

Project Administration Manual

Project Number: 48192
May 2014

Kingdom of Tonga: Cyclone Ian Recovery Project

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Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Ministry of Finance and National Planning (MFNP) is the project's executing agency (EA). Tonga Power Limited (TPL) and the Ministry of Infrastructure (MOI) are the implementing agencies. They are wholly responsible for the implementation of ADB financed projects, as agreed jointly between the the government and ADB, and in accordance with Government of Tonga and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by TPL and MOI with their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At grant negotiations, the recipient and ADB shall agree to the PAM and ensure consistency with the grant agreements. Such agreement shall be reflected in the Minutes of the grant negotiations. In the event of any discrepancy or contradiction between the PAM and the grant agreements, the provisions of the grant agreements shall prevail.

After ADB Board approval of the project's report and recommendation of the President (RRP), changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government of Tonga and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

Abbreviations

ADB	=	Asian Development Bank
CCA	=	Climate change adaptation
CRSP	=	Climate Resilience Sector Project
EA	=	executing agency
HV	=	high voltage
IA	=	implementing agency
IEE	=	initial environmental examination
LV	=	low voltage
MET	=	Ministry of Education and Training
MFNP	=	Ministry of Finance and National Planning
MLECCNR	=	Ministry of Lands, Environment, Climate Change and Natural Resources
MOI	=	Ministry of Infrastructure
MPE	=	Ministry of Public Enterprises
NCB	=	national competitive bidding
NEMO	=	national emergency management office
OIREP	=	Outer Island Renewable Energy Project
PAM	=	project administration manual
PIU	=	project implementation unit
PMU	=	program management unit
PPCR	=	Pilot Program for Climate Resilience
PSC	=	project steering committee
QBS	=	quality based selection
QCBS	=	quality and cost based selection
SBD	=	standard bidding documents
SPCR	=	Strategic Program for Climate Resilience
SPS	=	Safeguard Policy Statement
TERM-IU	=	Tonga Energy Road Map–Implementation Unit
TPL	=	Tonga Power Limited

I. PROJECT DESCRIPTION

1. The purpose of the Cyclone Ian Recovery Project (the project) is to reconstruct and climate and disaster proof the electricity network and school facilities on the Ha'apai Island Group, which were damaged by Tropical Cyclone Ian.

2. On 11 January 2014, Tropical Cyclone Ian, a Category 5 system and the most powerful ever recorded in Tonga's history, passed directly over the northeast islands of Ha'apai causing substantial damage. An estimated 5,000 people were directly affected and an estimated 800 homes were destroyed or heavily damaged. The Prime Minister declared a state of emergency for the Ha'apai on the same day. The preliminary estimates of damage and losses amount to \$55.3 million, equivalent to some 12.1% of the GDP.

3. The Tropical Cyclone Ian Response Plan¹, which was prepared by the government with the assistance of development partners, serves as the government's post-disaster needs assessment. The response plan identifies priority recovery and reconstruction needs. The 'build back better' principle is included in the assessment of these needs in order to ensure improved climate and disaster resilience.

4. On 7 February 2014, the Government of Tonga requested ADB support through the Disaster Response Facility for post-cyclone reconstruction in the power and education sectors, due to ADB's comparative advantage and ongoing projects in these sectors, which would allow rapid inception, scale up and implementation. The proposed project will (i) reconstruct and climate and disaster proof the electricity network on Ha'apai; and (ii) reconstruct and climate and disaster proof damaged school facilities.

5. The project will use the implementation arrangements that are being set up by two ADB projects in Tonga, namely the Outer Island Renewable Energy Project (OIREP, under G0347/0348) for the reconstruction of the electricity network, and the Climate Resilience Sector Project (CRSP, under G0378) for the reconstruction of school facilities. Both projects will comply with the Guidelines on use of consultants by ADB and its borrowers.

Impact and Outcome

6. The impact of the project will be more climate- and disaster-resilient electricity and education services provided to the people of Ha'apai. This will be achieved by the full restoration of access to electricity and to a safer, clean learning environment for the island group's students. The outcome will be the restoration of electricity supply in Ha'apai and resumption of normal education services to pre-Cyclone Ian levels in schools. This will be measured by reconstruction and climate- and disaster-proofing of the main electricity network and damaged school facilities in Ha'apai, as well as the removal of materials containing asbestos from damaged buildings to allow reconstruction activities to be carried out safely.

Outputs

7. The project will support the government's efforts to reconstruct and climate- and disaster-proof the main electricity network in Ha'apai and damaged school facilities (outputs 1 and 2) and will remove asbestos from damaged buildings (output 3).

¹ Government of Tonga. 2014. *'Tropical Cyclone Ian Response Plan'*. Nuku'alofa.

8. **Output 1: Reconstruction and climate- and disaster-proofing of the electricity network.** Output 1 will restore access to the electricity supply network and make it more resilient to extreme weather events and disasters. Repairing the damage to these utilities—assessed at more than 90% of the Ha’apai network on 13 January—and upgrading them requires considerable investment. After the Government of New Zealand contributed \$1.4 million for the initial emergency restoration of power lines in Ha’apai, TPL prepared a plan and cost estimates for the repair and climate-proofing of the electricity network. The project will reconstruct the distribution network and upgrade its capacity from 6.6 kV (kilovolts) to 11 kV. This will include reconstruction of around 15.2 kilometers (km) of high-voltage overhead bundle lines, construction of around 32 km of low-voltage lines overhead, and underground reconnection to the TPL network of around 1,000 households and around 30 commercial and government buildings and construction of 2 km underground cables of Ha’apai Hospital and High School network. The project will also restore and climate-proof around 161 streetlights and purchase temporary solar lanterns and community solar chargers for around 100 households in the outer islands of Ha’apai. Output 1 will use the implementation arrangements established for the OIREP, which is being implemented by TPL. The responsibility for providing grid-connected electricity supply and services rests solely with TPL, which has the concession to operate and maintain the four independent grids for on-grid electricity services on the main island groups of Tongatapu, Vava’u, Ha’apai, and Eua. TPL generates, distributes, and retails electricity.

9. **Output 2: Reconstruction and climate- and disaster-proofing of school facilities.** Output 2 will support the reconstruction, restoration and climate- and disaster-proofing of schools and facilities that were damaged in Ha’apai.² The reconstruction will include (i) improved building structures (class rooms and staff quarters), (ii) appropriate water and sanitation amenities for schools, and (iii) necessary fixtures and furniture such as blackboards, desks and chairs. This will allow classes to resume in a safe and conducive learning environment and in the future will reduce the number of days that schools are closed during extreme weather events and natural disasters. The reconstruction will be implemented in two phases with primary schools to be rebuilt first as the majority of these are government owned, were severely damaged, and cater for half the affected student population. Secondary schools to be rebuilt will be selected in line with the government’s secondary school rationalization policy and in agreement with ADB. MET has provided a preliminary assessment of the damage, and the cost of reconstruction and building back better, including demolition and removal of debris. This output will use the implementation arrangements set up under the CRSP.

10. **Output 3: Removal of asbestos from damaged buildings.** Output 3 will support the removal of material containing asbestos from damaged schools, Niu’ui Hospital, Government Offices and residential buildings. An assessment carried out by the World Bank identified the presence of asbestos in these buildings.³ Local knowledge on safe handling of asbestos on Ha’apai is limited and there is no site within Ha’apai to dispose of asbestos, therefore the asbestos will be removed to Tongatapu. This output will allow reconstruction works to be carried out safely.

² The damaged government primary schools are: Ha’ano, Fakakai, Mo’unga’one, Mata’aho, Lofanga, Faleloa, Fotua, Koulo, Pangai, and Tongoleleka. The damaged secondary schools are: Ha’apai High School, Taufā’ahau Pilolevu College, St Joseph’s Community College, Tailulu College, ‘Ofamo’oni school and Petani Bilingual school.

³ Asbestos Assessment Report, Cyclone Ian. Commissioned by Government of Tonga. Nuku’alofa, Tonga 2014.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Indicative Activities	March 2014	April 2014	May 2014	June 2014	Responsibility
Grant Negotiations		X			ADB, GOT
Advance Procurement		X			GOT and ADB
ADB Board approval			X		ADB
Grant signing			X		GOT, ADB
Government legal opinion provided			X		GOT
Grant effectiveness			X		ADB

ADB = Asian Development Bank; GOT = Government of Tonga

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations–Roles and Responsibilities

11. **Project executing and implementing agencies.** MFNP will be the executing agency (EA). TPL and the Ministry of Infrastructure (MOI) are the implementing agencies (IAs).

12. **Output 1.** TPL through the project management unit (PMU) established under the OIREP will be the implementing agency. The final technical and engineering designs and bidding process will be conducted by TPL. TPL staff will carry out the design, supervision, and installation work. ADB will finance the incremental labor costs TPL incurs in carrying out the project civil works, using force account. TPL will use ADB disbursement procedures and financial management guidelines. TPL will maintain separate accounts for the project, which will be audited by an independent auditor. All procurement of goods and works will be undertaken following ADB's Procurement Guidelines (2013, as amended from time to time). ADB will review the design and works periodically. The Ministry of Public Enterprises and the Tonga Energy Road Map Implementation Unit will provide national policy oversight for output 1. Repeat order will be used for procuring miscellaneous electrical equipment, high voltage cables, and the supply of power poles from TPL's existing suppliers that were selected using competitive procedures. This will allow TPL to start reconstruction works immediately.

