



## Major Change in Implementation Arrangements

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Project Number: 41105  
Grant Number: 0078  
July 2009

## Solomon Islands: Emergency Assistance Project

**CURRENCY EQUIVALENTS**  
**(as of 18 May 2009)**

Currency Unit	–	Solomon Islands dollars (SI\$)
SI\$1.00	=	\$0.125945
\$1.00	=	SI\$7.94000

**ABBREVIATIONS**

ADB	–	Asian Development Bank
EAP	–	Emergency Assistance Project
EC	–	European Commission

**NOTE**

In this report, "\$" refers to US dollars.

<b>Vice-President</b>	C. Lawrence Greenwood Jr., Operations 2
<b>Director General</b>	S.H. Rahman, Pacific Department, PARD
<b>Regional Director</b>	E. Zhukov, Pacific Liaison and Coordination Office, PARD
<b>Team leader</b>	R. Adhar, Senior Project Implementation Officer, PARD
<b>Team member{s}</b>	C. Png, Counsel, OGC
	A. Petterson, Procurement Specialist, COSO
	B. Pagarigan, Senior Cofinancing Officer, OCO

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## I. INTRODUCTION

1. On 27 June 2007, the Board of Directors of the Asian Development Bank (ADB) approved the Emergency Assistance Project (EAP) to rehabilitate essential infrastructure damaged by the April 2007 earthquake and tsunami in Choiseul and Western provinces of Solomon Islands.<sup>1</sup> The total cost of the EAP was estimated at \$9.75 million, financed by an Asian Development Fund grant of \$4.95 million, European Commission (EC) cofinancing of \$4.00 million equivalent,<sup>2</sup> and a Government counterpart contribution of \$0.80 million equivalent. The EAP was designed to finance the rehabilitation of land and water transport infrastructure (including wharves and jetties) and the Gizo town water supply and sanitation system damaged during the earthquake and tsunami.

2. Detailed assessments and feasibility studies undertaken since the EAP's inception have identified additional rehabilitation works that could be added in the event additional financing became available. The EC has offered additional cofinancing of €3.0 million (\$4.04 million<sup>3</sup>) to expand the scope of the EAP for additional rehabilitation. As the EAP was designed using a sector approach, all proposed subprojects to be financed under the additional cofinancing are expected to meet the approved selection criteria. Implementation of additional subprojects will require an extension of the project completion date and additional person-months of consultancy services for feasibility studies, detail engineering designs, and implementation supervision.

3. When the EAP was approved by the Board, it was envisaged that additional cofinancing might be provided. In light of the need for expediency and efficiency in ADB's response to the earthquake and tsunami, the Board also approved the administration of any cofinanced funds obtained subsequent to the date of Board approval. Administration of such additional cofinanced funds has to be confirmed and reported by Management to the Board in accordance with standard procedures, provided that the proposed additional cofinancing is not anticipated to materially alter or fundamentally affect the overall project purpose. As the proposed €3.0 million additional cofinancing is from the EC, Board approval is required to allow procurement of goods and services from countries eligible for procurement under EC regulations that are not ADB members.<sup>4</sup> This paper seeks this approval.

## II. BACKGROUND AND STATUS OF IMPLEMENTATION

4. The Grant Agreement between the Government of Solomon Islands and ADB was signed on 11 September 2007, became effective on 1 October 2007, and is currently scheduled to close on 31 December 2009. The executing agency for the EAP is the Ministry of Infrastructure Development. The project management and capacity building unit for the Solomon Islands Road Improvement (Sector) Project<sup>5</sup> provides implementation assistance under the direction of a project steering committee. The project management and capacity building unit is fully integrated with the Ministry of Infrastructure Development's professional and technical staff as counterparts. The EAP provided additional technical support because of the

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<sup>1</sup> ADB. 2007. *Report and Recommendation of President to the Board of Directors on a Proposed Asian Development Fund Grant to Solomon Islands for the Emergency Assistance Project*. Manila.

<sup>2</sup> Administered by ADB.

<sup>3</sup> Exchange rate as of 18 May 2009 equates to €1.0 = \$1.34950.

<sup>4</sup> The same approval was provided by the Board for the original \$4.00 million equivalent EC cofinancing at the time of the EAP approval.

