



# QUARTERLY REPORT – JAN-MAR 2018

## Vanuatu Infrastructure Reconstruction and Improvement Project

### Abstract

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

Date 7 May 2018

**Republic of Vanuatu: Vanuatu Infrastructure Reconstruction and Improvement Project  
Quarterly Report – Jan-Mar 2018**

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**

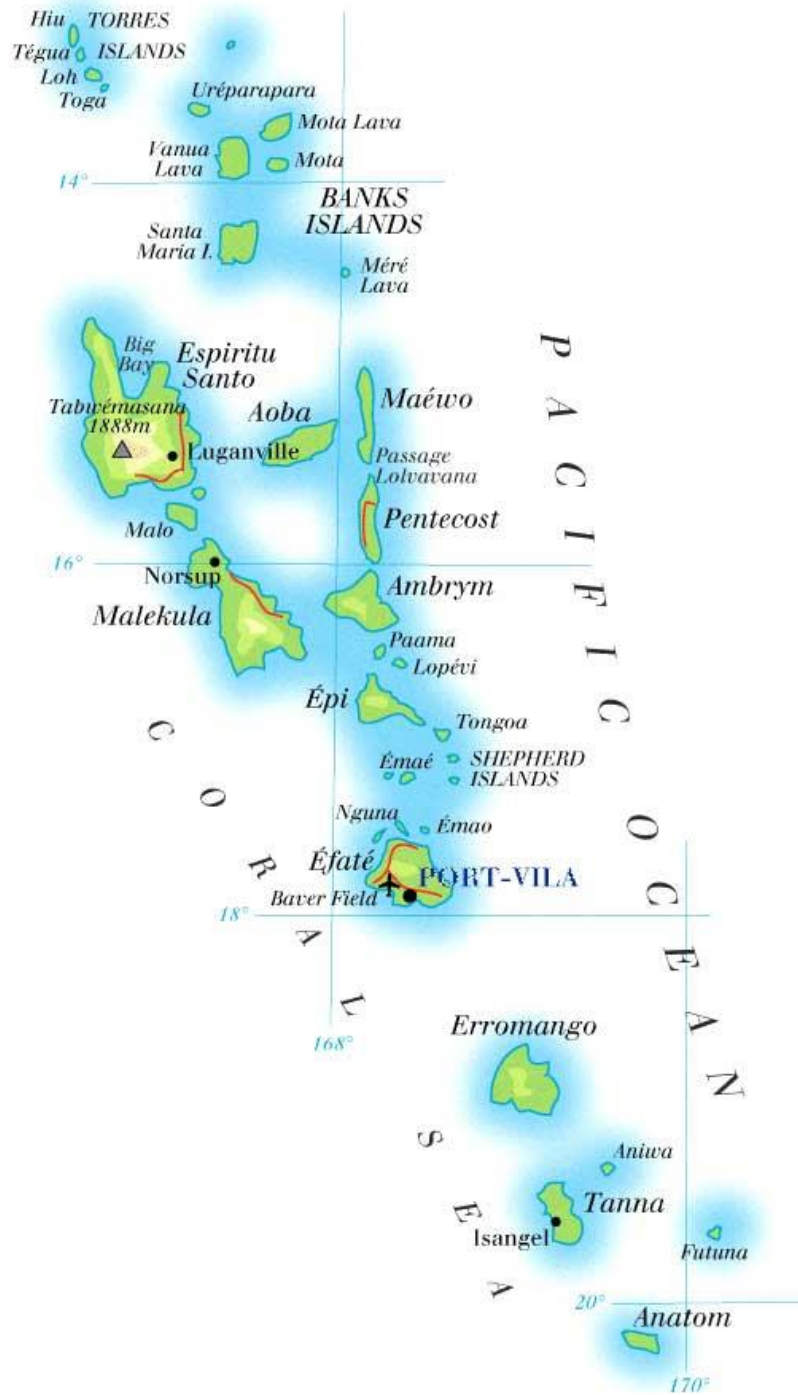
This report was produced for the Ministry of Infrastructure and Public Utilities of Vanuatu (MIPU) for the specific purpose of the Quarterly Report for the Vanuatu Infrastructure Reconstruction and Improvement Project. This report may not be used by any person other than by the MIPU's express permission.

