Australian Government
Department of Foreign Affairs and Trade

Australian Infrastructure Financing Facility for the Pacific

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Project Status: This paper provides a detailed overview and business case of the financing proposal as at the time it was received and endorsed by the AIFFP Board. Some aspects of the proposal may have changed following subsequent negotiations or during implementation.

Note: Sensitive and confidential information has been removed to enable publication

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Nauru Airport Upgrade and Road Rehabilitation Project

Business Case

Considered by the AIFFP Board on 8 February 2022

Key Issues and Recommendations

The Government of Nauru has requested Australia's assistance to rehabilitate the runway and upgrade air traffic control equipment for Nauru International Airport (INU). Road repairs to the main road, the Nauru Ring Road, will also be undertaken to ensure ongoing domestic road transport connectivity and optimise use of the plant and equipment mobilised under the project. Australia's total proposed investment of **AUD40 million** (**AUD30 million from AIFFP, AUD10 million from the DFAT bilateral aid program**) will ensure ongoing international connectivity for Nauru by extending the service life of the runway by another 25/30 years, and maintain serviceability of the Nauru Ring Road.

Key Issues

1. **Rehabilitation of the runway pavement is Nauru's highest national priority for infrastructure development, alongside ICT cable infrastructure (which AIFFP is also supporting).** Maintaining and supporting ongoing international connectivity is critical to the ongoing provision of Nauru's food and medical security, and timely provision of key parts to support core national infrastructure such as the desalination plant, quarrying equipment, seaport cranes and health supplies.

2. **Airport upgrades are important to ensure the continued safety of Nauru Airlines operations**. The national airline, Nauru Airlines, provides the country's only international air transport connections. Its continued operations are critical to ensure air connectivity for Nauru, including enabling Nauru's participation in the Pacific Labour Scheme, movement of expatriate workforce, and expanded passenger and air cargo capability as part of the COVID-19 pandemic recovery. Given Nauru's small size, no other international operators are currently seeking to provide services and as a single small island there are no domestic air services.

3. **Upgrading of the runway pavements is necessary within the next 24 months to avoid further deterioration.** Technical investigations undertaken during the project preparation and feasibility studies have indicated delays in rehabilitating the runway pavements will result in more costly remediations and may impact on Nauru Airport's ongoing operational capability.

4. **Timely repair of the Nauru Ring Road will ensure that more expensive rehabilitation is not required in future and optimises utilisation efficiencies** arising from the runway rehabilitation works and associated mobilisation of plant, equipment, and expertise.

5. **Survey and Disposal of any unexploded ordinances (UXOs) will be undertaken prior to project commencement.** This activity will be undertaken in parallel to the Managing Contractor (MC) procurement process to support the planned project timeline and minimise any delays arising from the UXO survey and any remediations that may result. This will be financed through the Bilateral program with AIFFP providing technical support.

Key Risks

6. AIFFP Management has reviewed the Project risks and proposed mitigation measures carefully and are comfortable with the residual risk following mitigation.

Key Risks	Mitigating Measures
The project may exacerbate COVID-19 impacts on Nauru.	The MC will comply with national restrictions to ensure that their activities do not cause or exacerbate any potential outbreak. Contractor methodology will be required to include a COVID-19 management plan.

Movement of people and goods could affect Nauru's current status as one of very few countries globally with no reported COVID cases.	With Australian support, Nauru has among the highest vaccination rates in the world. Almost all eligible adults are double-dose vaccinated. Booster shots and vaccinations for children aged 12yo-17yo are planned to commence shortly.
Cost over-runs, including as a result of global supply chain constraints and travel restrictions. Potential impacts include impacts on the procurement of the MC and associated pricing, ability to mobilise to site, and impacts on global supply chain issues affecting supply timeframe, and costs.	Close engagement with Nauru through the Project Steering Committee and direct engagement from AIFFP & Bilateral team will ensure early identification of potential impacts as they arise.
Shortage of aggregate supply delays construction works. Aggregate is expected to be sourced from the national quarry. However, there are competing demands for aggregate supply for domestic construction and other large infrastructure projects, in particular, the Nauru Port Upgrade Project which is currently under implementation.	Close engagement with Nauru will be managed through the Project Working Committee, to support national coordination on aggregate supply. This will include early advice as soon as practical, of the MC methodology and workplan, to enable planning for aggregate supply requirements and stockpiling. It is likely that the project timeline will have minimal overlap with the current workplan of the Nauru Port Upgrade project which will alleviate competing demand; this will be monitored to identify any delays to the port project which may have an impact.
Delays to implementation arising from UXO survey and disposal.	The MC implementation schedule will be adjusted to align with the outcome of the UXO survey and disposal activity.

