



VANUATU INFRASTRUCTURE RECONSTRUCTION AND
IMPROVEMENT PROJECT

ANNUAL REPORT 2018

Date: 15 February 2019

Republic of Vanuatu: **Vanuatu Infrastructure Reconstruction and Improvement Project
Annual Report January-December 2018**

Financed by: **The World Bank
The Government of Vanuatu**

Prepared by : Project Support Team (PST), Ministry of Infrastructure and Public Utilities of Vanuatu (MIPU)

For: Project Implementation Committee (PIC), World Bank and Central Tenders Board (CTB)

Notice

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CONTENTS

Basic Data	2
Abbreviations.....	3
Project Purpose	4
Executive Summary.....	6
1.Introduction	8
2.Operating Context January-December 2018	11
3.Status of Implementation and Key Results.....	15
4.Program Implementation (Narrative Section)	20
4.1 Part 1 Road Reconstruction and Improvement.....	21
4.2 Part 2: School Reconstruction and Improvement.....	26
4.3 Part 3 - Public Building Reconstruction and Improvement.....	30
4.4 Part 4 – Project Implementation and Technical Support	33
4.5 Programme.....	33
4.6 Institutional Arrangements	36
4.7 Project Management.....	36
4.8 Financial Management and Performance.....	37
4.9 Safeguards	43
4.10 Procurement.....	44
5.Risk Management and Key Lessons Learned	46
6. Conclusions and Recommendations for the Period.....	49
Appendix.....	51
Appendix 1: Works Program	52
Appendix 2: Procurement Plan	53
Appendix 3: Risk Management Plan	54

OVERVIEW

Credit No:	5847-VU	
Grant No	D122-VU	
Project Title	Vanuatu Infrastructure Reconstruction and Improvement Project (VIRIP)	
Borrower	Government of the Republic of Vanuatu	
Executing Agency	Ministry of Finance and Economic Management	
Implementing Agency	Ministry of Infrastructure and Public Utilities (through the Public Works Department)	
Other Key Agency	Ministry of Education and Training	
Financing Plan:	Amount (million)	Share of Total (%)
World Bank Credit	SDR17.65 (USD25 equivalent)	50%
World Bank Grant	SDR17.65 (USD25 equivalent)	50%
Total Estimated Project Cost	USD50	100%
Financing Agreements signed	2 August 2016	
Effective Date of Project	6 March 2017	
Project Closing Date	30 April 2022	
Dates of World Bank Mission(s)	6-9 March 2018 10-14 September 2018	

ABBREVIATIONS

AS	Asbestos Specialist	PDNA	Post-Disaster Needs Assessment
AWP	Annual Work Plan	PDO	Project Development Objective
CQP	Contractor's Quality Plan	PIC	Project Implementation Committee
CRW	Crisis Response Window	PM	Procurement Manual
DFAT	Department of Foreign Affairs	PMC	Project Manager/Coordinator
DG	Director-General	PMO	Prime Minister's Office
DRF	Disaster Recovery Framework	PST	Project Support Team
DSPPAC	Department of Strategic Planning, Policy and Aid Coordination	PWD	Public Works Department
EA	Executive Agency	R4D	Roads for Development
ESMF	Environmental and Social Management Framework	RFQ	Request for Quotation
FRC	Fibre Reinforced Concrete	RFT	Request for Tender
GDP	Gross Domestic Product	RPC	Recovery Program Committee
GFDRR	Global Facility for Disaster Risk Reduction	RPF	Remittance Policy
GoV	Government of Vanuatu	RPF	Resettlement Policy Framework
GPSS	Global Program for Safer Schools	SISRI	Small Island Sustainable Resilience Initiative
GRM	Grievance Handling Redress Mechanism	SS	Safeguard Specialist
IA	Implementing Agency	TC Pam	Tropical Cyclone Pam
IBC	Island Based Contractors	USD	United States Dollars
IDA	International Development Association	VIRIP	Vanuatu Infrastructure Reconstruction and Improvement Project
IFR	Interim Financial Report	WRC3	Third World Reconstruction Conference
LRO	Land Registry Office		
M&E	Monitoring and Evaluation		
MIPU	Ministry of Infrastructure and Public Utilities		
MoET	Ministry of Education and Training		
NRC	National Recovery Committee		
NRESP	National Recovery and Economic Strengthening Program		
PA	Project Accountant		
PAD	Project Appraisal Document		

PROJECT PURPOSE

The project development objective (PDO) is to reconstruct and/or improve the disaster and climate resilience of selected public sector assets in provinces impacted by Tropical Cyclone Pam, and to provide immediate and effective response to an Eligible Crisis or Emergency.

Achievement of the PDO will be measured by the following indicators:

- » Population on project islands with improved road and pedestrian access (number, with sub-indicator of breakdown of percentage of women/men); and
- » Number of users/beneficiaries of schools reconstructed and upgraded to higher structural safety standards (number, with sub-indicator of breakdown of percentage of women/men).

The Project consists of the following parts:

Part 1. Road Reconstruction and Improvement USD26 million

- » Carrying out road repair works and undertaking spot improvements to road sector assets affected by Tropical Cyclone Pam, including improving the resilience of road sector assets in provinces affected by Tropical Cyclone Pam.
- » Provision of technical support for the design and supervision of the civil works under this part of the Project.

Part 2. School Reconstruction and Improvement USD13 million

- » Reconstruction, rehabilitation, repair, or retrofit of schools affected by Tropical Cyclone Pam, including improving the resilience of schools in provinces affected by Tropical Cyclone Pam.
- » Construction or reconstruction of at least one disaster resilient building, in selected schools, that complies with technical standards required for evacuation centres.
- » Carrying out a program of activities designed to improve water supply and sanitation facilities and other amenities in schools affected by Tropical Cyclone Pam.
- » Provision of technical support for the design and supervision of the civil works under this part of the Project.

Part 3. Public Building Reconstruction and Improvement USD6.5 million

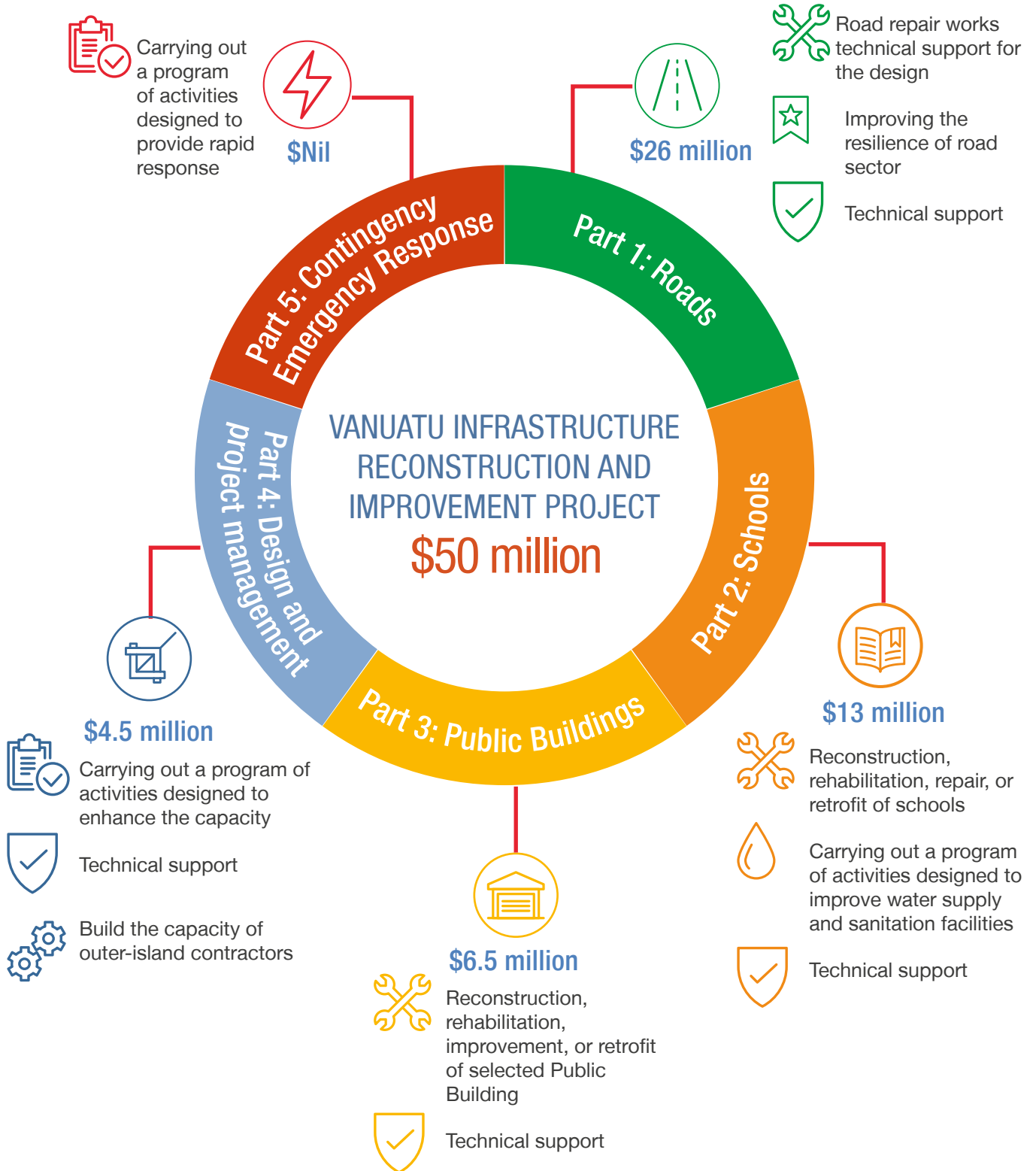
- » Reconstruction, rehabilitation, improvement, or retrofit of selected public buildings affected by Tropical Cyclone Pam, including improving the resilience of Selected Public Buildings in provinces affected by Tropical Cyclone Pam.
- » Provision of technical support for the design and supervision of the civil works under this part of the Project.

Part 4. Project Implementation and Technical Support USD4.5 million

- » Carrying out a program of activities designed to enhance the capacity of the Recipient for Project management, implementation, coordination, monitoring and evaluation of the Project, such program to include the establishment and maintenance of a Project support team.
- » Provision of technical assistance to support the Recipient in reviewing and assessing the existing legislative and institutional framework for the creation of a sustainable source of funding for maintenance of road assets and/or schools and/or Selected Public Buildings, and developing action plans and/or recommendations to strengthen such legislative and institutional framework so as to improve its implementation.
- » Carrying out a program of activities designed to build the capacity of outer-island contractors and communities to participate in improvement works to road sector assets and/or schools and/or Selected Public Buildings under the Project, and providing training to said communities on safe building construction methods.

Part 5. Contingency Emergency Response. USD Nil.

- » Carrying out a program of activities designed to provide rapid response to an Eligible Crisis or Emergency, as needed.
- » There have been no scope changes within this project to date and the implementation arrangements as described in the Financing Agreement, dated 2 August 2016 remain essentially unchanged.



*All currency in US dollars unless otherwise stated

The effective date started on 6 March 2017 with the arrival of the PMC. However, it is acknowledged that the project had completed the first year of implementation slightly behind schedule due to early challenges with recruitment and retention of procurement specialist.

EXECUTIVE SUMMARY

The Vanuatu Infrastructure Reconstruction and Improvement Project (VIRIP) is a Government of Vanuatu (GoV) led and World Bank finance project aimed to support GoV's reconstruction and recovery efforts following the impact of Tropical Cyclone Pam (TC Pam) in March 2015. The Project Development Objective (PDO) of the project is to reconstruct and/or improve the disaster and climate resilience of selected public sector assets in provinces impacted by TC Pam, and to provide immediate and effective response to an Eligible Crisis or Emergency. Achievement of the PDO will be measured by the following indicators:

- » Population on project islands with improved road and pedestrian access (number, with sub-indicator of breakdown of percentage of women/men); and
- » Number of users/beneficiaries of schools reconstructed and upgraded to higher structural safety standards (number, with sub-indicator of breakdown of percentage of women/men).

Operating Context

VIRIP is managed by a Project Support Team (PST) who have liaised closely with GoV counterparts to prepare this annual report which covers the period from January-December 2018. The operating context for the program during 2018 continues to remain challenging, particularly with significant leadership changes within Ministry of Infrastructure and Public Utilities (MIPU), Public Works Department (PWD) towards the end of 2018. Despite the challenges, VIRIP is performing well with policy development well underway, comprehensive practices and procedures in place, procurement of Consultants for design and supervision almost complete for all Parts and some works underway for roads, schools and public buildings. However, there remains a number of challenging operating conditions which may affect the performance in the longer term.

Under the guidance of the PIC and its Chairman, VIRIP has been broadly operating with the 'crawling', 'walking' and 'running' phases towards meeting the PDO. During the crawling phase, VIRIP has established policies, practices and procedures which are generally harmonised with other initiatives and started some works.

Public Works Department (PWD)

In terms of achievements during 2018, Public Works Department (PWD) has been extremely active in VIRIP, working on activities including programming, planning, scoping, designing and budgeting. VIRIP projects for 2018 were eventually incorporated into the work-plan by divisions, but there were originally some issues with: a lack of clarity over project selection criteria; additional World Bank approval processes (outside the established roadworks planning and budgeting process), and confusion over the ownership, management and timing of the study/design phases of proposed major projects. For public buildings, an initial assessment of the activities indicate that the activities will need a thorough review. Public buildings are the responsibility of respective Ministries and potential targets are not clearly defined.

PWD has faced significant leadership changes in late 2018 which have the potential to slow VIRIP progress. The PST has commenced briefings with the new Minister and Director-General (DG) to ensure they are fully briefed on the strategic intent and direction of the VIRIP project. This consultation process will continue into 2019.

Ministry of Education and Training (MoET)

The Ministry of Education and Training (MoET) has been extremely active with the scoping and development of Part 2: School Reconstruction and Improvement, particularly during the last quarter 2018. MoET remains an active stakeholder. The departure of the MoET Chief Architect in December may cause a resource constraint. Whilst there have been delays in procurement because of finalisation of classroom design and certification, with the assistance of MoET the remainder of the planning, design and documentation has progressed smoothly and expeditiously. The recent review of the classroom designs, under the World Bank funded Global Program for Safe Schools (GPSS) has offered an excellent review (albeit very belated) of the structural requirements of classrooms to meet the structural actions (forces) of natural disasters.

Institutional Support

The continued development of the institutional stream of work under VIRIP has been a notable outcome during the period. This work emerged following consultations with Government of Vanuatu (GoV) and participation of VIRIP at Third World Reconstruction Conference (WRC3) and Small Island Sustainable Resilience Initiative (SISRI) Mexico. During the year, an eminent Disaster Recovery Framework (DRF) Specialist was mobilised with the assistance of the World Bank/GFDRR. Whilst still yet to be finalised, the DRF consultant has been actively working with the Prime Minister's Office and Department of Strategic Planning, Policy and Aid Coordination (DSPPAC) on a policy and planning framework as an integral component of disaster reconstruction and resilience. This framework will form much of the structure for future initiatives under VIRIP.

Financial Management and Performance

Overall, the performance of the Project Support Team (PST) has improved which is indicated by about 37% of expenditures incurred in Semester 2 compared to 6% in Semester 1 2018. To date, the total actual expenditures showed an increase of 43% of funds committed from the budget for the year. The provisional budget forecasted for 2018 was revised down to VT1,099,106,750 and in 2018 total actual expenditure stood at VT404,781,472 or 37% of the total budget for 2018. To date, the project expenditure reached the following threshold;

- » VT292,980,053 from Part 1: Roads.
- » VT9,813,908 from Part 2: Schools Improvement.
- » VT13,157,750 Part 3: Public Buildings.
- » VT159,346,610 from Part 4: Project Implementation.

Safeguards

The key safeguards framework documents: the *Environmental and Social Management Framework*; *Resettlement Policy Framework* and *Grievance Redress Mechanism* were all disclosed in the first quarter of the year and hard copies distributed to all PIC members, PWD, Provincial Government Council and MoET offices in the four provinces covered by VIRIP activities. These documents were also uploaded onto the VIRIP website <http://virip.gov.vu> in the second quarter.

The early disclosure and active dialogue with affected communities appears to be effective with no grievances recorded against any project works over the year and no outstanding safeguards issues once contractors have left site(s). Feedback from community liaison on Tanna in May led to some safety measures being implemented on the Kings Cross Road.

Procurement

The VIRIP PST conducted 36 procurements during 2018, with 26 contracts being signed, and 10 contracts remaining as 'Work in Progress' as at 31st December 2018. The estimated value of these 36 contracts is USD 7.58million. The estimated value of executed contracts in 2018 was USD 5.7million, with USD 1.87million remaining as a work in progress at the end of 2018.

Monitoring and Evaluation (M&E)

The VIRIP M&E Specialist continues to support the implementation of activities. Work in 2018 involved the development of data collection tools to support contract implementation and management. These tools will form the basis of future reporting as data will be collected to inform the M&E Framework. Work has also commenced on the development of a VIRIP dashboard which seeks to present and represent key information across the program that can be accessed and utilised by a range of stakeholders. Refinements to this tool will continue during the first quarter of 2019.

