



Report and Recommendation of the President to the Board of Directors

Project Number: 53043-001
June 2020

Proposed Grant Republic of Kiribati: Outer Islands Transport Infrastructure Investment Project

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CURRENCY EQUIVALENTS

(as of 25 May 2020)

Currency unit	–	Australian dollar (A\$)
A\$1.00	=	\$0.653
\$1.00	=	A\$1.529

ABBREVIATIONS

ADB	–	Asian Development Bank
ATON	–	aid to navigation
ESIA	–	environmental and social impact assessment
ESMP	–	environmental and social management plan
GBV	–	gender-based violence
KFSU	–	Kiribati Fiduciary Services Unit
MFED	–	Ministry of Finance and Economic Development
MICTTD	–	Ministry of Information, Communication, Transport and Tourism Development
MISE	–	Ministry of Infrastructure and Sustainable Energy
OIIU	–	outer islands implementation unit
PAM	–	project administration manual

NOTE

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

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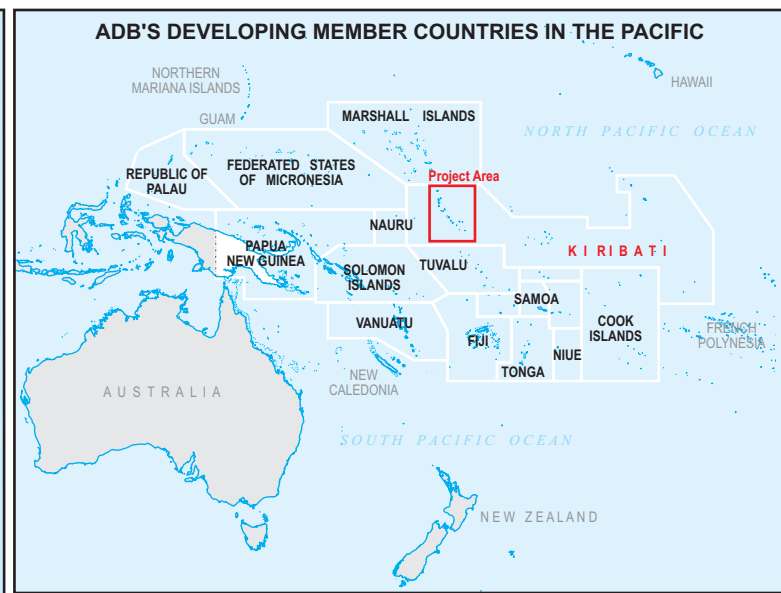
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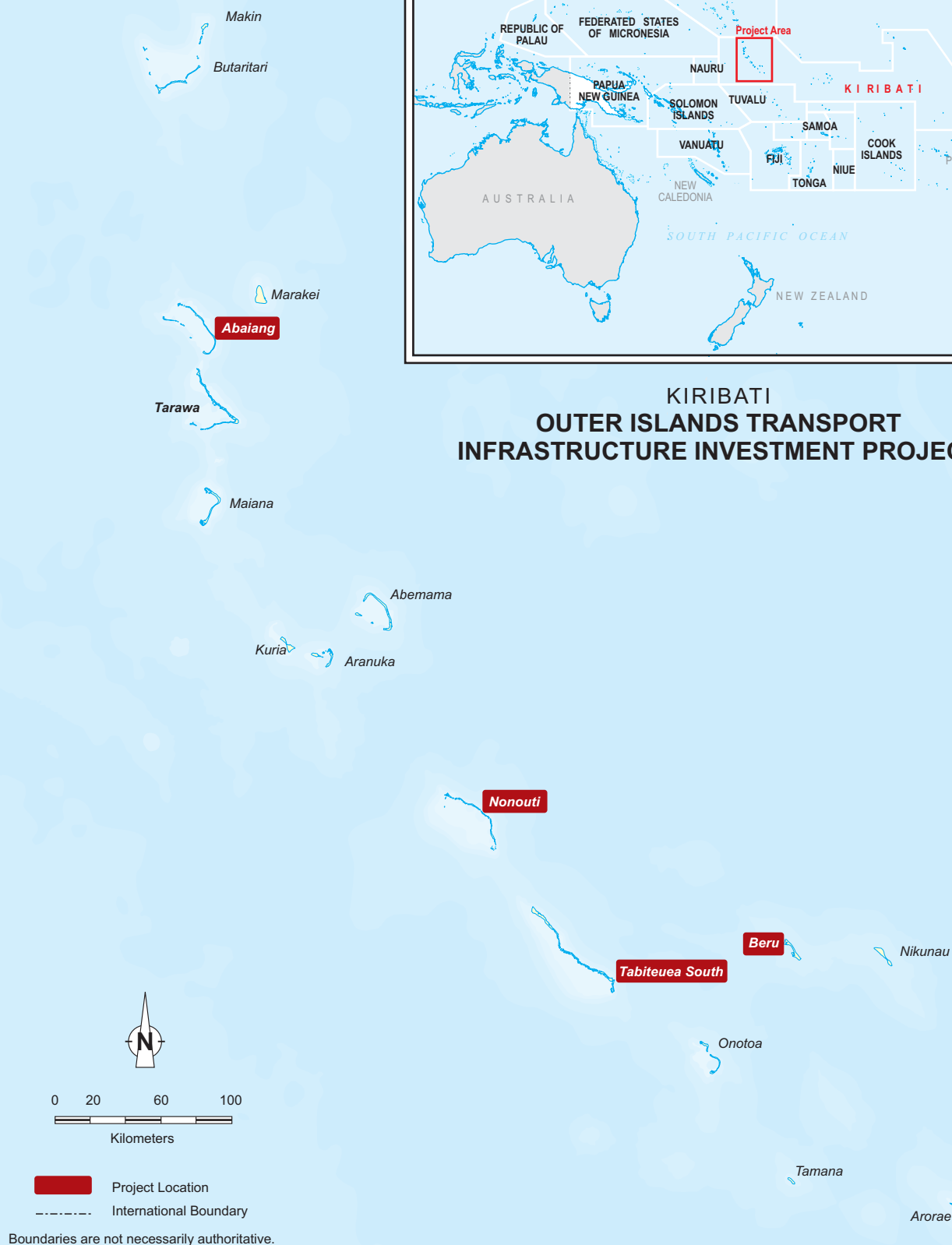
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PROJECT AT A GLANCE