We recommend that the Board endorses:

i. An AIFFP grant of up to **AUD30 million** (excluding GST) to support implementation of the Nauru Airport Upgrade and Road Rehabilitation Project.

List of Abbreviations

AIFFP	-	Australian Infrastructure Financing Facility for the Pacific
ADB	-	Asian Development Bank
APCP	-	Australia Pacific Climate Partnership
ATC	-	Air Traffic Control
CCTV		Closed-circuit television
CEMP	-	Construction Environmental Management Plan
CESMP	-	Construction Environmental and Social Management Plan
CP	-	Child Protection
D&B / D&C	-	Design and Build / Design and Construct
DCA	-	Department of Civil Aviation
DFAT	-	Department of Foreign Affairs and Trade
DNP	-	Defect Notification Period
DoT	-	Department of Transport (Nauru)
EIA	-	Environmental Impact Assessment
EMC		East Micronesia Cable project
ESMP	-	Environmental and Social Management Plan
ICAO	-	International Civil Aviation Organization
IEE	-	Initial Environmental Evaluation
INU	-	Nauru International Airport
GEDSI	-	Gender Equality, Disability and Social Inclusion
LLIP	-	Local Labour and Industry Participation
M&E	-	Monitoring and Evaluation
MC	-	Managing Contractor
MEP	-	Monitoring & Evaluation Plan
NIIP	-	National Infrastructure Investment Plan (Nauru)
PASO	-	Pacific Aviation Safety Office
PSC	-	Project Steering Committee
PSEAH		Preventing Sexual Exploitation, Abuse and Harassment
UXO	-	Unexploded Ordinance
VFR	-	Visiting Friends and Relatives
WASDA		Department of Women's and Social Development Affairs

Contents

1. Project Overview

INVESTMENT DETAILS					
Investment Objective	To support: i. Ongoing international air transport connectivity for Nauru by rehabilitating the runway pavement and upgrading the air traffic control equipment at Nauru International Airport (INU); and ii. Ensuring ongoing serviceability of the main road in Nauru, through undertaking pavement repairs of the Nauru Ring Road				
Investment Benefits	The expected investments benefits are: i. International connectivity is maintained for essential goods and services. ii. Air transport operations of the state-owned airline, Nauru Airlines, will be supported indirectly, and as demand recovers from the impacts of the COVID-19 pandemic. iii. Improved road transport connectivity contributing to better access within Nauru. iv. Upgrading of key national infrastructure will become an important demonstration of Australia's partnership with Nauru, and the benefits of quality approaches to infrastructure delivery. v. Economic benefits to Nauru through local content and job creation.				
Country	Nauru				
Geographic Location	Yaren				
Proponent	Government of Nauru				
Debt Sustainability	Not applicable – grant only				
IPFA Assurance	Not applicable – grant only				
FINANCIAL OVERVIEW					
Total Project Value	AUD40 million				
Proposed AIFFP Investment	**Total Amount**	AUD30 million			
	Loan	Not applicable – grant only			
	Grant	AUD30 million			
Co-investors	**DFAT (grant, bilateral aid program)**	Up to AUD10 million			
Proposed Execution Date	March 2022				
RISK ASSESSMENT					
Risk Category:	**Reputational**	**Country**	**Financial**	**Compliance**	**Implementation**
DFAT Category Risks	Low	Moderate	N/A	Moderate	Moderate
DFAT Risk Weighting	20%	15%	15%	30%	20%
Overall DFAT Risk Rating	**MODERATE**				

Project Description and Background

1. Nauru comprises one raised coral island with an area of 21 km^2 and population of approximately 13,000 people. Due to impacts of past phosphate mining, agriculture is challenging and accordingly Nauru is heavily dependent on imports, with almost all food, bottled water, and manufactured goods imported primarily from Australia. Ensuring the airport remains in good operating condition will maintain connectivity for international travel, delivery of essential goods

and services to the community, and sustain the operation of state-owned Nauru Airlines.

2. The surface pavement is approaching the end of its service life and needs to be resealed soon to prevent further deterioration. The runway surface was originally laid in 1992 and whilst it has performed well, the runway pavements are exhibiting significant cracking across all pavement surfaces including the runway, taxiways and apron. If the surface pavement is not resealed within the next 24 months, it is likely that the runway will fall into a state of disrepair, disconnecting Nauru from essential goods and services serviced through international aviation, with wider economic and social impacts to the island nation. The cost of more significant repairs to the runway pavement, should resealing be deferred are estimated to cost up to 28% more than a timely reseal.

