

SUMMARY OF PROJECT PERFORMANCE

A. Background

1. The Asian Development Bank (ADB) approved a project loan on 20 December 2010 in the amount of SDR7,621,000 (\$12 million) for the Road Rehabilitation Project (current project). The current project is cofinanced by the World Bank, the Government of Australia through the Pacific Region Infrastructure Facility (PRIF) and the Australia–Pacific Islands Partnership Trust Fund, and the Government of Kiribati. There continues to be strong collaboration between the cofinanciers and the government. The current project cofinancing stands at \$66.16 million. The ADB loan agreement was signed on 17 March 2011 and became effective on 26 August 2011. ADB provided additional financing in the amount of \$2.4 million on 11 December 2015. The ADB grant agreement was signed on 16 February 2016 and became effective on 1 March 2016. The World Bank approved a grant of \$20 million, and the Government of Australia through the PRIF of \$5.79 million, on 1 March 2011.¹ The World Bank grant agreement was signed on 5 May 2011 and the PRIF grant agreement was signed on 30 May 2011. In May 2015, the World Bank provided additional financing of \$6.97 million, and the Government of Australia provided an extra \$7 million. In May 2016, the Government of Australia through the PRIF provided additional financing of \$2.42 million. The Government of Australia through the Australia–Pacific Islands Partnership Trust Fund provided an extra \$3.65 million in July 2016. Meanwhile, the government's contribution increased from \$1.05 million in 2010 to \$5.93 million in 2015. As of July 2016, the overall additional financing amounted to \$27.32 million. The overall project plans to (i) rehabilitate, reconstruct, and strengthen the existing road network in South Tarawa; make road repairs in localized areas; and provide upgrade for priority unsealed urban feeder roads; (ii) provide road maintenance training for community-based enterprises; and (iii) support the implementing agency, the Ministry of Public Works and Utilities, in providing efficient project implementation. The additional financing will increase the principal output indicators for the project road network upgrades, i.e., increase the total rehabilitated and upgraded roads to 37.5 kilometers (km) of paved main roads and 8.5 km of unpaved feeder roads.

B. Performance of the Project

2. Overall project performance since effectiveness is satisfactory despite the initial delays caused from a prolonged bidding process for civil works. Since the civil works contract was awarded in March 2013, all major risks have been, and continue to be, effectively managed. The project has been extended three times. The first extension was approved on 24 April 2013 to extend the loan closing date from 30 October 2013 to 30 June 2015, the second extension was approved on 5 May 2015 to extend the loan closing date from 30 June 2015 to 31 August 2016, and the third extension was approved on 26 July 2016 to extend the loan closing date from 31 August 2016 to 28 February 2017 to allow for the completion of the physical works.

3. The current project incurred initial delays that have been managed. The delays were attributed to significant capacity constraints within the executing agency (the Ministry of Finance and Economic Development and the implementing agency, the Ministry of Public Works and Utilities. This led to improvements by the executing agency and implementing agency, such as the establishment of the Kiribati Fiduciary Services Unit within the executing agency. The unit is staffed with a qualified financial manager, project accountants, and a procurement officer, and

¹ On 31 January 2011, the World Bank increased its financing from \$16 million to \$20 million. In addition, the Government of Australia through the PRIF increased its financing from \$4.61 million to \$5.79 million as a result of including an additional 5.0 kilometers (km) of paved road and 2.0 km of unpaved road.

supported by international procurement and financial consultants financed by development partners to provide direct support to project financial management, procurement, and administration. The implementing agency recruited an international project technical advisor to support implementation and ensure adequate project monitoring and evaluation. The project steering committee meets regularly to review the project budget and deal with implementation issues.

4. Since November 2014, the current project has performed well, although it has been hampered at times by extremely wet weather, a result of the El Niño weather pattern that has characterized 2013 to early 2016. As of October 2016, the project was classified as performing well. The performance of the current project has been assessed in the following aspects:²

- (i) **Delivery of expected outputs.**
 - (a) **Output 1.** Output 1 involved the rehabilitation and upgrading of paved and unpaved feeder roads using a single civil works contract. The civil works contract was awarded in February 2013 and commenced in July 2013. Currently there is substantial completion at approximately 96% complete against 97% elapsed time. The current project intended to rehabilitate and upgrade 32.5 km of paved roads and 8.0 km of unpaved feeder roads. Works completed to date include coastal protection works, 35.7 km of pavements (25.4 km asphalt, 2.9 km bitumen seal, 6.8 km concrete, and 0.6 km unsealed) with road safety features, including speed humps, street lighting, raised kerbs, road signage; and 50 km of footpaths. Extreme weather damaged the Betio causeway rock armor, requiring the need for major reconstruction. The Betio causeway pavement works (2.8 km) were thereafter deleted from the project.³ Works remain on track, with all physical works (including those financed by this additional financing) scheduled to be completed by December 2016. The road sector reforms are progressing well with the completion of the road safety action plan and the preparation of draft traffic legislation. The government is in discussions with the Queensland Police Service to provide equipment and training on the use of speed radar guns and breathalyzer units.
 - (b) **Output 2.** The contractor is finalizing contracts for the engagement of community-based subcontractors to perform routine road maintenance during the 2-year defects notification period. The community-based maintenance teams have received training on the use of maintenance manuals. At least two teams will be formally established by 2017. The government has committed to making annual budget allocations to finance the ongoing community-based, performance-based road maintenance contracts when the defects notification period ends in 2018.
 - (c) **Output 3.** The Ministry of Public Works and Utilities recruited a technical advisor to monitor efficient project implementation. In addition, the Kiribati Fiduciary Services Unit provides project coordination and fiduciary and procurement support.
- (ii) **Satisfactory implementation progress.** The World Bank administers the ongoing jointly funded civil works contract. ADB fully administers and finances the

