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The World Bank

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Report No: PAD1284

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT AND RESTRUCTURING

IN THE AMOUNT OF SDR4.20 MILLION  
(US\$6.00 MILLION EQUIVALENT)

AND A

PROPOSED ADDITIONAL PACIFIC REGIONAL INFRASTRUCTURE FACILITY GRANT

IN THE AMOUNT OF

AU\$ 8.00 MILLION  
(US\$7.00 MILLION EQUIVALENT)

TO THE REPUBLIC OF KIRIBATI

FOR THE

KIRIBATI ROAD REHABILITATION PROJECT

February 24, 2015

Timor-Leste, Papua New Guinea & the Pacific Islands  
Transport and ICT Global Practice  
East Asia and Pacific Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective December 31, 2014)

Currency Unit = Australian Dollar (AU\$)

US\$0.8206 = AU\$1

SDR0.6902 = US\$1

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AF	Additional Finance
AU\$	Australian Dollar
EIRR	Economic Internal Rate of Return
EMP	Environmental Management Plan
ESAT	Environmentally Sustainable Aggregate Tarawa
FM	Financial Management
GoA	Government of Australia
GoK	Government of Kiribati
IDA	International Development Association
IRI	International Roughness Index
KAIP	Kiribati Aviation Investment Project
KAP-II	Kiribati Adaptation Program Phase II
KAP-III	Kiribati Adaptation Program Phase III
KFSU	Kiribati Fiduciary Services Unit
KRRP	Kiribati Road Rehabilitation Project
MCTTD	Ministry of Communications, Transport and Tourism Development
MELAD	Ministry of Environment, Lands and Agricultural Development
MFED	Ministry of Finance and Economic Development
MOU	Memorandum of Understanding
MPWU	Ministry of Public Works and Utilities
NGO	Non-Government Organization
NZ\$	New Zealand Dollar
ORAF	Operational Risk Assessment Framework
PDO	Project Development Objective
PMU	Project Management Unit
PRIF	Pacific Region Infrastructure Facility
PST	Project Support Team
RAP	Resettlement Action Plan
RERF	Revenue Equalization Reserve Fund
RPF	Resettlement Policy Framework
SDR	Special Drawing Rights
STSISP	South Tarawa Sanitation Improvement Sector Project
US\$	United States Dollar

Vice President:	Axel van Trotsenburg
Country Director:	Franz Drees-Gross
Senior Global Director:	Pierre Guislain
Practice Manager:	Michel Kerf
Task Team Leader:	Pierre Graftieaux
Co-Task Team Leader:	Christopher R. Bennett

**KIRIBATI**  
**KIRIBATI ROAD REHABILITATION PROJECT**  
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**ADDITIONAL FINANCING DATA SHEET**

*Kiribati*

*Kiribati Road Rehabilitation Project Additional Financing ( P154012 )*

*EAST ASIA AND PACIFIC*

*GTIDR*

<b>Basic Information – Parent</b>										
Parent Project ID:	P122151				Original EA Category:	B - Partial Assessment				
Current Closing Date:	30-Jun-2016									
<b>Basic Information – Additional Financing (AF)</b>										
Project ID:	P154012				Additional Financing Type (from AUS):	Cost Overrun				
Regional Vice President:	Axel van Trotsenburg				Proposed EA Category:	B - Partial Assessment				
Country Director:	Franz R. Drees-Gross				Expected Effectiveness Date:	15-May-2015				
Senior Global Practice Director:	Pierre Guislain				Expected Closing Date:	June 30, 2018				
Practice Manager/Manager:	Michel Kerf				Report No:	PAD1284				
Team Leaders:	Pierre Graftieaux Christopher R. Bennett									
<b>Borrower</b>										
Organization Name	Contact	Title	Telephone	Email						
Republic of Kiribati	Mr. Terieta Mwemwenikeaki	Secretary of Public Works and Utilities	(686) 26-192	secretary@mpwu.gov.ki						
<b>Project Financing Data–Parent ( Kiribati Road Rehabilitation Project-P122151 )</b>										
<b>Key Dates</b>										
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date			
P122151	IDA-H6450	Effective	01-Mar-2011	05-May-2011	25-Aug-2011	30-Jun-2016	30-Jun-2018			
P122151	TF-99624	Effective	05-May-2011	30-May-2011	25-Aug-2011	30-Jun-2016	30-Jun-2018			
<b>Disbursements</b>										
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed	
P122151	IDA-H6450	Effective	USD	20.00	20.00	0.00	11.48	8.19	57.39	
P122151	TF-99624	Effective	USD	5.79	5.79	0.00	2.32	3.47	40.04	

<b>Project Financing Data –Additional Financing Kiribati Road Rehabilitation Project Additional Financing ( P154012 )</b>				
<input type="checkbox"/>	Loan	<input checked="" type="checkbox"/>	Grant	<input checked="" type="checkbox"/> IDA Grant
<input type="checkbox"/>	Credit	<input type="checkbox"/>	Guarantee	<input type="checkbox"/> Other
Total Project Cost:	17.64	Total Bank Financing:	6.00	
Financing Gap:	0.00			
<b>Financing Source – Additional Financing (AF)</b>				<b>Amount</b>
BORROWER/RECIPIENT				4.64
IDA Grant				6.00
Pacific Regional Infrastructure Facility Trust Fund				7.00
Total				17.64
<b>Institutional Data</b>				
<b>Parent ( Kiribati Road Rehabilitation Project-P122151 )</b>				
<b>Practice Area / Cross Cutting Solution Area</b>				
Transport & ICT				
<b>Cross Cutting Areas</b>				
<input checked="" type="checkbox"/> Climate Change				
<input type="checkbox"/> Fragile, Conflict & Violence				
<input checked="" type="checkbox"/> Gender				
<input type="checkbox"/> Jobs				
<input type="checkbox"/> Public Private Partnership				
<b>Sectors / Climate Change</b>				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Transportation	Rural and Inter-Urban Roads and Highways	94		
Public Administration, Law, and Justice	Public administration-Transportation	6		
Total		100		
<b>Themes</b>				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Rural development	Rural services and infrastructure	75		
Public sector governance	Other public sector governance	10		

Urban development	Other urban development	10		
Financial and private sector development	Infrastructure services for private sector development	5		
Total		100		
<b>Additional Financing Kiribati Road Rehabilitation Project Additional Financing ( P154012 )</b>				
<b>Practice Area / Cross Cutting Solution Area</b>				
Transport & ICT				
<b>Cross Cutting Areas</b>				
[X] Climate Change				
[ ] Fragile, Conflict & Violence				
[X] Gender				
[ ] Jobs				
[ ] Public Private Partnership				
<b>Sectors / Climate Change</b>				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Transportation	Rural and Inter-Urban Roads and Highways	100		5
Total		100		
<b>Themes</b>				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Rural development	Rural services and infrastructure	75		
Public sector governance	Other public sector governance	10		
Urban development	Other urban development	10		
Financial and private sector development	Infrastructure services for private sector development	5		
Total		100		
<b>Systematic Operations Risk-Rating Tool (SORT)</b>				
<b>Risk Category</b>			<b>Rating (H, S, M, L)</b>	
1. Political and Governance			<b>S</b>	
2. Macroeconomic			<b>S</b>	
3. Sector Strategies and Policies			<b>S</b>	
4. Technical Design of Project or Program			<b>M</b>	

5. Institutional Capacity for Implementation and Sustainability	<b>H</b>
6. Fiduciary	<b>S</b>
7. Environment and Social	<b>M</b>
8. Stakeholders	<b>S</b>
9. Other	-
<b>OVERALL</b>	<b>H</b>