**Document History**

			DOCUMENT REF: QUARTERLY REPORT NO 2			
Rev	Purpose / Description	Originated	Checked	Reviewed	Authorised	Date
0	Initial issue	Ty Morrissey				1/5/2018
1	Final Draft	Ty Morrissey	7 May 2018	6 June 2018	PMC	7 June 2018

## Abbreviations

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



**PROJECT KEY PLAN**

## Table of Contents

Abbreviations.....	1
Table of Contents.....	1
Basic Data .....	1
Project Purpose .....	1
Executive Summary .....	3
1. Introduction .....	5
2. Operating Context (January- March 2018).....	5
3. Status of Implementation and Key Results .....	1
4. Program Implementation (Narrative Section).....	6
4.1 Part 1. Road Reconstruction and Improvement.....	6
<b>4.2</b> Part 2: School Reconstruction and Improvement .....	8
4.3 Part 3 - Public Building Reconstruction and Improvement .....	9
4.4 Part 4 – Project Implementation and Technical Support .....	9
4.5 Programme .....	10
4.6 Institutional Arrangements .....	11
4.7 Financial Management and Performance .....	11
4.8 Safeguards .....	17
4.8 Procurement.....	17
4.9 Monitoring and Evaluation .....	19
5. Risk Management and Key Lessons Learned.....	19
Conclusions and Recommendations for the Period .....	19
Appendix 1: Works Program.....	21
Appendix 2: Procurement Plan.....	22

## Basic Data

<b>Credit No:</b>	<b>5847-VU</b>
<b>Grant No</b>	D122-VU
<b>Project Title</b>	Vanuatu Infrastructure Reconstruction and Improvement Project
<b>Borrower</b>	Government of the Republic of Vanuatu
<b>Executing Agency</b>	Ministry of Finance and Economic Management
<b>Implementing Agency</b>	Ministry of Infrastructure and Public Utilities (through the Public Works Department)
<b>Other Key Agency</b>	Ministry of Education and Training

<b>Financing Plan:</b>	<b>Amount (million)</b>	<b>Share of Total (%)</b>
<b>World Bank Credit</b>	SDR17.65 (USD25 equivalent)	50%
<b>World Bank Grant</b>	SDR17.65 (USD25 equivalent)	50%
<b>Total Estimated Project Cost</b>	<b>USD50</b>	<b>100%</b>

<b>Financing Agreements signed:</b>	2 August 2016
<b>Effective Date of Project</b>	6 March 2017 <sup>1</sup>
<b>Project Closing Date</b>	30 April 2022
<b>Dates of World Bank Mission(s)</b>	Mach 2018

## 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.

---

<sup>1</sup> 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.

**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-March 2018. The operating context for the program during 2017 was somewhat challenging and this has continued to some degree into the first quarter of 2018. The main challenge remains in the engagement with senior representatives from MoET and PWD. A key delay was the decision of MoET to request a redesign of classroom construction. This has slowed works. 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 on-going uncertainty around R4D does present some challenges to planning going forward and the approval of new programs within PWD need to be considered.

### **PWD**

In terms of achievements in the quarter, PWD has been extremely active in VIRIP, working on Activities including programming, planning, scoping, designing and budgeting. R4D have been supportive of the activities funded through the project. Whilst it remains unclear about their contractual obligations in relation to VIRIP-funded activities, they have continued to be actively involved with various activities.

Four items of physical work were identified to be procured during 2017. The 2018 AWP includes eight VIRIP funded works activities which has now been included in the works programme.

For public buildings, an initial assessment of the activities indicate that the activities will need a thorough review. The list provided by the Prime Minister's Office still requires a review also. Selection criteria for Part 3 activities were conducted as part of the revised Project Operations Manual, which resulted in some delay.

### **MoET**

The MoET has been extremely active with the scoping and development of Part 2: School Reconstruction and Improvement. MoET remain clear minded about the needs of the schools. It is unfortunate that MoET changed the selected classroom design to a MoET-approved design. This incurred a significant delay, as the approved design required a structural certificate to meet the Financing Agreement conditions. Land issues remain a challenge with a number of schools affected. Consultations are continuing to address these.

