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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF
TONGA POST TSUNAMI RECONSTRUCTION PROJECT
GRANT H628-TO

TO THE

KINGDOM OF TONGA

October 19, 2010

Timor-Leste, Papua New Guinea and the Pacific Islands
Sustainable Development Department
East Asia and Pacific Region

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ABBREVIATIONS AND ACRONYMS

EIA	Environmental Impact Assessment
ESSAF	Environmental and Social Safeguards Screening and Assessment Framework
GOT	Government of Tonga
IDA	International Development Association
MLECCNR	Ministry of Lands, Environment, Climate Change and Natural Resources
PDO	Project Development Objective
PMU	Project Management Unit
SDR	Special Drawing Rights
TOR	Terms of Reference

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TONGA
TONGA POST TSUNAMI RECONSTRUCTION

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TONGA POST TSUNAMI RECONSTRUCTION (H628-TO)

RESTRUCTURING PAPER

A. SUMMARY

The Government of Tonga (GOT) has requested additional activities to be implemented to restore and improve additional essential infrastructure facilities on Niuatoputapu, utilizing the balance of as yet remaining uncommitted project Grant funds and undisbursed funds in the Designated Account of about US\$375,000. New activities focus on preventative maintenance of the island's main collector road providing improved linkage between the reconstruction areas and social and economic facilities. Including these activities will require changes to the scope of the Project Development Objective, which was very narrowly focused, and this will require approval of the Board of Executive Directors.

The restructuring also proposes (i) minor associated changes to modify component descriptions; (ii) reallocation of funds between disbursement categories; (iii) modification of the results framework; and (iv) use of funds retroactively for new activities being conducted by the Tongan Government in accordance with the Bank's procurement and financial management policies and social and environmental safeguards..

B. PROJECT STATUS

In summary, the project has performed well, despite the difficulties working in the remote far northern Tongan province of Niuatoputapu. Total disbursement for the IDA funds is 95 per cent and all components are currently nearly complete and within the initially planned budget. Construction of houses completely damaged by the tsunami, as well as retrofitting of partially damaged houses and community buildings has been completed. Associated strengthening of Tonga's disaster risk management capacity is almost complete.

The project was initially due to close on March 31, 2013, but has been extended until December 31, 2013, to allow completion of final training activities, inspections, and dissemination of results from risk management TA. Approximately US\$0.4 million in IDA funds, including undisbursed advances to the designated account, remain uncommitted or unutilized to date.

The four components of the projects are: (i) *Cyclone-Resistant Housing Construction* to finance land surveying, planning and allotment, through the provision of technical assistance, as well as payment of resettlement compensation, the construction and supervision of about 85¹ units of low-cost cyclone-resistant housing in Niuatoputapu to replace completely damaged houses, as well as associated consulting assignments and

¹ During project appraisal 85 fully destroyed houses were expected to be built, however this was ultimately reduced to 73 following additional housing reconstruction provided by other donors. As set out below, the number of partially damaged houses and other buildings repaired or restored was increased from 40 to 54.

ancillary works (water and sanitation); (ii) *Retrofitting of partially damaged housing and buildings* to finance construction materials and small works for the retrofitting of about 40² partially damaged houses, small enterprises buildings and community halls, including consulting services for assessment of needs, design and supervision of works; (iii) *Strengthening of Disaster Risk Management* to provide equipment for hazard and risk information assessment, to support institutional strengthening of the planning and GIS units of the Ministry of Land Survey and Natural Resources, and to finance the preparation of community disaster risk management plans in Niuatoputapu; and (iv) *Project Management* to support the Project Management Unit, which carries out management and coordination of Project activities, financial management and accounting, environmental and social safeguards, procurement, monitoring and reporting, and to cover the costs of carrying out project audits, including audits of Project Accounts, and agreed operational expenses.

Component A (Cyclone Resistant Housing Construction) is almost complete. All families whose homes were destroyed by the tsunami have now been provided with new, cyclone-resistant housing, along with access to water supply and sanitation facilities that meet or exceed the living standards they had before the tsunami. The only activities remaining are cultural appropriate training in the use of the new bathroom facilities and a final inspection report by the supervising engineer.

Component B (Building Retrofitting) is completed. All of the damaged (but not totally destroyed) residential buildings and community halls have been fully repaired and nine new buildings to replace destroyed small shops, bakeries and community facilities are completed. Management and supervision of the retrofitting works is also complete.

