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ANNEX

of the Commission Decision on the Annual Action Programme 2016 in favour of the Republic of Nauru to be financed from the European Development Fund

Action Document for Support to Energy Efficiency and Renewable Energy in the Republic of Nauru

1. Title/basic act/ CRIS number	Support to Energy Efficiency and Renewable Energy in the Republic of Nauru CRIS number: 2016/038-869 financed under European Development Fund			
2. Zone benefiting from the action/location	Pacific Region, Republic of Nauru. The action shall be carried out at the following location: Republic of Nauru			
3. Programming document	11th European Development Fund (EDF), National Indicative Programme 2014-2020 for the Republic of Nauru			
4. Sector of concentration/ thematic area	Energy Efficiency and Renewable Energy			
5. Amounts concerned	Total estimated cost: EUR 2 400 000 Total amount of EDF: EUR 2 400 000 No co-financing is foreseen under this action.			
6. Aid modality(ies) and implementation modality(ies)	Project Modality Indirect Management with the Republic of Nauru. Direct management for audit and evaluation			
7. DAC code(s)	23040,023081			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality (including Women In Development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SUMMARY

This action meets the needs of the Republic of Nauru as identified in the National Indicative Programme 2014-2020 which maintains energy as the focal sector and is consistent with the country priorities and policies as set out in the National Sustainable Development Strategy and the Nauru Energy Road Map.

The programme aims at providing reliable, efficient and affordable electricity supply as well as diversifying the generation base. The allocation to the Component 1, Focal Sector Energy Efficiency and Renewable Energy, for an amount of EUR 2 080 000, is proposed to be contracted through supply contracts under the specific component of the Programme estimate for the rehabilitation and extension of the transmission network and rehabilitation of the distribution network, as well as the installation of a solar plant for renewable energy generation. These infrastructure investments will improve the security of supply, enhance energy efficiency and renewable energy and would further reduce dependence on imported fossil fuel for electricity generation. The support to the NAO will also be provided through the same Programme estimate under the imprest component which will comprise a technical assistance component to improve the institutional framework, strengthen project planning, implementation and visibility through support measures amounting to EUR 240 000. EUR 80 000 will be used for audit and evaluation undertaken by the Commission.

1 CONTEXT

1.1 Country context

The Republic of Nauru is located in the South Pacific Ocean, north-east of the Solomon Islands. It is one of the three phosphate rock islands in the Pacific with a land area of only 21 km² and a population of 9434 (2013). Its Exclusive Economic Zone stretches over 308 502 km². Nauru became independent in 1968. The President is elected every three years by the 19-member unicameral Parliament. President Baron Waqa was elected in June 2013, and next elections are due in 2016. There is a loose party structure alongside strong clan affiliations. With nearly 20 governments in the last decade, this has led to myriad episodes of political instability.

Nauru enjoyed the highest per capita income by any sovereign state in the world during the late 1960s and early 1970s due to phosphate mining. Phosphate reserves have since been exhausted, and a trust fund set up to manage the island's wealth diminished in value. The result has been a severe economic downturn. Current GDP per capita stands at around USD 6

600. For much of the last decade, Nauru could not pay salaries to its public servants, imports dried up, and Nauruan's returned to subsistence fishing. In 2013 the economy boomed with 8% growth (ADB 2013). The re-opened Australian Offshore Processing Centre (OPC) has made the difference. The OPC employs currently 650 Nauruan's and houses 800 asylum seekers. The national airline is investing in a new fleet to meet demand for increased traffic. From 40% unemployment, Nauru is heading towards full employment and skills shortages. Poor infrastructure, however, still impedes economic development, and Nauru's total debt stands AUD 869 million. The government has developed a debt management strategy, based on seeking remission and re-scheduling debt. Fishing licenses and secondary phosphate mining (expected to be viable for the next 15-20 years) will further contribute to Nauru's economic recovery.