1. Basic Data		Project Number: 53043-001	
Project Name	Outer Islands Transport Infrastructure Investment Project	Department/Division	PARD/PATC
Country	Kiribati	Executing Agency	Ministry of Finance and Economic Development
Recipient	Government of Kiribati		
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=53043-001-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=53043-001-PortAtaGlance		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Transport	Transport policies and institutional development		1.99
	Water transport (non-urban)		10.01
		Total	12.00
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		Climate Change impact on the Project	Medium
✓ Accelerating progress in gender equality			
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		ADB Financing	
✓ Strengthening governance and institutional capacity		Adaptation (\$ million)	4.35
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.5		Effective gender mainstreaming (EGM)	✓
SDG 5.1			
SDG 9.1, 9.4		Poverty Targeting	
SDG 10.2		General Intervention on Poverty	✓
SDG 12.2			
SDG 13.a			
4. Risk Categorization:		Low	
5. Safeguard Categorization		Environment: B Involuntary Resettlement: B Indigenous Peoples: C	
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		12.00	
Sovereign Project grant: Asian Development Fund		12.00	
Cofinancing		30.00	
World Bank - Project grant (Not ADB Administered)		30.00	
Counterpart		0.00	
None		0.00	
Total		42.00	
Currency of ADB Financing: US Dollar			



KIRIBATI OUTER ISLANDS TRANSPORT INFRASTRUCTURE INVESTMENT PROJECT



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I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed grant to the Republic of Kiribati for the Outer Islands Transport Infrastructure Investment Project.

2. The project will improve the safety and resilience of transport connectivity in the following outer islands in the Kiribati's Gilbert Group of islands: Abaiang, Beru, Nonouti, and Tabiteuea South.¹ The project will (i) improve the safety of interisland navigation by conducting hydrographic surveys and producing nautical charts; (ii) improve the resilience of outer island access infrastructure by providing ship-to-shore navigation aids; building a jetty, boat ramps, shelters, and multipurpose maritime facilities; and rehabilitating island-crossing causeways; and (iii) strengthen the enabling environment for sustainability by providing technical support and training to help build greater institutional capacity to design, implement, and maintain transport sector investments, including contingency planning, extreme weather maritime management, and resilient operational and maintenance practices. The overall objective is to support the country's development goals in improving access to economic opportunities and social services, particularly for those living in the outer islands.

II. THE PROJECT

A. Rationale

3. **Country context.** Kiribati is one of the most remote and geographically dispersed countries in the world. It has 33 small islands spread across 3.5 million square kilometers of ocean. About 55% of Kiribati's total population of 115,847 live in the main island of Tarawa, which includes the capital, South Tarawa; the remaining inhabitants are spread across the outer islands.² These are low-lying atolls that are highly exposed to the effects of climate change, including sea level rise and more intense rainfall and wind from tropical cyclones.³ Access to goods and services in the outer islands is limited. Many inhabitants are moving to the more urban capital, which provides jobs, access to higher education, and specialized social services.

4. Safe and resilient transport infrastructure is essential for connecting Kiribati's population to economic opportunities and social services, particularly for those living in the outer islands. Such infrastructure is also key to achieving the government's objective to stop migration from the outer islands to Tarawa, which is already overcrowded and congested.⁴ Stopping migration requires substantive improvements in (i) the safety of interisland maritime navigation; (ii) the resilience of outer island access infrastructure; and (iii) the institutional capacity of key government agencies: the Ministry of Information, Communication, Transport and Tourism Development (MICTTD); and the Ministry of Infrastructure and Sustainable Energy (MISE).

5. **Transport sector challenges.** The safety of interisland maritime navigation is a major concern because of the lack of nautical charts, which are necessary for safe navigation and for prevention of vessel groundings that can result in fatalities and pollution. The government does not have the resources or expertise to carry out the hydrographic surveys required to produce nautical charts. The hydrographic surveys provide essential information to plan and develop maritime infrastructure, such as the configuration of the seafloor, water depths, and the location of

¹ Kiribati is made up of three island groups: the Gilbert Group, which includes the main island of Tarawa and the capital, South Tarawa; the Phoenix Group; and the Line Group.

² World Bank Open Data. [Kiribati](#) (accessed 7 January 2020).

³ An atoll is a ring-shaped coral reef with a coral rim that encircles a lagoon partially or completely.

