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February 19, 2016

<p>Closing Date: Wednesday, March 9, 2016 at 6 p.m.</p>
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FROM: Vice President and Corporate Secretary

Kiribati - Kiribati Aviation Investment Project

Additional Financing and Restructuring

Project Paper

Attached is the Project Paper regarding a proposed additional grant to Kiribati for a Kiribati Aviation Investment Project (IDA/R2016-0017), which is being processed on an absence-of-objection basis.

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Report No: PAD1489

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT

AND RESTRUCTURING

IN THE AMOUNT OF SDR5.2 MILLION
(US\$7.1 MILLION EQUIVALENT)

AND A

PROPOSED ADDITIONAL PACIFIC REGION INFRASTRUCTURE FACILITY GRANT

IN THE AMOUNT OF US\$5.35 MILLION

TO THE

REPUBLIC OF KIRIBATI

FOR A

KIRIBATI AVIATION INVESTMENT PROJECT

FEBRUARY 16, 2016

Transport & ICT Global Practice
EAST ASIA AND PACIFIC REGION

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CURRENCY EQUIVALENTS

(Exchange Rate Effective December 31, 2015)

Currency Unit =
SDR 0.720 = US\$1
US\$1.389 = SDR 1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ADS-B	Automatic Dependent Surveillance-Broadcast
AF	Additional Financing
ARFF	Aircraft Rescue and Fire Fighting
AWOS	Automatic Weather Observation Station
CAA	Civil Aviation Authority
CXI	Cassidy Airport
EA	Environmental Assessment
ESMF	Environmental and Social Management Framework
ETOPS	Extended Twin Engine Operations
FAA	Federal Aviation Administration
GoK	Government of Kiribati
ICAO	International Civil Aviation Organization
IDA	International Development Association
ISR	Implementation Status and Results Report
KAIP	Kiribati Aviation Investment Project
KAP	Kiribati Adaptation Project
MCTTD	Ministry of Communications, Transport and Tourism Development
MFAT	Ministry of Foreign Affairs and Trade (NZ)
MHWM	Mean high water mark
MS	Moderately Satisfactory
MWPU	Ministry of Works and Public Utilities
NDB	Non-directional beacon
NZ	New Zealand
PAIP	Pacific Aviation Investment Project
PASO	Pacific Aviation Safety Office
PDO	Project Development Objective
PRIF	Pacific Region Infrastructure Facility
RESA	Runway End Safety Area
TAL	Tonga Airport Limited
TF	Trust Fund
TFSU	Technical and Fiduciary Services Unit
TRW	Bonriki Airport
TSA	Transportation Security Administration

US United States
USOAP Universal Safety Oversight Audit Programme
US\$ United States Dollar
VSAT Very-Small Aperture Terminal
XDR/SDR Special Drawing Rights

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

KIRIBATI
KIRIBATI AVIATION INVESTMENT PROJECT

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ADDITIONAL FINANCING DATA SHEET

Kiribati

Kiribati Aviation Investment Project Additional Financing (P153381)

EAST ASIA AND PACIFIC REGION

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Basic Information – Parent							
Parent Project ID:	P128938	Original EA Category:	B - Partial Assessment				
Current Closing Date:	31-Dec-2016						
Basic Information – Additional Financing (AF)							
Project ID:	P153381	Additional Financing Type (from AUS):	Cost Overrun				
Regional Vice President:	Axel van Trotsenburg	Proposed EA Category:	B				
Country Director:	Franz R. Drees-Gross	Expected Effectiveness Date:	30-April-2016				
Senior Global Practice Director:	Pierre Guislain	Expected Closing Date:	31-Dec-2018				
Practice Manager/Manager:	Michel Kerf	Report No:	PAD1489				
Team Leader(s):	Pierre Graftieaux, Christopher R. Bennett						
Borrower							
Organization Name	Contact	Title	Telephone	Email			
Ministry of Finance and Economic Development	Eriati Manaima	Secretary		emanaima@mfep.gov.ki			
Project Financing Data - Parent (Pacific Aviation Investment - Kiribati-P128938) (in USD million)							
Key Dates							
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P128938	IDA-H7420	Effective	13-Dec-2011	15-Dec-2011	15-Feb-2012	31-Dec-2016	31-Dec-2016
P128938	TF-12678	Effective	30-Jul-2012	08-Aug-2012	07-Nov-2012	31-Dec-2016	31-Dec-2016
Disbursements							

Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P128938	IDA-H7420	Effective	USD	22.91	22.91	0.00	5.94	14.54	25.92
P128938	TF-12678	Effective	USD	0.28	0.28	0.00	0.18	0.10	64.13
Project Financing Data - Additional Financing Kiribati Aviation Investment Project Additional Financing (P153381)(in USD million)									
<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:		14.33			Total Bank Financing:		12.45		
Financing Gap:		0.00							
Financing Source – Additional Financing (AF)								Amount	
BORROWER/RECIPIENT								1.88	
IDA Grant								7.10	
Pacific Region Infrastructure Facility Trust Fund								5.35	
Total								14.33	
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					
Pierre Graftieaux	Team Leader (ADM Responsible)	Program Leader		EACNF					
Christopher R. Bennett	Team Leader	Lead Transport Specialist		GTIDR					
Cristiano Costa e Silva Nunes	Procurement Specialist	Procurement Specialist		GGODR					

Stephen Paul Hartung	Financial Management Specialist	Financial Management Specialist		GGODR
Marjorie Mpundu	Counsel	Senior Counsel	Senior Counsel	LEGES
Loren Atkins	Counsel	Associate Counsel		LEGES
Nicholas John Valentine	Safeguards Specialist	Consultant		GSURR
Nora Weisskopf	Team Member	Consultant	Aviation Specialist	GTIDR
Oliver George Whalley	Team Member	E T Consultant	Project Engineer	GTIDR
Ross James Butler	Safeguards Specialist	E T Consultant		GSURR
Shruti Vijayakumar	Team Member	Consultant	Aviation Specialist	GTIDR
Kanya Raj	Team Member	E T Temporary		EACNF

Extended Team

Name	Title	Location

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Kiribati	Line Islands	Kirimati		X	
Kiribati	Gilbert Islands	Tarawa		X	

Institutional Data

Parent (Pacific Aviation Investment - Kiribati-P128938)

Practice Area (Lead)