13. **Output 2.** MOI through the project implementation unit established under the CRSP will be the implementing agency. The PMU established by the CRSP under the Ministry of Land, Environment, Climate Change, and Natural Resources will assist in coordinating and overseeing implementation of output 2, with advice from the MET. The CRSP procurement project committee, chaired by MFNP will oversee procurement activities with specific national policy oversight provided by MET on the design of the schools and the specification of school furniture and educational equipment. All procurement of goods and works will be undertaken following ADB's Procurement Guidelines (2013, as amended from time to time).⁴ The project will use the technical specifications of the World Bank's housing reconstruction project for the staff quarters, and it will use direct contracting with the firms that are awarded the contracts using World Bank competitive method and have shown good performance. The technical specification and detailed design of the schools will be carried out by MOI with support from the PIU and two architects funded under this project.

14. **Output 3.** MOI will be the implementing agency and the implementation arrangements for output 2 will be adopted. A single contractor will be hired to undertake the removal of material containing asbestos. All procurement of goods and works will be undertaken following ADB's Procurement Guidelines (2013, as amended from time to time).

15. The management roles and responsibilities of the various stakeholders are tabled below.

Project implementation organizations	Management Roles and Responsibilities
Executing Agency MFNP	<ul style="list-style-type: none"> • Coordinate with the IAs on the preparation of withdrawal applications and submit to ADB. • Review financial reports, including the annual audit report and financial statements, from the PMU/PIU and submit to ADB. • Chair Tender and Procurement Steering Committee for the project
Implementing Agencies TPL MOI	<p>Each IA will be responsible for the day to day activities for the implementation of the subprojects. For their respective subprojects the IA will:</p> <ul style="list-style-type: none"> • Ensure compliance with grant covenants. • Provide required information to PIUs for the preparation of monthly reports. • Provide required information to EA for the preparation of withdrawal applications. • Ensure compliance with safeguards requirements. • Recruit required technical expertise • Recruitment of project management and implementation consultants. • Preparing bid documents to comply with ADB requirements, evaluating bids, and awarding works, contract administration, and supervision. • Ensure publishing of IFB on ADB Business Opportunities • Measuring works carried out by contractors and certifying payments. • Carrying out environmental assessments and project performance management system (PPMS). • Procurement of equipment and services for infrastructure investment activities. • Conduct Operations & Maintenance
Specific Oversight Roles MPE TERM IU MET MLECCNR	<ul style="list-style-type: none"> • Provide policy oversight
<ul style="list-style-type: none"> • Project procurement committee chaired by MFNP (Output 2 only) 	<ul style="list-style-type: none"> • Review IA bid evaluations and bid award recommendations. • Endorse bid award recommendations. • Ensure ADB Procurement Guidelines are complied with
<ul style="list-style-type: none"> • ADB 	<ul style="list-style-type: none"> • Monitor and review overall implementation in consultation with EA and IAs including project implementation schedule; actions required with reference to the summary poverty reduction and social strategy, environment management plan, and resettlement plan if applicable, and monitoring reports; timeliness of budgetary allocations and counterpart funding; project expenditures progress with procurement and disbursement statement of expenditures when applicable; compliance with grant covenants; and likelihood of attaining project development objectives. • Review technical specifications, draft bid documents, and procurement plan. Clear and approve bidding evaluation report and contract award. Conduct regular loan review missions. Overall coordination and advisory support.

ADB = Asian Development Bank, IA = Implementing Agency, EA = Executing Agency, MFNP = Ministry of Finance and National Planning, MET = Ministry of Education and Training, MLECCNR = Ministry of Lands, Environment, Climate Change and Natural Resources, MPE = Ministry of Public Enterprises, PIU = Project Implementation Unit, PMU = Project Management Unit, TERM-IU = Tonga Energy Road Map-Implementation Unit, TPL = Tonga Power Limited.

Source: Asian Development Bank.

B. Key Persons Involved in Implementation

Executing Agency

MFNP

Officer's Name: Mr. Tatafu Moeaki
 Position: Chief Executive Officer, Finance and National Planning
 Telephone: (676) 23066
 Email address: secretary@finance.gov.to
 Office Address: Treasury Building, Vuna Road, Nuku'alofa, Kingdom of Tonga

Implementing Agencies

MOI

Officer's Name: Mr. Ringo Fa'oliu
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TPL

Officer's Name: Mr. John van Brink
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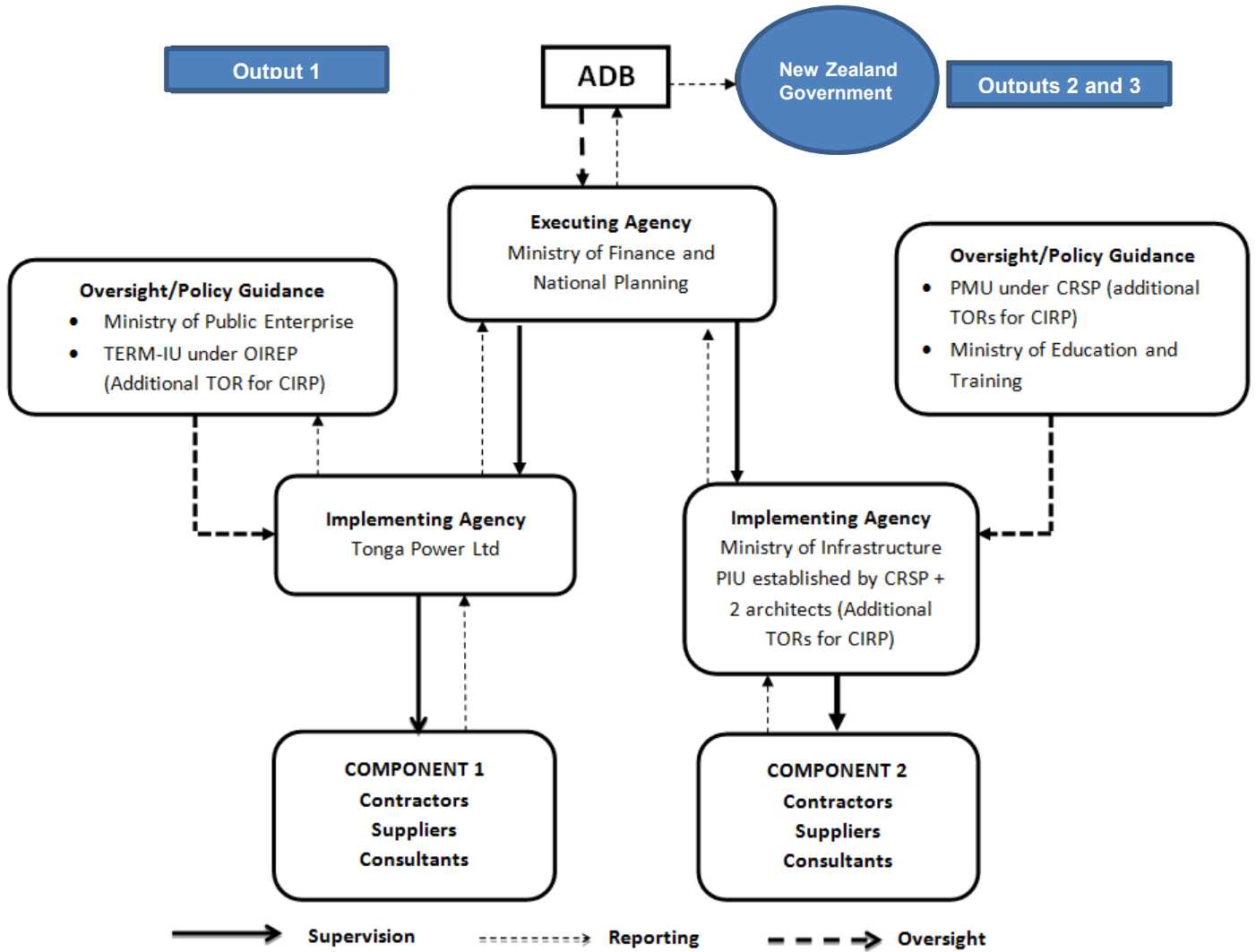
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C. Project Organization Structure



IV. COSTS AND FINANCING

16. The Government of New Zealand will provide grant cofinancing of NZ\$5.0 million for activities under output 2. ADB will administer the grant equivalent of \$4.27 million at the exchange rate prevailing at the time of fact finding.⁵ The funds will be denominated in US dollars pursuant to ADB's standard accounting practices. The New Zealand Government will cofinance the cost of civil works and equipment with ADB, based on different ratios for each cost category. ADB will provide \$4.52 million from the DRF.⁶ The government will provide the equivalent of \$1.67 million as in-kind contribution toward administrative costs and exemption for taxes and duties. TPL will provide the equivalent of \$0.24 million as in-kind contribution towards staff time for design, supervision and installation of works as well as management and administration of the project. The government will make a part of the proceeds of the grants available to TPL under subsidiary grant agreements upon terms and conditions satisfactory to ADB.⁷

17. The government will make the proceeds of the grants available to TPL under subsidiary grant agreements upon terms and conditions satisfactory to ADB. The Project Investment plan is in Table 1 and the Financing Plan is in Table 2.⁸

Table 1: Project Investment Plan
(\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Output 1 – Reconstruction and climate-proofing of electricity network	3.04
2. Output 2 – Reconstruction and climate-proofing of schools	6.36
3. Output 3 – Removal of Asbestos from damaged buildings	0.22
Subtotal A	9.61
B. Contingencies^c	1.08
Total (A+B)	10.70

^a Includes government contribution to taxes and duties of \$1.59 million to be financed by exemption.