⁴ Government of Kiribati. 2015. *Kiribati Development Plan 2016–19*. Tarawa.

aids to navigation (ATON), which are markers to guide vessels. The lack of hydrographic surveys constrains the development of the outer islands. It restrains private sector investments and tourism industry, disrupts shipping of copra to markets, and causes long periods for resupply of basic goods.

6. Outer island access infrastructure is inadequate and lacks resilience in several key aspects. ATONs are not designed to withstand harsh conditions. Many need replacement and some are completely missing. The outer islands lack ship-to-shore berthing infrastructure such as boat ramps and jetties, and passengers often must wade through several hundred meters of water to reach land. Such passage is particularly dangerous for children and the elderly. Degraded island-crossing causeways hinder connectivity and lack climate-resilient features such as proper drainage and erosion control.

7. The key government agencies have inadequate institutional capacity for sustainable development and maintenance of transport infrastructure in the outer islands. The MICTTD's Marine Division regulates domestic and international shipping, provides ATONs, and conducts search-and-rescue operations. The MISE's Civil Engineering Division handles land transport infrastructure development and maintenance and coastal protection. Both divisions are under-resourced and lack capacity. There is no systematic approach to maritime sector development, such as an overall road map and medium- and long-term investment plans.

8. **Climate change and disaster resilience.** An atoll nation, Kiribati is low-lying and highly vulnerable to climate change and disaster risks. Climatic conditions and the impacts of wind and waves have contributed to the growing strain on shipping operations. In particular, improved maritime infrastructure must account for the seasonal wave climate. Since 2008, several severe events have impacted Kiribati, including two major ferry accidents caused by rough seas (2009 and 2018); tropical cyclones (2015 and 2016); extreme tides (2010, 2014, and 2015); and large swells because of strong winds (2008). Climate change could worsen the wave climate. Safety is a concern during the northern trade wind season (December–March), when waves are higher and last longer than in other months. Aside from safety concerns, surface wind-generated waves can impact maritime infrastructure in many ways, including through coastal flooding during storm wave events, coastal erosion because of episodic storm events and long-term changes in integrated wave climate, and reef morphology.

9. The Asian Development Bank (ADB) has conducted an initial disaster and climate risk assessment, which highlights the project's intent to mitigate disaster and climate change risks.⁵ Following the hydrographic surveys (para. 16), ADB will develop a more detailed assessment and a detailed design of maritime infrastructure to ensure that project disaster risks are fully assessed, disaster risk reduction measures identified and costed, and best practices in building climate and disaster resilience reflected in the final design.

10. **Coronavirus disease (COVID-19) impacts.** Currently, Kiribati has no confirmed case of COVID-19. The project will ensure that contractors are prepared to mitigate potential COVID-19-related risks associated with the movement of labor, materials, and equipment. The impact of the proposed project will contribute positively to the government's effort to secure safe movement of critical supplies and people between Tarawa and the outer islands. Transport connectivity is key for trade, and maritime infrastructure supported under this project will not only improve maritime safety but also boost economic activity.

⁵ Disaster and Climate Risk Assessment (accessible from the list of linked documents in Appendix 2).

11. **Alignment with strategic priorities.** The project is in line with the Kiribati 20-Year Vision, 2016–2036,⁶ which sets the country’s development goals and long-term planning framework. The vision’s overall objective is to “bolster national efforts in transforming the lives of an I-Kiribati and economy into a resilient, wealthy, healthy and secure nation.”⁷ The project is consistent with the ADB Strategy 2030 priority to strengthen institutional capacity, particularly in small island developing countries.⁸ The project is also aligned with ADB’s Pacific Approach in reducing costs by improving domestic and regional connectivity through transport infrastructure, managing risks, and enabling value creation; and in attaining the Sustainable Development Goals.⁹ The project is included in ADB’s country operations business plan, 2020–2022 for 11 small Pacific island countries.¹⁰

12. **Lessons.** Kiribati’s remoteness has a significant and often unpredictable impact on costs. The difference between the cost estimate at appraisal and the actual contract price can be largely attributed to the absence of detailed designs. The project is learning from this and applied a 20%–30% contingency (25% average physical contingency) to all estimated civil works, and a buffer in the estimated time lines to factor unforeseen delays.

13. Experience in ADB’s Kiribati operations shows that intensive implementation support will be required throughout the project. It will establish an outer islands implementation unit (OIIU) and support the Kiribati Fiduciary Services Unit (KFSU).¹¹ The project will build the institutional capacity of agencies throughout project implementation and hold regular videoconferences with the OIIU, the KFSU, and implementing agency focal points as needed.

B. Project Description

14. The project is aligned with the following impact: improved access to economic and social infrastructure in the outer islands (footnote 6). The project will have the following outcome: improved safety and resilience of transport connectivity in Abaiang, Beru, Nonouti, and Tabiteuea South.¹²

15. The government prioritized the four islands because either they have no infrastructure or, if they do, it is more dilapidated than that of other outer islands.¹³ The project will be cofinanced by ADB and the World Bank to achieve the following outputs:

16. **Output 1: Safety of interisland navigation improved.** The project will produce hydrographic surveys and nautical charts for the four target islands to significantly improve navigation safety. The output will inform the design of the project-financed maritime works and enable investments in developing other maritime infrastructure. The hydrographic surveys will lead to more climate-resilient spatial planning by establishing a detailed baseline to monitor the impacts of climate change on marine resources, reefs, and the coastline.

