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IDA/R2016-0034/1

March 17, 2016

<p>Closing Date: Thursday, March 31, 2016 at 6 p.m.</p>
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FROM: Acting Vice President and Corporate Secretary

Tuvalu - Tuvalu Aviation Investment Project

Additional Financing and Restructuring

Project Paper

Attached is the Project Paper regarding a proposed additional grant and restructuring to Tuvalu for the Tuvalu Aviation Investment Project (IDA/R2016-0034), which is being processed on an absence-of-objection basis.

Distribution:

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Directors and Department Heads, Bank, IFC and MIGA

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Report No:PAD1701

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT

IN THE AMOUNT OF SDR 2.10MILLION
(US\$2.88 MILLION EQUIVALENT) AND A

PROPOSED RESTRUCTURING

TO

TUVALU

FOR THE

TUVALU AVIATION INVESTMENT PROJECT

March 9, 2016

Transport & ICT Global Practice
EAST ASIA AND PACIFIC REGION

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CURRENCY EQUIVALENTS

(Exchange Rate Effective 31 January 2016)

Currency Unit = Australian Dollar (AUD)
AUD 1 = US\$0.70795
SDR 1 = US\$1.3805

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
ARAP	Abbreviated Resettlement Action Plan
CAS	Country Assistance Strategy
Cr	Credit
EA	Environmental Analysis
FUN	Funafuti International Airport
GDP	Gross Domestic Product
GoTv	Government of Tuvalu
GRS	Grievance Redress System
IA	Implementing Agency
ICAO	International Civil Aviation Organisation
IDA	International Development Association
NavAids	Navigation Aids
PAD	Project Appraisal Document
PAIP	Pacific Aviation Investment Program
PASO	Pacific Aviation Safety Office
PDO	Project Development Objective
PRIF	Pacific Regional Infrastructure Facility
SSL	Safety and Security Levy
TF	Trust Fund
TFSU	Technical and Fiduciary Services Unit
TvAIP	Tuvalu Aviation Investment Project
US\$	United States Dollar
VSAT	Very Small Aperture Terminal
WB	World Bank
XDR	Special Drawing Rights

Vice President (Acting):	Antonella Bassani
Country Director:	Franz R. Drees-Gross
Senior Global Practice Director:	Pierre Guislain
Practice Manager/Manager:	Michel Kerf
Task Team Leader:	Christopher De Serio

TUVALU
TUVALU AVIATION INVESTMENT PROJECT

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ADDITIONAL FINANCING DATA SHEET

Tuvalu

Tuvalu Aviation Investment Project Additional Financing II (P157779)

EAST ASIA AND PACIFIC REGION

Transport & ICT Global Practice

Basic Information – Parent									
Parent Project ID:		P128940			Original EA Category:		B - Partial Assessment		
Current Closing Date:		31-Dec-2016							
Basic Information – Additional Financing (AF)									
Project ID:		P157779			Additional Financing Type (from AUS):		Cost Overrun		
Regional Vice President:		Antonella Bassani (Acting)			Proposed EA Category:		B		
Country Director:		Franz R. Drees-Gross			Expected Effectiveness Date:		31-May-2016		
Senior Global Practice Director:		Pierre Guislain			Expected Closing Date:		30-June-2018		
Practice Manager/Manager:		Michel Kerf			Report No:		PAD1701		
Team Leader(s):		Christopher De Serio							
Borrower									
Organization Name		Contact		Title		Telephone		Email	
Ministry of Finance and Economic Development		Letasi Iulai		Permanent Secretary		(688) 20-202 Ext. 3068		Llulai@gov.tv	
Project Financing Data - Parent (Pacific Aviation Investment - Tuvalu-P128940) (in USD Million)									
Key Dates									
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date		
P128940	IDA-H7490	Effective	13-Dec-2011	17-Feb-2012	20-Mar-2012	31-Dec-2016	31-Dec-2016		
P128940	IDA-H8960	Effective	01-Nov-2013	05-Dec-2013	01-Apr-2014	31-Dec-2016	31-Dec-2016		
P128940	TF-12703	Effective	30-Jul-2012	27-Aug-2012	27-Nov-2012	31-Dec-2016	31-Dec-2016		
Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Un-	%

