



Global Environment Facility

Monique Barbut
Chief Executive Officer
and Chairperson

June 16, 2009

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Dear Council Member,

The World Bank, as the Implementing Agency for the project, ***Kiribati: Kiribati Adaptation Project - Implementation Phase (KAP-II)*** has submitted the attached proposed project document for CEO endorsement of a project amendment in accordance with World Bank and GEF procedures.

The Secretariat has reviewed the project document. The amendment involves the following key changes:

- The project design has been simplified by reducing the scope and the number of activities. At the same time capacity building KAP-II would be refocused on the two priority areas of coastal zone management (under Component 2) and freshwater resources management (under Component 3)¹. Activities which do not directly support those objectives or are unlikely to be completed within the extended project implementation period would be cancelled.
- Resources freed from the reduction in scope and number of activities will in turn provide additional resources for technical assistance and capacity building in the PMU and line agencies involved in KAP-II implementation.
- Number of line agencies has been reduced to 4 instead of 9 to increase coordination and reduce bureaucracy.
- Geographical coverage has been reduced, and is now focused primarily on densely populated areas and less on outlying islands.

The financial implications of these changes are summarized in the below table, along with the key changes involved in each of the original components approved by the GEF-Council.

Component	Original GEF allocation (US\$ M)	Revised GEF allocation (US\$ M)	Revised activities/outputs
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¹ Component 3 is financed 100% by co-financing from NZ-aid and AusAid. Both agencies have, according to the WB, agreed to the proposed changes in project design.

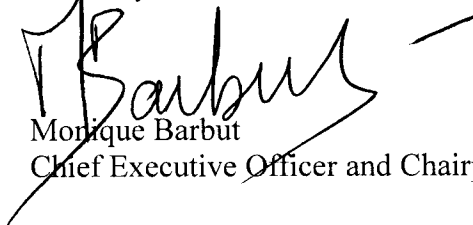
Policy, planning and information	0.81	0.96	Increased technical assistance for policy participation, consultations, awareness and information sharing
Land use, physical infrastructure and ecosystems	0.39	0.57	Increased technical support for risk analysis and design capacity for coastal hazard protection; increased scope of beach nourishment activity for the protection of the national hospital
Freshwater resources	-	-	
Capacity at island and community level	0.31	0.08	Local consultations and participation and training of local government moved under Component 1; pilot investments in outer islands dropped for lack of capacity
Project management	0.23	0.16	Reduced as ex-post adjustment to 10% cap required by GEF
Contingency (unallocated)	0.06	0.03	
Total	1.80	1.80	

We consider these changes to be major amendments to the original project document endorsed on May 1, 2006. In keeping with GEF procedures, the Secretariat has reviewed the proposed changes and has ascertained their appropriateness in light of the project's objectives.

We have today posted the proposed project document on the GEF website at www.TheGEF.org for your information. We would welcome any comments you may wish to provide by July 14, 2009 before I endorse the proposed project document as amended. You may send your comments to gcoordination@TheGEF.org.

If you do not have access to the Web, you may request the local field office of UNDP or the World Bank to download the document for you. Alternatively, you may request a copy of the document from the Secretariat. If you make such a request, please confirm for us your current mailing address.

Sincerely,



Monique Barbut
Chief Executive Officer and Chairperson

Copy to: Alternates, GEF Agencies, STAP, Trustee

OFFICE MEMORANDUM

DATE: April 21, 2009

TO: Ms. Monique Barbut, CEO/Chairperson, GEF

FROM: Mr. Steve Gorman, GEF Executive Coordinator

EXTENSION: 35865

SUBJECT: **Kiribati Adaptation Project-Implementation Phase (KAP-II)
Restructuring of the Project (GEF Grant TF056267)**

1. This memorandum seeks your approval to proceed with the restructuring of the Kiribati Adaptation Project-Implementation Phase (KAP-II), which is financed by GEF Grant TF056267. The Project is also co-financed respectively by the Government of Australia and the Government of New Zealand. Both of them have indicated their concurrence with the proposed restructuring.
2. **Project Description and Objective.** KAP-II aims to change the way Kiribati handles its planning and implementation of regular activities so that they better take account of climate risks. The project was designed as a transition, pilot implementation phase between Kiribati Adaptation Project - Phase I – Preparation (KAP-I), which focused on mainstreaming adaptation activities into government planning processes, and a third phase (Kiribati Adaptation Project Phase III – Expansion (KAP-III)) which would gradually scale-up the investments piloted under KAP-II.
3. The project was approved on June 1, 2006, and became effective on July 6, 2006. The development objective of the project is to develop and demonstrate the systematic diagnosis of climate-related problems and the design of cost-effective adaptation measures, while continuing the integration of climate risk awareness and responsiveness into economic and operational planning. The global environment objective of the project is to assist the GoK in enhancing its capacity to plan and implement adaptation measures to the climate-related issues facing the country, which will also reduce the detrimental impacts of climate change on the fragile atoll ecosystems of Kiribati.
4. The project has five components: (i) Policy, planning and information (US\$ 1.17 million); (ii) Land use, physical structures and ecosystems (US\$ 2.17 million); (iii) Freshwater resources (US\$ 2.16 million); (iv) Capacity at island and community level (US\$ 0.55 million); and (v) Project management (US\$ 0.39 million).
5. The GEF grant (US\$ 1.8 million) contributes to the financing of all components except Component 3 which is entirely financed by the Government of Australia.