⁶ Government of Kiribati. 2015. *Kiribati 20-Year Vision, 2016–2036*. Tarawa.

⁷ Footnote 6, p. 10. I-Kiribati refers to the people of Kiribati.

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

⁹ ADB. 2016. *Pacific Approach, 2016–2020*. Manila; and [United Nations. Sustainable Development Goals](#). The project aims to help attain goal 9: build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.

¹⁰ ADB. 2019. *Country Operations Business Plan: 11 Small Pacific Island Countries, 2020–2022*. Manila.

¹¹ Established within the Ministry of Finance and Economic Development, the KFSU is the central unit for providing fiduciary support to all ADB- and World Bank-financed projects.

¹² The design and monitoring framework is in Appendix 1.

¹³ Additional consideration was given to (i) bundling the islands into suitable contract packages, and (ii) combining maritime and land works during project implementation for the best efficiency.

17. **Output 2: Resilience of outer island access infrastructure improved.** The project will (i) improve ship-to-shore navigation safety by replacing defective ATONs, fabricating and installing new ATONs, and establishing a system of maintenance; (ii) rehabilitate island access infrastructure to meet the needs of women, minors, and older people by constructing jetties, concrete boat ramps, and shelters; and (iii) improve inraisland connectivity by providing technical support for building multipurpose maritime facilities and rehabilitating island-crossing causeways. Resilient design measures and construction materials will be used to increase infrastructure resilience to extreme tides, storm surge, and other identified disaster risks.

18. **Output 3: Enabling environment strengthened.** The project will (i) strengthen the MICTTD's and the MISE's institutional and regulatory functions for transport by providing technical support and training to improve the ministries' skills in managing transport infrastructure to be built under the project; and (ii) identify and prepare priority maritime projects for investment. The output will help build greater institutional capacity to design, implement, and maintain transport investments. Capacity building will include contingency planning, extreme weather maritime management, and resilient operation and maintenance practices.

C. Value Added by ADB

19. ADB has extensive experience in tackling the needs and challenges of the Pacific's transport, and the proposed engagement in Kiribati's maritime transport will help build capacity in government agencies. The project will provide a natural platform for sector-related development partner coordination among the government, ADB, and other development partners. Support for gender equality and women's empowerment is central to the 2030 Agenda for Sustainable Development.¹⁴ The project will consider the project area's gender issues, such as accessibility to public services by women and extremely high rates of gender-based violence (GBV), and will propose actions to promote gender equality.

20. The project continues ADB–World Bank cooperation in Kiribati, which began in 2010, when the Kiribati Road Rehabilitation Project was approved; in 2017, it was successfully implemented.¹⁵ The approach adopted by both cofinanciers has laid the groundwork for the proposed project. Cofinancing is a useful way to lower the risk from the government's inadequate implementation capacity by reducing the workload, avoiding burdensome duplicated procedures, and shortening processing times. ADB's significant contributions to the project, including project preparation technical assistance to ensure high project readiness, supplemented and/or complemented the World Bank's services.¹⁶

D. Summary Cost Estimates and Financing Plan

21. The project is estimated to cost \$42.0 million (Table 1). Detailed cost estimates by expenditure category and by financier are in the project administration manual (PAM).¹⁷

22. The government has requested a grant not exceeding \$12.0 million from ADB's Special Fund resources (Asian Development Fund) to help finance the project.

¹⁴ United Nations. 2015. *Transforming Our World: The 2030 Agenda for Sustainable Development*. New York.

¹⁵ Independent Evaluation Department. 2019. *Validation Report: Road Rehabilitation Project in Kiribati*. Manila: ADB.

¹⁶ ADB. 2017. *Technical Assistance for Strengthening Domestic Transport Connectivity in the Pacific*. Manila (TA 9331-REG); and ADB. 2015. *Technical Assistance for Strengthening Climate and Disaster Resilience of Investments in the Pacific*. Manila (TA 8961-REG).

¹⁷ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

Table 1: Summary Cost Estimates
(\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Output 1: Safety of interisland navigation improved	6.13
2. Output 2: Resilience of outer island access infrastructure improved	18.38
3. Output 3: Enabling environment strengthened	9.80
Subtotal (A)	34.31
B. Contingencies^c	
1. Physical contingency	6.86
2. Price contingency	0.83
Subtotal (B)	7.69
Total (A+B)	42.00

^a Includes taxes and duties of \$5.27 million, which will be financed by the Asian Development Bank (ADB) and the World Bank. The amount does not represent an excessive share of the project cost. No government counterpart funding is budgeted for this project, but the government will cover all other costs not financed by ADB and the World Bank, including land acquisition and resettlement costs.

^b As of February 2020.

^c Physical and price contingencies of 2.4% for domestic inflation and 1.6% for international inflation, and a provision for exchange rate fluctuation are included.

Sources: ADB and World Bank estimates.

23. The summary financing plan is in Table 2. ADB will finance the expenditures relating to the contracts for the hydrographic surveys, ATONs, maritime infrastructure, and capacity-building programs for the MICTTD and the MISE. The World Bank will provide grant financing equivalent to \$30.0 million, which will jointly back all ADB-financed contracts and other contracts not financed by ADB to rehabilitate island-crossing causeways, provide operational support to KFSU, and the contingent emergency response component.¹⁸

Table 2: Summary Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Special Funds resources (ADF grant)	10.01	23.8
Special Funds resources (ADF DRR Financing)	1.99	4.8
The World Bank (International Development Association grant)	30.00	71.4
Total	42.00	100.0

ADF = Asian Development Fund; DRR = disaster risk reduction.