								disbursed	Disbursed							
P128940	IDA-H7490	Effective	USD	11.85	11.85	0.00	6.74	3.91	56.88							
P128940	IDA-H8960	Effective	USD	6.06	6.06	0.00	1.99	3.59	32.91							
P128940	TF-12703	Effective	USD	0.17	0.17	0.00	0.11	0.06	63.95							
Project Financing Data - Additional Financing Tuvalu Aviation Investment Project Additional Financing II (P157779)(in USD Million)																
<input type="checkbox"/> Loan <input type="checkbox"/> Grant <input checked="" type="checkbox"/> IDA Grant <input type="checkbox"/> Credit <input type="checkbox"/> Guarantee <input type="checkbox"/> Other																
Total Project Cost:		2.88		Total Bank Financing:		2.88										
Financing Gap:		0.00														
Financing Source – Additional Financing (AF)								Amount								
BORROWER/RECIPIENT								0.00								
IDA Grant								2.88								
Total								2.88								
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																
Team Composition																
Bank Staff																
Name	Role		Title		Specialization		Unit									
Christopher J. De Serio	Team Leader (ADM Responsible)		Transport Specialist		Transport		GTI02									
Christopher R. Bennett	Co-Team Leader		Lead Transport Specialist		Transport		GTI02									
Cristiano Costa e Silva Nunes	Procurement Specialist (ADM Responsible)		Senior Procurement Specialist		Procurement		GGO08									

Stephen Paul Hartung	Financial Management Specialist	Financial Management Specialist	Financial Management	GGO20	
Chau-Ching Shen	Sr. Finance Officer		Finance	WAFLN	
Marjorie Mpundu	Counsel	Senior Counsel	Legal	LEGES	
Loren Jayne Atkins	Counsel	Associate Counsel	Legal	LEGES	
Charles E. Schlumberger	Team Member	Lead Air Transport Specialist	Air Transport	GTIGE	
Shruti Vijayakumar	Team Member	Consultant	Air Transport	GTI05	
Aldo Giovannitti	Team Member	Temporary	Air Transport	GTI02	
Nicholas John Valentine	Team Member	Consultant	Safeguards Specialist	GENDR	
Penelope Ruth Ferguson	Team Member	Consultant	Safeguards Specialist	GENDR	
Kanya Raj	Team Member	Temporary	Administrative Client Support	EACNF	
Extended Team					
Name		Title		Location	
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Tuvalu	Funafuti	Funafuti		X	
Institutional Data					
Parent (Pacific Aviation Investment - Tuvalu-P128940)					
Practice Area (Lead)					
Transport & ICT					
Contributing Practice Areas					
Cross Cutting Topics					
[X] Climate Change					
[X] Fragile, Conflict & Violence					
[] Gender					
[] Jobs					
[] Public Private Partnership					

Sectors / Climate Change				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Transportation	Aviation	87		
Public Administration, Law, and Justice	Public administration-Transportation	13		
Total		100		
Themes				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Environment and natural resources management	Climate change	23		
Trade and integration	Regional integration	46		
Social protection and risk management	Natural disaster management	23		
Public sector governance	Administrative and civil service reform	8		
Total		100		
Additional Financing Tuvalu Aviation Investment Project Additional Financing II (P157779)				
Practice Area (Lead)				
Transport & ICT				
Contributing Practice Areas				
Cross Cutting Topics				
<input checked="" type="checkbox"/> Climate Change				
<input checked="" type="checkbox"/> Fragile, Conflict & Violence				
<input type="checkbox"/> Gender				
<input type="checkbox"/> Jobs				
<input type="checkbox"/> Public Private Partnership				
Sectors / Climate Change				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-	Mitigation Co-

			benefits %	benefits %
Transportation	Rural and Inter-Urban Roads and Highways	50	100	
Transportation	Aviation	50	75	
Themes				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Urban development	Other urban development	67		
Environment and natural resources management	Climate change	33		
Total			100	

I. Introduction

1. This Project Paper (PP) seeks the approval of the Executive Directors to provide an additional International Development Association (IDA) grant in an amount of SDR 2.10 million¹ (US\$2.88 million equivalent) to Tuvalu for the Tuvalu Aviation Investment Project (TvAIP), P128940, IDA-H8960-TV, IDA-H7490-TV, TF-12703.
2. The proposed additional grant would finance cost overruns. The current project budget, including contingencies, is fully committed. The grant would finance the completion of the airport terminal building, acquisition of a fire rescue vehicle, construction supervision costs, and project management costs. A project management internship program would be introduced to support local capacity building for donor funded programs.
3. In addition, the proposed Additional Financing includes a Level 2 restructuring of TvAIP to:
 - Revise the Results Framework and monitoring indicators;
 - Extend the current closing date of IDA-H8960-TV, IDA-H7490-TV, and Pacific Region Infrastructure Facility (PRIF) Grant TF-12703 by 18 months to June 30, 2018;
 - Change disbursement estimates;
 - Change components and cost; and
 - Change the implementation schedule.
4. The modifications proposed as part of this restructuring are within the scope of TvAIP, and will not change the Project Development Objective (PDO) or impact the fiduciary, safeguards or implementation arrangements that are currently in place for TvAIP. No additional safeguards will be triggered, and there will be no escalation of the safeguards rating.