VIRIP INDICATORS



Population on project islands with improved road and pedestrian access (number, with sub-indicator of breakdown of percentage of women/men)



Number of users/beneficiaries of schools reconstructed and upgraded to higher structural safety standards (number, with sub-indicator of breakdown of percentage of women/men)



1. INTRODUCTION

INTRODUCTION

Between March 12 and 14, 2015, Tropical Cyclone Pam (TC Pam) struck 22 islands of Vanuatu as an extremely destructive category 5 cyclone. The total economic damage and losses as a result of the cyclone were estimated to be approximately USD 450 million, which equates to approximately 64 percent of the country's GDP. Shefa and Tafea were the worst affected provinces, in particular on the larger islands of Tanna, Erromango and Efate and the smaller Shepard islands. Eleven fatalities were recorded in Tafea and Shefa province. As many as 65,000 people were displaced from their homes, around 17,000 buildings were damaged or destroyed, and the livelihoods of at least 80 percent of Vanuatu's rural population were compromised due to large scale destruction of crops.

In the wake of TC Pam, the Government of Vanuatu (GoV) officially declared a state of emergency for Shefa Province on March 15, 2015. Emergency response efforts were led by the government with the support of multiple humanitarian partners, international and national non-governmental organizations, foreign governments, and donors. GoV undertook a Post-Disaster Needs Assessment (PDNA) with the support of the World Bank and other development partners, which formed the basis of the National Recovery and Economic Strengthening Program (NRESP) to guide the recovery and reconstruction of all sectors affected by TC Pam. Recovery and reconstruction costs are estimated at USD 316 million.

The World Bank has provided USD 50 million to Vanuatu in response to TC Pam through the International Development Association (IDA) Crisis Response Window (CRW) to finance the Vanuatu Infrastructure Reconstruction and Improvement Project (VIRIP). VIRIP will provide financial support to GoV through numerous targeted investments in road assets, and to reconstruct schools and public buildings damaged by TC Pam.

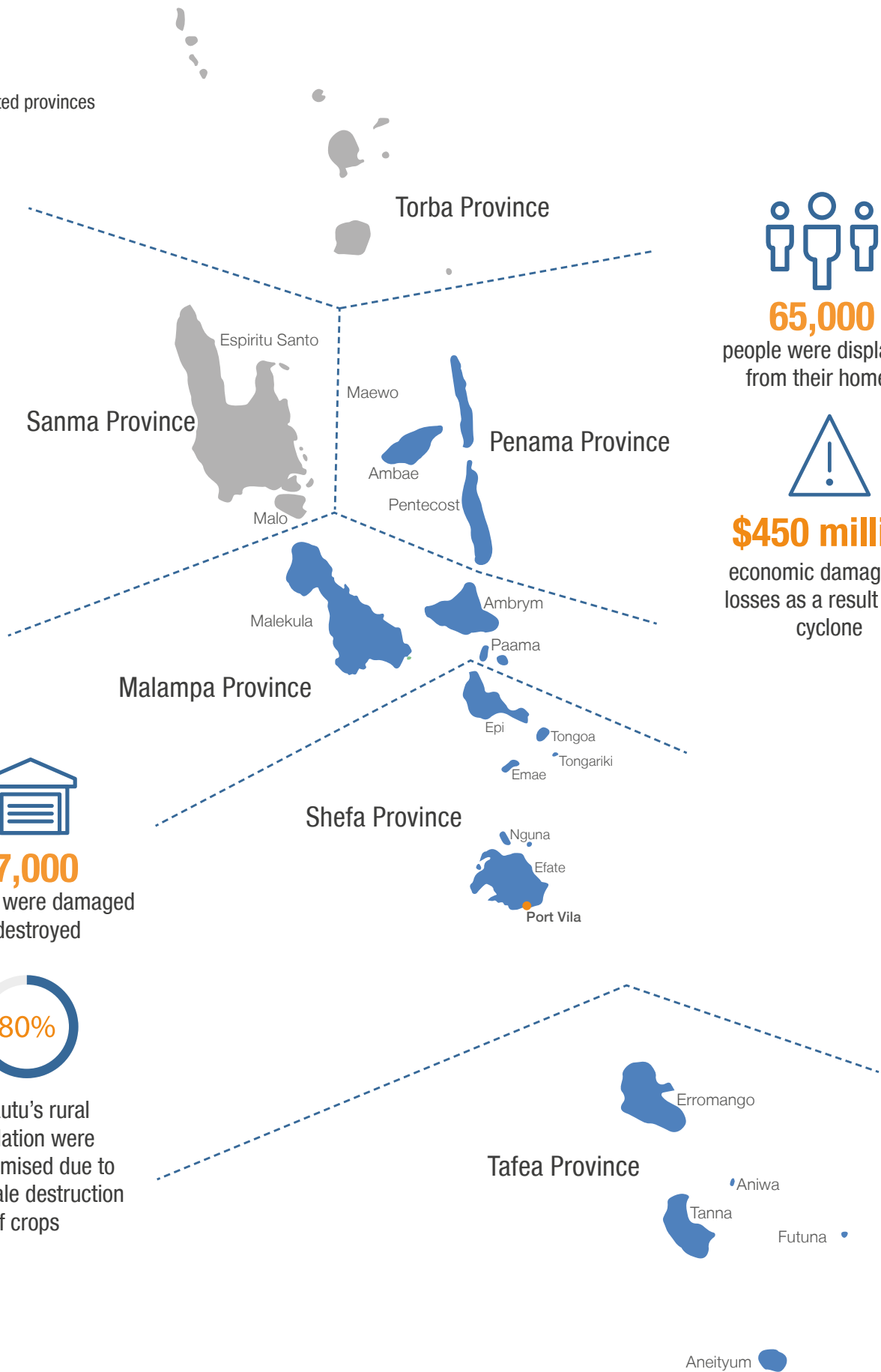
The Ministry of Finance and Economic Management (MFEM) is the project executing agency. The Public Works Department (PWD) under the Ministry of Infrastructure and Public Utilities (MIPU) is the key implementing agency, supported by the Project Support Team (PST). The project is managed through a Project Implementation Committee (PIC) consisting of representative Directors from PWD, Ministry of Education and Training (MoET), MFEM and Department of Policy Planning and Aid Coordination (DSPPAC)

This annual report is prepared by the Project Support Team (PST) and covers the period 1 January 2018 to 31 December 2018. The report continues to follow the structures proposed under the VIRIP *Monitoring and Evaluation Strategy* and continues the effort to demonstrate progress against key outputs and outcomes.



The Grand Hotel, Port Vila

Affected provinces



65,000
people were displaced
from their homes



\$450 million
economic damage and
losses as a result of the
cyclone



17,000
buildings were damaged
or destroyed



80%
Vanuatu's rural
population were
compromised due to
large scale destruction
of crops

Aneityum



2. OPERATING CONTEXT JANUARY-DECEMBER 2018

OPERATING CONTEXT (JANUARY-DECEMBER 2018)

It is apparent VIRIP is performing well with policy development well underway with the Disaster Recovery Frameworks for Ambae and subsequent national version, comprehensive practices and procedures in place, procurement of consultants for design and supervision almost complete for all parts and some works underway for roads, schools and public buildings. However, there remains a number of challenging operating conditions which may affect the performance in the longer term, which are outlined below.

According to the September 2018 World Bank Mission, “it is too early in the implementation cycle to report on progress towards meeting the project development objectives”

“ Good overall progress since the last mission with the first works contracts nearing completion, annual planning/works scheduling processes well established, critical consulting services in place or in final stages of procurement. If progress continues at the current rate, the project would be on target to reach its targets by mid-term review, having overcome the significant initial delays. However, with the expected high number of contracts to be procured and awarded over the next 12 months under VIRIP, and taking account of other large projects in the transport sector – both current and in the pipeline - a careful assessment of the absorptive capacity of the local contracting market and the resources within MIPU, PWD and PST is urgently required.”

Also during the September 2019 Mission the Bank expressed that it believed that albeit a delayed start of around 9 months, that as a result of concerted effort, the project is now on track, having made up that time during the previous 2 years.

Operating phases of VIRIP

Under the guidance of the Project Implementation Committee (PIC) and its Chairman, VIRIP has been broadly operating with the ‘crawling’, ‘walking’ and ‘running’ phases towards meeting the Project Development Objective (PDO). During the crawling phase, VIRIP has established policies, practices and procedures

which are generally harmonised with other initiatives and started some works. VIRIP has generally undertaken this phase over the first 18 months and was substantially complete in 2018. VIRIP is now transitioning into the walking phase with the fine-tuning of systems and more substantive roll-out of works. This walking phase should continue throughout 2019. The running phase which will continue from 2020 to the end of the project, will allow the more effective implementation of the institutional initiatives and completion of capacity development under VIRIP and the more effective implementation of works to allow the Government meet the PDO and to more effectively respond to a future disaster.

Policy development

The continued development of the institutional stream of work under VIRIP has been a notable outcome during the period. This work emerged following consultations with GoV and participation of VIRIP at the Third World Reconstruction Conference (WRC3) and Small Island Sustainable Resilience Initiative (SISRI) Mexico. During the year, an eminent Disaster Recovery Framework (DRF) Specialist was mobilised with the assistance of the World Bank/GFDRR. Whilst still yet to be finalised, the DRF Consultant has been actively working with the Prime Minister’s Office and Department of Strategic Planning, Policy and Aid Coordination (DSPPAC) on a policy and planning framework as an integral component of disaster reconstruction and resilience. This framework will form much of the structure for future initiatives under VIRIP.

Development of the DRF together with project related practices and procedures, harmonised with government assistance has been identified as best practice. The World Bank has encouraged the Government to promote these policy development initiatives undertaken under VIRIP through selected agencies such as the Global Facility for Disaster Risk Reduction (GFDRR) and the SISRI.

Disaster Recovery Framework (DRF)

The Disaster Recovery Framework (DRF) consultant has completed the second phase of his services, including:

- » Definition of DRF scope, schedule and management arrangements. Organized the Government core group (NPD, MDM/DMC and Post-Disaster Needs Assessment (PDNA) sector focal points from line ministries). Agreed on DRF scope, schedule and leadership/coordination mechanism.
- » Identification and analysis of status quo. Assessed existing recovery policies, rules and procedures. Review 2016 & 2017 PDNA/recovery experiences and identify lessons
- » Consultation on status quo. Consulted with stakeholders on analysis of status quo. Identified strengths, weaknesses and opportunities.

Subsequent to a request from the Prime Minister's Office (PMO), it was agreed to vary the services of the DRF consultant to undertake a DRF for Ambae, prior to completion of a generic national DRF. Importantly, it was agreed with the PMO that the services will assist the Government to develop the DRF consistent with a 'risk-informed development needs' approach.

To confront disaster risk successfully in Vanuatu, it is essential to shift from current ad-hoc responses to proactive, forward-looking, systematic and integrated risk management, as an integral part of development planning and as a necessary foundation for sound disaster recovery planning. The Government faces internal institutional risks in addressing these tasks: significant budgetary and human resource limitations. Annual government budget allocations cover operational and staffing costs only. All development funding is provided by external partners and is unevenly distributed among sectors. Likewise, most government departments lack staff and have significant numbers of posts vacant. The consultant is cooperating with a national *Machinery of Government Review*, currently underway, to ensure that the disaster-risk informed planning and recovery framework is in line with any governance reforms instituted and with the foreseen increased decentralization of Government functions to Provincial and Area Council levels.

To ensure the highest level of executive ownership and leadership, it was recommended to refer the oversight and approval of the DRF to the National Recovery Committee (NRC), in accordance with its newly formed mandate.

Public Works Department (PWD) / Ministry of Infrastructure and Public Utilises (MIPU)

The operating context within Public Works Department (PWD) does remain challenging due to serious HR capacity issues and shortages caused by a combination of unfilled vacancies and temporary 'acting' appointments. A new minister was appointed in October 2019. The recent suspension of the Director PWD (and Chairman PIC) has added to the uncertainty. Fortunately, there is a new substantive MIPU Director General, who was appointed in November. PWD Director and Manager of Operations resume in acting roles, which renews the problems of effective long-term management within the department. Attempts to meet with key people in a timely manner is difficult as these people deal with numerous conflicting priorities. However, the overall buy-in and ownership remains good, albeit communications and coordination needs to be improved.

Roads for Development (R4D)

The working relationship between the VIRIP and the DFAT funded Roads for Development (R4D) programme has been very good, working together to develop and harmonise systems under the direction of PWD. Since July 2018, R4D has entered into a transition phase with much of the core team remaining from the first phase. The transition period is expected to last to mid-2019 before the new implementation phase begins.

Ministry of Education and Training (MoET)

Ministry of Education and Training (MoET) remains an active stakeholder. The departure of the MoET Chief Architect in December may cause a resource constraint. Whilst there have been delays in procurement because of finalisation of classroom design and certification, with the assistance of MoET the remainder of the planning, design and documentation has progressed smoothly and expeditiously. The recent review of the classroom designs, under the World Bank funded Global Program for Safe Schools (GPSS) has offered an excellent review (albeit very belated) of the structural requirements of classrooms to meet the structural actions (forces) of natural disasters. This review will require a variation to the standard MoET-approved classroom, however fortunately the classroom was well designed initially and the changes are minimal.

Department of Strategic Planning, Policy and Aid Coordination (DSPPAC)

Department of Strategic Planning, Policy and Aid Coordination (DSPPAC) has been most recently been active with the development of the Disaster Recovery Framework (DRF) and the planning and prioritisation of Part 3: Public Buildings. There will be greater emphasis on DSPPAC during the next 2 quarters, as these activities are implemented.

National Recovery Committee (NRC)

The newly formed National Recovery Committee (NRC) is the peak body responsible for long term recovery efforts and it is believed taken over the role and functions of the Program Recovery Committee. However, its mandated role is unclear. Notwithstanding, the formation of the DRF has been referred to the NRC for policy oversight and direction.

Project Implementation Committee (PIC)

Engagement with the Project Implementation Committee (PIC) involving MIPU, MOET, MFEM and DSSPAC has been positive and VIRIP advisers have engaged and worked with individual work units related to specific work elements. The Project Implementation Committee (PIC) has met twice on 2 March and on 21 June 2018 guiding progress and noting the development of the Disaster Recovery Framework.

World Bank

Engagement with the World Bank during the period has been very constructive with active participation by the World Bank team, including the fortnightly video conferences and two missions during 2018. The World Bank has actively assisted with the providing information, suggestions and directions which have provided significant added value to VIRIP.

During 2018, the Project Manager/Coordinator (PMC) and Director General of Finance attended the joint Understanding Risk/SISRI Conference in Mexico City. The learning outcomes of that conference reinforced the learnings from the Brussels' 3rd World Reconstruction Conference (WRC3) in 2017.

Risks

Leading up to the end of 2018 there has been some clarity on how the South Santo Road, Ambae emergency and relocation and most notably the VT3 billion feeder road program will impact upon VIRIP. The impact of the South Santo Road and the Ambae emergency is now somewhat clearer and mitigation measures have been established to reduce impacts on VIRIP. However, the feeder road program appears to be likely to occur according to some sources and still represents a high risk to VIRIP, as limited available resources become strained to execute this project.

Procurement and Contract Administration

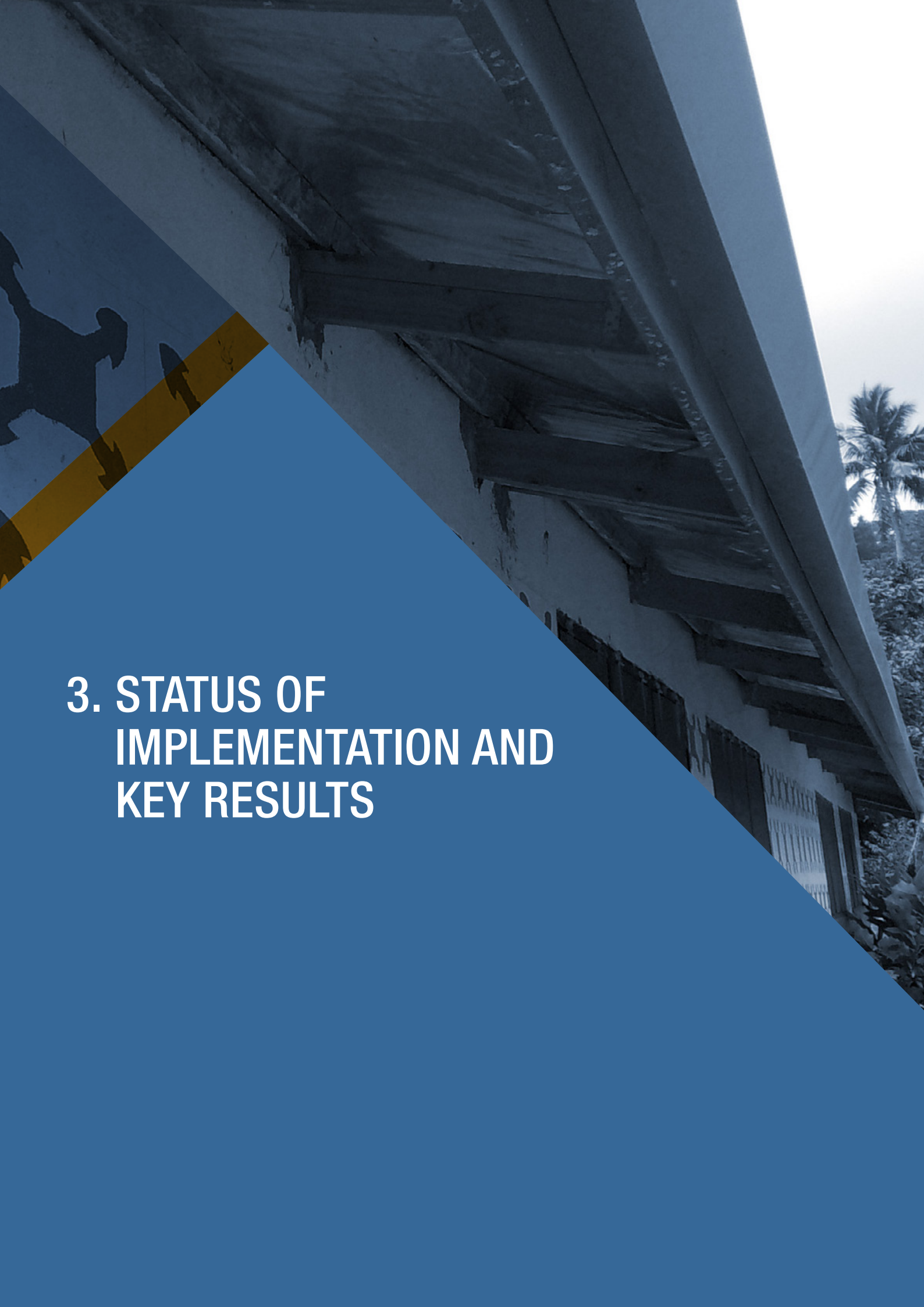
The backlog of procurement as a result of delayed planning, design and documentation and a fast-tracked programme is beginning to decline, but the pace must be maintained throughout 2019. As procurement pace has increased other bottlenecks (e.g. design) have been identified and are being actively managed. Lack of available evaluation committee has been a constraint with some evaluations requiring numerous meetings because members are busy with other priorities. There are now 17 contracts well underway. This number will rapidly increase to at least 30 works contract throughout 2019 which will see the transfer of pressure from procurement to contract administration.