Figure 1. Runway pavement, Nauru International Airport (INU)

3. Upgrades to air traffic control equipment will include the Vaisala wind monitoring system and CCTV to improve lines of sight for flight service functions. The project investments will ensure that Nauru's airport meets the International Civil Aviation Organization's (ICAO) standards so that airlines (including Nauru Airlines) can continue to use Nauru's airport facilities free from interruptions due to infrastructure deficiencies.

4. The project intends to also invest in road repairs of the main road, the Nauru Ring Road, which links settlements around the island and is trafficked by both commercial and private vehicles. A high-level condition assessment undertaken as part of the feasibility study has identified areas requiring asphalt surfacing replacement, and local pavement reconstruction. Timely intervention of pavement repairs will prevent further deterioration, more costly future rehabilitation and contribute to maintenance of the existing asset.

Figure 2. Nauru Ring Road, Nauru

5. In particular, repair of the Nauru Ring Road optimises alignment of the plant, equipment and expertise mobilised to undertake the aviation component of the project.

2. Strategic Assessment and Rationale for AIFFP Involvement

6. The project meets AIFFP's investment mandate and strategic goals in the region: (i) Nauru is within AIFFP's geographic mandate; (ii) the proposed project demonstrates a broad public benefit and supports the economic development of Nauru; and (iii) the proposed project reinforces Australia's relationship with Nauru and supports a stable and prosperous region.

7. The proposed investment will strengthen Australia's close and productive relationship with Nauru. Australia has a long historical relationship with Nauru; from World War I until Nauru's independence in 1968, practical administration of Nauru was led by Australia under a trusteeship that also included the United Kingdom and New Zealand. Australia is Nauru's main economic and trading partner, and the main source of overseas development assistance (providing about AUD30 million per year).

8. The proposed investment has scope to reinforce Australia's role as development partner of choice for Nauru and is strongly supported by DFAT's Nauru bilateral team:

a. The project demonstrates Australia's capacity to mobilise significant financing for major infrastructure investments using quality contractors and complements Australia's ODA support to Nauru's health, education and police sectors.

b. The Nauru Government has indicated that upgrading the runway is their highest national priority, along with ICT cable connectivity. Under these two projects, Nauru will receive very considerable foreign support. Combined, these projects, along with the port and solar power investments, are likely to meet Nauru's key connectivity infrastructure priorities for the next decade.

9. Maintaining international air transport operations is critical to Nauru's stability and provision of essential goods and services. Rehabilitation of the runway pavements will ensure the ongoing international connectivity of Nauru and support the ongoing provision of essential goods and service for the community. The national airline, Nauru Airlines, will be sustained and enable air passenger movement including in support of Nauru's involvement in the Pacific Labour Scheme, expatriate workforce, and visiting friends and relatives travel as part of the COVID-19 recovery. The reliability and availability of key equipment and machinery used on Nauru would be significantly impacted if airfreight of key parts was not available, such as for the desalination plant, quarrying equipment, seaport cranes, and health consumables, supplies and equipment. Additionally, the project will deliver broad public benefit through maintaining capacity for national disaster recovery. The project also has strong potential to provide local employment during the construction phase at a time when the Nauru economy has been affected by travel restrictions as a result of COVID.

3. Financial Overview

3.1 Investment Capital Structure

10. Details of project funding are set out in Table 1 and Table 2 below.

Source of funds

SOURCES	AUD (m)	% of Project financing
AIFFP Grant	30	75%
DFAT Bilateral program	10	25%
TOTAL	**40**	**100%**

Breakdown of Project Estimated costs

	AIFFP Grant		DFAT Grant		TOTAL	
PROJECT COMPONENT	**AUD (m)**		**AUD (m)**		**AUD(m)**	
Component 1: Aviation	23.8		4.0		27.8	
(i) Consulting Fees (project management, design, review, supervision)	0.0		3.5		3.5	
(ii) Runway Works	23.8		0.0		23.8	
(iii) ATC Upgrades	0.0		0.5		0.5	
Component 2: Roads	3.0		6.0		9.0	
(i) Consulting Fees (detailed design, safeguards, supervision)	0.0		1.0		1.0	
(ii) Pavement repairs	3.0		5.0		8.0	
AIFFP Oversight / Quality Assurance / M&E	1.2		0.0		1.2	
TOTAL	**30.0**		**10.0**		**40.0**	

3.2 AIFFP Financing Package

11. **Project Financing.** The project will be co-funded through grants from the AIFFP and Bilateral program. AIFFP will provide an AUD30 million grant, alongside bilateral grants of up to AUD10 million. The Government of Nauru will contribute to this project through: (i) provision of airport site access (including contractor access to site), (ii) ensuring landowner access for road repairs by the project contractor, and (iii) supporting the project contractor in identifying suitable construction laydown areas. Project investments will be delivered through one contract between DFAT and the Managing Contractor (MC), who will be the sole focal point for the AIFFP for project delivery and payment claims.

