



Report and Recommendation of the President to the Board of Directors

Project Number: 48484-005
November 2020

Proposed Grant for Second Additional Financing Tuvalu: Outer Island Maritime Infrastructure Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 9 October 2020)

Currency unit	–	Australian dollar/s (A\$)
A\$1.00	=	\$0.72
\$1.00	=	A\$1.40

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
EMP	–	environmental management plan
MOF	–	Ministry of Finance
MPWIELMD	–	Ministry of Public Works, Infrastructure, Environment, Labor, Meteorology and Disaster
PAM	–	project administration manual
PMU	–	project management unit

NOTE

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

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PROJECT AT A GLANCE

1. Basic Data		Project Number: 48484-005	
Project Name	Outer Island Maritime Infrastructure Project (Second Additional Financing)	Department/Division	PARD/PATC
Country Recipient	Tuvalu Government of Tuvalu	Executing Agency	Ministry of Finance (formerly Ministry of Finance and Economic Development)
Country Economic Indicators Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=48484-005-CEI		
	https://www.adb.org/Documents/LinkedDocs/?id=48484-005-PortAtaGlance		
2. Sector		ADB Financing (\$ million)	
✓ Transport	Water transport (non-urban)		20.00
		Total	20.00
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	0
✓ Accelerating progress in gender equality		Climate Change impact on the Project	High
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability			
✓ Promoting rural development and food security		ADB Financing	
✓ Strengthening governance and institutional capacity		Adaptation (\$ million)	3.10
		Mitigation (\$ million)	0.00
		Cofinancing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.5, 1.a		Effective gender mainstreaming (EGM)	✓
SDG 5.1, 5.a			
SDG 9.4		Poverty Targeting	
SDG 10.2		General Intervention on Poverty	✓
SDG 13.a			
4. Risk Categorization:	Low		
5. Safeguard Categorization	Environment: B Involuntary Resettlement: C Indigenous Peoples: C		
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		20.00	
Sovereign Project grant: Asian Development Fund		20.00	
Cofinancing		0.00	
None		0.00	
Counterpart		2.20	
Government		2.20	
Total		22.20	
Currency of ADB Financing: US Dollar			

TUVALU
**OUTER ISLAND MARITIME
 INFRASTRUCTURE
 PROJECT**
 (second additional financing)



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I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed grant to Tuvalu for the second additional financing of the Outer Island Maritime Infrastructure Project.

2. The ongoing project (original project and first additional financing) is helping Tuvalu overcome domestic maritime connectivity constraints with the construction of small workboat harbors in the outer islands of Nukulaelae and Niutao, rehabilitation of boat ramps in Niutao and Nanumaga, as well as strengthening the government's capacity in operation and maintenance of harbors, and developing a transport sector master plan.¹ The second additional financing will scale up and extend the socioeconomic benefits of the ongoing project by constructing a small workboat harbor in Nui. The additional financing is consistent with the project rationale; will extend socioeconomic benefits to the outer island of Nui; and is included in the country operations business plan, 2020–2022 of the Asian Development Bank (ADB) for the 11 small Pacific island countries.²

II. THE PROJECT

A. Rationale

3. **Regional context.** Tuvalu is categorized as a fragile and conflict-affected situation and is one of the smallest and most remote ADB member countries. The country is home to 11,646 people. Tuvalu is more than 1,100 kilometers from Fiji and more than 3,000 kilometers from Australia or New Zealand. About 60% of the population is based in Funafuti (the capital), with the remaining people spread among eight outer islands. Given its archipelagic nature, the country's economy and people primarily rely on maritime transport to access goods and essential social services. The outer islands, from north to south, are Nanumea, Niutao, Nanumaga, Nui, Vaitupu, Nukufetau, Nukulaelae, and Nuilakita.

4. **Need for harbors in the outer islands.** The government runs a shipping service to facilitate the movement of people and cargo between the islands. However, no outer island has a harbor for the government ships, and small workboats need to ferry people and cargo between the ship and the shore. This is dangerous when the sea is rough, and workboats need to pass through channels that can be too shallow during low tide. Except for Nanumea, Nukufetau, and Vaitupu, no other outer island has a harbor for the workboats. Serious accidents have occurred during passenger transfers and navigation through channels, resulting in fatalities and economic losses.

5. **COVID-19.** Tuvalu has no confirmed case of coronavirus disease (COVID-19) due to an early response and national lockdown, pandemic but Tuvalu's remoteness and limited natural resources expose the country to global economic and health disruptions. Despite the economic impacts of COVID-19, basic infrastructure needs of the country in terms of domestic connectivity remain to be addressed. In addition, the country will require additional investments to consolidate the post-COVID-19 economic recovery.

