

PROJECT INFORMATION DOCUMENT (PID) ADDITIONAL FINANCING

Report No.: PIDA29880

Project Name	Tonga Transport Sector Consolidation Project - Additional Financing (P151806)
Parent Project Name	Tonga Transport Sector Consolidation Project (P096931)
Region	EAST ASIA AND PACIFIC
Country	Tonga
Sector(s)	Ports, waterways and shipping (49%), Public administration-Transportation (24%), Rural and Inter-Urban Roads and Highways (27%)
Theme(s)	Other public sector governance (40%), Rural services and infrastructure (30%), Trade facilitation and market access (30%)
Lending Instrument	Investment Project Financing
Project ID	P151806
Parent Project ID	P096931
Borrower(s)	Ministry of Finance
Implementing Agency	Ministry of Infrastructure
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	06-Aug-2015
Date PID Approved/Disclosed	26-Aug-2015
Estimated Date of Appraisal Completion	07-Aug-2015
Estimated Date of Board Approval	29-Sep-2015
Appraisal Review Decision (from Decision Note)	The review did authorize the team to appraise and negotiate

I. Project Context

Country Context

The Kingdom of Tonga consists of 169 islands and has a total population of around 120,000. The country lies in the South Pacific and stretches over a distance of about 800 kilometers from north to south, covering a total land area of 748 square kilometers with an Exclusive Economic Zone (EEZ) of about 700,000 square kilometers. The population is primarily Polynesian, with a literacy rate close to 99 percent and a relatively low incidence of poverty. However, its small size, geographic dispersion and isolation, and limited natural resources provide a narrow economic base. Agriculture, fishing and tourism account for most export earnings and it has a high dependency on external aid (approximately 15 percent of Gross National Income, GNI). Remittances from an estimated 100,000 Tongans abroad have historically been equivalent to about 40 percent of GNI.

In recent years, Tonga has been hard-hit by a number of economic and natural shocks which have eroded its fiscal buffers and capacity to respond to further shocks. Tonga was negatively impacted by the 2009 Global Economic Crisis through a substantial and prolonged decline in remittances and tourism receipts, and price spikes in imported food and fuel on which households are heavily dependent.

With its remote locations, small size, dispersed islands setting and other geographical factors, Tonga faces many challenges in developing and maintaining sustainable internal (intra- and inter-island), regional and international transport and communication linkages, all of which are crucial to the economic development and social well-being of its population. The country is faced with limited capital resources and asset deterioration, combined with financial and administrative constraints typical of a small (micro) country, as well as increasingly onerous international transport security requirements.

Sectoral and institutional Context

Recognizing the key role that transport plays in the economy and social fabric of such an isolated and dispersed country, the Government of Tonga (GoT) is committed to improving efficiency in the sector. It began the process of doing so in 2004, with a request to IDA to support a joint review of the country's entire transport sector (responsibility for which was scattered throughout a number of different Ministries), and to recommend strategies and options for improving sector performance. The IDA-supported Tonga Transport Sector Review (TTSR -TF052906) was completed in 2005 and many of its recommendations were adopted as Government policy. This was subsequently included in the Government's national Strategic Development Plan (SDP8), which was presented at a donors' conference shortly thereafter.

In 2008, the Tonga Transport Sector Consolidation Project (TSCP - TF99585 & H4160) became effective. Originally designed to focus on sector reform, the objectives of TSCP (TF99585 & H4160) were later expanded in 2010 to cover hard infrastructure investments. Since effectiveness, the project has undergone four restructurings:

- November 2010: The project was scaled-up significantly through the provision of an additional USD 10.3 million in grant financing from the Government of Australia, through the Pacific Region Infrastructure Facility (PRIF), with a focus on road maintenance activities as well as priority maritime investments. The closing date of the project was extended from December 31, 2011 until December 31, 2013, to allow sufficient time for the completion of the additional activities added to the project.
- July 2012: Changes were made to the legal agreements to reflect the merger of MoT with the Ministry of Works to form MoI, which was part of GoT's program to consolidate ministries. Changes were made to the administrative agreements relating to the agreements between the donors and the project entity.
- August 2013: The project's closing date was extended to December 31, 2015 to permit the completion of road maintenance activities and to allow time for the Government to implement a large number of policy recommendations prepared through the project, in particular related to the restructuring of MoI
- February 2014: The project's legal agreements were amended to broaden the geographical scope of the aviation investments in response to Tropical Cyclone Ian, which struck the island group of Ha'apai on January 11, 2014.

II. Proposed Development Objectives

A. Current Project Development Objectives – Parent

The transport sector has (i) stronger policy, planning, and regulatory institutions and framework, (ii) improved safety and security facilities and compliance with international safety and security standards, and (iii) greater domestic capacity for road rehabilitation and maintenance.

III. Project Description

Component Name

A - Establishment of a sustainable transport policy, and institutional and operational framework

Comments (optional)

Part of original project, all activities completed.

Component Name

B - Provision of high priority strategic investments required to meet with mandatory safety and security standards required under international agreements, treaties and obligations.

Comments (optional)

AF investments in physical infrastructure, which are estimated at USD 1.94 million, will include: (i) additional aids to navigation for Nuku'alofa, Eua, Ha'apai, Vava'u, and the other islands; (ii) marine safety, maintenance and environmental protection equipment; and, (iii) passenger shelters and storage facilities for the safe and efficient management of both import and export cargoes.

Component Name

C - Further investments consistent with the policy/planning frameworks and investment plans developed in Component A for a more sustainable transport sector

Comments (optional)

i. AF investments in transport safety (USD 0.48 million), including: (i) road improvement works to address safety issues; (ii) investments to improve maritime safety; (iii) road safety campaigns; (iv) child restraint program; and, (v) advisory services and support for updating existing safety legislation in the transport sector.

ii. AF technical advisory services, capacity building and training (USD 1.67 million) to strengthen MoI, including: (i) advisors for asset management, maritime, roads, and traffic safety; (ii) support for scaling-up change management; (iii) training and capacity building; and (iv) ICT systems, including an asset management system.

Component Name

D - Provision of Project implementation support

Comments (optional)

Funding to continue support for project implementation for 2.5 years (USD 0.44 million).

IV. Financing (in USD Million)

Total Project Cost:	6.00	Total Bank Financing:	4.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount

BORROWER/RECIPIENT	2.00
International Development Association (IDA)	2.00
IDA Grant	2.00
Total	6.00

V. Implementation

Under the existing project, the Ministry of Finance and National Planning is the Executing Agency and MoI is the Implementing Agency. MoI is responsible for managing all project activities, including procurement, financial management, and reporting. A PST has been recruited, and maintained throughout the implementation period, to support MoI with the implementation of the project. A Procurement Advisor will continue to support MoI with World Bank projects. The proposed AF will provide additional financing to continue implementation support.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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