II. Background and Rationale for Additional Financing in the amount of US\$2.88 million

5. Background. Tuvalu is a unique country. The main island of Fongafale on Funafuti atoll, home to the capital and just under 50 percent of the country's population of some 10,000 people, is at its widest point only 650 m wide, with much of this wider section taken up by the runway for the international airport. Much of Fongafale is less than 75 m wide. According to the Secretariat of the Pacific Community, Tuvalu's population density is the second highest in the Pacific (after Nauru), with 431 persons/km²—and the density is higher in Fongafale given the limited land area. Fongafale is home to the country's hospital, high schools, a branch campus of the University of the South Pacific, radio station, main port, as well as most of the businesses.
6. In December 2011 IDA approved the Pacific Aviation Investment Program (PAIP), a regional, horizontal Adaptable Program Loan that consists of a series of projects designed to ensure that critical aviation infrastructure meets operational safety requirements, as well as to strengthen regulatory compliance of international air transport of the participating Pacific Island Countries. Major elements of the US\$155 million program focus on the upgrading of airport infrastructure and aeronautical equipment, and the strengthening of policy and regulatory capacity. Phase I of PAIP included projects in

¹ Comprising a National IDA contribution of SDR0.64 million (or approximately US\$0.88 million equivalent) and a regional IDA contribution of SDR1.46 million (or approximately US\$2.0 million equivalent).

Kiribati, Tonga and Tuvalu. Samoa entered the program in March 2014 as Phase 2, and IDA has since approved Phase 3 with Vanuatu in April 2015. IDA also approved a Pacific Aviation Safety Office Reform Project in September 2013 in support of the regional entity's aviation regulatory mandates.

7. TvAIP was approved by the Board of Executive Directors on December 13, 2011, and became effective on March 20, 2012, with total IDA grant financing of SDR 7.5 million (US\$11.85 million equivalent). The IDA funding comprised of a US\$3.5 million national IDA grant and a US\$8.35 million IDA regional grant. There is a counterpart contribution of approximately US\$1.8 million in the form of foregone taxes. The PRIF is contributing US\$170,000 for the direct engagement of the Pacific Aviation Safety Office (PASO) in regulatory advisory and oversight services.

8. Components. The original project consisted of four components:

- *Component A: Aviation Infrastructure Investments (US\$10.23 million including contingencies)*. This component will invest in the aviation infrastructure at Funafuti international airport. Investments include: (i) rehabilitation of the runway, taxiway and apron, including, if viable, storage facilities for runway water runoff; (ii) construction of a new terminal and control tower; (iii) provision of air traffic control equipment; (iv) installation of new navigation aids, automatic weather monitoring, safety and security equipment; (v) provision for an aeronautical communication network; (vi) conducting a survey of obstacles infringing on the airport; (vii) provision of fire safety equipment; and, (viii) provision of the design and supervision consulting services required for such infrastructure improvement.
- *Component B: Aviation Sector Reform and Training (US\$0.62 million including contingencies)*. Provision of technical assistance to the Ministry of Communications and Transport (MCT) and other Line Ministries for: (i) strengthening the capabilities for aviation sector management, policy, safety and security oversight; (ii) training on aviation policy, management and operations; (iii) carrying out of a baseline audit of the safety and security at Funafuti Airport and review progress in the implementation of the International Civil Aviation Organization (ICAO) Corrective Action Plan by the Recipient; and, (iv) carrying out of safety and security oversight audits.
- *Component C: Strengthening Airport Operations and Management Capacity (US\$0.22 million including contingencies)*. Provision of technical assistance to Civil Aviation Department (CAA) for, inter alia identifying options for the sustainable operation of Funafuti airport.
- *Component D: Project Support (US\$0.95 million including contingencies)*. This component will finance the provision of technical, advisory and administrative support to MCT, other Line Ministries and the Technical and Fiduciary Services Unit (TFSU) and provision of office space and equipment, services of financial auditors and annual subscriptions for the operation of the Pacific Aviation Safety Network during Project implementation.

9. In 2013, an additional IDA grant in an amount of SDR 4 million (US\$6.06 million equivalent) was provided to scale up the ongoing TvAIP. The project was also restructured at that time to change the Project Development Objective (PDO), reflecting changes in project activities and eliminating investments that were no longer required. The original PDO was “to improve operational safety and oversight of international air transport infrastructure.” The PDO was modified in the 2013 restructuring

to reflect the investment in road and water infrastructure and changed to: “to improve the safety and security of air transport and associated infrastructure.”