6. **Original project.** On 16 November 2016, ADB approved a grant for \$11.8 million to finance the Outer Island Maritime Infrastructure Project (the original project), which is

¹ Asian Development Bank (ADB). 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Grants and Administration of Grant to Tuvalu for the Outer Island Maritime Infrastructure Project*. Manila.

² ADB. 2019. *Country Operations Business Plan: 11 Small Pacific Island Countries, 2020–2022*. Manila.

(i) constructing a workboat harbor in Nukulaelae and rehabilitating boat ramps at Nanumaga and Niutao, (ii) improving the capacity to operate and maintain harbors, and (iii) creating a transport sector master plan for future harbor development in the outer islands (footnote 1). Previously, ADB provided a project design advance grant for the detailed engineering design, procurement assistance, and project management.³ The project progressed satisfactorily but incurred cost overruns because of foreign currency exchange rate fluctuation and contract variations for the works contract under the project. In parallel, the government requested ADB continued scaling up of the project outputs and construction of additional workboat harbors.

7. **First additional financing.** The government requested ADB and the World Bank to assist in the construction of further workboat harbors in additional outer islands of Tuvalu. On 13 September 2018, ADB approved additional financing to the original project for \$15.4 million to cover cost overruns of the original project and scale up the project outputs with the construction of a workboat harbor in Niutao.⁴ The World Bank provided parallel cofinancing assistance to construct a workboat harbor in Nanumaga under the Maritime Investment in Climate-Resilient Operations Project.⁵

8. **Summary of Project Performance.** The ongoing project is performing well with contract awards of \$16.5 million (56.5 % of total project amount) and disbursements of \$12.4 million (42.5% of total project amount) as of 7 October 2020. The ongoing project is complying with the financial management covenants and safeguard policy requirements. Project implementation is on track to deliver all expected outputs.⁶ Output 1 included the construction of a small-scale harbor in Nukulaelae and Niutao and rehabilitation of boat ramps in Nanumaga and Niutao. Despite the construction delays caused by the country's remoteness and an environment highly exposed to weather and natural hazards, progress on the civil works under the original project reached 80% in July 2020 with expected completion by the end of 2020. The civil works contract under the first additional financing was awarded in October 2020.

9. The remaining two outputs of the project have been completed satisfactorily. For output 2, an operation and maintenance plan for the maritime infrastructure has been prepared, and training for outer island communities will be delivered after the completion of the small workboat harbor in Nukulaelae. For output 3, a transport sector master plan for future harbor development in the outer islands has been prepared and delivered.

10. Project risks are being successfully managed. The ongoing project incorporated actions to mitigate risks, which the government is implementing satisfactorily, such as maintaining the established project management unit (PMU) to support procurement, financial management, and construction supervision, and incorporating climate change adaptation and disaster reduction measures into the design.

11. The second additional financing is justified, given that the overall project (original project, first additional financing, and proposed second additional financing) is (i) technically feasible, cost-effective, and financially sound; (ii) consistent with the project's impact of safe and efficient

³ ADB. 2016. *Project Design Advance: Outer Island Maritime Infrastructure Project in Tuvalu*. Manila.

⁴ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Grant for Additional Financing to Tuvalu for the Outer Island Maritime Infrastructure Project*. Manila.

⁵ World Bank. 2018. *Maritime Investment in Climate Resilient Operations Project*. Washington, DC.

⁶ The boat ramps in Nanumaga and Niutao to be rehabilitated with ADB assistance are in different locations to the workboat harbor in Nanumaga to be constructed with the World Bank assistance and the workboat harbor in Niutao to be constructed with ADB assistance.

maritime infrastructure in the outer islands; (iii) a high priority of the government; and (iv) consistent with the country operations business plan.

12. **Second additional financing.** The government has requested from ADB a second additional financing to continue scaling up output 1 of the ongoing project by constructing a workboat harbor in the remaining island of Nui, with a population of 610 people (2017). This is highly relevant as, with ADB and World Bank assistance, all of Tuvalu's outer islands except for Nuilakita (with a population of about 30 people) will have a workboat harbor.

13. **Feasibility of second additional financing.** The second additional financing is feasible given that (i) the project management capacity of the government is strengthened with the PMU established under the project design advance facility, which continues to operate for the ongoing project (footnote 3); (ii) the government has demonstrated sufficient financial management capacity with financial statements duly submitted and approved; and (iii) the institutional strengthening plan ensures the asset sustainability. These measures contribute to the feasibility of the project and will allow its timely implementation and sustainability.