VIRIP continues to use the World Bank *Request for Tender* and *Request for Quotation* documents and their associated contracts. The PIC has directed that, where possible, VIRIP will promote the harmonisation of practices and procedures for project implementation. This will include most notably, financial management, procurement, contract administration and social and environmental safeguards. As such, VIRIP has engaged with the World Bank to adopt the Government of Vanuatu *Request for Tender* (RFT) and *Request for Quotation* (RFQ) documents, which will allow harmonisation across the spectrum of procurement and contract administration functions.

Competition and Price Reductions




Competition amongst tenderers has been sporadic with some requests being well responded to whilst one tender had 1-2 tenderers only. A review of the tenderer short-list for Part 1, 2 and 3 revealed that other competitors could be short-listed and this was actioned towards end of 2018. It is evident that contractors are wary of undertaking works in the outer islands and to some degree the progressive extension of works geocentric from Efate has been successful. However, it is too early to determine how the new cadre of tenderers will respond to these opportunities.

It has been encouraging that the tender prices have generally decreased with time. For example, the contract prices for W1-06-18 Epi - West Epi Road Improvements - 800m FRC and W1-13-18 Efate - Mangaliliu Road Improvements - 1100m FRC were about 30% cheaper than the first similar works on Tanna, W1-01-17 Tanna - King Cross Road Improvement - FRC. It is too early to establish a long term trend for such figures and how this may affect the overall budget, however this will be monitored during the first 6 months of 2019.



3. STATUS OF IMPLEMENTATION AND KEY RESULTS

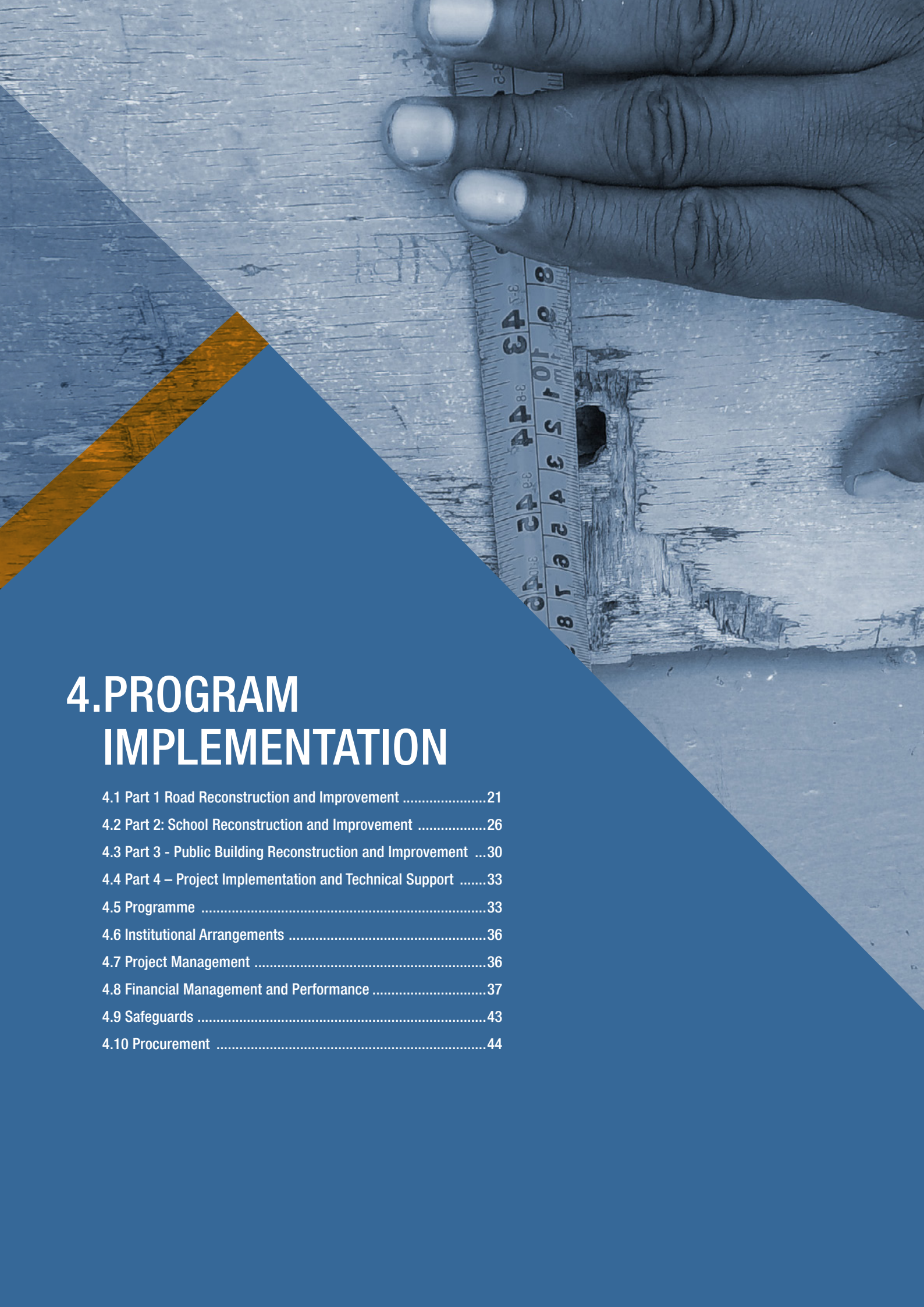
Status of Implementation and Key Results

On track 		Slightly behind schedule 		Issues requiring attention 			
VIRIP Annual Report Jan-Dec 2018							
OBJECTIVES (What you want to achieve)	INDICATORS (How to measure change)	Overall Program Target (2018- 2021)	Targets January- December 2018	Annual Report Progress January-December 2018)	% Progress in QTR	CUMULATIVE PROGRAM PROGRESS (JANUARY - DECEMBER 2018)	% overall progress
<i>PDO: Reconstruct and improve the disaster and climate resilience of selected public sector assets in provinces affected by TC Pam, and to provide immediate and effective responses to eligible crises and emergencies.</i>	# men and women in target communities with improved pedestrian access	14,000 people (50% men and 50% women)	2,000 people (50% men and women)	3082 (2792 Kings Cross Road 290 Vanwoki Hill and Ranwadi Point)	22%		22%
	# of users and beneficiaries (both women and men) with access to improved infrastructure	4,600	0 in year 1		0%	M&E Plan contains details on approach and methodology to measure and assess	0%
<i>Goal: Goal Statement: People in Vanuatu have reliable access to a safe, resilient and environmentally specific infrastructure (built to standards and relevant codes) supported by sound government systems and processes</i>	<ul style="list-style-type: none"> Level of Service (LoS) maintained and enhanced through VIRIP scope of works. Communities and schools report high levels of satisfaction with improved infrastructure. 	LoS score maintained	Average of LoS across the road network		0%	M&E Plan contains details on the approach and methodology to measure and assess.	0%
<i>End Outcome 1- Safer and resilient communities using and maintaining improved infrastructure.</i>	# communities establishing formal mechanisms to service and maintain infrastructure.)	70% of communities establish individual groups to maintain infrastructure	15% year-on-year increase in perception		0%	On-going with Safeguards Specialist to determine levels of involvement and how these can be measured	0%

VIRIP Annual Report Jan-Dec 2018							
OBJECTIVES (What you want to achieve)	INDICATORS (How to measure change)	Overall Program Target (2018- 2021)	Targets January- December 2018	Annual Report Progress January-December 2018)	% Progress in QTR	CUMULATIVE PROGRAM PROGRESS (JANUARY - DECEMBER 2018)	% overall progress
End Outcome 2- GoV implementing an institutional framework committed to better emergency response and promotion of community resilience.	<ul style="list-style-type: none"> GoV adopt and implement a reconstruction policy and strategy 	1 policy and strategy implemented	Development of policy and strategy Management meetings around policy and strategy implementation		25%	Majority of work to commenced, with DRF Consultant well advanced on DRF Ambae as a prelude to National DRF (to be finished in March 19).	80%
Output 1: Infrastructure Provision 1.1 Road Assets reconstructed and improved	<ul style="list-style-type: none"> #Km of roads maintained annually # physical infrastructure enhancements 	X km 250	0km 50	14km 9	10%	Kings Cross Road Improvement – complete. Malekula Culverts – Improvement to Batven Stream and Unua No 5 under contract. West Epi Road Improvements – 800m FRC under contract Ranwadi Point – complete Vanwoki Hill – complete Mangaliliu Road Improvement – under contract Design and Documentation and Supervision of 2018-2019 Works under contract	36%
1.2 Schools reconstructed to a higher standard	<ul style="list-style-type: none"> # schools repaired and constructed each year. 	40	5	6 Commenced 8 under tender	15%	The Survey and Documentation of School Buildings has been released to the market. Package 1: Efate - Eton and Ekiye – under contract Package 2: Nguna, Pele and Emau – under tender Package 3: Efate - Etas, Maumau – under contract Package 4: Epi - Bonkovio, Lamenu, Akama, Mafilau – under tender <ul style="list-style-type: none"> Packages 6 and 7 require field inspections of Worarana, Makira, Mataso, Vutekai, Lire, Lehili and Luvil schools, prior to tendering. 	37%
1.3 Public buildings reconstructed to a more resilient standard	<ul style="list-style-type: none"> # buildings constructed 	20	3	1 Commenced 12 Under tender	8%	<ul style="list-style-type: none"> Selection of Kramer Ausenco has occurred. Asbestos Specialist inspected 23 Schools and all public buildings located in Efate for phase one. Supervision of Public Building Works is expected to occur on time. Package 1: Catering Building – under contract	22%

VIRIP Annual Report Jan-Dec 2018							
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VIRIP Annual Report Jan-Dec 2018							
OBJECTIVES (What you want to achieve)	INDICATORS (How to measure change)	Overall Program Target (2018- 2021)	Targets January- December 2018	Annual Report Progress January-December 2018)	% Progress in QTR	CUMULATIVE PROGRAM PROGRESS (JANUARY - DECEMBER 2018	% overall progress
Output 3: Project Management - 3.1 Project finances managed according to both GoV and World Bank guidelines and procedures	<ul style="list-style-type: none"> # of contractors and service contracts approved in each fiscal year. % of variation amounts approved in each fiscal year 	# contracts 10% reduction in year on year contract variations	# contracts x variations per contract year	Financial management systems have been established and are operational on the program 26 Contract let, 5 variations	30%	<ul style="list-style-type: none"> Relevant financial management systems have been established and operational. Semester accounts have been audited. 36 Contracts let. 5 Variations issued. 10 Procurements Currently underway 	41%
3.2 Infrastructure contracts managed and supervised in an effective and sustainable manner	<ul style="list-style-type: none"> # of payments released on a quarterly basis #of payments made to contractors and contracts within approved budgets. 	% issue raise on late payments	# of payments made	66 payments released (services) 43 payments made to contractors	30%	<ul style="list-style-type: none"> All payments made on within a month. 	41%
3.3 Lessons learned and reflection events completed	<ul style="list-style-type: none"> Annual lessons learned and reflection event completed 	5 events per year	1 per year	Not commenced in the period but this is an activity scheduled for mid 2019	10%	<ul style="list-style-type: none"> Discussed an included as part of the overall M&E Plan. 	41%



4. PROGRAM IMPLEMENTATION

4.1 Part 1 Road Reconstruction and Improvement	21
4.2 Part 2: School Reconstruction and Improvement	26
4.3 Part 3 - Public Building Reconstruction and Improvement ...	30
4.4 Part 4 – Project Implementation and Technical Support	33
4.5 Programme	33
4.6 Institutional Arrangements	36
4.7 Project Management	36
4.8 Financial Management and Performance	37
4.9 Safeguards	43
4.10 Procurement	44

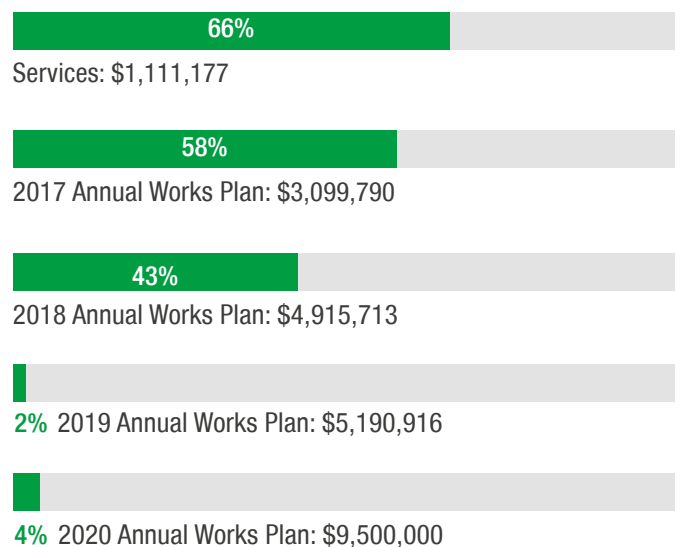
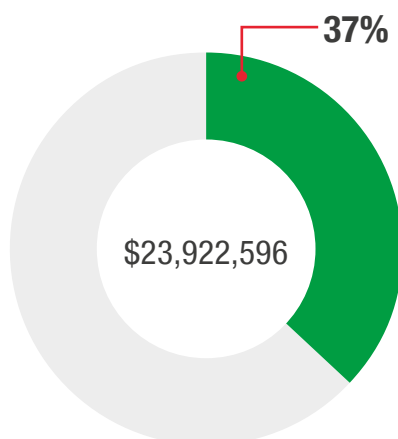
The following sections provide further narrative and evidence of progress towards key outputs and the PDO. The information contained below complements the concise information contained in the results framework above. The purpose is to provide more detailed explanation and analysis of the progress, achievements and challenges in obtaining defined outputs and outcomes. There is also opportunity to present some initial lessons learned, discuss new and emerging risks and to provide some conclusions and recommendations to guide future implementation. The percentage complete has been analysed by MS Project automatically, as shown in the Works Program.

PART 1. ROAD RECONSTRUCTION AND IMPROVEMENT

Overall

Part 1 is 37% complete which is approximately where this Part was anticipated as per last year's Annual Report. The 2017 Annual Works Plan (AWP) is 58% complete. 2018 AWP is 43% complete and has lagged mainly because of the delay of W1-05-18 Pentecost - Improvement to South

Pentecost Road estimated value of \$2,109,561. The 2019 AWP has been developed based upon the Budget Allocation System (BAS), developed by Public Works Department, and completed in December 2018.

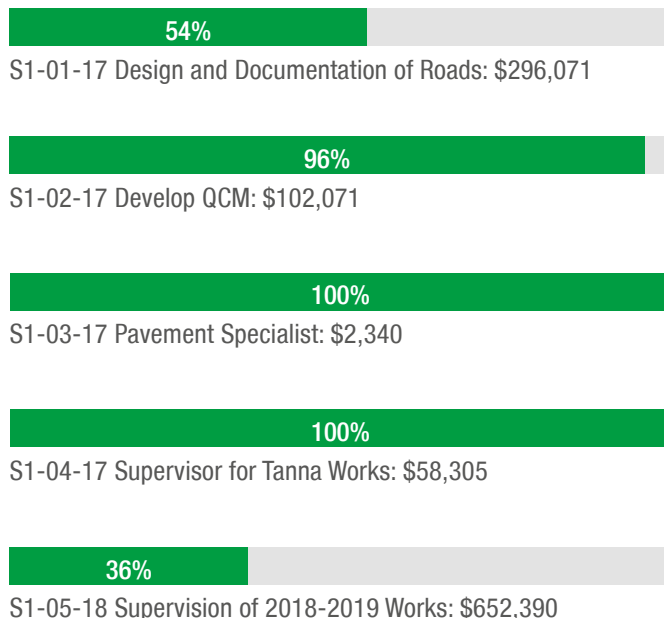
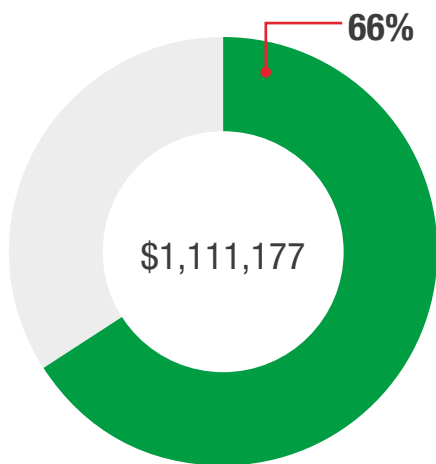


PART 1. ROAD RECONSTRUCTION AND IMPROVEMENT

Services

Design and Documentation of Roads awarded to QCL initially struggled to deliver designs to the appropriate quality. VIRIP has worked with his consultancy to improve its outputs and has recently varied the contract to introduce more effective design management and quality assurance. Development of the *Quality Control Manual* is complete with training delivered on time. This manual will now provide detailed procedures and forms for contract quality issues. This contract was varied to include the development of a complementing *Contractor's Quality Plan (CQP) – Template*, which will allow contractors to readily implement a quality system. The *CQP-Template* was completed in November with the delivery of training to local contractors. The Pavement Specialist, who

conducted the pavement design for W1-01-17 and W1-02-17, is complete. Services of the supervisor for the Tanna works is now complete. The supervision of 2018-2019 is contracted and has taken over the supervision of the Tanna Works and the contracted works on the 2018 AWP. It was clarified that Roads for Development (R4D) does not have the resources to oversee the IBC works funded by VIRIP, as originally anticipated. This, together with additional supervision and administration requirements, required the variation to the supervision of 2018-2019 services. It was also agreed with the World Bank that, where possible, services will be augmented/varied to minimise the amount and delays associated with procurement.