^b January 2014 prices.

^c Calculated considering physical, price and currency contingencies at 14% of base cost for civil works, and 5.0% of base cost of equipment for price and currency fluctuations.

Source: Asian Development Bank estimates.

⁵ The USD amount is \$4,266,000.

⁶ ADB's policy on *Piloting a Disaster Response Facility* became effective on 1 January 2013. As stated in the policy, in the event of a natural disaster, an Asian Development Fund (ADF) -only country can access up to 100% of its annual performance-based allocation from the DRF to respond to the disaster. The Strategy and Policy Department (SPD) has clarified that the 2013–2014 performance-based allocation for Tonga is \$9.03 million. Therefore, the maximum DRF amount for Tonga is \$4.52 million, which can be accommodated from the current available resources under the DRF.

⁷ Since the project is financed with ADB-administered cofinancing resources as well as DRF resources, universal procurement will apply. ADB. 2013. *Blanket Waiver of Member Country Procurement Eligibility Restrictions in Cases of Cofinancing for Operations Financed from Asian Development Fund Resources*. Manila.

⁸ Since the project is financed with ADB-administered cofinancing resources as well as DRF resources, universal procurement will apply. ADB. 2013. *Blanket Waiver of Member Country Procurement Eligibility Restrictions in Cases of Cofinancing for Operations Financed from Asian Development Fund Resources*. Manila. ADB. 2013. *Blanket Waiver of Member Country Procurement Eligibility Restrictions in Cases of Cofinancing for Operations Financed from Asian Development Fund Resources*. Manila.

Table 2: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Disaster Response Facility (grant)	4.52	42.24
Government of New Zealand (grant) ^a	4.27	39.91
Government of Tonga ^b	1.67	15.61
Tonga Power Limited	0.24	2.24
	42.24	100.00

^a Government of New Zealand contribution calculated at the exchange rate prevailing at the time of fact-finding. This amount includes a provision of 5.0% of ADB's administration fee, audit costs, bank charges, and a provision for foreign exchange fluctuations (if any), to the extent that these items are not covered by the interest and investment income earned on this grant, or any additional grant from the Government of New Zealand.

^b Government of Tonga contribution will be in (i) in-kind contribution for administration costs, such as those for office space and counterpart time amounting to \$78,000; (ii) exemption from duty and tax of equipment and income taxes on salaries (other than for citizens or nationals of the recipient country) amounting to \$1,595,649; and waiving of the 1.0% fee based on the capital cost of the project, and defined under the Environmental Impact Assessment Regulation 2010.

Source: Asian Development Bank estimates.

A. Detailed Cost Estimates By Activity and Financier

Item		ADB	NZ	TPL	Government of Tonga
A	Base Cost ^a	Investment Cost	Investment Cost	Investment Cost ^b	Taxes and Duties
Output 1: Power Sector					
1.1	Resilient grid reconstruction	2,048,600	-	180,000	379,411
1.2	Climate Proofing Hospital and High Schools Connection	213,200	-	30,000	46,800
1.3	Repairing and Climate Proofing Street Lights	73,800	-	35,000	16,200
1.4	Temporary Solar Lanterns for Community Systems	14,268	-	-	3,132
Total - Output 1		2,349,868	-	245,000	445,543
Output 2: School Reconstruction					
2.1	Classroom Reconstruction	1,359,700	2,310,247	-	803,403
2.2	Staff Quarters Reconstruction	-	572,360	-	167,963
2.3	Classroom Furniture and material	-	539,560	-	118,440
2.4	Efficient Management	50,000	123,000	-	27,000
Total - Output 2		1,409,700	3,545,167	-	1,116,806
Output 3: School Reconstruction					
3.1	Removal of Asbestos	185,000	-	-	33,300
Total - Output 3		185,000	-	-	33,300
Subtotal (A)		3,944,568	3,545,167	245,000	1,595,649
B. Recurrent Costs^b					
1	Salaries	-	-	-	70,000
2	Accommodation	-	-	-	8,000
3	Equipment Operation and Maintenance	-	-	-	-
Subtotal (B)		-	-	-	78,000
Total Base Cost		3,944,568	3,545,167	245,000	1,673,649
C. Contingency^c					
	Output 1	285,432	-	-	-
	Output 2	260,000	507,533	-	-
	Output 3	30,000	-	-	-
Subtotal (C)		575,432	507,533	-	-
D. Unallocated^d					
		-	213,300	-	-
Total (A) + (B) + (C) + (D)		4,520,000	4,266,000	245,000	1,673,649
a	In mid-2014 prices.				
b	In kind contributions by Government of Tonga and TPL				
c	Computed at 15% for civil works, 5 % for equipment				
d	This amount includes a provision of 5.0% of ADB's administration fee, audit costs, bank charges, and a provision for foreign exchange fluctuations (if any), to the extent that these items are not covered by the interest and investment income earned on this grant, or any additional grant from the Government of New Zealand				
Source: Asian Development Bank					

B. Detailed Cost Estimates By Category and Financier

Item	ADB		NZ		TPL ^b		Government of Tonga				Total Cost
	Amount	Financing % of Cost Category	Amount	Financing % of Cost Category	Amount	Financing % of Cost Category	Amount (Costs)	Amount (Taxes and Duties)	Amount (Total)	Financing % of Cost Category	
A. Investment Costs^a											
1 Civil Works	1,764,700	30.4%	2,882,607	49.6%	160,000	2.8%	0	1,003,743	1,003,743	17.3%	5,811,050
a.Output 1 ^c	415,000	63.9%	0	0.00%	160,000	24.6%	0	74,700	74,700	11.5%	649,700
b.Output 2	1,349,700	26.2%	2,882,607	55.8%	0	0.0%	0	929,043	929,043	18.0%	5,161,350
2 Mechanical and Equipment	1,892,068	65.5%	539,560	18.7%	0	0.0%	0	459,012	459,012	15.9%	2,890,640
a.Output 1	1,892,068	84.7%	0	0.00%	0	0.0%	0	340,572	340,572	15%	2,232,640
b.Output 2	-	0.0%	539,560	82.0%	0	0.0%	0	118,440	118,440	18%	658,000
3 Environment Social Mitigation ^d	205,000	67.5%	0	0.0%	0	0.0%	0	98,694	98,694	32.5%	303,694
a.Output 1	10,000	30.2%	0	0.0%	0	0.0%	0	23,071	23,071	69.8%	33,071
b.Output 2	10,000	19.1%	0	0.0%	0	0.0%	0	42,323	42,323	80.9%	52,323
c.Output 3	185,000	84.7%	0	0.0%	0	0.0%	0	33,300	33,300	15.25%	218,300
4 Consultants	82,800	25.5%	123,000	37.8%	85,000	26.2%	0	34,200	34,200	10.5%	325,000
Technical Expertise	82,800		123,000	37.85%	85,000		0	34,200	34,200		325,000
a. Output 1	32,800	26.2%	0	0.0%	85,000	68.0%	0	7,200	7,200	5.76%	125,000
b. Output 2	50,000	25.0%	123,000	61.50%	0	0.0%	0	27,000	27,000	13.5%	200,000
Subtotal (A)	3,944,568	42.3%	3,545,167	38.0%	245,000	2.6%	0	1,595,649	1,595,649	17.1%	9,330,384
B. Recurrent Costs^b											
1 Salaries ^e	0	0.0%	0	0.0%	0	0.0%	70,000	0	70,000	100.0%	70,000
2 Accommodation	0	0.0%	0	0.0%	0	0.0%	8,000	0	8,000	100.0%	8,000
Subtotal (B)	0	0.0%	0	0.0%	0	0.0%	78,000	0	78,000	100.0%	78,000
Total Base Cost	3,944,568	41.9%	3,545,167	37.7%	245,000	2.6%	78,000	1,595,649	1,673,649	17.8%	9,408,384
C. Contingencies^f	575,432	53.1%	507,533	46.9%	0	0.0%	0	0	0	0.0%	1,082,965
Physical Contingencies	285,432	46.6%	327,533	53.4%	0	0.0%	0	0	0	0.0%	612,965
Price Contingencies	290,000	61.7%	180,000	38.3%	0	0.0%	0	0	0	0.0%	470,000
D. Unallocated^g	0	0.0%	213,300	100%	0	0.0%	0	0	0	0.0%	213,300
Total Project Cost (A+B+C+D)	4,520,000		4,266,000		245,000		78,000	1,595,649	1,673,649		10,704,649
% Total Project Cost	42.2%		39.9%		2.3%		0.7%	14.9%	15.6%		100.0%
a	In mid-2014 prices.										
b	In kind contributions by Government of Tonga and TPL										
c	Includes a maximum allocation of \$190,000 for force account to cover incremental cost of civil works carried out in Ha'apai by TPL										
d	Includes provision for services related to removal of asbestos and Government exemption of 1% environmental fee for civil works										
e	Includes cost of auditing project accounts by Government, estimated at \$3,000										
f	Computed at 15% for civil works, 5% for equipment										
g	This amount includes a provision of 5.0% of ADB's administration fee, audit costs, bank charges, and a provision for foreign exchange fluctuations (if any), to the extent that these items are not covered by the interest and investment income earned on this grant, or any additional grant from the Government of New Zealand										
Source: Asian Development Bank											