14. **Suitability of second additional financing.** The proposed project is suitable for additional financing since the impact remains unchanged. It (i) scales up the original outputs and outcome, extending them to an additional island; (ii) builds upon the due diligence of the ongoing project, with similar environmental and social safeguards impacts; and (iii) brings efficiency gains using the same PMU and implementation arrangements.

15. **Alignment with strategic priorities.** The National Strategy for Sustainable Development, 2016–2020 (Te Kakeega III) sets out the government's vision to make maritime transport more efficient and safe.⁷ Te Kakeega III identifies that the outer islands that are in most need of workboat harbors are Niutao, Nanumaga, Nui, and Nukulaelae. ADB's Strategy 2030 expands the focus on small island developing states to strengthen connectivity, access, and institutional capacity while tackling climate change impacts and disaster risks.⁸ The second additional financing is aligned with the strategic priorities of (i) addressing remaining poverty and reducing inequalities; (ii) accelerating progress in gender equality; (iii) building resilience to disasters and climate change; (iv) promoting rural development via improving connectivity and accessibility of isolated populations; and (v) strengthening governance and institutional capacity.

B. Project Description

16. The impact of the overall project remains unchanged and will be to secure safe and efficient maritime infrastructure in the outer islands, with climate change resilience incorporated in infrastructure design, protocols, and operation. The original outcome of improving maritime transfer operations in Nanumaga, Niutao, and Nukulaelae, anchored on a transport sector master plan, with a view to promoting fisheries and tourism, will be extended to the outer island of Nui.⁹

17. Output 1 of the overall project will be scaled up to include the construction of a small workboat harbor in Nui to higher standards of climate and disaster resilience. The small-scale harbor in Nui will include a wharf, a navigation channel, a boat ramp, a passenger terminal (including a canteen), a transit shed, shoreline reclamation and a crane truck. These facilities will

⁷ Government of Tuvalu. 2016. *Te Kakeega III: National Strategy for Sustainable Development, 2016–2020*. Funafuti.

⁸ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

⁹ The revised design and monitoring framework is in Appendix 1.

provide for safe and efficient transport of people and goods. Outputs 2 and 3 of the ongoing project remain unchanged, with a minor change in the name of the line ministry, which is changed from Ministry of Communications and Transport to Ministry of Transport, Energy and Tourism.

18. **Disaster risk context.** Nui faces significant risk of disasters, including severe tropical cyclones, which occur frequently within the project area. The impacts of extreme weather and sea-level rise are projected to increase in the coming decades because of climate change. Maritime infrastructure plays an essential role in supporting outer island resilience by ensuring the delivery of critical relief following disasters. However, the existing infrastructure is highly vulnerable to disaster impacts. The project will address disaster and climate risk by enhancing the resilience of port infrastructure and improving its functionality during extreme weather events.

19. **COVID-19 in project implementation.** COVID-19 has imposed challenges on the project design, preparation, and implementation. To address the COVID-19 situation, specific provisions in the environmental assessment and environmental management plan (EMP) will be included in the bidding documents and contracts for works under the project, requiring that the contractors implement additional health and safety measures and a training program for prevention of communicable diseases including COVID-19 in coordination with the local health authorities. In addition, procurement will be done electronically so bidders do not need to travel to the country.

C. Value Added by ADB

20. ADB has extensive experience in addressing the needs of, and reducing the challenges faced by, Pacific developing member countries in the maritime transport sector, with ongoing and past support provided to improve maritime infrastructure and services in Fiji, Papua New Guinea, Samoa, Tonga, and Vanuatu. This project will benefit from the lessons in these projects, such as the need to allocate sufficient contingencies given the nature of civil works in complex marine environments, ensure a high level of readiness, and ensure the appropriate scheduling of civil works to avoid cyclone seasons.

21. ADB has also gained valuable experience during the implementation of the ongoing project. Lessons in project management and procurement will be applied for the implementation of the second additional financing, such as the need to mitigate against delays in mobilization with the provision of advanced payment upon mobilization to site; the convenience of using electronic procurement; and the need to achieve early involvement of the contractor to improve the design, facilitate construction, and increase market interest.

D. Summary Cost Estimates and Financing Plan

22. The second additional financing is estimated to cost \$22.2 million and the overall project (original project, first additional financing, and the proposed second additional financing) is estimated to cost \$52.4 million (Table 1).