### Compliance

#### Conditions and Legal Covenants - Additional Financing ( Kiribati Road Rehabilitation Project Additional Financing - P154012 )

Finance Agreement Reference	Description of Condition/Covenant	Date Due	Recurrent	Frequency
Schedule 2, Section I.A.1	The Recipient shall maintain, throughout the Project implementation period, a Project Steering Committee, Project Support Team and the Kiribati Fiduciary Services Unit with mandate, terms of reference and composition acceptable to the Association.	On going	<input type="checkbox"/>	
Schedule 2, Section V.1(a)	The Recipient shall develop and communicate to the Association, not later than June 30, 2015, for review and comments by the Association, its proposed multi-sectoral road safety action plan, giving the Association adequate time and opportunity to review and comment on such proposed action plan, and, as necessary, to exchange views thereon with the Recipient.	June 30, 2015	<input type="checkbox"/>	
Schedule 2, Section V.3	By June 30, 2015, the Recipient shall make adequate budgetary allocations to meet maintenance requirements in the road subsector.	June 30, 2015	<input type="checkbox"/>	

#### Policy Waivers

Does the project depart from the CAS in content or in other significant respects?	No
Explanation	
Does the project require any policy waiver(s)?	No
Explanation	



<b>Team Composition</b>					
<b>Bank Staff</b>					
<b>Name</b>	<b>Title</b>	<b>Specialization</b>	<b>Unit</b>		
Christopher R. Bennett	Lead Transport Specialist	Co-Team Lead	GTIDR		
Ross James Butler	E T Consultant	Safeguards	GSURR		
Penelope Ruth Ferguson	Consultant	Safeguards	GENDR		
Pierre Graftieaux	Program Leader	Team Lead	EACNF		
Stephen Paul Hartung	Financial Management Specialist	Financial Management	GGODR		
Marjorie Mpundu	Senior Counsel	Country Lawyer	LEGES		
Shruti Pandya	E T Temporary	E T Temporary	EACNF		
Megan Rose Schlotjes	E T Consultant	Project Engineer	GTIDR		
Oliver George Whalley	E T Consultant	Project Engineer	GTIDR		
L. Panneer Selvam	Lead Environmental Specialist	Safeguards	GENDR		
Miriam Witana	Procurement Specialist	Procurement	GGODR		
<b>Non Bank Staff</b>					
<b>Name</b>	<b>Title</b>	<b>City</b>			
Peter Kelly	DFAT/Australian Aid Program - Sr. Infrastructure Specialist	Canberra, Australia			
Jude Kohlhase	ADB- Infrastructure Specialist	Suva, Fiji			
Erin Magee	DFAT/Australian Aid Program- Kiribati Program Manager	Tarawa, Kiribati			
Lavenia Uruvaru	ADB- Project Analyst	Suva, Fiji			
<b>Locations</b>					
<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>
Kiribati		Teoraereke Village			
Kiribati		Naanikai			
Kiribati		Banraeaba Village			
Kiribati	Gilbert Islands	South Tarawa		X	
Kiribati		Bairiki			
Kiribati		South Tawara			

Kiribati		Buota			
Kiribati		Tanaea			
Kiribati		Ambo Village			
Kiribati		Taborio Village			
Kiribati		Temaiku Village			
Kiribati		Eita Village			
Kiribati		Tangintebu Village			

## I. Introduction

1. The Kiribati Road Rehabilitation Project (KRRP, Grant No. IDA-H6450 and TF-99624) is the Bank's first ever International Development Association (IDA) financed investment in Kiribati. It is jointly co-financed with the Asian Development Bank (ADB) and a grant from the Pacific Region Infrastructure Facility (PRIF). The project was approved on March 1, 2011 by IDA's Board of Executive Directors, when the Board also discussed the Bank's first Country Assistance Strategy (FY2011-2014) for Kiribati. The Project Development Objective (PDO) is "to improve the condition of South Tarawa's main road network and help strengthen road financing and maintenance capacity."

2. In accordance with Bank OP 10.00 (Investment Project Financing), this Project Paper seeks the approval of the Board for an additional IDA grant in an amount of US\$6.00 million equivalent and the approval of the RVP for a PRIF grant of AUD8 million (approximately USD7 million).

3. This Project Paper also seeks RVP approval for a Level 2 restructuring, including: (i) a two year extension of the closing date for the IDA and PRIF grants which support this operation from June 30, 2016 to June 30, 2018; (ii) changes to the implementation arrangements to include a central 'Kiribati Fiduciary Services Unit' (KFSU) unit to manage procurement and financial management; (iii) a reduction in the number of road sector studies and reforms; (iv) a modification of legal covenants; and (v) a revision of results indicators to reflect the above amendments. Amendments have been made to both the IDA Financing Agreement (FA) and the PRIF Grant Agreement (GA) to accommodate these changes.

4. The project has a current financing gap of US\$17.64 million which needs to be addressed to allow the project to be completed and to meet its PDO. The additional financing (AF) of US\$13.00 million equivalent includes the first two of several anticipated additional financing contributions from PRIF Donors to address the funding gap. The GoK has agreed to provide the remaining balance of US\$4.64 million as counterpart financing should the promised following tranches of additional funding from PRIF Donors not be forthcoming<sup>1</sup>.

5. The funding gap was identified in late 2012 upon completion of the civil works bidding. Because of the strategic importance of the project to Kiribati, the Government of Australia (GoA) advised that it would provide additional financing in several tranches through PRIF to allow the civil works to proceed. However, since the project was under-performing at the time—the rating was 'Moderately Unsatisfactory' with regard to progress towards achievement of the PDO and 'Unsatisfactory' with regard to overall implementation progress—a policy waiver to OP10.00 Para. 26: 'Additional Financing for Investment Lending' was requested from

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<sup>1</sup> As noted in para 32, to mitigate the risk of having to draw upon GoK for counterpart financing, the project is maintaining disbursement percentages of World Bank 60%, ADB 27%, and PRIF 13%. This postpones any potential demands on the GoK until all donor funds have been exhausted. Given that the GoA committed in December 2012 to further funding of AU\$ 7 million (US\$6.11 million equivalent), and confirmed this in October 2014 because it is satisfied with project progress, there is limited risk that this US\$ 4.64 million in counterpart financing from the GoK will be called upon.

management to allow US\$15.5 million<sup>2</sup> in additional financing through PRIF for an underperforming project. This was approved on May 23, 2013. An action plan (see Table 1) was implemented and the project's performance has since improved, as evidenced from the project ratings from the Implementation Status Reports (ISR) shown in Table 2.