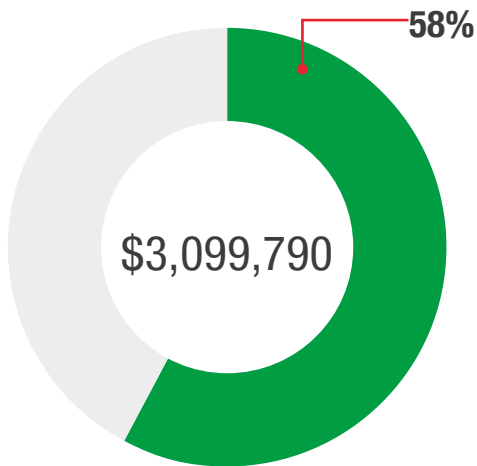


PART 1. ROAD RECONSTRUCTION AND IMPROVEMENT

2017 Annual Works Plan for Tanna-King Road

The first two items of work were contracted prior to the end of 2017, however because of delays mobilisation and coordination between two activities, works did not start on site until mid-February 2018. Works have been performed very well with the original scope completed in August for both contracts. It was subsequently agreed to vary both contracts to improve the Isangel Loop Road and Hospital Road through extension of the same rates

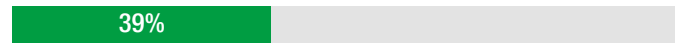
and extension of time, subject to approvals. The last two activities in Malekula have been delayed because of design concerns and PWD directed that the design consultants for Part 1 should review the design, scoping and cost estimates prior to implementation by IBC contractors. Works are now underway with completion due by April 2019.



W1-01-17 Tanna - King Cross Road Improvement - FRC: \$965,320



W1-02-17 Tanna - King Cross Road Improvement - Bitumen: \$1,971,430



W1-03-17 Malekula - Improvement to Batven Stream (Neramb) Crossing (2 x IBC): \$76,515



W1-04-17 Malekula - Improvement to Unua 5 Stream (Blacksand) Crossing (2 x IBC) \$86,525



Road in Tanna

PART 1. ROAD RECONSTRUCTION AND IMPROVEMENT

2018 Annual Works Plan

The first five activities were originally approved under the 2018 AWP, but the last four subsequently approved for incorporation, upon review VIRIP and PWD. W1-13-18 Mangaliliu Road Improvement was included upon the second quarter AWP review.

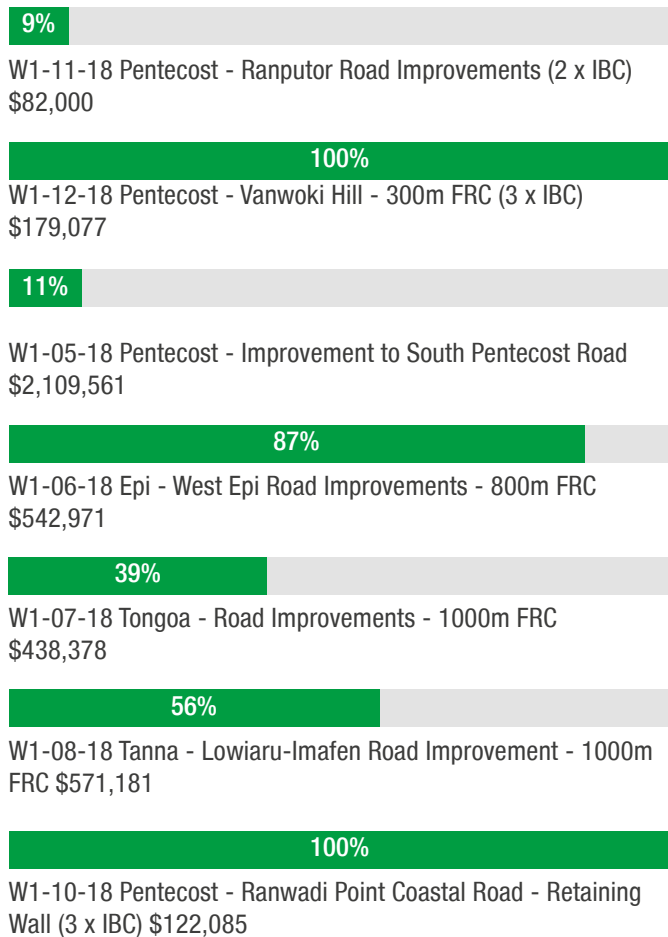
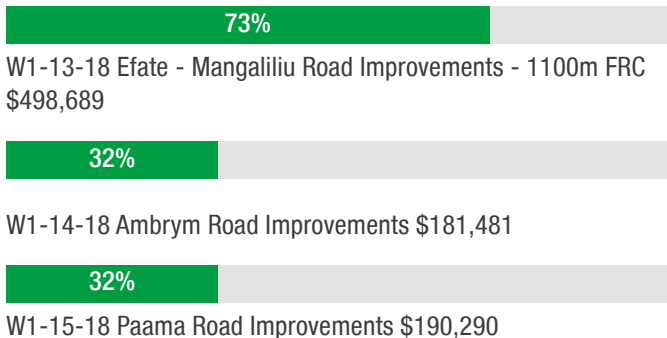
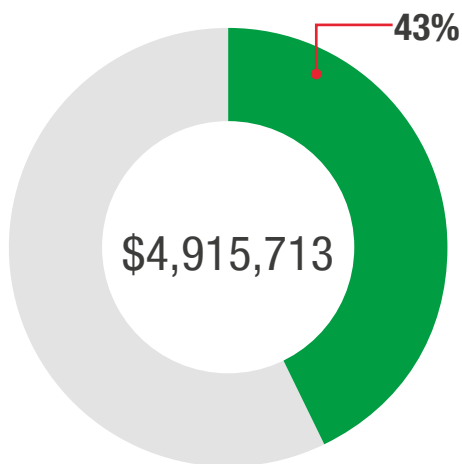
It was agreed to explore undertaking IBC contracts under a prime contract, utilising IBC contractors (as nominated sub-contractors). However, exploring this Prime –IBC procurement arrangement has taken some time, so it was decided to undertake direct IBC contracts for each activity. The Prime-IBC Contracts model will now be considered in the 2019 AWP, as shown below.

Ranwadi Point Coastal Road - Retaining Wall and W1-12-18 Pentecost - Vanwoki Hill - 300m FRC are now complete. Cooks Cave was deleted, as the Government is considering the undertaking these works through a Chinese Government-funded loan. As a consequence, it is planned to undertake Ranputor Road Improvement, which is consistent with previous plans by PWD, subject to approval.

After repeated requests to PWD, the Activity Proposals for activities for the Ambrym-Paama works were provided with a field visit undertaken. Works are now expected to be contracted during early 2019.

There has been significant delays with the development of the W1-05-18 Pentecost - Improvement to South Pentecost Road which has affected the overall performance of the 2018 AWP. The works are comparatively complex, requiring three design reviews. This is now complete; however, the works will be tendered in early 2019.

The West Epi Road Improvements - Fibre Reinforced Concrete (FRC) has been contracted. Contractor mobilized to site and works are well underway. Similarly, Mangaliliu Road Improvement - 1100m FRC has been contracted and well underway.



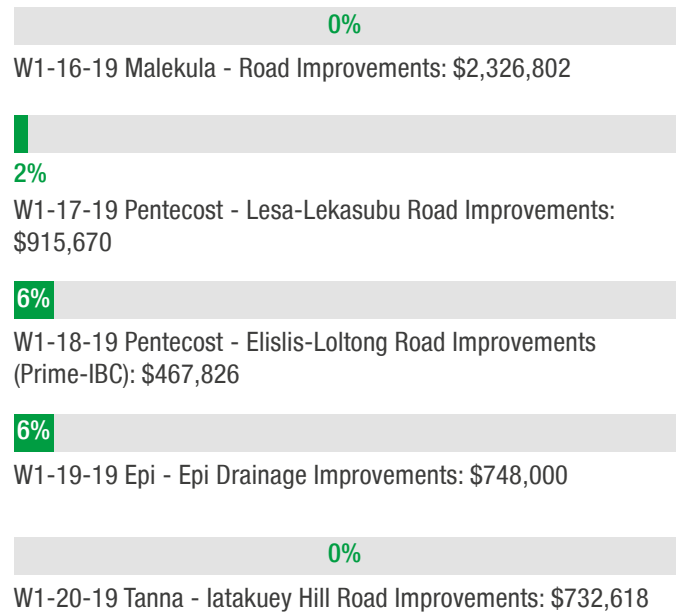
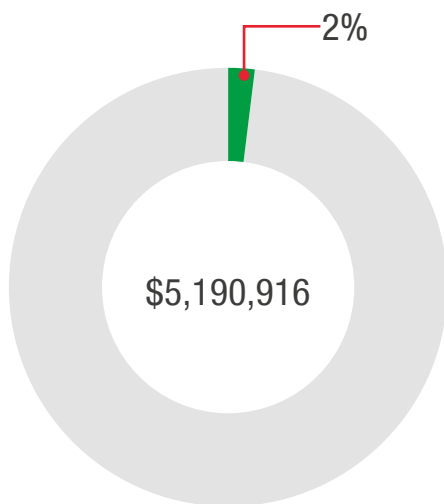
PART 1. ROAD RECONSTRUCTION AND IMPROVEMENT

2019 Annual Works Plan

A total of 5 Activities are anticipated for 2019, as developed by PWD in its Annual Works Planning process, completed in December 2018. These activities are subject to approval by the World Bank, however were selected in accordance with the selection criteria with justifications, as outlined in the respective Activity Proposals.

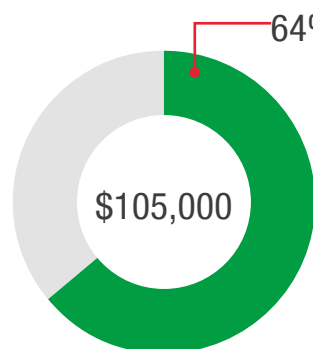
All Activities require design and documentation, prior to tendering.

Malekula - Road Improvements is expected to be tendered as one package because of isolation and contiguous nature of the works. Other packages are generally larger in value than the previously issued tenders, in anticipation of the emerging capabilities and resources of local contractors. Notably, Pentecost - Elislis-Loltong Road Improvements will be issued as a Prime-IBC style contract.

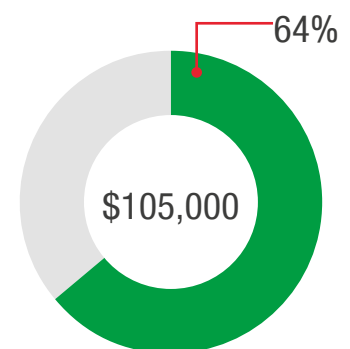


Goods

The purchase of three vehicles for supervision has been re-advertised. However, a lack of understanding of how to complete simple procurement documentation by two of the three suppliers has resulted in significant delays in procurement. As this was not the highest priority activity, it has taken some time to resolve.



Goods



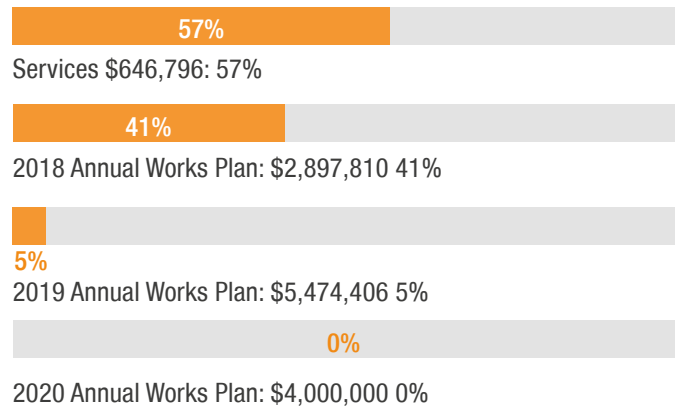
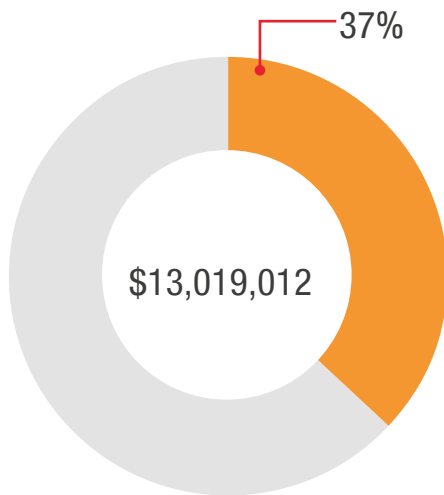
G1-01-18
Purchase of 3 Vehicles

PART 2: SCHOOL RECONSTRUCTION AND IMPROVEMENT

Overall

Part 2 is 37% complete and generally slower than expectations for 2018. Provision of services are generally on track, albeit a delay in contracting the Supervision services. The 2018 Annual Works Plan (AWP) is slightly slower than expected, as a result of delays in procurement and provision of designs and documentation. The 2019 AWP indicates a large number of activities requiring procurement. As a result of the introduction of resources, systems and new tenderers,

it is believed that this program is realistic. However, the Global Program for Safe Schools (GPSS) structural review will result in changes to the existing standard drawings for standard classroom which will be problematic for existing contracts and future tenders. The 2020 AWP will generally consist of the most difficult activities with isolated locations, high schools and those schools with unique design requirements.



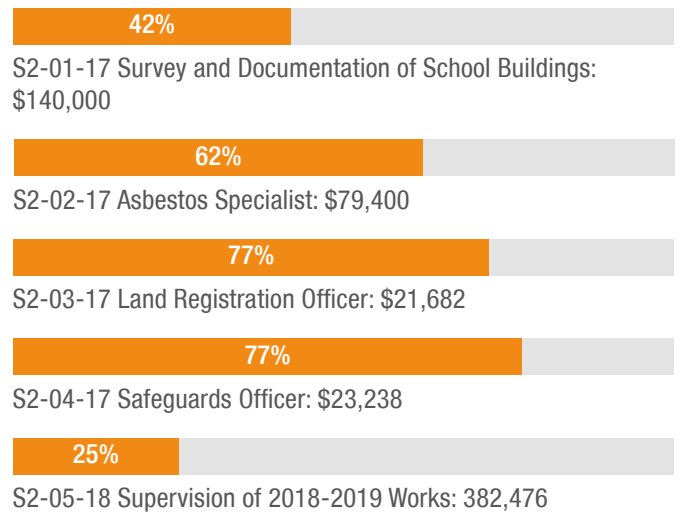
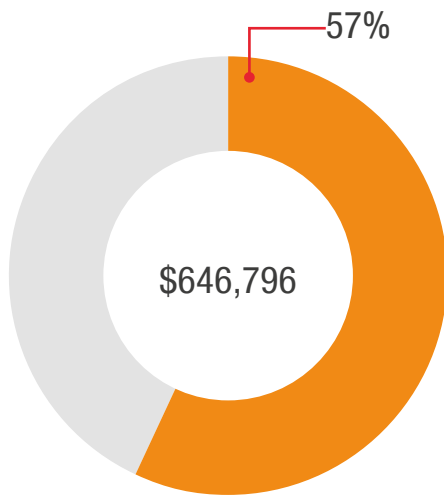
School in Tonga

PART 2: SCHOOL RECONSTRUCTION AND IMPROVEMENT

Services

The survey and documentation of school buildings has been issued for expression of interest and responses returned and still under evaluation. The Asbestos Specialist will train the Land Registration Officer (LRO) on the sampling of Asbestos, as the LRO will visit all sites and the outcome provides a much more cost effective solution. Supervision of the 2018-2019 Works was issued for expressions of interest and contracted.

The selection of the LRO is complete, after a protracted delay. As such, VIRIP is now actively working with MoET to either establish landholder agreements as a formal 'right of use' or lease.