Transport & ICT

Contributing Practice Areas

Cross Cutting Topics

Climate Change

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	85		
Public Administration, Law, and Justice	Public administration-Transportation	15		
Total		100		
Themes				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Trade and integration	Regional integration	20		
Trade and integration	Trade facilitation and market access	20		
Environment and natural resources management	Climate change	20		
Social protection and risk management	Natural disaster management	20		
Public sector governance	Administrative and civil service reform	20		
Total		100		
Additional Financing Kiribati Aviation Investment Project Additional Financing (P153381)				
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	85	15	
Public Administration, Law, and Justice	Public administration-Transportation	15		
Total		100		
Themes				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Trade and integration	Regional integration	20		
Trade and integration	Trade facilitation and market access	20		
Environment and natural resources management	Climate change	20		
Social protection and risk management	Natural disaster management	20		
Public sector governance	Administrative and civil service reform	20		
Total		100		

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors for a proposed additional grant in the amount of SDR 5.2 million (US\$7.1 million equivalent) and a Level 1 restructuring to modify the Project Development Objective for the Kiribati Aviation Investment Project (KAIP). The project is also financed by an additional grant from the Pacific Region Infrastructure Multi-Donor Trust Fund (PRIF) in the amount of US\$5.35 million.

2. This Project Paper seeks approval for a Level 1 restructuring of KAIP to:

- Modify the Project Development Objective (PDO) to include specific reference to “associated infrastructure” for consistency with other Pacific Aviation Investment Program (PAIP) projects and in order to accommodate the road works between London and Cassidy Airport on Christmas Island. The proposed new PDO is “*to improve operational safety and oversight of international air transport and associated infrastructure;*”

The following changes to the project are also proposed:

- Extend the closing date of the original KAIP by two years to December 31, 2018; and
- Reallocate funds among disbursement categories, including some newly created to introduce disbursement conditions related to the timely payment of the Technical Fiduciary Services Unit’s (TFSU) services for specific investments where their specialist services are essential.
- Changes to the Results Framework to reflect extension of closing date.

3. The proposed Additional Financing would assist the Government of Kiribati (GoK) to address a number of funding shortfalls in the parent project and to scale up the Project activities. Extending the project by two years, until December 31, 2018 will allow for a two-year airport management contract to improve the operational efficiency and financial sustainability of Kiribati’s two international airports.

II. Background and Rationale for Additional Financing

4. **Background.** The Republic of Kiribati is one of the most remote and geographically dispersed countries in the world. It consists of 32 low lying atoll islands and one raised limestone island all located in three main island groups scattered over 3.5 million km² of the central and western Pacific. Most of the islands are less than 2 km wide and not more than 6 m above sea level. Twenty-one of the islands are inhabited by the national population of around 101,000, with the bulk of the population residing on the western Gilberts group of islands. Approximately 47% of the country’s population lives in the capital South Tarawa (within the Gilberts)—a magnet for internal migration from the outer islands. The capital provides opportunities for cash employment and consumption, as well as access to higher education and specialist social services not available elsewhere in Kiribati.

5. Aviation plays a vital economic and social role in Kiribati’s development. The country’s two international airports, Bonriki (TRW) and Cassidy International Airport (CXI) provide critical

access to health care, education and import and export markets in the region. In addition, the country's susceptibility to the effects of climate change and in particular storm surges make airports a vital entry point for relief goods. The project is therefore aligned with the World Bank Group's strategic twin goals of reducing extreme poverty and boosting shared prosperity. In addition, the project is directly in line with the World Bank Group's Country Assistance Strategy for Kiribati (FY2011-14) (Report 59355-KI) which specifically identified airport rehabilitation and the improvement of safety and security measures as crucial to maintaining and expanding regional connectivity.

6. In December 2011, IDA approved 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 includes projects in Kiribati, Tonga and Tuvalu. Samoa entered the program in March 2014 as Phase 2, and IDA has since approved Phase 3 with Vanuatu in May 2015. The PDO of KAIP is "to improve operational safety and oversight of international air transport infrastructure." with a minor change under this restructuring being the addition of "and associated infrastructure" to the end of the PDO.

7. The original IDA Grant of US\$22.91 million for KAIP was approved by the Bank on December 13, 2011 and became effective on February 15, 2012. For the additional financing, the IDA Grant includes US\$1.2 million from the national IDA-17 allocation and US\$5.9 million from the regional IDA allocation. Counterpart financing of approximately US\$1.88 million will be provided by the GoK in the form of foregone taxes.

8. The proposed investments are consistent with the safe, clean and affordable transport paradigm outlined in the World Bank Group's Transport Business Strategy for 2008-2012, as it addresses critical infrastructure investments to meet international air safety and security requirements, institutes a sustainable financing mechanism for regulatory oversight, and is delivered through a programmatic approach with clear regional benefits.

9. **Project Performance.** Through the efforts of KAIP, Kiribati is in the process of improving safety and security of critical airport infrastructure and building capacity within the Ministry of Communications, Transport and Tourism Development (MCTTD) to provide more effective regulatory oversight. This is expected to have a considerable impact on the growth and sustainability of the air transport market.

10. The following progress has been made towards parent project indicators:

- Collection of AU\$5 safety and security levy on departing international passengers since July 2014;
- Navigational aids and communications equipment contracts in place with installation commencing in early 2016;
- Construction of the security fence around Bonriki airport has been completed with marked improvements in the safety of operations;
- Completion of training needs analysis, Air Service Agreement Study, Upper Airspace review study.

11. The Implementation Status and Results Reports (ISR) have rated progress toward achievement of the PDO and implementation performance as moderately satisfactory since June 2014. The project is in compliance with Bank procurement and financial management policies, as well as all legal covenants. All key loan covenants including audit and financial management reporting requirements are complied with. There are no overdue audit reports.

12. From a social and environmental safeguards perspective, the additional financing will support the scaling up of some physical interventions contemplated in the original project design; specifically the seawall extension at Runway End 27 on Tarawa. The seawall works involve construction of a rock revetment, which is a minimal intervention solution. All excavations will be above the mean high water mark (MHW), hence there will be limited if any “marine” incursions. The design involves excavation of a shallow trench into the existing (historic) reef platform to establish a competent foundation. Field inspections by the Bank’s Environmental Specialist indicate that this section of the reef platform is essentially devoid of biological resources by virtue of it being above the MHW. The design prescription – rock revetment – does not require any concrete and all excavated material will be immediately emplaced on the landward side of the existing seawall as backfill. The seawall will be built on the shore, and its location is the same as in the parent Project, i.e. at the eastern end of the runway. Mitigation measures for any potential impacts are readily incorporated in the Construction Environmental Management Plan (CEMP). The CEMP has been progressively amended in response to changing circumstances (eg. revised arrangements for the transport of aggregates). The AF physical investments can similarly be managed through the amended CEMP.