Component C (Risk Management Capacity Strengthening) is almost complete. Procurement of mapping equipment and software is completed and training for the use of the upgraded mapping software has been provided. A capacity and needs assessment of the Ministry of Lands, Environment, Climate Change and Natural Resources (MLECCNR) in geospatial data management and developing risk information has been undertaken. Technical assistance in strengthening the capacity of MLECCNR in developing risk information and incorporating it in land use planning has been provided. Community awareness and disaster preparedness planning is completed. The only activity remaining is the dissemination of results to the communities and other stakeholders.

Component D (Project Management) is almost complete. The management, coordination and supervision of the new activities of preventative road maintenance are undertaken by the National Roads Program of the Ministry of Infrastructure supported by the PMU of the ongoing IDA-supported Transport Sector Consolidation Program. The services of the project accountant will be retained on a part-time basis to complete the financial management and accounting obligations under the project. All legal covenants are being met and there are no outstanding Project financial audits.

² During implementation, the number of buildings repaired or restored was increased from 40 to 54, including 38 residential houses and 7 community halls, that were damaged, but not fully destroyed; and 9 new buildings to replace destroyed small shops (4), bakeries (2) and communal weaving houses (3).

C. PROPOSED CHANGES

- Project Development Objective

As the initial Project Development Objective (PDO) was narrowly framed towards the immediate critical emergency reconstruction activities, and did not explicitly include road works, the following changes are proposed to the PDO to allow for the inclusion of additional activities.

Original:

The Project Development Objective is to assist the Government of Tonga to implement its Niuatoputapu Priority Tsunami Recovery Program aimed at recovering the living standards of the population living in the island affected by the tsunami of September 30, 2009, through the reconstruction of residential houses with auxiliary **water and sanitation** facilities in Niuatoputapu, and strengthening Tonga's capacity to address future natural disasters.

Proposed:

The Project Development Objective is to assist the Government of Tonga to implement its Niuatoputapu Priority Tsunami Recovery Program aimed at recovering the living standards of the population living in the island affected by the tsunami of September 30, 2009, through the reconstruction of residential houses with auxiliary **infrastructure** facilities in Niuatoputapu, and strengthening Tonga's capacity to address future natural disasters.

- Results/indicators

The proposed changes to the results framework are outlined in Annex 1, and include the addition of one intermediary results core indicator on the kilometers of rural roads resealed. It is also proposed to include indicators from the original project performance indicators in the results matrix, and specific baselines and targets are now provided for these indicators.

- Components

The following additions highlighted in bold to component B are proposed to explicitly include prioritized additional activities in the project to improve associated infrastructure facilities utilizing all available Grant funds. This includes preventive maintenance of the island's main collector road providing improved linkage between the reconstruction areas and social and economic facilities. It is also proposed to delete from the component description of part A and B the reference to the number of buildings constructed and repaired, and instead capture this information in the results framework.

1. Land surveying, planning and allotment, through the provision of technical assistance, as well as the payment of Resettlement Compensation.
2. Construction of residential low cost units at Category 4 cyclone standards with auxiliary water and sanitation facilities in Niuatoputapu to replace damaged houses no longer suitable for habitation as a result of the Tsunami of September 30, 2009, including design of houses and water and sanitation facilities, supply of construction materials, as well as water and sanitation facilities, transportation to and local assembly at the physical sites, and provision of technical assistance for construction design and supervision of works.

Part B: Retrofitting of Partially Damaged Houses and Buildings **and Infrastructure Services**

Retrofitting **and restoration** of partially damaged houses, small enterprise building and community halls, **and auxiliary road infrastructure** in Niuatoputapu, including construction materials, **land preparation, road works** and **other** small works, and technical assistance for assessment of needs, construction design and supervision of works.

- Reallocations

The proposed reallocation is to (a) increase Category 2 (Resettlement Compensation) by an amount of SDR10,000 to fully cover the final approved compensation payments to households; and (b) reallocate savings under Category 4 (Unallocated) to increase Category 3 (works under Part A.2 of the Project) to SDR1,920,000, reflecting actual expenditure, and Category 1 (Works under Parts A.1 and B of the Project, goods, consultants' services, Operating Costs and Training) to SDR1,330,000. The increase in Category 1 will allow for the full implementation of the proposed new roadwork activities under Part B of the Project, as described above. The revised reallocation figures and percent of total financing are shown in the table below.