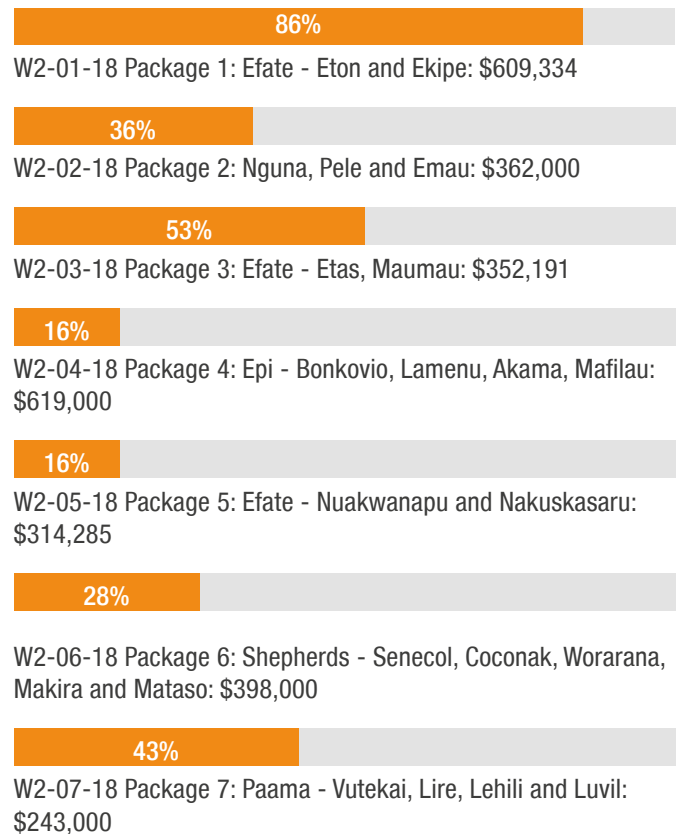
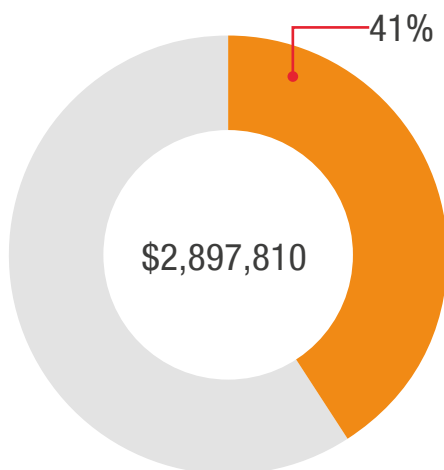
School in Emua

PART 2: SCHOOL RECONSTRUCTION AND IMPROVEMENT

2018 Annual Works Plan

Procurement on the first five packages of works is now proceeding through procurement. Package 1 was contracted and has served as the test case, prior to issuance of other packages. Package 3 was issued to the market and now contracted. Packages 2 and 4 are out to the market place. Packages 5, 6 and 7 require

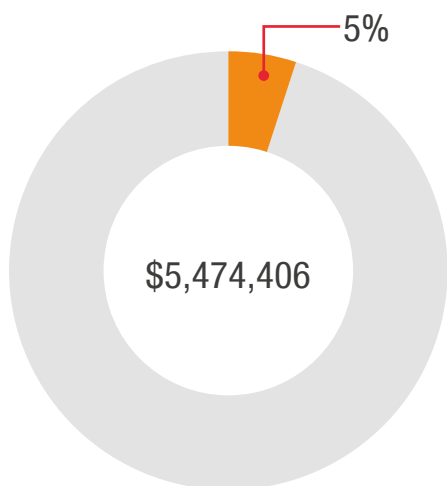
field inspections of Nuakwanapu, Greenhill, Nakuskasaru, Worarana, Makira, Mataso, Vutekai, Lire, Lehili and Luvil schools during early 2019, prior to issuance for quotation. This will occur with the engagement of the Survey and Documentation Consultant.



PART 2: SCHOOL RECONSTRUCTION AND IMPROVEMENT

2019 Annual Works Plan

Package 8 was inspected, but roadworks (as indicated in W1-07-18 Tongoa - Road Improvements - 1000m FRC) are necessary on Tongoa to mobilise materials and equipment for the works to continue. Other Packages require field inspections, prior to tendering. This will occur with the engagement of the Survey and Documentation Consultant.



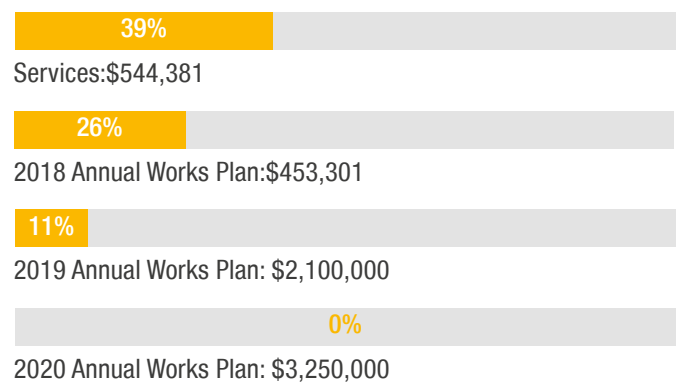
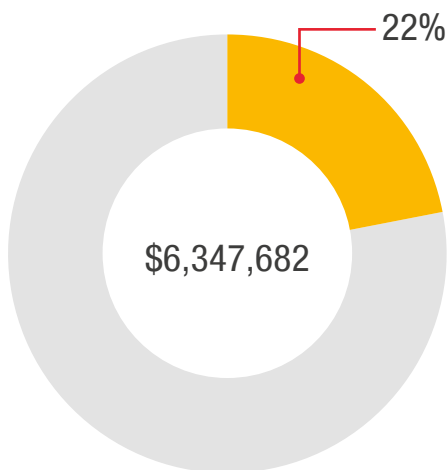
- 5%** W2-08-19 Package 8: Tongoa - Malawia, Ere, Nottage, Itakuma and Naworaone \$631,549
- 5%** W2-09-19 Package 9: Efate - Kawenu: \$342,857
- 3%** W2-10-19 Package 10: Malekula - Lonvat Junior High School: \$1,000,000
- 5%** W2-11-19 Package 11: \$500,000
- 5%** W2-12-19 Package 12: \$500,000
- 5%** W2-13-19 Package 13: \$500,000
- 5%** W2-14-19 Package 14: \$500,000
- 5%** W2-15-19 Package 15: \$500,000
- 5%** W2-16-19 Package 16: \$500,000
- 5%** W2-17-19 Package 17: \$500,000

PART 3 - PUBLIC BUILDING RECONSTRUCTION AND IMPROVEMENT

Overall

Part 3 is only 22% after a very slow start. DSPPAC has been actively involved during the period for the review of the draft inception report from Kramer Ausenco Ltd (Kramers) and provided direction on how to proceed. The most evident problem and delay was that most of the buildings on the list provided by DSPPAC have now been repaired and in some cases re-purposed or permanently abandoned. As such, with the assistance

from VIRIP, DSPPAC issued a new expression interest to Ministries and Departments for repairs and improvements of buildings for funding under VIRIP. Submissions have been returned and are currently being inspected and investigated for further short-listing.



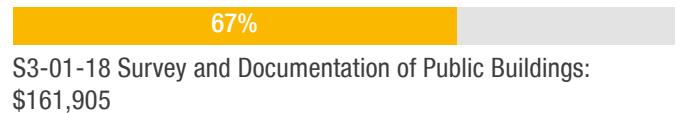
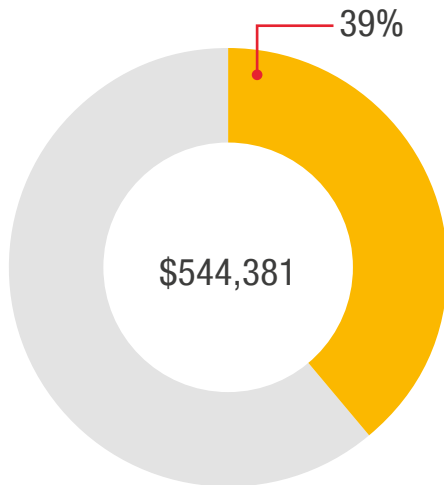
Catering building, Port Vila

PART 3 - PUBLIC BUILDING RECONSTRUCTION AND IMPROVEMENT

Services

Kramers' were engaged on 2 May 18 and shortly after started inspections of public buildings in Port Vila. Kramer developed a first packages of works for the Catering Building at the Parliament House and 11 other buildings in Port Vila were subsequently issued for quotation. Other public buildings in the outer islands that may meet the selection criteria are being inspected and activity

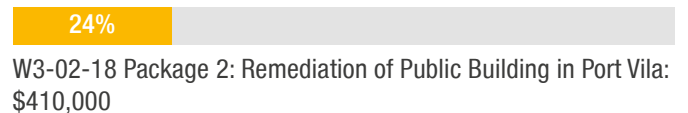
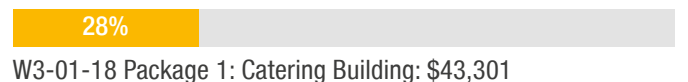
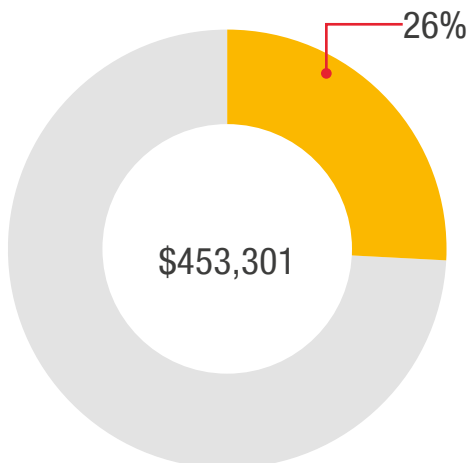
proposals will be subsequently developed. Supervision of the public buildings may be augmented with the services of the supervision of the school buildings. This will be subject to World Bank approval; otherwise, the services must be issued to the market and may affect supervision of the first package of works.



2018 Annual Works Plan

As anticipated the packages of works were issues to the market in the third and fourth quarter 2018. These works are relatively simple, requiring minimal design and

documentation and represent minimal risk. Those works requiring more specialized design and construction with higher risk will be undertaken thereafter.

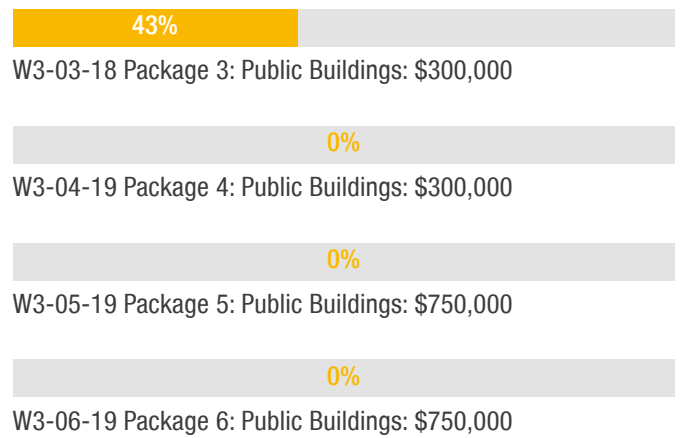
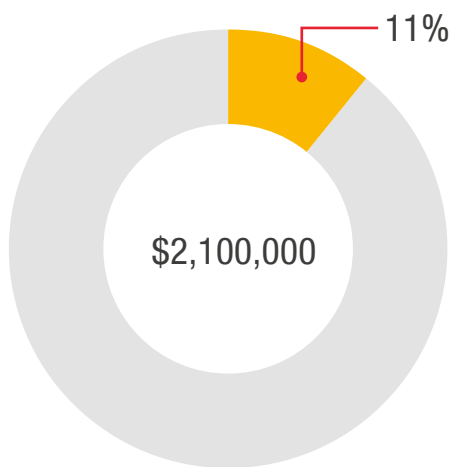


PART 3 - PUBLIC BUILDING RECONSTRUCTION AND IMPROVEMENT

2019 Annual Works Plan

Four packages of works are anticipated for 2019. These works will generally be in the outer islands. These works are expected to be more complex, because of the remote nature and logistical problems with servicing a remote site

and requiring more specialized design and construction. The works will generally be packaged into of higher value works to increase efficiencies. Those works with higher risk will be undertaken thereafter.



Catering building, Port Vila

4.4 Part 4 – Project Implementation and Technical Support

As of end of 2018, the full complement of key staff had been engaged in the PST, as envisioned in the *Project Appraisal Document*. However, upon review a Contracts Manager was considered a necessary addition to the PST to support the implementation of design and supervision services and oversee the works and associated quality control and administration. The selected Contracts Manager mobilised at the end of October 2018.

Ancillary staff were requested by PWD to take up the incremental workload imposed by VIRIP on PWD, notably procurement and finance functions. As such, a Procurement Officer and Junior Accountant were recruited and began work during the September quarter.

Performance Reviews were undertaken for all PST staff who had completed approximately 12 months, which also included a review of the current terms of reference for each assignment. The Disaster Recovery Framework (DRF) Consultant, Nigel Fisher, was sourced through sole source selection arrived in May 2018 to work with the Prime Minister’s Office.

The PST was requested to assist with the securing of a Design and Supervision Consultant for the World Bank-funded Vanuatu Climate Resilience Transport Project (VC RTP). The PST determined that it is capable of assisting with the project preparation of VC RTP; however, the services of a part-time Procurement Specialist was required to focus this assistance and mitigate any impacts on VIRIP.

4.5 Programme

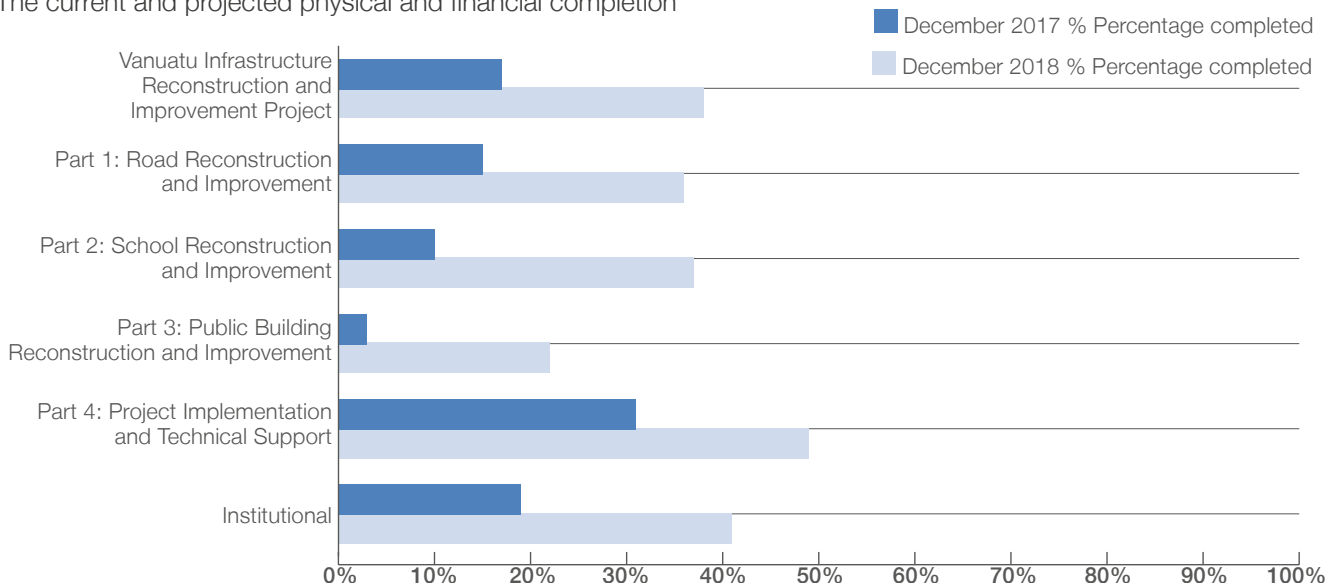
A detailed Works Programme has been included in Appendix 1.

Current and projected completion

The current and projected physical and financial completion is shown below:

Date	December 2017 (Actual)	December 2018 (Actual)
Practical Completion	17%	38%
Time Completion	21%	39%
Financial Commitment	7.4%	13%
Financial Expenditure	1.2%	9%

The current and projected physical and financial completion



Practical completion is analysed by Microsoft Project, across all project Parts and is the percentage of tasks and activities practically complete by the date of the report. As can be seen the practical and time completion are aligned, however financial commitments and expenditure still lag. This is mainly as a result of the belated signing of contracts. The breakdown of the practical completion for each Part is shown in the graph above.

Financial commitment expenditure is based on the current and future anticipated signed contract amounts. Based on the Works Programme, the expected cash flow is shown in the graph below represents a classical 'S' shaped cash flow that would be expected for a project of this nature. The second peak which occurs later in the project is as a result of the high-valued bridge package.

Based on the above table, it can be seen that there has been significant improvement across all Parts. Notably, Part 2 Schools has progressed well with the planning and procurement for the first packages of work.

