

## SUMMARY OF PROJECT PERFORMANCE

### A. Background

1. On 16 November 2016, the ADB approved grant financing of a total of US\$11.8 million (including US\$0.5 million from the Global Environmental Facility) to the Government of Tuvalu for the Outer Island Maritime Infrastructure Project (the original Project). The ADB funding comprises US\$8.3 million from the Asian Development Fund, \$3.0 million Special Funds from the Disaster Response Facility and \$1.5 million of Government counterpart. ADB also provided, in addition to project preparatory technical assistance, a project design advance grant of US\$2 million for the detailed engineering design and procurement assistance and project management for the original Project. The original Project (i) constructs a small-scale harbor in Nukulaelae and rehabilitates boat ramps of Nanumaga and Niutao, (ii) improves the capacity to operate and maintain harbors, and (iii) creates transport sector master plan for future harbor development in the outer islands. The original Project became effective on 30 August 2017 and the grant closing date is 30<sup>th</sup> June 2021.

2. The original Project impact is aligned with a safe and efficient domestic maritime transportation that helps increase climate resilience of community infrastructure, and thereby promote economic and social development that is more inclusive and sustainable. The outcome of the original Project is improved maritime transfer operations in the three outer islands of Nukulaelae, Nanumaga, and Niutao, supported by strengthened government capacity in operation and maintenance, and development of a transport sector master plan, together promoting improved fisheries and tourism.

3. In October 2017, the Government of Tuvalu requested additional financing to the project to scale up activities so that additional benefits can be generated. The request is for: (i) scaling up the project scope to construct a small harbor in Niutao; and (ii) finance possible cost overruns caused by foreign currency exchange rate fluctuation and contract variations for the works contracted under the original Project. Additional financing is consistent with the Country Operations Business Plan (COBP), 2018–2020 (20 million grant from the WB and 10 million grant from ADB).<sup>1</sup>

4. The vision of Tuvalu is defined in the eighth development plan, the National Strategy for Sustainable Development (Te Kakeega III). ADB's operations in the maritime sector of Tuvalu are aligned to the Te Kakeega III, 2016–2020, with a focus on providing efficient, high quality and resilient infrastructure and support services including maritime transport.

### B. Performance of the Project

5. The original Project is performing well in meeting all five standards stipulated in the Operations Manual and based on the following assessment:<sup>2</sup>

- (i) **Delivery of Expected Outputs:** the original Project is on track to meet the proposed outputs of:

---

<sup>1</sup> ADB. 2017. Small Pacific Island Countries: Country Operations Business Plan (2018–2020). Manila.

<sup>2</sup> ADB. 2008. Additional Financing. Operations Manual. OM H5/OP. Manila (para. 3). The five criteria are (i) delivery of expected outputs, (ii) satisfactory implementation progress, (iii) satisfactory compliance with safeguard policy requirements, (iv) successful management of risks, and (v) on-track rating.

- a. The construction contract of the Nukulaelae Workboat Harbour and of boat ramps for Nanumaga and Niutao Islands started in January 2018 in PNG and expected to be completed within the original contract period.
  - b. A maintenance manual is being prepared to keep good conditions of project deliveries and ensure that the islands' harbors will be fully maintained.
  - c. The master plan for future harbor development in the outer islands is being prepared during 2018.
- (ii) **Implementation Progress.** Implementation is progressing as scheduled:
- a. The civil works contract for the construction of the workboat harbor at Nukulaelae was signed with China Civil Engineering Construction Corporation (CCECC) on 22 August 2017. CCECC have commenced construction of elements of the workboat harbor with the pre-casting of concrete sections of wave-walls, blocks and flex-mats at their facility in Lae PNG started at the beginning of February 2018. Works are scheduled for completion within the original contract period.
  - b. The Project Support and Master Planning Consultancy (PSMPC) contract was signed with Cardno Emerging Markets of Australia on 13 September 2017. The PSMPC consultant is providing project management and construction supervision services. Construction documents and plans are being reviewed and approved in a timely fashion. Regarding the remaining outputs:
  - c. The PSMPC is carrying out institutional strengthening to establish sustainable asset management arrangements focusing of maintenance of project deliverables, scheduled to be completed by 31 December 2018.
  - d. The PSMPC is preparing a transport master plan, scheduled to be completed by 31 December 2018.
- (iii) **Satisfactory compliance with safeguard policy requirements.** Safeguard requirements have been met satisfactorily so far. Environmental and social safeguard screening procedures are well established under the original Project and are being applied. The latest Semi-annual Safeguards Monitoring Report (July - December 2017) confirmed the satisfactory compliance with safeguard policy requirements. No issues have been reported since January 2018 and Mid-term review mission is scheduled on September 2018.
- (iv) **Successful management of risks.** Under the original Project the followings risks were identified: (i) poor project implementation capacity; (ii) high climate change risk; (iii) insufficient procurement and financial management capacity; (iv) inadequate provision for operation and maintenance; and (v) fraud and corruption risks as potential impediments to satisfactory project execution. The creation of an effective Project Management Unit (PMU) supported by the PSMCP is successfully managing most of the risks by: (i) establishing effective project management and reporting systems; and (ii) building the capacity of government officials and institutions. In addition, a Climate Risk Vulnerability Assessment (CRVA) has been carried out to address the climate-change risks.
- (v) **On track rating.** The original Project has been rated on track in the project performance

rating since grant effectiveness on 30 August 2017.

6. The Additional Financing: Enhancing Development Effectiveness policy (2010) requires that the project should have been performing well for a reasonable period of time before the approval of additional financing.

### **C. Additional Financing Priority Met**

7. The additional financing has a high degree of readiness since the project is identified, preliminary and detailed designs have been completed (only minor detailed design updates are required), due diligence has been carried out and feasibility established. Implementation capacity is well advanced through PMU's prior experience and similar safeguard requirements are being met under the original Project.

8. The PMU's capacity for project management, implementation support and due diligence, including that for safeguards, built during the original Project, adds to the project readiness. The outputs included under the additional financing build on, and are similar to, the outputs being financed under the current Project.

9. Additional financing priority is met given the high degree of project readiness in such areas as design, implementation capacity, and safeguards.

### **D. Conclusion**

10. The indications are that timely delivery of outputs will lead to the achievement of anticipated project outcomes of improved maritime transfer operations in the three outer islands of Nukulaelae, Nanumaga, and Niutao, strengthened government capacity in operation and maintenance, and development of a Maritime Transport Plan, to promote improved fisheries and tourism.

11. The additional financing to the original Project is then eligible as the project (i) remains technically feasible, economically viable, and financially sound; (ii) is consistent with the project's development objectives of improved maritime transfer operations in the three outer islands of Nukulaelae, Nanumaga, and Niutao; (iii) is accorded high priority by the government of the Te Kakeega III, 2016–2020; and (iv) is consistent with the current ADB's COBP, 2018–2020. A simple business process can also be applied for the additional financing as the project is performing well for a reasonable amount of time.