

**Validation Report**  
December 2019

# Kiribati: Road Rehabilitation Project

Reference Number: PVR-598  
Project Number: 44281-013  
Loan Number: 2718  
Grant Numbers: 0470 and 0527

Independent  
**Evaluation**  ADB

*Raising development impact through evaluation*

## ABBREVIATIONS

ADB	–	Asian Development Bank
DMF	–	design and monitoring framework
DSC	–	design and supervision consultant
EMP	–	environmental management plan
EIRR	–	economic internal rate of return
km	–	kilometer
kph	–	kilometers per hour
MFED	–	Ministry of Finance and Economic Development
MISE	–	Ministry of Infrastructure and Sustainable Energy
PCR	–	project completion report
TA	–	technical assistance

## NOTE

In this report, “\$” refers to United States dollars.

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## PROJECT BASIC DATA

<b>Project Number</b>	44281-013		<b>PCR Circulation Date</b>	11 July 2018	
<b>Loan/Grant Numbers</b>	2718, 0470, and 0527		<b>PCR Validation Date</b>	Dec 2019	
<b>Project Name</b>	<b>Road Rehabilitation Project</b>				
<b>Sector and subsector</b>	Transport	Road transport (nonurban)			
<b>Strategic agenda</b>	Environmentally sustainable growth Inclusive economic growth				
<b>Safeguard categories</b>	Environment		B		
	Involuntary Resettlement		B		
	Indigenous Peoples		C		
<b>Country</b>	Republic of Kiribati		<b>Approved</b> (\$ million)	<b>Actual</b> (\$ million)	
<b>ADB Financing</b> (\$ million)	<b>ADF:</b>	<b>Total Project Costs</b>	33.66		75.14
	12.00 (L2718) 2.40 (G0470) 9.00 (G0527)				
	<b>OCR: 0.00</b>	<b>Loan/Grant</b>	12.00	22.48	
		<b>Loan 2718</b>	12.00	11.08	
	<b>Grant 0470</b>		2.40		
	<b>0527</b>		9.00		
	<b>Borrower</b>		1.05	6.83	
<b>Cofinancier</b>	World Bank GoA: PRIF APIP	<b>Total Cofinancing</b>	20.61	45.83	
			16.00	26.97	
			4.61 <sup>a</sup>	18.86	
				15.21	
			3.65		
<b>Approval Date</b>		<b>Effectiveness Date</b>			
	L2718	10 Dec 2010	L2718	15 Jun 2011	26 Aug 2011
	G0470	11 Dec 2015	G0470	16 May 2016	1 Mar 2016
	G0527	12 Dec 2016	G0527	12 Mar 2017	25 Jan 2017
<b>Signing Date</b>		<b>Closing Date</b>			
	L2718	17 Mar 2011	L2718	30 Oct 2013	31 May 2017
	G0470	16 Feb 2016	G0470	28 Feb 2017	31 May 2017
	G0527	12 Dec 2016	G0527	31 Dec 2017	11 June 2018
<b>Project Officers</b>	R. Phelps W. Zhang L. Uruvaru J. Kohlhase	<b>Location</b>	<b>From</b>	<b>To</b>	
		PSO	Dec 2010	Apr 2012	
		PSO	Apr 2012	May 2013	
		PSO	May 2013	Sep 2013	
		ADB Headquarters	Oct 2013	Jun 2018	
<b>IED Review</b>					
<b>Director</b>	N. Subramaniam, IESP				
<b>Team Leader</b>	F. De Guzman, Senior Evaluation Officer, IESP*				

ADB = Asian Development Bank, ADF = Asian Development Fund, APIP = Australia–Pacific Islands Partnership, GoA = Government of Australia, IED = Independent Evaluation Department, IESP = Sector and Project Division, OCR = ordinary capital resources, PCR = project completion report, PRIF = Pacific Region Infrastructure Facility, PSO = Pacific Subregional Office.

<sup>a</sup> Includes PRIF financing of \$3.75 million for civil works and \$0.86 million for the associated technical assistance for capacity building.

\*Team members: H. Hettige (Quality Reviewer), and J. Supangco and D. Gibson (Consultants).