Nauru is 99% dependent on diesel fuel for electricity generation (SPC, 2012) Electricity is supplied by a single power station operated by the Nauru Utilities Corporation (NUC). The existing diesel engines have a nameplate total of 10.4 MW power generation capacity, but have been de-rated to 4.15. This is enough to meet demand but this capacity is not sufficient to carry out planned or schedule generator maintenance without causing local shedding (NUC, 2013).

The distribution system is a ring main configuration and includes 11 kV, 23,3 kV and 415 V sections. The overhead distribution network is ageing and large parts are in need replacement. NUC has a plan to upgrade distribution equipment to cater for future load growth and future renewable energy generation that is connected to the grid.

Against this background, the Government indicated its preference to maintain energy as the focal sector for EDF11. Based on identified priorities in the country and its continuity with the EDF10 cooperation, this choice was endorsed. The 11th EDF National Indicative Programme, in the amount of EUR 2 400 000 for the period 2014-2020 will thus focus on this one sector, which is considered vital for the country's sustainable and inclusive development.

The focal sector Energy Efficiency and Renewable Energy builds on previous EDF initiatives and will receive EUR 2 080 000. Support Measures amounting to EUR 240 000 will provide support to the NAO's Office.

In 2015 Nauru signed with the EU a Joint Declaration on the reinforced cooperation in the field of sustainable energy and is endeavour to provide a regulatory environment that contributes to the development of a sustainable and modern energy sector.

1.1.1 Public Policy Assessment and EU Policy Framework

This action document is aligned with the following policy documents

- National Sustainable Development Strategy 2005-2025 (NSDS)
- Nauru Economic Infrastructure Strategic Investment Plan (NEISIP)
- Nauru Energy Road Map 2014-2020 (NERM)

The overarching National Sustainable Development Strategy (NSDS) of Nauru is consistent with the EU development policy. The priority areas of human rights, democracy, good governance, as well as inclusive and sustainable growth for human development are explicitly and clearly embedded in the document. The NSDS has the energy specific goal to provide

reliable, affordable, secure and sustainable energy supply to meet socio-economic development needs.

The Nauru Economic Infrastructure Strategy and Investment Plan (NEISIP) has been developed through a comprehensive consultative process. A donor coordination process has been established and development partners are engaged in structural and financial reform priorities drawn from the NSDS and NEISIP. This action will support the proposed power investment programme through transmission repairs, providing improved maintenance for the Power Sector Priority Programme.

The Nauru Energy Road Map (NERM) 2014-2020 adopted by the government on the 21 May 2014 builds upon the energy sector development agenda laid out in the NSDS. The NERM will contribute to the long-term development goals of provision of enhanced infrastructure and utilities services.

The NERM lays out clearly defined strategies and activities in renewable energy, energy efficiency and institutional strengthening and capacity building to achieve energy outcomes and targets. Energy policy as defined in the NERM is relevant and credible. A monitoring, evaluation and reporting framework for the Energy policy is in place and is being used by the Government to track progress.

This action will support the following outcomes and will contribute to the following targets included in the NERM:

Outcome 1 - A reliable, affordable and safe power supply and services.

Outcome 3 - Universal access to reliable and affordable energy services.

Outcome 4 - An efficient supply and use of energy.

Outcome 5 - A significant contribution from renewable energy towards electricity supply.

Outcome 7 - Efficient, robust and well-resourced institutions for energy planning and implementation.

Target 1 - 24/7 grid electricity supply with minimal interruptions

Target 2 - 50% of grid electricity supplied from renewable energy sources.

Target 3 - 30% improvement in energy efficiency

1.1.2 Stakeholder analysis

The overall coordination of the 11th EDF will lie with the Office of the National Authorising Officer, who has been active in the identification and formulation process.

The main actors in the energy sector as stated in the Energy Road Map are the Cabinet, the Ministry of Finance, the Department of Commerce, Industry and Environment (CIE) and the Nauru Utilities Corporation. Functions of key stakeholders in the implementation of this action are outlined below:

- Cabinet: for deciding and approving the course of action;
- NAO Office (Ministry of Finance) and Planning and Aid Division: for management and approval of funds, centralising project coordination;

- Ministry of Commerce, Industry and Environment: for assisting in maximising positive impact of project activities; and
- Nauru Utilities Corporation: as government agency responsible for power generation and distribution.