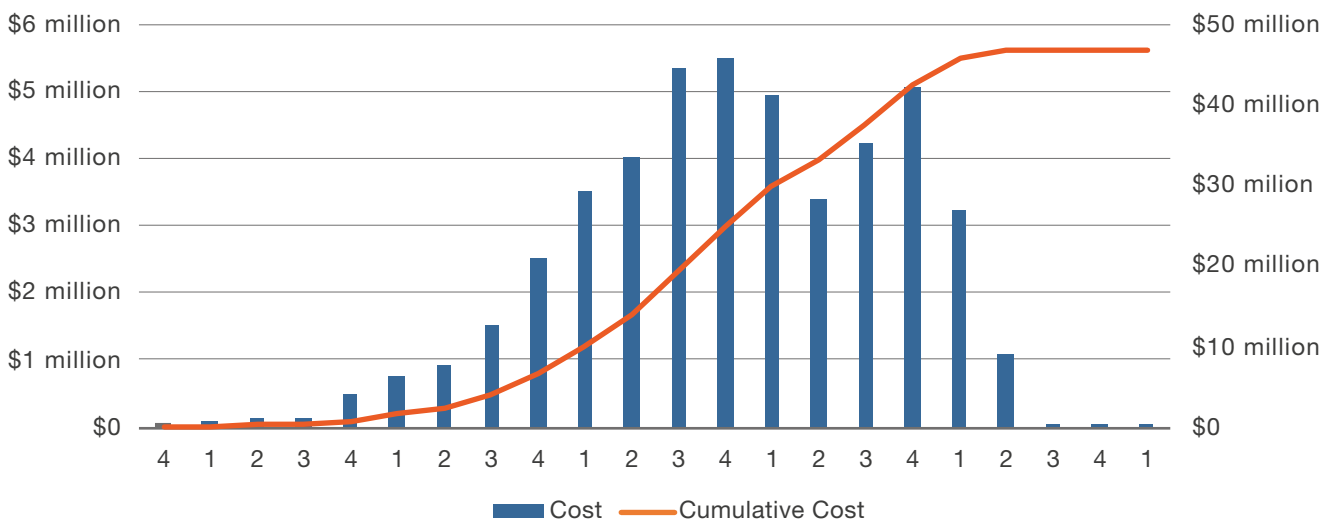


Figure1: Updated Cash flow for VIRIP Budget Progress

Province	Part 1: Roads (1)	Part 2: Schools (2)	Part 3: Public Buildings (3)	Total (4)
Malampa	VT 667,425,286	VT 415,500,000	VT 43,019,667	VT 1,125,944,952
Penama	VT 641,572,609	VT 212,000,000	VT 35,000,000	VT 888,572,609
Shefa	VT 720,441,977	VT 502,000,000	VT 203,921,747	VT 1,426,363,723
Tafea	VT 700,560,128	VT 190,000,000	VT 84,444,667	VT 975,004,795
Total	VT 2,730,000,000	VT 1,319,500,000	VT 366,386,080	VT 4,415,886,080

Some key points to note:

1. Allocation for Part 1 Roads has been based on the outputs of Public Works Department (PWD), Budget Allocation System (BAS).
2. Allocation for Part 2: Schools has been based by the list of Schools approved by Minister of Education, provided to VIRIP on 12 May 2017.
3. Allocations for Part 3: Public Buildings based on list of Public Buildings provided by DSPPAC/PMO, reviewed by World Bank, dated 9 March 2017
4. Amount in Vatu, based on an exchange rate of VT105 = USD1.00

Resources

During the September Mission, the World Bank indicated that the key resources needed review including: consultants/contractors, MIPU, PWD and PST. In response, the VIRIP PST undertook a rapid assessment of the absorptive capacity of the local contracting market and resources within MIPU, PWD and PST.

Assessment of Capacity.

An assessment of the capacity is summarized as follows:

- » **Consultants.** All four (4) local technical consultant are providing both design and supervision services to VIRIP, under Part 1, 2 and 3. Currently the local consultants have allocated about 50% of their resources to VIRIP with this expected to increase as some additional design and supervision services are more actively required by mid-2019.
- » **Contractors.** Of the local competitive Contractors, 5 are deemed to be able to undertake works around USD1-2 million. Only 2 of those 5 local contractors can undertake works above USD2 million. The optimal market value of works for the competitive local contractors is around USD500,000, with around 20-30 contractors able to compete in this market range. On this basis, works under Part 1, 2 and 3 have been generally packaged around this USD500,000 value with some works either higher or lower dependent on the nature of works, location and timing. All suitable local contractors have been invited to tender for Part 1, 2 and 3 works. However, Contractors struggle to complete the request for quotation document correctly and either understand or meet the mandatory liquidity requirements. Considerable training has been delivered by VIRIP to help build their capacity.
- » **MIPU/PWD.** MIPU/PWD currently has 30% vacancies which is severely affecting their ability to effectively operate, particularly at the headquarter level. Divisions are generally more fully staffed and have been very effective, as demonstrated during the recent Annual Works Planning process. VIRIP has had to backstop a number of functions otherwise normally performed by PWD staff.
- » **PST.** The PST is fully staffed and generally capable of managing, supporting and reporting VIRIP activities. Annual Performance Reviews were completed for the Project Manager/Coordinator, Safeguards Specialist, Project Accountant and the Procurement Specialist with the overall scores of the evaluations indicating good performance. A part time filing clerk may be required for routine activities, however this will be assessed during the year.

4.6 Institutional Arrangements

The inclusion of an institutional stream to the program occurred following in-depth internal consultations and discussions amongst the PST team. The rationale for the inclusion of institutional elements was that effective long-term recovery strategies cannot be developed, applied and utilised without some level of support to strengthen existing systems, support enhancements and recommend possible changes.

Consultations with relevant GoV agencies and members through the PIC do suggest that support is welcomed but preference is also given to work that seeks to support and strengthen systems and process that facilitate better response mechanisms to future disasters and natural events.

The inclusion of an institutional stream also supports the other technical components of VIRIP, particularly those that are supporting existing systems already (i.e. finance and procurement). There is also scope to introduce more formalised safeguards and grievance redress mechanisms as well, particularly in having the GoV adopt standardised approaches to social and environmental work throughout the country.

A key priority was to support the GoV with the development and preparation of a disaster risk reduction policy and strategy. Approval to source a consultant was a key work area in the final quarter of 2017 and the identification, selection and mobilization of a suitable candidate occurred in Q1, 2018.

Additional institutional support arrangements will be discussed and prioritised over the coming reporting periods. At this stage VIRIP is focusing on supporting direct and tangible pieces of work that raise profile and demonstrate practical solutions to complex operating environments.

4.7 Project Management

The PST has spent considerable effort and time developing a range of standard operating procedures for the project. These procedures include:

- » Project Operations Manual (POM)
- » Safeguards Manual (SM). Compendium of documents consisting of; Resettlement Policy Framework (RPF), Grievance Handling Redress Mechanism (GRM) and Environmental and Social Management Framework (ESMF)
- » Procurement Manual (PM). Consisting of the Public Works Department's Procurement Manual with the VIRIP Procurement Supplement
- » Financial Management Procedures
- » Contract Administration Manual (CAM)
- » Quality Control Manual (QCM)
- » Monitoring and Evaluation Plan (M&E Plan)
- » Operations Manual (OM)
- » Contingency Emergency Response Component (CERC)
- » Template Contractor's Quality Plan (CQP)
- » Model Contractors Environmental and Social Management Plan (CESMP).

It is anticipated that these practices and procedures will ensure the project management of VIRIP runs effectively and efficiently. In line with the emerging nature of the project, during 2019 it is expected that most of these procedures will be reviewed, fine-tuned and reissued.

4.8 Financial Management and Performance

In 2018, the Project Support Team (PST) has developed a five multi-year budget framework and was reviewed in 2019 to help guide the Work Plan for Public Works Department (PWD) supported by VIRIP.

The World Bank Mission from 10-14 September 2018 was an opportunity for the PA to have a one-on-one interaction with the World Bank Finance Adviser to review outstanding financial management issues and reporting. The mission reminded the PST and PWD of performance related matters in relationship to disbursements and draw down of funds in a timely manner and the need for accurate reporting using the *Interim Financial Report (IFR)* template.

Similarly, a follow up meeting by the Bank in November 2018 approved the IFR for 2017 and Semester 1, 2018 which assisted the PST in the preparation of the Annual Budget. The 2018 budget has been reviewed and a further review of the 2019 budget will be sent in January 2019.

The PST is continuing to improve its loan withdrawal rate to ensure the Government of Vanuatu (GoV) covenants related to the financing agreement are maintained. In 2018 there were three withdrawals including VT.82,409,687 under grant arrangements and VT.93,604,424 and VT.111,441,997 under credit arrangements. There was another grant application lodged in December 2018 with a value of VT.98,881,654. Withdrawal rates have improved with a total of VT.386,337,762 drawn in 2018.

Improved expenditure performance was achieved through better PST planning and scheduling of projects and proposals. Of importance has been the integration of VIRIP into planning and prioritisation processes which has in turn supported financial planning and management.

During 2018, the IFR was generated on a quarterly basis to assist in disseminating the financial management and expenditures to the PIC for information and to assist decision making. This should provide a much easier pathway to prepare future IFR's

Expenditure and Outstanding Commitments

At the end of 2017, actual expenditure was VT.70,516,849 whilst in 2018 the total actual expenditure reached VT.408,336,714 at the end of December 2018. To date, the total expenditure for VIRIP has been VT.478,853,563. Current outstanding commitments are VT.651,966,520 which comprise all signed contracts in 2018 under Part 1, Part 2, Part 3 and Part 4.

A short summary of financial progress for key contracts includes:

- » In Q3 and Q4, the Tanna Kings Cross Road Bitumen and Fiber Reinforcement Concrete (FRC) were completed.
- » There was a variation in Fletchers contracts to erect speed humps on the Kings Cross Road and improvement of the Isangel Loop Road on Tanna. The variation on Fletchers contract increase by VT.21,857,280 that brings the total contract value to VT.111,295,905.
- » The bitumen works on the Kings Cross Road Contracted by Downer has been well managed and it is expected for completion within budget.
- » The Ranwadi Point Road improvement has been completed. A saving of VT.1,324,264 was realised.
- » The Vanwoki Hill Improvement has been completed and final invoices should be submitted early in 2019.

In 2019, expenditure is anticipated to surge following the approval of additional road projects including the Mangaliliu Road and the West Epi Road. The financial performance of the project improved this year compared to the same period of 2017. In 2018 the project expedited VT. 402,960,842 and it is anticipated that this would increase further in 2019 as projects are implemented.

ACTUAL EXPENDITURE FOR 2017 AND 2018 AGAINST THE BUDGET

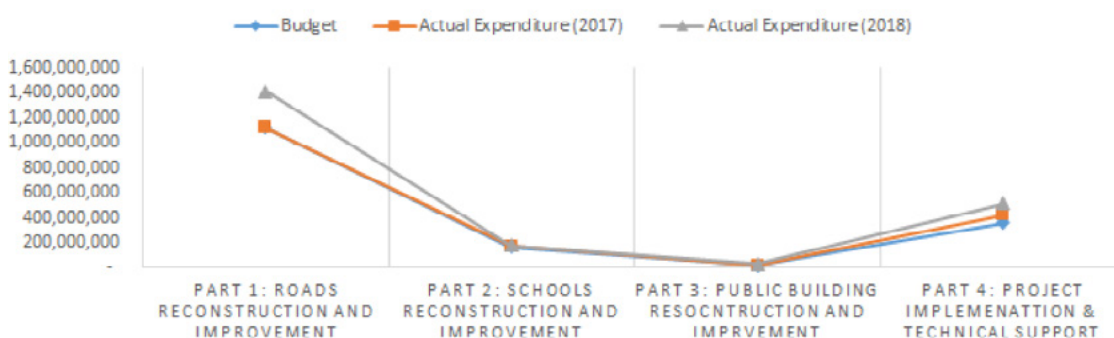


Figure 2: Expenditure against budget to date (by component)

It should be noted that expenditure in Part 2 (Schools) is currently at an initial stage most work has centred around the engagement of an asbestos and safeguards officer who have been engaged with initial preparatory work. In September 2018 two contracts were signed for two schools in East Efate including Package 1 (Eton and Ekipe) and Package 2 (Etas and Maumau). To date the expenditure under Part 2 stands at VT.9,813,908.

The Total Expenditure by Project to Date (accumulative expenditures) stands at VT.473,477,691 or 43% of the budget for 2018.

It is important to note that because of proper design and supervision of the works on Tanna, the expenditure incurred from the Bitumen and the Fiber Reinforced Concrete of Kings Cross Road is below the budget forecast. There were savings made of about VT.61.1 million which can be used for other road improvements, for example the speed humps and the Isangel Loop road.

Outstanding Commitments to date stands at VT.616,037,235. This includes Services and Works Contract as indicated below. To date, the Total Cumulative Expenditure stands at VT.473,477,691 Outstanding Commitments VT.696,021,484.

Parts	Job Code	Job Code Name	Outstanding	Status	
Part 1	VRAA001	Kings Cross Concrete Pavement – FRC Tanna	VT.18,942,765	Completed	
	VRAA002	Kings Cross Road Improvement – Bitumen Tanna	VT.39,945,977	Completed	
	VRAA005	Qualao Consulting – Supervision	VT.11,711,322	On-going	
	VRAA005	Develop QCM	VT.3,390,444	On-going	
	VRAA006	Ranwadi Point Road, Central Pentecost	VT.1,324,264	Completed	
	VRAA008	Vanwoki Hill Road Improvement – Pentecost	VT.7,571,801	Completed	
	VRAA009	West Epi Road	VT.44,542,888	On-going	
	VRAA011	Mangaliliu Road, Efate	VT.52,362,300	On-going	
	VRAA015	Tanna- Lowiaru – Imafen Rd Improvement	VT.59,974,000	On-going	
	VRAA017	Supervision of Roads 2018 to 2020	VT.62,602,970	On-going	
	Part 2	VRAB002	Schools Assessment and Asbestos	VT. 5,358,547	On-going
		VRAB001	Design and Supervision	VT. 40,160,000	
VRAB003		Eton and Ekipe Schools	VT.63,980,021	On-going	
VRAB005		Etas and Maumau	VT.36,980,000	On-going	
VRAB001		Land Registration Officer	VT.987,909	On-going	
VRAC001		Survey and Documentation of School Buildings	VT.13,919,875	On-going	
Part 3	VRAC001	Survey and Documentation of Public Building – Kramer	VT.3,842,250	On-going	
	VRAC002	Package 1: Catering Building – RN Go Eden	4,546,588	On-going	
Part 4	VRAD001	Project Implementation and Technical Support	VT.223,877,563	On-going	
Total			VT.696,021,484		

Financing

The financing of VIRIP is supported by a grant and credit amount of VT.786,337,762. In June 2018, a grant of VT.82,409,687 was received. Furthermore, a credit of VT.93,604,424 was disbursed to the designated account at the Reserve Bank of Vanuatu on October 2018. In December 2018, a credit of VT.111,441,997 was received and another VT.98,881,654 was applied for in December 2018. To date, the closing balance stands at VT.97,160,548.

The Annual Budget vs Actual Expenditure 2018

The VIRIP annual budget was developed based on the *Public Works Department 2018 Annual Plan* and was submitted in early 2018. The budget forecasted for 2018 was reviewed and stands at VT.617,575,074.70.

The budget under Part 1 for 2018 was reviewed based on contracts signed that totalled VT.592,721,504 million of which about 49% has been expedited. The budget for Part 2 for 2018 stands at VT.123,949,693 million of which about 5% has been used and for Part 3 a total of VT.21,546,588 was allocated of which about 61% has been expedited. The Budget under Part 4 for 2018 was based on the contract value of consultants that stood at VT.360,888,965 of which about 26% have been expended.

Some key achievements in the reporting period include:

- » Audit of the 2017 VIRIP financial statements completed by Law Partners and a report sent to the Auditor General's Office.

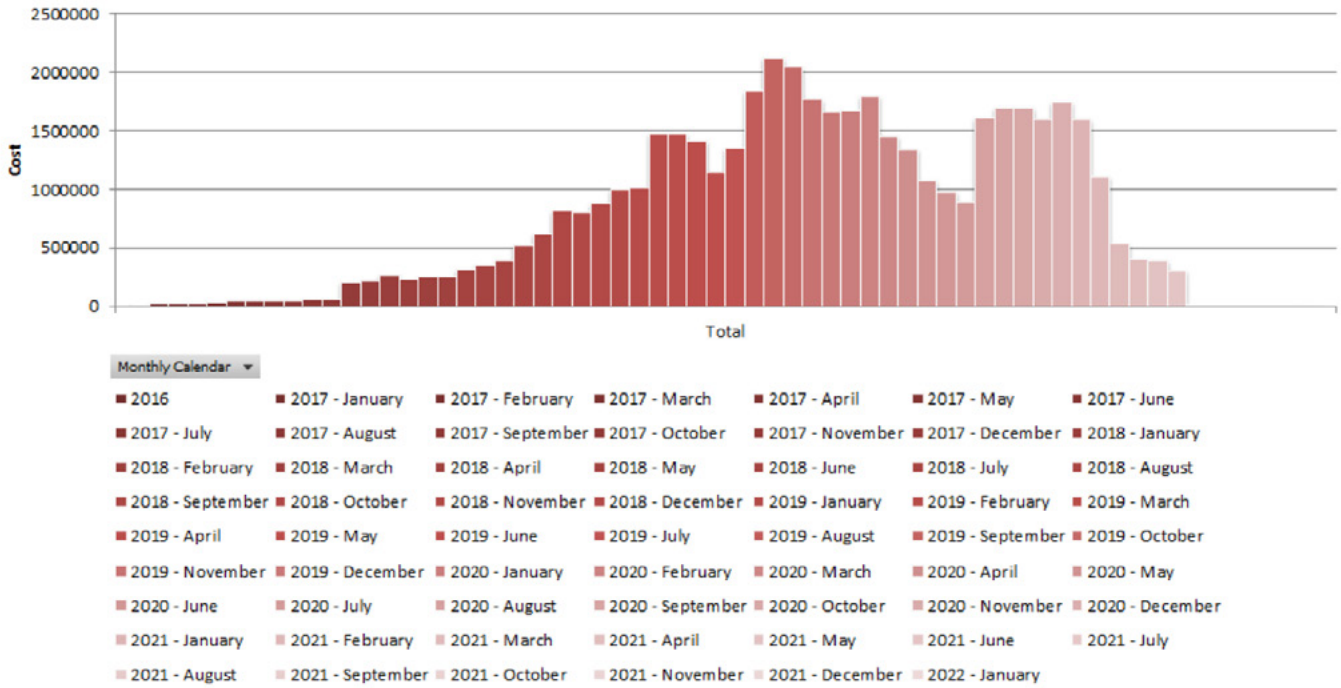
- » The audit report was furnished to the World Bank by the Auditor General's Office well before the deadline.
- » The Withdrawal Application 1 (Grant) of VT.82,409,687 was lodged in May 2018. Relevant signatures have been obtained and it is in the final stage for World Bank approval.
- » The Withdrawal Application 1 (Credit) of VT.93,604,424 was lodged in September 2018. Relevant signatures have been obtained and it is in the final stage for World Bank approval.
- » The Withdrawal Application 1 (Credit) of VT.111,441,654 and was approved by the World Bank and disbursed to the Designated Account at the Reserve Bank of Vanuatu in December 2018.
- » The Withdrawal Application 1 (Grant) of VT.98,881,654 and was approved by the World Bank and disbursed to the Designated Account at the Reserve Bank of Vanuatu in December 2018.
- » Interim Financial Report for Semester 1, 2018 was presented to the Project Manager and forwarded to the World Bank

The 2018 fiscal year saw a sizable amount of project activities happening under all parts of VIRIP. It is forecasted that by year end a budget expenditure of VT.617,575,074.70 would be realized. However, many projects have not eventuated as programmed due to slow procurement processes and scoping of projects.