## I. PROJECT DESCRIPTION

### A. Rationale

1. During project preparation, South Tarawa was home to 42% of Kiribati's population and had been attracting migrants because of the available employment opportunities, diverse consumer goods, and access to essential social services. The island is less than 100 meters wide and most people live, work, or study in dwellings, small businesses, and schools along almost its entire length. The road network of about 800-kilometer (km) long was in poor condition. Of the 133 km of sealed roads, 41.6 km were in South Tarawa while unsealed roads were in the other inhabited islands and atolls.

2. South Tarawa's roads deteriorated due to prolonged wet weather and heavy volume of traffic. Some sections of the paved road were at the end of their economic life. The average travel speed was about 20 kilometers per hour (kph) as vehicles needed to navigate through large, deep depressions. During the rainy season, these potholes become large pools of stagnant water, presenting a public health risk. In the dry season, dust along the unpaved sections contributed to incidents of upper respiratory tract problems among residents. Road use in South Tarawa grew by 4% annually, with 6,000 vehicles using the roads daily in Betio and Bairiki. About 40% of these vehicles were privately-owned minibuses used for public transport, and together with a few heavy vehicles (fuel tankers and container transport), had been causing significant erosion of road edges. The road pavement was considered strong enough due to the solid underlying coral gravel but the fragmented and ineffective governance contributed to the deterioration of the road network.

3. Town councils collected annual vehicle licensing fees and set fares for public transport, but these fees were considered low and were used only for maintaining feeder roads. The Ministry of Public Works and Utilities, which was subsequently renamed the Ministry of Infrastructure and Sustainable Energy (MISE), maintained the main roads but the annual maintenance appropriations, including those for other activities, were deemed insufficient.<sup>1</sup>

4. The project intended to rehabilitate around 27.5 km of main roads and 6 km of feeder and access roads in South Tarawa, including the principal road from the airport through the administrative capital of Bairiki up to Betio seaport. This was the only road providing access to essential services, including government, education, and health, as well as to markets. Due to its age and lack of routine maintenance, paved road sections had deteriorated to a pitted gravel surface and was overdue for rehabilitation. The project was jointly prepared by the Asian Development Bank (ADB) and the World Bank, while other development partners such as the New Zealand Aid Program were consulted. Vehicle operating cost and travel time were also expected to be reduced<sup>2</sup> to bring relief to road users, pedestrians, and persons living and working alongside the road.

### B. Expected Impacts, Outcomes, and Outputs

5. The project's envisaged impact was improved socioeconomic conditions of South Tarawa's population. The intended outcome was sustainable access to a safe and well-maintained road network for South Tarawa. The project outputs were: (i) rehabilitated and

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<sup>1</sup> ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Kiribati for the Road Rehabilitation Project*. Manila.

<sup>2</sup> ADB. 2018. *Completion Report: Road Rehabilitation Project in Kiribati*. Manila.

upgraded road network on South Tarawa; (ii) community-based enterprises to have capacity to maintain the road network; and (iii) MPWU to provide efficient implementation support.

### C. Provision of Inputs

6. The project was funded through ADB's Asian Development Fund amounting to SDR7.621 million (\$12 million equivalent). The loan was approved in December 2010 and became effective in August 2011, 2 months later than planned. The original project closing was in October 2013, and the actual closing was in February 2017 after three extensions. The loan was financially closed in May 2017.

7. The delays were attributed to many factors. The requirement for prequalification of contractors as the World Bank did not agree to exclude sanctioned entities on ADB's non-public listing. There was no contractor showing interest and the project proceeded to tender, resulting in a 12-month delay.<sup>3</sup> Higher road standards than originally planned were deemed necessary to strengthen coastal resilience and protection, and mitigate the risks of delayed maintenance. Bid prices were higher than expected due to a cost premium for the remoteness of the project area (not adequately factored in the estimates). The prolonged procurement delayed construction by 20 months. The El Niño also impeded road construction. The extent and relocation of underground utility services proved difficult as no as-built plans were available, which was a recurring issue throughout project implementation.