<sup>5</sup> ADB. 2006. *Report and Recommendation of the President to the Board of Directors on a Proposed Asian Development Fund Grant to Solomon Islands for the Road Improvement (Sector) Project*. Manila.

volume and schedule of existing activities under the Solomon Islands Road Improvement (Sector) Project and the Ministry of Infrastructure Development's limited number of technical staff. This arrangement has been working satisfactorily.

5. The EAP is a response to the devastating impact of the earthquake and tsunami, and is intended to restore economic and social activities and accessibility in affected areas to pre-disaster levels. This will be achieved by rehabilitating the damaged land and water transport infrastructure, and water supply and sanitation system that will make the infrastructure less vulnerable to climate change and natural hazards. The reinstatement of accessibility in rural areas will also allow a resumption of economic activities and social services, and safeguard public health. In accordance with the ADB *Disaster and Emergency Assistance Policy* (2004) a small portion of the EAP funding was used for quick-disbursing assistance partly to restore connectivity of access roads.

6. Although there was an initial delay in project implementation because factors associated with grant effectiveness, recruitment of consultants, and difficulties with data collection in remote sites, the overall status of project implementation is steady. There are no issues or problems associated with the EAP's development objectives or implementation progress and the EAP is not at risk. It is estimated to be 34% complete. The cumulative contract awards are \$1.66 million (19% of the total grant amount) and cumulative disbursements are \$0.38 million (4% of the total grant amount).<sup>6</sup> Contract awards and disbursement under the EAP have been low primarily because preconstruction activities were initially completed and financed under the technical assistance for Strengthening Capacity Building for Disaster Recovery Planning and Coordination.<sup>7</sup> Under the original scope of EAP, feasibility assessments and detailed engineering designs have been completed for all subprojects. Invitations for bids for wharves and jetties, the Gizo water supply and sanitation subprojects have been placed on ADB's website and bids close on 24 July 2009. A contract has been awarded for Gizo town road, and award of further three more contracts are imminent for Gizo coastal road, Choiseul road and Mono Island bridges. Initial emergency repairs have restored temporary connectivity of roads and bridges as well as water supply. All major contracts for civil works are expected to be awarded from early July 2009.

### **III. THE PROPOSED CHANGES**

#### **A. Increase in Financing for Emergency Assistance Project**

7. Following discussions between the Government, the EC, and ADB, ADB received a request from the executing agency on 12 December 2008 to administer a €3.0 million or \$4.04 million equivalent increase in financing from the EC, and a change in project scope for the rehabilitation of four additional wharves and jetties and expansion of the maintenance and water supply components. A separate memo on the major change in scope will be sent for management approval. The additional works have been approved for inclusion in the EAP by the project steering committee.

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<sup>6</sup> 10 person-months of international consultants and 24 person-months of national consultants to prepare subprojects by completing feasibility studies, detail engineering designs, and tender documents have been covered under the technical assistance attached to the EAP.

<sup>7</sup> Attached to the EAP (footnote 1).

## B. Proposed Use of Additional Financing

8. The additional financing will cover civil works for the rehabilitation of wharves and jetties (wharf and jetty component), which includes supporting improved rural accessibility to four more locations, thus expanding the scope of works (Table 1). As the wharf and jetty component was originally entirely financed from ADB's grant proceeds, the additional EC cofinancing will also allow expansion of other components through reallocation of the proceeds and a major change in scope. The reallocation of proceeds will finance incremental activities in road maintenance, explore additional ground water sources for Gizo water supply to meet the increased demands for water supply, improve the Gizo sanitation system and additional consulting services for project management, implementation supervision, capacity building of national contractors and community education awareness (Table 1 and paras. 10–11). Under the major change in scope, approval of a 10-month extension will be sought to complete the additional works. Implementation of the additional activities will be carried out using existing institutions. Table 1 shows the revised cost estimates and financing plan, including the revised cost of additional water source investigation and design and implementation assistance.