### **Financial Management and Performance**

Overall, the performance of the PST has improved which is indicated by about 2% of expenditures incurred which is an increase by 1 percent from 2017. In the first quarter of 2018, the expenditures and commitments shows an increase of 9% of Funds Committed and 11% on Total Expenditure and Commitments. As the PST capacity have been improved since Semester 1 2017, two works contracts have been issued and awarded for two roads improvement on Tanna including the Tanna Kings Cross Road



Improvement (FRC) and the Tanna Kings Cross Road Improvement (Bitumen) with a cost of Vt.87,865,470 and Vt.198,938,040, respectively Similarly, the PST has expended Vt.43,950,259 from Part1, Part 2 and Part 4 of the Project which is about 4% of the Budget for 2018

### ***Procurement***

The International Procurement Specialist contract began in Dec 2017. The current quarter has seen the development of some key procurement infrastructure including: (i) establishment of the PWD (roads) Evaluation Panel; (ii) submission of the VIRIP Procurement Supplement to the World Bank outlining how procurement will be conducted within VIRIP; (iii) establishment of the IPS work plan with PMC; (iv) submission of the Annual Procurement Plan with 23 activities through the Bank STEP system; and (v) introduction of a digital procurement folder system and improved procurement filing (hard copy).

There are some challenges with the STEP system. The system requires that all “uncleared” procurements must be re-submitted together – at one time. This unnecessarily delays procurement for “uncleared” activities that are quickly and simply remedied. It is **recommended that STEP be urgently enhanced to allow projects to re-submit individual “uncleared” procurements** that have now been remedied to **reduce unnecessary delays in the procurement process.**

### ***Monitoring and Evaluation***

The VIRIP M&E Specialist was mobilised in November 2017 and has continued with periodic inputs and remote support. The VIRIP M&E Framework and Plan remains “unapproved” by the World Bank. Approval is requested as a matter of urgency.

### ***Lessons Learned and Risks***

VIRIP also identified a number of key lessons from the first year of implementation. Risks and lessons learned will be updated on a six-monthly basis.

### ***Conclusions and Recommendations***

VIRIP is now officially embedded and operating within MIPU. VIRIP continues to operate in a fluid environment and needs to adjust its operating approach to cater for uncertainty and changes. This is particularly important in dealing with GoV representatives from PWD and MoET. In progressing work, the PST has identified a number of recommendations from the current quarter. These recommendations provide a basis for further consultation and engagement and will be tracked and updated during the course of the next reporting period. A section in the report also provides an update on the recommendations presented in the last annual report. Key recommendations for the quarter include:

**Recommendation 1:** Communications with relevant stakeholders require improvement. PST to develop and implement a communication strategy that meets the requirements for information from politicians, key government agencies, World Bank and general public.

**Recommendation 2:** During the upcoming period, VIRIP must increase the pace of procurement to meet the project requirements and improve perception of project performance.

**Recommendation 3:** During the next 2 quarters, VIRIP must transition to improving the resilience of the long term recovery, including development of the Disaster Recovery Framework and supporting the subsequent reform measures within the scope of the project.

**Recommendation 4:** The transitional arrangement with R4D and the second phase of that programme require clarification. Most notably, it is essential the roles, functions and inter-relationship between the VIRIP and R4D must be made clear.

## 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 (January- March 2018)

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 and participation of VIRIP (and GoV representatives) at the 3<sup>rd</sup> 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.

## ***Progress of Recommendations***

Key Recommendations from Annual Report	Summary of progress
<p><b>Recommendation 1:</b> PST to continue supporting and promoting a high level ownership of the project, including infrastructure and institutional components.</p>	<p>This is an on-going process whereby the PST has sought high engagement with individual Ministries and in working through the PIC. This is an on-going recommendation which will be carefully monitored.</p>
<p><b>Recommendation 2:</b> 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.</p>	<p>Work in this area has slowed in the quarter with the delayed appointment of the Disaster Risk Reduction Adviser. Expected to increase in the following quarter.</p>
<p><b>Recommendation 3:</b> 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</p>	<p>Safeguards frameworks have been approved and are currently in the early stages of being operational</p>
<p><b>Recommendation 4:</b> VIRIP to explore options to consider adequate and appropriate skills transfer to young Ni-Vanuatu business graduates and young professionals.</p>	<p>This is an on-going recommendation and some young Ni-Vans have been put forward for voluntary roles within PST but these have not been accepted to date.</p>