C. Allocation and Withdrawal of Grant Proceeds

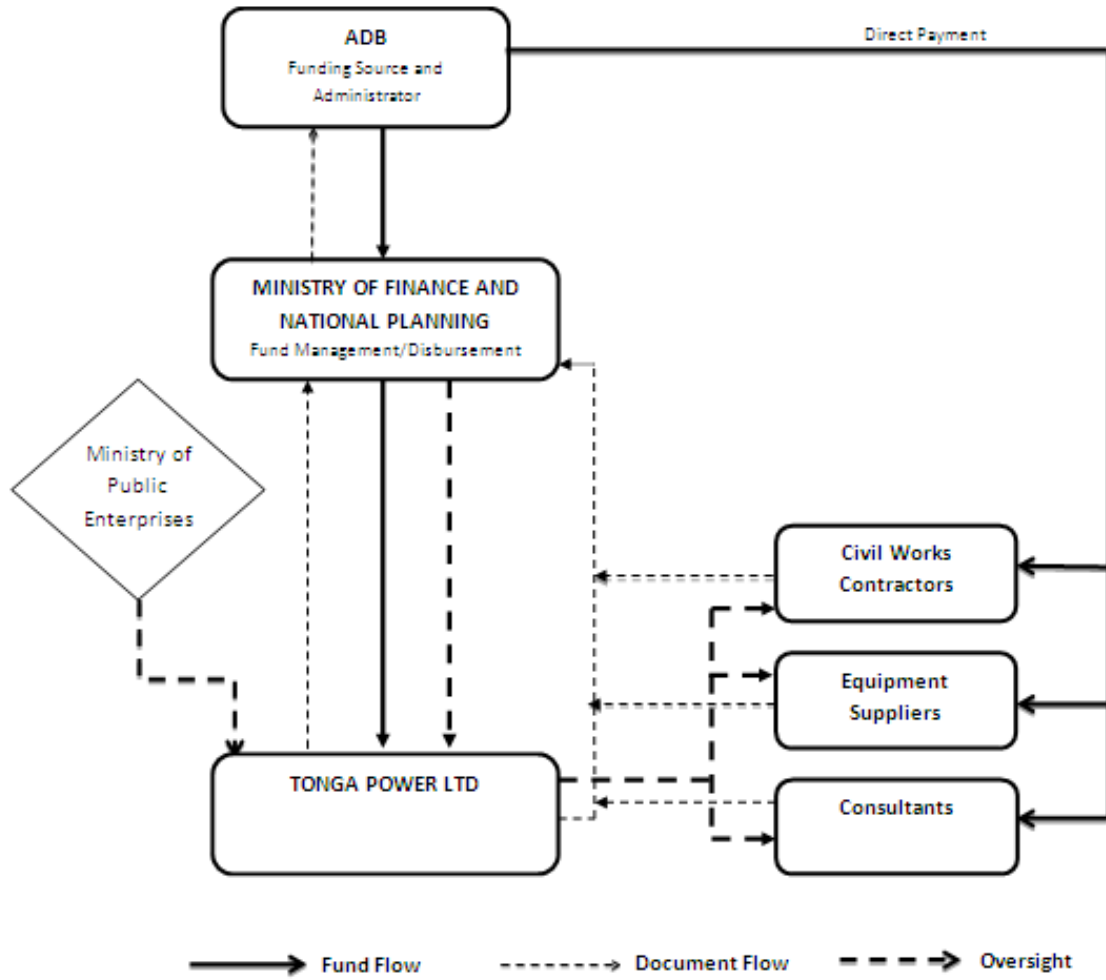
CATEGORY				ADB FINANCING
	Item	Total Amount Allocated (\$)		Percentage and Basis for Withdrawal from the Grant Account
		Category	Subcategory	
1	Works	1,764,700		
1a	Output 1		415,000	100.0% of total expenditure claimed*
1b	Output 2		1,349,700	31.9% of total expenditure claimed*
2	Mechanical and Equipment	1,892,068		100.0% of total expenditure claimed*
3	Environment and Social Mitigation	205,000		
3a	Output 1		10,000	100.0% of total expenditure claimed*
3b	Output 2		10,000	100.0% of total expenditure claimed*
3c	Output 3		185,000	100.0% of total expenditure claimed*
4	Consulting Services	82,800		
4a	Output 1		32,800	100.0% of total expenditure claimed*
4b	Output 2		50,000	28.9% of total expenditure claimed*
5	Unallocated	575,432		
	Total	4,520,000		
* Exclusive of taxes and duties imposed within the territory of the Recipient.				
\$ = US dollars.				
ADB = Asian Development Bank.				

CATEGORY			NEW ZEALAND GOVERNMENT FINANCING	
	Item	Total Amount Allocated for ADB	Percentage and Basis for Withdrawal from the Grant Account	
		Category		
1	Works	2,882,607	68.1%	of total expenditure claimed*
2	Mechanical and Equipment	539,560	100.0%	of total expenditure claimed*
3	Consulting Services	123,000	71.1%	of total expenditure claimed*
4	Unallocated**	720,833		
	Total	4,266,000		
* Exclusive of taxes and duties imposed within the territory of the Recipient.				
** This amount includes a provision of 5.0% of ADB's administration fee, audit costs, bank charges, and a provision for foreign exchange fluctuations (if any), to the extent that these items are not covered by the interest and investment income earned on this grant, or any additional grant from the Government of New Zealand				
\$ = US dollars.				

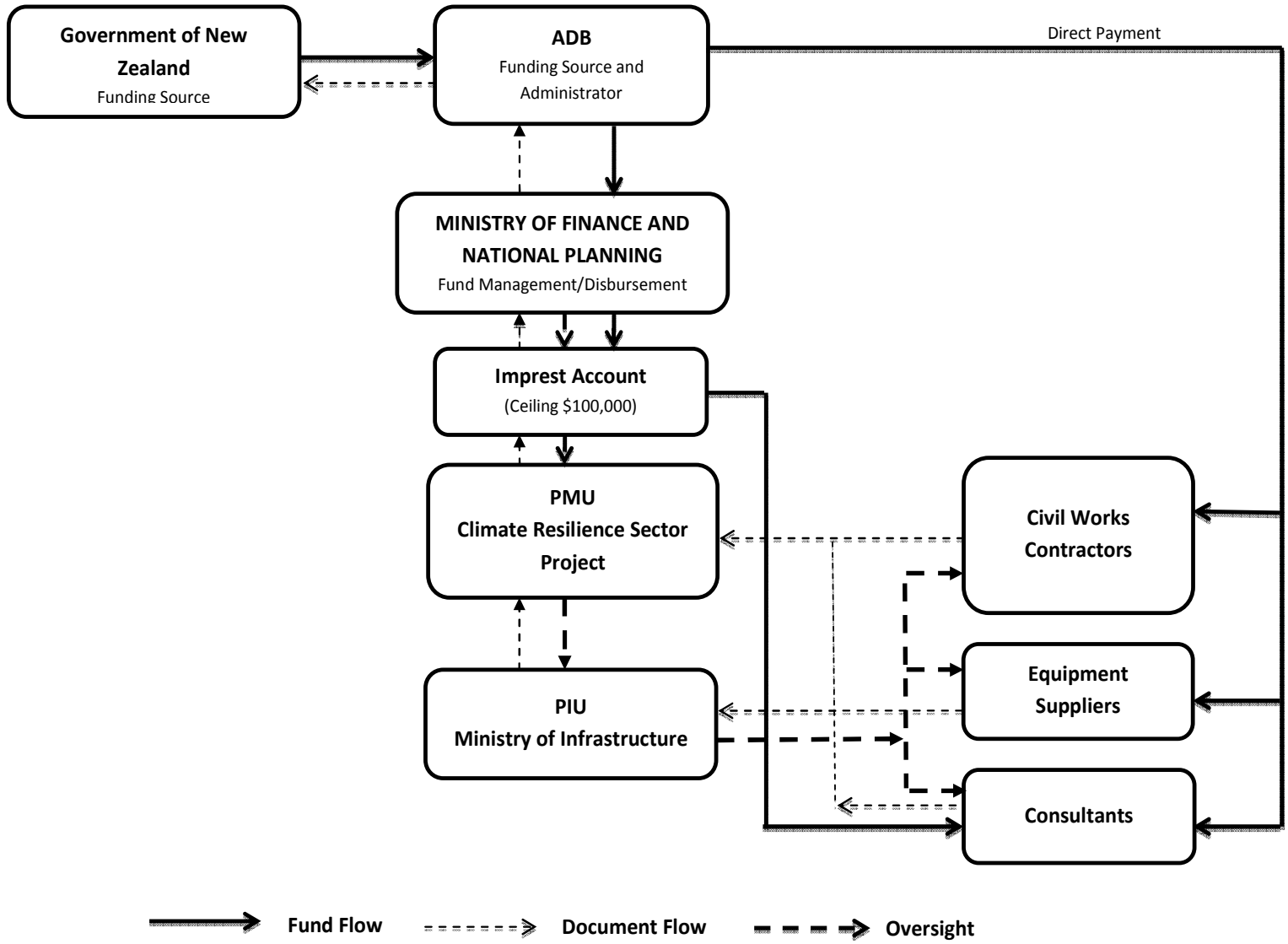
D. Contract and Disbursement S-curve

Contract Awards ^a			Disbursements		
Awards \$ (000)	Cumulative Awards \$ (000)	% of Total Awards	Disbursements \$ (000)	Cumulative Disbursements \$ (000)	% of Total Disbursements