6. Total disbursements under the project amounted to 19.5 percent of available resources (which amount to US\$ 4.97 million at current exchange rates) by end-December 2008, reflecting the fact that while good progress has been made with policy and planning activities, progress with pilot activities on the ground has been slow. The disbursement rate for the GEF grant was higher, at 35 percent (US\$ 0.63 million), reflecting its focus on activities such as policy and planning (Component 1) and project management (Component 5).
7. **Rationale for the Proposed Restructuring.** The project has experienced significant implementation delays during the first two years of implementation. The mid-term review in November 2008 identified the following reasons for those difficulties: (i) an overambitious project design, with the scope and number of activities under the project beyond the capacity of the implementing agencies; (ii) weaknesses in institutional arrangements for the implementation of the project, including limited coordination among the high number (nine) of line agencies involved; and (iii) underestimated capacity building needs in the implementing agencies.
8. Several actions have already been taken by Government to address those issues, such as strengthening leadership by the Office of the President (OB) through the appointment of a Deputy Secretary in charge of climate change adaptation and the recruitment of additional technical assistance. The proposed restructuring is also part of Government's response to the difficulties experienced by the project. The project implementation status was upgraded to moderately satisfactory in November 2008 and project management returned to satisfactory status.
9. **Proposed Changes.** The proposed restructuring would:
 - i. simplify the project design by reducing the scope and the number of activities. KAP-II would be refocused on the two priority areas of coastal zone management (under Component 2) and freshwater resources management (under Component 3). Activities which do not directly support those objectives or are unlikely to be completed within the extended project implementation period would be cancelled;
 - ii. strengthen institutional arrangements for project implementation by placing direct responsibility with the Secretary and Deputy Secretary in the OB and reducing the number of line agencies involved; and
 - iii. provide additional resources for technical assistance and capacity building in the PMU and line agencies involved in KAP-II implementation.
10. The table below summarized the proposed changes to the allocation of the GEF grant.

Changes to GEF grant allocation per component

Component	Original GEF allocation (US\$ M)	Revised GEF allocation (US\$ M)	Revised activities/outputs
Policy, planning and information	0.81	0.96	Increased technical assistance for policy participation, consultations, awareness and information sharing
Land use, physical infrastructure and ecosystems	0.39	0.57	Increased technical support for risk analysis and design capacity for coastal hazard protection; increased scope of beach nourishment activity for the protection of the national hospital
Freshwater resources	-	-	
Capacity at island and community level	0.31	0.08	Local consultations and participation and training of local government moved under Component 1; pilot investments in outer islands dropped for lack of capacity
Project management	0.23	0.16	Reduced as ex-post adjustment to 10% cap required by GEF
Contingency (unallocated)	0.06	0.03	
Total	1.80	1.80	

11. Government has sent to the World Bank a revised Project Implementation Plan (PIP) reflecting those changes. Government has also approved the attached Project Paper and amended results framework.

Attachments:

Project Paper

Results Framework

Cleared with Mr. M. Sharma (EASOP)

Cc: Messrs./Mmes: Tokle (ENVGC); RJiang (EASOP); Roberts , Shankar, Jauncey, Ryan, Ponnambalam, Hale(EACNF), Feinstein, Grosclaude (EASNS); Raturi, Shen, Battaglini, Ledesma, Dharmajaya (EASRE); Lebo (EACNQ); Merrick (EACSQ); Musiime (LEGEAS); O'Leary (LOA); IRIS

PROJECT PAPER
KIRIBATI ADAPTATION PROJECT – IMPLEMENTATION PHASE (KAP-II)