Table 1: Summary Cost Estimates
(\$ million)

Item	Current Amount ^a	Additional Financing ^b	Total
A. Base Cost^c			
1. Output 1: Small-scale maritime infrastructure	24.2	18.7	42.9
2. Output 2: Institutional strengthening	0.5	0.0	0.5
3. Output 3: Marine transport master plan	0.8	0.0	0.8
Subtotal (A)	25.5	18.7	44.2
B. Contingencies^d	4.7	3.5	8.2
Total (A+B)	30.2	22.2	52.4

^a Refers to the original financing and first additional financing. Includes taxes and duties of \$2.8 million financed from government resources. The government financed all taxes and duties through exemption.

^b Includes taxes and duties of \$2.0 million. The government is expected to finance all taxes and duties through exemption.

^c In mid-2020 prices as of June 2020.

^d The current amount is based on actual costs. For additional financing, physical contingencies are computed at 7% for civil works and 7% for consulting services. Price contingencies are computed at 4% on foreign exchange costs and 5% on local currency costs under the assumption of a purchasing power parity exchange rate.

Source: Asian Development Bank estimates.

23. The government has requested a grant not exceeding \$20 million from ADB's Special Funds resources (Asian Development Fund) to help finance the project. This amount includes \$1.48 million in grant resources from the disaster risk reduction financing mechanism under the 12th replenishment of the Asian Development Fund. The summary financing plan is in Table 2. ADB will finance the expenditures in relation to civil works, consulting services for construction supervision, and individual consultants of the PMU, in parallel with ongoing project activities under the original project and the first additional financing.

Table 2: Summary Financing Plan

Source	Current ^a		Additional Financing		Total	
	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)
Asian Development Bank Special Funds resources (Asian Development Fund grant)	26.7	88.4	20.0	90.3	46.7	89.2
Global Environment Facility (grant) ^b	0.5	1.7	0.0	0.0	0.5	1.0
Government of Tuvalu	3.0	9.9	2.2	9.7	5.2	9.8
Total	30.2	100.0	22.2	100.0	52.4	100.0

^a Refers to the original financing and first additional financing.

^b Administered by the Asian Development Bank.

Source: Asian Development Bank estimates.

24. For the second additional financing, climate adaptation is estimated to cost \$3.1 million. ADB will finance 100% of the adaptation costs. Climate change adaptation activities include coastal protection measures and allowances in the maritime structures and foundations for the future rise of sea levels in the harbor. Raising the harbor levels to accommodate high sea-level rise projections would reduce the harbor's usability as the wharf will be too high for the transfer of people and goods according to the current tidal conditions. The cost of disaster risk reduction measures to enhance the disaster resilience of the harbor is \$2.0 million and includes land-side

infrastructure improvements and coastal protection measures to withstand the impacts of disasters, mainly cyclones.¹⁰

25. Detailed cost estimates by expenditure category and by financier are included in the project administration manual (PAM).¹¹ The civil works for the harbor represent the major expenditure under the project.

E. Implementation Arrangements

26. **Project management arrangements.** The Ministry of Finance (MOF) will be the executing agency and the Ministry of Public Works, Infrastructure, Environment, Labor, Meteorology and Disaster (MPWIELMD) will be the implementing agency for the second additional financing. At the request of the government, the Ministry of Communications and Transport, acting as the executing agency and implementing agency for the ongoing project, will be replaced by the MOF as the executing agency and by the MPWIELMD as the implementing agency. The National Infrastructure Steering Committee, jointly chaired by the ministers of the MOF and MPWIELMD, will provide oversight to the overall project. The established PMU will continue supporting the government and will be transferred to the MPWIELMD.

27. **Consulting services and procurement.** Procurement and recruitment of all consultants will follow the ADB Procurement Policy (2017, as amended from time to time), the Procurement Regulations for ADB Borrowers (2017, as amended from time to time), and associated staff instructions. Retroactive financing and advance contracting will be used to accelerate the recruitment of consultants. The government has been advised that approval of advance contracting does not commit ADB to finance the project.

28. The project will achieve the best value for money through optimal procurement arrangements by (i) using e-procurement to lower the transaction cost and enhance efficiency and transparency, (ii) attracting international contracting firms to deliver high-quality civil works under a single package (\$14 million) following open competitive bidding with international advertisement, and (iii) recruiting an international consulting firm using quality- and cost-based selection to ensure high-quality construction supervision services.

29. The government requested ADB's procurement implementation support for recruitment of consultants for the project. A delegation matrix outlining the responsibilities of the government and ADB for consultant selection has been signed by the MOF, MPWIELMD, and ADB. ADB will support the recruitment process, including the advertisement, tender, and evaluation stages. The government will remain responsible for selecting, negotiating, and signing the consulting contracts.