a



C. Fund Flow Diagram – Output 2 and 3



V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

18. Tonga has made solid progress in improving public financial management (PFM) since achieving internal self-governance in 1984, particularly in government financial accounting and reporting. Tonga's Public Financial Management Act (PFMA) 2002 (amended 2010) provides a comprehensive framework for effective fiscal financial management and for financial reporting.⁹ The 2010 Public Expenditure and Financial Accountability (PEFA)¹⁰ assessment indicated an improvement in Tonga's PFM systems over the three years following the 2007 PEFA assessment. The number of satisfactory ratings that Tonga received increased from 16 to 20 out of the 27 indicators. However, unsatisfactory ratings were issued for aspects of the multi-year perspective in fiscal planning, expenditure policy and budgeting, the effectiveness in the collection of tax payments, competition, value for money and controls in procurement, and the effectiveness of internal audit. The weaknesses in the multi-year perspective are not uncommon in thin capacity environments, where the focus is rightly placed on the annual budget, while the weaknesses noted in the collection of tax payments stemmed from both the timing of a set of assessment and delays in the collection some large arrears which are before the courts. Reflecting reform efforts over the recent years, both the ADB and World Bank policy and institutional ratings for Tonga—as measured via the country performance assessments—have improved over the last five years. This conclusion is based on the 2010 PEFA's assessment that the legal and regulatory framework for PFM in Tonga provides a solid basis for budgeting, spending and accountability, and on the government's commitment to continue to implement PFM reforms.

Output 1: Reconstruction and climate- and disaster-proofing of the electricity network.

19. A financial management assessment (FMA), in accordance with ADB's Financial Management and Analysis of Projects (The Guidelines) (2005), was carried out on TPL under the OIREP project preparatory technical assistance. The FMA consisted of (i) administering the FMA Questionnaire to TPL, (ii) assessing Financial Management (FM) Internal Control and Risk; (iii) evaluating TPL's FM personnel, accounting policies and procedures, internal and external audit, and information systems for financial reporting and monitoring.

20. The FMA questionnaire and interview responses by TPL reveal that it has defined policies and procedures in place for accounting, budgeting, and auditing activities. TPL also maintains records of its fixed assets, with annual physical inspections, including for inventory. TPL also has adequate internal controls, including an internal audit and risk committee. The existing organization structure of the Finance and Accounts Department which comprises a finance manager, 2 accountants and 41 staff (includes outer island staff), is considered adequate. TPL confirmed that a new project accountant will be recruited and this position will handle all the financial management work for Output 1 of this project.

21. Key findings of the financial management assessment undertaken for the TPL are as described in Table 3:

⁹ ADB. 2013. *Tonga Social and Economic Report*. Manila.

¹⁰ Government of Tonga. 2010. *Public Financial Management Performance Report*. Nuku'alofa.

Table 3: Summary of Financial Management Assessment of TPL

Particulars	Conclusion
A. Funds Flow Arrangement	Funds flow arrangements are reliable, predictable and secure. TPL has enough capability to smoothly work under the proposed investment program.
B. Staffing	TPL delegates will compose the project management unit (PMU) to conduct all project relevant activities. PMC will assist the PMU at all times. TPL has financial staff to manage projects according to ADB financial management procedures.
C. Accounting Policies and Procedures	The TPL's accounting policy is based on the International Financial Reporting Standards (IFRS).
D. Internal and External Audits	There is an internal audit and risk committee within the TPL. As per the recommendation of the audit and risk committee, the Board outsources internal audit to different auditing firms depending on scope and expertise. The TPL was audited by independent external auditor, the PWC, on an annual basis for last 3 years. In following years KPMG shall be the external auditor for TPL.
E. Reporting and Monitoring	Financial statements are prepared for the entity in accordance with IFRS, Company Act, 1995 and Public Enterprises Act, 2002.
F. Information systems	At TPL the financial management system is computerized, which suits the project requirements.

22. The results of the internal control and risk assessment are summarized in Table 4. Financial management risks need to be considered and updated throughout the life of the investment program. Risk mitigation measures shall also be updated accordingly.

Table 4: Financial Management Internal Control and Risk

Risk	Risk Assessment*	Risk - Mitigation Measures
A. Inherent Risk		
1. Country-specific risks	N	
2. Entity-specific risks	M	PMC appointed by ADB shall facilitate this coordination.
3. Project-specific risks	M	Technical risks can be mitigated by provision of appropriate network studies, draft of national grid code, and system stabilization equipment as required.
Overall Inherent Risk	M	
B. Control Risk		
1. Implementing Entity	N	
2. Funds Flow	N	
3. Staffing	M	The staffing shortage shall be mitigated by: Organizational capacity augmentation can be achieved by establishing of Project Management Consultant body including the Project Manger to administrate the project, Project Leader to implement the project, Project Co-coordinator to coordinate logistics, Safeguard expert to

Risk	Risk Assessment*	Risk - Mitigation Measures
		facilitate Land and resettlement related aspects and Financial Specialist.
4. Accounting Policies and Procedures	N	
5. Internal Audit	N	
6. External Audit	N	Annual, Timely.
7. Reporting and Monitoring	N	TPL shall regularly report in accordance with ADB requirements on inherent adequate control mechanisms. Training of TERM-PIU, TPL staff, ECO's and the management committees in Niua's on ADB procedures shall be carried out by the PMC body.
8. Information Systems	N	
Overall Control Risk	N	
Overall Financial Management Risk	M	

*H = High, S = Substantial, M = Moderate, N = Negligible or Low

Outputs 2 and 3: Reconstruction and climate- and disaster-proofing of school facilities, and removal of asbestos from damaged buildings.

23. The MFNP will oversee the financial management of outputs 2 and 3 and the financial management capacity of the MFNP, based on the PEFA assessment, is considered adequate. The MFNP was the EA for the recently closed G0108-TON: Integrated Urban Development Sector Project (IUDSP) where the PMU, which employed a full-time project accountant, was established in the MOI, one of the 2 IAs of this project. The project accountant worked closely with the MFNP to meet all financial management requirements, which included the timely submission of acceptable APFSs for the previous 2 years. The MFNP is also the EA for G0264/G0265-TON: Nuku'alofa Urban Development Sector Project, the OIREP and the SPCR projects and all have full-time project accountants, who will also work closely with MFNP to meet the financial management requirements of their projects.

B. Disbursement

24. The grant proceeds will be disbursed in accordance with ADB's Loan Disbursement Handbook (2012, as amended from time to time)¹¹ and detailed arrangements agreed upon between the Government and ADB.

25. Direct payment, reimbursement, and imprest account procedures will be used for civil works, equipment, environment and social mitigation costs and consulting services. Force Account Works (under Reimbursement procedure) will be used under Output 1 for incremental costs for TPL personnel who will be working on the Island of Ha'apai.¹²

26. To facilitate cash flows during project implementation, the EA, MFNP, will open an imprest account for the ADB grant, for payments under outputs 2 and 3. The currency of the imprest accounts is the U.S. dollar. The imprest account is to be used exclusively for ADB's share of eligible

¹¹ Available at: <http://www.adb.org/sites/default/files/loan-disbursement-handbook.pdf>

¹² Available at: <http://www.adb.org/sites/default/files/loan-disbursement-handbook.pdf> (Appendix 9D)

expenditures. The EA is accountable and responsible for the proper use of advances to the imprest account. The ceiling of the imprest account is \$100,000. The EA may request for initial and additional advances to the imprest account based on an Estimate of Expenditure Sheet setting out the estimated expenditures to be financed through the account for the forthcoming six (6) months. Supporting documents should be submitted to ADB or retained by the EA in accordance with ADB's Loan Disbursement Handbook when liquidating or replenishing the imprest account.¹³

27. To expedite disbursement during implementation, the Statement of Expenditure (SOE) may be used to reimburse, liquidate, or replenish the imprest account for any individual payment not exceeding the equivalent of \$100,000. SOE records should be maintained and made readily available for review by ADB's disbursement and review mission or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit. Reimbursement and liquidation of individual payments in excess of the SOE ceiling should be supported by full documentation when submitting the withdrawal application to ADB.¹⁴

28. Before the submission of the first withdrawal application, the government should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the government, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is \$100,000 equivalent, unless otherwise approved by ADB. Individual payments below this amount should generally be paid from the imprest account, or by the EA/IA and subsequently claimed to ADB through reimbursement. ADB reserves the right not to accept withdrawal applications below the minimum amount.

29. TPL and MOI will be responsible for (i) preparing direct payment and reimbursement withdrawal applications and disbursement projections; (ii) requesting budgetary allocations for counterpart funds; and (iii) collecting supporting documents, for each of their outputs. The MFNP will be responsible for administering the imprest account, including consolidating claims TPL, preparation of the withdrawal applications for liquidation/replenishment and monthly reconciliations.

C. Accounting

30. TPL and MOI shall maintain separate projects accounts and records, by funding source, for all expenditure incurred on the project and will prepare the detailed financial statements for their Outputs, for submission to MFNP. The MFNP shall prepare the detailed consolidated project financial statements, in accordance with the government's accounting laws and regulations, which are consistent with international accounting principles and practices.