### 3. Status of Implementation and Key Results

On track 	Slightly behind schedule 	Issues requiring attention 
--------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------

#### VIRIP Quarterly Report Q1, 2018

OBJECTIVES (What you want to achieve)	INDICATORS (How to measure change)	Overall Program Target (2018- 2021)	Targets January- December 2018	QUARTERLY PROGRESS (January- March 2018)	% Progress in QTR	CUMULATIVE ANNUAL PROGRESS	% 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%
<b>Goal: Goal Statement:</b> <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"> <li>Level of Service (LoS) maintained and enhanced through VIRIP scope of works.</li> <li>Communities and schools report high levels of satisfaction with improved infrastructure.</li> </ul>	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%

VIRIP Quarterly Report Q1, 2018

OBJECTIVES (What you want to achieve)	INDICATORS (How to measure change)	Overall Program Target (2018- 2021)	Targets January- December 2018	QUARTERLY PROGRESS (January- March 2018)	% Progress in QTR	CUMULATIVE ANNUAL PROGRESS	% overall progress
<b>End Outcome 1- Safer and resilient communities using and maintaining improved infrastructure.</b>	# 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%
<b>End Outcome 2- GoV implementing an institutional framework committed to better emergency response and promotion of community resilience.</b>	<ul style="list-style-type: none"> <li>GoV adopt and implement a reconstruction policy and strategy</li> </ul>	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"> <li>Majority of work to commence in Quarter 1 and 2, 2018.</li> </ul>	10%
<b>Output 1: Infrastructure Provision</b> 1.1 Road Assets reconstructed and improved	<ul style="list-style-type: none"> <li>#Km of roads maintained annually</li> <li># physical infrastructure enhancements</li> </ul>	X km 250	0km 60	Physical works started on W1-01-17 and W1-02-17 in Tanna/Tafea.	5%	<ul style="list-style-type: none"> <li>Design and Documentation of Roads procurement has started and due for completion in May 2018 without affecting overall program.</li> <li>Development on the Quality Control Manual has commenced and will be complete on time. Engaged Supervisor for the Tanna Works as per schedule.</li> <li>The Supervision of 2018-2019 is being procured and on track for upcoming works.</li> <li>The first two items of work W1-01-17 and W1-02-17 in Tanna are on track for completion mid-2018, however because of delays with design, scoping, safeguard checks and procurement the 2 items of work in Malekula have not started. Procurement of 3 Vehicles for supervision has been delayed because of a lack of interest from suppliers.</li> </ul>	22%

VIRIP Quarterly Report Q1, 2018

OBJECTIVES (What you want to achieve)	INDICATORS (How to measure change)	Overall Program Target (2018- 2021)	Targets January- December 2018	QUARTERLY PROGRESS (January- March 2018)	% Progress in QTR	CUMULATIVE ANNUAL PROGRESS	% overall progress
1.2 Schools reconstructed to a higher standard	<ul style="list-style-type: none"> <li># schools repaired and constructed each year.</li> </ul>	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"> <li>The Survey and Documentation of School Buildings was delayed, as the VIRIP PMC inspected 24 schools to date Remaining schools will be inspected by a Design Consultant to understand the scope, logistic, procurement, packaging and safeguard requirements.</li> <li>The Asbestos Specialist later in the 2018 for assessment the remaining schools.</li> <li>Procurement on the first five packages of works has been noticeably delayed because of a delay in the certification of the MoET-approved Classroom design.</li> <li>Packages 6 and 7 require field inspections of Worarana, Makira, Mataso, Vutekai, Lire, Lehili and Luvil schools during March 2018, prior to tendering.</li> </ul>	15%
1.3 Public buildings reconstructed to a more resilient standard	<ul style="list-style-type: none"> <li># buildings constructed</li> </ul>	20	3	Not yet commenced	2%	<ul style="list-style-type: none"> <li>Selection criteria for Part 3 activities were conducted as part of the revised Project Operations Manual, which resulted in some delay. Single Source Selection of Kramer Ausenco is underway and will be completed shortly.</li> <li>Supervision of Public Building Works is expected to occur on time.</li> <li>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.</li> </ul>	4%