8. Two Asian Development Fund grants were approved in 2015 and 2016, to finance the shortfall in the loan and additional scope of works not covered under the original loan. The first grant of \$2.4 million filled-in the shortfall due to the underestimated costs, delays, and other implementation issues, inflation in costs of materials, exchange rate fluctuations, and increased transportation costs.<sup>4</sup> It was approved in December 2015 and became effective in March 2016, 2 months earlier than planned. The actual grant completion was in February 2017 but actual financial closing was May 2017. The second grant of additional financing for \$9.0 million was approved in December 2016.<sup>5</sup> This was intended to rehabilitate important road network links by adding 7.8 km of paved roads and 0.5 km of unpaved roads to cover additional geographic areas in Betio and Bairiki connected to the project, and for meeting anticipated expenditures in completing the civil works. The grant effectiveness date (January 2017) was earlier than planned (March 2017). The planned project completion date was December 2017 but actual completion date was June 2018. The grant was also financially closed in June 2018.

9. At appraisal, the project's estimated cost was \$33.7 million with ADB financing of \$12.0 million (35.6%) and with co-financing by the World Bank at \$16.0 million (47.5%); the Pacific Regional Infrastructure Facility at \$4.6 million (13.6%) and the government at \$1.1 million (3.3%). At completion, the project amounted to \$75.1 million, 123% higher than the appraisal estimate. The higher cost was due to the: (i) additional works and design changes; (ii) higher cost of materials such as aggregates imported from Fiji, some 2,000 km away; (iii) delays due to weather and locating the underground public utilities and services; (iv) inflation; and (v) exchange rate fluctuations. The cost of the single civil works contract increased in March 2012 (para. 7) to \$34.4 million and further to \$41.6 million compared to the anticipated \$25.3 million at project approval. Four bidders responded with bid prices 20%–56% more than the estimated cost, as

<sup>3</sup> The civil works contract used prequalification in June 2011 but due to lack of interest, post-qualification was used. Invitation for bids was issued in June 2012, and ADB's approval for contract award was granted 6 months later.

<sup>4</sup> ADB. 2015. *Proposed Grant for Additional Financing: Road Rehabilitation Project in the Republic of Kiribati*. Manila.

<sup>5</sup> ADB. 2016. *Proposed Grant for Additional Financing: Road Rehabilitation Project in the Republic of Kiribati*. Manila.

bids factored in the added costs and risks associated with the remote location. A contract for \$48.2 million was signed with the lowest bidder in March 2013. At completion, the civil works cost reached \$64.5 million or 155% of the appraisal estimate.

10. An estimated 86 person-months of consulting services were to be required, comprising of 81 person-months international and 5 person-months national consulting services to facilitate project management and implementation, and strengthen institutional and operational capacity of the executing agency. Based on additional information provided, 201 person-months of international and 104 person-months of national consulting services were actually utilized. The World Bank-administered grant funds from various donors, including the Pacific Regional Infrastructure Facility, provided consultancy support to assist government to develop better institutional arrangements for managing Kiribati's road assets as well as maintenance costs and funding, to make land transport more efficient and use funds effectively. A second component supported the road safety action plan and the reinvigoration of the Road Safety Committee (footnote 2, para. 21). A third component supported the training of local road maintenance subcontractors, which replaced the community-based maintenance groups originally envisaged.

11. Under ADB's Safeguard Policy for environment, the project was category B and only an initial environmental examination was prepared.<sup>6</sup> The environmental management plan (EMP) summarized the anticipated environmental impacts and the associated mitigation measures during design, construction, and operational phases. It determined that the environmental impacts were manageable within acceptable levels and there were no significant environmental impacts needing further detailed study.<sup>7</sup> For involuntary resettlement, the project was classified as category B and only required a short resettlement plan. There were no individuals that were likely to be physically displaced and the level of potential economic displacement was insignificant as the impacts were considered temporary and limited, such as the loss of roadside trees and crops.<sup>8</sup> The resettlement action plan identified 283 affected households. For indigenous peoples, the project was category C. The population of South Tarawa comes from a single ethnic group and there are no customary, cultural, economic, social, or political institutions that differentiate them from the rest of Kiribati society (footnote 1).