D. Auditing and Public Disclosure

31. The MFNP will cause the detailed consolidated project financial statements to be audited in accordance with international standards on auditing and in accordance with the government's audit regulations, by an independent auditor acceptable to ADB. The audited project financial statements will be submitted in the English language to ADB within six months of the end of the fiscal year by the EA. The annual audit report for the project accounts will include an audit management letter and audit opinion which will cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting

¹³ Bank charges may be financed by the ADB Grant.

¹⁴ Checklist for SOE procedures and formats are available at:

<http://www.adb.org/sites/default/files/loan-disbursement-handbook.pdf> (chap-09)

<http://www.adb.org/sites/default/files/loan-disbursement-handbook.pdf> (Appendix 9B)

framework; (ii) whether grant proceeds were used only for the purposes of the project or not; (iii) the level of compliance for each financial covenant contained in the legal agreements for the project; and (iv) use of the imprest fund and the SOE procedures in accordance with ADB's Loan Disbursement Handbook (2012, as amended from time to time) and the project documents.

32. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal project supervision, and followed up regularly with all concerned, including the external auditor.

33. The government, MFNP, MOI and TPL have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements. ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

34. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011).¹⁵ After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting

35. All procurement of goods and works will be undertaken in accordance with ADB's Procurement Guidelines ADB's Procurement Guidelines¹⁶ (2013, as amended from time to time) and recruitment of consultants ADB's Guidelines on the Use of Consultants¹⁷ (2013, as amended from time to time). ADB's Standard Bidding Documents (SBD) will be used for all procurement involving international competitive bidding (ICB) for works and goods, national competitive bidding (NCB) for works, sample documents will be used shopping for goods.

36. Advance contracting shall be undertaken to proceed with the initial steps of procurement to accelerate project implementation. The types of advance contracts will include (i) bidding, and bid evaluation for civil works packages; (ii) preparation of bid documents and request for quotation to procure materials and equipment; (iii) evaluation of bids; and (iv) recruitment of the consultants. The issuance of invitations to bid under advance contracting will be subject to ADB approval. The government, MFNP, MOI and TPL have been advised that approval of advance contracting does not commit ADB to finance the project. TPL will use their own labour force for works to restore access to the electrical supply network, Force Account will be used for the incremental labour cost associated with carrying out civil works in Ha'apai and will cost no more than \$190,000.

B. Procurement of Goods, Works and Consulting Services

37. All procurement of goods and works will be undertaken in accordance with ADB's Procurement Guidelines. ADB's Standard Bidding Documents (SBD) will be used for all procurement

¹⁵ Available from <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

¹⁶ Available at: <http://www.adb.org/sites/default/files/Guidelines-Procurement.pdf>

¹⁷ Available at: <http://www.adb.org/sites/default/files/guidelines-use-consultants.pdf>

involving international competitive bidding (ICB) for works and goods, national competitive bidding (NCB) for works.¹⁸

38. ICB procedures will be used for civil works contracts estimated to cost \$1 million or more, and supply contracts valued at \$1 million or higher. NCB procedures will be used for civil works contracts estimated to cost less than \$1 million and more than \$100,000. Shopping will be used for contracts for procurement of works and equipment worth less than \$100,000. Direct contracting will be used for schools staff quarters civil works. Under Output 1, direct contracting with Transnet NZ Limited will be used for the procurement of miscellaneous electrical equipment and HV cable by TPL. Supply of pine poles will also use direct contracting with Tonga Timber. In both cases these are repeat orders with suppliers that awarded a supply contract following international competitive bidding. TPL has provided copy of the bid documents as well as a copy of the BER and copy of the existing contract with Transnet NZ Limited and Tonga Timber. Using existing suppliers will allow TPL to commence reconstruction works immediately by (i) shortening the time of procurement, (ii) for the electrical equipment, facilitating installation by providing familiar equipment to the technical crews, and (iii) in the case of the pine poles reducing transport time. Under output two, direct contracting will be used with contractors that (i) will be competitively selected under the Housing Reconstruction Project financed by the World Bank and (ii) show good performance.

39. Before the start of any procurement, ADB and the government will review the public procurement laws to ensure consistency with ADB's Procurement Guidelines and ADB's Consulting Guidelines. ADB and the government shall update, within six months following the effective date, the procurement plan to reflect any necessary modifications and clarifications in relation to the Public Procurement Regulations 2013 and ADB's Procurement and ADB's Consulting Guidelines.

40. The government shall not award and ensure that the project EA shall not award, any works contract which involves impact on indigenous people; provided however that in the event that works in respect of any facility site are later determined to potentially involve any impacts on indigenous people, as determined under the ADB Safeguard Policy Statement (SPS), no works contract shall be awarded until the government has prepared and submitted to ADB a final indigenous people plan and obtained ADB's clearance.

41. International consultants and consulting firms will be recruited in accordance with Guidelines on Use of Consultants by ADB and its borrowers. The tentative Terms of Reference and scope of works for consulting services are in section VII (paras 53 - 63).

42. All advance contracting will be undertaken in conformity with ADB's Procurement Guidelines and Guidelines on the Use of Consultants. The issuance of invitations to bid under advance contracting will be subject to ADB approval.

43. The IAs will follow national labor regulations and are expected to offer equal opportunities to women.

44. **Output 1.** The procurement capacity assessment of TPL indicates that Tonga's procurement regulations and procedures are comprehensive and that TPL has a functioning procurement unit. Procurement of goods, works and related services under the project will be processed through TPL,

¹⁸ Since the project is financed with ADB-administered cofinancing resources as well as DRF resources, universal procurement will apply. ADB. 2013. *Blanket Waiver of Member Country Procurement Eligibility Restrictions in Cases of Cofinancing for Operations Financed from Asian Development Fund Resources*. Manila

oversight by ADB, and carried out in accordance with ADB's Procurement Guidelines (2013, as amended from time to time).

45. Additional TORs to the international consulting services to be allocated as part of existing OIREP PMU is required to facilitate project management and implementation. In addition, this project will recruit one international environmental specialist to carry out the IEE required before commencing the reconstruction of civil works by TPL and one international High Voltage Jointer Fitter to assist with the undergrounding of Ha'apai Hospital and High School connection.

International Specialists	Person-months
Environmental Specialist	0.5
High Voltage Jointer Fitter	0.25
Total	0.75

Source: Asian Development Bank.

46. **Outputs 2 and 3.** MOI, with the assistance of the PIU established under the CRSP, will procure works, services and equipment for these outputs. The technical specification and detailed design of the schools, as well as the removal of asbestos, will be carried out by MOI with support from the PIU and 2 architects funded under this project, who will support MET with supervision and liaison with MOI during the project.

Specialists	Person-months
Architect International	5
Architect National	12
Total	17

Source: Asian Development Bank.

47. The government shall not award and shall not permit the project EA to award any works contract under the project which involves environmental impacts until:

- (i) MLECCNR has granted the final approval of the initial environmental examination (IEEs) updated for the relevant facility sites; and
- (ii) the government has incorporated the relevant provisions from the updated environmental management plans (EMPs) into the works contracts.

48. In addition, the government shall not award and permit the project IA to award any works contract involving involuntary resettlement (IR) impacts under output 2 until the government has prepared and submitted to ADB the final resettlement plan (RP) based on the relevant detailed design and obtain ADB's clearance of such RP. The government shall not award and permit the project IA to award any works contract involving IR impacts under the remaining outputs of the project, if pursuant to the resettlement framework (RF) a RP is required to be prepared, until the government has prepared and submitted to ADB the final RP based on the relevant detailed design and obtained ADB's clearance.

49. Additional TORs for the consulting services of the CRSP PIU is required to (i) strengthen the institutional and operational capacity of the PMU and IA's to deliver activities; (iii) deliver technical supervision of the design and procurement; (iv) design and supervise emergency project activities.

C. Procurement Plan

a. Goods and Works Contracts Estimated to Cost More than \$1 million

50. The following table lists goods and works contracts estimated to cost more than \$1 million is expected to be advertised within the year 2014.

Package No.	General Description	Contract Value	Procurement Method	Prequalification of Bidders (y/n)	Advertisement Date (quarter/year)	Comments
Mol						
ICB-MOI-01	Primary Schools Reconstruction	2,410,000	ICB	n	3Q	1 package
ICB-MOI_02	Secondary Schools Reconstruction	2,161,983	ICB	n	4Q	1 package

b. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000

51. The following table groups smaller value goods, works and consulting services contracts for which procurement activity is either going or ongoing or expected to commence within the next 18 months.

