



ANNUAL REPORT

Vanuatu Infrastructure Reconstruction and Improvement Project

[Abstract](#)

This 2017 Annual Report describes the progress, issues challenges and recommendations for project implementation and management of the Vanuatu Infrastructure Reconstruction and Improvement Project (VIRIP).

Date 7 March 2018

**Republic of Vanuatu: Vanuatu Infrastructure Reconstruction and Improvement Project
Annual Report January-December 2017**

Financed by:

**The World Bank
The Government of Vanuatu**

Prepared by : Project Support Team (PST), MIPU

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

Notice

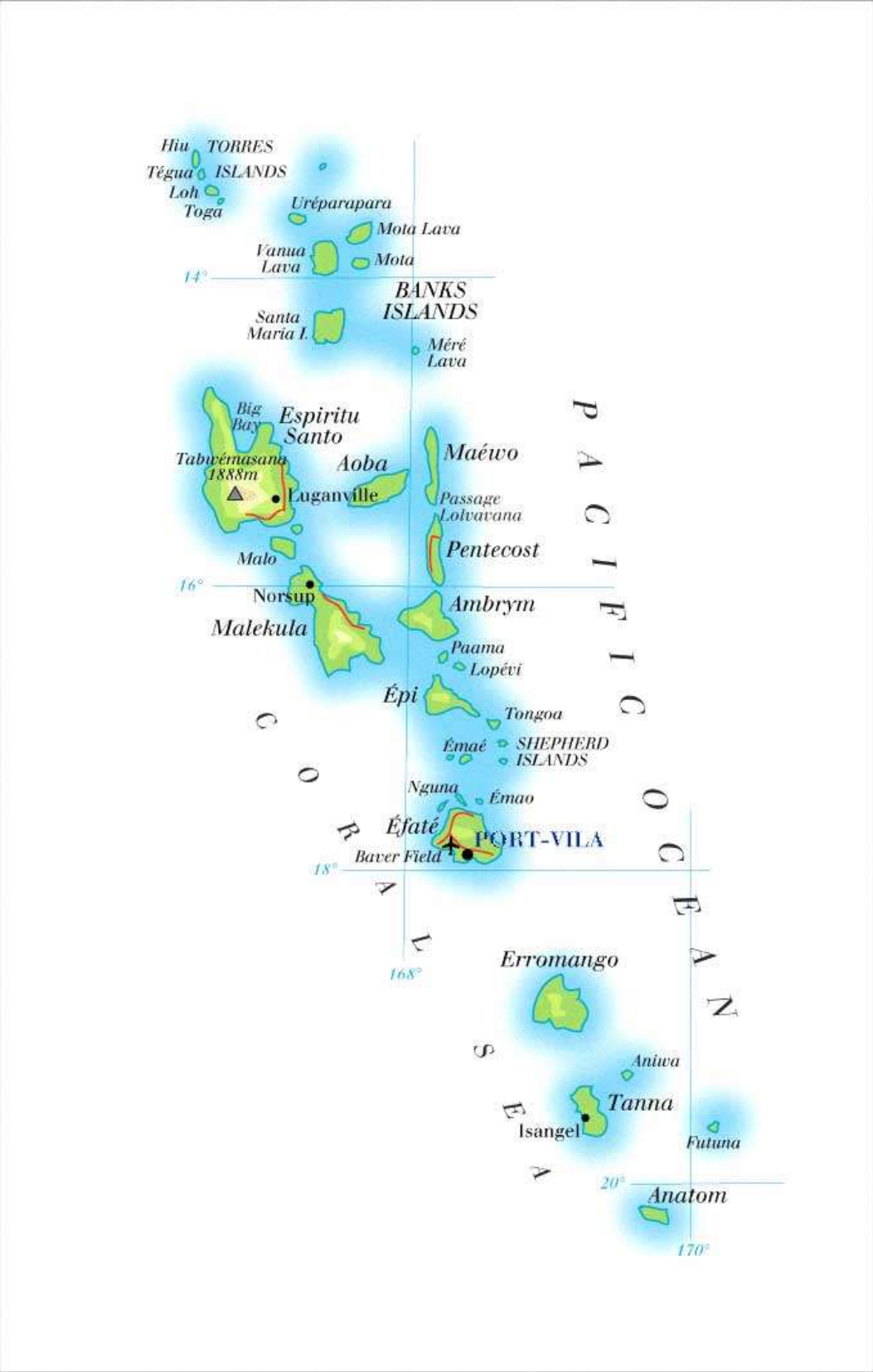
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Document History

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Abbreviations

AUD	Australian Dollar	PAD	Project Appraisal Document
CERC	Contingency Emergency Response Component	PCR	Physical Cultural Resources
CRW	Crisis Response Window	PCRAFI	Pacific Catastrophe Risk Assessment and Financing Initiative
DA	Designated Account	PDNA	Post-Disaster Needs Assessment
DSPPAC	Department of Strategic Planning, Policy and Aid Coordination	PDO	Project Development Objective
		PIC	Project Implementation Committee
EMP	Environmental Management Plan	PMO	Prime Minister's Office
ESMF	Environmental and Social Management Framework	PMU	Project Management Unit
GDP	Gross Domestic Product	POM	Project Operations Manual
GoA	Government of Australia	PPN	Policy and Practice Note
GoNZ	Government of New Zealand	PRIF	Pacific Regional Infrastructure Facility
GoV	Government of Vanuatu	PSC	Project Steering Committee
GPSS	Global Program for Safer Schools	PST	Project Support Team
GRS	Grievance Redress Service	PWD	Public Works Department
HIES	Household Income and Expenditure Survey	RPC	Recovery Program Committee
IBCs	Island Based Contractors	RPCo	Recovery Program Coordinator
ICB	International Competitive Bidding	R4D	Roads for Development
IDA	International Development Association	SDR	Special Drawing Rights
IRCCNH	Increasing Resilience to Climate Change and Natural Hazards Project	SORT	Systematic Operations Risk-Rating Tool
MIPU	Ministry of Infrastructure and Public Utilities	SRDP	Strategy for Climate and Disaster Resilient Development in the Pacific
MoET	Ministry of Education and Training	TC Pam	Tropical Cyclone Pam
NGO	Non-Government Organisations	USD	United States Dollars
NRESP	National Recovery and Economic Strengthening Program	VERM	Vanuatu Education Road Map
NZD	New Zealand Dollar	VESP	Vanuatu Education Sector Program
OP/BP	Operational Procedure/Bank Policy	VESS	Vanuatu Education Sector Strategy
VIRIP	Vanuatu Infrastructure Reconstruction and Improvement Project		
VMDRR	Mainstreaming Disaster Risk Reduction Project		
WB	World Bank		



PROJECT KEY PLAN

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Basic Data

Credit No:	5847-VU
Grant No	D122-VU
Project Title	Vanuatu Infrastructure Reconstruction and Improvement Project
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 ¹
Project Closing Date	30 April 2022
Dates of World Bank Mission(s)	7-10 March 29 May – 2 June 2017 19-22 September 2017 21-23 November 2017 (Portfolio Review)

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.

¹ 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.

- 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.

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 (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 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).

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 2017. The operating context for the program during 2017 was somewhat challenging. A key issue is the considerable delays experienced in seeking approval and mobilization of the key program staff. Once mobilised, VIRIP entered into a relatively "crowded donor space" in terms of identifying priorities and establishing key management and implementation systems and processes. The operating context within PWD does remain challenging due to serious HR capacity issues and shortages caused by a combination of suspensions, unfilled vacancies and temporary 'acting' appointments. The context within MoET is relatively stable however the main challenge to date has been the confirming of classroom designs and developing appropriate selection criteria to identify prioritised schools.

PWD

In terms of achievements during 2017, PWD has been extremely active in VIRIP, working on Activities including programming, planning, scoping, designing and budgeting. Design and Documentation of Roads has taken longer than expected because of a delay in collecting market information. VIRIP projects for 2018 were eventually incorporated into the workplan 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.

MoET

The MoET has been extremely active with the scoping and development of Part 2: School Reconstruction and Improvement, particularly during the last quarter 2017. Upon early review, it became evident that of the 66 primary and high schools identified on the MoET-approved list of schools to be reconstructed, only 27 had formal landholder agreements. Consulting services for Part 2 are either currently underway or in the process of being procured. Procurement on the first five packages of works will be ready to proceed once the certification of the MoET-approved Classroom design has been attained.