30. The implementation arrangements are summarized in Table 3 and described in detail in the PAM (footnote 11).

Table 3: Implementation Arrangements

Aspects	Arrangements
Implementation period	December 2020–December 2025
Estimated completion date	31 December 2025
Estimated grant closing date	30 June 2026
Management	

¹⁰ Details are in the Climate Change Assessment (accessible from the list of linked documents in Appendix 2).

¹¹ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

Aspects	Arrangements		
(i) Oversight body	National Infrastructure Steering Committee MOF and MPWIELMD (co-chairs) Ministry of Transport, Energy and Tourism; Ministry of Local Government; Department of Public Works; Department of Marine Services; Department of Environment (members)		
(ii) Executing agency	MOF		
(iii) Key implementing agencies	MPWIELMD		
(iv) Implementation unit	Project management unit, 3 staff		
Procurement	Open competitive bidding (internationally advertised)	1 contract	\$14,000,000
Consulting services	Direct contracting	3 contracts	\$500,000
	Quality- and cost-based selection	2 contracts	\$2,250,000
Advance contracting	Main civil works and construction supervision consulting services packages		
Retroactive financing	Consulting services packages for project management of ship replacement. Expenditures must be incurred not more than 12 months before signing of the second additional financing agreement and not to exceed 20% of the grant amount.		
Disbursement	The grant proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2017, as amended from time to time) and detailed arrangements agreed between the government and ADB.		

ADB = Asian Development Bank; MOF = Ministry of Finance; MPWIELMD = Ministry of Public Works, Infrastructure, Environment, Labor, Meteorology and Disaster.

Source: Asian Development Bank.

III. DUE DILIGENCE

A. Technical

31. The project includes the construction of a workboat harbor in Nui, including a navigation channel, a boat ramp, a passenger terminal, a cargo shed, and shoreline reclamation. The project follows a similar and consistent approach to the original project and is technically feasible. All facilities are designed following Australian and New Zealand technical standards with a design life of 50 years. Climate change and potential disaster risk impacts, such as a predicted sea-level rise, an increase in wave height, and an increase in the intensity and frequency of tropical cyclones and other risks from extreme weather events, have been analyzed under the climate risk vulnerability assessment and are reflected in the preliminary and detailed design to address the climate change and disaster risks. The adaptation and disaster risk reduction measures recommended for incorporation in the designs concern the marine structures, boat ramp, channel, and onshore facilities. The facilities also include features to minimize and/or reduce erosion and siltation. Concrete structures do not require significant maintenance.

B. Economic and Financial Viability

32. The project will provide faster and safer navigation for passengers and cargo to Nui island, allowing for time savings by passengers and savings in vessel waiting times with reduced cargo transfer times. The savings are valued at \$181,000 annually. In addition to these direct benefits, there are several unquantified benefits, such as improved safety of passengers while travelling through the channel and at embarkation and disembarkation points, reduced damage to cargo, and overall saving in the time the ship takes to go around, thus benefiting all outer islands and

providing the people with positive benefits associated with improved access. The assessment determined that the proposed boat harbor at Nui is the least-cost option in reducing travel times and vessel operating costs.

C. Sustainability

33. ADB assessed the government's capacity to sustain project outputs and shipping services as *adequate*. This is not a revenue-generating project, and passenger and cargo revenues will not cover the maintenance of the shipping service, including the project facilities. However, the government has been satisfactorily maintaining the ships, which to date have operated safely. The major incremental maintenance cost associated with the project will be maintenance dredging of a new channel after every major tropical cyclone, which have been occurring about every 10 years. The analysis showed that the government has sufficient revenues and budgetary allocations for such major maintenance activity, estimated at A\$100,000 per year, and other maintenance requirements.

34. The government created the Deferred Maintenance Fund in 2015 to transfer funds annually to the Tuvalu Development Fund for long-term maintenance of government assets, guided by an approved maintenance policy. The deferred maintenance fund is an expenditure item used by a ministry to request budget allocation for repair and maintenance. Coupled with planned institutional strengthening activities and the training in basic and routine maintenance for the outer island communities after the completion of the harbors, the second additional financing is financially sustainable.

D. Governance

35. **Financial management.** A financial management assessment following ADB's financial management guidelines was conducted for the MOF as the executing agency and the MPWIELMD as the implementing agency of the project. The financial management capacity of the MOF and MPWIELMD were considered adequate. The MOF is also the executing agency of two other ADB-funded ongoing projects that are performing well, and the PMU for the ongoing project, established in 2015, will be transferred to the MPWIELMD. The overall assessed pre-mitigation financial management risk is *moderate* with weakness highlighted under the internal audit function that needs to be extended to other government offices.

