

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA16636

Project Name	Transport Infrastructure Investment Project (P150028)
Region	EAST ASIA AND PACIFIC
Country	Fiji
Sector(s)	Rural and Inter-Urban Roads and Highways (100%)
Theme(s)	Infrastructure services for private sector development (50%), Trade facilitation and market access (50%)
Lending Instrument	Investment Project Financing
Project ID	P150028
Borrower(s)	Ministry of Finance
Implementing Agency	Fiji Roads Authority
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	09-Dec-2014
Date PID Approved/Disclosed	11-Dec-2014
Estimated Date of Appraisal Completion	07-Jan-2015
Estimated Date of Board Approval	05-Mar-2015
Decision	

I. Project Context

Country Context

Fiji is an island country located in the South Pacific Ocean about two-thirds of the way from Hawaii to New Zealand. It has a territory of 47,329 square km spread over 332 islands, a third of which are inhabited. With a population of about 875,000, nearly 90 percent live on the three main islands of Viti Levu (10,429 sq. km), Vanua Levu (5,556 sq. km), and Taveuni (470 sq. km). Main urban centers on Viti Levu include Suva, the largest city and capital, Nadi, an important center of tourism and location of Fiji's principal international airport, and Lautoka, Fiji's second largest city. Labasa is the largest town on Vanua Levu and is the location of Fiji Sugar Corporation's only Vanua Levu sugar mill (Viti Levu has three mills).

Endowed with forest, mineral, and fish resources, Fiji is one of the most developed of the Pacific Island economies, although it still has a large subsistence sector. With an average gross national income of US\$4,110 per capita (2012), Fiji is also one of the wealthier countries in the South Pacific. Agriculture, sugar and tourism drive economic activity. Agricultural activities employ around 70 percent of the labor force, but account for just 10 percent of the gross domestic product (GDP). The sugar industry has traditionally occupied a dominant role in economic activity, but has declined significantly in recent years due, in large part, to the end of preferential tariffs. The

country's economy is increasingly dependent on tourism, with about 650,000 visitors annually. Based on results released by the Fiji Bureau of Statistics in September 2014, the country expects to see a record number of tourists in 2014 and to surpass the peak of 675,000 in 2011.

Currently, about 50 percent of Fijians live in rural areas, but that figure is expected to drop to 40 percent by 2030, reflecting the on-going rural-urban migration. Poverty is higher in rural areas, at 44 percent, compared to 26 percent in urban areas, and larger households tend to have a higher incidence of poverty, particularly in rural locations. In 2009, just over one-third of the Fijian population lived in poverty. However, aggregate poverty levels disguise important differences in poverty incidence between urban and rural areas. Since 2003, national poverty has progressively dropped, but while urban poverty has declined significantly, rural poverty has remained virtually unchanged.

Transport infrastructure plays an important role for local economic development and in providing access. Improved road and maritime sector assets underpin inclusive economic growth and social development by providing communities in rural and island areas with reliable access to economic opportunities, information and services. While the road network is fairly well developed, low levels of investment have contributed to the poor condition of many rural roads, jetties and wharves. Rural populations lack access to reliable roads and must contend with unsafe jetties and wharves, which results in higher transportation costs for many farmers and can negatively impact island economies. It can also have detrimental effects on visits to health care facilities and school attendance. To help alleviate the burden of fees and transportation costs for children from pre-primary up to grade 12, a new school grant of Fijian Dollar (FJD) 250 per child per school year was recently introduced. In 2014, The World Bank's Logistics Performance Index ranked Fiji 111 (out of 160 countries), underlining the country's high cost of logistics and transportation, and the importance of continued investment to improve infrastructure.

Since the early-1980s, tourism has expanded and is now one of Fiji's primary economic activities. In 2013, it accounted for FJD 1.3 billion in gross earnings, or around 40 percent of total goods and non-factor service exports. Tourism relies on efficient internal freight distribution systems and access to island destinations. Passengers, including an increasing number of tourists, and inter-island freight rely on coastal and island jetties and wharves, many of which have been neglected for years and are in need of rehabilitation and/or upgrade.

Like most Pacific Islands Countries, Fiji is vulnerable to extreme weather events, including tropical cyclones, flooding, earthquakes, and tsunamis, and infrastructure throughout the country is at high risk of climate and disaster-related events. Fiji is one of twenty countries worldwide that have the highest average annual disaster losses in proportion to their GDP as a result of extreme climatic events. The total value of infrastructure, buildings and cash crops considered at some level of risk in Fiji is high and estimates for asset replacement costs and economic losses due to extreme events in Fiji are as much as five times to ten times annual GDP.

Sectoral and institutional Context

Fiji's road network consists of approximately 11,115 km of roads, including 4,250 km of main/national roads, 675 km of rural roads, 340 km of municipal roads, and 5,850 km of cane roads. An estimated 1,480 km, or around 13 percent of the network, is sealed. For several years prior to 2012, maintenance and resealing work had been deferred and the majority of roads are now in fair or poor

condition, which contributes to higher vehicle operating costs and longer travel times. Since the Fiji Roads Authority (FRA) was established in 2012, the government has implemented a program to reduce the backlog of road maintenance. Most of the secondary and rural roads are graveled and constructed to lower standards, which make them particularly vulnerable during the wet season. Many cane roads are little more than dirt tracks without proper formation or drainage systems.