12. **Project Disbursements.** Disbursements will be made through direct payments to the MC on the basis of claims submitted, reviewed and approved by the AIFFP. Final payments will be made to the MC following satisfactory completion of the Defects Notification Period (DNP) and associated inspections.

13. **Ongoing Sustainability and Maintenance of the Infrastructure.** Development of the preliminary design and feasibility study have incorporated climate change resilience and environmental safeguards. These requirements will be carried through the procurement and delivery requirements of the MC, and in turn, the requirements of the design and build (D&B) contractor for both project components.

14. Nauru undertakes maintenance through a recurrent government budget which provides for basic operational maintenance requirements such as line painting, lighting replacement, electrical and NAVAID maintenance, and basic road repair (pot-hole patching). The MC will be required to develop and deliver an appropriate maintenance program and supporting documentation which reflects the isolated nature of Nauru and lack of access to major equipment, and provide training to the teams responsible for ongoing maintenance of the aerodrome and ring road. At a minimum, the MC will provide crack-sealing equipment and minor repair products, and deliver training for Nauru airport personnel, to support ongoing maintenance of the infrastructure.

4. Investment Impact

4.1 Improved Economic Activity

15. Timely intervention to rehabilitate and repair the aviation and road infrastructure for Nauru will preserve the existing asset, ensure that the airport remains operational, improve national accessibility, and support Nauru's economic development objectives.

16. Prior to COVID-19, Nauru Airlines operated five Boeing 737-300s, one with a freighter configuration, and provided air transport operations between Nauru and Kiribati, the Republic of Marshall Islands, Fiji and Australia, as well as regional charter operations. Nauru Airlines are in the process of securing additional aircraft, including a B737-800 which has a greater fuel/range capacity to enable an increase in capacity, including freight.

17. The project investments will ensure Nauru can continue to provide air transport to support key sectors such as fisheries, health and disaster recovery, maintenance of key national infrastructure such as the desalination plant through maintaining the ability to mobilise specialist maintenance and parts. Air transport connections will also facilitate Nauru's ongoing participation in the Pacific Labour Scheme, allow for international travel for the community and Nauruan diaspora particularly as part of COVID-19 recovery, and support movement of the expatriate workforce.

18. Repair of the main Nauru Ring Road will ensure more expensive rehabilitation work is not required in future; and is consistent with proactive asset management practice. Nauru does not have a domestic asphalt plant. A mobile asphalt plant will be mobilised under the project for the runway works. As the ring road is also asphaltic-concrete, this plant will be used to undertake the road repairs whilst on-island, at a much lower cost than a separate standalone project.

4.2 Improved Local Labour and Employment

19. Utilising AIFFP procurement and local content requirements, the project is expected to have direct economic benefit to the Nauru economy. For the aviation component, this has been estimated at AUD2.4m through (i) use of local aggregate; (ii) employment of local unskilled and

semi-skilled labour; (iii) plant hire; (iv) food and accommodation services; and (v) ancillary supplies (vehicle hire, consumables etc.). Economic benefits will increase through the project's investment repair of the Nauru Ring Road.

20. An assessment of the relevant skill base in Nauru undertaken as part of the project feasibility study, identified opportunities for local employment. For the aviation component, this is expected to involve between 16-20 local roles including roles such as (i) truck drivers, (ii) asphalt loader drivers, (iii) spotters, (iv) local safeguards officer, (v) project office (administration, accounting). Local content and job creation opportunities provided through roads activities will be identified as part of the detailed design. A minimum female participation target of 30% will be included.

21. The number of roles is comparable to other large infrastructure projects, but is expected to utilise a broader mix of skills compared with other projects which are understood to provide local employment largely through site security services. Accordingly, local content delivery is expected to contribute and build on the existing skill base. The social assessment will form part of the bidding documents for the MC and will direct development of the Local Industry Participation Plan (LIPP).

4.3 Climate change and disaster resilience

22. The Australia Pacific Climate Partnership (APCP) were engaged during the feasibility study to provide up to date climatic projections and review project design information. Continuing APCP involvement during detailed design is anticipated to ensure the project fully incorporates climate risks.

23. Nauru is one of the most vulnerable countries in the world to climate change, and over longer-term planning horizons additional remedial actions, including modifications to the seawall and significant civil works, are likely to be required to address potential risks to the runway from sea level rise.