13. The Resettlement Policy Framework (RPF) – part of the Environmental and Social Management Framework (ESMF) – remains current and can be enacted should resettlement issues arise.

14. As of December 2015, the Project has disbursed US\$5.83 million of the original IDA grant and US\$179,000 of the PRIF grant, amounting to a disbursement rate of 26%. The commitment rate is currently 47% for the parent project. Since the largest remaining contracts (terminals, resurfacing of the London-Cassidy road, fire tenders, fire tenders shelter) will be procured in 2016, the commitment rate for both the parent project and the additional financing is expected to reach 85% by January 2017. The following contracts with a combined value of 28% of the original project are expected to be fully disbursed before June 2016:

- Navigation Aids and Lighting Equipment (US\$5.17 million)
- Security Fence Bonriki (US\$1.18 million)
- VSAT Supply and Installation of Hardware (US\$0.25 million)

15. Whilst progress has been achieved on the infrastructure activities, institutional strengthening activities have experienced delays due to the complexity of the issues at play. Despite this, the Airport Masterplan and the Aviation Sector Strategy are now being implemented with the internal restructuring of the Directorate of Civil Aviation (DCA) and also the separation of operations and regulatory divisions with distinct functions within the MCTTD. To ensure further improvements in regulatory oversight, a full-time aviation advisor is currently being recruited. The Transport Sector Plan is also in the final stages of preparation. The key institutional

activity outstanding is the award of a two-year airport management contract to improve operational performance and financial sustainability of the international airport operations, which is expected to be awarded by mid-2016. The implementation challenges described below also contributed to delays.

16. **Implementation Challenges.** The strategy for implementation support was developed based on the nature of the project and its risk profile, especially in relation to capacity constraints within the implementing entity. The main mitigation measures to contain this risk has been the establishment of the Technical and Fiduciary Service Unit (TFSU), under the aegis of Tonga Airport Limited or TAL,¹ to provide technical guidance and undertake procurement and other fiduciary activities on behalf of the Program participants, including Kiribati. The TFSU is responsible for supporting the day-to-day implementation of the Program and its components, as well as for reporting. TAL, through TFSU also aims at building local capacity within implementing entities in small state environments less familiar with World Bank project requirements. A Service Agreement was entered into between TAL and Kiribati and clearly defines the roles and responsibilities of each party. This arrangement is intended to build partnerships between the Program participants, improve efficiency and address capacity constraints.

17. Towards the end of 2013, the Project faced implementation issues due to a lack of a project manager in the Project Support Team (PST, the local project management unit) and a lack of continuity due to reshuffling in Ministry positions. In December 2014, the Government of Kiribati questioned the quality and cost of the services provided by the TFSU and decided to request an evaluation of the current implementation arrangements and potential alternatives. They consequently allowed the TFSU Service Agreement – which is a covenant of the project – to lapse by holding off signing the required deed of variation of the Service Agreement. This effectively terminated TFSU services and delayed a number of activities including the processing of this Additional Finance. In July 2015, a workshop chaired by the Bank was organized between TAL, represented by TFSU and the GoK to provide clarifications on the implementation arrangements and a mid-term review of the Pacific Aviation Investment Program was launched simultaneously. Based on the discussions held during this workshop, and after taking on board the preliminary conclusions of the review, the GoK accepted that the TAL, through TFSU offered the most cost effective and efficient implementation arrangement for this project, and agreed to continue using their services. A revised version of the Service Agreement between GoK and TAL was signed by GoK in October and TAL in November 2015 and the re-engagement came into effect retroactively on November 1st, 2015. TFSU has since resumed its services to GoK, and key procurement processes have been initiated.

18. The non-renewal of the Service Agreement between GoK and TAL from January to October 2015, and hence the non-payment of the corresponding fees to TAL, created a financing shortfall for TAL. TAL is consequently financially affected by this situation, which may jeopardize the current implementation arrangements for PAIP, and hence negatively impact all participating

¹ The foundations of TFSU were based on the Project Management Unit of Tonga Transport Sector Consolidation Project (TSCP), with technical support from Tonga Airports Ltd. (TAL).

countries. In early November 2015, GoK paid part of that financing gap for services provided to Kiribati by TFSU since January 2015, corresponding to regional activities that benefit all PAIP countries including Kiribati. The remaining portion, i.e. US\$105,742, will be covered by additional funds provided from the regional IDA envelope to Kiribati precisely to address the fact that TFSU's financial viability was predicated on the assumption that all PAIP participating countries would cover "their" share of TFSU's fixed costs. An effectiveness condition for the additional financing requires that GoK advance TAL the shortfall amount. Once the grant is effective, the same amount will be reimbursed to GoK under retroactive financing provisions.

19. As elaborated above, the cessation of TFSU services until November 2015 has affected the procurement of major civil works activities under the project as the works could not be tendered without securing TFSU's support and the required additional funds. This is reflected in the low disbursement rate to date. With the reengagement of TFSU and the approval of the AF, the disbursement rate is expected to increase rapidly, with many of the high value contracts such as the terminals for TRW and CXI and the fire tender shelter expected to be awarded in 2016.

20. **Rationale for Additional Finance.** KAIP is currently facing a funding shortfall of US\$12.45 million, that is mostly outside of the control of the Borrower or implementing agency. This additional finance is required as soon as possible to confirm funding and allow contract award in late 2016 / early 2017 for significant procurements including fire tenders (US\$2.1 million expected to be awarded in August 2016) and terminals (US\$5.9 million, January 2017). It is also required to repay funding shortfalls to TAL as soon as possible to create a sound basis for TAL's reengagement. Project shortfalls have resulted from the following unforeseen factors:

- **Cassidy International Airport Terminal Security Requirements:** To meet US Federal Aviation Administration (FAA) and US Transportation Security Administration (TSA) passenger screening requirements for flights between Hawaii and Kiritimati (Christmas Island), which were not enforced at the time of appraisal, a larger terminal and more sophisticated screening facilities than originally anticipated will be required.
- **Coastal protection requirements:** During appraisal of the parent project the coastal protection work proposed for the Tarawa runway consisted of completing the unfinished KAP-II² seawall. The construction of this seawall commenced under the World Bank financed KAP-II project, but was never completed due to funding limitations. While appraisal anticipated just completing the KAP-II seawall, a detailed coastal study was prepared later under the KAP-III Project in July 2014, with Government deciding to adopt an improved standard of coastal protection requiring a larger and more resilient rock armor design to protect the critical runway asset from coastal erosion and wave overtopping. The design addresses safety concerns of the currently incomplete seawall. As a result, the costs to protect the runway are much higher than originally estimated at appraisal, and the corresponding works will be funded by the proposed Additional Financing.