**Table 1: Action Plan to Address Project Performance Shortcomings**

<b>Issue (as of December, 2012)</b>	<b>Action</b>	<b>Status (as of December 2014)</b>	<b>Next Steps</b>
Start of major civil works contract has been delayed due to initial quality issues in the designs and early versions of the bidding documents.	Award civil works contract for road project.	Contract awarded	Civil works have commenced.
TA studies have not been awarded.	Award of multi-sector road safety plan.	Awarded. Draft strategy completed late 2013.	GoK working on implementation.
	Award of micro-enterprises for road maintenance.	Awarded. Microenterprise design study completed in early 2014.	Three teams currently established. Undertaking routine road maintenance under supervision of contractor.
Failure of the PMU to implement the project in a timely and effective manner due to limited experience with civil works and World Bank procedures.	Hire Manager for KFSU.	Hired.	None.
	Hire two accountants for KFSU.	Hired.	None.
	Hire procurement officer for KFSU.	Hired.	None.
	Hire International FM Advisor to support KFSU.	Hired. Advisor has been making regular visits to Kiribati to assist.	Continue support to the KFSU.
	Hire International Procurement Advisor to support KFSU.	Hired. Advisor has been making regular visits to Kiribati to assist.	Continue support to the KFSU.
	Hire International Advisor to support KFSU Manager.	The PRIF Project Coordinating Office has provided an advisor	Continue support to the KFSU.
Failure of MWPU to effectively manage the design and supervision consultant which led to poor quality of initial designs and bidding documents	Hire an International consultant to: (i) manage MPWU PST; and, (ii) act as a Technical Auditor, assisting MPWU to ensure that civil works are carried out to the necessary quality.	Technical Auditor/PST Manager hired and is providing active support to the MPWU.	Continue support to the MPWU

<sup>2</sup> The contract for the main civil works under the project is largely denominated in New Zealand Dollars (84%) and to a lesser extent in Australian Dollars (11%) and US Dollars (5%). At the time of the 2013 request to management for a policy waiver, the funding gap was US\$20.9 million. Due mainly to the depreciation of the Australian and New Zealand dollars against the US dollar that played in favor of the project, the funding gap is now US\$17.64 million. At the date when the funding from GoA was confirmed, i.e. December 13, 2012, the US\$15.5 million represented the full AU\$15 million promised by the GoA, as per the exchange rate at the time.

**Table 2: The PDO and IP Ratings from ISRs**

Date	09/21/11	09/17/12	12/03/12	05/18/13	10/26/13	03/23/14	05/24/14	11/26/14
<b>PDO</b>	S	MS	MU	MU	MS	MS	MS	MS
<b>IP</b>	S	MS	U	U	MU	MS	MS	MS
<b>Risk</b>	ML	ML	H	H	H	H	H	H

## II. Background and Rationale for Additional Financing

6. **Financing Gap.** The appraised cost estimate for the project’s civil works was US\$29.5 million (in addition to US\$4.8 million in contingencies and US\$ 3.13 million for design supervision services, for a total of US\$37.43 million for Component A). The project funded a consultant to prepare detailed designs and bidding documents. The design consultant’s estimate for the civil works contract was US\$34 million. The final award for the project’s main civil works contract was for US\$50.6 million<sup>3</sup> (and US\$3.9 million for the technical advisory services for the design and supervision of the works). The financing gap between the estimate and award arose primarily because: (i) a remoteness cost premium was not adequately factored into the original cost estimates; (ii) there was significant cost inflation in materials between appraisal in January 2011 and bidding in mid-2012; and (iii) a higher standard of road than originally appraised was found to be necessary to improve road safety, strengthen environmental protection, and mitigate the risk of maintenance delays in future.

7. The isolation of Kiribati made it difficult to estimate how many companies would be interested in bidding for the works, and in the end only four firms submitted bids for the main civil works contract. Bid prices demonstrated that the project’s isolated location was neither factored into the original appraisal cost adequately, nor in the project’s cost estimate prior to bidding. There was a lack of historical precedent for a project of such magnitude in Kiribati from which one could draw lessons for estimating costs. Comparisons with recent similar projects in the region --though even these are limited -- identified the project cost as an outlier. Preliminary and general costs, which include mobilization and insurance, provide an indicator of the risks a contractor assigns to the project. In contracts in the Pacific that were awarded around the same time (in Samoa, Papua New Guinea and Tonga), preliminary and general costs represented on average 10% of the total contract price. By comparison, the four KRRP bidders’ preliminary and general costs were 28% to 31% of the total costs, indicative of the high risks the market placed on the remote and inaccessible country.

8. While a high standard of technical specification was used during appraisal, the resulting scale of investments was initially underestimated, with higher quantities deemed necessary to sufficiently improve road safety<sup>4</sup>, strengthen environmental protection, and mitigate the risk of

<sup>3</sup> The bid was denominated 11% in AU\$, 84% in NZ\$ and 5% in US\$. This is the current contract value as of November 30, 2014. It reflects the contract and time variations to date, currency fluctuations, and a provision of US\$1.6 million for future price adjustments and contingencies.

<sup>4</sup> The project undertook a full road safety audit during project preparation which identified the need to consider a road safety improvement program, including street lighting, road signage and pavement markings, as well as footpaths—all of which are mentioned in the original Project Appraisal Document. The extent of this program was

delayed future maintenance. The additional quantities included: (i) increased lengths of footpaths and road drainage to improve the pedestrian environment; (ii) more speed humps, curbs, and street lighting—important for the safety of women and children<sup>5</sup>; (iii) a higher standard of pavement to improve durability and reduce future maintenance requirements; (iv) additional drainage in Betio to avoid future road failure problems; (v) extended sections of coastal protection; (vi) provision of more extensive ducting and chambers for fiber optic cables, so as to avoid higher costs—and damage to infrastructure—when improved communication cables are laid in the future; (vii) more extensive improvements to the causeway on either side of the Betio bridge; and, (viii) unexploded ordinance (UXO) surveys that were required given significant World War II fighting on Betio atoll. These additional quantities were not fully anticipated at appraisal and contributed at least US\$7.5 million towards the financing gap.

9. Currency fluctuations, inflation in costs of materials, increased oil prices and transportation costs were further contributors to the increased cost and were estimated by the design and supervision consultant to have increased the total project costs by as much as US\$10.6 million.

10. With hindsight, it is clear that the scale of investments required to meet the PDO were initially underestimated as was the risk that bids would come in at higher levels than expected given Kiribati's remote location.

11. **Project Performance.** The project faced initial delays due to significant capacity constraints within the GoK and a lack of familiarity with Bank guidelines and procedures. This led to some of the project's legal covenants not being met. As a result of the early poor performance, delays in the project, and the funding shortfall identified in the bidding process, in December 2012 the project was rated moderately unsatisfactory with regard to progress towards achievement of the PDO, and unsatisfactory with regard to implementation progress.

12. Poor performance in late 2012 and throughout 2013 was due to issues with the Project Management Unit (PMU), the Ministry of Public Works and Utilities (MPWU), and the design and supervision consultant. An Action Plan was put in place in late 2012 to address performance challenges faced by the project (see Table 1 and 2). This led to a number of changes to the project including restructuring the PMU arrangements<sup>6</sup>, and embedding an internationally experienced Technical Auditor in the MPWU to assist with project management and quality control.

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only confirmed at the detailed design stage, i.e. during implementation; it increased the costs from the US\$2 million estimated at appraisal to US\$4.7 million (included in the US\$50.6 million value of the civil works contract).

<sup>5</sup> In a beneficiary survey undertaken during project implementation, 98.5 percent of respondents expressed concern over road safety and personal safety. Women's safety was of particular concern, with requests for including more frequent bus stops and shelters, as well as improved street lighting. The project addressed these concerns by significantly increasing both the number of bus stops and street lights.

<sup>6</sup> The 'Kiribati Fiduciary Services Unit' (KFSU) was established in the Ministry of Finance and Economic Development (MFED) to provide financial management, procurement support and assistance in project monitoring and evaluation. It provides this service for several World Bank and ADB financed projects, allowing the line ministries to focus on implementation aspects only.

13. As noted earlier, implementation of the action plan has markedly improved project performance and since March 2014 the Project has been rated as ‘Moderately Satisfactory’ for achievement of the PDO and Implementation Progress in the ISR reporting.

14. In addition to initial project management weaknesses, the civil works contractor experienced start-up difficulties. Despite initial delays, however, significant progress is now being made and the following activities were completed by November 2014: UXO surveys, coastal protection and paving along 1.9 km of the airport road; 1.1 km of asphalt paving on the main road; 0.4 km of prime seal; 4.8 km of kerbing; and 0.6 km of U-drains. Moreover, the contractor is mobilizing additional resources to accelerate its production rate. The works to date are of very high quality and give confidence that the project will be successful.

