

ANNEX

1. IDENTIFICATION

Title	KIRIBATI - Environmentally Safe Aggregates for Tarawa KI/001/06 - 9th EDF Addendum No. 1 to Financing Agreement No. 9771/KI		
Total cost	EUR 3 200 000 <u>EU: EUR 3 200 000 broken down as follows:</u> - 9 th EDF: EUR 2 200 000 (initial amount of the FA signed on 20/09/2007) - B-envelope 10 th EDF: EUR 1 000 000 (addendum No.1)		
Aid method / Management mode	Project approach – partially decentralised management		
DAC-code	32268	Sector	Offshore minerals

2. RATIONALE

2.1 Sector context

The Mid Term Review of the 9th EDF NIP for Kiribati concluded that the B envelope should assist Kiribati address disaster preparedness as referred to in Article 72 (3) (e) of the Cotonou Agreement. The **Environmentally Safe Aggregates for Tarawa (ESAT)** project directly addresses this as it aims to support the community of Kiribati to combat coastal erosion on its most densely populated atoll, Tarawa, by replacing local practice of mining the beaches for sand, gravel, rocks and shells (aggregate) by alternative sources of aggregates to be taken from the lagoon. A Contribution Agreement (for EUR 2,080,000) was signed with SOPAC, in August 2008, for the implementation of this project.

The bulk of the EUR 2 200 000 envelope under the 9th EDF B-envelope was to be used to establish a commercially self sustaining Aggregate Mining Company including the purchase of an appropriate dredge/barge system for off-shore aggregate mining in South Tarawa lagoon. At the time of the preparation of the Financing Agreement, a first cost estimate for such a system (including training of dredge operators and maintenance of machinery) was of EUR 800 000, based on 2005 valuations.

Two rounds of tendering have been undertaken by SOPAC in 2010 to find a shipbuilder who could undertake the construction and delivery to Tarawa, Kiribati, of the ESAT Project Dredging Ship with Crane Operated Clamshell Dredging System. The tendering followed SOPAC's internal rules and procedures (under the CA).

The first “International Open Tender”, open to submissions from all states, commenced on 5th February 2010 and closed on 24th February 2010. The lowest bid, technically compliant, was for 7,950,000 FJD, which largely exceeded the amount of funds allocated in the project to procure the Ship & Training (the amount allocated to this budget line was of 2,150,000 FJD, the equivalent of EUR 800 000). It was therefore decided by SOPAC to hold a “Second Round” of Tendering, this time by “Private Invitation to Tender”.

The “Private Invitation To Tender” was sent to the 3 original companies that submitted tenders under the first “International Open Tender” procedure and to 2 other Fijian Companies that had previously

expressed an interest in being involved in the project but felt unable to submit “International Open Tenders” due to the onerous contract conditions, in particular the request for a tender guarantee of 1% of the contract.

The “Private Invitation to Tender” period for the supply of the Dredging Ship commenced on 5th March 2010 and closed on 19th March 2010 and three tenders were received by the closing date.

Of the tenders received, the Fijian Company, Bluewater Craft was the lowest at 5 300 000 FJD (approximately EUR 1 900 000).

According to SOPAC, the reasons for the large discrepancy existing between the allocated project funds for the Building of the Dredging Ship and the lowest tender price submitted by Bluewater Craft are:

- Since 2007 steel prices have risen between 30 and 40% and this is a steel ship with a crane manufactured from steel.
- Globally there has been a high rise in Diesel Fuel Oil Prices which have subsequently impacted on the delivery price of all raw materials since 2008.
- The 20% devaluation of the Fijian Dollar, in 2009, has made the price of imported materials into Fiji proportionally more expensive.
- The value of the Euro between February 2008 and the present has had a negative effect on the overall contract sum for getting the ship built.
- The increased costs of the cranes and the fact that there are very few manufacturers of this type of dredging crane available in the world today and fewer since 2008.

The tender figure received through the “Private Invitation To Tender” from Bluewater Craft realistically offers the only chance that the ESAT Project has of securing a contract with a shipbuilder to build and supply to Tarawa, Kiribati, a Dredging Ship and Crane Operated Clamshell Dredging System.

The amount available in the 10th EDF B envelope (EUR 1 000 000) combined with the amount allocated under the 9th EDF for the dredge/barge system (EUR 800 000) would enable the project to proceed. Without this additional amount, the project is not feasible.

2.2 Lessons Learnt

The increase of the envelope available for the purchase of the dredge/barge system should ensure the viability of the project. A two year extension to the operational implementation period will also be requested for the successful completion of the project.