Package No.	General Description	Value of Contracts	Number of Packages	Procurement Method	Comments
TPL					
DC-TPL-01	Supply of Pine Poles	300,000	1	Direct Contracting	Tonga Timber (existing contract with TPL)
DC-TPL-02	Equipment (SL, LV ABC and HV ABC Cable)	700,000	1	Direct Contracting	Transnet NZ Limited (repeat order)
DC-TPL-03	Electrical Equipment (Misc)	600,000	1	Direct Contracting	Transnet NZ Limited (repeat order)
DC-TPL-04	Cable for Hospital	120,000	1	Direct Contracting	Transnet NZ Limited (repeat order)
DC-TPL-05	Electrical Equipment Hospital	100,000	1	Direct Contracting	Transnet NZ Limited (repeat order)
SHO-TPL-01	Vehicles	300,000	3	Shopping	Truck and digger to be purchased used
SHO-TPL-02	Street Lights Equipment	90,000	1	Shopping	Street Lights equipment and Solar Lanterns
SHO-TPL-03	Shipping Services	80,000	various	Shopping	Shipping from Tongatapu to Ha'apai
SHO-TPL-04	Trenching Works	222,000	3 to 4	Shopping	
SHO-TPL-05	Solar Lanterns	17,400	1	Shopping	Solar lanterns and Community Chargers
CS-TPL-01	Consulting Services	40,000	2	Individuals	Environment Specialist & Joiner Fitter Specialist
FA-TPL-01	TPL incremental labour cost civil works in Ha'apai	190,000	1	Force Account	Additional labour cost and cost of rotating crews to Ha'apai
Mol					
DC-MOI-01	Staff Quarters	698,000	4	Direct Contracting	Direct Contracting with contractors awarded the

Package No.	General Description	Value of Contracts	Number of Packages	Procurement Method	Comments
					reconstruction of houses under Ha'apai Housing Reconstruction Project financed by WB
NCB-MOI-01	Furniture & Equipment	658,000	2	NCB	
NCB-MOI-02	Asbestos Removal	185,000	1	NCB	Removal of asbestos for reconstruction work
CS-MOI-01	National Architect	50,000	1	Individual	
CS-MOI-02	International Architect	150,000	1	Individual	

c. Consulting Services Contracts Estimated to Cost More than \$100,000

52. The following table lists consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Contract Value	Recruitment Method	Advertisement Date (quarter/year)	International or National Assignment	Comments

VII. CONSULTANT'S TERMS OF REFERENCE

53. MOI will engage a national individual consultant and an international individual consultant (the Consultants) for the project. The Consultants will provide specialized services to support MOI and MET and will be engaged in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).

54. The Consultant is expected to commence its service in May 2014 and will report to the Project Manager of the Project Implementation Unit in The Ministry of Infrastructure, to the CEO of MET and to CEO of MFNP, the executing agency for the Project.

BACKGROUND

55. This project will support the reconstruction and climate proofing of damaged schools and facilities that were damaged in Ha'apai.¹⁹ The reconstruction of schools will include improved building structures (class rooms and staff quarters) and necessary fixtures and furniture such as blackboards, desks, chairs and appropriate water and sanitation amenities. This will allow classes to resume in a safe and conducive learning environment and in the future will reduce the number of days that schools are closed during extreme weather events and natural disasters. MET has done a preliminary assessment of the damage, and the cost of reconstruction and building back better, including demolition and removal of debris.

¹⁹ The identified damaged primary schools are: Ha'ano, Fakakai, Mo'unga'one, Mata'aho, Lofanga, Faleloa, Fotua, Koulo, Pangai, and Tongoleleka. Damaged secondary schools include Ha'apai High School, Taufua'ahau Pilolevu College, St Josephs Community College, Tailulu College, 'Ofamo'oni school and Petani Bilingual school. Final list of primary and secondary schools to be reconstructed or renovated will follow outcomes of government rationalization of the education sector in Ha'apai

56. An initial assessment of number of buildings that require total reconstruction versus those only needing renovation is included in the report provided by MET. Some of the structures will have to be demolished and reconstructed while others will need renovation. The technical specification of the staff quarters will be the same than those used under a World Bank financed Ha'apai Housing Reconstruction project Type 2 housing structures, and they will include sanitation and water tank or connection to reticulated system when available. The works for reconstruction of staff housing will use direct contracting with those firms that have been awarded a contract under the Housing Reconstruction project. The technical specification and detailed design of the schools will be carry out by MOI with support from 2 architects following guidance from MET and MOI on building codes and technical specifications suitable for primary and secondary school building structures and revising them if required to ensure the buildings are built to specifications that will make the buildings resilient to extreme weather events.

SCOPE OF SERVICES

57. In order to deliver the expected outputs, the Consultant's scope of work will include, but not be limited to, the outputs described below.

- (i) the report provided by MET of works required for each of the schools above and describe in detail the reconstruction or renovation works required for each structure, for classrooms, dormitories, sanitation facilities and staff quarters.
- (ii) Undertake topographic surveys of the sites, or update existing surveys where available, sufficient for the proposed scope of works.
- (iii) Prepare detailed designs and drawings for each of the school climate-proofing measures and ensure.
- (iv) Prepare bid documents for the construction of the school climate-proofing measures including contract documents, general and particular specifications, and bills of quantities.
- (v) Assist the procurement division of MOI and the Project Tender and Procurement Committee with advertisement and technical evaluation of tenders.
- (vi) Prepare and implement a quality assurance plan.
- (vii) Supervise the construction of the school climate-proofing measures and report to MOI and MET.
- (viii) Check Contractor's measurements and invoices, and certify for payment.
- (ix) Prepare as-constructed drawings.

58. For all outputs the Consultant shall work with and carry out consultations with MET and MOI in order to analyze and reflect their needs, capabilities, expectations, preferences and appropriateness of recommendations.

59. The International Consultants will have a graduate degree in architecture or equivalent. He/she must have at least 10 years' experience in the design and construction of building works, drainage and landscaping, experience in the education sector will be valued and in Tonga or the region will be preferred.

60. The National Consultants will have at least an undergraduate degree in architecture or equivalent. He/she must have at least 5 years' experience in the design and construction of building works, drainage and landscaping, experience in the education sector will be valued.

61. The MOI will provide the Consultant with suitable office space, office furniture lighting, electricity, air conditioning, counterpart staff and access to phone lines. The Consultants will cover

costs for phone lines and internet access, while PIU will cover electricity costs. PIU will also provide the consultant with free access to relevant information, studies, reports, and data as applicable. PIU will make available their key staff as required during the course of the assignment.

62. The International Consultant will be responsible for consolidating all the reports produced by the consultants and he/she will report to MOI, MET and MFNP. The national consultant will be supervised by the international consultant and will report to MOI, MET and MFNP.

REPORTING

63. All reports shall be submitted in hard copy (5 copies) and electronic form in a format satisfactory to and suitable for use by the recipients. A monthly progress meeting will be held with PIU and other identified stakeholders on work progress update.

VIII. SAFEGUARDS

64. This project, within each of the project activities financed by ADB and government, will be subject to ADB's Safeguard Policy Statement (2009) (SPS).²⁰ The project has been classified as Category B for environment and Category C on involuntary resettlement and indigenous persons. Framework documents have been prepared to describe the safeguard requirements for the project, including the Environmental Assessment and Review Framework (EARF) and the Land Acquisition and Resettlement Framework (RF). An IEE for each output will be prepared before project implementation. The program coordinators within the OIREP PMU and CRSP PIU will be directly responsible for all safeguard related matters.

65. Pursuant to ADB's SPS, ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS.

66. **Environment.** The project is classified as category B for environment. The disaster response nature of this project entails that specific initial environmental examinations for the two outputs will be conducted during implementation. It is expected that planned outputs will have only small, temporary, and localized adverse impacts on the environment, which can be readily managed by proposed mitigation measures in the environmental assessment and review framework and initial environment examinations.

67. The IAs will have overall responsibility for the project's compliance with safeguard requirements. The CRSP PMU through the PIU based in MOI, and the OIREP PMU based in TPL, supported by the national and international engineers will be responsible for facilitating and supervising the implementation of the EMPS which will include (i) revising the construction section of the EMPs and ensuring its integration along with other safeguards provisions into the bid and contract documents; (ii) providing induction to contractors on EMP requirements during construction and reviewing and approving the contractor's CEMPs; (iii) as required, supporting contractors in implementing the CEMPs and monitoring requirements; (iv) undertaking compliance monitoring of the CEMP implementation; (v) preparing the necessary environmental assessment of candidate subprojects to be prepared during project implementation; and (vi) preparing monitoring reports and other reports as required.

68. **Involuntary Resettlement.** The project is classified as category C for involuntary resettlement following ADB's SPS. If there are any unanticipated land acquisition and resettlement

²⁰ Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

impacts during implementation of this project, a resettlement plan will be prepared following the resettlement framework prepared for the project to address unanticipated impacts.²¹

69. The OIREP PMU and CRSP PIU will be responsible for the day-to-day management of the project including resettlement safeguards. During the land acquisition and resettlement process, if required, they will ensure that entitlements and compensation measures established in the Resettlement Plan (RP) are consistent with the RF and suitable budgetary provisions are made for timely RP implementation. They will also ensure that funds for compensation and entitlements under the RP are fully provided to affected persons prior to the commencement of civil works under relevant outputs.

70. To ensure that any unanticipated land acquisition and resettlement activities are carried out according to the requirements of ADB SPS, the government will follow the measures included in the RF: entitlements and valuation process (Section III of the RF), impact assessment and preparation of RP (Section IV of the RF), consultation and disclosure (Section V of the RF), compensation and income restoration (Section VI of the RF), grievance redress mechanisms (section VII of the RF) and implementation and monitoring (Section VIII of the RF).

71. **Indigenous peoples.** The project has been classified as Category C on indigenous peoples following SPS. The project is not expected to impact any distinct and vulnerable group of indigenous peoples as defined under ADB's Safeguard Policy Statement. The beneficiaries in the project sites are part of mainstream Polynesian society and are not discriminated upon due to their language, skin color, or traditional practices. All project outputs will be delivered in a culturally appropriate and participatory manner.