Category of Expenditure		Allocation SDR		% of Financing	
Current	Revised	Current	Revised	Current	Revised
(1) Works under Parts A.1 and B of the Project, goods, consultants' services, Operating Costs and Training	n/a	1,180,000	1,330,00	100%	100%
(2) Resettlement Compensation	n/a	60,000	70,000	100%	100%
(3) Works under Part A.2 of the Project	n/a	1,880,000	1,920,000	100%	100%
(4) Unallocated	n/a	200,000	0		
TOTAL AMOUNT		3,320,000	3,320,000		

- Retroactive Financing

It is proposed to retroactively finance the preventative maintenance works of 6.8 km of main collector road. The Tongan Government decided to pursue these works in early 2012 while equipment and personnel were available and mobilized in Niuatoputapu in support of other activities of this project. The Bank team at that time indicated that while these activities were consistent with the overall objective of the Project, availability of resources from the IDA grant could only be determined at a later stage if savings from the activities initially envisaged were to materialize. At this time, all the original project activities are scheduled to be finalized within the existing financial envelope and therefore approval to finance these preventative maintenance works retroactively is being sought. The Government is aware that if approval for the project restructuring is not forthcoming, then the Government will need to cover the costs of the additional road works.

The works are being conducted by the Ministry of Infrastructure through force account using labor-based methods appropriate to a remote island location. Force account as a procurement method was included in the financing agreement following a level 2 restructuring approved on 17 January 2012, which is proposed as the retroactive effectiveness date for the amendment letter. The costs to be retroactively financed will cover inter alia the supply of construction materials, fuel and small equipment (bitumen, kerosene, diesel, hand bitumen spreaders, etc.), hire of equipment, shipping and local transport costs, labor costs and costs of the restoration of quarries. Detailed cost estimates and implementation schedule have been prepared and updated following a site visit 17-24 July 2013 by the supervising engineer and appraised by the project team as technically sound and achievable within the limited time before the closing date. The total costs, including preparatory works are estimated to be about US\$375,000, or some 7.5% of total project financing. GOT agreed to co-finance this activity from proceeds of its Tsunami Recovery Fund to cover the on-site labor costs and ensure sufficient finance for the completion of the proposed road works, in case of cost overruns.

The Bank team has undertaken an assessment of the activities proposed for retroactive financing and confirmed that such activities are being undertaken in compliance with the Bank's procurement, financial management, and social and environmental safeguards and policies (further explanation in the Appraisal summary below). For the activities to be eligible for reimbursement, documentation of expenditures acceptable to the Bank will be required.

D. APPRAISAL SUMMARY

- Technical

Preventative Maintenance to Main Road

During the mission to Niuatoputapu in April 2012, it was noted that the sand seal surface of the main spine road across the island - constructed a year earlier³ - was showing signs of distress, which appeared to be caused by insufficient application of bitumen.

The purpose of patching and resurfacing this main island road would be to undertake preventative maintenance to protect the existing road pavement by restoring the integrity of the coronus base course where degraded, and effectively providing a double sand seal surface, which is appropriate for the low traffic volumes on the island.

The road forms an important link between the new inland villages being developed under the project, with the local bus ferrying all village children to and from the school.

The proposal to carry out the maintenance work by force account will utilize the plant and equipment already on the island, but to ensure that acceptable standards of material and workmanship are implemented, a suitably qualified and experienced independent consultant will be engaged to supervise the works on a full-time basis.

- Social

The new activities being proposed under this restructuring do not alter the existing social safeguard requirements for the project and permanent, negative social

³ Several sections of the main collector road that were damaged by the tsunami and sealed by the Royal Tongan Navy in 2011 are showing signs of surface and/or base failure. Inspection of these areas revealed extensive reflective cracking in the sand seal and loss of bond between surface and base, which is seen as an indication for insufficient thickness of the seal, most likely caused by insufficient bitumen. In addition, the increased heavy traffic during reconstruction caused further deterioration of the road surfaces designed for low traffic volumes (20 light vehicles on the island). Trial-reseals carried out in May or June 2012 with different bitumen spray rates, all appear to have successfully eliminated any surface cracking and pothole patching with a bitumen / coronous premix appears to have been very successful.

impacts are not expected. The preventative maintenance works of the main road may cause temporary disruption of transport.

The Project is in compliance with the requirements of the Environmental and Social Safeguards Screening and Assessment Framework (ESSAF). There are no significant outstanding safeguards issues in the ongoing project. The ESSAF includes guidelines on undertaking due diligence for land acquired prior to project approval. It also includes a Land Acquisition and Resettlement Framework to guide any involuntary land acquisition that may occur during project implementation. However, land acquisition is not required for the additional activities as works will be carried out at or along the existing road corridors.

- Environment

The new activities being proposed under this restructuring do not alter the project risks or categorization of the project. The environmental category “B” will remain the same and the additional activities are expected to have benign environmental and social impacts mostly during construction similar to the original project. The new activities, namely, preventative road maintenance, will potentially have reversible impacts which are not large scale, similar to the original project. These are limited to typical construction related impacts which are easily mitigated.