10. The following changes were made at the time of the first additional financing and level one restructuring in 2013:

- *Component A: Aviation Infrastructure Investments (US\$16.33 million including contingencies).*
 - i. New activity: ‘Resurfacing Funafuti Roads’ to finance the road resurfacing, solar street lighting, a road safety awareness campaign, and where appropriate small maintenance equipment.
 - ii. New activity: ‘Water Cistern under the Terminal’ to hold some 800,000 liters and provide an important drinking water supply for local residents given the frequent droughts.
 - iii. Cancellation of acquisition of new fire tender. The Government of Tuvalu was arranging for a refurbished fire tender to be donated by the Government of New Zealand.
 - iv. New activity: ‘Removal of Solid Waste from Funafuti’ to export recyclable materials.
 - v. The ‘Obstacle Limitation Survey’ was included within the scope of the Design and Supervision Consultant’s contract rather than as a separate activity.
 - vi. The control tower would no longer be part of the terminal as originally planned, but would be a separate structure that also houses the ‘Fire Tender Shelter’.
- *Component B: Aviation Sector Reform and Training*. This component was not modified.
- *Component C: Strengthening Airport Operations and Management Capacity*. The only activity planned under this component was a study into the options for managing Funafuti International Airport. It was found that a restructuring of the existing positions and lines of reporting within government would achieve the goal of separating management from regulation of the airport. The study was therefore no longer necessary and the component was dropped.
- *Component D: Project Support (US\$ 1.14 million including contingencies)*. Additional funding of US\$200,000 was provided for project support costs.

11. Project Status. The Project is in the fourth year of a five year implementation schedule. The progress towards achieving the PDO and the project implementation progress have been rated *Satisfactory* or *Moderately Satisfactory* for the entire project life. The Government has reorganized departments within the MCT in order to separate the management and operations of the airport from civil aviation regulatory oversight. Since July 2014, the GoTv has implemented two key actions to help ensure the financial sustainability of the sector: (i) collection of a PAIP Safety and Security Levy (SSL) of AU\$5 on international departing passengers; and (ii) inclusion of the AU\$30 departure tax as part of the ticket price.

12. The key aviation infrastructure investments are completed or under installation, with the exception of the flight service center and the construction of the new terminal building (the contract for which was signed in late 2015). The completed investments include: (i) rehabilitation of the runway, taxiway and apron; (ii) resurfacing of roads; (iii) an obstacle limitation survey and removal of most obstacles infringing on the airport; (iv) new air traffic control equipment (in service); (v) new safety and security equipment (in service); (vi) fire safety uniforms and other equipment (procured and in use); and (vii) a

new fueling truck (in use). The installation of navigation aids and automatic weather monitoring will commence in early 2016. The design for the VSAT is completed, and its supply and installation are expected to be completed in 2016. The flight service center/fire rescue vehicle shelter is expected to be in place by mid-2017.

13. As of February 11, 2016, the disbursement rate for the original IDA Grant (H7490) is 56.9 percent (or approximately US\$6.74 million of the total US\$11.85 million equivalent). The disbursement rate for the first AF (H8960) is 32.9 percent (or approximately US\$1.99 million of the total US\$6.06 million equivalent); and the associated PRIF grant (TF-12703) has disbursed 64 percent (or US\$108,719 of the US\$170,000 available). Disbursements are expected to increase further by the end of the calendar year as the paving of the runway and road works are expected to be completed in 2016, and navigation aids will also be installed by the end of 2016.

14. Additional Financing. The additional financing would cover the following project activities necessary to achieve the PDO:

- *Component A: Aviation Infrastructure Investments (US\$21.31 million including contingencies).*
 - i. Completion of the airport terminal building. Originally budgeted for US\$2.8 million, the terminal (including a water cistern for improved water catchment) was tendered in September 2015 and awarded in December 2015, for a total contract value of US\$3.8 million. The variation in cost stems in part from design enhancements made at the request of Government, as well as logistical costs for material sourcing. Additional costs have also been included for construction supervision of the terminal. The construction period for the terminal will extend to mid-2017; and
 - ii. Re-instatement of the activity for acquisition of a fire rescue vehicle. Upgrading the capability of the airfield rescue and fire-fighting compliance category will be achieved through the acquisition of a refurbished fire rescue vehicle. The vehicle is estimated to cost US\$0.8 million, and will be procured as part of a regional program procurement tender (acquiring the equipment for all PAIP projects at the same time). Though part of the original project design, the activity was removed during the first restructuring as there was an indication that other donor resources could accommodate the investment; however, this funding did not eventuate. A request for quotations for the fire rescue vehicles has been issued and delivery is expected by mid-2017.
- *Component C: Project Support (US\$ 1.67 million including contingencies).* Additional funding is provided for project support costs associated with the extension of the project completion timeline. A knowledge transfer initiative includes a project management internship program that seeks to build local capacity in a small island state context. The program, to be funded from the national IDA contribution to the additional financing, is intended to develop project management skills necessary to support donor projects in the future. The MCT seeks to maintain the momentum of skills and knowledge obtained locally by offering short term internship opportunities in the areas of Accounting and Finance, Procurement, Contract Management and Office Management.