12. The supporting technical assistance (TA) for Strengthening Safeguards Capacity in the Urban Sector in Kiribati<sup>9</sup> assisted the Environment and Conservation Division within the Ministry of Environment, Lands and Agricultural Development in implementing and enforcing the regulatory framework and procedures for the environment safeguard system. Its capacity was strengthened to apply environmental safeguards. The TA was rated successful.<sup>10</sup>

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<sup>6</sup> ADB. 2009. *Safeguard Policy Statement*. Manila.

<sup>7</sup> Republic of Kiribati, Ministry of Public Works and Utilities. 2010. *Initial Environmental Examination: Road Rehabilitation Project in Kiribati*. Kiribati.

<sup>8</sup> Republic of Kiribati, Ministry of Public Works and Utilities. 2010. *Involuntary Resettlement Assessment and Measures: Road Rehabilitation Project in Kiribati*. Draft. <https://www.adb.org/sites/default/files/project-document/62913/44281-01-kir-rp-draft-01.pdf>.

<sup>9</sup> Attached Technical Assistance (accessible from the list of linked documents in Appendix 2 of the report and recommendation of the President) (footnote 1). See also [https://lnadbg1.adb.org/sec0060p.nsf/docbyno/62e7d3f3eb20e67448257c3e0027316d/\\$file/in396-13.pdf](https://lnadbg1.adb.org/sec0060p.nsf/docbyno/62e7d3f3eb20e67448257c3e0027316d/$file/in396-13.pdf). This is a TASF grant of \$0.2 million approved in August 2013 (TA 8428-KIR).

<sup>10</sup> ADB. 2015. *Technical Assistance Completion Report. Strengthening Safeguards Capacity in the Urban Sector in Kiribati*. Manila. <https://www.adb.org/sites/default/files/project-document/162318/47090-001-tcr-21aug2015.pdf>.

## D. Implementation Arrangements

13. The Ministry of Finance and Economic Development (MFED) was the executing agency and the MISE was the implementing agency for the project. The National Infrastructure Development Steering Committee was the project steering committee but the Cabinet Development Coordination Committee eventually assumed the responsibilities of the National Infrastructure Development Steering Committee. Although government capacity was found wanting and required strengthening and support, the implementation arrangements were considered adequate by the project completion report (PCR) and this validation is of the same view. ADB funded and administered the design and supervision consultant (DSC) and after loan closure, MISE funded these activities. The Kiribati Fiduciary Services Unit of the MFED provided centralized project coordination, fiduciary, and procurement support. However, there was delay in the hiring of officials and staff (i.e., advisor to the manager, the procurement officer, the technical auditor and project support team manager, and a records officer) to ensure proper electronic filing of all materials.

14. The DSC assumed its responsibilities, but was considered unsatisfactory initially as it was not always present to discuss project progress during review missions conducted by financiers. However, the DSC was eventually able to respond to the various requests of the executing and implementing agencies in a timely manner. This validation notes that in the preparation of the detailed design, the DSC was not completely provided with the as-built layout of the underground utility lines and services by the Public Utilities Board, which subsequently exposed the contractor's workers to dangerous situations and resulted in service outages as cables were inadvertently damaged by the contractor's workers and caused delays in civil works implementation.

15. Most loan covenants were complied with. Only the road sector reform component was partly complied with as the required Transport Sector Plan was approved in 2016, not in 2011. The delay was due to the government's request to include sea and air transport in the plan.

## II. EVALUATION OF PERFORMANCE AND RATINGS

### A. Relevance of Design and Formulation

16. The PCR rated the project relevant. It acknowledged that the project would improve the poor condition of South Tarawa's most important road link, connecting the airport in the east with the seaport of Betio in the west, and passing through the administrative capital of Bairiki (footnote 2, para. 4). The project was aligned with the *Kiribati Development Plan, 2016–2019*, which targeted economic growth and poverty reduction through provision of reliable, safe, and economically efficient transport.<sup>11</sup> It was also aligned with ADB's country operations business plan 2016–2018 and with ADB's *Pacific Approach 2016–2020* where reducing costs through improved transport infrastructure was a key strategy.<sup>12</sup>

17. Kiribati's geographic isolation, the absence of reliable Kiribati-specific data on road project costs, and capacity constraints, all contributed to a few design challenges. These included difficulties in estimating project costs due to higher transport cost involved in mobilizing equipment and importing materials and insufficient coordination mechanism in place among concerned

<sup>11</sup> Government of Kiribati, Ministry of Finance and Economic Development. *Kiribati Development Plan, 2016–2019*. <http://www.mfed.gov.ki/sites/default/files/Kiribati%20Development%20Plan%202016%20-%202019.pdf>.