15. **Rationale for Additional Financing.** Infrastructure is one of the focal areas of the national Kiribati Development Plan (2012-2015) and road rehabilitation in South Tarawa, the country’s capital, is one of the key priority actions in the Plan. This main road corridor provides essential access to all services, including government, education, health, the international airport, the international port, domestic wharves, markets, churches, NGOs and businesses. There are no alternative routes: this is the only major road connecting communities in South Tarawa. It connects the country’s port in the west to the airport in the east. The road is also the main thoroughfare for pedestrians. Residents have confirmed the negative impact that the poor road conditions have on their social and economic welfare.

16. In light of the importance of the road and the need to proceed with the civil works, after the bidding was completed and the funding shortfall identified, the GoK advised donors on December 3, 2012 that it was prepared to fund up to AU\$20 million of the funding gap to see the contract awarded. This major increase in funding from the GoK would have to come from the Kiribati Revenue Equalization Reserve Fund (RERF), Kiribati’s sovereign wealth fund. A substantial withdrawal would, however, have had major long-term negative repercussions on fiscal sustainability, and the ability of GoK to provide vital services and infrastructure. Drawdowns from the RERF have recently exceeded sustainable levels, leading to substantial reductions in the real per capita value of the fund. The GoK is working closely with the World Bank and other donors towards fiscal consolidation required for the long term sustainability of the fund, but these efforts would be significantly undermined by any large drawdown for road construction at this time.

17. To avoid this depletion, the GoA agreed on December 14, 2012 to provide up to AU \$15 million to cover the funding gap if other sources fail to materialize and if the project remains satisfactory. GoA indicated a preference for contributing to the project in several tranches to align commitments with its budgeting process. The AU\$8 million (US\$7 million equivalent) through PRIF being processed under the current AF represents the combined first and second tranches from that commitment. The GoA—advised on October 15, 2014 that it was satisfied with project performance.

18. **Country Assistance Strategy.** Kiribati’s first Country Assistance Strategy (FY2011-2014) was discussed by IDA’s Board of Executive Directors at the same time as KRRP on March 1, 2011. KRRP is fully consistent with this strategy.

19. **Alternatives Considered.** At the time of bid award a number of alternatives to AF were considered:

- a. *Decreasing the scope of works:* This would have consisted of paving shorter lengths of road, or building fewer footpaths. Due to the isolation of South Tarawa, a significant portion of the costs (on the order of 8-10 percent of bid prices) relate to logistics for the mobilization and demobilization of contractor equipment and specialized labor, which are required irrespective of the scope of works. Thus, reducing the scope of works would not have resulted in significant savings, and at some point in the near future they would need to be done, at a higher cost.
- b. *Reducing the standard of works:* While some funds could be saved by reducing standards, for example using a surface dressed pavement rather than asphaltic concrete, the savings would be modest compared to the overall scale of the project. For example, changing the main road from asphaltic concrete to surface dressed pavement would result in an estimated total saving of under 5%. Importantly, any lower standard of works would place heavier demands on the GoK budget to maintain the infrastructure in the future—maintenance which is already underfunded.
- c. *Retendering:* There is no evidence that retendering would result in lower costs. Retendering would also have delayed the start of construction by at least six months. Road conditions are now much worse than when the project was identified and prepared (2010) and, as conditions continued to deteriorate, works needed to commence at the earliest opportunity. Delays would likely increase the scale and extent of works required, and thus the costs.

### III. Proposed Changes

20. **Project Financing.** A revised financing plan is shown in Table 3. The increased financing of US\$17.64 million is comprised of:

- An additional PRIF grant of US\$7.00 million ;
- An additional IDA grant of US\$6.00 million equivalent; and,
- US\$4.64 million in counterpart financing from GoK<sup>7</sup>.

**Table 3: Project Financing Plan**

	Original Cost		AF	Total with AF	
	Amount (US\$ million)	Share of Total (%)	Amount (US\$ million)	Amount (US\$ million)	Share of Total (%)
IDA <sup>1/</sup> (grant)	20.97	53	6.00	26.97	47
Asian Development Bank (loan)	12.00	30	0.00	12.00	21

<sup>7</sup> As noted earlier, the GoA has committed to providing future tranche payments of AU\$7 million which will cover the full US\$4.64 funding shortfall currently committed by the GoK. However, until the additional funding materializes these funds are attributed to the GoK in accordance with its undertaking of December 3, 2012.



Government of Australia through PRIF (grant)	5.79	15	7.00	12.79	22
Government of Kiribati <sup>2/</sup>	1.05	3	4.64	5.69	10
<b>Total</b>	<b>39.81</b>	<b>100</b>	<b>17.64</b>	<b>57.45</b>	<b>100</b>

- Note: 1/ Includes KRRP IDA funding and also US\$0.97 million for coastal protection from the Kiribati Adaptation Project (KAP-III) – P112615, supported by the Bank through the Global Environment Facility. The sites adjacent to the road were identified in KAP-II (P089326) as requiring works and it was concluded that the most cost effective way of having the works done was to use the road contractor. This would avoid any problems with two contractors potentially working on the same sections of road simultaneously.
- 2/ The proposed GoK financing can be fully covered by the proposed future tranches of assistance from the GoA.

21. Table 4 provides the project cost and financing, by component, of the original project and the additional financing.

**Table 4: Revised Costs by Component**

<b>Component</b>	<b>Original Cost (US\$ million)</b>	<b>Changes with AF (US\$ million)</b>	<b>Change (US\$ million)</b>
A. Infrastructure Improvements	37.43	54.50	+17.07
B. Road Sector Reform	1.27	0.68	-0.59
C. Project Support	1.11	2.27	+1.16
<b>Total</b>	<b>39.81</b>	<b>57.45</b>	<b>+17.64</b>

Note: All costs include contingencies.

22. **Component A: Civil Works (Original cost US\$37.43 m, revised cost under AF, US\$54.50 million).** The major changes to Component A, outside of those described earlier related to the bid award, are:

- a. Reconstruction and/or rehabilitation of roads or road segments: the Temaiku road will now receive a lower cost surface dressing rather than an asphaltic concrete pavement since, with the postponement of the planned Temaiku urban development, the traffic demands will be much lower than originally expected. One section of the road which is prone to flooding will have a cement concrete pavement. Approximately 11 km of water main will be replaced during the construction and rehabilitation of the South Tarawa road infrastructure. Coastal protection investments have had to be significantly upgraded at a number of locations in order to ensure that the road infrastructure will be properly protected. In addition, the asphalt surfacing of the Butoa road has been replaced with an improved unsealed surface.
- b. Repairs to the Betio Causeway bridge deck: due to the failure of the armoring of the Causeway (see below under ‘Implementation Risks’), and the need for the causeway to undergo a major rehabilitation, the causeway pavement works have been removed from the contract.

- c. Sealing of unsealed urban feeder roads with high traffic volumes, and improvement of drainage: accelerated pavement deterioration for some feeder roads means they will require heavier reconstruction treatment.
- d. Due to aggregate supply issues the project is using a temporary local source and more imported aggregate while local production comes on stream.