15. Alternatives that were considered instead of the use of an IDA grant for the AF included funding from New Zealand Ministry of Foreign Affairs and Trade for a fire rescue vehicle, which was

anticipated as part of the first project restructuring and additional finance. However, due to higher than expected costs for other support to Tuvalu by New Zealand, particularly after Cyclone Pam in 2015, the fire rescue vehicle could not be provided. As the fire rescue vehicle is critical to meeting international aviation safety compliance requirements, the AF will enable the project to meet a key performance indicator related to airfield rescue and firefighting capability.

16. The current PDO will remain unchanged. There will be no changes to the implementation, procurement, financial management, or disbursement arrangements. Project procurement will continue to be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011; and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011, as this is consistent with the current Program arrangements. The designated account already established under IDA H896-TV will be used to receive Bank funds from this additional financing. Separate ledger accounts will be kept so that receipt and use of Bank funds under IDA H896-TV and this additional financing can be properly segregated, recorded and accounted. There are no overdue financial or audit reports for the Project. The project is in compliance with all legal covenants.

17. Rationale for AF. The AF is aligned with both the Government and the Bank's development strategy, outlined by the Country Assistance Strategy (CAS). The CAS objectives are to help Tuvalu mitigate the effects of economic isolation and exogenous shocks. Tuvalu's participation in the PAIP program continues to address the geographic isolation so as to promote regional and global integration. The aviation sector is particularly important for this, as it allows Tuvaluans to take advantage of international job and education opportunities but continue to remain connected with and contribute to their country and the region. Additional IDA Regional funding resources are again being leveraged with a national IDA contribution of SDR 0.64 million (or approximately US\$0.88 million equivalent) and a regional IDA contribution of approximately SDR 1.46 million (or approximately US\$2.0 million equivalent). The primary justification for utilizing Regional IDA resources is that the connective infrastructure investments in improved international airport infrastructure and aviation safety oversight can bring regional cross-country benefits by further enabling potential intra-regional passenger and air freight services.

III. Proposed Changes

Summary of Proposed Changes	
This Project Paper includes a Level 2 Restructuring to modify the target dates in the results framework monitoring indicators; extend the current closing date of IDA-H8960-TV, and IDA-H7490-TV and PRIF TF-12703 by 18 months to June 30, 2018; change disbursement estimates; change components and cost; and revise the implementation schedule.	
Change in Implementing Agency	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Project's Development Objectives	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Results Framework	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Safeguard Policies Triggered	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change of EA category	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]

Other Changes to Safeguards	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Legal Covenants	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Loan Closing Date(s)	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Cancellations Proposed	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Disbursement Arrangements	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Reallocation between Disbursement Categories	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Disbursement Estimates	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change to Components and Cost	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Institutional Arrangements	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Financial Management	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Procurement	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Implementation Schedule	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Other Change(s)	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Development Objective/Results	
Project's Development Objectives	
Original PDO	
The project development objective is to improve operational safety and oversight of international air transport infrastructure.	
Current PDO	
The project development objective is to improve the safety and security of air transport and associated infrastructure.	
Change in Results Framework	
Explanation:	
<p>The following six indicators would be revised to reflect updated new end target dates, as follows:</p> <ul style="list-style-type: none"> • Navigation and safety aids fully operational - 30-Jun-2017 • Funafuti terminal and flight service center upgrade - 30-Jun-2017 • ICAO certification of safety and security at project airports, by 30-Sep-2017 • Resolution of safety concerns at participating airports reaches global ICAO average, by 30-Sep-2017 • Modernization of air traffic management, by 30-Sep-2017 • Achievement of Fire Standards 30-Sep-2017 • Training Plans executed 30-Jun-2018 	
Compliance	
Covenants - Additional Financing (Tuvalu Aviation Investment Project Additional Financing II -	