Sources: ADB and World Bank estimates.

24. Climate adaptation is estimated to cost \$11.48 million. ADB will finance 37.89% (\$4.35 million) of adaptation costs. Disaster risk reduction measures to increase the disaster resilience of maritime infrastructure and causeways (output 2) and strengthen institutional capacity for more resilient outcomes (output 3) to be financed by ADB are estimated at \$2.43 million (footnote 5), of which \$2.0 million will be covered by the Asian Development Fund disaster risk reduction financing mechanism.

E. Implementation Arrangements

25. The Ministry of Finance and Economic Development (MFED) will be the executing agency. The MICTTD will be the implementing agency for the maritime components, and the MISE for the land transport components. The project will establish the OIIU, to be housed under the MFED, to

¹⁸ The contingent emergency response component is the World Bank's contingent financing mechanism available to gain rapid access to financing to respond to a crisis or emergency and provides the immediate rehabilitation or reconstruction needs without needing to first restructure the original project.

support the MICTTD and the MISE in managing the project. The OIIU is expected to rely on the KFSU for procurement and financial support. Under the MFED's oversight, the KFSU has supported ADB- and World Bank-financed projects on procurement, financial management, and overall coordination. Several positions within the KFSU were recruited through such projects.

26. As the project includes lead cofinancing from the World Bank, it will follow ADB's alternative procurement arrangements detailed in the ADB Procurement Policy (2017, as amended from time to time), and universal procurement will apply.¹⁹ Following the procurement framework agreement between ADB and the World Bank dated 3 December 2018, a project implementation agreement will be signed under which the World Bank will be designated as the lead cofinancier for all procurement-related activities under the project.²⁰ This means that World Bank policies, regulations, rules, and instructions will apply to the procurement of all goods, works, and services under the project. The World Bank will provide implementation support and monitor procurement activities. It will report to ADB as required by the procurement framework agreement and project implementation agreement.

27. Since ADB and the World Bank will be jointly financing selected procurement contracts under the project, the debarment lists of ADB and the World Bank will need to apply to the project's jointly financed contracts. The agreement for mutual enforcement of debarment decisions dated 9 April 2010 between ADB and other multilateral development banks, including the World Bank, enables ADB to cross-debar entities debarred by other multilateral development banks. However, only debarments that meet certain conditions—e.g., when the period of debarment is more than 1 year—are eligible for cross-debarment. As the World Bank has debarred entities that ADB has not, approval by the ADB Board of Directors is sought to apply the World Bank's debarment list, in addition to ADB's debarment list, to jointly financed contracts under the project.

28. The implementation arrangements are summarized in Table 3 and described in detail in the PAM (footnote 17).

Table 3: Implementation Arrangements

Aspects		Arrangements	
Implementation period	September 2020–June 2026		
Estimated completion date	30 June 2026		
Estimated grant closing date	31 December 2026		
Management			
(i) Oversight body	DCC (Infrastructure Committee) with secretary to cabinet (chair), MFED, MICTTD, MISE, MELAD, MIA, MWYSSA		
(ii) Executing agency	MFED		
(iii) Key implementing agencies	MICTTD and MISE		
(iv) Implementation unit	Outer island implementation unit (10 staff members)		
Procurement	Open competitive bidding (internationally advertised)	1 contract	\$5.36 million
	Request for quotations	2 contracts	\$0.06 million
Consulting services	Quality- and cost-based selection	510 person-months	\$3.73 million
	Consultants qualifications selection	36 person-months	\$0.14 million
	Single source selection	120 person-months	\$0.47 million
	Individual consultant selection	384 person-months	\$0.61 million
Advance contracting	UKHO contract for hydrographic surveys and nautical charts		

¹⁹ ADB. 2013. *Blanket Waiver of Member Country Procurement Eligibility Restrictions in Cases of Cofinancing for Operations Financed from Asian Development Fund Resources*. Manila.

²⁰ World Bank. 2016. *Procurement Regulations for Investment Project Financing (IPF) Borrowers*. Revised November 2017 and August 2018. Washington, DC.

Aspects	Arrangements
Disbursement	The ADB grant proceeds will be disbursed following 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; DCC = Development Coordination Committee; MELAD = Ministry of Environment, Lands and Agricultural Development; MFED = Ministry of Finance and Economic Development; MIA = Ministry of Internal Affairs; MICTTD = Ministry of Information, Communication, Transport and Tourism Development; MISE = Ministry of Infrastructure and Sustainable Energy; MWYSSA = Ministry of Women, Youth, Sports, and Social Affairs; UKHO = United Kingdom Hydrographic Office.

Sources: ADB and the World Bank.

III. DUE DILIGENCE

A. Technical

29. The maritime infrastructure improvements proposed under the project are simple, low-maintenance structures compatible with local infrastructure maintenance capacity. These include small passenger terminals in each of the four project islands, a jetty, small-scale dredging, and ramps for small boat retrieval. If designed and built properly, the infrastructure will be robust and durable, and the structures require minimal maintenance once they are handed over to the island councils. The structures risk being directly impacted by the effects of climate change, such as flooding inundation, more frequent and intense high tides, extreme storms, overtopping and storm surge, and more frequent and intense coastal erosion and sedimentation. These risks will be incorporated into the design during the detailed design phase of the works.