Introductory Statement

1. This Project Paper seeks the approval of the Executive Directors to introduce the following changes in the Kiribati Adaptation Project – Implementation Phase (KAP-II), Grant: TF056267¹, P089326 and any accompanying amendments to the project’s legal documents.
2. The proposed changes are meant to simplify and streamline the project design by reducing the scope and number of activities under the project to reflect the severe human resources and logistical constraints specific to Kiribati. Those constraints have significantly affected the capacity of the Government of Kiribati (GoK) to implement the project as originally designed. In view of those challenges, the original project implementation period of three years was unrealistic and the restructuring of the project will be accompanied by an extension of the closing date to December 31, 2010. This is the first extension of the closing date and it has been processed ahead of the proposed restructuring given the original closing date of the Grant as well as that of the co-financing grants.
3. The proposed changes also concern the institutional arrangements for the implementation of KAP-II. Specifically, the Strategic National Policy and Risk Assessment (SNPRA) unit in the Office of the President (Office Te Beretitenti, OB), which was to provide the institutional home for the project, will not be established by Government and alternative arrangements within the OB have been proposed. The number of line agencies involved in implementation would be reduced. Finally, provisions have been made to strengthen project management capacity.
4. Both the development objective and the global environmental objective of the project would remain unchanged. The expected outcomes of the project would be amended to reflect the changes in institutional arrangements within the OB as well as the reduced scope of the project.
5. Both co-financiers (Government of Australia and Government of New Zealand) have given their concurrence to the proposed changes, including the extension of the closing date of the project.

¹ KAP II is financed through: (i) a Global Environment Fund (GEF) grant, TF056267, (ii) a co-financing grant from the Government of Australia through the Australian Agency for International Development (AusAID), TF 056115; and (iii) a co-financing grant from the Government of New Zealand acting through the New Zealand Agency for International Development (NZAID), TF070516.

Background and Reasons for Restructuring

6. KAP-II aims at changing the way Kiribati handles its planning and implementation of regular activities so that they better take account of climate risks. The project was designed as a transition, pilot implementation phase between Kiribati Adaptation Project - Phase I – Preparation (KAP-I), which focused on mainstreaming adaptation activities into government planning processes, and a third phase (Kiribati Adaptation Project Phase-III – Expansion (KAP-III)) which would gradually scale-up the investments piloted under phase II.

Project Development Objective

7. The project was approved on June 1, 2006, and became effective on July 6, 2006. The development objective of the project is to develop and demonstrate the systematic diagnosis of climate-related problems and the design of cost-effective adaptation measures, while continuing the integration of climate risk awareness and responsiveness into economic and operational planning. The global environment objective of the project is to assist the GoK in enhancing its capacity to plan and implement adaptation measures to the climate-related issues facing the country, which will also reduce the detrimental impacts of climate change on the fragile atoll ecosystems of Kiribati.

Design and scope

8. . The project has five components:

Component 1: Policy, planning and information (US\$ 1.17 million). This component supports three core elements of adaptation efforts in Kiribati: (i) awareness raising and consultation; (ii) policy coordination and planning; and (iii) the generation of scientific climate risk information, including through the refurbishment of the capacity of the Meteorological Office.

Component 2: Land use, physical structures and ecosystems (US\$ 2.17 million). This component aims at reducing the vulnerability of the coastline including key public assets and ecosystems, shifting the coastal management practice from a reactive, single technique approach to repairing damage as it occurs, to a preventative and more technically varied risk mitigation strategy, including more attention for environmental sustainability.

Component 3: Freshwater resources (US\$ 2.16 million). This component includes the development and management of freshwater resources to reduce their vulnerability to climate variability and climate change.

Component 4: Capacity at island and community level (US\$ 0.55 million). This component provides technical assistance to the Ministry of Internal and Social

Affairs (MISA) to include adaptation in the Outer Island Profiles, train local governments on climate-risk management and finance a pilot program of small-scale adaptation investments in two selected Outer Islands.

Component 5: Project management (US\$ 0.39 million). This component provides overall support for project management functions in the Project Management Unit (PMU) under the OB.

Financing

9. Component 3 is financed by the Government of Australia. The other components are financed by the Global Environment Fund (GEF) and by the Government of New Zealand. The contribution of GoK to the project was estimated at US\$ 2.31 million at the time of project appraisal.

Performance

10. Designed as a comprehensive program spanning across all key sectors of the economy, with the direct involvement of up to nine government agencies and offices, the project met some substantial difficulties during its first two years of implementation. Recruiting consultants for the provision of the necessary technical assistance proved difficult given the scarcity of qualified and interested candidates. Frequent changes in leadership (Project Director) of KAP-II also reduced the pro-activity of Government in addressing those issues. By April 2008, implementation was substantially behind schedule and was rated unsatisfactory. In response, Government implemented the set of agreed actions to strengthen project management and leadership and return the project to satisfactory status. The management team was substantially strengthened and some progress made with most components (with the exception of Component 4).