36. **Procurement risk assessment.** ADB completed a project procurement risk assessment for the executing agency and implementing agency proposed for the project. Overall, the procurement risk is *moderate*. The government and ADB have learned several lessons from the procurement activities undertaken under the ongoing project. Procurement risk will remain *moderate* only with continued support of international consultants. ADB staff will oversee procurement activities under the project to ensure good governance.

37. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government, the MOF, and the MPWIELMD. The specific policy requirements and supplementary measures are described in the PAM (footnote 11).

E. Poverty, Social, and Gender

38. **Poverty and social.** The improvement in maritime infrastructure and operations in Nui will enhance access to essential services and economic opportunities for this outer island community. The workboat harbor will facilitate improved and safer access to interisland transport, including

safer access for people with limited mobility, such as pregnant women, the elderly, young children, and the disabled, as well as increase the range of services available and accessible to Nui residents because of the upgraded docking capabilities. The project will create jobs during construction and the contractor will be required to employ and train local men and women. The workboat harbor will improve access to basic services and emergency support during times of disasters triggered by natural hazards and climate events.

39. **Gender equality.** The project is classified as effective gender mainstreaming and additional gender measures will be added to the overall project gender action plan. Proactive gender measures include targets for women working in construction (in both technical and nontechnical roles); support to women to work in nontraditional jobs; gender and gender-based violence training and awareness raising for contractors and communities; ensuring infrastructure is safe and accessible for women and vulnerable groups; and income-generating opportunities for women, e.g., areas for women to sell food and/or handicrafts in the terminal.

F. Safeguards

40. In compliance with ADB's Safeguard Policy Statement (2009), the project's safeguard categories¹² are as follows.

41. **Environment (category B).** The categorization of the second additional financing is aligned with the ongoing project. A number of alternative locations for the harbor, land-side facilities, and reclamation have been considered and the proposed option provides the most suitable from an environmental perspective (coastal processes, i.e., littoral drift, sand transportation, wave climate, and marine ecology) and social perspective (access, minimization of land requirements). The impacts of the Nui workboat harbor are site-specific, limited to the footprint of the small-scale harbor (including extending and widening the existing channel) and associated land-side facilities on Nui, and can be mitigated and managed to acceptable levels provided the measures identified in the initial environmental examination and EMP are implemented and subsequently monitored and reported on. The Department of Environment has adequate capacity to monitor the project with the PMU's support. The PAM sets out the detailed procedures for implementation in compliance with ADB's Safeguard Policy Statement and country safeguards system, including developing the construction EMP based on the project EMP and detailing and reflecting the contractor's methodology and approach to the main construction elements, risk assessment, and mitigation measures.¹³

42. **Involuntary resettlement (category C).** The construction of a small workboat harbor in Nui will not result in involuntary land acquisition or physical or economic displacement. The Nui project's main components will be located on reclaimed and foreshore land recognized as crown land within Tuvalu laws. An estimated 1.96 hectares will be leased for about 3 years for access roads and a construction-related area, and there will be impacts on privately owned trees within these leased areas. Alternatives to the designs will be developed if the landowners do not provide their consent and agree to compensation for affected trees. There may be long-term leases arranged for some minor associated facilities, and the government may transfer leases for the access road to long-term leases if the landowners consent. A due diligence report has been prepared and outlines the requirement for a third-party verifier to monitor the lease agreement

¹² ADB. [Safeguard Categories](#).

¹³ This will include a health and safety plan aligned with World Health Organization. 2020. Considerations for public health and social measures in the workplace in the context of COVID-19. <https://www.who.int/publications-detail/considerations-for-public-health-and-social-measures-in-the-workplace-in-the-context-of-covid-19>.

process. The due diligence report and initial environmental examination include a grievance redress mechanism for the Nui project, which incorporates local processes for resolving grievances regarding land matters.

43. **Indigenous peoples (category C).** The additional financing project will not impact on any distinct and vulnerable group of indigenous peoples as defined under ADB's Safeguard Policy Statement. The majority (94%) of the population of Tuvalu (11,646) is Polynesian, with the island atoll of Nui having a population of 610 (2017). Group identification is based on a person's island of origin and family circle, which is deemed according to one's kinship affiliations. There are three family circles in Nui. None are considered distinct and vulnerable indigenous peoples (as defined in ADB's Safeguard Policy Statement). Activities under the second additional financing project will be implemented in a culturally appropriate and participatory manner.