30. Technical due diligence aims to increase resilience to disasters and climate change. If a disaster were to occur under current conditions, foreign aid vessels would not be able to reach the shores of the outer islands because the lagoons are unsafe to navigate. Producing nautical charts and upgrading ATONs will resolve this issue and make the outer island lagoons navigable.

B. Economic and Financial Viability

31. **Economic viability.** The nature of the proposed activities varies. Hydrographic surveys, for example, are essential for establishing digital chart coverage of the outer islands to make navigation safer, but they do not lead to additional income or direct reduction in operating costs. These small-scale maritime interventions are needed to improve the delivery of basic goods and services. Because of this variation, the standard demand analysis for calculating economic viability is not applicable for all project components. The economic analysis was carried out using least-cost analysis, cost-effectiveness analysis, or cost-benefit analysis for individual components, depending on whether their benefits were quantifiable. The hydrographic surveys and the maritime infrastructure components used the cost-effectiveness analysis, which suggested airborne surveys as the most cost-effective hydrographic survey method. For maritime infrastructure, the analysis suggested as the most cost-effective interventions a new ramp, shelter, and on-ramp pontoon in Abaiang; the dredging of an approach channel and turning basin in Beru; and new shelters, ATON workshops and winches, and maintenance and storage of small boats in Nonouti and Tabiteuea South. The rehabilitation of island-crossing causeways used the cost-benefit analysis because user costs and benefits could be quantified as vehicle operating and travel time cost savings. The 11 causeways to be rehabilitated are unsealed and carry about 445 vehicles per day, mostly motorcycles (94%) and small trucks. Owned by island councils or private owners, the trucks mainly transport students to and from school, and are hired to transport coconuts, wood, gravel, or sand, and to deliver cargo from landing sites and airports to villages. The motorcycles are mainly for work-related trips and small-scale cargo movements. The estimated average daily traffic growth is

2.0% per year for all vehicles. The analysis suggests that the proposed interventions for island-crossing causeways are economically viable, with an economic internal rate of return of 10.9%.²¹

32. **Financial sustainability.** The additional budget for sustainably maintaining the infrastructure built under the project will be 1%–7% of the annual recurrent budgets of the MICTTD and the MISE. Capacity and allocation for maintenance are insufficient, which will pose a substantial risk to the financial sustainability of the investments and assets built under the project. The project will include a capacity-building component to enable the MISE and the island council responsible for maintenance to establish maintenance competence in the outer islands.

C. Sustainability

33. The project will help reform the way that maintenance is financed and programmed for the asset types (i.e., ATONs, island access infrastructure, causeways) improved by the project. For resilient outer island access infrastructure, the project will provide (i) on-the-job training to unskilled workers recruited to carry out rehabilitation works and routine maintenance; and (ii) training to the MISE and island council personnel on inspection and reporting, identification of maintenance needs, and physical delivery of routine maintenance activities. The design of all maritime infrastructure installed will be informed by current projections of how climate change may impact the asset's sustainability.

34. An asset management information system is being implemented by the MFED to cover all government assets, including facilities proposed by the project, to support the sustainability and maintenance of assets after project completion.

D. Governance

35. The financial management assessment conducted in November 2019 followed ADB guidelines in the Financial Management and Analysis of Projects and the Financial Due Diligence: A Methodology Note.²² The assessment considered the capacity of the executing and implementing agencies, including fund-flow arrangements, staffing, accounting and financial reporting systems, budgeting, and internal and external auditing arrangements. The assessed pre-mitigation financial management risk is *substantial* mainly because of (i) inadequate attention to repairs and maintenance, which will undermine the sustainability of investments; (ii) delays in compliance with financial management reporting requirements; (iii) delays in processing claims for disbursements because of the KFSU's inadequate staff and financial resources; and (iv) the absence of internal audit. The MFED, the MICTTD, and the MISE have agreed to implement a financial management action plan (in the PAM) to resolve the deficiencies.

36. ADB's Anticorruption Policy (1998, as amended to date) was discussed with the government and the MFED. The specific policy requirements and supplementary measures are described in the PAM (footnote 17).

E. Poverty, Social, and Gender

37. The project is categorized *effective gender mainstreaming*, and two of the three outputs have gender indicators. A gender analysis undertaken as part of project preparation found that (i)

²¹ Economic and Financial Analysis (accessible from the list of linked documents in Appendix 2).

²² ADB. 2005. *Financial Management and Analysis of Projects*. Manila; and ADB. 2009. *Financial Due Diligence: A Methodology Note*. Manila.

women in the outer islands have limited or no access to services and economic growth opportunities; (ii) boat travel between islands is unreliable and considered unsafe for women, children, people with disability, and older people; (iii) women in the outer islands face barriers to working in nontraditional sectors such as construction; and (iv) GBV rates in Kiribati are more than twice the global average, with 68% of women aged 15–49 who had ever been in a relationship disclosing they had experienced some form of GBV from an intimate partner. The gender action plan will (i) improve women's access to services and economic opportunities in the outer islands, and (ii) promote safe job and professional development for women in the transport sector. The project was screened using the World Bank's GBV risk assessment tool and was classified as having *moderate* risk. Considering the moderate risk category and the high underlying rates of GBV and violence against children in Pacific island countries, the project will develop a GBV framework and undertake several activities to prevent and respond to GBV.

