

**Enhancing Procurement Practice and
Local Content in Pacific Infrastructure
with reference to Tonga in the wake of
the Hunga Tonga-Hunga Ha'apai
Volcanic Eruption**

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LC Survey of contractors in Tonga

Respondents

- Government ministries
- Development Partners
- Private Sector

Procurement methods

- Open Competition
- Limited Competition
- International Competitive Procurement
- National Market Approach
- Request for Proposals, quotations, bids,
- Direct selection

Tongan Contractors Preferences

- RFB Open National and Requests for Quotations
- Requests for Quotations often submitted under Joint Venture to strengthen chances for success
- Showed less interest in RFB (Open International) due to limited technical and financial capability

Challenges for Tonga Contractors

- The limited capacity of local firms
- Dependence on imported construction material causing delays
- The limited-time factor for bidding
- Limited capital
- Government processes are perceived to be very long (e.g., procurement process, payment process requiring tax clearance and use of the paper-based system, etc.)

Challenges for Tonga Contractors (cont)

- Limited understanding of Development Partners' procurement processes and requirements
- Documentation requires bidders to spend a lot of time with preparation; minor errors often lead to immediate disqualification with no room for correction and resubmission.
- High level of foreign competitors e.g., Chinese constructions/quarries
- Contractors are often bonded by contracts but sometimes clients have not fulfilled their obligations increasing the timeframe of the project and leading to higher costs; the Client must ensure that the contract is fulfilled.

Contractors Suggested Solutions

- Increased government intervention (subsidies, favorable tax treatments, lower import duties, etc.)
- Increased training on government processes /business management
- Government to implement and streamline a capacity building program for local content on project management for development funded projects especially on infrastructure projects
- Strengthen the current World Bank CSU and PMU which includes training for local participants (contractors, suppliers, and consultants). The training includes:
 - on how to prepare the bids and win the contracts;
 - organize information sessions on the procurement regulations and requirements and
 - pre-bidding meetings.

Tongan Contractors Suggested Solutions (cont)

- Simplifying the procurement process and making it user-friendly.
- Support small local contractors operating with limited capital with very few resources and limited management skills.
- Support local suppliers to manage effectively stock control measures to avoid shortages of materials at critical stages of projects
- Improve government and donor processes to enhance bidding conditions to enable more successful bids by local contractors
- Put local contractors and suppliers first
- Provide support for interested contractors with access to capital but limited prior experience in the relevant sector
- The government should ensure that the enforceability of contracts is effective, such as concerning land issues.

Hunga Tonga Hunga Ha'apai Volcanic Eruption

- In late afternoon of 15 January 2022 Tonga experienced a volcanic eruption, 60 kilometers north of the main island of Tongatapu
- According to the World Bank, the disaster affected 85 percent of Tonga's population and caused damages and losses of an estimated US\$182 million (approximately TOP421 million) or 36.4% of Tonga's GDP.
- Before 15th January 2022, Tonga had approved its Third National Infrastructure Investment Plan(NIIP) 2020-2030 which outlined the government's priority investment projects:
 - Total of 56 projects costing T\$933.22 million, of which
 - 25 infrastructure projects (transport and utilities)
 - Total cost: T\$666.37 million

Hunga Tonga Hunga Ha'apai Volcanic Eruption – Damage Estimates

- Buildings – T\$106.1 (USD46.4)
- Infrastructure (incl. Transport, Communication, Power Supply, and Water) – T\$66.80 (USD29.2) million
- Agriculture and Fisheries – T\$43.3 (USD19.0) million
- Education – T\$5.0 (USD2.2) million.
- Water, sanitation and hygiene – T\$2.0 (USD0.9) million; and
- Other economic & social impacts – T\$10.2 (USD4.5) million.

Government Recovery Plan 2022-23

A-Table 2: Proposed HTHH Recovery Funding

Summary	Total Funding
Total Recovery Cost [A]	567,683,155
Total Proposed Funding [B]	326,930,000
1. Firm Commitments	218,020,000
Government Funds	30,800,000
Development Funds	187,220,000
2. Soft Commitments I	58,910,000
Ongoing Projects	46,910,000
Confirmed Project	12,000,000
3. Soft Commitments II	50,000,000
Pipeline Projects	50,000,000
TOTAL Unfunded Recovery Cost [A-B]	240,753,155

Source: MOF

Rebuilding and Reconstruction

- After the volcanic eruption the government, development partners and Tongan overseas began to send supplies of food and building materials to initiate the rebuilding process including:
 - Reconnecting the fibre-optic link to allow communications to return to normal
 - Starting work on 468 homes, of which 288 were destroyed and 182 were damaged
 - Initiating tenders for the reconstruction of homes using materials provided by development partners
 - Coordinating the clearing of debris, repairs to the foreshores, beaches, roads, wharves and jetty, bridges, government offices and assisting with community halls needing assistance as part of the recovery work

Selected Key Findings

- **Develop and Implement a Local Content Policy (LCP) including a procurement competency framework**
- **Increase training on government processes/business management**
- **Government to implement and streamline a capacity building program for local content on project management for development funded projects especially on infrastructure projects**
- **Incorporate LC as early as possible into projects,**
- **Strengthen advertising of infrastructure pipelines.**
- **Review and update or include best practice LC procurement mechanisms and instigate procurement training**
- **Utilise Local competitive bidding based upon procurement thresholds and contract splitting**