Table 1: History of Project Implementation Status Ratings (ISR)

	ISR 1 (06/27/2007)	ISR 2 (06/06/2008)	ISR 3 (29/01/2009)
Development Objective	MS	MS	MS
Implementation Progress	MS	U	MS
Project Management	MS	U	S
Component 1	MS	MS	MS
Component 2	MS	MU	MS
Component 3	MS	U	MS
Component 4	MS	HU	U
Component 5	MS	U	S
Safeguards	S	S	S

11. In preparation for the mid-term review of the project, GoK commissioned an independent review of KAP-II which identified three main causes for the difficulties faced with project implementation: first, inconsistent leadership and support from the OB partly due to the lack of progress with the establishment of

the SNPRA unit as the institutional home for KAP-II; second, an ambitious project design and implementation period which did not reflect actual implementation capacity in country; and finally, significant weaknesses in project management. The mid-term review of the project validated those findings and proposals were developed to address those issues. These proposals include the proposed project restructuring and an extension of the project closing date to December 31, 2010 to enable those changes to be fully implemented.

12. The difficulties experienced during the first years of KAP-II implementation have affected progress towards the development objective of the project and some of the project outcomes. Progress towards the project development objective has been moderately satisfactory. Progress has been made in two areas: the diagnosis of climate-related problems and the integration of climate risk awareness and responsiveness into planning processes. There has been less progress, however, with the design of cost-effective adaptation measures. This is due, in part, to the sequential nature of activities in the initial design of the project: planning and awareness activities first, followed by pilot activities on the ground.
13. This sequencing of activities also explains the current disbursement pattern under the project (see Table 2 below). Pilot activities on the ground (Component 2 and 3) are about to start, following initial awareness raising and planning activities supported by the other components.

Table 2: Disbursements as of December 31, 2008

AUD	Original budget	Cumulative Disbursement	Percentage disbursed
Component 1	1,067,000	556,476	52%
Component 2	1,535,000	59,510	4%
Component 3	2,777,000	165,170	6%
Component 4	479,000	85,046	18%
Component 5	517,000	378,930	73%
Total	6,375,000	1,245,232	19.5%

14. KAP-II was expected to have three main outcomes. The first expected outcome of the project was the establishment of the SNPRA unit in the Office of the President. Following the approval of the establishment of the SNPRA unit by Cabinet in 2005, efforts to staff it to the level envisaged at the time of KAP-II appraisal have been unsuccessful. Government support for the establishment of a full unit within the OB has decreased as questions were raised regarding staffing limitations within GoK. During the mid-term review of KAP-II, GoK indicated that it does not intend to establish the SNPRA unit any longer. As an alternative, GoK has appointed a Deputy Secretary in the OB, who will lead dialogue and coordinate climate change adaptation activities across government agencies.
15. Progress towards the second expected outcome of the project, the mainstreaming of climate risk management in Ministry Operational Plans, has been good. All affected Ministries have worked closely with the KAP-II PMU to that effect. Progress towards the third key outcome (consistent use of best practice in risk

- management, environmental assessment and options analysis to vulnerability reduction measures) is real although limited by the slow pace of project implementation.
16. At the component level, progress has been uneven. Good progress has been made with Component 1, which is implemented by the OB with support from the other key agencies. Most activities have started and in some cases they have been completed, although with delays. The mid-term review of the project identified a need for follow-up activities to consolidate achievements in particular in the generation and use of scientific data on climate change. Regarding awareness and consultation activities, the mid-term review concluded that broad campaigns have had little impact. The review recommended that Component 1 should re-focus its awareness activities to carry out targeted thematic campaigns in support of the other components of the project and with a clear objective of changing the behavior of I-Kiribati people (such as promoting water savings or improved coastal area management).
 17. Component 2 has met substantial implementation difficulties in moving beyond planning activities due to the lack of availability of personnel with specialized skills in the implementing agencies (Ministry of Public Works and Utilities, MPWU, and Ministry of Environment, Lands and Agriculture Development, MELAD). In particular, Government has not been able to identify adequate human resources to carry out the envisaged policy and regulatory work on land use planning (Subcomponent 2.1) and efforts to attract external consultants have also been unfruitful. Since those human resource constraints are unlikely to change in the short-term, the approach would need to be reconsidered for implementation under the next phase of the program (KAP-III). Some progress has been made with other activities, in particular planning of coastal protection pilots and coastal monitoring activities, providing the basis for those activities to progress under the proposed restructured project.
 18. Component 3 has made good progress regarding policy and planning activities. For example, a major achievement has been the preparation and approval of the National Water Policy. However, pilot adaptation investments have faced similar delays as those experienced by Component 2. Specifically, the lack of personnel in MPWU as well as the severe implementation constraints linked to the remoteness, the isolation and the small size of the country, have affected the pace of implementation of activities. These constraints have now been addressed to some extent by GoK through the recruitment of specialized Technical Assistance (TA) (a Senior Water Engineer and additional inputs of a Procurement Specialist). With their support, MPWU has proactively prepared a more focused program of activities adapted to local constraints. In particular, implementing Outer Islands activities has proved challenging given current capacity constraints.
 19. Component 4, which was to be implemented by MISA, has been affected both by severe personnel constraints and inconsistent support by MISA. As a result, only