F. Safeguards

38. In compliance with ADB's Safeguard Policy Statement (2009), the project's safeguard categories are as follows.²³

39. **Environment (category B).** ADB and the World Bank have agreed on a common approach to safeguards to ensure compliance with their policies and country safeguards. The project will have site-specific impacts and few, if any, are irreversible. However, mitigation and management measures can be readily designed and implemented for most impacts. Following the Safeguard Policy Statement, an environmental and social management framework for the overall project and an environmental and social impact assessment (ESIA) for selected components have been prepared. The ESIA is equivalent to an initial environmental examination that is required for category B projects. The impacts are limited to the footprint of small-scale land maritime infrastructure in the outer islands (including ATONs, a jetty, passenger terminals, concrete boat ramps, and shelters, and the rehabilitation of island-crossing causeways), and can be mitigated and managed to acceptable levels, provided the measures in the environmental and social management plan (ESMP) are implemented, monitored, and reported. Short-term impacts are anticipated during construction, including dust, noise, and waste generated during dredging excavation and civil works activities, as well as minor community and occupational health and safety risks. In compliance with ADB's Access to Information Policy, the environmental and social management framework, the ESIA and subsequent ESIA, and monitoring reports will be disclosed on ADB's website. The contractors will prepare their ESMP based on the ESIA and/or the ESMP. The MICTTD and the MISE, with support from the design and supervision consultants will review and clear the contractors' ESMPs, monitor the contractors' compliance with their ESMPs, and monitor the ESMPs' effectiveness.

40. **Involuntary resettlement (category B).** Due diligence confirmed that the project will not have significant involuntary resettlement impacts and is not expected to cause any physical displacement and loss of livelihood. Most impacts are associated with resilient outer island access infrastructure from the loss of coconut trees and the requirement for new land lease for selected maritime facilities (component 2). The MICTTD and the MISE, with support from the design and supervision consultants, will carry out further investigation when the island access infrastructure is designed during project implementation. Island access infrastructure-related works and facilities are expected to use mostly government-leased land. Voluntary lease agreements will be pursued for long-term land use as needed, such as with the proposed boat ramp and shelter at Buariki in Tabiteuea South, and the passenger shelter at Tebikeriki in Beru. Minor impacts expected from

²³ ADB. Safeguard Categories. <https://www.adb.org/site/safeguards/safeguard-categories>.

these proposed sites are the loss of about 12 coconut trees and one toilet structure on government-owned land. The rehabilitation of the causeways has been assessed as unlikely to cause resettlement impacts as they are unoccupied. Civil works are also not expected to alter the footprint of the causeways and approach roads. Improving ship-to-shore transfers (maritime ATONs) is not expected to have any involuntary resettlement impacts. The MICTTD and the MISE have prepared a draft resettlement framework consistent with the Safeguard Policy Statement and World Bank requirements to guide the preparation of the resettlement plan and/or due diligence report for the maritime navigation aids, following the findings of the hydrographic surveys.²⁴ The MICTTD and the MISE, with support from the consultants prepared a draft resettlement plan for the rest of the project components subject to further updates following the detailed design.²⁵ The MICTTD and the MISE consulted the affected persons and disclosed draft safeguard documents, and will continue consultations during project implementation.

41. **Indigenous peoples (category C).** The I-Kiribati comprise a single indigenous ethnic group and the project beneficiaries are not considered distinct and vulnerable.

G. Summary of Risk Assessment and Risk Management Plan

42. Significant risks and mitigating measures are summarized in Table 4 and described in detail in the risk assessment and risk management plan.²⁶

Table 4: Summary of Risks and Mitigating Measures

Risks	Mitigation Measures
Political and governance risk because of the lack or high turnover of ministry decision-makers	The project will clearly define responsibilities of all government agencies including the MFED, the MICTTD, and the MISE. ADB and the World Bank will have continuous consultation during project implementation at technical and decision-making levels.
Government's weak capacity to implement the project	The project will provide institutional and operational support, including establishing the OIIU and financing KFSU staff, to prepare and implement the project.
Uncertainty related to estimated costs because of lack of experience with works in remote environments	As part of project preparation, ADB and the World Bank undertook detailed preparatory studies and identified provisions for potential cost overruns. The consultant estimated costs for the most uncertain aspects of the project. Contingencies are built into project cost estimates.
Fiduciary risk because of the small pool of local expertise in financial management	Financial management functions will be kept with the KFSU, which has supported all the projects financed by ADB and the World Bank on procurement, financial management, and overall coordination. ADB will provide training on ADB's financial reporting, auditing requirements, and disbursement procedures, as needed.

ADB = Asian Development Bank, KFSU = Kiribati Fiduciary Services Unit, MFED = Ministry of Finance and Economic Development; MICTTD = Ministry of Information, Communication, Transport and Tourism Development; MISE = Ministry of Infrastructure and Sustainable Energy; OIIU = outer islands implementation unit.

Source: ADB and the World Bank.

IV. ASSURANCES

43. The government and the MFED have assured ADB that implementation of the project shall conform to all applicable ADB requirements, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, financial management, and disbursement, as described in detail in the PAM and grant agreement.

²⁴ Resettlement Framework (accessible from the list of linked documents in Appendix 2).

²⁵ Resettlement Plan (accessible from the list of linked documents in Appendix 2).