Many of the country's estimated 950 bridges and 45 rural jetties and wharves are in a serious state of disrepair with an estimated backlog of FJD 900 million in bridge and jetty/wharf renewals. In an effort to reduce the risk of failure, while staying within available budgets, many bridges and rural jetties and wharves only received temporary repairs that were meant to last a year or two.

However, this is beginning to backfire, and since the start of 2014, on average one bridge or jetty has failed each month, resulting in significant local hardship. FRA has stated that it can no longer guarantee the safety of these assets. In an effort to prioritize improvements, FRA has developed a risk-based approach to assess those bridges, including many with weight restrictions, requiring urgent attention. In some cases, bridges have been closed until they can be repaired to a safe condition. Several rural jetties and wharves are in equally poor condition with some failing. The ability of FRA to assess and maintain these structures is made more difficult because many are in remote locations. A further FRA objective is to ensure that, prior to rehabilitation, bridges, jetties and wharves are designed to be more resilient to climate change impacts and for improved safety.

In terms of road safety, Fiji's annual casualty rate of 7 per 100,000 people (2009) ranks as one of the lowest of the Pacific Islands, and is also low with respect to other developing countries. However, given the growing rate of motorization in the country and the increased travel speeds that are expected as a result of improved road conditions, the Government of Fiji (GoF) has stated that road safety will remain a key priority.

Over the past several years, the transport sector has accounted for about 12 percent of GDP and around 8.3 percent of Fiji's total employment in both the formal and informal sectors. Improving the country's land and maritime transport infrastructure has been identified as a priority for GoF, but one of the sector's biggest challenges is the large backlog in road and bridge maintenance, which has been neglected for several years. Although average annual expenditures on road, bridge and jetty maintenance between 2001 and 2011 averaged about two percent of the annual budget, it was not sufficient and unrepaired road sector assets deteriorated faster than expected. In addition, almost half of the nearly 1,500 km of sealed network is in need of reseal or rehabilitation, which has been estimated at a cost of FJD 300 million.

Since 2012, GoF has increased funding for the sector to approximately five percent of GDP. The objective is to restore Fiji's road network to a steady state of repair by 2018, and to adequately maintain it thereafter. A key FRA goal is to ensure that improvements lead to more resilient and safer roads, bridges and rural jetties and wharves.

II. Proposed Development Objectives

The development objective is to improve the resilience and safety of land and maritime transport infrastructure for users of project roads, bridges and rural jetties and wharves.

III. Project Description

Component Name

Component 1: Improvement of Existing Road and Maritime Sector Assets

Comments (optional)

This component would fund works to repair, rehabilitate, reconstruct or upgrade, as appropriate, existing roads, bridges and rural jetties and wharves. It would also repair and replace existing and/or install new streetlights on selected roads, bridges and rural jetties and wharves. Where possible and appropriate, road, bridge and/or jetty sub-projects would be geographically packaged to reduce costs, attract competent contractors and maximize local impact.

Component Name

Component 2: Technical Assistance

Comments (optional)

Technical assistance would consist of support for a project supervision team to be established at FRA to oversee project implementation, and services for design and supervision consultants, to update standards and specifications for the country's road sector assets, to carry out international road assessment program (iRAP) surveys and road safety audits, and to pilot open contracting, including geotagging.

Component Name

Component 3: Capacity Building

Comments (optional)

Under a grant from ADB, initiatives to build government capacity across the transport sector will be carried out. Areas of focus are expected to include planning, assessing and managing infrastructure projects for staff from various ministries and agencies, including FRA.

IV. Financing (in USD Million)

Total Project Cost:	167.50	Total Bank Financing:	50.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			16.80
International Bank for Reconstruction and Development			50.00
Asian Development Bank			100.70
Total			167.50

V. Implementation

The executing agency will be the Ministry of Finance (MoF), and the implementing agency will be FRA. This would be the first time FRA has worked with the Bank, although it does have some limited experience in implementing projects financed by ADB. Since 2013, a consulting firm with expertise in road asset management has supported FRA with its program of road sector capital works and maintenance. The firm is familiar with internationally accepted tendering practices and requirements for environmental impact assessments (EIA) and land acquisition and resettlement plans (LARPs). The 2005 Environmental Management Act requires that any proposal to be financed by any international or local development finance institution be supplemented by an EIA as a condition of finance.

A Project Supervision Team (PST) would be established to support FRA in implementing TIIP. The PST would consist of appointing four individuals with specialist expertise in procurement/project management, financial management, and social and environmental safeguards. The PST would

have responsibility for overseeing and managing project execution and compliance with project requirements, including those associated with procurement, financial management and auditing, safeguards, monitoring and evaluation, and project reporting. The PST would also conduct fieldwork, and research and analysis, including basic comparative socio-economic cost/benefit and cost effectiveness assessments required to prepare annual short lists of possible sub-projects. The design and supervision consultants would support PST to carry out detailed feasibility studies and assessments to verify the acceptability of proposed sub-projects.

A project administration manual has been jointly developed with ADB that defines procedures for implementing TIIP. This will complement FRA's existing operations manual.

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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