24. The Climate Risk Vulnerability Assessment concluded that the design is appropriate for its proposed 25-year design life. In particular, the current design is considered appropriate given current sea level rise projections until 2040 even for the low-lying south-western end of the airport where wave overtopping occurs under present-day 1% annual exceedance probability (AEP) conditions. This issue will, however, need to be addressed in any future runway upgrades or rehabilitation beyond the expected life of current works.

25. The feasibility study considered the viability of expanding the rainwater harvesting system to collect runoff from the airfield to be stored for later use, but concluded that this is unlikely to be commercially viable. Current infrastructure at the airport consists of rainwater capture from the terminal roof with storage estimated at 50,000L capacity. The capital cost of installing the required drainage surface and reticulation systems for the current grassed runway, however, would be similar to a large desalination plant, which would be a preferred option should Nauru require additional water supplies in future.

26. Climate specific risks in relation to the road repairs will be considered through the scoping and detailed design and safeguard assessment by the MC.

4.4 Gender equality, disability and social inclusion (GEDSI)

27. Nauru has high rates of gender-based violence. A United Nations Population Fund study reports that 48.1% of ever-partnered women aged 15–49 have been subject to sexual and/or physical violence by a partner at least once in their lifetime.[1]

28. **Aviation Component.** In order to support Nauru's efforts to address GBV and PSEAH, an investment specific Gender Action Plan (GAP) has been prepared for the project and will be implemented by the MC and NIA. The GAP has identified the opportunity to work with staff from Nauru's Department of Women's and Social Development Affairs (WASDA) on the delivery of gender and PSEAH training. This will be supported by a Pacific GEDSI resource from EVAWTech or the Fiji Women's Crisis Centre which will result in capacity building within WASDA.

29. INU does not have a separate gender policy but instead operates under the National Policy. Policies and legislation are supported by WASDA and peak civil society organisations such as the Nauru National Women's Council. In support of this policy, INU have committed to implementing a range of measures including:
    - PSEAH Training for all staff, delivered by WASDA staff with the support of a Pacific GEDSI resource from EVAWTech or the Fiji Women's Crisis Centre;
    - Child safe recruitment practices, inclusion of child protection aspects in training materials;
    - A target of 30% of women in employment opportunities throughout the project;
    - Building market stalls on the road next to the terminal so that women can access airport users for their businesses;
    - Targeted recruitment through Department for People with Disabilities and Nauru Disabled People's Association, and ensuring the project office including the toilet is wheelchair accessible;

30. The project's approach will also contribute to the Government of Nauru's (GoN) National Women's Policy (2014) and gender performance indicators in the National Sustainable Development Strategy 2019–2030.

31. **Road Component.** A preliminary review of GEDSI was conducted as part of the IEE for the aviation component and identified similar risks. Opportunities to improve disability access and safety for community members and children living proximate to the road will be considered in line with Universal design principles (DFAT 2014). Project specific risks, management measures and opportunities will be identified as part of the detailed design development.

[1] Department of Women's Affairs of the Ministry of Home Affairs (2014). Nauru Family Health and Support Study: An Exploratory Study on Violence Against Women. Fiji: UNFPA and DFAT

5. Environmental, Social and Governance

32. **Aviation Component.** An Initial Environmental Evaluation (IEE) was prepared against DFAT's Environment and Social Safeguard Policy. This is an appropriate level of assessment given the unobtrusive and short-term nature of the upgrade works. Residual environmental and social risks for the Project are assessed by AIFFP as being **Moderate,** localised and temporary.

33. The D&B contractor will be required to develop a Construction Environment and Social Management Plan (CESMP) for managing environmental and social risks. This will be based on the Environment and Social Management Plan (ESMP) developed as part of the IEE.

34. **Road Component.** A preliminary review identified relevant potential environment and social risks and possible mitigations. This will inform development of a detailed Environment and Social Assessment and ESMP through the detailed design and scoping process. No significant environment or social risks were evident from the review; opportunities to improve traffic and pedestrian safety and community access were identified for further consideration.

5.1 Environmental Safeguards

35. Environment impacts were assessed as being **Moderate** and readily mitigated via preparation and adoption of the CESMP. Potential impacts include:

- Noise impacts arising from night works, and close proximity to sensitive receptors such as houses. Noise reduction measures, stakeholder consultation and noise monitoring will be undertaken.
- Waste generation and limited availability of disposal options in Nauru. A review of Nauru landfill and waste streams found appropriate disposal options are likely to be available in Nauru. This will be confirmed by the MC and waste management addressed in the waste management plan.
- Asbestos may be present in the control tower and disturbed during replacement of electrical equipment. If found, it is expected to be limited to asbestos sheet, in which case asbestos fibres will be 'bound' and safe unless cutting is required. Safety procedures can be implemented to manage this process. The MC will be required to propose appropriate disposal risk in the event of any asbestos removal and disposal, aligning with DFAT's Environment and Social Safeguard policy on managing asbestos.