PART	Description	Total Budget 5 Yr. (USD)	Total VIRIP Budget (VT)	Actual Budget 2017 (VT)	Actual Budget 2018 (VT)	Budget 2019 (VT)	Budget 2020 (VT)
1	Roads Reconstruction and Improvement	\$26,000,000	2,732,600,000		291,159,423	724,500,000	724,500,000
2	Schools Reconstruction and Improvement	\$13,000,000	1,516,057,456	3,674,386	5,589,951	545,860,726	545,860,726
3	Public Building	\$6,500,000	579,215,000	0	13,157,750	538,005,559	538,005,559
4	Project Implementation and Technical Support	\$4,500,000	383,860,309	66,842,463	93,053,718	108,809,247	108,809,247
Total		\$50,000,000	5,211,732,765	70,516,849	402,960,842	1,917,175,532	1,917,175,531.95

These budget estimates are subject to review yearly to arrive at the right costings of each project activity for roads, schools and public buildings. Amounts in the Table above are in Local Currency Vatu (VT.105 = USD1) and is subject to change. The above budget is inclusive of 5% contingencies and taxes. The budget estimates in the project database submitted by the Divisional Managers are subject to review for 2019 and 2020 respectively, as the cost is VT.4,307,828,755. The Balance of VT.692,171,245 will be planned for 2021. This should bring the estimate to VT.5,000,000,000.

Budget Forecast by Microsoft Project (2017 to 2021)



School in Tongariki

Annual Budget 2018

A summary of project expenditure against current programs is included in the table below:

Part 1 Roads Reconstruction and Improvement				
Description	USD	Vatu	Balance Vatu	Status
S1-01-17 Design and Document of Roads	296,071	31,087,455	11,711,322	Progressing
S1-02-17 Develop QCM	102,071	10,717,455	3,390,444	Progressing
S1-04-17 Supervision of Tanna Works	58,305	6,122,025		Completed
S1-05-18 Supervision of 2018 – 2019 Works	652,390	68,500,950	62,602,970	Progressing
W1-01-17 Tanna Kings Cross Road Improvement –FRC	965,320	101,358,600	18,942,765	Completed
W1-02-17 Tanna Kings Cross Road Improvement - Bitumen	1,971,430	207,000,150	39,945,977	Completed
Tanna – Lowiaru to Imafen Road Improvement	571,180.95	59,974,000	59,974,000	Progressing
W1-03-17 Malekula – Improvement to Batven Stream (Neramb) crossing (IBC)	76,515	8,034,075	8,034,075	Not Yet
W1-04-17 Malekula –Improvement to Unua (Blacksand) Crossing (IBC)	86,525	9,085,125	9,085,125	Not Yet
W1-06-18 Epi – West Epi Road Improvement – 800 m FRC	542,971	57,011,955	44,542,888	Progressing
W1-07-18 Tongoa – Road Improvements – 1000m FRC	438,378	46,029,690	46,029,690	
W1-10-18 Pentecost – Ranwadi Point Coastal Road – Retaining Wall (IBC)	122,085	12,818,925	1,324,264	Completed
W1-11-18 Pentecost –Cooks Cave Coastal Road Gabion Protection (IBC)	82,000	8,610,000	8,610,000	Reviewed
W1-12-18 Pentecost – Vanwoki Hill – 300m FRC	179,077	18,803,085	7,571,801	Completed
Mangaliliu Road	498,689	52,362,300	52,362,300	Progressing
	6,643,008	697,515,835	374,127,621	

Part 2 Schools Reconstruction and Improvement				
Description	USD	Vatu	Balance Vatu	Status
W2-01-18 Package 1: Efate – Eton and Ekipe	609,334	63,980,070	63,980,070	Contract signed
W2-02-18 Package 2: Nguna, Pele and Emau	362,000	38,010,000	38,010,000	Not Yet
W2-03-18 Package 3: Efate – Etas, Maumau and Kawenu	352,191	36,980,055	36,980,055	Contract signed
W2-03-18 Package 4: Epi – Bonkovio, Lamenu, Akama and Mafilau	619,000	64,995,000	64,995,000	Not yet
S2-02-17 Asbestos Specialist	79,400	8,337,000	4,055,218	Continuing
S2-03-17 Land Registration Officer	21,682	2,276,610	987,909	Continuing
S2-04-17 Safeguards Officer	223,238	2,439,990	315,420	Continuing
S2-01-17 Survey and Documentation of School Buildings	140,000	14,700,000	13,919,875	Commenced
S2-05-18 Supervision of 2018 – 2019 Works	382,476	42,159,980	42,159,980	Commenced
	2,589,321	271,878,705	266,183,652	
Part 3 Public Building Reconstruction and Improvement.				
Description	USD	Vatu	Balance Vatu	
S3-01-18 Survey and Documentation of Public Buildings	161,905	17,000,025	3,842,250	
W3-01-18 Package 1: Public Buildings – Catering Building	43,301	4,546,605	4,546,605	
Supervision of Public Buildings	382,476	40,159,980	40,159,980	
W3-02-18 Package 2: Public Buildings	410,000	43,050,000	43,050,000	
W3-03-18 Package 3: Public Buildings	300,000	31,500,000	31,500,000	
	1,297,682	136,256,610	123,098,835	

Part 4 Project Implementation and Technical Support			
Description	USD	Vatu	USD
PST	3,144,617	330,184,789	216,877,563
Project Vehicles	21,011	2,206,131	2,206,131
Project Operating Cost	74,210	7,792,045	7,792,045
Annual Project Audits	9,524	1,000,000	1,000,000
Sustainable Maintenance	95,238	10,000,000	10,000,000
Training and Capacity Building	95,238	10,000,000	10,000,000
	3,439,838	361,182,965	247,875,739
Description	USD	Vatu	Balance Vatu
Total Budget for 2018	13,969,849	1,466,834,115	1,011,285,839

*Foreign Exchange rate is 105 (VT/USD)

4.9 Safeguards

The key safeguards framework documents: the *Environmental and Social Management Framework*; *Resettlement Policy Framework* and *Grievance Redress Mechanism* were all disclosed in the first quarter of the year and hard copies distributed to all PIC members, PWD, Provincial Government Council and MoET offices in the four provinces covered by VIRIP activities. These documents were also uploaded onto the VIRIP website <http://virip.gov.vu> in the second quarter.

The Safeguards Specialist (SS) continued to develop safeguards systems and documentation to support best practice in safeguards and also to continuous improvement in systems set up with feedback from implementation leading to improved practices. This approach has included a greater emphasis on early disclosure and consultation with potentially affected communities, public consultation and awareness, coordination with provincial authorities as well as additional meeting with tenderers and contractors.

Joint contractor and community awareness sessions covering key safeguards issues including HIV/Aids, gender based violence and public health and safety have proved effective and have led to greater transparency than traditionally separate sessions. Another set of tools; template Contractor ESMPs, have been developed for roads, public buildings and schools and these templates have been used by most contractors in 2018. These templates will be further refined to both ensure their effectiveness and fit with formal codes of practice to be developed in 2019.

Resourcing for Safeguards

During the March 2018 mission, World Bank officers requested a resource analysis for safeguards given the large number of sites and contracts under VIRIP. Further discussions have taken place over this issue as the availability of local safeguards specialists is extremely limited and the demand for additional safeguards resources changes over the life-cycle of the project overall and also each of the individual sub-projects.

As an attempt to reduce the overall require requirement for the PST and to develop wider safeguards capability, the approach over 2018 has been to expand the responsibilities of various contract consulting services to VIRIP to include those safeguards elements which can be delegated. For example, some basic site assessments and joint development of a generic ESMP for public buildings with the DSC for Public Buildings were successful. Additional approaches have been to increasingly delegate tasks to safeguards officers and to use PWD Safeguards officer if and when available for site assessments.

The small savings achieved to date are counterbalanced by an increased demand for safeguard inputs and awareness raising meetings and liaison with national contractors who are unused to implementing safeguards as part of their contracts for physical works.

Asbestos and other specialists

The Asbestos Specialist (AS) contract was extended to enable inputs over 2018 (and on through 2019). Due to delays in procuring design and supervision consultants for both public buildings and schools, the specialist made one visit to assess and if required sample all the Phase 1 public buildings on Efate. Of the samples taken, only one proved positive for asbestos and will have remedial works to remove as part of the wider training and capacity building functions of the specialist.

The Schools Safeguards Officer contract was also extended, reflecting his further work in undertaking site visits and then completing draft screening checklists in addition to information gathering and community consultation and disclosure. The officer has also started to run initial community / contractor site induction visits and awareness sessions.

The Schools Liaison Officer position was eventually filled at the end of the third quarter with the recruit settling in quickly and developing and verifying a database of school land leases and community agreements.

Screening Checklists and ESMP

Screening checklists were completed and delivered to the World Bank for all proposed 2018 works that had initial design completed. Screening checklists were also completed for most of the 2019 proposed roads works.

ESMPs were developed for all approved works apart from small IBC contracts that are subject to PWD Environment Guide requirements. Template Contractor ESMPs were also developed and contractors have generally opted to use and modify the templates.

Grievances

The early disclosure and active dialogue with affected communities appears to be effective with no grievances recorded against any project works over the year and no outstanding safeguards issues once contractors have left site(s). Feedback from community liaison on Tanna in May led to some safety measures being implemented on the Kings Cross Road.

4.10 Procurement

Procurement is one of the foundational elements in delivering VIRIP outputs. It contributes key management resources to VIRIP by contracting the civil engineering and technical resources to:

- » Scope, design and specify works, and
- » Supervise contracted works to ensure that they are delivered to the appropriate standards.

Secondly procurement provides the means of identifying Contractors that are suitable for carrying out specific civil engineering works. Procurement operates within the VIRIP PST and with key stakeholders in PWD, MoET, and DSPPAC. None of these departments has dedicated procurement resources able to undertake the volume of procurement required by VIRIP.

In June 2018, as a result of the lack of GoV procurement resources VIRIP recruited a ni-Van PST member to work with the Procurement Specialist to both improve volume of output of contracts and to develop procurement skills within the Vanuatu workforce.

2018 Procurement

Table 3 below outlines the type of procurements conducted by VIRIP in 2018.

Type of Procurement	Number of Procurements	Value (USD)
PST	5	641,500
Public Buildings	3	674,000
Roads	21	3,925,980
Schools	7	2,336,852
Total	36	7,557,332

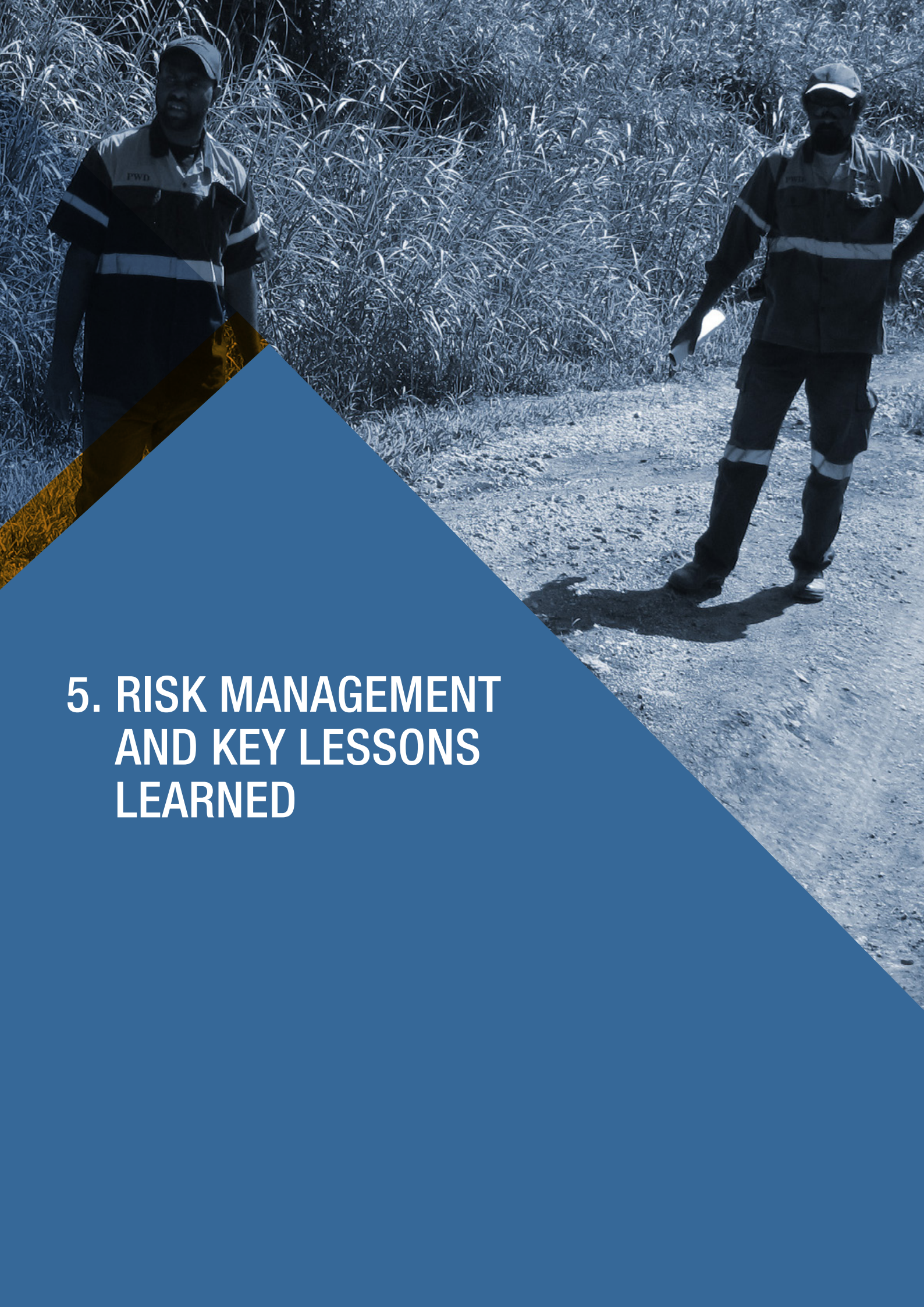
Table 3: Procurement by Component in 2018

Procurements are divided into the VIRIP Parts; Contingency Emergency Response, PST, Roads, Schools, and Public Buildings.

The VIRIP PST conducted 36 procurements during 2018, with 26 contracts being signed, and 10 contracts remaining as “Work in Progress” as at 31st December 2018. The estimated value of these 36 contracts is USD 7.58m. The estimated value of executed contracts in 2018 was USD 5.7m, with USD 1.87m remaining as a Work in Progress at the end of 2018.

The relative emphasis on Roads expenditure largely reflects the preparedness of technical documentation and state of planning for works. It is anticipated that during 2019 procurement work will be more evenly spread across the VIRIP Parts. Table 2 below provides a list of procurements conducted during 2018 identifying the estimated value of each procurement.