The target group of the project is the entire Nauruan population that will benefit from the access to reliable and efficient electricity supply.

1.1.3 Priority areas for support/problem analysis

The National Indicative Program, Nauru National Strategic Development Plan, Energy Road Map and Nauru Utilities Corporation Strategic Plan 2015 to 2020 emphasize the need for a stable electricity grid and diversification of the generation source to renewable sources for the island. Nauru's electricity grid covers the whole island and for a sustainable quality of life, a reliable and efficient electricity grid is necessary.

The current grid supplies a maximum demand of 4.8 MW and energy demand of 31.32 GWH per annum. Large power consumers are not connected to the grid because of frequent power interruptions. However, with the improvement in the reliability of the power supply they are expected to connect to the grid. This will enable a more efficient production of energy by the larger medium speed diesel engines and large scale renewable energy plants and thus reduce the carbon footprint of Nauru. The maximum demand is expected to increase to over 10 MW by 2020.

Over a period of several years during the first decade of this century underfunding and the lack of maintenance of the electricity grid had resulted in a vulnerable, unreliable and inefficient electricity power supply for the island.

Under the EDF 10 programme, 15 km of overhead¹ power lines and substations were rehabilitated. Whilst the intervention has had some positive impacts (in terms of system reliability), significant amount of work remains in rehabilitating the electricity network on the island. Some 13 km of high voltage (HV) lines and low voltage (LV) power supply circuits remain to be rehabilitated and will be one of the focus of this intervention (8Km of HV and 5Km of LV). The need for a robust and efficient transmission and distribution network is considered vital for integration of intermittent (renewable) generation sources.

In addition to the rehabilitation of the existing network, there is a need to extend the HV network of Nauru to improve the security of the grid and to enable the connection to the renewable energy generation installations included in the NERM. Support will be provided under this action to address this priority through the construction on 8Km of a new HV line across the island.

The need to diversify the generation source is encapsulated in all key national and sectorial strategic documents. The current demand on the island is primarily met through diesel based generators. Renewable energy is seen as a viable option for this island nation. Whilst it does

¹ Overhead power lines are the preferred option given that Nauru is not located within the tropical cyclones risk area and underground cabling is considered too costly.

not have a range of alternative generation sources, solar, wind and wave technologies have proved their potential. Renewable Energy Action Plan included in the NERM has included as a high priority activities to install solar plants including storage to maintain grid stability and decrease the generation requirement during the day and evening peak. It is foreseen under this action to install a solar plant of approximately 300 KWp, as discussed with the Nauru Utilities Corporation, to support this priority of the Renewable Energy Action Plan.

One priority of this action is to upgrade the distribution network and consequently improving energy efficiency and minimising interruptions in the grid electricity supply in line with targets 1 and 3 of the NERM. Diversification of the generation base and a move to renewable energy with the installation of a solar plant will be the other priority, in line with target 2 of the NERM. Lack of capacity has been identified as a challenge to the operation and maintenance of various infrastructures in the region. As such, capacity building will also be embedded in all facets of this intervention.

There is a lack of human resources capacities both in number and in appropriate level of qualification and expertise in project preparation, monitoring and public finance management. In country support for the preparation, implementation and monitoring of the action and strengthening public finance management systems, including improvements to the budget process and timely submission of public accounts is also needed and will be addressed through measures to support NAO's Office.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Long lead times in the procurement of equipment and materials	High	Improved project design and planning and early procurement of materials required for the project through coordination between the NUC and the NAO reinforced with TA to the NAO's Office
Inability to conduct maintenance of proper financial records on the Government financial system	High	Provision of adequate financial resources through support facility in the form of a Technical cooperation Facility (TCF) of a maximum of EUR 240,000 to support and accompany the preparation and implementation of actions. The Nauru Utilities Corporation shall also maintain records of all financial transactions and provide financial reports.
Nauru vulnerability to climate variabilities and natural hazards	High	Coordination with Disaster Risk Reduction Initiatives for the successful implementation of the Republic of Nauru Framework for Climate Change Adaptation and Disaster Risk Reduction
Assumptions		
Support from the Government is maintained for the implementation of the Energy Road Map		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Support to the energy sector under the 10th EDF with the rehabilitation of overhead power lines has improved the security and reliability of power supply on Nauru. However, previous EDF programmes have not made full use of the funds for the TA to the NAO which impacted performance in regards to efficient implementation and disbursement of funds.