<sup>12</sup> ADB. 2016. *Country Operations Business Plan: Kiribati, 2016–2018*. Manila; and ADB. 2016. *Pacific Approach 2016–2020*. Manila.

agencies. On the whole, these were resolved during implementation and did not detract from the project's relevance. In view of the project's strong rationale, the validation assesses the project relevant.

## **B. Effectiveness in Achieving Project Outcomes and Outputs**

18. The PCR rated the project effective based on the revised design and monitoring framework (DMF). The average vehicle speed increased to 31 kph by 2017, but was lower than the 40 kph target. However, this target was no longer applicable because this limit being was no longer implemented in many villages along the project road as this had been narrowed down and 116 speed humps were installed to reduce vehicle speed and increase road safety. Incidents of road casualties were between one and seven annually from 2013 to 2017 according to the Ministry of Health and Medical Services, but the police had reported 12 more casualties.

19. As requested by the government, the maintenance approach was changed from microenterprises to three local subcontractors under preventive maintenance contracts to ensure that routine maintenance of the project roads is undertaken. The maintenance expenditure target was achieved with A\$0.5 million per year allocated for road maintenance including the subcontracts. However, the roads rehabilitated require about A\$415,000 annually for maintenance, a level that may not be sustained by the government after the warranty period.

20. Based on the revised dates in the DMF, the road rehabilitation and upgrading works achieved the output targets of 37.5 km of paved roads and 8.5 km of unpaved roads rehabilitated or upgraded by 2016. These included the: (i) St. Anne (Bairiki) airport (21.5 km) and Temaiku spur (6.1 km); (ii) Betio and Bikenibeu roads (repairs); (iii) Betio loop and main road (7.0 km); (iv) Betio causeway (0.4 km); and (v) feeder roads (8.5 km) including Buota road (2.5 km). Improved drainage and safety features such as streetlights and speed humps, which were prioritized by the communities in the 2011 social benefits baseline survey conducted by the World Bank, were also completed.

21. The implementation of the EMP was considered satisfactory. One deficiency was that the EMP stated that all aggregate materials for the project would have to be imported from Fiji. However, during implementation, the project obtained some aggregate materials from local lagoons through a European Union-supported program promoting sustainable resource access methods. As this was not considered under the project, there was no arrangement made to monitor environmental impacts associated with the channel excavation or lagoon dredging for project purposes.<sup>13</sup> It was assumed that the European Union-assisted project had an environmental licence issued by the Environment and Conservation Division.

22. A resettlement plan was prepared prior to project appraisal. A total of 339 persons were identified as affected, with 327 persons compensated. The remaining 12 cases had pending settlement or identification concerns. The compensation funds were deposited in an escrow account. Resettlement planning and implementation were generally satisfactory. There were no specific Indigenous Peoples plan or framework that was developed as the policy was not applicable. This validation considers the project effective, although it notes that the project was not able to abide by the original dates nor fully organize and utilize the microenterprises for routine maintenance of project roads.

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<sup>13</sup> ADB (Independent Evaluation Department). 2018. Project Safeguard Assessment: Road Rehabilitation Project in Kiribati. 28 August (internal).

### **C. Efficiency of Resource Use**

23. The PCR assessed the project efficient. The recomputed economic internal rate of return (EIRR) used the appraisal estimates and factored in the increases in investment cost and scope. The resulting EIRR was 29.4%, lower than the appraisal estimate of 40.3%. The EIRR was also recomputed using lower traffic growth in most of the project road sections than projected in 2009, resulting in an EIRR of 18.6%. Comparing the 2011 and 2017 traffic counts, the computed traffic growth ranged 30%-45% in Bairiki and Eita, which were higher than the 4% annual growth forecast estimated in 2009. Truck traffic growth was higher specifically in Betio, which could accelerate periodic resealing within 8–10 years.