5.2 Social Safeguards

36. Social impacts were assessed as **Moderate** and primarily associated with night-time noise during construction and associated disruption to nearby households. Community members are regular users of roads around the airport and potential health and safety will be addressed through a traffic management plan.

37. Gender and child protection (CP) risks were considered, particularly in light of risks associated with worker influx and the potential for labour and recruitment policies to exacerbate exclusion of women from employment opportunities. The Social Safeguards Assessment identified medium-level risks of fraternisation (inappropriate relationships between project personnel and community members where there are power imbalances), transactional sex, and child sexual exploitation and abuse. Children currently play on or near the road next to the airport, and this area of road is sometimes used for sports carnivals and exercise. There is a current safety issue where traffic is stopped by a person with a stop sign; construction could create additional safety risks for those using this road (particularly children).

38. Mitigation of CP risks include child safe recruitment practices including police checks and child safety questions for all staff, ensuring fencing prevents children entering the construction site. The project will additionally strengthen Nauru's CP environment by developing a CP policy and complaints handling mechanism that includes government focal points and undertaking CP messaging and considerations in safety briefings.

39. A GAP and other specific policies and procedures have been identified to address social protection risks.

6. Procurement Approach

40. **Procurement Framework.** To support quality infrastructure delivery outcomes, procurement will follow Commonwealth Procurement Rules, and incorporate the AIFFP social procurement policy, value for money and quality requirements. The DFAT Capital Infrastructure Panel will be utilised to identify appropriately qualified firms to respond to the tender.

41. **Procurement of Managing Contractor (MC).** The project procurement approach will involve procurement of an MC who will be responsible for overall delivery of the project investments. The MC will be required to contract a design and build (D&B) contractor to develop detailed designs and once these are approved, to undertake construction. In addition, the MC will be responsible for (i) review and approval of detailed designs through an independent reviewer; (ii) construction supervision services; and (iii) overall project management. The MC will also be required to monitor and inspect the investments throughout the 24-month Defect Notification Period (DNP).

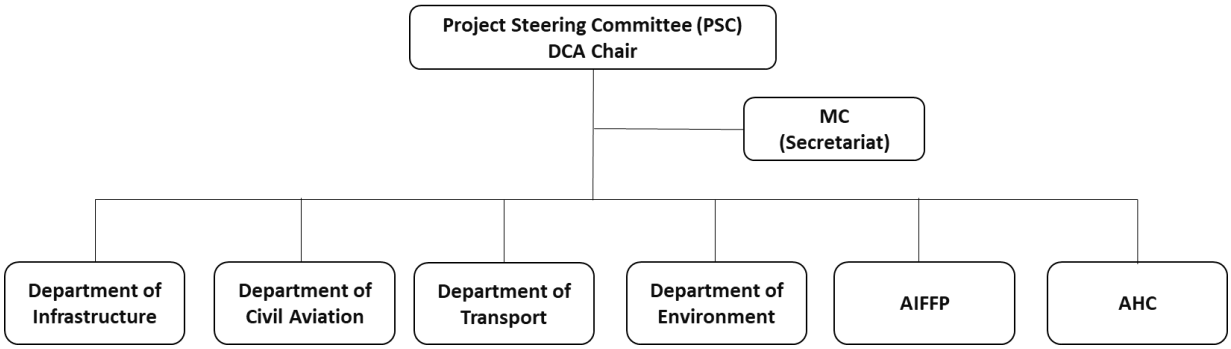
42. Procurement of an MC will provide a single focal point for DFAT and for Nauru and will be the only contract procured under this project. This approach will improve efficiency and economy of delivery. Simplified contract management will reduce delivery risk with the MC holding the contractual responsibility and liability for overall project delivery.

43. To strengthen technical delivery, quality and value for money outcomes, the MC will be required to incorporate the qualification and evaluation criteria developed and agreed through the project feasibility study. These criteria reflect AIFFP procurement approach, including (i) inclusion of environmental and social safeguards; (ii) local content and participation; (iii) value for money and sustainability considerations in design and construction development; (iv) climate resilience; (v) workplace health and safety, including COVID-19 management.