Financial Management and Performance

The unaudited reports for Quarter 1 and Semester 1 were not completed prior to the mobilisation of the Project Accountant. Since that time, it has been a challenge especially the need in setting up the VIRIP office. PST Staffing capacity during that period is low however there is a continued appreciation in pushing forward in ensuring that the governance and systems and reporting are in place. The expenditure under VIRIP in Semester 1, 2017 is low relative to Semester 2 in the same year and this is attributed to low capacity of the PST. The project has started and is mainly in the early stages of the planning process,

however when all the relevant Implementation Covenants are completed such as the Project Operations Manual, Procurement Plan, Annual Work Plan and the associated project Selection Criteria and Activity Listing, as outlined in the Project Operations Manual, the project will progress as planned. At the end of the 2017 Fiscal Year, the expenditure stands at VT 55,056,086 which is equivalent to USD 534,525 (conversion rate of VT103/USD).

Safeguards

A Safeguards Specialist (SS) was engaged in April and started full time in May. SS ToR included a review of draft Environmental and Social Management Framework (ESMF) and the Resettlement Policy Framework (RPF). An asbestos specialist was also engaged in late 2017 to complete an initial survey of 23 schools. In total nine schools had asbestos removed. Capacity support was also provided with 14 administrators and private sector practitioners engaged in training around all aspects of asbestos and asbestos removal.

Procurement

Procurement was somewhat delayed in 2017 with the first procurement specialist withdrawing after only 10-days of service. This was followed by another replacement late in the year. Immediate work has commenced on the development of a procurement plan for VIRIP and to support existing PWD systems. The lack of a PWD Procurement Manager may result in most procurement being conducted through VIRIP staff; at least in the short term.

Monitoring and Evaluation

The VIRIP M&E Specialist was mobilised in November 2018 and immediately commenced with a review of existing documentation and approaches. An initial scoping report was prepared along with the development of a paper around the structure of key definitions and terms.. A draft M&E framework and plan has been submitted to the World Bank for comment. Data collection tools will be prepared and finalised in Q1, 2018.

Lessons Learned and Risks

VIRIP also identified a number of key lessons from the first year of implementation. These have been included in the report along with a number of strategies to address these in terms of replication or mitigation. The risk management plan has also been updated and contains new risks.

Conclusions and Recommendations

VIRIP is now officially embedded and operating within MIPU. The process of mobilisation and establishing relevant systems and process has been challenging but importantly the programs is now fully staffed and engagement, planning and prioritisation has commenced with respective partners in PWD and the MoET. The foundations have been set for infrastructure works to commence in early 2018. In progressing work, the PST has identified a number of recommendations from the first year. These recommendations provide a basis for further consultation and engagement and will be tracked and updated during the course of the next reporting period. Key recommendations include:

Recommendation 1: PST to continue supporting and promoting a high level ownership of the project, including infrastructure and institutional components.

Recommendation 2: PST to facilitate a focus on institutional arrangements and support existing government systems and processes, whilst recognising the unique suite of activities and processes that need to be met internally under the management of the world Bank.

Recommendation 3: To support the inclusion of safeguards elements into PWD works planning processes, there is a need for all VIRIP activity proposals to complete a screening checklist before being confirmed into the annual work plan.

Recommendation 4: VIRIP to explore options to consider adequate and appropriate skills transfer to young Ni-Vanuatu business graduates and young professionals.

1. 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 (EA). The Public Works Department (PWD) under the Ministry of Infrastructure and Public Utilities (MIPU) is the key implementing agency (IA), supported by the Project Support Team (PST). The project is managed through a Project Implementation Committee 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 2017 to 31 December 2017. The report is the PST's first attempt at adopting the structures proposed under the VIRIP M&E Strategy and establishes foundation upon which future reports will be prepared and distributed. During this period there had been three Technical and Supervision Missions and one Portfolio Review by the World Bank.

2. Operating Context (September-December 2017)

The operating context for the program does remain somewhat challenging. A key issue is the considerable delays experienced in seeking approval and mobilization of the key program staff. Once mobilised, VIRIP entered into a relatively "crowded donor space" in terms of identifying priorities and establishing key management and implementation systems and processes. VIRIP has also had to prepare a significant volume of documents, strategies, manuals and guidelines during the course of the year. This has often distracted the PST away from implementation priorities and focus more on process and operational elements which are vitally important but somewhat time consuming.

Engagement with the Government of Vanuatu (GoV) through DSPPAC 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 4 times during the course of the year. The meetings have proven effective but further effort is required to ensure broader representation from other key stakeholders.

The operating context within PWD does remain challenging due to serious HR capacity issues and shortages caused by a combination of suspensions, unfilled vacancies and temporary 'acting' appointments. The MIPU Director General, PWD Director and Manager of Operations continue to operate as acting roles, with little progress made in conversion of these positions to permanent appointments.

Political interference in planning and delivery of works continues to be a significant problem within PWD. Divisional Managers are often instructed by various Ministers and sometimes MPs to undertake works which are not in accordance with the priorities resulting from the agreed planning policy and strategy, using valuable scarce resources for lower priority, politically motivated or ill-considered schemes. This has a negative impact on achieving the stated rural accessibility goals of PWD, and a detrimental effect on staff morale. However, fear of losing jobs ensures staff compliance with these instructions. Exceptional activities are not usually recorded in updated workplans, so fall outside normal monthly reporting.

For the DFAT funded Roads for Development (R4D) program, there remains some uncertainty which influences the overall context of the operating environment. The current R4D program is scheduled for completion in June 2018. A redesign process has recently been completed but uncertainty remains in terms of the availability of the current team, timeframes for tendering and awarding of new contracts and also the strategic proprieties of the program going forward. VIRIP needs to be ready to respond to any immediate changes as gaps in implementation will result in VIRIP potentially having to take up some activities that currently fall outside the scope of the program.




On a positive note, co-operation between R4D and VIRIP continues to strengthen with further discussion and engagement around key implementation priorities. Ty Morrissey (M&E Adviser for R4D and VIRIP) recently completed a M&E Plan and Framework for VIRIP. The Plan attempts to link the work priorities of both PWD and VIRIP and also build upon the important work that R4D and the AHC have already initiated with PWD (i.e. use of IBC contractors).

The Ministry of Education and Training (MoET) has provided a stable base for implementation and management. The main challenge to date has been the confirming of classroom designs and developing appropriate selection criteria to identify prioritised schools. The MoET has a relatively stable leadership structure upon which to base a solid foundation for work and engagement moving forward.

Engagement with the World Bank during the course of the year has been very constructive with active participation by the World Bank team during early inception since March 2017 up to the end of the reporting period. It is unfortunate that the World Bank placed considerable emphasis on the development of the Project Operations Manual (POM) and underlying systems, as this slowed overall implementation. Notwithstanding, the development of the POM has provided considerable clarity to the implementation of the project, most notably including the development of Selection Criteria for all Parts of the project. Also, the clearance and execution of early items of procurement were much more difficult than expected. Whilst there were early misunderstandings early these matters were more fully understood and agreed later during the reporting period and should ensure faster procurement in the future.

An interesting development during the course of the year was the inclusion of an institutional stream of work under VIRIP. This work has emerged following consultations with GoV however the active participation of VIRIP (and GoV representatives) at the 3rd World Reconstruction Conference (6-9 June 2017). The workshop provided unique insights into the combination of policy and planning as an integral component of disaster reconstruction and resilience. The workshop also highlighted the importance of linking disaster recovery efforts to broader integrational policies and frameworks as well. This has provided a sound basis for VIRIP to contribute to enhanced policy and strategy development with regards to disaster management and mitigation.