**Table 1: Original and Revised Cost Estimates, Financing Plan and Reallocation of Grant Proceeds**  
(\$ million)

Item	Original Amount				Revised and Reallocated Amount			
	ADB	EC	Govt.	Total	ADB	EC <sup>a</sup>	Govt.	Total
<b>A. Base cost</b>								
1. Civil works								
a. Road rehabilitation	0.00	4.00	0.00	4.00	0.15	4.00	0.00	4.15
b. Wharf and jetty rehabilitation	1.95	0.00	0.20	2.15	0.10	4.04	0.20	4.34
c. Gizo water supply and sanitation	0.91	0.00	0.10	1.01	2.11	0.00	0.10	2.21
d. Road maintenance	0.15	0.00	0.10	0.25	0.35	0.00	0.10	0.45
<b>Subtotal (A1)</b>	<b>3.01</b>	<b>4.00</b>	<b>0.40</b>	<b>7.41</b>	<b>2.71</b>	<b>8.04</b>	<b>0.40</b>	<b>11.15</b>
2. Equipment, vehicles and furniture <sup>a</sup>	<b>0.20</b>	<b>0.00</b>	<b>0.05</b>	<b>0.25</b>	<b>0.00</b>	<b>0.00</b>	<b>0.05</b>	<b>0.05</b>
3. Consulting services <sup>b</sup>								
a. Design and supervision	0.27	0.00	0.07	0.34	0.52	0.00	0.05	0.57
b. Project management	0.26	0.00	0.08	0.34	0.52	0.00	0.05	0.57
<b>Subtotal (A3)</b>	<b>0.53</b>	<b>0.00</b>	<b>0.15</b>	<b>0.68</b>	<b>1.04</b>	<b>0.00</b>	<b>0.10</b>	<b>1.14</b>
<b>Subtotal (A)</b>	<b>3.74</b>	<b>0.00</b>	<b>0.60</b>	<b>8.34</b>	<b>3.75</b>	<b>8.04</b>	<b>0.55</b>	<b>12.34</b>
<b>B. Contingencies</b>								
1. Physical contingencies	0.61	0.00	0.10	0.71	0.60	0.00	0.10	0.70
2. Price contingencies	0.6	0.00	0.10	0.74	0.60	0.00	0.15	0.75
<b>Subtotal (B)</b>	<b>1.21</b>	<b>0.00</b>	<b>0.20</b>	<b>1.41</b>	<b>1.20</b>	<b>0.00</b>	<b>0.25</b>	<b>1.45</b>
<b>Total</b>	<b>4.95</b>	<b>4.00</b>	<b>0.80</b>	<b>9.75</b>	<b>4.95</b>	<b>8.04</b>	<b>0.80</b>	<b>13.79</b>

ADB = Asian Development Bank, EC = European Commission, Govt. = government.

<sup>a</sup> Exchange rate equates to €1 = \$1.34950 as of 18 May 2009.

<sup>b</sup> Includes feasibility studies, detailed engineering design, preparation of bill of quantities, cost estimates, bid documents and technical specifications, capacity building, and community education awareness, project management and implementation supervision.

Source: ADB estimates.

9. All the consultants will be engaged in accordance with the *Guidelines on the Use of Consultants* (2007, as amended from time to time). The selection criteria and the designs of the four additional wharves will remain unchanged to ensure that continuity of better standards and technical specifications are maintained for earthquake and tsunami-resistant wharves.

### **C. Implementing the Proposed Changes**

10. When the EAP was approved by the Board on 27 June 2007, it was envisaged that additional cofinancing might be provided for the EAP and the Board approved the administration of any cofinanced funds obtained subsequent to the date of Board approval. Administration of such additional cofinanced funds was to be confirmed and reported by Management to the Board, provided that the proposed additional cofinancing is not anticipated to materially alter or fundamentally affect the overall project purpose. As the proposed €3.0 million of additional cofinancing is from the EC, prior Board approval to allow procurement of goods and services from countries eligible for procurement under EC regulations that are not ADB members is required.

11. Following Board approval of the expansion of ADB's procurement eligibility, Management will be requested to (i) confirm and approve administration of this additional EC cofinancing for the EAP for the wharf and jetty rehabilitation component; and (ii) approve a change in scope for the EAP (including the reallocation of the existing ADB grant proceeds as set forth in Table 1). The proposed change in scope is not anticipated to materially alter or fundamentally affect the overall project purpose.

## **IV. THE PRESIDENT'S RECOMMENDATION**

12. The President recommends that the Board approve the expansion of procurement eligibility for the wharf and jetty rehabilitation component of the Emergency Assistance Project to allow procurement of goods and services from those countries eligible for procurement under European Commission regulations that are not ADB members as set forth in paragraph 10 of this paper.