one activity is underway (the integration of climate-risk assessment in the Outer Islands profiles). The mid-term review found that, given continued personnel and logistical constraints as well as limited engagement of MISA, it is unlikely that the program of activities envisaged at the time of project appraisal could be implemented.

20. Finally, program management (Component 5) has been affected by both the lack of progress with the establishment of the SNPRA unit (which has resulted in the PMU operating without consistent GoK guidance) and the lack of experience in the PMU. Both aspects are now being addressed by GoK.
21. In summary, the project has had some difficulties and some of them have already been addressed proactively by GoK. With the proposed changes, the uncommitted funds can be put to productive use and achieve relevant outcomes.

Proposed Changes

22. The proposed changes aim at improving overall project performance by addressing the three weaknesses identified by the mid-term review of KAP II, as follows:
23. *Strengthening Institutional Arrangements.* First, regarding the institutional arrangements for project implementation, the establishment of the SNPRA unit would not be pursued any longer. Rather, the focus would be on strengthening the capacity of the OB, through its Secretary and Deputy Secretary, to effectively lead and coordinate climate change adaptation across government agencies. The first expected project outcome, “the establishment of the SNPRA” would be replaced by “the Office of Te Beretitenti (OB) is established as lead agency coordinating Climate Change Adaptation (CCA) and related strategies”.
24. *Reducing the Scope of the Project.* Second, regarding the project design, the proposed changes include a reduction in the number of activities under each Component of the project. Under Component 1, successful ongoing activities would be consolidated and re-focused in order to support the other components of the project. The following activities would be cancelled: (i) under Component 2, policy and regulatory activities on land use planning (Subcomponent 2.1); (ii) under Component 3, the Outer Islands assessments and upgrades (Subcomponent 3.3); and (iii) the cancellation of the remaining activities which have not started under Component 4 (all of Subcomponents 4.1, 4.2 and 4.4).
25. Through these changes, the project would be reduced in scope and re-focused on the two priority areas of (i) coastal zone management and (ii) ensuring the sustainability of freshwater supply. Under Component 2, the focus would be on improving the protection of selected key public assets in Tarawa as the most immediate priority of GoK. The detailed design of those activities would be carried out in calendar year 2009 with all pilot adaptation works to be completed by the end of calendar year 2010. The associated monitoring of coastal

ecosystems, which started successfully in 2008, would be continued during that same period to ensure that sustained capacity is built in country. Under Component 3, the number of activities and their geographical focus would be reduced, taking into consideration both implementation capacity constraints and the fact that a new project covering freshwater supply in the Outer Islands is starting in 2009, with support from the European Commission (EC).

26. *Strengthening Project Management.* Third, regarding project management, the proposed changes involve a reallocation of grant proceeds to Component 4 (Project Management) to reflect additional capacity building needs in the PMU. Overall management capacity has been strengthened in 2008 through the recruitment of a Management Advisor and those arrangements would be continued. While financial management of KAP-II has been satisfactory, the procurement capacity has proven a severe constraint for implementation, with country-specific constraints compounded by the lack of procurement expertise in the PMU. Under the proposed restructuring, provisions have been made for additional procurement support and capacity building in the PMU. The procurement plan has been adjusted to address the specific constraints of the small, remote and isolated market environment in Kiribati. In addition, increased resources would be allocated for monitoring and evaluation to ensure in particular that adequate information is available to inform the design of the proposed KAP-III. Finally, the number of line agencies involved with implementation would be reduced as well, from an initial nine agencies to only four (including the OB).
27. The successful implementation of the proposed changes also requires an extension of the project closing date by 18 months, to December 31, 2010. A revised implementation schedule reflecting those changes has been prepared by GoK and submitted to the World Bank.
28. *Revised Budget Allocations.* The financing plan for the project would be modified as described in Table 3 below. Funding has been reallocated to a smaller number of activities under each component, with a focus on activities likely to demonstrate results on the ground and to be completed with the extended project implementation period.