3. Status of Implementation and Key Results

On track 	Slightly behind schedule 	Issues requiring attention 
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OBJECTIVES (What you want to achieve)	INDICATORS (How to measure change)	Overall Program Target (2018- 2021)	Targets January- December 2018	QUARTERLY PROGRESS (October-December 2017)	% Progress in QTR	CUMULATIVE ANNUAL PROGRESS (January-December 2017)	% 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)	No works have commenced as of yet	0%	No works have commenced as of yet, M&E Plan and results framework submitted to world Bank for comment – December 2017.	0%
	# of users and beneficiaries (both women and men) with access to improved infrastructure	4,600	0 in year 1	No works have commenced as of yet.	0%	M&E Plan contains details on approach and methodology to measure and assess	0%
Goal: Goal Statement: <i>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	No works have commenced yet	0%	M&E Plan contains details on the approach and methodology to measure and assess.	0%

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OBJECTIVES (What you want to achieve)	INDICATORS (How to measure change)	Overall Program Target (2018- 2021)	Targets January- December 2018	QUARTERLY PROGRESS (October-December 2017)	% Progress in QTR	CUMULATIVE ANNUAL PROGRESS (January-December 2017)	% overall progress
End Outcome 1- <i>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	Discussions will occur in Q1, 2018	0%	Discussions with Social Safeguards Specialist.	0%
End Outcome 2- <i>GoV implementing an institutional framework committed to better emergency response and promotion of community resilience.</i>	<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	Initial draft ToR drafted for approval to engage a technical specialist	10%	<ul style="list-style-type: none"> Majority of work to commence in Quarter 1 and 2, 2018. 	10%
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	Xkm 250	No works have commenced as of yet.	5%	<ul style="list-style-type: none"> Design and Documentation of Roads has taken longer than expected because of a delay in collecting market information. Development on the Quality Control Manual has commenced and will be complete on time. The Pavement Specialist, who completed the pavement design for W1-01-17 and W1-02-17 is now complete. Engagement of the Supervisor for the Tanna Works is on schedule. The Supervision of 2018-2019 was slightly delayed because of the market analysis, however it is on track and will not delay the upcoming works. The first two items of work in Tanna were contracted prior to the end of 2017, however because of delays with approvals, scoping, safeguard checks and 	14%

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OBJECTIVES (What you want to achieve)	INDICATORS (How to measure change)	Overall Program Target (2018- 2021)	Targets January- December 2018	QUARTERLY PROGRESS (October-December 2017)	% Progress in QTR	CUMULATIVE ANNUAL PROGRESS (January-December 2017)	% overall progress
						<p>procurement the 2 items of work in Malekula had not started.</p> <ul style="list-style-type: none"> During the period May to November 2017, PWD undertook its Annual Work Plan (AWP) process the 2018, including VIRIP. 	
1.2 Schools reconstructed to a higher standard	<ul style="list-style-type: none"> # schools repaired and constructed each year. 	40	5	Initial scoping and survey visits to 23 schools for an initial survey of site works, investigation for potential asbestos and to identify community stakeholders.	5%	<ul style="list-style-type: none"> The Survey and Documentation of School Buildings will be cancelled, as the VIRIP PMC (an experienced Civil and Structural Engineer) has already conducted the inspections of 24 schools to date and will inspect the remainder as part of his normal role to understand the scope, logistic, procurement, packaging and safeguard requirements. The Asbestos Specialist has been engaged and mobilised for an eight-week period in October-December 2017 for assess the 24 inspected schools. Procurement on the first five packages of works will be ready to proceed once the certification of the MoET-approved Classroom design has been attained. Packages 6 and 7 require field inspections of Worarana, Makira, Mataso, Vutekai, Lire, Lehili and Luvil schools during March 2018, prior to tendering. 	11%
1.3 Public buildings reconstructed to a more resilient standard	<ul style="list-style-type: none"> # buildings constructed 	20	3	Not yet commenced	2%	<ul style="list-style-type: none"> Selection criteria for Part 3 activities were conducted as part of the revised Project Operations Manual, which resulted in some delay. However, there was also delay in engaging consultant for the 	4%

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OBJECTIVES (What you want to achieve)	INDICATORS (How to measure change)	Overall Program Target (2018- 2021)	Targets January- December 2018	QUARTERLY PROGRESS (October-December 2017)	% Progress in QTR	CUMULATIVE ANNUAL PROGRESS (January-December 2017)	% overall progress
						<p>Survey and Documentation of Public Buildings, as additional information was requested by the World Bank to approve a request for a Single Source Selection of Kramer Ausenco to undertake the services. Supervision of Public Building Works is expected to occur on time.</p> <ul style="list-style-type: none"> It is anticipated that three packages of works will occur during 2018. These works are expected to be the simple works, requiring minimal design and documentation and represent minimal risk. Those works requiring more specialized design and construction with higher risk will be undertaken thereafter. 	
1.4 IBC's able to construct assets and buildings to a higher standard	<ul style="list-style-type: none"> # of IBC contracts signed 	20 contracts	3 contracts	Decisions around the engagement and involvement of IBCs still being discussed.	0%	Further discussions are required around the possible use of IBCs and how these entities will be engaged and supported through VIRIP	0%
1.5 Employment opportunities created for women and men and communities as a whole (i.e. labour days)	<ul style="list-style-type: none"> # of men and women gaining appropriate employment 	18,000 days	2,00 days	No works have commenced to date.	0%		0%
Output 2: Institutional arrangements 2.1 Key policies and strategies to guide future emergency responses developed	<ul style="list-style-type: none"> Reconstruction policy and strategy developed 	1	Progression of policy and strategy	Draft ToR prepared and recruitment to occur in Q1, 2018.	30%	This work is part of the new institutional stream of work proposed through the VIRIP M&E Plan.	30
2.2 Safeguards Framework developed and applied	<ul style="list-style-type: none"> Safeguard framework approved 	1 safeguard framework	Safeguards framework	Agreement to revise Framework received. Draft revised framework developed	80%	Still awaiting final approval and confirmation from the World Bank	80%

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OBJECTIVES (What you want to achieve)	INDICATORS (How to measure change)	Overall Program Target (2018- 2021)	Targets January- December 2018	QUARTERLY PROGRESS (October-December 2017)	% Progress in QTR	CUMULATIVE ANNUAL PROGRESS (January-December 2017)	% overall progress
2.3 People engaged and supporting community decision making structures (fewer grievances)	<ul style="list-style-type: none"> % grievances responded to within agreed timeframes 	95% of grievances responded to within timeframes	50%	No works have commenced to date.		Relevant data collection tools to be prepared in Q1, 2018.	
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 4 Contract let, no variations	20%	Relevant financial management systems have been established. However recent Semester accounts remain unaudited. This will be rectified in early 2018.	20%
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. 	TBC	TBC	14 payments released (services) 0 payments made to contractors	0%	Indicator targets still to be confirmed.	0%
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	No work commenced in the period but this is an activity scheduled for late 2018	0%	Discussed an included as part of the overall M&E Plan.	0%

4. Program Implementation (Narrative Section)

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.

4.1 Part 1. Road Reconstruction and Improvement

Institutional Arrangements

As the Implementing Agency, the role and function of MIPU and its PWD has been critical throughout 2017. PWD has been extremely active in VIRIP, working on Activities including programming, planning, scoping, designing and budgeting. The Safeguards Unit within PWD has been most active, having sent staff to outer islands to check environmental and social issues and manage communications with stakeholders. Divisional staff have provided excellent support with the development and selection of technical design, specifications and drawings. The PWD headquarters have identified early activities and well managed the preparation of the 2018 Annual Works Plan, albeit it has been a new and more challenging process.

During 2017 MIPU decided to transform PWD to a network manager, based on a concept developed by Roads for Development (R4D), resulting in a PWD-owned Transformation Plan. There are a number of factors though that will impact the realisation of that plan and impacts on the current functions which collectively affect VIRIP:

- the impact of retendering and potentially changing the R4D service provider in mid-2018 (with potential change of staff and institutional memory)
 - request for World Bank assistance for a Transport Project.
 - the emerging, wider ambition of MIPU to transform itself into a refocused and integrated Ministry of Transport
 - an ADB-supported project set to commence in October 2017 to develop a Vanuatu Transport Sector Master Plan, which will include details of necessary institutional reform to achieve 5-year and 20-year Master Plans
- continuing lack of staff within MIPU/PWD including senior positions.

It is understood that the Australian Aid-funded R4D contract with SMEC will finish 30 June 2018 and R4D2 will be tendered. However, it remains unclear how the handover (if any) will occur. The incumbents (SMEC) remain completely unaware of the implications. Naturally it is expected that without any commitments by March 2018, SMEC will start to shut down its operations or staff will leave for other opportunities. This will place great strain on PWD and VIRIP.

There has been repeated suggestions and correspondence on a new World Bank-funded Transport Project, based on a request made by the Government of Vanuatu in early 2017. Whilst the details of the new project are unknown, the introduction of another project into MIPU and PWD will be problematic, as there are existing institutional constraints within MIPU/PWD and three other projects (VIRIP, R4D and Cyclone Pam Road Reconstruction Project (CPRRP)).

On a more strategic basis, MIPU is undertaking institutional forms which will affect VIRIP. The outcome of the Vanuatu Transport Sector Master Plan will provide insight on those effects.

At present, PWD has approximately 30% vacancies, with numerous senior staff in acting positions. This problem has been accentuated by recent Public Service Commission decision in relation to staff entitlements which has resulted with numerous public servants endeavouring to take early retirement. There is also further consternation amongst the public service in regards to entitlements more broadly. This issue causes further strain on limited resources that VIRIP can draw upon, albeit with the wind down of R4D the overall impact on human resources may not be severe.