Difficulties in implementing programme estimates (PE) were mainly associated with short duration for carrying out of activities mainly given the implementation period of PEs was initially 12 months and 6 month extension each time. The use of a multiannual PE is expected to allow more time in implementing the activities as delays in approval of new PE is not expected.

Proper and robust procurement planning and project management to ensure efficient implementation of the energy project is essential. The action needs to address the training needs and provide capacity building to support the development of efficient, robust and well-resourced institutions for energy planning and implementation in Nauru.

3.2 Complementarity, synergy and donor coordination

External aid and internal implementation is coordinated through the Planning and Aid Division within the Ministry of Finance, which also hosts the EDF National Authorising Officer. By far, the most significant bilateral donor is Australia with other donors, such as New Zealand, UAE and Taiwan sustaining more limited development ties.

Cooperation among donors is ensured through the Pacific Region Infrastructure Facility (PRIF), a donor coordination mechanism, which includes the EU, Australia, New Zealand, Japan, the EIB, WB and ADB. The Economic Infrastructure Strategy Investment Plan (EISIP) that contributes to improve coordination and planning has been supported by the PRIF. This action, published in November 2011, is in line with EISIP which is foreseen to be revised in 2016.

Currently, there is an ongoing Nauru Electricity Supply Security and Sustainability Project which is jointly financed by EU, ADB and Australia. The project, expected to be completed by the end of 2016, involves procurement and installation of diesel generators, 2 Gensets + 11 kv BUS, as well as repairs to existing roofing of the power station.

This action will complement the ongoing 10th EDF programme adapting to Climate Change and Sustainable Energy (ACSE) developed under catalytic component (component 2) and technical and vocational training in the field of energy and climate change (component 3).

Over the next five years, Nauru intends to establish large scale solar panel installations, the first being a 500 kW plant funded by the UAE commissioned in 2016.

3.3 Cross-cutting issues

Crosscutting issues such as environmental sustainability and climate change adaptation are crucial for the very existence of Nauru and are therefore systematically embedded in all strategic papers approved by the Government.

Environmental aspects and impacts of energy options have been addressed for the upgrades to the transmission and distribution network. For this action, the replacement of old assets includes materials that are no longer recommended, for example transformers. These equipment and materials to be replaced will be safely and correctly disposed. Environmental impacts linked to land use for the solar plant have been addressed during the formulation and it has been agreed with Nauruan authorities to locate the 300kW solar plant of this action next to the to the 500kW plant funded by UAE.

Regarding Climate Risk this action is considered in the category of no risk / low risk. The replacement of old assets will improve efficiencies and reduce energy loss. The improved energy efficiency and the increase of renewable energy generation will reduce fossil fuel demand for electricity generation and will result in reduced CO₂, sulphates and nitrates emission into the atmosphere and thus mitigate climate change effects.

Gender balance is adequately streamlined in the strategic documents like the National Sustainable Development Strategy and the Nauru Energy Road Map. Recommendations on the participation of women in the formulation and implementation of the project and the need to use the existing disaggregated data by sex when monitoring the implementation on the project are being followed.

Although the programme does not explicitly take actions in the area of human rights, it can be seen to be contributing to the achievement of the Sustainable Development Goals (SDGs) which in turn contributes to basic human rights such as the right to access basic services. The action will contribute specifically SDG 7 to ensure access to affordable, reliable, sustainable and modern energy for all. In addition, persons with disabilities will also equally benefit from the action as they will be able to access energy services.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG target 7 Ensure access to affordable, reliable, sustainable, and modern energy for all, but also promotes progress towards Goal 13 - Take urgent action to combat climate change and its impacts. This does not imply a commitment by the Republic of Nauru benefiting from this programme. The overall and specific objectives of the Action are in line with the NERM 2014-2020.