² Kiribati Adaption Project (KAP) is a series of projects to improve the resilience of Kiribati to the impacts of climate change on freshwater supply and coastal infrastructure.

- **Deterioration of Equipment:** The project-financed baseline audit conducted by the International Civil Aviation Organization (ICAO) and other independent safety assessments by industry stakeholders have highlighted continuous deterioration of equipment, more rapidly than the rate observed at appraisal. Some of this was due to inappropriate use of equipment, but also the harshness of the marine climate which was underestimated at appraisal. Consequently navigation aids, fire tenders and other key safety equipment require much more substantial investments now than were identified at appraisal, with specification revised to be more resilient in the harsh marine environment.
- **Remoteness premium:** The isolation of Kiribati and the inherent logistical complexity resulted in a considerable “remoteness premium”. The possible extent of this premium was difficult to assess at appraisal, as there were a very limited number of comparable contracts awarded prior to KAIP.
- **Limited Institutional Capacity:** It took significantly more time than expected to fully staff the implementing agency, whose capacity to manage the technical aspects of the project, particularly with regards to major civil works, remained limited for a couple of years after project approval. This has been further exacerbated by the staffing changes within the implementing agency which have inhibited sustained institutional learning. Additional support in the form of a Technical Auditor (already recruited), an Aviation Advisor (whose selection has started) and more extensive assistance by the TFSU has therefore been required to ensure that the project progresses satisfactorily.

21. This has resulted in funding shortfalls for the following activities, which would be covered by the Additional Finance:

a. Component A: International Air Transport Infrastructure Investments (approx. US\$8.39 million, excluding contingencies)

- **Cassidy Airport (CXI):** All investments for Cassidy are required to ensure that CXI will again be nominated by airlines as an Extended Range Twin Engine Operations (ETOPS) alternate³, and will be largely funded through the PRIF Trust Fund. The re-establishment of Cassidy as ETOPS and the anticipated fees paid by the airlines for this service will provide a much needed revenue source for the GoK, which will contribute to the sustainability of the aviation sector in Kiribati. The additional financing will cover shortfalls for the following:
 - **Terminal Building:** Reconstruction of Cassidy Airport Terminal to reach compliance with international standards and recommended practices. Given that flights from CXI land on US soil, the terminal must adhere to strict

³ ETOPS rules prescribe that aircraft have to remain within a set flight time, depending on aircraft type, from an alternate airport. Cassidy Airport has previously served as an ETOPS alternate airport for airlines on trans-Pacific flights and had come to an agreement with participating airlines reimbursing the airport for the cost incurred to run an ETOPS operation. The agreement subsequently lapsed a number of years ago.

requirements of the US FAA and TSA in order for the flights to Hawaii not to be discontinued. The requirement for full deplaning of passengers and rescreening was not enforced at the time of appraisal, which resulted in a substantial increase in floor area required compared with the current terminal, in addition to more sophisticated screening facilities.

- **Navigations Aids and Lighting:** Navigation Aids such as a non-directional Beacon (NDB), an automatic weather station (AWS), improved power supply, air traffic control equipment and airfield ground lighting. Most of the cost increase compared to appraisal estimates was with CXI, due to more stringent requirements around ETOPS for full Airfield Ground Lighting and Simple Approach Lighting Systems, sufficient for Fiji Airways, Air New Zealand and Virgin to continue to use CXI and to designate this airport as an alternate in case of emergency landing.
- **Communications Equipment:** VSAT Communications Equipment for ground-to-ground communications.
- **Combined Fire Tender and Maintenance Shelter:** A shelter for storing fire tender vehicles and to serve as a workshop for conducting maintenance activities. The structure will also include an observatory deck for air traffic controllers.
- **Fire Tenders:** A recent evaluation of the fire tenders at Bonriki and Cassidy Airport has shown considerable deterioration in the existing fleet. In order to maintain the firefighting standards at both Bonriki and Cassidy, four additional fire tenders will be required, two at each airport.
- **Seawall Extension at Runway End 27:** The construction of this seawall, as per the detailed coastal study prepared under the KAP-III Project in July 2014, will protect the runway from climate effects and extend its operational life.

b. Component B: Sector Reform and Training (Approx. US\$1.29 million, excluding contingencies)

- **Support to CAA and Line Ministries:** The project will continue to provide support to CAA and line ministries to improve management of aviation infrastructure and operations, and civil aviation oversight. The project will hire a Technical Auditor to assist the MCTTD with project implementation and the separation of regulatory functions from management and operational functions.
- **Sustainability of Investments:** Part of the responsibilities of the newly added Aviation Advisor will be to develop a number of revenue sources to provide a sustainable financing source for the Aviation sector in addition to the safety and security levy which has already been successfully implemented. These include airport service

charges, CAA oversight fees, and ETOPS and flight information region revenues. A Civil Aviation Special Fund and disbursement framework have already been established under the project. Beyond the airport management contract (two years of which will be financed by the grant), funds will be directed to maintenance of infrastructure to ensure safety/security and sustainability of the investments, with allocations earmarked for both the Civil Aviation (regulatory) and Airport Services (operations) divisions. The project requires 50% of these aviation revenues be allocated towards ensuring aviation safety and security and operations.