2.3 Complementary Actions

In the future SOPAC will also have a role in the implementation of a regional risk management programme that will utilise the EU Natural Disaster Facility to help pacific states develop their National Plans for disaster risk reduction and preparedness. SOPAC will be in an ideal position to use lessons learned from the ESAT = project as well as the experience acquired through its close collaboration with the Kiribati Adaptation Programme to the benefit of a wider regional programme addressing risk management.

The project is in line with the new EU/Pacific initiative in Climate Change that seeks to enhance the European support to Pacific Small Island States in particular as regard to adaptation to CC.

2.4 Donor Coordination

Donor coordination in the region in the sector of adaptation to CC and disaster risk management is taking place in two informal groups: one is the Development Partners in CC (based in Suva) and the other is the Cairns Compact working group. The EU/Pacific Joint initiative in CC is also aiming at reinforcing donor coordination in the sector. Donor Coordination within Kiribati is done through Donor Coordination Meetings held in the country every two years and through the Development Coordination Committee within the Ministry of Finance and Economic planning.

3 DESCRIPTION

3.1 Objectives

The purpose of the present addendum is to increase the financial ceiling of the Financing Agreement in order to add additional funds in the Equipment Budget Line of the Contribution Agreement of the ESAT Project (Environmentally Safe Aggregates for Tarawa).

The overall objective is to be able to protect the vulnerable beaches of South Tarawa from aggregate mining by providing an alternative source of supply.

3.2 Expected Results and Main Activities

The results and activities described in the initial financing agreement and contribution agreement remain unchanged and in particular:

- Making available, affordable and accessible lagoon aggregate supplies for small scale users and for public construction through the establishment of a commercially self sustaining Aggregate Mining Company under a corporate / governance structure appropriate to the local legal , institutional and social conditions; the development and implementation of monitoring systems to monitor impact of dredging operation (hydrodynamic modelling etc) and the abatement of beach mining on the coastal areas of South Tarawa; and through the procurement of an appropriate dredge / barge system for offshore aggregate mining in South Tarawa lagoon.

3.3 Stakeholders

The stakeholders listed in the initial financing agreement remain unchanged.

3.4 Risks and Assumptions

In view of progress made so far and taking into account the experience gathered so far the risk of not meeting the new deadline for completion is considered minimal. The additional two years requested by the NAO should be a sufficient time extension to complete the project as foreseen.

3.5 Crosscutting Issues

The Crosscutting issues, as described in the initial Financing Agreement and Contributions Agreement remain unchanged.

4. Implementation issues

4.1 Implementation Method

Following the approval of an addendum to the Financing Agreement, an addendum to the Contribution Agreement (signed on 11/06/2008 with SOPAC) will be signed by the parties.

4.2 Budget and Calendar

Budget

The purpose of addendum No. 1 is to increase the financial ceiling of the Financing Agreement in order to include the additional 10th EDF Envelope B funds of EUR 1 000 000.

Consequently, the budget is revised as follows:

	Budget Line	Original Budget (in EUR)	Addendum No.1 (in EUR)	Budget after Addendum No. 1 (in EUR)
1.	Contribution Agreement	2 080 000	+ 1 000 000	3 080 000
2.	Evaluation	80 000	0	80 000
3	Audit	40 000	0	40 000
4	Total	2 200 000€	+ 1 000 000€	3 200 000€

Calendar

The Financing Agreement foresees an operational implementation period ending on 31 December 2011 and an execution period ending on 31 December 2013. The present Addendum foresees the following extensions: an operational implementation period ending 31 December 2013 and an execution period ending 31 December 2015.

4.3 Performance monitoring

Remains unchanged as per the Contribution Agreement.

4.4 Evaluation and audit

Remains unchanged as per the Financing Agreement and the Contribution Agreement.

4.5 Communication and visibility

Remains unchanged as per the Contribution Agreement. All EU Regulations pertaining to visibility will be adhered to.