²⁶ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

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

V. RECOMMENDATION

45. 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

- (i) the grant not exceeding \$12,000,000 to the Republic of Kiribati from ADB's Special Funds resources (Asian Development Fund) for the Outer Islands Transport Infrastructure Investment Project, on terms and conditions that are substantially in accordance with those set forth in the draft grant agreement presented to the Board; and
- (ii) the proposal described in para. 27 of this report to apply the World Bank's debarment list, in addition to ADB's debarment list, to jointly financed contracts under the Outer Islands Transport Infrastructure Investment Project.

Masatsugu Asakawa
President

8 June 2020

DESIGN AND MONITORING FRAMEWORK

Impact the Project is Aligned with Access to economic and social infrastructure in the outer islands improved (Kiribati 20-Year Vision, 2016–2036) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Safety and resilience of transport connectivity in Abaiang, Beru, Nonouti, and Tabiteuea South improved	By 2027: 24-hour safe and resilient maritime navigation in 4 outer islands guided by nautical charts and maritime infrastructure provided (2020 baseline: 0)	MICTTD annual reports and project completion report	Lack of government commitment to improve project implementation capacity
Outputs 1. Safety of interisland navigation improved 2. Resilience of outer island access infrastructure improved 3. Enabling environment strengthened	By 2026: 1. 4 nautical charts on access routes to the project islands prepared (2020 baseline: 0) 2a. 30 new ATONs installed (2020 baseline: 0) 2b. 1 jetty, 4 boat ramps and 2 shelters, and 2 multipurpose maritime facilities designed with features that are friendly to older people, women, children, and people with disability (2020 baseline: 0) ^b 3a. At least 5 mentored MISE staff members (at least 20% women) demonstrated improved skills in designing and maintaining disaster-resilient infrastructure built under the project (2020 baseline: 0) 3b. At least 10 trained staff members from the MICTTD and the MISE (at least 30% women) demonstrated increased knowledge in resilient maritime infrastructure and causeways (2020 baseline: 0) 3c. 1 all-women routine maintenance team for causeways and maritime facilities pilot-tested ^c (2020 baseline: NA) 3d. GBV framework prepared and 4 training sessions on handling GBV cases provided to all project staff members from the MISE and the MICTTD (2020 baseline: NA; 0) 3e. At least 2 priority maritime projects identified (2020 baseline: 0)	1. MICTTD annual reports 2a–b. MICTTD annual reports 3a–e. Project progress reports	Cost overrun because of lack of experience with works in remote environments Fiduciary risk because of the small pool of local expertise in financial management
Key Activities with Milestones 1. Safety of interisland navigation improved 1.1 Specification for hydrographic surveys prepared (June 2020) 1.2 Consultants recruited (December 2020) 1.3 Hydrographic surveys completed (December 2022)			

<p>2. Resilience of outer island access infrastructure improved</p> <p>2.1 Bidding documents for maritime infrastructure prepared (June 2022)</p> <p>2.2 Procurement of works completed (December 2022)</p> <p>2.3 Maritime infrastructure constructed and/or rehabilitated (June 2026)</p> <p>3. Enabling environment strengthened</p> <p>3.1 Consultants recruited (March 2021)</p> <p>3.2 Training and capacity building delivered and maritime sector assessments and studies prepared (June 2026)</p>
<p>Project Management Activities</p> <p>Establish the OIIU and select a project manager by Q4 2020</p>
<p>Inputs</p> <p>ADB: \$10.01 million (ADF); \$1.99 million (ADF DRR financing mechanism)</p> <p>World Bank: \$30.0 million (IDA grant)</p>
<p>Assumptions for Partner Financing</p> <p>Outputs not administered by ADB that are necessary to reach the outcome include the following:</p> <ol style="list-style-type: none"> 1. Safety of interisland navigation improved: hydrographic surveys (World Bank) 2. Resilient outer island access infrastructure improved: improvement of ship navigation safety, rehabilitation of island access infrastructure, and rehabilitation of causeways (World Bank) 3. Enabling environment strengthened: institutional strengthening, operational support for the OIIU and the KFSU (World Bank)

ADB = Asian Development Bank; ADF = Asian Development Fund; ATON = aid to navigation; DRR = disaster risk reduction; GBV = gender-based violence; IDA = International Development Association; KFSU = Kiribati Fiduciary Services Unit; MICTTD = Ministry of Information, Communication, Transport and Tourism Development; MISE = Ministry of Infrastructure and Sustainable Energy; NA = not applicable; OIIU = outer islands implementation unit; Q = quarter.

^a Government of Kiribati. 2015. *Kiribati 20-Year Vision, 2016–2036*. Tarawa.

^b Includes lighting, shelter, priority seating, handrails and safety barriers, and separate flush toilets.

^c The number of women will depend on the type of works. Maintenance teams typically have about five people.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=53043-001-2>

1. Grant Agreement
2. Sector Assessment (Summary): Transport (Water Transport [Non-Urban])
3. Project Administration Manual
4. Economic and Financial Analysis
5. Summary Poverty Reduction and Social Strategy
6. Risk Assessment and Risk Management Plan
7. Climate Change Assessment
8. Gender Action Plan
9. Initial Environmental Examination: Nonouti Island Subprojects
10. Environmental and Social Management Framework
11. Resettlement Plan
12. Resettlement Framework

Supplementary Documents

13. Financial Management Assessment
14. Disaster and Climate Risk Assessment