Services

The following consulting services are currently underway or have been completed:

Project Description	Start	% Complete	Cost
S1-01-17 Design and Documentation of Roads	Mon 2/10/17	19%	\$195,500
S1-02-17 Develop QCM	Fri 1/09/17	72%	\$56,120
S1-03-17 Pavement Specialist	Mon 1/05/17	100%	\$5,000
S1-04-17 Supervisor for Tanna Works	Thu 1/06/17	23%	\$80,500

Design and Documentation of Roads has taken longer than expected because of a delay in collecting market information. Development on the Quality Control Manual, which will provide detailed procedures and forms for contract quality issues, has commenced and will be complete on time. The Pavement Specialist, who completed the pavement design for W1-01-17 and W1-02-17 is now complete. Engagement of the Supervisor for the Tanna Works is on schedule. The Supervision of 2018-2019 was slightly delayed because of the market analysis, however it is on track and will not delay the upcoming works. It is important to note that R4D and PWD will jointly supervise the IBC works, as conducted previously. However, with the departure of the consultant (SMEC) by 30 June 2018, this will be monitored and if required the programme adjusted and/or other resources engaged.

2017 Annual Works Plan

Four items of physical work were identified to be procured during 2017, including:

Project Description	Start	% Complete	Cost
W1-01-17 Tanna - King Cross Road Improvement - FRC	Mon 15/05/17	63%	\$836,814
W1-02-17 Tanna - King Cross Road Improvement - Bitumen	Mon 3/04/17	31%	\$1,894,648
W1-03-17 Malekula - Improvement to Batven Stream (Neramb) Crossing (IBC)	Mon 30/10/17	25%	\$50,000
W1-04-17 Malekula - Improvement to Unua 5 Stream (Blacksand) Crossing (IBC)	Mon 30/10/17	25%	\$50,000

The first two items of work were contracted prior to the end of 2017, however because of delays with approvals, scoping, safeguard checks and procurement the latter two items of physical work had not started prior to the end of year. During the period May to November 2017, PWD undertook its Annual Work Plan (AWP) process the 2018. Initially, VIRIP was not included in the AWP workshops and discussions. This appeared to occur because of the lack of understanding between R4D and VIRIP project

teams and the Acting Director General was asked to intervene by VIRIP to ensure a coordinated approach to the 2018 program. Upon the arrival of the new Team Leader for R4D in July 2017, there has been a noticeable improvement in coordination between the two projects.

VIRIP projects for 2018 were eventually incorporated into the workplan 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. These matters have been discussed in some detail and resolved.

2018 Annual Works Plan

The 2018 AWP includes eight VIRIP funded works activities which has now been included in the works programme, including the following.

Project Description	Start	% Complete	Cost
W1-05-18 Pentecost - Improvement to South Pentecost Road	Mon 2/04/18	0%	\$2,109,561
W1-06-18 Epi - East Epi Road Improvements - 800m FRC	Mon 22/01/18	0%	\$916,000
W1-07-18 Tongoa - Road Improvements - 1000m FRC	Mon 5/02/18	0%	\$990,000
W1-08-18 Tanna - Lowiaru-Imafen Road Improvement - 1000m FRC	Mon 15/01/18	0%	\$990,000
W1-09-18 Tanna - White Grass Junction - Inalvat Road Improvement - Bridge and Culvert	Tue 1/05/18	0%	\$1,000,000
W1-10-18 Pentecost - Ranwadi Point Coastal Road - Retaining Wall (3 x IBC)	Mon 30/10/17	27%	\$137,500
W1-11-18 Pentecost - Cooks Cave Coastal Road - Gabion Protection (2 x IBC)	Mon 30/10/17	27%	\$92,600
W1-12-18 Pentecost - Vanwoki Hill - 300m FRC	Mon 5/02/18	0%	\$320,000

The first four activities were originally approved under the 2018 AWP, but the last three subsequently approved for incorporation, upon review VIRIP and PWD.

4.2 Part 2: School Reconstruction and Improvement

Institutional Arrangements

The MoET has been extremely active with the scoping and development of Part 2: School Reconstruction and Improvement, particularly during the last quarter 2017.

Upon early review, it became evident that of the 66 primary and high schools identified on the MoET-approved list of schools to be reconstructed, only 27 had formal landholder agreements. MoET indicated that this will require a concerted effort and resources to establish these agreements as either a formal 'right of use' or lease. Subsequently, it was agreed that VIRIP will provide a Land Registration Officer (LRO) as a MoET resource to assist them to establish these agreements. A procurement process identified a

suitable candidate, approved by MoET. However, whilst the evaluation was completed in September, this person was not available until November 2017. To date, the preferred candidate is not negotiated and signed a contract, which has delayed the establishment of these agreements and the overall implementation of Part2.

In September 2017 the volcano on Ambae erupted requiring the evacuation of the entire population of 11,000 residents. The significantly affected MoET's ability to assist with the project over a two-month period.

In November 2017 MoET reviewed the standard classroom design and subsequently issued instructions to VIRIP that the design previously used under the Cyclone Pam School Reconstruction Project will not be used and the design adopted previously by MOET and used on other projects including the JICA-funded Grant Assistance for Grassroots Human Security Project. This latter design was approved by MoET in December 2017 and will be used by them as the classroom standard for the future. Unfortunately, this change in design has delayed the implementation of the Part 2 by around 4 months.

In November and December 2017 there was significant progress on Part 2 with joint detailed field visits to 24 schools. During these visits, stakeholder consultation occurred, scoping and structural inspections completed and environmental and social assessments undertaken. The outcome of these site visits will form the first packages of works to be tendered out in 2018.

The field visits revealed that there were some rescoping required compared to the original MoET-approved list. Most of these changes revolved around the rehabilitation and retrofitting, whereby during the intervening period from the original field survey, much of the work had been undertaken successfully, generally by community groups. The quality of the work was of a high standard. However, clearly the cause of failure was as a result of poor maintenance of structural connections. To increase resilience, it was decided to concentrate efforts on training maintenance staff on how to properly maintain these buildings and prepare them for an upcoming cyclone.

Services

Consulting services for Part 2 are either currently underway or in the process of being procured. The Survey and Documentation of School Buildings (highlighted in blue below) will be cancelled, as the VIRIP PMC (an experienced Civil and Structural Engineer) has already conducted the inspections of 24 schools to date and will inspect the remainder as part of his normal role to understand the scope, logistic, procurement, packaging and safeguard requirements. The Asbestos Specialist has been engaged and mobilised for an eight-week period in October-December 2017 for assess the 24 inspected schools. During his assignment, he also conducted training and safely removed and disposed of asbestos containing material from two schools, allowing W2-01-18 Package 1: Efate - Eton and Ekipe and W2-02-18 Package 2: Nguna, Pele and Emau to proceed. As mentioned above procurement of the Land Registration Officer has started and the Safeguards Officer started work in October 2017 and actively assisted during the field visits on the environmental and social safeguards.

Project Description	Start	% Complete	Cost
S2-01-17 Survey and Documentation of School Buildings	Tue 26/09/17	0%	\$0
S2-02-17 Asbestos Specialist	Thu 1/06/17	56%	\$69,900
S2-03-17 Land Registration Officer	Thu 1/06/17	15%	\$40,000
S2-04-17 Safeguards Officer	Thu 1/06/17	56%	\$23,238

2018 Annual Works Plan

Procurement on the first five packages of works will be ready to proceed once the certification of the MoET-approved Classroom design has been attained. Packages 6 and 7 (marked in orange below) require field inspections of Worarana, Makira, Mataso, Vutekai, Lire, Lehili and Luvil schools during March 2018, prior to tendering.

Project Description	Start	% Complete	Cost
W2-01-18 Package 1: Efate - Eton and Ekiye	Mon 2/04/18	21%	\$384,000
W2-02-18 Package 2: Nguna, Pele and Emau	Mon 2/04/18	21%	\$262,000
W2-03-18 Package 3: Efate - Etas, Maumau and Kawenu	Fri 1/06/18	0%	\$472,000
W2-04-18 Package 4: Epi - Bonkovio, Lamenu, Akama, Mafilau	Fri 1/06/18	0%	\$416,000
W2-05-18 Package 5: Tongoa - Malawia, Ere, Nottage, Itakuma and Naworaone	Fri 1/06/18	0%	\$631,549
W2-06-18 Package 6: Shepherds - Senecol, Coconak, Worarana, Makira and Mataso	Wed 1/08/18	0%	\$398,000
W2-07-18 Package 7: Paama - Vutekai, Lire, Lehili and Luvil	Wed 1/08/18	0%	\$243,000

4.3 Part 3 - Public Building Reconstruction and Improvement

A summary spreadsheet of activities under Part 3 were provided by PWD on 9 March 2017. The list had been developed from projects that were assessed by PWD and/or proposals submitted to the Prime Minister's Office from other Government ministries.