VIRIP Quarterly Report Q1, 2018

OBJECTIVES (What you want to achieve)	INDICATORS (How to measure change)	Overall Program Target (2018- 2021)	Targets January- December 2018	QUARTERLY PROGRESS (January- March 2018)	% Progress in QTR	CUMULATIVE ANNUAL PROGRESS	% overall progress
1.4 IBC's able to construct assets and buildings to a higher standard	• # 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)	• # of men and women gaining appropriate employment	18,000 days	2,00 days	No works have commenced to date.	0%		0%
<b>Output 2: Institutional arrangements</b> 2.1 Key policies and strategies to guide future emergency responses developed	• Reconstruction policy and strategy developed	1	Progression of policy and strategy	Draft ToR prepared and recruitment to occur in Q1, 2018.	30%	Engagement of the Disaster Recovery Framework specialist has started and expected to be contracted in May 2018 for completion of services within 6 months.	30
2.2 Safeguards Framework developed and applied	• Safeguard framework approved	1 safeguard framework	Safeguards framework	3 Documents comprising the framework (RPS, ESMF & GRM) completed and approved.	50%	Completed. All approved and sent to Bank for disclosure 13 March 2018.	100%
2.3 People engaged and supporting community decision making structures (fewer grievances)	• % grievances responded to within agreed timeframes	95% of grievances responded to within timeframes	50%	GRM sets out mechanism for project including contractors and supervisors Community consultation taking place at initial scoping and onwards. Draft database template created.	50%	Data collection tools to be further refined and results entered in Q2, 2018.	
<b>Output 3: Project Management -</b> 3.1 Project finances managed according to both GoV and World Bank guidelines and procedures	• # of contractors and service contracts approved in each fiscal year.	# contracts  10% reduction in year on year	# 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%



VIRIP Quarterly Report Q1, 2018

OBJECTIVES (What you want to achieve)	INDICATORS (How to measure change)	Overall Program Target (2018- 2021)	Targets January- December 2018	QUARTERLY PROGRESS (January- March 2018)	% Progress in QTR	CUMULATIVE ANNUAL PROGRESS	% overall progress
	<ul style="list-style-type: none"> <li>% of variation amounts approved in each fiscal year</li> </ul>	contract variations					
3.2 Infrastructure contracts managed and supervised in an effective and sustainable manner	<ul style="list-style-type: none"> <li># of payments released on a quarterly basis</li> <li>#of payments made to contractors and contracts within approved budgets.</li> </ul>	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"> <li>Annual lessons learned and reflection event completed</li> </ul>	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 in the past quarter.

### 4.1 Part 1. Road Reconstruction and Improvement

#### Institutional Arrangements

PWD has been extremely active in VIRIP during the quarter, working on Activities including programming, planning, scoping, designing and budgeting. Divisional staff have provided excellent support with the development and selection of technical design, specifications and drawings. The PWD headquarters have identified and managed the 2018 Annual Works Plan.

Roads for Development (R4D) have been supportive of the activities funded through the project. Whilst it remains unclear about their contractual obligations in relation to VIRIP-funded activities, they have continued to be actively involved with various activities.

It is now clear that the Australian Aid-funded R4D contract with SMEC will finish 30 June 2018 and transitional arrangements will be put in place whilst R4D2 is tendered. However, it remains unclear how this process will occur. The incumbents (SMEC) also remain unaware of the implications. This situation represents the most significant risk to 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)).

The outcome of the Vanuatu Transport Sector Master Plan is continuing to be developed and will be completed in the third of 2018. The long-term effects of this Master Plan on the project are still unknown.

A significant number of vacancies with numerous senior staff in acting positions is still creating operational problems within PWD. Management staff are continually overstretched and multi-tasking, causing some delays in the projects. 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:

Task Name	Start	% Complete	Cost
S1-01-17 Design and Documentation of Roads	Mon 2/10/17	5%	\$195,500
S1-02-17 Develop QCM	Fri 1/09/17	46%	\$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	57%	\$80,500
S1-05-18 Supervision of 2018-2019 Works	Wed 10/01/18	4%	\$409,000

Design and Documentation of Roads is currently out to the market. 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 with the departure of SMEC, it is unclear how PWD will supervise the IBC works.