23. **Component B: Road Sector Reform (Original cost US\$1.27 million, revised cost under AF, US\$0.68 million).** The following changes will be made to the project’s policy related activities under Component B:

- a. Updating of the Recipient’s road laws and related traffic control legislation: A new activity ‘Updating Road Law and Drafting of Road Safety Legislation’ has been included (US\$0.1 million) to update the Kiribati road law, as well as legislation dealing with speed and driving under the influence of alcohol.
- b. The ‘Road Emergency Response Plan’ (US\$0.1 million) is no longer required since the 2012 *Kiribati National Disaster Risk Management Plan*, which integrated disaster management planning into national policies and activities, indicates that hazard and vulnerability threats faced by Kiribati (as distinct from long term potential impacts of climate change) are limited and do not warrant a stand-alone road response plan in the small country.
- c. The ‘Land Transport Institutional Review Study’ (US\$0.65 million) has been removed from the project and is being financed through the Kiribati Aviation Investment Project (KAIP – P128938) as the scope of the study has been extended to include the domestic aviation and maritime sectors. This study has been successfully bid out by the KAIP project and the consultant is mobilized. This study will be a key towards ensuring sustainable financing and management of the transportation sector, not just the road sector. It will recommend an appropriate institutional framework and how road maintenance will be financed<sup>8</sup>. The legislative consultant (see below) will assist in developing the necessary laws and regulations.

24. **Component C: Project Support. (Original Cost, US\$1.11 million, revised cost under AF, US\$2.27 million).** The original PMU and MPWU were not effective in managing the project. As a result there were significant changes to the implementation arrangements:

- a. The procurement and financial management elements of the PMU were transferred into the ‘Kiribati Fiduciary Services Unit’ (KFSU), based in the MFED. The focus of the KFSU is to provide financial management and procurement support to multiple donor financed projects in Kiribati. It is headed by a manager, and has two accountants, a records officer and a procurement assistant. It is supported by

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<sup>8</sup> The long-term road maintenance approach is already being implemented through the KRRP micro-enterprise activities. The road contractor has mobilized three micro-enterprises who are undertaking routine maintenance along the sections of road taken over by the Contractor. With six women per group, they have been working on cleaning litter, removing sediment from drains and vegetation clearing.

specialist international Financial Management and Procurement Advisors. There is also an advisor to the KFSU Manager.

- b. Day-to-day management of the project in the MPWU is through a 'Project Support Team' (PST). The PST is led by a well-qualified and experienced international consultant, who has the dual role of PST Manager and Technical Auditor. This consultant's responsibility is to assist MPWU in: (i) managing the project; (ii) managing the design and supervision Consultant; and, (iii) independently auditing the technical quality of civil works.

25. Staffing changes associated with KFSU and PST address the earlier core management failings of the project, including ensuring timely and accurate project and financial reporting, as well as follow through and finalization of key procurements. This has led to an improvement in performance as noted earlier.

26. **Covenants.** Minor changes have been made to other covenants to reflect the changed implementation arrangements and dates. Annex 2 provides further details.

27. **Closing Date.** The closing date of the original project will be extended by two years to June 30, 2018 to ensure sufficient time for civil works to be completed, as well as to cover the associated 24 months defect liability period<sup>9</sup>. This is the first extension of the closing date.

28. **Indicators.** The PDO Level Results Indicators are being modified to: (i) align them with the recent IDA core indicator requirements; and, (ii) update the target deadlines to reflect changes to implementation timing. Details of the changes are provided in Annex 1.

#### IV. Appraisal Summary

29. **Economic Justification.** The original economic analysis was repeated based on the higher costs of the bid prices received. As shown in Table 5, while the higher costs lower the Economic Internal Rate of Return (EIRR) from 40.3% to 25.1%, the project is still economically justified. Since the prices for 'Other' roads were lower than estimated at the time of appraisal, the EIRR for these roads has increased. The largest reduction in EIRR was for the Betio Causeway due to the bridge on the causeway requiring more repairs than originally anticipated<sup>10</sup>. While the Temaiku road falls slightly below the normal threshold of 12%, this road provides access to the only unoccupied state land in South Tarawa and so has potential for absorbing future managed urban growth. It also provides essential access to schools and medical facilities for existing residents. These access benefits were not included in the EIRR calculations because of the difficulty in quantifying them.

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<sup>9</sup> The project meets the requirements of BP 10.00 para. 42 for extending the closing date.

<sup>10</sup> As noted later, the project will not be proceeding with major investments in Betio Causeway.

**Table 5: Results of Economic Analysis**

Section	Economic Internal Rate Of Return, EIRR (%)	
	Appraised Project (2010)	Project with Final Bid Prices (2014)
Betio Causeway	105.3	36.9
St. Anne - Airport Intersection	43.0	29.1
Airport Road	46.2	15.7
Temaiku Road	23.9	10.0
Other Roads	14.3	18.7
<b>Total</b>	<b>40.3</b>	<b>25.1</b>
Rehabilitation Works	45.3	25.5
Upgrading Works	14.3	18.7
<b>Total</b>	<b>40.3</b>	<b>25.1</b>

30. **Gender/Social Considerations.** During the initial design phase women were specifically consulted in order to have their issues and concerns recognized and addressed in project designs and during implementation. Particular issues raised included safety concerns regarding lack of street lights, bus stops/shelters, lack of proper drainage, and dangers to children from not having pedestrian space to walk to school. This resulted in specific investments to address these safety and other concerns. The project's road safety audit helped to ensure that vulnerable road users would be accommodated. Finally, designs were reviewed and adapted to ensure that the needs of people with disabilities would be addressed as much as possible.

31. **Implementation Arrangements.** An Action Plan was put in place in late 2012 to address performance challenges faced by the project (see Table 1). All major issues have been addressed. Successful implementation of this action plan has significantly improved project performance.

32. **Disbursements.** The current disbursements on the project are IDA: 57% (US\$11.48 million) and through PRIF: 40% (US\$2.32 million). Since the civil works contracts have commenced, disbursement percentages from the original project for Category 1 expenditures will be used until the initial financing is fully disbursed (i.e.: World Bank 60%, ADB 27%, and PRIF 13%). Once the initial financing is fully disbursed, the AF will be drawn upon. This approach was adopted to minimize the initial demands on GoK counterpart funding since another AF tranche from donors is expected in the future.

33. **Financial Management (FM).** Project proceeds, including overseeing the Designated Account, are managed by the MFED. With the support of the international FM Advisor, the KFSU has adopted a financial management manual which has been developed to reflect its role in supporting all IDA financed projects in Kiribati. The accountants have received training and regular support from the FM Advisor. The quarterly Interim Financial Reports are up to date. FM performance of the project is satisfactory. There are no overdue audit reports or pending FM issues.

34. **Procurement.** While contractual issues relating to variations in the on-going works contract are yet to be resolved, procurement activities under KRRP are largely completed with only a few minor items and technical assistance assignments yet to be procured. Procurement

performance is rated moderately satisfactory. The hiring of a dedicated procurement officer in the KFSU to support KRRP has contributed to improved performance.

35. As the additional financing is for ongoing contracts, the Procurement and Consultant Guidelines applicable under the Original Financing Agreement (ie. published May 2004, revised October 2006 and May 2010) will apply under the Additional Financing as well.

36. **Environment and Social Safeguards.** The environmental license for civil works was issued by GoK on November 26, 2012. An Environmental Management Plan (EMP) was prepared and disclosed at the Bank’s InfoShop on October 2, 2012. The EMP has been subsequently updated and redisclosed, most recently on October 1, 2014, to reflect the final project designs and other developments. It was supplemented by the Contractor’s EMP, which was most recently disclosed on April 1, 2014.

37. The October 2014 supervision mission included a Lead Environmental Specialist who confirmed that the safeguards compliance was satisfactory. Earlier issues regarding bio-security checks of imported aggregate materials, spills and lead management, and lack of secure storage for UXO had all been addressed. The contractor’s health and safety performance was found to be best practice.