An initial assessment of the activities indicate that the activities will need a thorough review. PWD have noted though that given the time that has passed since the initial assessments and proposals being drafted, they recommend that all of these projects be re-surveyed and re-assessed.

PWD noted that ministries have responsibility for their own infrastructure. PWD does not manage the assets of other ministries but does provide technical assistance on an operational basis. It is now apparent from a limited review of the listed activities that many of the scopes are ill-defined. It is understood that the scopes and estimates were undertaken by non-technical people within the Government ministries. This then compounds lack of confidence in the scopes and estimates provided. Accordingly, it has been decided to engage a Building Engineer as soon as possible to assess each Ministry proposal. Additionally, the Asbestos Specialist will inspect the public buildings.

Finally, PWD indicated that there may be other activities not included in the list due to gaps in messaging or confusion over the recovery program. Therefore, throughout the review process, any additional requests will be referred to the DSPPAC and PIC accordingly.

Selection criteria for Part 3 activities were conducted as part of the revised Project Operations Manual, which resulted in some delay. However, there was also delay in engaging consultant for the Survey and Documentation of Public Buildings, as additional information was requested by the World Bank to approve a request for a Single Source Selection of Kramer Ausenco to undertake the services. Supervision of Public Building Works is expected to occur on time.

At this stage, it is anticipated that three packages of works will occur during 2018. These works are expected to be the simple works, requiring minimal design and documentation and represent minimal

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

Project Description	Start	% Complete	Cost
W3-01-18 Package 1: Public Buildings	Wed 1/08/18	0%	\$300,000
W3-02-18 Package 2: Public Buildings	Wed 1/08/18	0%	\$700,000
W3-03-18 Package 3: Public Buildings	Wed 1/08/18	0%	\$750,000

4.4 Part 4 – Project Implementation and Technical Support

The PMC started on 6 March 2017 and started the process of engaging other Specialists. Notably, whilst the project effectively started on 30 October 2017, there was no real advancement on the project until the PMC arrived, some four months late. The Safeguards Specialist (Iain Haggarty) started on 17 April 2017 and the International Procurement Specialist (Emil Leau) started on 11 May 2017, however unfortunately Mr Leau left less than 2 weeks later because his wife was sick.

The sudden departure of Mr Leau and his lack of availability during the subsequent period has caused significant problems with the early implementation of the project, particularly procurement functions. This has had a roll-on affect, whereby the PMC and Safeguards Specialist has continued the bulk of the procurement functions, which has been inefficient and problematic. A new expression of interest was released for a replacement Procurement Specialist. The replacement Procurement Specialist was engaged (Ian Gormlie), however because of problems with extraction from his old position, he was not able to mobilise in October 2017 as originally planned and eventually arrived on 3 December 2017.

The Project Accountant was selected and mobilized on 28 August 2017. Upon his arrival, he sought the advice from, Hellen Wilson Tom from Department of Energy to fast-track the establishment of the project accounts.

The Monitoring and Evaluation (M&E) Specialist was engaged and mobilised during in November 2017 and developed the M&E Framework, including an M&E approach and key definitions.

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	Practical Completion	Time Completion	Financial Commitment	Financial Expenditure
Current	17%	21%	7.4%	1.2%
December 2018	42%	39%	36%	26%

Practical completion is analysed by MS Project, across all project Parts and is the percentage of tasks and activities practically complete by the date of the report. The breakdown of the practical completion for each Part is shown in the graph below:

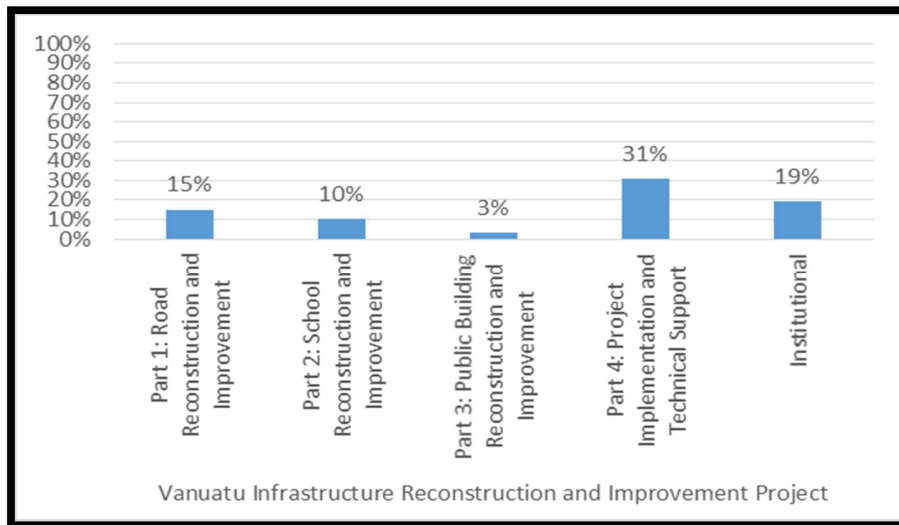


Figure 1: Completion Rates for relevant work sectors

Based on the above graph, it can be seen that Part 3 is noticeably behind the overall schedule and compared to practical completion of other Parts. A concerted effort will be required to bring this Part back onto schedule during the first quarter 2018. Time completion is based on the date of the report and the following project dates: (i) Effective Date of Project 30 October 2016 and (ii) Project Closing Date: 30 April 2022

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.

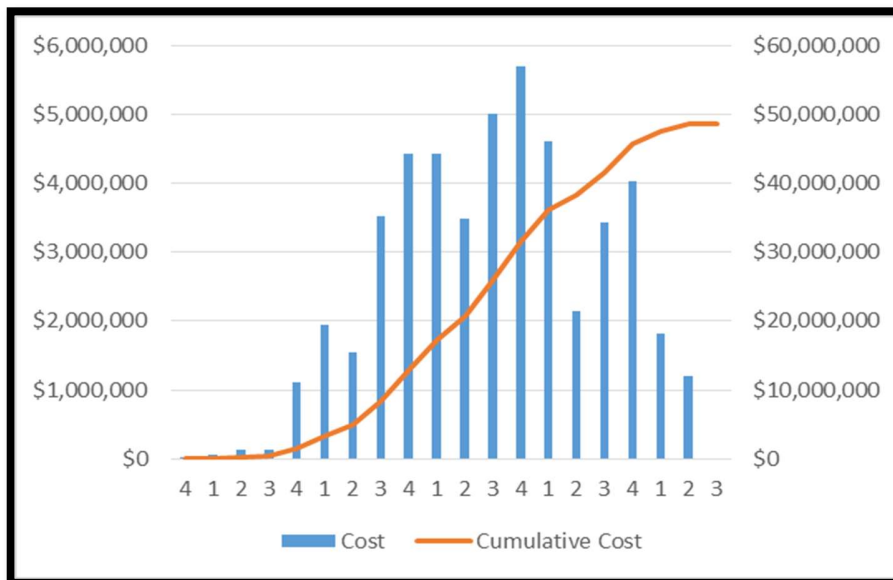


Figure 2: Proposed Cash flow for VIRIP

Resources

At present, the programme meets the anticipated absorptive capacity of the local technical Consulting resources. A performance analysis of Island-based Contractors (IBCs) has been completed by R4D in 2017, which will form the basis of Market Analysis for VIRIP. At present, there is spare capacity to use IBCs, however given the restriction of use of IBCs in the Procurement Plan, it is not expected that IBCs will not be fully utilized under VIRIP and not beyond 2019.

A Market Analysis will be completed for national civil and building contractors, as part of a Business Opportunity Forum to be held in February 2018. It is currently unclear about the absorptive capacity of national contractors in Vanuatu. However, a major factor that will remain is, that whilst they may have the technical skills to undertake the Activity, they may not have the financial resources and business acumen to deliver a contract.

Based on current projections and expected absorptive capacities, it is expected that the project will be completed around 8 months ahead of the Project Closing Date.