Overall Objective: To provide a reliable, affordable, secure and sustainable energy supply to meet the socio economic development needs of Nauru.

Specific objectives

The specific objectives of this action are:

1. Increase the reliability and efficiency of the electric network in Nauru
2. Increase renewable energy generation in Nauru

The action aims to fulfil these objectives by achieving the following results:

- Reduce power outages measured through System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI)²
- Reduce technical and non-technical energy losses
- Increase renewable energy generation

4.2 Main activities

The main activities under this action are:

Under component 1 – Focal Sector Energy Efficiency and Renewable Energy³

- a. *Complete the replacement/upgrading of the national grid transmission and distribution network.*

A total of 15 km of the HV overhead transmission line has been successfully replaced under the 10th EDF. To complete the rehabilitation of the HV network throughout Nauru, 8km of HV transmission lines shall be rehabilitated. In addition 5km of LV distribution network shall also be rehabilitated. This will include design, purchase of the hardware and installation of the system.

- b. *Construction of 8 km of new 11 kV line across the island.*

The construction of this line will replace a section of a line that will be decommissioned as it is at the end of its life, it will also be extended to improve the security of the grid and an alternative connection to the grid of the proposed installation and for future renewable energy sources on land that has been purchased for renewable installations.

- c. *Installation of renewable energy generation plant*

Installation of a solar panel plant of approximately 300 KW is expected to produce an average of 525,600 kWh per annum and reduce greenhouse gas emissions (CO₂, SO_x, NO_x). The installation shall be located adjacent to the UAE 500 KW solar installation site. The activity also includes a feasibility study prior to the installation of the solar energy plant. The recommendations of the feasibility may affect the size of the plant and/or the need to carry out additional or alternative activities.

- d. *Human resources capacity building for NUC staff*

Improving capacity for implementation and maintenance of transmission and distribution (T&D) lines of the NUC staff. NUC intends to train personnel in the area of T&D maintenance in accordance with AS/NZ standards. Personnel are also intended to be trained in the area of generation efficiency and maintenance of solar plants.

² These indicators will be captured through the energy performance and monitoring system implemented by the NUC which are published in its Annual report.

³ Specifications will be developed at the level of contracting to avoid early corrosion and deterioration of equipment and materials.

Under component 2 – Support Measures

Support measures under the programme estimate will be implemented notably through the following, non-exhaustive set of activities:

- a. Provide long-term, medium-term and short-term technical assistance to support the NAO and/or relevant offices/agencies for the whole EDF life-cycle or other EU instruments, including programming of the next cooperation cycle.
- b. Support the organisation and/or participation for conferences/seminars in ACP and/or EU countries on relevant EU cooperation issues, including public finance management, for key Nauru stakeholders.
- c. Day-to-day administration of the NIP in conjunction with the NAO.
- d. Undertake sector studies aimed at focusing EU/EDF policy in Nauru.
- e. Coordinate, attend and service meetings as required such as PSC meetings, EU missions, Results-Oriented Monitoring (ROM).
- f. Attend to information requirements of the EU Delegation and EU Member States.
- g. Provide short-term training on PFM, development and trade issues to relevant Nauru key stakeholders in particular to Ministry of Finance and Economic Planning staff.
- h. Training of staff within the PAD of the Ministry of Finance and Economic Planning and relevant stakeholders, including civil society organisations in EDF rules and procedures and Project Cycle Management.
- i. Provide technical assistance to monitor and strengthen PFM systems and address key issues of the PFM strategy for Nauru in close coordination with development partners and the Ministry of Finance and Economic Planning.
- j. Procure necessary equipment and related items that will improve working conditions and will support the present programme and other EU-funded actions including the focal area programme.
- k. Provide technical assistance to support communication and visibility activities for new and on-going projects/programmes.