- **Pacific Aviation Safety Office (PASO)⁴ Safety and Security Oversight Costs:** Through the PRIF Grant, the project will finance PASO's services to Kiribati to ensure effective safety and security oversight is maintained. This will transition to a sustainable funding mechanism using part of the AU\$5 departing international passenger safety and security levy.
- **Training:** Ongoing training to address project support needs, as necessary. This will include firemen training for example.

c. Component D: Project Support (Approx. US\$1.12 million, excluding contingencies)

- **Project Management and Support:** The resources initially allocated for TFSU have proven to be insufficient for project management. TFSU fees have therefore been revised. Taking into account the revised fees and prolonged timeframe for project implementation, as well as the funding shortfall created for TAL due to the cessation of TFSU services to Kiribati, additional resources will be required.
- The additional funds needed to cover the cost of TFSU services until December 2018 are estimated at approximately US\$0.910 million, which will be included in the additional financing as a separate, stand-alone category (6). The remaining grant amount will be divided into four new categories [(2), (3), (4) and (5)]. Categories (3), (4), and (5) will be allocated the estimated value necessary for procuring (i) the replacement of the terminal at Cassidy airport, (ii) improvement to the terminal at Bonriki airport, and (iii) the second year⁵ of the management contract for the Bonriki

⁴ The specialized nature of aviation places a high burden on small countries with limited human resources. To help address the shortcomings of the policy and regulatory environment, the Pacific Aviation Security Office (PASO) was established in 2004 through the Pacific Islands Aviation Safety and Security Treaty (PIASST) with support from an Asian Development Bank (ADB) regional loan. PASO's role is to provide safety and security oversight to the aviation sector. PASO's core responsibilities are to provide oversight and advice on (i) aerodrome security and safety, (ii) flight operations, (iii) airworthiness of aircraft, and, (iv) personnel licensing. All developing member countries of PASO have agreed to regulatory harmonization with the New Zealand Civil Aviation Regulations. PASO comprises ten Member States: the Cook Islands, Kiribati, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu; as well as three Associate Member States: Australia, Fiji, and New Zealand.

⁵ The first year of this contract will be in 2017 and it is assumed that the disbursement condition linked to Categories (3) and (4) will provide enough of an incentive to ensure the payment of TFSU services in 2016, which makes it unnecessary to tie the first year of the airport management contract to the fulfillment of the same disbursement condition as for Categories (3) and (4).

and Cassidy airports, contracts for which the TFSU's specialized technical expertise are essential. Category (2) will contain the remaining grant value. Unless and until the IDA has received evidence satisfactory to the IDA that all TFSU Costs incurred in 2016 (respectively 2017) have been paid by the Recipient in accordance with the Service Agreement, no withdrawal shall be made from category (3) and (4) (respectively (5)). If Kiribati delays payment without any reasonable explanation, then the Service Agreement will be reviewed to introduce advance payments and/or penalty interest.

22. All of the investments mentioned above are critical in achieving the project PDO. The financing of navigation aids and aircraft rescue and fire-fighting capacity at CXI is particularly important to ensure that Cassidy will again be nominated by airlines as an ETOPS alternate. The re-establishment of Cassidy as ETOPS and the anticipated fees paid by the airlines for this service will provide a much needed revenue source for the GoK, which will contribute to the sustainability of the aviation sector.

III. Proposed Changes

Summary of Proposed Changes	
The proposed Additional Financing would assist the Government of Kiribati to address a number of funding shortfalls in the parent project and scaling up the Project activities. It is proposed the project's closing date is extended by two years, until December 31, 2018, to allow for time to implement the proposed airport management contract.	
Change in Implementing Agency	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Project's Development Objectives	Yes [<input checked="" type="checkbox"/>] No [<input 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 checked="" type="checkbox"/>] No [<input 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 checked="" 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 checked="" type="checkbox"/>] No [<input 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.
Proposed PDO	The project development objective is to improve operational safety and oversight of the international air transport infrastructure and associated infrastructure.
Explanation: Although the original project included works that were outside the airports, the Project Development Objective did not take this into account.	

Change in Results Framework						
<p>Explanation: Due to delays experienced under the project, due dates are proposed to be extended to YR7 of the project for the following PDO level and intermediate results indicators: (i) Modernization of air traffic management (ii) CXI and TRW terminals upgraded (iii) Achievement of fire safety standards at CXI and TRW (iv) Award of contract for airport management and operations support.</p> <p>Also, a new indicator is added in relation to the seawall to be built at the eastern end of the runway in Bonriki: length of coastal protection constructed.</p>						
Compliance						
Covenants - Additional Financing (Kiribati Aviation Investment Project Additional Financing - P153381)						
Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrence	Frequency	Action
				<input type="checkbox"/>		
				<input type="checkbox"/>		
Conditions						
Source Of Fund		Name		Type		
IDA		Article V.5.01 (a)		Effectiveness		
Description of Condition						
The Recipient has provided evidence satisfactory to the Association that it has honored its payment obligations to TAL, in accordance with the provisions of the Original Financing Agreement.						
Source Of Fund		Name		Type		
IDA		Article V.5.01 (b)		Effectiveness		
Description of Condition						
The amendment letter to the PRIF Grant Agreement providing for the Additional PRIF Grant has been executed on behalf of the Recipient and the Association.						
Source Of Fund		Name		Type		
IDA		Schedule 2, Section IV.B.1(b)		Disbursement		
Description of Condition						
No withdrawal from the Financing shall be made for payments for improvements to the terminal at Bonriki airport unless and until the Association has received evidence satisfactory to the Association that all TFSU Costs incurred in calendar year 2016 have been paid by the Recipient in accordance with the Service Agreement						
PRIF		PRIF Amendment Letter		Disbursement		
Description of Condition						
No withdrawal from the Financing shall be made for payments for the replacement of the terminal at Cassidy airport unless and until the Association has received evidence satisfactory to the Association						

that all TFSU Costs incurred in calendar year 2016 have been paid by the Recipient in accordance with the Service Agreement					
IDA		Schedule 2, Section IV.B.1 (c)		Disbursement	
Description of Condition					
No withdrawal from the Financing shall be made for payments for provision of technical assistance for the second year of the Management Contract of the Bonriki and Cassidy airports unless and until the Association has received evidence satisfactory to the Association that all TFSU Costs incurred in calendar year 2017 have been paid timely by the Recipient in accordance with the Service Agreement.					
Risk					
Risk Category				Rating (H, S, M, L)	
1. Political and Governance				High	
2. Macroeconomic				Substantial	
3. Sector Strategies and Policies				Substantial	
4. Technical Design of Project or Program				Low	
5. Institutional Capacity for Implementation and Sustainability				High	
6. Fiduciary				Moderate	
7. Environment and Social				Moderate	
8. Stakeholders				Moderate	
9. Other				Low	
OVERALL				High	
Finance					
Loan Closing Date - Additional Financing (Kiribati Aviation Investment Project Additional Financing - P153381)					
Source of Funds			Proposed Additional Financing Loan Closing Date		
International Development Association (IDA)			31-Dec-2018		
Pacific Region Infrastructure Facility (PRIF)			31-Dec-2018		
Loan Closing Date(s) - Parent (Pacific Aviation Investment - Kiribati - P128938)					
Explanation:					
It is proposed the project's closing date is extended by two years, until December 31, 2018, to allow for time to implement the airport management contract activity under the parent project. This is the first extension of the closing date.					
Ln/Cr/TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)
IDA-H7420	Effective	31-Dec-2016	31-Dec-2016	31-Dec-2018	31-Dec-2016
TF-12678	Effective	31-Dec-2016	31-Dec-2016	31-Dec-2018	31-Dec-2016

Change in Disbursement Estimates (including all sources of Financing)

Explanation: Disbursement estimates are revised to account for the delay in the implementation of existing activities and the extension of the loan closing date.