7. Implementation

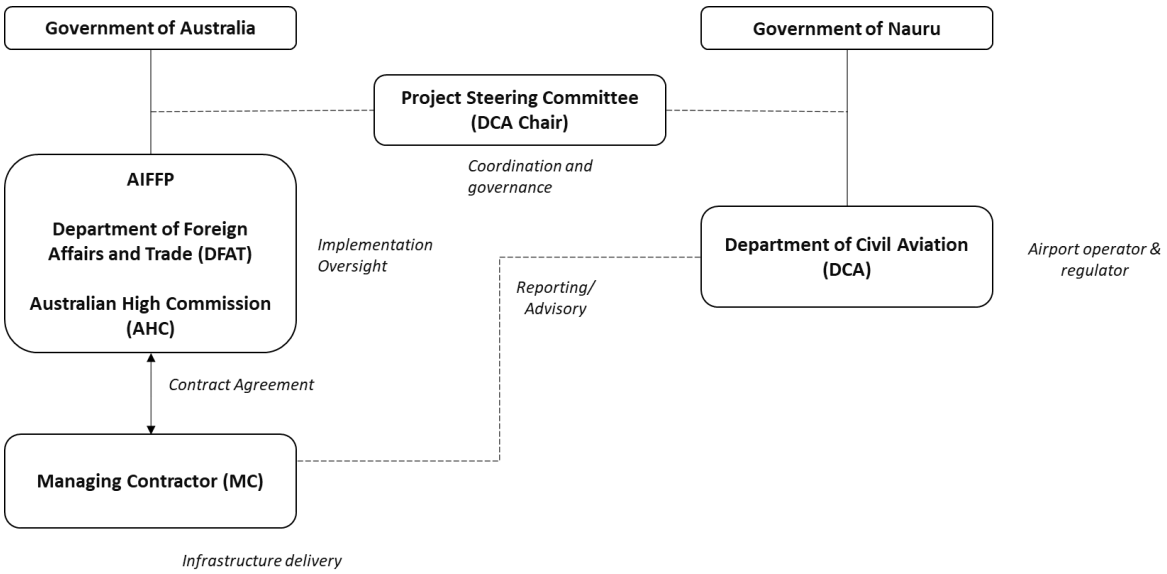
44. **Project Steering Committee (PSC).** A PSC will be established to provide joint project oversight and coordination between the AIFFP, DFAT, and relevant Nauru government agencies. This will build on the successful approach undertaken during project preparation which reflected strong engagement and participation of Nauru, AIFFP, AHC, and the feasibility design consultants. The PSC will be responsible for project oversight, national coordination and engagement to support the project delivery. The MC will provide the secretariat to the PSC. The structure of the PSC is reflected in Fig. 3 below.

Figure 3. Project Steering Committee structure



45. Project Implementation Mechanisms. As the project is being financed through grant funds, project implementation will be managed through the AIFFP. The AIFFP will be responsible for contract management of the MC, and handover to Nauru on completion of the works. The AIFFP will be supported as appropriate by the AIFFP Support Unit, and the Nauru bilateral team. The project implementation structure is reflected in Figure 4 below.

Figure 4. Project Implementation Structure



46. **Operational Requirements.** The Grant Agreement will reflect the agreed operational requirements for the aviation component identified during the Feasibility Study, and based on Nauru's current operating environment as a PASO member state.

8. Key Risks

47. The AIFFP has assessed the investment with an overall risk rating of **Moderate**. A summary of assessed residual risk is provided in Table 3 below.

Table 3 – Residual Risk Assessment

Risk Category:	REPUTATIONAL	COUNTRY	FINANCIAL	COMPLIANCE	IMPLEMENTATION
DFAT Category Risks	Low	Moderate	N/A	Moderate	Moderate
DFAT Risk Weighting	20%	15%	15%	30%	20%
Overall DFAT Risk Rating	MODERATE				

8.1 Key Implementation Risks

48. Residual implementation risk is **Moderate**.

49. Project delays and /or cost overruns arising from the impact of the COVID-19 pandemic poses a significant risk to the project. Managing through the uncertainty arising from COVID-19 impacts, coupled with Nauru's remote location and development context, is anticipated to impact on the attractiveness to bidders and associated prices. Once contracted, delays to mobilising specialists, plant and equipment are likely. In this event, project timelines will be impacted and may incur cost overruns. To the extent possible, the AIFFP will include provision in the MC contract for

provisional sums to manage some of these implementation risks and costs, and will implement a communications strategy to support implementation.