38. A Resettlement Action Plan (RAP), acceptable to the Bank, was finalized and is in use on the project. The RAP was disclosed in Kiribati and at the InfoShop on May 2, 2013. The RAP is based on the Resettlement Policy Framework (RPF) disclosed during project preparation. The GoK has been very effective in addressing land acquisition. Compensation for loss of land and assets, mainly for loss of fruit bearing trees, has been paid for 94% of project affected persons (PAPs)—317 in total. Out of the remaining, compensation for 13 PAPs is delayed because of the ongoing court cases to determine the ownership of the land. The remaining nine PAPs are not traceable, as they no longer live in Tarawa. The GoK has created an escrow account to pay the compensation for these 22 PAPs as and when the court cases are resolved and the PAPs are traced. An NGO has been recruited by the project to monitor RAP implementation and to ensure that any grievances that arise are properly addressed. No major issues have been reported.

39. **Implementation Risks.** The project faces four major implementation risks moving forward.

a. **Betio Causeway**

*Technical Design of Project or Program Risk.* The Betio (‘Dai-Nippon’) Causeway links the town of Betio, at the west of South Tarawa—home to the national port—to the rest of the atoll and is deteriorating rapidly. In February 2013 the protective armoring on the causeway was breached on the lagoon side in one location and repairs were made by the MPWU. In February 2014 ‘King Tides’ caused numerous failures of the protective armoring, compromising the causeway structure and necessitating more major repair works. The threat of failure was not identified by the design consultant and the project only included paving of the causeway surface. Given the threat of failure of the protective armoring, unless the causeway structure is strengthened, the new paving of the causeway surface would be at risk of being destroyed.

*Mitigation.* A detailed independent engineering assessment of the entire causeway structure was conducted by a specialist international consultant to confirm the best long-term solution to protect the causeway. It is now clear that the causeway structure has reached the end of its design life and the deterioration will only accelerate over time without substantial investments. The Government of Japan fielded a mission in October 2014 to review the condition of the causeway as a first step towards potentially funding its rehabilitation. KRRP will therefore undertake only minimal investments on the causeway, so as to keep the road open to traffic.

b. **Coastal Protection**

*Technical Design of Project or Program Risk.* Kiribati is recognized as a country at high risk of climate change and in the four years since appraisal there has been a significant and noticeable increase in coastal erosion along the entire road corridor. In addition to the Betio Causeway mentioned above, the road corridor contains sites with extensive lengths of seawalls for protecting the road. A number of these sites were identified by the KAP-III project as requiring strengthening along with other sites located away from the road.

*Mitigation.* The design consultant reviewing options for the Betio Causeway has prepared detailed designs for a number of critical coastal protection sites, including undertaking wave energy modelling. This has shown that a number of the designs originally in KRRP were inadequate and would not have provided the necessary protection. Variation orders (included in the current contract cost reported earlier) have been issued to address coastal protection in Temaiku. Additional variation orders are required for protection at two other sites (sites one and five) where the road is at risk of failure if more resilient protection is not provided. The estimated cost for coastal protection with a design life of 10 to 15 years at these sites is US\$2.00 million. This could be funded in part by the future contributions of GoA which has committed to a further tranche of AU\$7 million (US\$6.11 million equivalent) which would more than cover the GoK's current contribution of US\$4.64 million. The remaining US\$1.47 million can be put towards this coastal protection which is considered to be the highest priority for investment in order to protect the recently completed road.

c. **Supply of Materials**

*Environment and Social Risk.* Kiribati does not contain any readily available aggregate for road construction. During project preparation to eliminate the possibility of 'beach mined' materials supplying the project, it was stated that "aggregates for the road construction will be imported from Banaba, Nauru or Fiji with aggregate size of 5 to 20 mm." It was anticipated that locally required materials would be supplied from the EU funded 'Environmentally Sustainable Aggregate Tarawa' (ESAT) project, which was supplying a barge for excavation

from deep water in the lagoon<sup>11</sup>. The ESAT barge is now operational, but is not able to supply aggregate, only sand.

*Mitigation.* For previous infrastructure projects, including KAP-II, the GoK excavated materials from the intertidal area at a number of ‘borrow’ areas. The GoK advised the Bank in June 2014 that, as a temporary measure until the ESAT project was fully operational, they were modifying the environmental license to permit excavations from these areas since they are already disturbed. The GoK has since signed a contract with the road contractor to excavate channels to allow the ESAT barge to access the shore facilities<sup>12</sup>. The excavations will be done in accordance with an approved work method statement. A Lead Environmental Specialist reviewed and confirmed compliance with safeguard policies during the October 2014 mission.

d. **Uncertainty Associated With Delays Due to Other Infrastructure Projects Within the Road Corridor**

*Technical Design of Project or Program Risk.* The KRRP road corridor passes through South Tarawa which for the most part is less than 200 m wide. Since the road corridor also contains all other utilities—water, power, sanitation—it is impossible to ensure that different projects will not impact one another. The KAP-III project is supporting the Public Utilities Board to address high losses in the water reticulation system which exacerbates the major shortage of fresh water in South Tarawa. Much of the system is under the road. Similarly, the ADB supported South Tarawa Sanitation Improvement Sector Project (STSISP) is improving the salt water reticulation system used for firefighting and excavation under the road may be required to reach some of the water mains whose exact location is still uncertain. Since the KRRP road contractor is the most advanced, these impacts will be greatest on KRRP and affect the road contractor’s scheduling and costs<sup>13</sup>.

*Mitigation.* The risk is being managed through close coordination between the GoK and donors, with specific TA support being provided through PRIF to closely monitor implementation of the various infrastructure projects and recommend steps that can be taken to minimize negative impacts. In addition, the KRRP project is working particularly closely with the KAP-III and STSISP projects to schedule their works so as not to impede the progress of the KRRP contractor.

40. **Overall risks.** The overall implementation risk at the time of appraisal of the original project was rated as High. Project implementation has been simplified and made more focused and a number of mitigation measures, in particular the KFSU and PST, are now in place. Nonetheless, due to the project’s size and complexity for the small country of Kiribati, and the

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<sup>11</sup> Imported materials cost approximately AU\$312/m<sup>3</sup>. ESAT supplied materials are approximately AU\$67/m<sup>3</sup>.

<sup>12</sup> The ESAT barge excavates materials from the deep lagoon. In order for the materials to be offloaded and processed on the shore, it is necessary to excavate access channels. These excavations would be required irrespective of whether or not there was the road project.

<sup>13</sup> The delay cost for the KRRP road contractor is on the order of AU\$300,000 per month.

number of other large infrastructure investments being undertaken by GoK concurrently, the overall risk rating remains High.



## Annex 1: Results Framework and Monitoring

### KIRIBATI: Kiribati Road Rehabilitation Project Additional Financing Results Framework

Revisions to the Results Framework		Comments/ Rationale for Change
<b>PDO</b>		
<i>Current (PAD)</i>	<i>Proposed</i>	
The project will improve the condition of South Tarawa's main road network and help strengthen road financing and maintenance capacity.	No change	
<b>PDO indicators</b>		
<i>Current (PAD)</i>	<i>Proposed change</i>	
Number of kilometers of the paved road network rehabilitated and suitable for routine maintenance.	Rural roads rehabilitated: from 7.2 km by 2014, changed to 8.1 km by 2015.  Non-rural roads rehabilitated: from 34.9 km by 2014 changed to 32.7 km by 2015.	Indicator changed to be consistent with IDA Core indicators.  Civil works are not scheduled to be completed until mid-2015. Rural roads consist of Buota (2.0 km) and part of Temaiku Loop (6.1 km). The non-rural roads consist of the main road (23.9 km), airport road (2.2 km), Betio feeder roads (3.5 km), and Bikenibeu feeder roads (3.1 km).  The original indicator incorrectly reflected rural roads length.
	<i>New Indicator:</i> Roads in good and fair condition <sup>14</sup> as a share of total classified roads: 90% by 2015.	New IDA core indicator.
	<i>New Indicator:</i> Project beneficiaries (number): 60,000 by 2016.	New IDA core indicator. Based on South Tarawa population forecasts provided by GoK.
	<i>New Indicator:</i> Number of kilometers of roads under regular maintenance.	New indicator meeting Australian Aid's reporting requirements.  Based on all primary and secondary roads receiving regular maintenance.
An agreed plan for reform of road sector management and financing under implementation.	(i) GOK agrees on plan for sector reform by 2015. (ii) Sector reform plan under implementation by 2016.	(i) Original date was 2013 and this is not achievable. (ii) Implementation date extended one year.