P157779)						
Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
				<input type="checkbox"/>		
Conditions						
Source Of Fund			Name		Type	
Description of Condition						
Risk						
Risk Category				Rating (H, S, M, L)		
1. Political and Governance				Moderate		
2. Macroeconomic				Moderate		
3. Sector Strategies and Policies				Moderate		
4. Technical Design of Project or Program				Low		
5. Institutional Capacity for Implementation and Sustainability				Moderate		
6. Fiduciary				Low		
7. Environment and Social				Low		
8. Stakeholders				Moderate		
9. Other						
OVERALL				Moderate		
Finance						
Loan Closing Date - Additional Financing (Tuvalu Aviation Investment Project Additional Financing II - P157779)						
Source of Funds			Proposed Additional Financing Loan Closing Date			
IDA Grant			30-June-2018			
Loan Closing Date(s) - Parent (Pacific Aviation Investment - Tuvalu - P128940)						
Explanation:						

The project closing date is to be extended by 18 months to June 30, 2018.

Ln/Cr/ TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)
IDA- H7490	Effective	31-Dec-2016	31-Dec-2016	30-June-2018	31-Dec-2016
IDA- H8960	Effective	31-Dec-2016	31-Dec-2016	30-June-2018	31-Dec-2016
TF- 12703	Effective	31-Dec-2016	31-Dec-2016	30-June-2018	31-Dec-2016

**Change in Disbursement (including all sources of Financing)
Estimates**

Explanation:

Disbursement estimates are updated to reflect the total lending amount and to account for early lags in the implementation cycle.

Expected Disbursements (in USD Million)(including all Sources of Financing)

Fiscal Year	2016	2017	2018							
Annual	2.04	6.11	2.29							
Cumulative	2.04	8.15	10.44							

**Allocations - Additional Financing (Tuvalu Aviation Investment
Project Additional Financing II - P157779)**

Source of Fund	Curren cy	Category of Expenditure	Allocation	Disbursement %(Type Total)
			Proposed	Proposed
IDAT	SDR	Goods, works, Training, Operating Costs, TFSU Costs and consultants services, excluding Part 2(d)	2.10	100.00
Total:			2.10	

Components

**Change to Components
and Cost**

Explanation:

The majority of the additional finance covers cost escalations in the Aviation Infrastructure Investment Component related to new facilities and equipment (US\$2.53 million including

contingencies). This includes the upgrading of the terminal, and the reintroduction of a fire rescue vehicle to the project activities. Additional project supervision costs under Component A have also been incurred in the aftermath of Cyclone Pam, as well as with the overseeing of the road and runway works, installation of navigation aids, and with the implementation delays related to the terminal works. Additional contingencies of US\$0.45 million have also been estimated through to the revised closing date of June 2018. The contingencies from the original funding envelope were utilized for support in negotiating bilateral Air Services Agreements to allow commercial air transport services between States, Tuvalu Airport Emergency Plan, additional support from the Design and Supervision Consultant after Cyclone Pam, and higher than anticipated costs for some activities, such as the refueling truck.

Implementation support for the Project Support Team and the TFSU, will require additional funding in the amount of US\$0.35 million through to the end of the project. The funding will also support MCT with local capacity development through a short term internship program in the areas of Accounting and Finance, Procurement, Contract Management, and Office Management. The term of appointment for the internship would be three to six months (full time) and would be paid at around AUD\$100 per week to cover travel cost and incidental expenses. The selection is based on Equal Employment Opportunity. Minimum eligibility criteria are set whereby applicants must have at least a tertiary qualification or must currently be undertaking tertiary courses. Candidates must be fluent in both oral and written English and Tuvaluan, and should be Tuvaluan citizens. Advertisement will be made via the local media, government website, and any other mean available locally at the time of advertisement. Registration of applications will be done by the Project Support Team (PST), and the evaluation panel will consist of the PST and the Implementing Agency (IA). Evaluation of applications will be based on the selection criteria outlined in each position description, and the evaluation methodology will consist of the analysis of applications, interviews and possibly a test, which would be decided by the evaluation panel. An implementation framework for the internship program has been developed and included as an Annex to the Program Operations Manual, and endorsed by MCT. The primary purpose and advantage of this program is that it enhances classroom learning by integrating academic curriculum and real-world work experience.

The second additional financing increases the total project costs from US\$20.80 million (comprising an IDA contribution of US\$18.08 million and counterpart contribution of US\$1.80 million) to revised total cost of US\$23.68 million.