Table 3: Financing by component

<i>Project cost by component</i>	<i>Original Allocation (US\$ million)</i>	<i>Revised Allocation (US\$ million)</i>
Policy, planning and information	0.81	1.04
Land use, physical infrastructure and ecosystems	1.17	0.94
Freshwater resources	2.12	1.87
Capacity at island and community level	0.36	0.08
Project management	0.39	0.95
<i>Total Baseline Costs</i>	<i>4.85</i>	<i>4.88</i>
Physical Contingencies	0.11	0.75
<i>Total project costs</i>	<i>4.96</i>	<i>5.63(a)</i>

(a) the difference with the original total reflects variations in exchange rates between the US dollar, Australian dollar, and New Zealand dollar.

29. *Project Implementation Schedule.* GoK has prepared and submitted to the World Bank a revised Project Implementation Plan (PIP) reflecting those changes as well as a revised Procurement Plan. Both have been fully appraised and found to be acceptable to the World Bank. Appendix 1 to this Project Paper summarizes the changes to contracts involving international competition.

Analysis

30. The proposed changes are not expected to have a major effect on the original economic and financial aspects of the project. The processes of economic development and population growth are making Kiribati increasingly vulnerable to climate-related risks and natural disasters. KAP-II has been designed using a “no regrets” approach, with the resource cost of the project justified even if the more extreme climate change predictions do not occur, or occur later than predicted. The expected economic benefits of KAP-II include a reduction in the potential negative effects of climate-related risks including: the potential loss of lives and livelihoods, brakes on economic growth, climatic risk to and demand pressures on water supply resources and associated threats to public health and human productivity, loss of land area due to inundation and erosion, and undermining of infrastructure and restricted delivery of services. These are currently not measurable but are estimated to be worth significantly more than US\$0.5 million annually. The proposed restructuring will result in a reduced number of pilot activities implemented under KAP-II, however the reduced scope of the project will also increase the capacity of GoK to successfully implement those pilots and prepare for a scaling-up in a subsequent phase of the program.
31. The proposed changes are not expected to have a major effect on the original technical aspects of the project, as they consist in a reduction in the number of pilot activities to be implemented under the main components, but do not entail significant changes in technical approach.
32. The proposed changes would affect the institutional arrangements for the implementation of the project. As described above, the original project design envisaged the establishment of the SNPRA unit under the OB. An alternative option has been implemented by Government, with the appointment of a Deputy Secretary in the OB responsible for the coordination of climate change adaptation activities. The Deputy Secretary is also expected to oversee the coordination of disaster risk management in Kiribati as GoK is moving towards closer integration of its climate change adaptation and disaster risk reduction activities. The appointment of the Deputy Secretary is a positive development to strengthen the capacity of the OB to provide the leadership and coordination of climate change adaptation activities. The Deputy Secretary will assist the Project Director (Secretary in the OB) in supervising the implementation of KAP-II and ensuring the active involvement of key line agencies. The effective engagement of line agencies and collaboration with Ministry of Finance and Economic Development

- (MFED) (which is responsible for strategic planning including through the Ministerial Operations Plans) will remain critical to mainstream climate resilience in key sector plans and policies.
33. Improving the ability of I-Kiribati to adapt to the stresses experienced as a result of climate change is the key social outcome expected under the project. The main instruments to achieve this objective under KAP-II are awareness campaigns at national and local level (under Component 1) and pilot adaptation activities (under Component 2, 3 and 4 respectively). The proposed changes affect the social aspects of the project insofar as some of the pilot activities to be carried out in the Outer Islands would be cancelled. In the case of freshwater resources assessments and upgrades in the Outer Islands (initially under Component 3), these activities are expected to be conducted under a new project supported by the EC. In the case of other pilot adaptation activities in the Outer Islands (initially under Component 4), those could be reconsidered in the next phase of the program (KAP-III) once experience has been gained in Tarawa.
 34. The proposed changes mainly consist in a reduction of scope of the project activities and therefore they do not raise the environmental category of the project nor do they trigger new safeguards policies. Finally, the proposed restructuring does not involve any exception to Bank policies.