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

Fiscal Year	FY16	FY17	FY18	FY19	0000	0000	0000	0000	0000	0000
Annual	10.2	13.3	10	2.18	0.00	0.00	0.00	0.00	0.00	0.00
Cumulative	10.2	23.5	33.5	35.68	0.00	0.00	0.00	0.00	0.00	0.00

Allocations - Additional Financing (Kiribati Aviation Investment Project Additional Financing - P153381)

Source of Fund	Currency	Category of Expenditure	Allocation	Disbursement % (Type Total)
			Proposed	Proposed
IDAT	XDR	Goods, works, consultant's services, incremental operating costs and training and workshop	5.2	100%
		Total:	5.2	
PRIF	USD	Goods, works, consultant's services, incremental operating costs and training and workshop	5.35	100%
		Total:	5.35	

Reallocation between Disbursement Categories

Explanation: Under the parent project, a special disbursement category (CS Part C(a)(ii)) was created for consultant services conditional upon the creation of a state-owned enterprise for airport management. It has since been decided that a separate unit within MCTTD rather than an SOE would be more sensible in the context of Kiribati. However, the category description will retain *pro memoria* the initial Category 1 “G,W,T,OC,TFSU,CS EX PT B(f) C(a)(ii)” and drop Category 2 “CS PART C(a)(ii)”, against which nothing has been disbursed.

New categories are created to isolate those activities for which TFSU support is deemed essential: Category 3 (A(a)(i) - replacement of the terminal at Cassidy), Category 4 (A(a)(ii) - improvements to the terminal at Bonriki airport), and Category 5 (C(b)(ii) - 2nd year of the management contract of the Bonriki and Cassidy airports). Unless and until the Association has received evidence satisfactory to the Association that all TFSU Costs incurred in 2016 (resp. 2017) have been paid by the Recipient in accordance with the Service Agreement, no withdrawal shall be made from category 3 and 4 (resp. (5)). Category 6 has also been created in order to fence off the funds allocated to the payment of TFSU services until project closing.

All other activities are under Category 2, “G,W,T,OC,TFSU,CS EX PT A(a) and C(b)(ii)“
All funds initially allocated to ex-Category 2 will be reallocated to the new Category 2.

Ln/Cr/TF	Currency	Current Category of Expenditure	Allocation		Disbursement % (Type Total)	
			Current	Proposed	Current	Proposed
TF-12678	USD	Consultants' Services and non-consulting services for Part B(f) of the Project	280,000.00	280,000.00	100.00	100.00
TF-12678	USD	Designated Account	0.00	0.00	0.00	N/A
TF-12678	USD	Goods, works, Training, Operating Costs, and consultants services for the Project (except Parts A(a) and C(b)(ii) of the Project)	0	2,330,000.00	N/A	100.00
TF-12678	USD	Works for Part A(a)(i) of the Project	0	3,020,000.00	N/A	100.00
		Total:	280,000.00	5,630,000.00		
IDA-H7420	XDR	Goods, works, Training, Operating Costs, TFSU Costs and consultants services for all Parts of the Project other than for Parts B (f) and C (a) (ii) thereof	22,510,000.00	3,704,033.29	100.00	100.00
IDA-H7420	XDR	Consultant services for Part C(a)(ii)	400,000.00	0.00	100.00	N/A
IDA-H7420	XDR	Designated Account	0.00	0.00	0.00	N/A
IDA- D1050	XDR	Goods, works, Training, Operating Costs, and consultants services for the Project (except Parts A(a) and C(b)(ii) of the Project)	0.00	12,345,966.71	N/A	
IDA- D1050	XDR	Works for Part A(a)(ii) of the Project	0.00	2,119,000.00	N/A	100.00
IDA- D1050	XDR	Consultants services for Part C(b)(ii) of the Project	0.00	871,000.00	N/A	100.00
IDA- D1050	XDR	TFSU Costs	0.00	660,000.00	N/A	100.00
		Total:	22,910,000.00	19,700,000.00		
Components						
Change to Components and Cost						

Explanation: The parent project has experienced a number of shortfalls within its current activities due to (i) increased regulatory and engineering requirements (ii) rapid deterioration of existing equipment (iii) increased project implementation cost (iv) limited institutional capacity, and (v) location premium due to country's remoteness. While there will be no changes to the components, the costs for all but one component will change, which are reflected in the following table.

Current Component Name	Proposed Component Name	Current Cost (US\$M)	Proposed Cost (US\$M)	Action
International Airport Infrastructure Investments	International Airport Infrastructure Investments	17.16	26.96	
Aviation Sector Reform and Training	Aviation Sector Reform and Training	1.57	2.99	
Strengthening Airport Operations and Management Capacity	Strengthening Airport Operations and Management Capacity	2.59	2.59	
Project Support	Project Support	1.92	3.15	
	Total:	23.24	35.69	

Other Change(s)

Implementing Agency Name	Type	Action
Ministry of Communications, Transport and Tourism Development	Implementing Agency	No Change

Change in Implementation Schedule

Explanation: Due to the funding shortfalls experienced under the project and cessation of TFSU's support from January to October 2015, implementation of a number of activities has been delayed.

Other Change(s)

Explanation: A revised Service Agreement between GoK and TAL has been signed in November 2015, which reflects the discussions held between the Bank, TAL and GoK to address GoK's concerns about the implementation arrangements.

Appraisal Summary

Financial Management and Procurement

Financial Management: during the last Implementation Support mission in January 2016, the FM performance was rated "Satisfactory". The accounts are well maintained and documentation could be found for every transaction. No material issues were identified and the accounts were up to date. The KFSU now has a greater number of accounting staff and there has been consistency in the quality of the FM arrangements.

