a) bidding procedures, bidders and contract awards for Works, Goods, and Consulting Services; (b) physical progress of the Works and procurement of Goods; and (c) audited Project financial accounts, Project review reports (e.g. mid-term review), and quarterly progress reports, consolidated annual reports and post-completion report, in each case promptly after submission to ADB (unless, in the case of Project review reports and quarterly progress reports, ADB considers these to be exempt from disclosure under ADB's Public Communications Policy (2011)).	Government procurement website utilised (www.procurement.gov.ck)	
Loan 3193	5	17	The Borrower shall cause the Implementing Agencies to ensure that (a) the Project facilities are installed in accordance with design specifications and construction norms; and (b) construction supervision, quality control and contract management are performed in accordance with best international industry practices. The Borrower shall cause the Implementing Agencies to install, equip, operate, maintain and manage the project facilities in compliance with applicable standards and best international practices. The Borrower shall cause the Implementing Agencies to operate and maintain, and continue to operate and maintain, the Project facilities in accordance with an O&M framework that is satisfactory to ADB.		Sector
Loan 3193	5	18	The Borrower shall cause the Implementing Agencies to do the following: (a) acquire all rights necessary to use the parcels of land constituting the Project site at least 30 days prior to the award of the turnkey contract; and (b) install or otherwise secure road access sufficient for the purposes of the Project at least 30 days prior to the award of the turnkey contract.	Being complied with.	Sector
Loan 3193	5	19	The Borrower shall ensure ongoing operational financial sustainability of the Project, either through adjustment of electricity tariffs, or budgetary allocations.	Being complied with.	Sector
Loan 3193	5	20	The Borrower shall cause the Implementing Agencies to ensure that adequate staffing will be planned and allocated for the implementation and O&M of the Project facilities, and that relevant staff members will attend training provided under the Project in relation to O&M.	Being complied with.	Sector