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 formalized social 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 immediate priority is 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 is likely to occur 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: (i) Project Operations Manual; (ii) Safeguards Manual (SM) (Compendium of documents consisting of; Resettlement Policy Framework (RPF), Grievance Handling Redress Mechanism (GRM) and Environmental and Social Management Framework (ESMF); (iii) Procurement Manual (PM) (Consisting of the PWD Procurement Manual with the VIRIP Procurement Supplement); (iv) Financial Management Procedures; (v) Contract Administration Manual (CAM); (vi) Quality Control Manual (QCM); (vii) a Monitoring and Evaluation Plan (M+E Plan) ; and (viii) an Operations Manual (Contingency Emergency Response Component) (OM (CERC)). It is anticipated that these practices and procedures will ensure the project management if VIRIP runs effectively and efficiently.

4.8 Financial Management and Performance

The Financing Agreement Section 2, Part B on the Financial Management, Financial Reports and Audits has the provision of providing the unaudited financial reports covering the Semester that reflects the Public Finance and Economic Management (PFEM) Act reporting requirements. In essence, the World Bank agreed to utilize the GoV's financial management systems and legislations at most for its reporting and procurement. The PST is obliged to report on the Financial Management achievements and progress and to identify challenges and any mitigation strategies taken during that period.

The Project Accountant commenced duty end of August 2017. The unaudited reports for Quarter 1 and Semester 1 have not been done since and it is a challenge especially the need in setting up the VIRIP office including the purchasing of stationery, internet and communications, visa applications, and so forth. PST Staffing capacity during that period is low however there is a continued appreciation in pushing forward in ensuring that the governance and systems and reporting are in place.

Project Support Staff and PWD

By the end of 2017, the PST team appeared to be in full capacity with all persons on board comprised of the Project Manager/Coordinator, Safeguard Specialist, Procurement Specialist and the Project Accountant.

In support for preparatory work, the PST need other staff to assist in developing other necessary and associated manuals and design and supervision for road and schools. The PST manage to engage other specialists including the Asbestos Specialist, Safeguard Officer (for schools Project), and the Monitoring and Evaluation (M&E) Specialist. The other short term input is the Senior Civil Engineer (Quality Control) position for Road Works to commence in Q1, 2018. Similarly, the schools project does require an engineer for supervision works and in the process of seeking approval from the World Bank. This will be further discussed in the Works Programming and Procurement Plan section by the Project Manager/Coordinator.

First Unaudited Financial Report

It is recognised that PST work is frontloaded as it has to properly establish the Office and organise communication, stationery and visa and at the same time meeting the reporting needs under the Financing Agreement. The First Unaudited Quarterly Report was release in October followed with the Semester Report (January to June 2017). The IFR provided a snap shot of the grant received, flow of funds and expenses in each quarter and Semester. The First Semester Report 2017 was sent to the World Bank in January 2017 and was confirmed and approved by the Bank. The Semester Report will be enhanced further in the subsequent submissions.

Reserve Bank of Vanuatu

VIRIP funds are credited in the Designated Account with the Reserve Bank stands at Vt.400, 000,000. There were two separate tranches received under this project where the first was on 27th February and the Second on 23rd June 2017 respectively. This is equivalent to US\$3,809,523.81¹.

The Budget

To expedite funds, the Budget would have to be transferred to a Project Code in the Government Financial Management System Smart Stream, a centralised financial management system and is manage and control by the Treasury and Finance Department. The VT 400,000,000 Budget was apportioned as follows:

VIRIP Parts	Project Code	Budget Allocation (VT)
		400,000,000
Roads	17B978A1	275,000,000
Schools	17B978B1	34,240,000
Public Buildings	17B978C1	-
Project Implementation and Technical Support	17B978D1	90,760,000

The Government Financial Management System

The Grant/Credit Project Code 17B978 was created in the Government Financial Management System into Four Parts as described in the Project Appraisal Document (PAD). VIRIP PST has developed and discussed the budget structure with the Department of Treasury and Finance and Economic Management for the Project (See Attached) to be amended in the smart-stream (Government financial system) to support the management and detail reporting on the grant/loan as follows: (i) Roads: 17B978A1; (ii) Schools: 17B978B1; (iii) Public Buildings: 17B978C1; and (iv) Project Implementation and Technical Support: 17B978D1

The Credit/Grant is recorded in the Government Financial System as revenue in ledger 7 and as an Expense in ledger 4. In the process for recording in the Government Financial System, PWD have to complete the Government's "Green Form". This form detailed the use of the Credit /Grant by Chart of Accounts when it is entered into the Government Financial System-Smart-Stream. The Expenditure Codes and Revenue Codes have been created that permits the PWD/VIRIP to implement the project.

The Credit/Grant and the VIRIP Budget

The VIRIP Eligible Expenditure is provided under the Financing Agreement signed and sealed on 2nd August 2016 supported with a detailed breakdown by functions and Parts. The Eligible Expenditure is described in the table below.

VIRIP Eligible Expenditure by category

Category		Amount of the Credit Allocated (Expressed in SDR)	Amount of the Grant Allocated (Expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
1	(i) Goods (ii) Works (iii) Non-Consultants services (iv) Consultants services (v) Operating Costs (vi) Training for the Project	15,520,000	15,520,000	100%
2	Works for Part 3 (a) of the Project	2,130,000	2,130,000	100%
3	Emergency Expenditures			100%
Total Amount		17,650,000	17,650,000	

Expenditures

The expenditure under VIRIP in Semester 1, 2017 is low relative to Semester 2 in the same year and this is attributed to low capacity of the PST. The project has started and is mainly in the early stages of the planning process, however when all the relevant Implementation Covenants are completed such as the Project Operations Manual, Procurement Plan, Annual Work Plan and the associated project Selection Criteria and Activity Listing, as outlined in the Project Operations Manual, the project will progress as planned.

At the end of the 2017 Fiscal Year, the expenditure stands at VT 55,056,086 which is equivalent to USD 534,525 (conversion rate of VT103/USD). The Semester 1 2017 expenditure stood at VT41,772,574 which is equivalent to USD405,559 (conversion rate of VT103/USD). The graph below shows the level of Budget against expenditure in 2017 by VIRIP Parts. Refer to the attached Semester Tables in appendixes for detailed expenditures by functions or sub-activities in each Part and also the Five Year project budget of VIRIP.

The main expenditures are from the Project Staff and Incremental Budget while the Project Vehicle and Annual Audits are programmed to be secured later this year. To date, the budget expedited for Part 1 stands at VT253,531, Part 2 stands at VT3,359,948 and Part 3 stands at VT51,442,606. The Closing Balance in the Designated Accounts Stands at VT344,943,914 which is equivalent to USD3,348,970 (current exchange rate is VT103/USD). It is anticipated that in 2018, PST will complete the associated documents and planning for roads, schools and public Buildings which will assist in the implementation plan. The Graph below shows the pictorial shape of expenditures from January to December 2017.

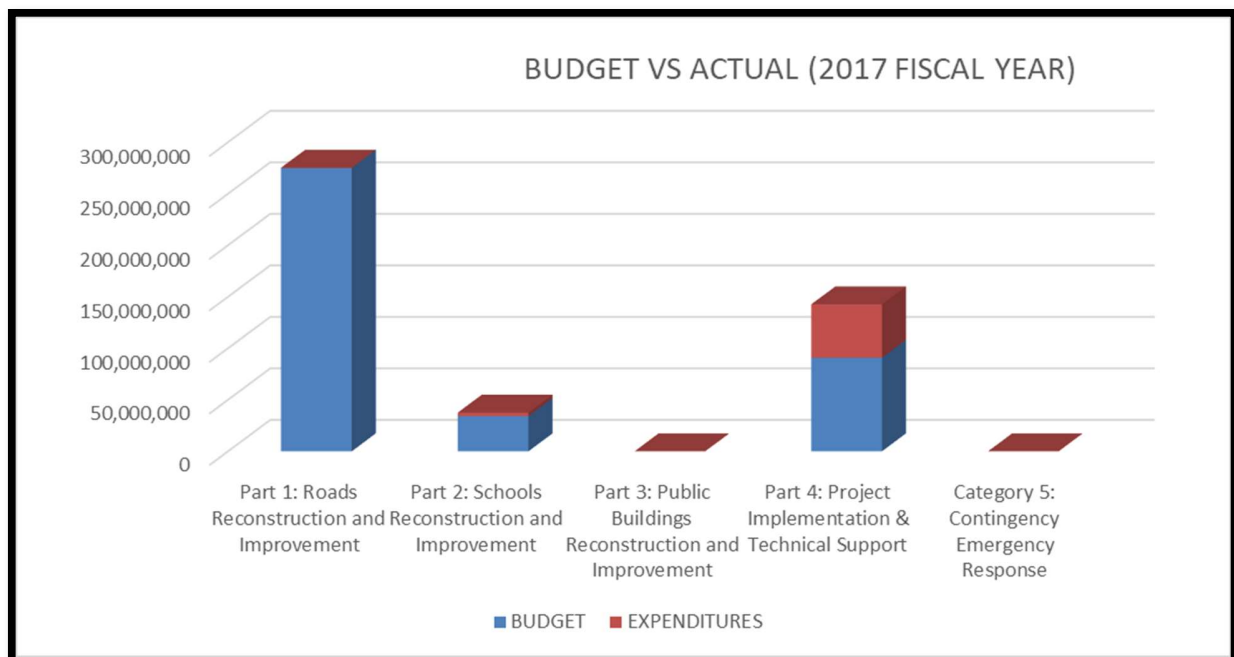


Figure 3: Breakdown of Budget and Expenditure for 2017

The Budget Plan and Cash Flow

The Public Works Department has developed an Annual Work Plan (AWP) late 2017 to help guide the implementation of the roads programs and activities for which VIRIP will be supporting some parts of the