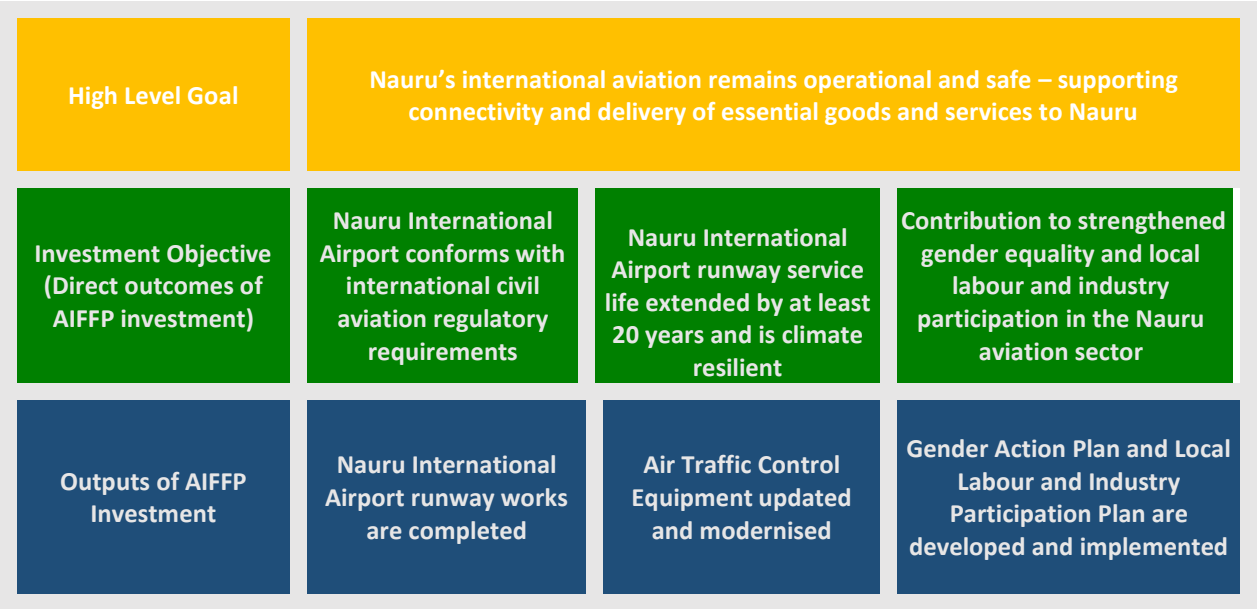
50. Adequate aggregate supply due to competing needs of the Nauru Port project and domestic construction could delay implementation. To mitigate this risk, the project will require the MC to provide early estimates of aggregate requirements to allow for planning and aggregate stockpiling, inclusion of relevant specialists to support Nauru aggregate production, and ensure there is strong support and national coordination from Nauru through the PSC. It is anticipated that the project implementation schedule will partly mitigate these risks, allowing for upstream planning and coordination in the event of overlapping construction schedules with the Nauru Port project.

51. Project delays and / or cost overruns may occur as a result of the UXO Survey and any remediations arising from this activity. To manage this risk, a UXO Survey and disposal activity will be undertaken prior to the MC commencing and in parallel to the project approval process. This will be funded through the Bilateral program, with technical support from the AIFFP in parallel to the Project approval and MC procurement process to minimise any delays arising from the UXO survey and remediations. In the event of any complex remediations, the MC implementation schedule will be adjusted. Communication and engagement with Nauru will be facilitated through the PSC to support implementation.

9. Monitoring & Evaluation

52. A Project Monitoring and Evaluation Plan (MEP) will be developed by the MC and approved by the AIFFP. The MEP will include an investment-level monitoring and evaluation (M&E) framework reviewed annually and updated as required. Figure 5 sets out the Program Logic. Subject to the easing of travel restrictions, AIFFP will conduct semi-annual field visits to review project progress and support monitoring and evaluation against the MEP. The MC will provide progress reports to AIFFP during implementation as per the MEP and an investment completion report within six months after the completion of works. AIFFP may also commission an independent evaluation of the investment, within three years of project completion. Grant funds of up to AUD400,000 have been allocated for project monitoring and evaluation.

Figure 5. Program Logic



53. The PSC will oversee the project and coordinate with the Government of Nauru. PSC membership includes the AIFFP and Post. Post has agreed to continue to provide support to the project, particularly while travel restrictions remain in place.

10. Key Project Milestones

KEY MILESTONES	
10 DEC 2020	AIFFP Board Endorsement of Management Screening Paper
12 MAY 2021	Feasibility Study commences
NOV 2021	Feasibility Study final report accepted
8 FEB 2022	AIFFP Board Date
MAR 2022	Grant Agreement signing between Governments of Australia and Nauru during Nauru President's Visit
APR 2022	Procurement of Managing Contractor commences
AUG 2022	Contract Award to Managing Contractor
DEC 2022	Detailed design developed and approved
MAR 2023	Plant mobilised to Nauru; Aggregate stockpiled
APR 2023	Civil Works Commence
MAR 2024	Civil Works Completed
MAR 2026	DNP Period Completed