Enclosure 2 to Addendum No 1 to Financing Agreement No. 9771/KI

Annex 2 – Indicative implementation timetable

		YEAR 1				YEAR 2				YEAR 3				YEAR 4				YEAR 5													
Milestone	Responsible	2	4	6	8	10	12	2	4	6	8	10	12	2	4	6	8	10	12	2	4	6	8	10	12	2	4	6	8	10	12
BCA (Completed)	SOPAC																														
Community Participatory Process	NGO/ GoK																														
Legislative / Policy Review	SOPAC-EDF																														
Policy Reform / New Legislation	TA																														
Inception in-country Planning / Coordination Meeting	GoK / SOPAC																														
Steering Committee Meetings	GoK / PM																														
Advertise for PM	SOPAC																														
Project Manager Appointed	SOPAC																														
Tender for Barge Construct	SOPAC_PM / TA																														
Barge Tender Assessed	SOPAC_PM / TA																														
Barge Contract Awarded	SOPAC_PM / TA																														
Office Design / Tender	SOPAC_PM / TA																														



EUROPEAN COMMISSION

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Mr Atanteora Beiatou
Secretary for Finance and Economic
Development
National Authorising Officer
Ministry of Finance & Economic
Development Planning
Bairiki, Tarawa
Republic of Kiribati

**Subject: Republic of Kiribati – Environmentally Safe Aggregates for Tarawa
KI/001/06 - Addendum No. 1 to the Financing Agreement No. 9771/KI
(9 ACP KI 05 & CRIS n° FED/2007/20825) - Increase in financial ceiling
and extension of operational implementation period and execution period**

Reference: Your request No. 05/03 of 10 September 2010

Dear Sir,

Referring to your letters n° 05/03 of 10 September 2010, I am pleased to inform you that I agree to increase the overall amount of the above-mentioned Financing Agreement from EUR 2 200 000 to EUR 3 200 000 and to extend the period of implementation and the period of execution of the above-mentioned Financing Agreement up to 31 December 2013 and 31 December 2015 respectively.

The said Financing Agreement is modified as follows:

1. SPECIAL CONDITIONS

ARTICLE 1 – NATURE AND PURPOSE OF THE OPERATION

1) *The accounting N° under point 1.1. is replaced to read as follows :*

"9 ACP KI 05 & FED/2007/20825".

2 – THE COMMUNITY’S FINANCIAL CONTRIBUTION

2) *This article is replaced to read as follows:*

"2.1. The total cost of the project is estimated at EUR 3 200 000.

2.2. The Community undertakes to finance a maximum of EUR 3 200 000. The breakdown of the Community’s financial contribution into budget headings is shown in the budget included in the Technical and Administrative provisions in annex II".

ARTICLE 4 – PERIOD OF EXECUTION

3) *This article is replaced to read as follows:*

"The period of execution of the financing agreement, shall commence on the entry into force of the financing agreement and end at 31 December 2015. This period of execution shall comprise two phases: on operational implementation phase which shall commence on the entry into force of the financing agreement and end at 31 December 2013. As from this date shall commence the closure phase, which shall end at the end of the period of execution".

2. ANNEX II: TECHNICAL AND ADMINISTRATIVE PROVISIONS FOR IMPLEMENTATION

4) *The accounting N° on the cover page is replaced to read as follows :*

"9 ACP KI 05 & FED/2007/20825"

3.3 Budget and Calendar

5) *The budget table is replaced to read as follows:*

"

	Budget Line	(EUR)
1.	Contribution Agreement	3 080 000
2.	Evaluation	80 000
3	Audit	40 000
4	Total	3 200 000

"

6) *The three first sentences of the second paragraph are replaced to read as follows:*

"The Financing Agreement shall be concluded by 31 December of the year following the year in which the global financial commitment was adopted. Failing this, the corresponding appropriations shall be cancelled. For the purposes of the Article 4 of the Special Conditions of the Financing Agreement, the date of the operational implementation phase shall be 31

December 2013 and the date of the end of the period of execution of the Financing Agreement shall be 31 December 2015."

Annexes to the TAPs

7) *Annex 2 – indicative implementation timetable" is replaced as shown on enclosure 2 to the present letter.*

A table showing the modification to each item of the budget is attached (Enclosure 1)

Any further time extension to the programme will require a duly justified request, including an evaluation and a comprehensive analysis of the programme, to be submitted in due course to obtain the Commission approval at least 90 days prior to this new expiry date.

Please note that the present letter, including its enclosures, together with your above-mentioned request, constitutes Addendum No.1 to Financing Agreement No. 9771/KI signed on 5 February 2008.

Yours faithfully,

Gary QUINCE
Authorising Officer of the EDF
by subdelegation

Encl : 2

MODIFICATION TO EACH ITEM OF THE BUDGET

(All amounts in EUR)

Budget line	Budget before Addendum No. 1	Modification of Addendum No. 1	Budget after Addendum No. 1
Contribution Agreement	2 080 000	1 000 000	3 080 000
Evaluation	80 000		80 000
Audit	40 000		40 000
Total	2 200 000		3 200 000