<sup>14</sup> I.e. with an IRI of 5-8 and 8-15 respectively.

<b>Intermediate Results indicators</b>		
<i>Current (PAD)</i>	<i>Proposed change*</i>	
<i>Component A - Intermediate result indicator One:</i> Number of kilometers of paved roads improved.	The target of 32.5 km by 2014 changed to 26.1 km by 2015.	The original indicator incorrectly reflected all roads in the network, not just paved roads.  Civil works are not scheduled to be completed until 2015.
<i>Component A - Intermediate result indicator Two:</i> Number of kilometers of unpaved roads paved.	Number of kilometers of unpaved roads paved: changed from 12.9 km by 2014 to 12.7 km by 2015.	Differentiating between paving unpaved roads and improving them but keeping an unpaved surface.  Civil works are not scheduled to be completed until 2015.
<i>Component A - Intermediate result indicator Three:</i> Number of kilometers of unpaved roads improved.	New indicator with target of 2.0 km by 2015.	Differentiating between paving unpaved roads and improving them but keeping an unpaved surface.  Civil works are not scheduled to be completed until 2015.
<i>Component A - Intermediate Result indicator Three:</i> Main roads in good and fair condition as a share of the total classified roads.	Removed	Replaced by IDA Core PDO Indicator: <i>Roads in good and fair condition as a share of total classified roads.</i>
<i>Component A - Intermediate Result indicator Four:</i> Average travel speed St Anne's to Ananau Causeway.	The target of 40 km/h by 2014 will be extended to 40 km/h by 2016.	Civil works are not scheduled to be completed until 2015.  For safety reasons, the final target speed should not exceed 40km/hour.
<i>Component A - Intermediate Result indicator Five:</i> Number of speed humps.	<i>New Indicator:</i> Number of speed humps: 56 by 2015.	New intermediate road safety indicator.  Speed humps are a traffic calming feature which will contribute to road safety.
<i>Component A - Intermediate Result indicator Six:</i> Length of additional footpath.	<i>New Indicator:</i> Length of footpaths: 67 km by 2015.	New intermediate road safety indicator.  Footpaths will contribute to pedestrian safety (largest road user group).
<i>Component B - Intermediate Result indicator One:</i> Land Transport Institutional Review Study.	Removed.	This study will now be undertaken under KAIP.

<p><i>Component B - Intermediate Result indicator One</i> [was Two before]: Number of micro-enterprises for routine road maintenance in South Tarawa commercially active for two or more consecutive years.</p>	<p>The target of 5 by 2014 will be changed to 3 by 2016.</p>	<p>Design work to date by the micro-enterprise consultant suggests 3 may be the most appropriate number.</p> <p>Civil works are not scheduled to be completed until 2015 so there is limited work until construction is completed.</p>
<p><i>Component B - Intermediate Result indicator Two</i> [was three before]: Adoption and implementation of National Road Safety Action Plan.</p>	<p>(i) The target of preparing the strategy by 2013 extended to 2014.  (ii) The target of adopting the strategy will be extended to 2015.  (iii) The target of implementing the strategy will be extended until 2016.</p>	<p>The consultant to prepare the strategy was not recruited until early 2013 and the draft strategy was completed early 2014. The new date allows sufficient time for the work to be done and GoK to act on the recommendations.</p>
<p><i>Intermediate Result indicator Three</i>: Drafting of revised Road Safety Legislation</p>	<p>Added.</p>	<p>Added as a result of the introduction of activity c under Component B.</p>
<p><i>Intermediate Result indicator Four</i>: Adoption and implementation of Road Emergency Response Plan.</p>	<p>Removed.</p>	<p>Study no longer required.</p>

## REVISED PROJECT RESULTS FRAMEWORK

<b>Project Development Objective (PDO):</b>															
The project will improve the condition of South Tarawa's main road network and help strengthen road financing and maintenance capacity.															
PDO Level Results Indicators	Core	UOM	Baseline Original Project Start (2010)	Progress To Date (2014)	Cumulative Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comment	
					2013	2014	2015	2016	2017	2018					
<i>PDO Indicator One:</i> Number of kilometers of rural roads rehabilitated	<input checked="" type="checkbox"/>	km	0	3			8.1				8.1	Semi-Annual Project Report	Supervision Mission/Progress Report	MPWU	Civil works are not scheduled to be completed until 2015.
<i>PDO Indicator Two:</i> Number of kilometers of non-rural roads rehabilitated	<input checked="" type="checkbox"/>	km	0	0			32.7				32.7	Semi-Annual Project Report	Supervision Mission/Progress Report	MPWU	Civil works are not scheduled to be completed until 2015.
<i>PDO Indicator Three:</i> Roads in good and fair condition as a share of total classified roads	<input checked="" type="checkbox"/>	Percentage	18	18 (est.)			90				90	Semi-Annual Project Report	Supervision Mission/Progress Report	MPWU	Civil works are not scheduled to be completed until 2015.
<i>PDO Indicator Four:</i> Project beneficiaries	<input checked="" type="checkbox"/>	Number	50,100								60,000		Government of Kiribati Census	MPWU	Assumption is that project affects entire population of South Tarawa
<i>PDO Indicator Five: An agreed plan for reform of road sector management and financing under implementation</i>	<input type="checkbox"/>		No plan for sector reform	No plan for sector reform			GOK agrees on plan for sector reform	Sector reform plan under implementation				Semi-Annual Project Report	Supervision Mission/Progress Report	MPWU	
<i>PDO Indicator Six:</i> Number of kilometers of	<input type="checkbox"/>		0	3				56			56	Semi-Annual	Supervision Mission/Progress Report	MPWU	Based on all the primary and

roads under regular maintenance											Project Report			secondary roads receiving regular maintenance.
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Intermediate Results and Indicators												
Intermediate Results Indicators	Core	Unit of Measurement	Baseline Original Project Start (2010)	Progress To Date (2014)	Target Values				Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2013	2014	2015	2016				
<b>Intermediate Result (Component A): Improved road infrastructure</b>												
<i>Intermediate Result Indicator One:</i> Number of kilometers of paved roads improved	<input type="checkbox"/>	km	0	3			26.1		Semi-Annual Project Report	Supervision Mission/Progress Report	MPWU	Civil works are not scheduled to be completed until late 2014 or early 2015.
<i>Intermediate Result Indicator Two:</i> Number of kilometers of unpaved roads paved	<input type="checkbox"/>	km	0	0			12.7		Semi-Annual Project Report	Supervision Mission/Progress Report	MPWU	Civil works are not scheduled to be completed until late 2014 or early 2015.
<i>Intermediate Result Indicator Three:</i> Number of kilometers of unpaved roads improved	<input type="checkbox"/>	km	0	0			2.0		Semi-Annual Project Report	Supervision Mission/Progress Report	MPWU	Civil works are not scheduled to be completed until late 2014 or early 2015.
<i>Intermediate Result Indicator Four:</i> Average travel speed St Anne's to Ananau Causeway	<input type="checkbox"/>	km/h	20	20			40		Semi-Annual Project Report	Supervision Mission/Progress Report	MPWU	Civil works are not scheduled to be completed until late 2014 or early 2015.