### 2017 Annual Works Plan

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

Task Name	Start	% Complete	Cost
W1-01-17 Tanna - King Cross Road Improvement - FRC	Mon 15/05/17	93%	\$836,814
W1-02-17 Tanna - King Cross Road Improvement - Bitumen	Mon 3/04/17	44%	\$1,894,648
W1-03-17 Malekula - Improvement to Batven Stream (Neramb) Crossing (IBC)	Mon 30/10/17	26%	\$50,000
W1-04-17 Malekula - Improvement to Unua 5 Stream (Blacksand) Crossing (IBC)	Mon 30/10/17	26%	\$50,000

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. 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 expected to start on these two activities in the second quarter 2018.

### 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.

Task Name	Start	% Complete	Cost
W1-05-18 Pentecost - Improvement to South Pentecost Road	Thu 28/06/18	0%	\$2,109,561
W1-06-18 Epi - West Epi Road Improvements - 800m FRC	Mon 22/01/18	13%	\$916,000
W1-07-18 Tongoa - Road Improvements - 1000m FRC	Mon 5/02/18	10%	\$990,000
W1-08-18 Tanna - Lowiaru-Imafen Road Improvement - 1000m FRC	Mon 15/01/18	15%	\$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	43%	\$137,500
W1-11-18 Pentecost - Cooks Cave Coastal Road - Gabion Protection (2 x IBC)	Mon 30/10/17	44%	\$92,600
W1-12-18 Pentecost - Vanwoki Hill - 300m FRC (3 x IBC)	Mon 30/10/17	44%	\$148,690
W1-13-18 Ambrym-Paama Prime - Spot Improvements	Mon 22/01/18	8%	\$600,000

The first five activities were originally approved under the 2018 AWP, but the last four subsequently approved for incorporation, upon review VIRIP and PWD. All activities are generally on track for delivery. W1-13-18 Ambrym-Paama Prime - Spot Improvements was discussed during the March Mission and it was agreed to explore this activity to be undertaken as a prime contract, utilising IBC contractors (as nominated sub-contractors). The initiative is yet to be fully investigated and approved by PWD. However, it is anticipated that this will occur by July 2018.

Safeguards Officer and PWD Safeguards Officer site visits to Pentecost (2018 road works) including extensive awareness raising and public consultation with communities. Consultation with Provincial Government Council and other government and customary representative stakeholders in Ambae (PENAMA province) and also with the Secretary General for SHEFA Province including priorities for roads planning on Epi, Tongoa and Efate Islands. The PWD Community Participation Officer (CPO) held consultation sessions with communities for Tanna Roads (bitumen seal and FRC activities).

The West Epi road improvements -Fibre Reinforced Concrete (FRC) was scoped and screened by the Safeguards Specialist with an Activity Proposal and Safeguards Screening Checklist submitted to the Bank for approval. An ESMP has been prepared and will form the basis for standardised ESMPs for FRC works. Site visit included consultation with the Provincial District Administrator for Epi.

Site visits and Safeguards Screening Checklists were also completed for the three 2018 Pentecost works (Ranwadi Point, Cooks Cave, Vanwoki Hill) and included with the respective Activity Proposals.

Capacity building activities over the quarter included coaching and training for Qualao (Supervision Consultant) and Fletcher Safeguards Officer (Contractor FRC) on safeguards management for Tanna Roads. Following screening checklists completed: West Epi Greenhill FRC, Pentecost Ranwadi Point, Pentecost Cooks Cave, Pentecost Vanwoki.

## Goods

Task Name	Start	% Complete	Cost
G1-01-18 Purchase of 3 Vehicles	Fri 1/12/17	20%	\$105,000

The purchase of 3 vehicles for supervision has been advertised and expected to be completed in April.

## 4.2 Part 2: School Reconstruction and Improvement

### Institutional Arrangements

The MoET has been active with the scoping and development of Part 2: School Reconstruction and Improvement. As mentioned previously, MoET remain clear minded about the needs of the schools. It is unfortunate that MoET changed the selected classroom design to a MoET-approved design. This incurred a significant delay, as the approved design required a structural certificate to meet the Financing Agreement conditions.