24. Given that road maintenance is a continuing concern in Kiribati, supplemental economic analysis was also conducted for the PCR to determine project viability under two maintenance regime alternatives. The first was based on maintenance as assumed under the project, while the base case assumed 50% lower maintenance inputs. For the base case, the computed EIRR was 17.4% and was to require major resealing after year 20. The other alternative ensures the 20-year design life and resulted in an EIRR of 17.5%. This also gave a higher economic net present value at 12% of \$20.1 million compared to \$17.1 million for the base case.

25. A recomputation of the project's EIRR was not undertaken for this validation as the required data for each road section were not provided, such as baseline 2009 and 2017 traffic counts, the traffic growth rates used and the actual annual project investment cost. This validation notes that the project cost had increased by 123% (para. 9). For civil works, the cost increase was 155%. Although the project underwent delays of more than 3 years and additional financing of about \$42.4 million, the EIRR remained above the cut-off rate. Considering all these factors, this validation views the project efficient.

### **D. Preliminary Assessment of Sustainability**

26. The PCR rated the project likely sustainable. It noted that MISE depended on the annual allocations from the government for the operation and maintenance of its infrastructure assets. MISE had prepared a cabinet paper proposing the establishment of a road maintenance fund to ensure funding availability for roads. The proposed fund would depend on increases in current user charges such as vehicle registration fees and fuel taxes. It is unlikely that the government will adopt the proposed road maintenance fund. In view of the high risk of future road maintenance, funding requirements would not be available as needed. An asphaltic concrete pavement was constructed instead of the double bituminous surface treatment.

27. The PCR noted that the road alignment is mostly along the edge of the lagoon and the rise in sea level, extreme annual cycles of spring tides, and increased erosion are significant threats to the road's sustainability. While the project design took these into account by providing concrete u-drains and sea walls to cope with the expected excess water flows, these may be insufficient due to the higher spring tides and long-term rise in sea levels. This validation notes that the microenterprises that were planned to undertake routine maintenance of project were not established and instead, the local contractors were utilized during the 2-year warranty period under the contract with the main contractor. These local contractors were trained by the contractor, but there was no assurance that after the warranty period, MISE would have funding in place to pay the local contractors. Given the factors discussed above, this validation assesses the project less than likely sustainable.

### III. OTHER PERFORMANCE ASSESSMENTS

#### A. Preliminary Assessment of Development Impact

28. The PCR assessed the development impact of the project satisfactory. The improvement in the socioeconomic conditions of the population of South Tarawa could not be determined in the PCR due to insufficient data. On the target reduction in the incidence of basic needs poverty in South Tarawa from 24.2% (2006) to 18% by 2016, the PCR assessed this to have been partly achieved, although no evidence was presented. Based on the United Nations 2016 human development index (HDI),<sup>14</sup> a very minor improvement in the HDI for the whole country from 0.585 in 2010 to 0.588 in 2015 was noted.<sup>15</sup> This validation notes that given that South Tarawa is the major population, economic and government center, it would have a large impact on the HDI statistic. In 2018, the computed HDI was 0.612,<sup>16</sup> which still ranked Kiribati within the medium human development and only slightly improved from the 2017 level. It is surmised that the target reduction in the incidence of basic needs poverty has not been achieved so far.

29. The project should have significant development impacts as it improved access to vital infrastructure, social services, and economic opportunities. Increased economic activity would have been generated and should be evident through the improvement in the country's gross domestic product and its components. These directly impact on each community by reducing poverty and raising the quality of life. The PCR could have used this as surrogate measure for poverty reduction. On the stable public transportation costs impact indicator, public transport costs were stable with no increases in bus fares. For example, bus fare from Temaiku to Betio was still A\$1.60, the same as when project construction started. Based on the limited and only anecdotal information available, this validation considers the project's development impact satisfactory.