Expected Outcomes

35. As described above, the proposed changes would affect the first outcome indicator of KAP-II, the establishment of the SNPRA unit. The new expected outcome of the project would be the strengthened capacity of the OB to effectively lead and coordinate climate change adaptation activities. The outcome indicator would be: Office of Te Beretitenti (OB) established within first year of implementation as lead agency coordinating climate change adaptation and related strategies.
36. The second outcome indicator of the project (the percentage of climate-related affected programs in Ministry Operational Plans that reflect systematic climate risk management) would remain unchanged.
37. The third outcome indicator of the project would be amended to more adequately reflect the pilot nature of activities under KAP-II. “Consistent use of best practice in the application of risk management, environmental assessment and options analysis, consistent with relevant defined strategic aims and policies, to public infrastructure and CCA vulnerability reduction measures” would be changed to “Best practice in the application of risk management, environmental assessment and options analysis, consistent with relevant defined strategic aims and policies, is applied on a pilot basis to public infrastructure and CCA vulnerability reduction measures.”

Benefits and Risks

38. The main risks that could jeopardize the achievement of the restructured project development objective and outcome targets include the following:
39. *Political support for CCA in Kiribati.* Over the first two years of KAP-II implementation, mixed messages have been sent by GoK regarding its support to climate change adaptation strategies (under KAP II and beyond KAP II). In the future, the Project Director (Secretary in the OB) and Deputy Secretary in the OB should play a greater role to ensure that GoK is regularly informed about KAP-II outputs and outcomes and that high-level decision-makers understand the approach of the program and the nature of its contribution to development plans. This would be part of the regular communications activities of the project.
40. *Institutional risks.* Frequent personnel changes in the OB, in particular at the Secretary level, have affected the capacity of the OB to provide consistent leadership in KAP-II implementation. The appointment of a Deputy Secretary in the OB should mitigate that risk although continued changes in the position of Project Director remain a risk for the project's development objective. The new arrangement (Deputy Secretary in charge of CCA) is yet to be tested and its effectiveness would need to be monitored and adjustments implemented if needed. In particular, the collaboration of other line agencies involved in KAP-II implementation will be needed. This has been a weakness in the past and remains a substantial risk for the implementation of KAP-II. This risk will be mitigated through regular meetings of the National Adaptation Steering Committee (NASC) at higher level as well as technical coordination through the Climate Change Study Team (CCST).
41. *Capacity-related risks.* Severe human resources and logistical constraints, specific to Kiribati, will continue to remain a risk for the timely implementation of project activities. At project level, the reduced number of activities combined with increased technical assistance to the PMU and line agencies is expected to mitigate that risk. Retaining skilled personnel, in particular that with specialized skills, will remain a challenge in Kiribati. This issue is beyond the scope of the project and would need to be addressed through complementary dialogue at country level on capacity building.
42. *Vulnerability to external shocks.* Kiribati is extremely vulnerable to external shocks (whether natural disasters or economic) and the incidence of an extreme event could dramatically affect project implementation. Current directions in GoK to strengthen disaster risk management and consolidate it with climate change adaptation strategies should help mitigate that risk. The risks from external shocks (e.g. macro-economic) would be monitored through regular country dialogue.

Appendix 1:

Details of the Procurement Arrangements involving international competition (based on updated Procurement Plan of February 2009).

1. Goods and Works.

- (a) Goods and Works contracts estimated to cost above US\$ 100,000 per contract and all Direct Contracting will be subject to prior review by the Bank.
- (b) List of contract Packages (no PQ and Domestic Preference applied):

Goods

Ref No.	Description	Cost (US\$ equiv.)	Component	Procurement Method	Bank's Review	Completion Date	Notes
GD7	Goods: pipes and fittings for rehabilitation of Betio distribution and household plumbing system	152,000	3.2.5	ICB	Prior Review	30-Jan-10	

2. Consulting Services.

- (a) List of Consulting Assignments with short-list of international firms.

Ref No.	Description	Cost (US\$)	Component	Procurement Method	Donor Review	Sign Contract	Notes
FS6	Improving the Protection of Public Assets	205,000	2.2.1 and 2.2.2	QCBS	Prior Review	15-Jun-09	
FS7	Improving the Sustainability and Supply of Freshwater	550,180	3.5.1	QCBS	Prior Review	15-Jun-09	

- (b) Consultancy services estimated to cost above US\$ 50,000 per contract and Single Source selection of consultants (firms) for assignments regardless of the amount involved will be Subject to prior review by the Bank.