IX. GENDER AND SOCIAL DIMENSIONS

72. The project has some gender elements. The OIREP PMU and CRSP PIU for the project outputs will conduct training as required to increase gender awareness among staff of the implementing agencies, contractors, community leaders, and project area residents. Training will be provided to OIREP PMU and CRSP PIU and project staff to be able to detect, intercept, respond to, and prevent (or refer cases) of sexual harassment, gender-based violence, and other problems that may emerge during project implementation. In addition, both the OIREP and CRSP are categorized as effective gender mainstreaming: the majority of project outputs under OIREP has specific gender design features to ensure that women participate in the project and have access to project benefits, and the CRSP has a gender action plan to support gender-equal participation in decision making for climate change-related resource allocation and community-based project designs.

X. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
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²¹ Resettlement Framework (accessible from the list of linked documents in Appendix 2).

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact More climate and disaster resilient electricity and education services provided to the people of Ha'apai</p>	<p>By end of 2020:</p> <p>100% of Ha'apai electricity network functioning (Baseline: 90%–95% of the Ha'apai network damaged in 2014)</p> <p>100% of students enrolled in schools attend classes in a safe and clean environment (Baseline: all 1,293 students enrolled in 16 affected schools receiving classes in temporary shelters in 2014)</p>	<p>Tonga Power Ltd (TPL) reports</p> <p>Ministry of Education and Training (MET) reports</p> <p>Tropical Cyclone Ian Response Plan</p>	<p>Assumption Electricity and education services will be restored and maintained.</p> <p>Risk More intense cyclones will increase the vulnerability of the education and power sectors.</p>
<p>Outcome Electricity supply restored and normal education services resumed at pre-Cyclone Ian levels for the people of Ha'apai</p>	<p>By end of 2018:</p> <p>Main electricity grid on Ha'apai reconstructed and upgraded and electricity supply resumed</p> <p>Education services resumed in the rebuilt and climate-proofed school buildings on Ha'apai</p> <p>Materials containing asbestos removed from damaged buildings and disposed</p>	<p>TPL reports</p> <p>MET reports</p>	<p>Assumption School services and teachers will be available once the reconstruction has been completed.</p> <p>Risk Poor coordination between implementing and executing agencies and the agencies with oversight roles will adversely affect project implementation.</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Outputs</p> <p>1. Ha'apai electricity network reconstructed and climate- and disaster-proofed</p> <p>2. School buildings reconstructed and climate- and disaster-proofed</p> <p>3. Removal of asbestos from damaged buildings</p>	<p>By end of 2017:</p> <p>Ha'apai distribution network upgraded from 6.6 kilovolts to 11.0 kilovolts</p> <p>15.2 kilometers of high-voltage overhead distribution lines restored and climate-proofed</p> <p>1,000 houses and 30 commercial and government buildings reconnected using climate-proofed underground connections</p> <p>161 LED streetlights installed and climate-proofed</p> <p>100 households in outer islands provided with temporary solar lanterns and community solar chargers</p> <p>2 kilometers of cables constructed and climate-proofed</p> <p>Damaged school buildings reconstructed and climate-proofed Staff quarters of agreed primary and secondary schools renovated or reconstructed</p> <p>Damaged schools equipped with furniture and materials required for an environment conducive to learning</p> <p>Reconstructed school, government, and residential buildings made safer by removal of asbestos-containing</p>	<p>TPL reports</p> <p>Ministry of Infrastructure (MOI) and MET reports</p> <p>MOI and MET reports</p>	<p>Risk</p> <p>The government's administrative capacity and resources may be stretched, limiting implementation capabilities of the emergency assistance.</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
	materials		

Source: Asian Development Bank.

B. Monitoring

73. **Project performance monitoring:** The IAs will prepare quarterly monitoring reports, including disaggregated baseline data for output and outcome indicators. The quarterly reports will provide information necessary to update ADB's project performance reporting system. The twice annual loan reviews and the quarterly monitoring reports will include environmental and social safeguard monitoring reports.

74. **Compliance monitoring:** In addition to the standard assurances, compliance with the specific assurances will be monitored. Implementation of covenants will be (i) summarized in the quarterly progress reports, (ii) discussed during OIREP PMU and CRSP PIU meetings, and (iii) reviewed during biannual grant review missions. The EA and IAs will cause the detailed consolidated project accounts to be audited in accordance with International Standards on Auditing by an auditor acceptable to ADB. The audited accounts will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the executing agency. The government has been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited accounts. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures. For revenue generating projects only, ADB requires audited financial statements (AFS) for each EA and IAs associated with the project.

75. **Safeguards monitoring:** Environment and social safeguards will be monitored by international and national specialists within the OIREP and OIREP PMUs, in accordance with the EARF and RF. The results of the safeguard monitoring will be reported in the IAs quarterly reports. Additionally, the twice annual review missions will report on safeguard compliance.

76. **Gender and social dimensions monitoring:** A social specialist with relevant gender-related experience will be engaged under the OIREP PMU and CRSP PIU. The specialist will be responsible

for incorporating gender mainstreaming measures into project planning and implementation, including awareness activities and establishment of sex-disaggregated indicators for project performance and monitoring. The OIREP PMU and CRSP PIU will report the progress of activities in its quarterly progress reports on overall project activities to ADB and the government.

C. Evaluation

77. ADB and the EA will adopt the review mechanisms for the OIREP and CRSP throughout the implementation of the project as well as a mid-term grant review for the project. The review will monitor (i) project output quality, (ii) implementation arrangements, (iii) implementation progress, and (iv) disbursements. Within 6 months of physical completion of the project, the EA will submit a project completion report to ADB.²²

D. Reporting

78. The IAs through the OIREP PMU and CRSP PIU will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions; (c) updated procurement plan and (d) updated implementation plan for next 12 months; and (iii) a project completion report within 6 months of physical completion of the Project. To ensure projects continue to be both viable and sustainable, project accounts and the executing agency AFSs, together with the associated auditor's report, should be adequately reviewed.

E. Stakeholder Communication Strategy

79. OIREP PMU and CRSP PIU will employ the current CRSP stakeholder communication strategy. This will be reviewed by the end of 3 months after grant effectiveness. All communication will be in language suitable for the specific audience and will follow the ADB Public Communication Policy. The stakeholder strategy will incorporate the following outputs:

- (i) Compilation of stakeholder communication activities already undertaken.
- (ii) Role of the Public Service Commission in coordinating and communicating with relevant government stakeholders.
- (iii) Public communication plan for disseminating information regarding project development to the public who may be impacted by the proposed projects.

XI. ANTICORRUPTION POLICY

80. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project. All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.

81. To support these efforts, relevant provisions are included in the grant agreement and the

²² Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

bidding documents for the project. Additionally, the government will (a) comply with ADB's Anticorruption Policy (1998, as amended to date), and cooperate fully with any investigation by ADB and extend all necessary assistance, including providing access to all relevant books and records for the satisfactory completion of such investigation; (b) ensure that relevant staff are trained in ADB's Anticorruption Policy; (c) ensure that the audited annual project accounts under the project, project progress, and procurement activities are disclosed on relevant government entities; and (d) allow and facilitate ADB's representatives to conduct spot and random checks on (i) flow of funds, and their use for the projects in accordance with the legal agreements; (ii) work-in-progress; and (iii) project implementation under the project.

XII. ACCOUNTABILITY MECHANISM

82. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.

83. **Project performance monitoring:** Within 6 months of the grant effectiveness, the OIREP PMU and CRSP PIU will establish a project performance and monitoring system. ADB and the government will agree on a set of indicators for monitoring and to evaluate to what extent the project is achieving its goals and purposes. These indicators will be refined and monitored during project implementation. The indicators will include data for monitoring economic development, socioeconomic development, environmental impact, and institutional development. Monitoring and evaluation will be based on gender-disaggregated data for social and poverty impact indicators. The OIREP PMU and CRSP PIU shall monitor and evaluate the indicators according to the agreed framework on a quarterly basis to determine the efficiency and effectiveness of the project. OIREP PMU and CRSP PIU through MFNP will provide quarterly progress reports, and after each ADB review mission. These quarterly reports will provide information necessary to update ADB's project performance reporting system. In addition, MFNP will oversee and monitor overall implementation of the project.

84. **Compliance monitoring:** will be provided through regular quarterly progress reports and during regular ADB review missions.

85. **Safeguards monitoring:** The OIREP PMU and CRSP PMU through the CRSP PIU will be responsible for monitoring safeguard activities through the project implementation assistance consultants. MFNP will submit semi-annual safeguard monitoring reports to ADB, and the findings will be incorporated into the progress reporting of the OIREP PMU and CRSP PIU. Measures on safeguard monitoring are included in the EARF and RF. Before commencing work, the contractor will prepare a contractor's EMP which will establish how the contractor will comply with the EMP safeguard requirements. Monitoring of the contractor's work will be undertaken by the resident engineer with assistance of the safeguards officer. The OIREP PMU and CRSP PIU through MFNP will also submit, if required under the RF, subproject land acquisition completion reports to ADB before award of civil works contracts for subprojects involving unanticipated land acquisition and resettlement impacts during implementation. ADB review missions will also check the progress on implementation of safeguard requirements.

86. The safeguard specialists will assist OIREP PMU and CRSP PIU in monitoring of safeguard activities and preparation, review and disclosure of safeguard monitoring reports. The checklist for safeguard supervision and the outline of safeguard monitoring report on resettlement for ADB missions and PMU/PIU, respectively, are provided below.

XIII. RECORD OF PAM CHANGES

87. This is the original PAM.