MIPU AWP in 2018. For example, the VIRIP budget plan for Roads have been separated by provinces which will guide VIRIP, MIPU and the World Bank in monitoring the sub-projects in the provinces.

Achievement and Challenges

There are some challenges that the project team faced during the early stage of the project implementation especially in relation to staffing capacity, establish the Office with communications, stationeries, and so forth. It is anticipated that things will efficiently roll out when full capacity is achieved in terms of staffing and accompanied with the appropriate planning tools (Operation procedures, etc.) and processes.

The PST is monitoring the PWD Finance Capacity especially when the VIRIP project is fully operational especially where the number of transactions increase as the project is roll out. This was discussed with R4D funded by DFAT and a Capacity Analysis is being prepared to ascertain any possible assistance by VIRIP.

Furthermore, R4D is in a transition period as it will be phased out soon and VIRIP is adamant that this would affect VIRIP implementation and therefore appropriate measures have to be adopted. It is recognised that Category 2 of the Project, Public Buildings Reconstruction and improvement needs further traction by the Department of Strategic Policy, Planning and Aid Coordination (DSPPAC) in order to finalise the prioritise list works.

VIRIP implementation has initially been slow, primarily due to delays in setting up the PST and engaging a Procurement Specialist but is now progressing. The PST is working on the details for contracts, terms of references and defining the boundaries of engagement to ensure that quality controls are established and systems of monitoring the work implemented. Finally, the expenditures including Semester 1 and Semester 2 against the budget highlights some of the issues faced at the inception of the VIRIP PST. It is however noted that many of the issues have been cleared with the World Bank during the September mission. It should be noted that there are a lot of progress especially in having the foundational documents in place including the manuals and the budget for 2018.

4.9 Safeguards

A Safeguards Specialist (SS) was engaged in April and started full time in May. SS ToR included a review of draft Environmental and Social Management Framework (ESMF) and the Resettlement Policy Framework (RPF). In order to better fit with and implementation taking into account in-country conditions, agreement was gained from World Bank Safeguards Staff to revise these framework documents.

This included expanding the scope of the RPF to include all forms of compensation and negotiation instruments under the project in line with Vanuatu legislation and current practices. The revisions to the RPF included moving sections of the ESMF (Voluntary Land Donation) to the expanded RPF. The ESMF was expanded to include Screening Checklists, Environmental and Social Management Plan (ESMP) templates for Schools and Public Buildings. The Asbestos Protocol in the ESMF was revised based on work undertaken for asbestos screening and removal.

Drafts of these frameworks and the protocol were passed to World Bank Safeguards Staff for initial comment in November.

Asbestos

A Safeguards Officer for Schools and an Asbestos Specialist (AS) were procured in time for the final quarter. These specialists along with other members of the PST undertook site survey visits to twenty-three schools for an initial survey of site works, investigation for potential asbestos and to identify community stakeholders.

Asbestos testing was undertaken for nine schools with all suspected asbestos that was damaged being encapsulated for safety and school principals informed. Of the nine samples taken, six have proved positive for Asbestos, a relatively high percentage that reflects the age of the buildings. It is noteworthy that of the newer buildings tested none contained asbestos.

A training course was held on Asbestos Awareness for 14 administrators and private sector practitioners. A practical part of the course included the supervised removal and disposal of asbestos at two schools (Eton on Efate and Eles on Nguna). The AS contract has been extended to enable inspections at all selected schools under VIRIP (the original Asbestos Protocol only provided for a sample of schools).

Screening Checklists and ESMP

Screening checklists were completed and delivered to the World Bank for all proposed 2017 works. This included a draft checklist for the proposed Seven Star drainage activity and culverts on Malekula. A PWD officer undertook preliminary environmental assessment for the Malekula culverts under an existing delegation from the Department of Environmental Protection and Conservation.

Contractor ESMPs were received for both set of works on Tanna (Kings Cross bitumen sealing and fibre reinforced concrete). Initial awareness and disclosure about the Tanna roadworks took place on Tanna in November at the signing ceremony for the bitumen sealing contract.

4.10 Procurement

The International Procurement Specialist contract began on 3rd Dec 17. The addition of Ian Gormlie to the PST will provide procurement support to VIRIP enabling procurement to be conducted in a timely manner. There will be a period (3 to 12 months) where the key priorities of establishing contracts and establishing the full infrastructure (policy manual, standardized documents and procedures) for efficient and effective procurements will require prioritisation. Contracts established in the December 17 quarter and for the 2017 year are detailed in the table

Contract Name	Contract Signature Date	Initial Expiry Date	Contractor	Contract Value
Project Manager - Coordinator	29-Dec-16	20-Feb-22	Lawrie Carlson	USD 1,122,200
Safeguards Specialist	12-Apr-17	12-Apr-20	Iain Haggarty	USD 612,070
International Procurement Specialist	03-May-17	30-Apr-18	Emil Leau	USD 218,750
Accountant	25-Aug-17	30-May-20	John Colwick	USD 13,876,460
Monitoring and Evaluation Specialist	06-Sep-17	20-Feb-18	Morrissey Consulting International Pty Ltd	USD 197,900
Safeguards Officer (Schools)	17-Oct-17	17-Jul-18	Hannington Alatoa	VT2,440,000
Tanna - Kings Cross Road Improvement - Double Coat Seal	03-Nov-17	02-May-18	Downer EDI Works Vanuatu Limited	VT202,500,192
Tanna - Kings Cross Road Improvement - Fibre	10-Nov-17	10-May-18	Fletcher Organisation Vanuatu LTD	VT89,438,625

reinforced Concrete Pavement				
Development of Quality Control Manual	28-Dec-17	30-Nov-18	Qualao Consulting Ltd	VT5,998,135
International Procurement Specialist	28-Dec-17	31-Jan-19	Ian Gormlie	USD 519,780
Asbestos Specialist	28-Dec-17	25-Jan-18	Dale Austen	USD 36,700

The lack of a PWD Procurement Manager may result in most procurement being conducted through VIRIP staff; at least in the short term. Whilst this will meet the need of VIRIP and PWD in ensuring that works are effectively contracted, it has only a limited effect on the development of procurement knowledge, skills and experience within PWD and MoET. Several solutions are being considered including the option of employing within VIRIP a commerce / business graduate as a means of transferring skills, knowledge and experience in procurement.

The status of each procurement outlined in the 2017 approved Annual Procurement Plan is provided in Appendix x. Given that the Procurement Specialist did not begin until 3 Dec 17 the PST has successfully conducted a significant amount of procurement during 2017.

The procurement plan is included as Appendix 2

During Q1, 2018, it is planned to write a VIRIP Procurement Supplement to the PWD Procurement Procedures. This will outline from a helicopter perspective the way in which VIRIP will conduct procurement. Other key activities planned to be undertaken include:

- Establishment of the IPS Work Plan.
- Develop new contracts for Works and related services as per the 2018 Annual Procurement Plan.
- Updating the 2018 VIRIP Annual Procurement Plan and issuing it to the World Bank for review.
- Establishing the overall state of GoV Procurement – as time permits.

4.11 Monitoring and Evaluation

The VIRIP M&E Specialist was mobilised in November 2018 and immediately commenced with a review of existing documentation and approaches. An initial scoping report was prepared along with the development of a paper around the structure of key definitions and terms. The purpose of these papers was to provide a framework for the development of the broader VIRIP M&E Plan.