#### B. Performance of the Borrower and Executing Agency

30. The PCR rated the performance of the MFED and the MISE satisfactory, but did not provide data or information to justify its rating.<sup>17</sup> This validation notes that based on the back-to-office reports of project review missions, the executing and implementing agencies experienced difficulties in fully staffing their project offices (para. 13) but the reasons for these were not clarified. With various ongoing foreign-funded projects, the scarcity of qualified and skilled local staff, and the recruitment by the contractor of local skilled staff and engineers, the absorptive capacity of South Tarawa to supply the needed staff could have been strained. The PCR acknowledged the limited capacity of the executing and implementing agencies but was silent on the availability of local skilled staff for the project.

31. On the whole, the capacity of the executing and implementing agencies were found wanting even from the start of project implementation. The borrower performed well as it had complied with most loan covenants, except for the delay in the approval of the Transport Sector Plan from 2011 to 2016. It also provided additional government counterpart funding as required,

<sup>14</sup> United Nations Development Programme. 2016. *Human Development Report 2016: Human Development for Everyone*. New York.

<sup>15</sup> The DMF used the average incidence of basic needs poverty as an indicator of improvement in socioeconomic conditions and referred to the Kiribati National Statistical Office and United Nations Development Programme household income and expenditure surveys (carried out at 5-year intervals) as sources. This did not seem to correspond to the HDI.

<sup>16</sup> United Nations Development Programme. Human Development Indicators--Kiribati. <http://hdr.undp.org/en/countries/profiles/KIR>.

<sup>17</sup> It noted that: (i) the Kiribati Fiduciary Services Unit was drafting a business plan for its future structure and operations, which was under review by the MFED; and (ii) compliance with most loan covenants and safeguard requirements.

which increased from \$1.1 million at appraisal to \$6.8 million at completion. This validation considers the performance of the borrower and the executing and implementing agencies satisfactory.

### C. Performance of the Asian Development Bank and Cofinanciers

32. The PCR rated the performance of ADB and the cofinanciers satisfactory. It acknowledged that ADB and the World Bank drew up a memorandum of understanding at project commencement to establish the cooperation and coordination arrangements between them for the implementation of the project. The ADB and co-financiers conducted joint project review missions, although ADB and the World Bank utilized their own safeguards, procurement, and financial management procedures on the project and agreed on recommendations made. The PCR also noted that all joint missions undertook site visits; coordinated and worked closely not only with the government but also with the DSC and other consultants, and the contractor on project implementation progress and issues and mitigation measures. ADB and the cofinanciers provided timely support in addressing project financing gaps including retroactive financing by ADB. ADB also fielded a staff specialist to conduct a safeguard training workshop and approved a TA project to strengthen the country's safeguard system upon the request of the Ministry of Environment, Lands and Agricultural Development. On the whole, this validation assesses the performance of ADB and cofinanciers satisfactory, which led to the successful completion of the project, in spite of the various constraints faced.

### D. Others

33. This validation notes two major issues that affected project implementation. First, the utilization of ADB's unpublished sanctions list of contractors, which the World Bank was not amenable in using. This resulted in prequalification of contractors, where not a single contractor expressed interest on the project. And second, the cost estimate for the civil works had to be reviewed and revised a number of times. This resulted in the increases in civil works cost.

## IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

### A. Overall Assessment and Ratings

34. Overall, the PCR rated the project successful based on relevant, effective, efficient, and likely sustainable ratings. This validation holds similar ratings for overall assessment and core criteria, except on project sustainability, which is rated less than likely. There were no assurances that sufficient funding for the annual maintenance requirement of the project roads would be provided.

#### Overall Ratings

Validation Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance	Relevant	Relevant	
Effectiveness	Effective	Effective	
Efficiency	Efficient	Efficient	
Sustainability	Likely sustainable	Less than likely sustainable	Funding for road maintenance was not assured.
<b>Overall assessment</b>	<b>Successful</b>	<b>Successful</b>	
Preliminary assessment of impact	Satisfactory	Satisfactory	

Validation Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Borrower and executing agency	Satisfactory	Satisfactory	
Performance of ADB	Satisfactory	Satisfactory	
Quality of PCR		Satisfactory	Para. 39.

ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = project completion report.  
 Source: ADB Independent Evaluation Department.

**B. Lessons**

35. The PCR identified four project-level lessons:

- (i) The difference between the appraisal and actual project cost was significant and could be attributed to the absence of an acceptable design at appraisal. The cost estimate did not fully factor in costs associated with the remoteness of project location.
- (ii) Undocumented underground installations (power, water, and telecommunications lines) raised safety concerns and resulted in temporary works stoppages.
- (iii) The capacity of the MISE to fund and carry out maintenance is a concern. The increasing number of heavy vehicles are likely to accelerate deterioration of the road. In addition, there was no real driver of road safety initiatives.
- (iv) Project management capacity was overstretched in Kiribati from 2014 due to the doubling of development-partner financed projects since 2012.

36. This validation offers two more project-level lessons based on the implementation experience on the project.

- (i) First, a thorough evaluation of the implementation schedules of foreign and locally-funded projects in South Tarawa should have been determined and reviewed, overlaps identified, and coordination established between the projects and the implementing agency. Proper coordination needs to be maintained to ensure that project infrastructure is not destroyed to make way for civil works construction of other projects. There were a number of ongoing projects on the same project site and the lack of coordination resulted in implementation delays and the need to redesign a few civil works to be compatible with completed civil works.
- (ii) Project procurement and implementation guidelines and procedures should be firmed up prior to project start-up especially in cofinanced projects where each financing institution has its own procedures and guidelines to follow. While preferably only one overarching guideline and procedure applicable to the specific project should be followed, a conflict resolution system should be in place to avoid prolonged stand-off between the financing institutions. In the project, the prequalification of contractors, even those included in ADB's non-published sanctions list, was contentious. This contributed to the delay in project implementation.

**C. Recommendations for Follow-Up**

37. ADB should periodically monitor the quality of project roads and if the required routine and periodic maintenance is being undertaken and sufficiently funded by the government.

On road safety awareness, as recommended by the PCR, continuous dialogue with MISE and the government on the implementation of the road safety action plan should be sustained until implemented. This validation notes these recommendations appropriate.

## **V. OTHER CONSIDERATIONS AND FOLLOW-UP**

### **A. Monitoring and Reporting**

38. While the project administration manual required the conduct of project performance monitoring, it seems that this was only limited to the monitoring of implementation progress and was silent on the monitoring of targets, indicators, and risks in the DMF. Baseline data for output and outcome indicators were not updated nor reported quarterly as required in the implementing agency's quarterly progress reports and in back-to-office reports on ADB review missions. In fact, ADB and the World Bank mission reports did not mention the results of the required monitoring.

### **B. Comments on Project Completion Report Quality**

39. The PCR was generally well-written, succinct, candid, and followed ADB guidelines. The report is clear and provided adequate evidence to substantiate the ratings, except on sustainability. The PCR rated the project likely sustainable despite noting the uncertainty on the part of the government in providing the recommended maintenance funds. Lessons and the recommendation in the PCR were satisfactory. On the whole, this validation assesses the PCR quality satisfactory.

### **C. Data Sources for Validation**

40. The data sources for the validation were the project's report and recommendation of the President, PCR, and back-to-office reports including the attached aide memoires from both ADB and World Bank mission participants; minutes of the Staff Review Meetings; project safeguard assessment; *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*; <sup>18</sup> *Country Partnership Strategy: Kiribati, 2010–2014*; <sup>19</sup> *Country Operations Business Plan, 2016–2018* (footnote 12); ADB's *Pacific Approach, 2016–2020*; and *Kiribati Development Plan 2016–2019* (footnote 11).

### **D. Recommendation for Independent Evaluation Department Follow-Up**

41. The PCR did not recommend the preparation of a project performance evaluation report for the project, but this validation recommends that a project performance evaluation be undertaken 3 years after project completion. This could provide valuable insights on the implementation of projects in remote areas and help identify appropriate actions to improve the absorptive capacity of governments in such areas.

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<sup>18</sup> ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank*. Manila.

<sup>19</sup> ADB. 2010. *Country Partnership Strategy: Kiribati, 2010–2014*. Manila.