Current Component Name	Proposed Component Name	Current Cost (US\$M)	Proposed Cost (US\$M)	Action
Aviation Infrastructure Investments	Aviation Infrastructure Investments	18.78	21.31	Revised
Aviation Sector Reform	Aviation Sector Reform	0.70	0.70	No Change
Project Support	Project Support	1.32	1.67	Revised

and Training	and Training			
	Total:	20.80	23.68	
Other Change(s)				
Implementing Agency Name	Type	Action		
Ministry of Communications and Transport	Implementing Agency	No Change		
Change in Implementation Schedule				
Explanation:				
The remaining project activities will require that the implementation schedule and closing date of the Finance Agreement be updated to June 30, 2018.				
Appraisal Summary				
Economic and Financial Analysis				
Explanation:				
<p>The economic cost benefit analysis developed for the regional program was based on loss of Gross Domestic Product (GDP) incurred through impacts on tourism and remittances in the absence of air services. The initial analysis used a 12 percent discount rate on investments amounting to US\$9.2 million (for improvements to the terminal, resealing the runway, a fire tender, safety equipment, compensation to project affected persons) to achieve a Net Present Value (NPV) of US\$4 million and an Economic Internal Rate of Return (EIRR) of 38.3 percent. Factoring in an additional US\$2.88 million for the full set of aviation investments, or approximately a 31.3 percent increase to the revised project costs, and noting that the investments to date have now ensured international connectivity through the rehabilitation of the airfield pavements and upgraded lighting, the financing shortfalls covered in this additional finance only marginally impact on the economic viability of the remaining activities (lowering the EIRR to 29.9 percent).</p> <p>Fiscal sustainability for air transport management and infrastructure assets is improved by the collection of the AU\$ 5 SSL, which is being collected as part of the departure tax on all international passengers, and is now providing increased sector revenues. Given the level of air traffic departing Tuvalu, the total financial returns from both the departure tax and SSL are in the magnitude of US\$125,000 to US\$150,000 annually. An approved expenditure framework for proceeds from the SSL identifies eligible activities for which the dedicated revenue stream will provide supplemental funding, ensuring safe operations, security-related requirements and regulatory oversight functions.</p>				

Technical Analysis
<p>Explanation:</p> <p>The remaining investment activities under the project are relatively straightforward. The terminal has been designed to provide sufficient space for passenger and baggage movements, check-in and departure, and immigration and customs clearance in order to meet operational safety and security requirements. The provision of a prefabricated structure that is treated to withstand tropical conditions and meets cyclonic standards will serve as both a flight service center and fire truck shelter. A refurbished fire tender will enable airfield rescue and firefighting to achieve the appropriate firefighting category, with due consideration to performance constraints related to the operations and maintenance of specialized equipment in the Pacific.</p>
Social Analysis
<p>Explanation:</p> <p>Compliance with social safeguards on the project has been satisfactory. In late 2014, the Government learned that the leases for the airport land had expired, although they continued to pay the lease holders the annual rent. The GoTv prepared an Abbreviation Resettlement Action Plan (ARAP) to address expired leases covering the airport land and all land owners have signed new lease agreements. Annual lease payments are up to date.</p>
Environmental Analysis
<p>Explanation:</p> <p>There are no changes to the current Environmental Category B classification. Compliance with environmental safeguards on the project has been satisfactory. The supervision engineer has been overseeing the contractor's implementation of the Environmental Management Plan (EMP) in consultation with the TFSU and the PST, and have provided regular reports on progress. A new EMP Addendum has been prepared for the construction and operation of the terminal building.</p>
Risk
<p>Explanation:</p> <p>The Political and Governance risk, Macroeconomic risk, and Sector Strategies and Policies risk have been reduced to Moderate at this stage of the project. The earlier 'Substantial' ratings were based on the fact that this was the first World Bank investment project in Tuvalu and on the potential uncertainties associated with any new development partnership. Given the high level of commitment demonstrated by the Government, the institutional changes to sector management effectuated through the project, and the successful level of implementation to date, these risks have been reduced. The overall risk is now considered to be 'Moderate'.</p>

V. World Bank Grievance Redress

18. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are

promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Project Name:	Tuvalu Aviation Investment Project Additional Financing II (P157779)	Project Stage:	Additional Financing	Status:	DRAFT
Team Leader(s):	Christopher De Serio	Requesting Unit:	EACNF	Created by:	Christopher De Serio on 05-Nov-2015
Product Line:	IBRD/IDA	Responsible Unit:	GTI02	Modified by:	Kanya Hilary Baratha Raj on 06-Jan-2016
Country:	Tuvalu	Approval FY:	2016		
Region:	EAST ASIA AND PACIFIC	Lending Instrument:	Investment Project Financing		
Parent Project ID:	P128940	Parent Project Name:	Pacific Aviation Investment - Tuvalu (P128940)		

Project Development Objectives

Original Project Development Objective - Parent:

The project development objective is to improve operational safety and oversight of international air transport infrastructure.