G. Summary of Risk Assessment and Risk Management Plan

44. Significant risks and mitigating measures are summarized in Table 4 and described in detail in the risk assessment and risk management plan.¹⁴

Table 4: Summary of Risks and Mitigating Measures

Risks	Mitigation Measures
The limited number of government staff have insufficient experience in implementing large investment projects.	The project management and construction supervision consultant and the project management unit will continue assisting the government in implementing the project, which, despite inherent difficulties (complex marine works in remote locations), has been performing well.
All bids on the works contract are substantially higher than the cost estimate.	Electronic procurement will be used. The use of a drone to film the project site will be used to provide better information and attract more bidders. Geotechnical information will reduce construction uncertainties and bidding prices.
Climate risk screening shows a high climate change risk for the project.	A climate risk vulnerability assessment has been undertaken, and climate risks were factored into the preliminary design and also inform the detailed design of the harbor and related facilities, construction standards, and the harbor operation and maintenance arrangements.
Procurement capacity of the implementing agency is insufficient.	Procurement under the ongoing project has been successful, but the construction supervision consultant and the Asian Development Bank will need to continue providing procurement support to the implementing agency.
Lack of internal audit function during project implementation	The Internal Audit Department of the Ministry of Finance will provide support during project implementation. Department staff will also receive training on Asian Development Bank disbursements and financial management.
The outbreak of coronavirus disease may delay project implementation.	Such risk is uncertain and outside the project's control. When possible, videoconference meetings will be arranged to support project procurement and implementation.

Source: Asian Development Bank.

IV. ASSURANCES

45. The government and MOF have assured ADB that implementation of the project shall conform to all applicable ADB requirements, including those concerning anticorruption measures,

¹⁴ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

safeguards, gender, procurement, consulting services, financial management, and disbursement, as described in detail in the PAM (footnote 11) and grant documents.

46. The government and MOF have agreed with ADB on certain covenants for the project, which are set forth in the draft grant agreement.

V. RECOMMENDATION

47. I am satisfied that the proposed grant would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the grant not exceeding \$20,000,000 to Tuvalu from ADB's Special Funds resources (Asian Development Fund) for the second additional financing of the Outer Island Maritime Infrastructure Project, on terms and conditions that are substantially in accordance with those set forth in the draft grant agreement presented to the Board.

Masatsugu Asakawa
President

9 November 2020

REVISED DESIGN AND MONITORING FRAMEWORK

Impact the Project is Aligned with			
Safe and efficient domestic maritime transportation that helps increase climate resilience of community infrastructure ^a			
Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
<p>Outcome</p> <p>Maritime transfer operations in Nanumaga, <u>Nui</u>, Niutao, and Nukulaelae improved, anchored on a transport master plan, with a view to promoting fisheries and tourism</p>	<p>By 2025:</p> <p>a. Transfer efficiency, defined as transferred volume of passengers and cargo divided by the dwell time in Niutao and Nukulaelae, improved by 20% (2013–2015 baseline: 1.59 cubic meters per hour on average for Nukulaelae)</p> <p>b. The total number of passengers travelling to and from <u>Nui</u>, Niutao, and Nukulaelae increased (<u>Nui baseline: 625 passengers in 2018</u>; Niutao baseline: 1,175 passengers in 2017; Nukulaelae baseline: 445 passengers in 2015)</p>	<p>a.–b. Annual report of the <u>MCT MTET's</u> Marine and Port Department</p>	<p><u>A decrease in population may affect the number of passengers.</u></p>
<p>Outputs</p> <p>Output 1</p> <p>1. Small-scale harbors constructed in <u>Nui</u>, Niutao, and Nukulaelae, and boat ramps in Nanumaga and Niutao rehabilitated</p> <p>Output 2</p> <p>2. Capacity to operate and maintain harbors improved, involving the outer island communities, the <u>MCT MTET</u>, and other national government agencies</p>	<p>By 2025:</p> <p>1a. Small-scale harbors in <u>Nui</u>, Niutao, and Nukulaelae constructed, including dredged channel and boat basin, trestle, boat ramp, and boat parking area (2016 baseline: 0)</p> <p>1b. A transit shed, a passenger terminal friendly to women (e.g., priority seating for elderly and pregnant women), and a crane truck provided in <u>Nui</u>, Niutao, and Nukulaelae (2016 baseline: 0)</p> <p>1c. Boat ramps in Nanumaga and Niutao improved (2016 baseline: 0)</p> <p>1d. Design friendly to women incorporated in facilities, e.g., handrail on the jetty or a trading stall, multipurpose room with first aid facilities, life buoy provided to increase the safety of transfers, appropriate lighting and safety and security measures installed at the harbor facility (<u>2016 baseline: 0</u>)</p> <p>1e. Canteen constructed inside the passenger terminal managed by women's groups in <u>Nui</u> and Niutao (<u>2018 baseline: 0</u>)</p> <p>2a. Operation and maintenance plan for maritime infrastructure prepared and training implemented for the outer island communities, the <u>MCT's MTET</u>, and other national government agencies (2016 baseline: 0)</p> <p>2b. At least one operation and maintenance training will be conducted for island communities, including the <i>Kaupule</i> (local government council) officer-in-charge and</p>	<p>1a.–d. Quarterly project progress report</p> <p>1a.–e. Project design and quarterly project progress report</p> <p>2a.–b. Quarterly project progress report</p>	<p>The limited number of government staff have insufficient experience in implementing large investment projects.</p> <p>Procurement capacity is insufficient.</p> <p>The lowest bid on the works contract is substantially higher than the cost estimate.</p> <p>The government's financial management capacity is limited.</p> <p>High turnover of government staff who received training</p>