² ADB. 2010. *Additional Financing: Enhancing Development Effectiveness*. Manila (para. 41); ADB. 2011. *Additional Financing. Operations Manual*. OM H5/OP. Manila (para. 3).

³ On 26 July 2016, the government signed a grant agreement with the Government of Japan, through the Japan International Cooperation Agency, for the reconstruction of Nippon causeway project for \$35.8 million. The Road Rehabilitation Project contractor has completed paving of 0.4 km along the western approach of the Betio (Nippon) causeway and carried out repair works to keep the length of the causeway accessible.

contract of the design and supervision consultant. The contract for the design and supervision consultant was awarded on 2 December 2010 for \$2.15 million. As of September 2016, the total contract amount was \$5.76 million due to variations related to additional design inputs, additional construction supervision inputs, and environmental monitoring. The contract for civil works was awarded on 12 February 2013 for A\$48.2 million (then equivalent to \$50.1 million). ADB's original contract to support the overall financing was \$7.59 million; this was revised in May 2015 to \$5.09 million when a reallocation was required to ensure sufficient funds for any further increases in consulting costs (financed 100% by ADB). As of August 2016, ADB had disbursed 86% of loan funds (\$9.72 million) and 100% of grant funds (\$2.4 million).

- (iii) **Satisfactory compliance with safeguard policy requirements.** Compliance with World Bank, ADB, and national safeguard policy requirements and plans is satisfactory, as no major issues have arisen to date.⁴ The Ministry for Environment, Land and Agricultural Development issued the environmental license for civil works in November 2012, and the project's environmental management plan, based on the approved initial environmental examination, is routinely updated and disclosed, most recently in February 2016. The contractor's environmental management plan (revision N) is used to monitor compliance. Environmental monitoring reports are regularly submitted and disclosed. The contractor has manuals and plans covering occupational health and safety, quality assurance, traffic management, and general construction techniques. The contractor's health and safety performance is considered to be in line with international best practice. The contractor also engaged the Kiribati Family Health Association to conduct an HIV/AIDS education campaign for its employees. Resettlement monitoring reports indicate no major issues. The project is compliant with ADB's Safeguard Policy Statement (2009).
- (iv) **Successful management of risks.** The project has successfully managed and mitigated the risks identified during processing and implementation. Regular coordination meetings with the Public Utilities Board and project stakeholders will continue to take place to monitor and address any implementation risks.
- (v) **On track rating.** The project is rated on track and has performed consistently well since November 2014.

5. The current project meets all eligibility criteria for additional financing because (i) the current project remains technically feasible, economically viable, and financially sound; (ii) the government includes the investment as a high priority in the Kiribati Development Plan, 2016–2019;⁵ (iii) the additional financing is consistent with the current project's development objectives; and (iv) the overall project is consistent with ADB's current country partnership strategy.⁶ While the current project has faced challenges, no major change in the design and implementation arrangements was required. The design and implementation problems were fully and satisfactorily solved, and the current project performance has been rated on track since November 2014. The safeguard categorization of the overall project remains unchanged. Additional financing is a suitable modality to make sure that (i) the overall project is successfully completed by the current loan closing date, (ii) the targets and indicators of the design and

⁴ In practice, the cofinanciers entered into a memorandum of understanding dated 5 March 2012, which provides guidance on the cofinanciers' cooperation, coordination, and sharing of information particularly with regard to the review of procurement processes and safeguard requirements to promote mutual agreement on project-related matters.

⁵ Government of Kiribati. 2016. *Kiribati Development Plan, 2016–2019*. South Tarawa.

⁶ ADB. 2016. *Pacific Approach 2016–2020*. Manila.

monitoring framework are successfully achieved, and (iii) the project development objectives are met.

D. Conclusion

6. In accordance with ADB's Operations Manual, the current project is defined as performing well as of October 2016 (footnote 2). The overall implementation progress since effectiveness is satisfactory, and the current project is not facing any major risks that threaten the successful delivery of outputs. The overall project including the proposed second additional financing remains technically, financially, and economically viable. The project continues to remain a strong priority of the government. The additional financing will make funds available for the contractor to complete the additional works. The provision of additional financing is warranted and will enhance the outcome and impact of the current project, as well as ADB's contribution to the development of the transport sector in Kiribati.