4.3 Intervention logic

The execution of this program shall significantly improve the reliability, security and reach of the electricity grid in Nauru. The Action is in line with the NERM and support from the government to the NERM is expected to be maintained. Collaboration with the NAO and the NUC for the implementation of the action is also an assumption. The support measures provided through this action will provide the Technical assistance and the capacity building needed for a good implementation and maintenance of the project to ensure sustainability of the action

As a result of this action, through the rehabilitation and extension of the electricity lines and the installation of the solar plant subsequent to the completion of its feasibility study, it is expected to increase the reliability and efficiency of the electric network and renewable energy generation in Nauru, contributing to the overall objective to provide reliable, secure and sustainable energy supply to meet the socio economics development needs of Nauru.

Population from Nauru will benefit from access to reliable, sustainable and modern energy thanks to this action. The environmental impact caused by fossil fuel will be reduced with the

increased efficiency (reduction in losses) and displacement of fossil fuel generation by renewable generation of energy. This will improve the quality of air especially around the power station.

The construction of a new line through the island will also enable the connection of new demand to the grid enabling increased revenue⁴ for the NUC making it more sustainable. This will also enable the connection of larger renewable sources to the grid to replace fossil fuel generation.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) No 322/2015.

5.3 N/A

5.4 Implementation modalities

This action will be implemented through the following implementing modalities

5.4.1 Indirect management with the Republic of Nauru

This action with the objectives of *increasing the reliability and efficiency of the electric network and renewable energy generation* may be implemented in indirect management with the Republic of Nauru in accordance with Article 58(1)(c) of the Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of the Regulation (EU) No 323/2015 according to the following modalities:

The Republic of Nauru will act as the contracting authority for the procurement and grant procedures.

⁴ Billing meters will be installed to various premises ensuring accurate billing for usage by consumers which will ensure sustainability of the action as revenues generated will be directed towards maintenance and upkeep of the equipment supplied. In addition, NUC has sought policy from the Government on fining illegal users (meter tapping) of electricity.

The Commission will control ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts above EUR 100,000 (or lower, based on a risk assessment) and may apply ex post control for procurement contracts up to that threshold. The Commission will control ex ante the grant procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the Republic of Nauru for ordinary operating costs, direct labour and contracts below EUR 300,000 for procurement and up to EUR 100,000 for grants.

The financial contribution partially covers, for an amount of EUR 40,000 the ordinary operating costs incurred under the programme estimates.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012 applicable by virtue of Article 36 of the Regulation (EU) 323/2015 and Article 19c(1) of Annex IV to the ACP-EU Partnership Agreement, the Republic of Nauru shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of the Regulation (EU) No 323/2015, will be laid down in the financing agreement concluded with the Republic of Nauru.

a) Overview of implementation

Activity/objective/result, include location	Type of financing (works, supplies, or service contract, grant, programme estimate)
<u>Component 1 – Focal Sector Energy Efficiency and Renewable Energy (specific component)</u> <u>Component 2 – Support Measures (imprest component)</u>	Programme estimate

b) Implementation through programme estimates

The contracting authority for these activities shall be the National Authorising Officer of Nauru.

An imprest administrator and an imprest accounting officer, and their deputies, shall be appointed for the management and implementation of the programme estimate by the contracting authority, in agreement with the Head of Delegation.

In accordance with the powers delegated to them by the partner country authority that appointed them, the imprest administrator and the imprest accounting officer shall draw up and implement programme estimates, award contracts and grants, commit expenditure and make the corresponding payments.

The imprest administrator and the imprest accounting officer shall submit their technical and financial reports to the project steering committee, where applicable, and to the National Authorising Officer and a copy to the Head of the EU Delegation.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

In accordance with Article 22(1)(a) of Annex IV to the ACP-EU Partnership Agreement; the Commission decides that natural and legal persons from the following countries having traditional economic, trade or geographical links with neighbouring partner countries shall be eligible for participating in procurement and grant award procedures: Australia and New Zealand. The supplies originating there shall also be eligible.