Intermediate Results and Indicators												
Intermediate Results Indicators	Core	Unit of Measurement	Baseline Original Project Start (2010)	Progress To Date (2014)	Target Values				Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2013	2014	2015	2016				
<i>Intermediate Result indicator Five:</i> Number of speed humps	<input type="checkbox"/>	Number	20	0			56		Semi-Annual Project Report	Supervision Mission/Progress Report	MPWU	Speed humps are a traffic calming feature which will contribute to road safety.
<i>Intermediate Result indicator Six:</i> Length of additional footpath	<input type="checkbox"/>	km	0.0	0.0			67		Semi-Annual Project Report	Supervision Mission/Progress Report	MPWU	Footpaths are feature which will contribute to pedestrian safety (largest road user group).

Intermediate Result Component B: Road sector reform												
<i>Intermediate Result Indicator One:</i> Number of micro-enterprises for routine road maintenance in South Tarawa commercially active for two or more consecutive years	<input type="checkbox"/>	Number	0	0			3		Semi-Annual Project Report	Supervision Mission/Progress Report	MPWU	Will commence after completion of civil works
<i>Intermediate Result Indicator Two:</i> Adoption and implementation of National Road Safety Action Plan	<input type="checkbox"/>		No National Road Safety Action Plan	Draft Road Safety Action Plan		Strategy prepared	Adopt strategy	Implement strategy	Semi-Annual Project Report	Supervision Mission/Progress Report	MPWU	
<i>Intermediate Result indicator Three:</i> Drafting of revised Road Safety Legislation	<input type="checkbox"/>		No Draft Road Safety Legislation	No Draft Road Safety Legislation				Road Safety Legislation drafted	Semi-Annual Project Report	Supervision Mission/Progress Report	MPWU	

## Annex 2: Revisions to Project Covenants

### KIRIBATI: Kiribati Road Rehabilitation Project Additional Financing

Original Financing Agreement Reference	Description of Existing Condition/Covenant	Changes/New Covenant	Comment
Schedule II Section I. A. 1(b)	A Project Management Unit to be headed by a Project Manager, and whose mandate, terms of reference and composition shall be acceptable to the Association, to be responsible for coordination of implementation and monitoring of the Project, and reporting on the results thereof, including: (i) preparation of work plans and budgets, procurement plans, and progress and impact reports; (ii) financial management and reporting; (iii) management of procurement activities; and (iv) coordination with other institutions and agencies involved in the Project, as well as with other Co-financiers.	Establishment of a Project Support Team (PST) to be headed by a PST Manager, and whose mandate, terms of reference and composition shall be acceptable to the Association, to be responsible for coordination of implementation and monitoring of the Project, and reporting on the results thereof to ensure smooth operation of the project.	New PST in MPWU to help manage the project.
Schedule II Section I. A. 1(c)		Establishment of a Kiribati Fiduciary Services Unit (KFSU) to be headed by a KFSU Manager, and whose mandate, terms of reference and composition shall be acceptable to the Association, to be responsible for overseeing procurement and financial management of the Project, and reporting on the results thereof.	Existing PMU changed to become the KFSU central fiduciary management unit.
Schedule 2 Section I. A. 2(a)	The Project Management Unit shall have at its disposal adequate funds and other resources as required to ensure proper coordination and monitoring and evaluation of the Project, subject to the overall authority and oversight functions of the Project Steering Committee.	The PST and KFSU shall have at their disposal adequate funds and other resources as required to ensure proper coordination, procurement, financial management and monitoring and evaluation of the Project, subject to the overall authority and oversight functions of the Project Steering Committee.	Changed to reflect the role of the KFSU.

Schedule 2 Section I. A. 2(b)	The Project Manager shall be assisted by a team of key personnel consisting of (i) a procurement assistant, (ii) an accountant, (iii) a part-time internationally-recruited procurement advisor, (iv) a valuation specialist to be responsible for compensation rates for trees and other assets affected under the Project, and (v) a non-governmental organization to monitor implementation of the Resettlement Policy Framework, along with other technical and support staff as needed and in adequate numbers, all of whom shall be suitably qualified and experienced.	The PST Manager shall be assisted by a team of key personnel consisting of: an assistant to the PST Manager; along with other technical staff as needed in adequate numbers all of whom shall be suitably qualified and experienced.	Changed to reflect the role of the KFSU.
Schedule 2 Section I. A. 2(c)	The positions of Project Manager and other key personnel referred shall be kept filled at all times by persons having qualifications and experience acceptable to the Association.	The KFSU Manager shall be assisted by a team of key personnel consisting of: (i) a procurement assistant; (ii) two accountants; (iii) a part-time internationally recruited procurement advisor; (iv) a part-time internationally recruited financial management advisor; (v) a part-time internationally recruited advisor to the KFSU Manager; (vi) a valuation specialist to be responsible for compensation rates for trees and other assets affected under the Project; and, (vii) a non-governmental organization to monitor implementation of the RPF; along with other fiduciary staff as needed in adequate numbers, all of whom shall be suitably qualified and experienced.	Changed to reflect the role of the KFSU
Schedule 2 Section I. A. 2(d)		The positions of PST Manager and KFSU Manager and other key personnel referred to in this paragraph shall be kept filled at all times by persons having qualifications and experience acceptable to the Association.	Was previously I.A.2(c)
Schedule 2 Section V.1(a)	Develop and communicate to the Association, not later than July 1, 2012, for review and comments by the Association, its proposed multi-sectoral road safety action plan, giving the Association adequate time and opportunity to review and comment on such proposed action plan, and, as necessary, to exchange views thereon with the Recipient.	Develop and communicate to the Association, not later than June 30, 2015, for review and comments by the Association, its proposed multi-sectoral road safety action plan, giving the Association adequate time and opportunity to review and comment on such proposed action plan, and, as necessary, to exchange views thereon with the Recipient.	Deadline extended to reflect capacity of government to prepare and implement plan.



Schedule 2 Section V.2 (a)	Develop and communicate to the Association, not later than July 1, 2012, for review and comments by the Association, its proposed road emergency response plan, giving the Association adequate time and opportunity to review and comment on such proposed road emergency response plan, and, as necessary, to exchange views thereon with the Recipient.		Deleted from project.
Schedule 2 Section V.4	The Recipient shall make adequate budgetary allocations to meet maintenance requirements of the road subsector, including: a) beginning in FY 2013, a provision in its annual budget for national road maintenance of at least \$1,500 per kilometer of sealed roads and \$500 per kilometer of unsealed roads in South Tarawa, to be adjusted annually thereafter according to the rate of inflation; b) a provision for the implementation of the multi-sectoral road safety action plan referred to under Part B (c) of the Project; and c) a provision for the implementation of the road emergency response plan referred to under Part B (d) of the Project.	By June 30, 2015 the Recipient shall make adequate budgetary allocations to meet maintenance requirements of the road subsector, including: a) a provision in its annual budget for national road maintenance of sealed roads and unsealed roads in South Tarawa; and b) a provision for the implementation of the multi-sectoral road safety action plan referred to under Part B (c) of the Project.	The requirement for specific funding levels under a) has been removed, as until the Transport Sector Study is completed under the KAIP, neither the required levels of funding, nor availability of revenue to finance, are known.  The emergency response plan under c) has been dropped from the project.
Article IV, Section 4.01	The amended PRIF Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.	90 days after date of agreement	