An Environmental Impact Assessment (EIA) has been prepared by the GOT to cover the impacts of the additional activities proposed in the restructuring. This has been disclosed locally and in the Bank’s InfoShop on November 1, 2012. Compliance with environmental requirements will continue to be monitored as part of regular supervision. The Environmental and Social Screening and Assessment Framework (ESSAF) will continue to be used, to guide the project implementer on the relevant safeguards procedures and measures that need to be taken during implementation and to also ensure compliance with the World Bank’s safeguard policies applicable to all subprojects funded under the project.

ANNEX 1

Results Framework and Monitoring

<p>Project Development Objective (PDO): The Project Development Objective is to assist the Government of Tonga to implement its Niuatoputapu Priority Tsunami Recovery Program aimed at recovering the living standards of the population living in the island affected by the tsunami of September 30, 2009, through the reconstruction of residential houses with auxiliary water and sanitation facilities in Niuatoputapu, and strengthening Tonga's capacity to address future natural disasters.</p>									
<p>Revised Project Development Objective: The Project Development Objective is to assist the Government of Tonga to implement its Niuatoputapu Priority Tsunami Recovery Program aimed at recovering the living standards of the population living in the island affected by the tsunami of September 30, 2009 through the reconstruction of residential houses with auxiliary infrastructure facilities in Niuatoputapu, and strengthening Tonga's capacity to address future natural disasters.</p>									
PDO Level Results Indicators*	Core	D=Dropped C=Continue N= New R=Revised	Unit of Measure	Baseline	Cumulative Target Values**			Frequency	Data Source/ Methodology
					YR 1	YR 2	YR 3		
Indicator One:	<input type="checkbox"/>								
Restored housing, community facilities and small enterprises:	<input type="checkbox"/>	R	Number	0	0		127	Semi-annual	Construction Supervision reports
Provision of auxiliary water and sanitation facilities	<input type="checkbox"/>	C	Y/N	N	N	N	Y	Semi-annual	Construction Supervision reports
Establishment of community risk management plans	<input type="checkbox"/>	C	Y/N	N	N	N	Y	Semi-annual	Implementation report MLSNR and NEMO
									PMU

INTERMEDIATE RESULTS									
Intermediate Result (Part A): (i) Housing materials for families affected by the tsunami, (ii) Supply of materials to Niuatoputapu; (iii) Construction and supervision of housing, rainwater harvesting and sanitation facilities									
Revised Intermediate Result (Part A):									
Delivery of pre-cut housing materials to Tonga:	<input type="checkbox"/>	C	Percentage	0%			100%	Semi-annual	Construction Supervision reports
Shipping to the affected Island	<input type="checkbox"/>	C	Percentage	0%			100%	Annual	Construction Supervision reports
Assembly of Houses in Niuatoputapu:	<input type="checkbox"/>	C	Percentage	%			100%	Semi-annual	Construction Supervision reports
Intermediate Result (Part B): Essential auxiliary infrastructure for new housing established									
Revised Intermediate Result (Part B):									
km of rural roads resealed	<input checked="" type="checkbox"/>	N	Number	0	0	0	8	Quarterly	Construction Supervision reports
Intermediate Result (Part C): (i) enhanced mapping capacity, (ii) improved risk information; (iii) community awareness and preparedness									
Revised Intermediate Result (Part C):									
Enhanced mapping capacity	<input type="checkbox"/>	C	Percentage	0%	50%	80%	100%	Annual	Implementation report MLSNR
Improved risk information	<input type="checkbox"/>	C	Percentage	0%	50%	80%	100%	Semi-annual	Implementation report MLSNR
Community awareness and preparedness	<input type="checkbox"/>	C	Percentage	NA	0%	100%	100%	Annual	Implementation report NEMO
Community consultation on risk awareness performed	<input type="checkbox"/>	C	Percentage	NA	100%	100%	100%	Annual	Implementation report MLSNR

Intermediate Result (Part D): (i) Effective implementation and supervision of Project components; (ii) Assessment of quantitative and qualitative impact of the Project										
Revised Intermediate Result (Part D):										
Quarterly progress reports against work plan and budget delivered within 30 days of end of quarter		C	Number	0	4	8	12	Quarterly	Progress reports	PMU
Before and after study of relocated communities		C	Number	0	1	1	2	Annual	Progress reports	PMU

*Please indicate whether the indicator is a Core Sector Indicator (see further <http://coreindicators>)

**Target values should be entered for the years data will be available, not necessarily annually