Row Labels	Contingency Emergency Response	PST	Public Building Reconstruction & Improvement	Road Reconstruc tion & Improve ment	School Reconstruction & Improvement	Grand Total
VU-MIPU-48962-CS-INDV / Supervisor for Tanna Works				\$80,500		\$80,500
VU-MIPU-49141-CW-DIR / Malekula - Improvement to Batven Stream (Neramb) Crossing - IBC				\$50,000		\$50,000
VU-MIPU-49143-CW-DIR / Malekula - Improvement to Unua 5 Stream (Blacksand) Crossing - IBC				\$50,000		\$50,000
VU-MIPU-49148-CS-CQS / Design and Documentation of				\$195,500		\$195,500
VU-MIPU-49156-GO-RFQ / Procurement of 3 Project Vehicles for Project Implementation and Technical Support				\$105,000		\$105,000
VU-MIPU-49342-CW-RFB / Tanna - Lowiaru - Imafen Road Improvement - 1000m Fibre reinforced Concrete				\$990,000		\$990,000
VU-MIPU-49344-CW-RFQ / Pentecost - Ranwadi Point Coastal Road - Retaining Wall - IBC1				\$46,000		\$46,000
VU-MIPU-49345-CW-RFQ / Pentecost - Cooks Cave Coastal Road - Gabion Protection - IBC1				\$47,000		\$47,000
VU-MIPU-49347-CW-RFQ / Pentecost - Vanwoki Hill - 100m Fibre Reinforced Concrete - IBC1				\$49,500		\$49,500
VU-MIPU-51014-CW-RFB / West Epi Road Improvements - 800M Fibre Reinforced Concrete				\$916,000		\$916,000
VU-MIPU-51021-CS-INDV / Contracts Manager		\$418,500				\$418,500
VU-MIPU-51023-CS-INDV / Procurement Officer		\$54,000				\$54,000
VU-MIPU-51025-CS-INDV / Junior Accountant		\$51,000				\$51,000
VU-MIPU-54580-CS-INDV-2 / Survey and Documentation of School Buildings					\$140,000	\$140,000
VU-MIPU-54589-CS-CQS / Supervision of 2018-19 Road				\$409,000		\$409,000
VU-MIPU-54613-CS-CDS / DRF International Consultant	\$82,000					\$82,000
VU-MIPU-54640-CS-INDV / Land Registration Officer					\$40,000	\$40,000
VU-MIPU-59724-CS-CDS / Survey and Documentation of Public Buildings			\$170,000			\$170,000
VU-MIPU-61527-CW-DIR / Pentecost - Vanwoki Hill - 100M Fibre reinforced Concrete - IBC2				\$49,500		\$49,500
VU-MIPU-61528-CW-DIR / Pentecost - Vanwoki Hill - 100M Fibre reinforced Concrete - IBC3				\$49,500		\$49,500
VU-MIPU-61530-CW-DIR / Pentecost - Ranwadi Point Coastal Road - Retaining Wall - IBC2				\$46,000		\$46,000
VU-MIPU-61531-CW-DIR / Pentecost - Ranwadi Point Coastal Road - Retaining Wall - IBC3				\$46,000		\$46,000
VU-MIPU-61532-CW-DIR / Pentecost - Cooks Cave Coastal Road - Gabion Protection - IBC2				\$47,000		\$47,000
VU-MIPU-61532-CW-DIR / Pentecost - Cooks Cave Coastal Road - Gabion Protection - IBC2 Improvement - Construction of 950M of fibre reinforced concrete, including crossover drainaage				\$577,000		\$577,000
VU-MIPU-66141-CW-RFQ / Package 1: Schools - Efate - Eton and Ekipe Works					\$384,000	\$384,000
VU-MIPU-70953-CW-DIR / Vanwoki Hill - 4th Contractor				\$49,500	\$371,852	\$371,852
VU-MIPU-76700-CW-RFQ / Schools - Package 3 - Construction of 1 double classroom at Etas Primary School and 2 double classroom at Maumau Primary School					\$420,000	\$420,000
VU-MIPU-76702-CW-RFQ / Public Buildings - Package 1 - Catering Building			\$82,000			\$82,000
VU-MIPU-76703-CS-INDV / Graphic Designer		\$38,000				\$38,000
VU-MIPU-86186-CW-RFQ / Remediation of Public Buildings in Pt Vila Area - Package 2			\$422,000			\$422,000
VU-MIPU-86189-CW-RFQ / Schools - Package 2 - Construction of School Buildings at Nguna, Pele, and Emau					\$362,000	\$362,000
VU-MIPU-87085-CW-RFQ / Schools Package 4: Epi Island, Bonkovio, Lamenu, Akama, and Mafilau Primary Schools					\$619,000	\$619,000
VU-MIPU-93187-CW-DIR / Malekula - Patven Stream - 3 cell Box Culvert				\$32,000		\$32,000
VU-MIPU-93188-CW-DIR / Malekula - Install gabions and Reinforce Culvert - Tembibi Stream				\$42,980		\$42,980
VU-MIPU-93381-CW-DIR / Malekula IBC IW Construction of 4 Cell Box Culvert - Tembibi Stream				\$48,000		\$48,000
Grand Total	\$82,000	\$561,500	\$674,000	\$3,925,980	\$2,336,852	\$7,580,332



5. RISK MANAGEMENT AND KEY LESSONS LEARNED

5. RISK MANAGEMENT AND KEY LESSONS LEARNED

A risk analysis has been made to identify some key lessons learned during the first two years of implementation. The intention is not to criticise and make judgements but rather to reflect on the key learnings from a strategic, technical and operational perspective. The

following lessons have been discussed and prioritised among the PST. In documenting lessons, the PST is also seeking to identify strategies to replicate good lessons or mitigate potential negative lessons.

Strategic

Key Lessons	Strategies to Replicate and/or Mitigate
Engagement with GoV counterparts and working through locally-led governance mechanisms such as the PIC is of utmost strategic importance.	Need to continue to reinforce the importance of the PIC and governance mechanism as a means not only as an approval body but one that provides strategic engagement and support.
The importance of building on what R4D has already done within PWD where possible.	Learn from R4D, for example using IBCs where sensible.
Alignment of program objectives and approaches to existing systems and processes and to avoid d establishment of establishing parallel systems	Where possible, harmonise the systems for VIRIP with other development partners.
Need to maintain open and positive engagement with World Bank teams to utilise knowledge and experience, particularly for strategic components such as finance and procurement	PST has established close communication with the relevant specifics and engaged around.
The lack of capacity within MIPU/PWD to implement VIRIP has a significant influence on the ability of the program to meet targets and work-plan priorities.	Continue to work with MIPU/PWD to rationalise roles and functions to ensure effective management. Where incremental support is needed, this shall be reviewed.
Perceived lack of cohesion within project implementation.	Seek continued leadership and direction from MIPU/PWD management and encourage ownership at all levels of management.

Technical

Key Lessons	Strategies to Replicate and/or Mitigate
Need to find productive ways to work with PWD in order to expedite procurement.	Developing a standing Evaluation Panel for Roads.
Key safeguards framework documents don't reflect country and project specific needs – for example the system of land ownership and compensation is already in place for infrastructure development.	Rewrite and restructure documents to more accurately reflect and set out mechanisms for safeguards and compensation.
Asbestos sampling is a critical component of any infrastructure based work in Vanuatu.	As outlined in the EMSF, due to wide range of building types and ages, sampling to take place at all selected schools and public buildings.
Important to ensure program targets, and indicators (even when designed previously) need to always align to relevant GoV policies and strategies.	Continued meetings and discussions with key stakeholders, including DSPPAC, to ensure alignment.

Operational

Key Lessons	Strategies to Replicate and/or Mitigate
Clear lines of communication, involving approvals and work programs should be maintained so as to enable VIRIP to respond to exiting priorities but also address new and emerging opportunities.	PST to maintain close consultation with GoV and World Bank representatives.

A photograph of a building with a white facade and a large sign that reads "Air Vanuatu Catering". The sign features a logo above the text. A dark car is parked in front of the building. The image is partially obscured by a large blue diagonal overlay on the left side.

Air Vanuatu
Catering

6. CONCLUSIONS AND RECOMMENDATIONS FOR THE PERIOD

6. CONCLUSIONS AND RECOMMENDATIONS FOR THE PERIOD

Vanuatu Infrastructure Reconstruction and Improvement Project (VIRIP) is now officially embedded and operating within Ministry of Infrastructure and Public Utilities (MIPU). The program has had a very busy year mobilisation a number of different works packages across the portfolio. Despite implementation being in its formative stages, VIRIP has established a strong base to progress works into 2019.

During the year, the Project Support Team (PST) has developed a range of policies, strategies and tools to support overall implementation and management. The PST has worked hard in the last six-months to ensure that all tools and guidelines to ensure that relevant documentation is suitable and appropriate for use on the program and aligned to the needs and priorities of the Government of Vanuatu (GoV).

Prioritisation and scoping of works has continued at a significant pace, particularly towards the end of 2018. The program has also continued to strengthen its institutional stream to complement the work identified in the *Project Appraisal Document* (PAD) which focuses primarily on supporting key elements of GoV's ability to respond efficiently and effectively in future disasters.

It is also envisaged that other work elements, such as social safeguards, will also potentially be institutionalised through the work of the program.

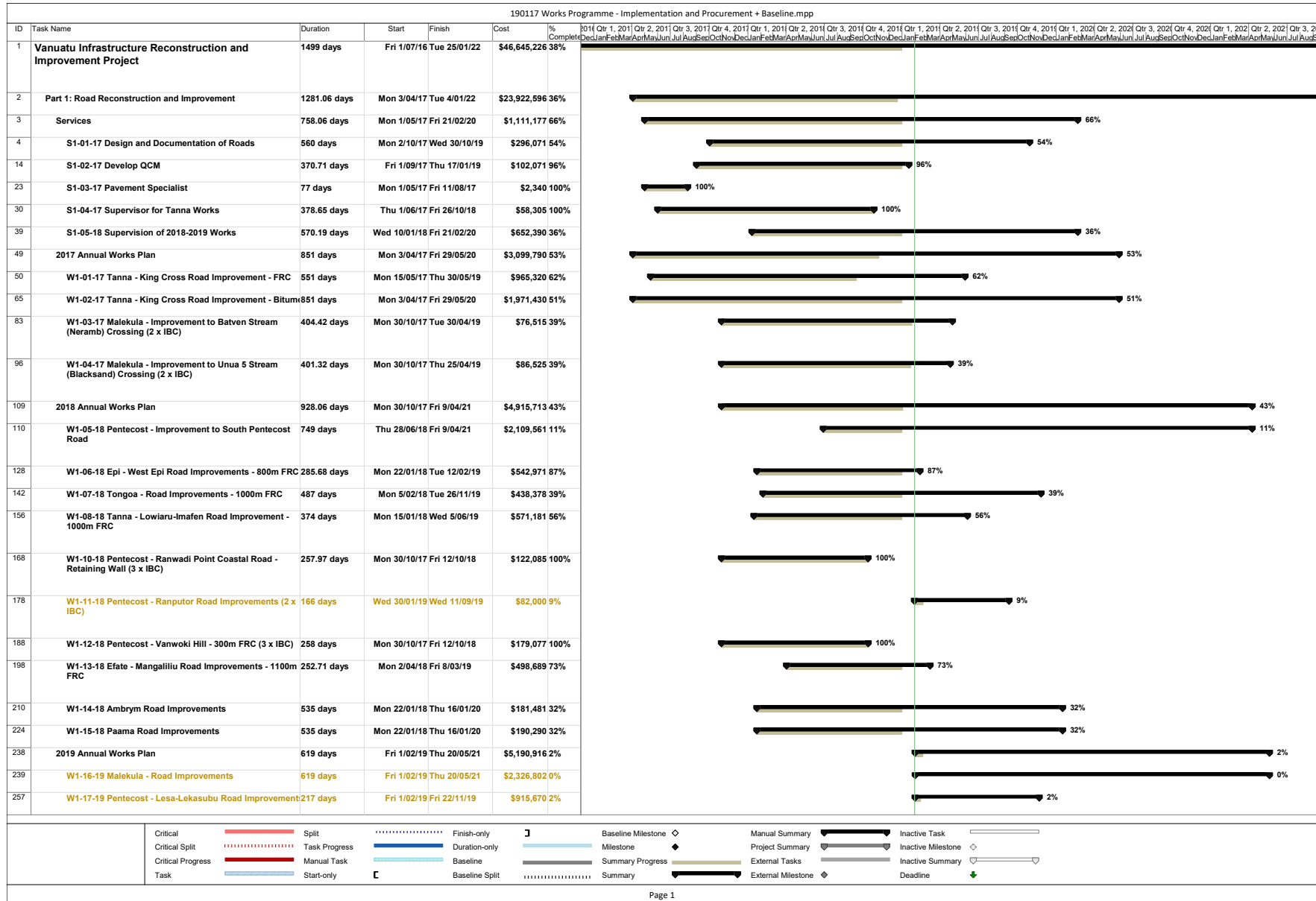
Works contracts are slowly being released to the market. With the implementation of physical works, there will be further scope to commence work on other important priorities and it provides a basis to commence work around monitoring and commencing relevant evaluation studies. Data collection tools have been established to support the collection of routine information related to communities, days worked and tangible indicators such as #km of roads rehabilitated.

The PST will continue to place a strong emphasis on institutional enhancements and promotion of local leadership and oversight of all aspects of the program. The PIC continues to support strategic management and decision-making. Where possible, the program will continue to promote GoV engagement and ownership and align all aspects of work to existing government systems and processes. Importantly, the PST will continue to liaise closely with the World Bank and ensure a mutually exclusive arrangement for implementation and management.

APPENDIX

APPENDIX 1: WORKS PROGRAM

See attached file for complete program. A copy of the works program is also included as a separate attachment.



APPENDIX 2: PROCUREMENT PLAN

See attached file for complete Procurement Plan separate attachment.

VIRIP Procurement - Procurement			Risk Analysis					Risk Evaluation and Treatment					Control Assurance					Risk Status	
Risk Type	Hazard Scenario (what could go wrong?)	Causes (why would the hazard scenario occur?)	Standard Controls	Current Consequence	Current Likelihood	Current Risk	Inherent Risk (assuming current controls fail)	Target Risk Level	Additional Controls (required for all current risks greater than target)	Residual Consequence (after additional controls)	Residual Likelihood (after additional controls)	Residual Risk (after additional controls)	Adequacy of Control	Target Level of Control	Action	By Who	By When or Frequency	reference document	Risk Status
Value For Money	VFM not achieved	Unclear understanding of VFM by stakeholders	Procurement Manual	Moderate	likely	Low	Medium	Low	Training of stakeholders to understand value of money and consequences	Minor	Unlikely	Low	Standardised	Monitored	Second party review	Tech Advisor	once	Acquisition Plan	Open
Value For Money	VFM not achieved	Unclear understanding of the "need"	Procurement Manual	Moderate	likely	Medium	High	Medium	Define the Need Stakeholder consultation Market Analysis Effective design and cost estimate	Moderate	Unlikely	Medium	Standardised	Monitored	Second party review of need	Tech Advisor	once	Acquisition Plan Design and Cost Estimate	Open
Value For Money	Nepotism/Corruption	Lack of proper process /safeguards	Procurement Manual	Major	Possible	Low	Medium	Low	Strict application of processes with Probly Advisor / Internal Review / full disclosure of information and incidents	Minor	Unlikely	Low	Standardised	Monitored	Second party review. Full disclosure	Procurement Specialist	Once	Incident Reports	Open
Value For Money	Sign contract with a highly qualified costly consultant and get less than satisfactory services	Evaluation team assessing C/Is and making notes on criteria outside of the TOR requirements, OR a probly advisor was not present to properly brief evaluation team	Sample evaluation forms	Moderate	Unlikely	Low	Medium	Low	A specific qualification is required with specific years of experience enabling evaluation panel to quantify and create a shortlist for award process Probly advisor briefs the evaluation committee on strict requirements	Minor	Rare	Low	Standardised	Standardised	Probly Advisor check	Procurement Specialist	Once	Template Evaluation Report WB Procurement Guidelines	Open
Transparency	Lack of information	Contractors unaware of opportunities	Procurement Manual	Negligible	Unlikely	Low	Medium	Low	Encourage relevant division within the Ministry to distribute the invitation to Bid and spread the word. (in a small country like Vanuatu, it is known to be the most effective communication method)	Negligible	Unlikely	Low	Standardised	Monitored	Marketing Advertising	Procurement Specialist	Once	Nil	Open
Transparency	Perception of Corruption / inappropriate procedure	Unclear Qualifying and Evaluation criteria and evaluation methods	Procurement Manual	Moderate	Possible	Medium	High	Low	Independent scrutiny encouraged	Negligible	Unlikely	Low	Standardised	Optimised	Third party review and audit	Procurement Specialist Third Party	Once Once	Audit Report	Open
Effective Competition	Lack of competition	Lack of understanding of market conditions and responsiveness	Procurement Manual	Moderate	Possible	Medium	Medium	Low	Detailed Market Analysis Train MIPU/PWD Staff	Moderate	Unlikely	Low	Standardised	Standardised	Marketing Advertising Training	Procurement Specialist	Once	Market Analysis WB Standard Bid Document	Open
Fair and Ethical Dealing	Perceived or unfair bias towards contractors	Nepotism	Procurement Manual	Moderate	Possible	Medium	High	Low	Stictly use Procurement Manual and WB Guidelines Avoid at all costs potential conflicts of interests and potentially compromising situations with contractors.	Minor	Unlikely	Low	Monitored	Monitored	Second Party reviews Complaint mechanism Full disclosure	Procurement Specialist	Once	Advertisement Evaluation Report Complaint Report	Open
Fair and Ethical Dealing	Leak of confidential information	Close relations of a bidder/consultant to a PWD/PWD staff	Procurement Manual	Major	Unlikely	High	High	Low	All staff of PWD and involved staff of MIPU/PWD to be briefed and must declare any conflict of interest so that they are removed from any direct involvement with a particular procurement	Minor	Unlikely	Low	Standardised	Monitored	Follow WB Guidelines	Procurement Specialist Probly Advisor	Once	Conflict of Interest Declaration	Open
Fair and Ethical Dealing	Some Bidders gets more information than others	Clarifications/Addedum issued are not received	Procurement Manual	Moderate	Unlikely	Medium	Medium	Low	Provide other means of communication e.g. fax numbers and mobile. Follow up telephone call to ensure receipt of email/letters for Clarifications. Setup automatic notification on emails to notify receipt, that way PST will only need to follow up those who have not received information by following work day.	Minor	Unlikely	Low	Monitored	Monitored	Keep an accurate track record of all communication to and from contractors	Procurement Specialist	Once	Clarification Register	Open

APPENDIX 3: RISK MANAGEMENT PLAN

See attached file for complete Risk Management Plan separate.

VANUATU INFRASTRUCTURE RECONSTRUCTION AND IMPROVEMENT PROJECT

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