(c) Short lists composed entirely of national consultants: None

Results Framework

PDO/Global Environmental Development Objective	Outcome Indicators	Use of Outcome Information
<p>To develop and demonstrate the systematic diagnosis of climate-related problems and the design of cost-effective adaptation measures, while continuing the integration of awareness and responsiveness into economic and operational planning.</p>	<p>Office of Te Beretitenti (OB) established within first year of implementation as lead agency coordinating CCA and related strategies</p> <p>Percentage of climate-affected MOP programs that reflect systematic climate risk management</p> <p>Best practice in the application of risk management, environmental assessment and options analysis, consistent with relevant defined strategic aims and policies, is applied on a pilot basis in public infrastructure and CCA vulnerability reduction measures</p>	<p>YR 1 gauge institutional progress</p> <p>YR 2 assess effectiveness and determine whether components need to be adjusted</p> <p>YR 3 feed results and lessons learned into design of continued GoK adaptation program</p>
Intermediate Results One per Component	Results Indicators for Each Component	Use of Results Monitoring
<p>Component One:</p> <p>Improved consultation, planning and coordination mechanisms to support CCA</p>	<p>Component One:</p> <p>Proportion of the adult population on Tarawa that is aware of CCA</p> <p>Number of NASC meetings with participation of Director/Senior Assistant Secretary or higher level officials of at least 4 key ministries</p> <p>Number of CCST meetings attended by technical officers of at least 6 key departments</p> <p>Number of schools that have incorporated climate risk management in their curriculum</p> <p>Consultation and awareness raising activities reflect clear role for NGOs and women</p> <p>Climate risk profile produced and used in at least three major infrastructure investments</p>	<p>Component One:</p> <p>YR1/2/3: assess adjustments to be made to awareness raising and consultation activities</p> <p>YR3: assess evidence that awareness messages are resulting in the intended behavioral changes</p> <p>Yr3 : low incorporation of CCA messages or impact may indicate need to change the awareness message dissemination or incentives in the project</p> <p>YR2 : large number of Steering Committee meetings without the intended participants may indicate waning interest in topic or limited understanding on particular ministry's role in the CC agenda</p>

PDO/Global Environmental Development Objective	Outcome Indicators	Use of Outcome Information

Intermediate Results One per Component	Results Indicators for Each Component	Use of Results Monitoring
<p>Component Two:</p> <p>Improved management of climate-related hazards to coasts, public assets and ecosystems</p>	<p>Component Two :</p> <p>Pilot investments are based on rigorous analysis of risk treatment options, including economic analysis, environmental and social assessment</p> <p>Frequency of flooding causing disruption of hospital services reduced to an acceptable return period</p> <p>Number of reports of coastal and marine ecosystem monitoring</p>	<p>Component Two:</p> <p>YR1/YR2 assess awareness of the communities to the need to reduce and or ban coastal aggregate mining</p> <p>YR2/3 develop acceptable and cost-effective options for climate proofing public assets</p> <p>YR4 compile lessons learnt from the various activities and use to improve design of new works, but also for use in the expanded climate proofing activities</p> <p>YR3/4 assess detail of coral monitoring for linkage to overall climate change agenda, but also to improved integrated ecosystem management</p>
<p>Component Three:</p> <p>Improved sustainability of freshwater resources</p>	<p>Component Three:</p> <p>National Water Strategy (NWS) adopted and reflected in MPWU MOP and PUB business plan</p> <p>Master Plan for water on Tarawa produced and reflected in MPWU MOP and PUB business plan</p> <p>Number of rainwater collection/storage facilities at government/community buildings</p> <p>Building code includes freshwater collection and storage as an objective</p> <p>Percentage reduction in water leakage in target area on Betio islet</p> <p>Number of water locations assessed and supply improvements implemented</p>	<p>Component Three:</p> <p>YR1/2 and 3 gauge adequacy in linkages in the preparation of the NWS, MP for Tarawa and ongoing consultations to ensure subsequent acceptability by all stakeholders</p> <p>YR 4 Assess whether the rainwater tanks are making a difference in increasing water availability</p> <p>YR 3/4 Gauge whether reduction in leakage is increasing water availability for families in target areas</p> <p>YR 4 Gauge capacity of local authorities in the use of building codes</p>
<p>Component Four:</p>	<p>Component Four:</p>	<p>Component Four:</p>

Improved capacity for CCA at island government and community level	Number of Outer Island Profiles that contain climate risk information ment .	YR 4 Gauge understanding of CCA in the OIs, and intensify awareness campaign if inadequate
Intermediate Results One per Component	Results Indicators for Each Component	Use of Results Monitoring
Component Five: Support for implementation of project activities	Component Five: KAP-II Project management integrated into OB Percentage of project progress reports that are timely and reflect a good understanding of progress, critical issues, corrective actions, accountability for actions and timing. Percentage of activities progressing as scheduled in the Project Implementation Plan (PIP) Lessons learned compiled for future adaptation program design	Component Five: YR 1/2/3 Gauge adequacy of facilities for the KAP-II office: human and equipment to support a robust M&E reporting system YR 1/2/3 Assess adequacy of the reporting system for the project in response to the various donor requirements