The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution in EUR
5.4. Indirect management with the Republic of Nauru. Programme estimate .		
Component 1– Focal Sector Energy Efficiency and Renewable Energy (Specific component)	2 080 000	0
Component 2– Support Measures (Imprest component)	240 000	0
5.9 – Evaluation, 5.10 - Audit	80 000	0
Total	2 400 000	0

5.7 Organisational set-up and responsibilities

The contracting authority for the project shall be the National Authorising Officer (NAO) of the Republic of Nauru. The main counterpart for all communication pertaining to the action will be the NAO and the Deputy NAO of the Republic of Nauru. However, the overall responsibility for the implementation of the programme lies with the NAO of the Republic of Nauru.

The project will be implemented by the Nauru Utilities Corporation for component 1. The Technical Assistance will assist the Beneficiary in the implementation of the project. The NAO's office and NUC will be assisted by long-term and short-term technical assistance for project management and specific technical expertise in electrical engineering and energy efficiency.

The TA to the NAO will report to the NAO and the European Commission Delegation for the Pacific.

The National Authorising Officer, in agreement with the Head of Delegation, shall assign an imprest administrator and an imprest accounting officer from the Department of Economic Planning & Development to carry out the management and implementation of the project.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision).

The Commission shall inform the implementing partner at least 2 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner

country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one (1) contract for evaluation services shall be concluded under a framework contract in the execution period.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one (1) contract for audit services shall be concluded under a framework contract in the execution period.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	To provide a reliable, affordable, secure and sustainable energy supply to meet the socio economic development needs of Nauru	OO-I1: -The status of access to reliable electricity source OO-I2: - Diesel used at power station	OO-I1B: Nauru did not have access to reliable source of electricity OO-I2B: FY 2014/2015 -8,912,069 litres diesel usage Note: FY begins 1rst July	OO-I1T: Nauru has access to reliable and uninterrupted source of electricity OO-I2T: Reduction of diesel usage by - 600,000 litres (2020)	OO-I1S: Government statistics OO-I2S: Nauru Utilities Corporation Annual Report	Support from the Government is maintained for the implementation the NERM
Specific objective: Outcome	SO1: - Increase the reliability and efficiency of the electric network in Nauru SO2: - Increase renewable energy generation in Nauru	SO1-I1: - Reliability of the power network i.e. SAIDI, SAIFI (*) SO1-I2: - Total system loss on the grid (*) SO2-I1: - Share of renewable energy generation	SO1-I1B: 490 events/customer (2014/2015) SO1-I2B: 41% (2014) SO2-I1B: 1% (2014)	SO1-I1T: Less than 10 outage events/customer (2020) SO1-I2T: 10% (2020) SO2-I1T: 4 % (2020)	Nauru Utilities Corporation Annual Report	Support from the government the NAO and the NUC is maintained for the implementation of the action

Output	O1:- Transmission and Distribution network rehabilitated and new Transmission network installed	O1-I1:- Electrical lines rehabilitated/installed (**)	O1-I1B: - 15km HV rehabilitated - 0km LV rehabilitated - 0Km new HV installed	O1-I1T: - 23km HV rehabilitated - 5 km LV rehabilitated - 8 Km new HV installed	O-I1S: - Project progress reports	- Weather permits installations without delay.
	O2: - Grid-connected renewable energy plant installed and operational	O2-I1:- kWp installed and operational (**)	O2-I1B: 0 kWp is installed (2014)	O2-I1T: 300 kWp installed and operational (2020)	O2-I1S: - NUC Annual Report	- Land allocation and preparation for solar installation is confirmed
	O3: - NUC and NAO staff trained and accredited	O3-I1:- Status of certification of NUC staff on installation / maintenance of equipment O3-I2:- Status of certification of NAO staff on EU procedures / PFM training	O3-I1B: 0% staff trained on installation / maintenance of equipment (2015) O3-I2B: 20% staff trained in PFM / EU procedures (2015)	O3-I1T: 40% staff trained on installation / maintenance of equipment (2020) O3-I2T: 40% staff trained in PFM / EU procedures (2020)	O3-I1S: - NUC Annual Report O3-I2S: NAO records	Cooperation with NAO and NUC is maintained