Procurement: the procurement of a number of key activities had been stalled in 2015 but has resumed with the reengagement of TFSU and it is anticipated that the backlog will be cleared. A revised Procurement Plan (dated December 17, 2015) was prepared to account for such delays and for the Additional Financing.

The fiduciary risk is rated as moderate.

Economic and Financial Analysis

Explanation: The economic analysis of the project has been updated to reflect the additional finance and the extended loan closing date. The revised economic analysis was conducted over a period from 2015 to 2025 resulting in an Economic Internal Rate of Return (EIRR) of 26.5%, down from 34% in the original economic analysis based on the initial costs. A summary, separated for Bonriki and Cassidy airports is provided in the table below:

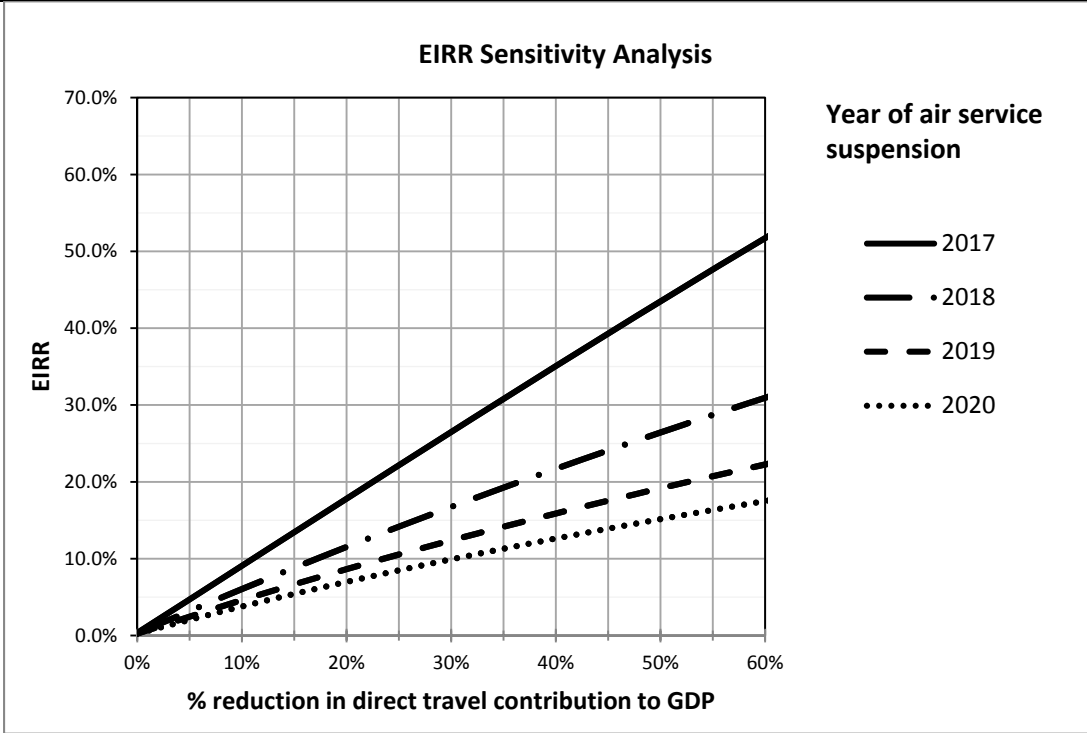
	Cost (US\$ million)	EIRR	NPV (US\$ million)
Project Total	21.71	26.5%	13.53
Bonriki (TRW)	12.69	30.4%	9.53
Cassidy (CXI)	9.02	20.6%	4.00

Of the total investment costs of US\$32.4 million, US\$21.71 million was considered for economic evaluation as these investments related to quantifiable benefits.

The project will bring benefits to Kiribati from: (i) ensuring the continuity of air travel for both tourism and business activities, and (ii) avoided cost of repairs to the runway due to seawall overtopping. Tourism and travel play a very important role for Kiribati's economy. In 2014, travel and tourism's direct contribution was estimated to be US\$16.68 million (about 10% of total GDP), with the total contribution to GDP estimated to be US\$39.52 million (23.7% of GDP).

Without coastal protection at Bonriki airport, the cost of runway repairs is assumed to be approximately US\$50,000 per year for clearing debris and pavement repairs.

For the base case it was assumed that without the project, air services would be suspended for calendar year 2018 due to safety and security concerns, and consequently the direct contribution of travel to GDP would fall by 50% while these concerns are being addressed. This is a conservative choice, as using the total contribution to GDP instead of direct would yield a greater benefit. Because it is uncertain when air services would be suspended or what contribution to GDP would be lost, a sensitivity analysis was conducted. This shows that the investments result in a robust EIRR over a reasonable range of scenarios.



The project’s investments will allow airlines to nominate Cassidy airport as an ETOPS alternate with the associated fees providing a revenue source which will assist with aviation sector sustainability. However due to the difficulty in estimating the revenue from these fees, benefits have been excluded from the analysis resulting in underestimation of Cassidy’s EIRR. As a reference, when the ETOPs agreement was still live, it produced approximately US\$ 90k from a range of airlines.

Technical Analysis

Explanation: There is no change to the technical analysis of the project as the AF will primarily serve to cover funding shortfalls of existing activities.

Social Analysis

Explanation:
Social Safeguards: There is no change to the social analysis of KAIP. The ESMF has been implemented satisfactorily and will remain in force under the AF.

Environmental Analysis

Explanation:
 The additional financing will support the scaling up of some physical interventions contemplated in the original project design; specifically the coastal protection extension at Bonriki (Runway End 27). The anticipated environmental impacts are essentially the same. While the revised design for the coastal protection involves a longer and more substantial structure, the installation will be situated predominantly above the mean high water mark and will not impinge on any biological resources. The EMP dated July

11, 2011 applies to activities to be undertaken under the AF and will be supported by Construction Environmental Management Plans for each civil works contract. The additional physical interventions at Cassidy Airport comprise new instrumentation and revised construction standards. These interventions will not have any significant environmental interactions and do not trigger any change in the project environmental category.