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
<p>Output 3 3. A transport sector master plan for future harbor development in the outer islands created, with a view to promoting fisheries and tourism</p>	<p>with at least 20% participation of female representatives (<u>2016 baseline: 0</u>)</p> <p>3a. A master plan for the transport sector with a view to promote fishery and tourism developed (<u>2016 baseline: 0</u>)</p> <p>3b. Feasibility study for developing a small-scale harbor in Nanumaga, <u>Nui</u>, and Niutao prepared (<u>2016 baseline: 0</u>)</p> <p>3c. Prefeasibility study prepared for developing a harbor that can accommodate government ships in the outer islands (<u>2016 baseline: 0</u>)</p> <p>3d. All community and public consultations will feature at least 20% female participation (<u>2016 baseline: Not applicable</u>)</p>	<p>3a.–d. Quarterly project progress report</p>	<p>Stakeholders fail to reach a consensus on the direction or priority of development.</p>
<p>Key Activities with Milestones</p> <p>1. Small-scale harbors constructed in Nui, Niutao, and Nukulaelae, and boat ramps in Nanumaga and Niutao rehabilitated</p> <p>1.1 Procurement of works in Nanumaga and Nukulaelae conducted during January–May 2017, under project design advance (completed); procurement of works for Niutao harbor conducted during January–<u>May 2020</u> (completion date change); and procurement of works for Nui harbor to be conducted during July–December 2020 (<u>added</u>)</p> <p>1.2 Small-scale harbor constructed in Nukulaelae, and boat ramps in Nanumaga and Niutao rehabilitated during June 2017–December 2020 (unchanged)</p> <p>1.3 Niutao harbor and Nukulaelae passenger terminal constructed during March 2020–December 2022 (unchanged)</p> <p>1.4 <u>Small-scale harbor constructed in Nui during April 2021–December 2025 (added)</u></p> <p>2. Capacity to operate and maintain harbors improved</p> <p>2.1 Consultant recruitment for Nukulaelae and maritime transport plan conducted during October 2016–February 2017 (<u>completed</u>)</p> <p>2.2 Consulting services for institutional strengthening engaged during June 2017–December 2020 (<u>completed</u>)</p> <p>3. A transport sector master plan for future harbor development in the outer islands created</p> <p>3.1 Consultants recruited during October 2016–February 2017 (<u>completed</u>)</p> <p>3.2 Consultant services for preparing a transport sector master plan engaged during June 2017–December 2020 (<u>completed</u>)</p>			
<p>Inputs Asian Development Bank: \$46.7 million (\$20.0 million additional) Global Environment Facility: \$0.5 million (\$0.0 million additional) Government of Tuvalu: \$5.2 million (\$2.2 million additional)</p>			

MTET = Ministry of Transport, Energy and Tourism.

^a Defined by project.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=48484-005-2>

1. Grant Agreement
2. Approved Report and Recommendation of the President to the Board of Directors: Outer Island Maritime Infrastructure Project
3. Approved Report and Recommendation of the President to the Board of Directors: Outer Island Maritime Infrastructure Project (Additional Financing)
4. Sector Assessment (Summary): Transport
5. Project Administration Manual
6. Contribution to Strategy 2030 Operational Priorities
7. Economic and Financial Analysis
8. Summary Poverty Reduction and Social Strategy
9. Risk Assessment and Risk Management Plan
10. Climate Change Assessment
11. Gender Action Plan: Overall Project
12. Initial Environmental Examination: Nui Workboat Harbor
13. Financial Management Assessment

Supplementary Documents

14. Summary of Project Performance
15. Social Due Diligence Report: Nui Workboat Harbor
16. Communication and Participation Plan
17. Procurement Risk Assessment