Consultation were also held with representatives of PWD and MoET along with the M&E Unit within DSSPAC to identify current and immediate priorities and to ensure consistency and alignment with existing reporting structures, M&E frameworks and relevant national policies and strategies (e.g. National Sustainable Development Plan (NSDP)).

The M&E Specialist also facilitated a series of theory of change (ToC) and M&E sessions with the PST team to expose them to M&E logic and also in an effort to seek input into the redesign of certain elements of the M&E results framework.

A draft M&E framework and plan has been submitted to the World Bank for comment. This reporting format forms part of the overall approach to M&E and a number of strategically focused evaluation studies have been prepared and designed and will be implemented during the course of the next few years. Data collection tools will be prepared and finalised in Q1, 2018.

5. Risk Management and Key Lessons Learned

For the purposes of the annual report, an initial attempt has been made to identify some key lessons learned during the first year 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.

Key Lessons	Strategies to Replicate and/or Mitigate
Strategic	
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 IBC's where sensible.
Alignment of program objectives and approaches to existing systems and processes and to avoid d establishment of establishing parallel systems	
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 workplan priorities.	Continue to work with MIPU/PWD to rationalise roles and functions to ensure effective management.
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	
Need to find productive ways to work with PWD in order to expedite procurement. Strategy: 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.
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

Operational	
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.

To manage risk around safeguards, it was agreed with MIPU to use existing community engagement systems and structures wherever possible to increase information and disclosure around VIRIP activities. To further reduce risk around safeguards the VIRIP Grievance Redress Mechanism will be revised to take into account relative risks around project activities and to clearly define the difference between complaints and grievances.

The requirement of MIPU to review the VIRIP Safeguards Framework and policy documents has proved useful as the revised documents now more closely align with country systems. The benefits of this will largely be improved efficiency and greater support from GoV, especially MIPU staff and regulatory agencies, for example the use of existing compensation mechanisms for negotiated agreements.

The application of risk management framework also includes the establishment of due diligence investigations at selected schools to gain agreements or guarantees for the use of school grounds by customary owners. To this end a Land Registration Officer position within the MOET was agreed to be funded under VIRIP with appointment due in early 2018. A copy of the revised risk management plan is included as Appendix 3

6. Conclusions and Recommendations for the Period

VIRIP is now officially embedded and operating within MIPU. The process of mobilisation and establishing relevant systems and process has been challenging but importantly the programs is now fully staffed and engagement, planning and prioritisation has commenced with respective partners in PWD and the MoET.

The 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 GoV.

Prioritisation and scoping of work has commenced with both PWD and MoET and initial contracts for work are currently in the process of being tendered. The program has also adopted an institutional stream to complement the work identified in the 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.

The foundations have been set for infrastructure works to commence in early 2018. Work priorities have been identified through a mix of both formal and informal processes. As a result, 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.

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.

In progressing work, the PST has identified a number of recommendations from the first year. These recommendations provide a basis for further consultation and engagement and will be tracked and updated during the course of the next reporting period. Key recommendations include:

Recommendation 1: PST to continue supporting and promoting a high level ownership of the project, including infrastructure and institutional components.

Recommendation 2: PST to facilitate a focus on institutional arrangements and support existing government systems and processes, whilst recognising the unique suite of activities and processes that need to be met internally under the management of the world Bank.

Recommendation 3: To support the inclusion of safeguards elements into PWD works planning processes, there is a need for all VIRIP activity proposals to complete a screening checklist before being confirmed into the annual work plan

Recommendation 4: VIRIP to explore options to consider adequate and appropriate skills transfer to young Ni-Vanuatu business graduates and young professionals.

Appendix 2: Procurement Plan

Description (Value cannot exceed 250 Characters)	Reference No. (Value cannot exceed 40 Characters)	Procurement Category	Procurement Method	Estimated Amount (Must be greater than zero, and a positive number; no points or commas)	Bank Financed % (Can not be greater than 100%)	Review Type	Planned Start Date (Must be in YYYY/MM/DD format)	Approved by World Bank / Not Yet Approved	GoV Data						
									PWD Package No.	Prpurement Start Date	Procurement Duration	Province	Island	Planning Year	
Procurement of 3 Project Vehicles for Project Implementation and Technical Support	G1-01-17	GO	RFQ	105 000,00	100	Post	2017/09/04								
IT and Office Equipment	G4-02-17	GO	RFQ	20 000,00	100	Post	2017/06/05								
Tanna - Kings Cross Road Improvement – Fibre Reinforced Concrete Pavement	W1-01-17	CW	RFQ	770 000,00	100	Post	2017/05/15								
Tanna - Kings Cross Road Improvement – Double Coat Seal	W1-02-17	CW	RFB/national	1 700 000,00	100	Post	2017/05/15								
Malekula - Improvement to Batven Stream (Neramb) Crossing	W1-03-17	CW	DIR	50 000,00	100	Post	2017/08/18								
Malekula – Improvement to Unua 5 Stream (Blacksand) Crossing	W1-04-17	CW	DIR	50 000,00	100	Post	2017/08/25								
Office renovation	W4-01-17	CW	RFQ	10 000,00	100	Post	2017/06/30								
Project Manager/Coordinator	S4-01-16	CS	INDV	1 122 200,00	100	Prior									Contract signed 29 December 2016
Safeguard Specialist	S4-02-17	CS	INDV	612 070,00	100	Prior									Contract signed 12 April 2017
Procurement Specialist	S4-03-17	CS	INDV	218 750,00	100	Post									Contract signed 3 May 2017
Project Accountant	S4-04-17	CS	INDV	89 000,00	100	Post									Contract signed 28 August 2017
Survey and Documentation of School Buildings	S2-01-17	CS	SSS	140 000,00	100	Post	2017/10/31								
Survey and Documentation of Public Buildings	S3-01-17	CS	SSS	170 000,00	100	Post	2017/10/31								
Design and Documentation of Roads	S1-01-17	CS	CQS	195 500,00	100	Post	2017/10/31								
Develop Quality Control Manual	S1-02-17	CS	INDV	35 000,00	100	Post	2017/10/31								
Asbestos Specialist	S2-02-17	CS	INDV	20 000,00	100	Post									
Monitoring and Evaluation Specialist	S4-05-17	CS	INDV	197 900,00	100	Post									Contract signed 6 September 2017
Procurement Specialist	S4-06-17	CS	INDV	520 000,00	100	Post	2017/10/31								
Land Registration Officer	S2-03-17	CS	INDV	40 000,00	100	Post	2017/10/31								
Safeguards Officer	S2-04-17	CS	INDV	26 000,00	100	Post									
Pavement Specialist	S1-02-17	CS	SSS	5 000,00	100	Prior									
Supervisor for Tanna Works	S1-03-17	CS	INDV	80 500,00	100	Post	2017/10/31								
Construction of bailey bridge, Realignment and Resheeting works (South Pentecost)		CW	RFT	2 109 561	100	TBA	2018/02/18			P75	11-févr-18	60	Penama	Pentecost	2018
IW SH EP, Concrete Pavement at Green Hill, Laman Bay Airport to Votlo, Laman Bay Airport, Laman Bay Airport to Anduan (800M)		CW	RFQ	200 921	100	TBA	2018/02/01			P7	01-févr-18	90	Shefa	Epi	2018
IW SH TG, Concrete Pavement on Puele Jct to BongaBonga Road & Morua Jct to BongaBonga Road (1000M)		CW	RFQ	870 213	100	TBA	2018/02/01			P8	01-févr-18	90	Shefa		2018
TN_RFQ_IW_Tanna_Construction of 1000m Concrete Pavement from Km 2.65 to Km 11.2_Lowiaru Imafen Road		CW	RFQ	622 885	100	TBA	2018/02/14			P14	14-févr-18	90	Tafea	Tanna	2018
TN_RFQ_IW_Tanna Bridge and Culvert Construction_white Grass Junction-Inalvat Road		CW	RFQ	1 000 000	100	TBA	2018/03/16			P15	16-mars-18	90	Tafea	Tanna	2018
Pentecost - Ranwadi Point Coastal Road - Retaining Wall (3 x IBC)	W1-10-18			137 500	100	TBA								Pentecost	
Pentecost - Cooks Cave Coastal Road - Gabion Protection (2 x IBC)	W1-11-18			92 600	100	TBA								Pentecost	
Pentecost - Improvement to South Pentecost Road	W1-05-18			2 109 561	101	TBA								Pentecost	
Pentecost - Vanwoki Hill - 300m FRC	W1-12-18			320 000	102	TBA								Pentecost	

Appendix 3: Risk Management Plan

See Attached File.