Current Project Development Objective - Parent:

The project development objective is to improve the safety and security of air transport and associated infrastructure.

Proposed Project Development Objective - Additional Financing (AF):

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Project Development Objective Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Indicator One: ICAO certification of safety and security at project airports	<input type="checkbox"/>	Text	Value	FUN currently not certified	FUN currently not certified	Certification of FUN in accordance with

							agreed goals
				Date	13-Dec-2011	01-Feb-2016	30-Sep-2017
				Comment			Based on the Tuvalu legislative equivalent of the New Zealand Civil Aviation Rule Part 139 and applicable portions of ICAO Annex 14, which will be undertaken by either a third party Civil Aviation Authority or the Pacific Aviation Safety Office (PASO)
Revised	Indicator Two: Resolution of safety concerns at participating airports reaches global ICAO average	<input type="checkbox"/>	Percentage	Value	95.00	95.00	40.00
				Date	13-Dec-2011	01-Feb-2016	30-Sep-2017
				Comment			The extent (in percentage) of lack of compliance is determined based on the findings of the audit and reported as a lack of effective implementation
Revised	Indicator Three: Modernization of air traffic management	<input type="checkbox"/>	Text	Value	No VSAT or ADS-B	No VSAT or ADS-B	VSAT and ADS-B operational

				Date	13-Dec-2011	01-Feb-2016	30-Sep-2017
				Comment		Regional procurement for ADS-B ground stations underway	
No Change	Indicator Four: Implementation of a regional safety levy for international passengers	<input type="checkbox"/>	Text	Value	No levy	AU\$5 collected from each departing international passenger	AU\$5 collected from each departing international passenger
				Date	13-Dec-2011	01-Dec-2015	30-Jun-2014
				Comment		Achieved. Levy is currently being collected in the ticket price. Disbursement framework finalized.	
No Change	Roads rehabilitated, Rural	<input checked="" type="checkbox"/>	Kilometers	Value	0.00	8.00	8.00
				Date	23-May-2013	01-Dec-2015	30-Jun-2015
				Comment		Achieved.	
No Change	Roads rehabilitated, Non-rural	<input checked="" type="checkbox"/>	Kilometers	Value	0.00	7.40	7.40
				Date	23-May-2013	27-Apr-2015	30-Jun-2015
				Comment		Achieved	
No Change	Roads in good and fair condition as a share of total classified roads	<input checked="" type="checkbox"/>	Percentage	Value	50.00	100.00	100.00
				Date	23-May-2013	01-Oct-2015	30-Jun-2015
				Comment		Achieved.	
No Change	Size of the total classified network	<input checked="" type="checkbox"/>	Kilometers Sub Type	Value	15.40	15.40	15.40

			Supplemental				
Intermediate Results Indicators							
Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Component A: Intermediate Result indicator One: Navigation and safety aids fully operational	<input type="checkbox"/>	Percentage	Value	0.00	10.00	100.00
				Date	13-Dec-2011	01-Feb-2016	30-Jun-2017
				Comment		Equipment procured and under acceptance testing	
Revised	Component A: Intermediate Result indicator Two: Rehabilitation of Funafuti runway	<input type="checkbox"/>	Percentage	Value	0.00	60.00	100.00
				Date	13-Dec-2011	01-Feb-2016	30-Jun-2015
				Comment			
Revised	Component A: Intermediate Result indicator Three: Achievement of Fire Standards	<input type="checkbox"/>	Text	Value	N/A	Partially achieved.	Category 5
				Date	13-Dec-2011	01-Feb-2016	30-Sep-2017
				Comment		Regional tender for fire rescue vehicles under procurement	
Revised	Component A: Intermediate Result indicator Four: Funafuti terminal and flight services centre upgrade	<input type="checkbox"/>	Percentage	Value	0.00	20.00	100.00
				Date	13-Dec-2011	01-Feb-2016	30-Jun-2017
				Comment			
No Change	Component A - Intermediate Result indicator Five: Number of kilometers of paved roads improved	<input type="checkbox"/>	Kilometers	Value	0.00	15.40	15.40
				Date	23-May-2013	01-Feb-2016	30-Jun-2015
				Comment		Achieved	
Revised	Component B: Intermediate Result indicator One: Successful implementation of	<input type="checkbox"/>	Text	Value	No training plan	Training plan under implementation.	Training plan completed

	agreed training plan		Date	13-Dec-2011	01-Feb-2016	30-Jun-2018
			Comment			