Risk

Explanation:

The overall risk for the project, including this additional financing has been rated as High for the following reasons: (i) with approximately US\$220 million of concurrent investment projects underway in the country, the capacity of the Government of Kiribati is stretched and the Government faces difficulties to make key decisions in a timely manner; (ii) the absence of a Bank representative in Tarawa compounds the difficulties in getting the Government to follow up on critical actions; (iii) capacity within the Implementing Agency is limited. This has affected the processing of key sector reforms, such as the separation of operational and regulatory function within the aviation sector. While the project design has endeavored to mitigate these risks, the residual project risk is still High.

V. World Bank Grievance Redress

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 (GRS), 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.

Annex 1: Results Framework

Project Name:	Kiribati Aviation Investment Project Additional Financing (P153381)	Project Stage:	Additional Financing	Status:	DRAFT		
Team Leader(s):	Pierre Graftieaux	Requesting Unit:	EACNF	Created by:	Shruti Pandya on 13-May-2015		
Product Line:	IBRD/IDA	Responsible Unit:	GTI02	Modified by:	Kanya Hilary Baratha Raj on 20-Aug-2015		
Country:	Kiribati	Approval FY:	2016				
Region:	EAST ASIA AND PACIFIC	Lending Instrument:	Investment Project Financing				
Parent Project ID:	P128938	Parent Project Name:	Pacific Aviation Investment - Kiribati (P128938)				
Project Development Objectives							
Original Project Development Objective - Parent: The project development objective is to improve operational safety and oversight of international air transport infrastructure.							
Proposed Project Development Objective - Additional Financing (AF): The project development objective to improve operational safety and oversight of international air transport and associated infrastructure							
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			Yes/No	Value	No	No	Yes

	ICAO certification of safety and security at project airports ⁶	<input type="checkbox"/>		Date	13-Dec-2011	15-Jun-2015	31-Dec-2018
				Comment	At the onset of KAIP, airports were audited by ICAO and were not certified for safety and security due to a series of shortcomings, which the project aims to address.		A detailed assessment of both airports will be undertaken at project end with support from PASO.
Revised	State requirements for safety and security reaches global ICAO average ⁷	<input type="checkbox"/>	Percentage	Value	95.00	95.00	49.00
				Date	13-Dec-2011	22-Oct-2015	31-Dec-2018
				Comment	Measured by USOAP		
Revised	Modernization of air traffic management	<input type="checkbox"/>	Text	Value	No PASNet or ADS-B ⁸	No PASNet or ADS-B	PASNet and ADS-B operational
				Date	13-Dec-2011	22-Oct-2015	31-Dec-2018
				Comment	Measures the installation of ADS-B, and VSAT.		

⁶ ICAO is a specialized agency of the UN which codifies international air navigation and fosters the planning and development of international air transport. The ICAO Council adopts standards and recommended practices concerning air navigation, its infrastructure, flight inspection, protocols for air accident investigation. ICAO conducts safety and security audits which give an assessment of compliance with ICAO standards. A baseline ICAO safety and security audit has been conducted and another will be arranged at the end of the project to confirm compliance.

⁷ Airport certification is undertaken by national CAA in accordance with ICAO guidelines. These include the airport certification handbook, as well as all relevant annexes (14, 17 etc.). Airport certification is not limited to safety and security, and is not verified or certified by ICAO. Given the low capacity in Kiribati, PASO will likely undertake the airport certification on behalf of the Kiribati CAA. The percentage value is a measure of noncompliance, and thus a decrease in this percentage reflects an improvement in safety and security standards.

⁸ ADS-B is an improved aircraft location monitoring system whereby an aircraft determines its position via satellite navigation and periodically broadcasts it, enabling it to be tracked.

Revised	Implementation of a regional safety and security levy for international passengers	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	13-Dec-2011	22-Oct-2015	30-Jun-2013
				Comment	No levy		
Intermediate Results Indicators							
Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Navigation and safety aids fully operational	<input type="checkbox"/>	Percentage	Value	0.00	10.00	100.00
				Date	13-Dec-2011	22-Oct-2015	31-Dec-2018
				Comment			100 % of project-financed infrastructure
Revised	CXI and TRW terminals upgraded	<input type="checkbox"/>	Percentage	Value	0.00	0.00	100.00
				Date	13-Dec-2011	22-Oct-2015	31-Dec-2018
				Comment			
Revised	Achievement of Fire Safety Standards at CXI and TRW	<input type="checkbox"/>	Text	Value	Category 3	Category 3	Category 6
				Date	13-Dec-2011	22-Oct-2015	31-Dec-2018
				Comment			
Revised	Adoption of an Air Transport Master Plan	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	01-Jan-2012	27-Oct-2014	30-Jun-2014
				Comment			
Revised	Separation of civil aviation regulatory functions from operations	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	13-Dec-2011	22-Oct-2015	30-Jun-2013
				Comment			
Revised	Successful implementation of agreed training plan	<input type="checkbox"/>	Text	Value	No training plan	Training needs assessment completed.	Training Plan completed

						Implementation underway	
				Date	13-Dec-2011	22-Oct-2015	31-Dec-2018
				Comment			
Revised	Award of contract for airport management and operations support	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	13-Dec-2011	22-Oct-2015	31-Dec-2016
				Comment			
New	Length of coastal protection constructed	<input type="checkbox"/>	Meters	Value	0		180
				Date	15-Nov-2015	-	31-Dec-2018
				Comment			

Annex 2: Revised Cost Estimates (with contingencies)

Table 1 shows the original and revised financing plans. Table 2 gives the costs and financing, by components, of the original project and the additional financing.

Table 2: Project Financing Plan

Source	Original		With AF	
	Amount (US\$ million)	Share of Total (%)	Amount (US\$ million)	Share of Total (%)
IDA (grant)	22.91	86%	30.01	73%
PRIF ^{2/} (grant / TF-12678)	0.28	1%	0.28	1%
Government of Kiribati ^{1/}	3.53	13%	5.41	13%
PRIF (grant)	-	-	5.35	13%
Total	26.72	100%	41.05	100%

Note: 1/ The GoK counterpart contribution is through foregone taxes.

2/ The contributors to PRIF are New Zealand and Australia

Table 3: Revised Costs by Component

Component	Cost in US\$ million		
	Original Cost	Changes with AF	Change
A - Aviation Infrastructure Investments	15.89	24.27	8.39
B - Aviation Sector Reform	1.45	2.74	1.29
C - Strengthening Airport Operations and Management Capacity	2.40	2.40	0
D - Project Support	1.78	2.90	1.12
Contingencies	1.72	3.38	1.66
Taxes	3.48	5.36	1.88
Total	26.72	41.05	14.33