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. VIRIP has been working with MoET during the period to establish these agreements as either a formal 'right of use' or lease. Attempts to secure the services of a Land Registration Officer (LRO) failed and the Safeguards Officer has had to temporarily fill in whilst the procurement process was reactivated. Unfortunately, that has delayed the establishment of these agreements and the overall implementation of Part2.

The volcano eruption on Ambae continues to affect MoET's ability to assist with the project during the period. It is unclear how this event may affect the project in the longer term.

### Services

Consulting services for Part 2 are either currently underway or in the process of being procured. The Survey and Documentation of School Buildings is currently being re-scoped, as previously the VIRIP PMC conducted the inspections of 24 schools. It is expected that the Design Consultant and the PMC will inspect the remaining schools understand the scope, logistic, procurement, packaging and safeguard requirements. The Asbestos Specialist will read mobilise to inspect the remaining schools during the third quarter.

Task Name	Start	% Complete	Cost
S2-01-17 Survey and Documentation of School Buildings	Fri 16/03/18	4%	\$140,000
S2-02-17 Asbestos Specialist	Thu 1/06/17	53%	\$69,900
S2-03-17 Land Registration Officer	Thu 1/06/17	60%	\$40,000
S2-04-17 Safeguards Officer	Thu 1/06/17	79%	\$23,238
S2-05-18 Supervision of 2018-2019 Works	Wed 10/01/18	17%	\$409,000

### 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

July 2018, prior to tendering. There have been significant delays as a result of the change from the previously endorsed design to the new MoET-approved Classroom. This is unfortunate, as tendering should have occurred either at the end of 2017 or early during this quarter. As a result of this change of design, this has incurred up to a six-month delay.

Task Name	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	14%	\$472,000
W2-04-18 Package 4: Epi - Bonkovio, Lamenu, Akama, Mafilau	Fri 1/06/18	21%	\$416,000
W2-05-18 Package 5: Tongoa - Malawia, Ere, Nottage, Itakuma and Naworaone	Fri 1/06/18	21%	\$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

The terms of reference were resent and a draft contract sent to the preferred Land Registration Officer (LRO) candidate. Candidate withdrew from the process in February and the second and third candidates were no longer available to fill the role. Therefore, the procurement process must begin again and, given competing priorities, this will likely be towards the end of second quarter. Meantime the Safeguards Officer (Schools) has been undertaking some of the LRO duties (with the agreement of the Ministry of Education and Training). This arrangement may require a reduction of LRO allocated time inputs and an increase in the Safeguards Officer (Schools) time inputs to reflect this arrangement.

The Safeguards Officer has collected existing records for site agreements and these are being used as a basis for confirming works packages and identifying where additional consultation and meetings are required on order to gain written agreement for works at schools to proceed.

#### 4.3 Part 3 - Public Building Reconstruction and Improvement

The list provided by the Prime Minister's Office still requires a thorough review. Selection criteria for Part 3 activities were conducted as part of the revised Project Operations Manual, which resulted in some delay. However, the major delay occurred as a result of engaging Kramer Ausenco under Single Source Selection of to undertake Survey and Documentation of Public Buildings. At this stage, it is expected that Kramers will be engaged shortly to start the design and documentation process. Supervision of Public Building Works is expected to occur on time during the third quarter.

Task Name	Start	% Complete	Cost
S3-01-18 Survey and Documentation of Public Buildings	Tue 26/09/17	51%	\$170,000
S3-02-18 Supervision of Public Building Works	Mon 2/04/18	0%	\$750,000

At this stage, it is anticipated that three packages of works will occur during third quarter 2018, as planned. 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.

Task Name	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. As of March 2018, a full complement of specialists is engaged in the PMC. There are a number of key positions that are likely in the next quarter. These include; Procurement Officer, Junior Accountant and the Disaster Recovery Framework (DRF) Specialist. The Procurement Officer and Junior Accountant will greater assist with processing the burgeoning workload and resource constraints, as mentioned above. These two positions will be secured in the second quarter. The DRF Specialist (Nigel Fisher) is

being sourced through sole source selection and is expected to arrive in May 2018 to work with the Prime Minister’s Office.

#### 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	22%	26%	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:

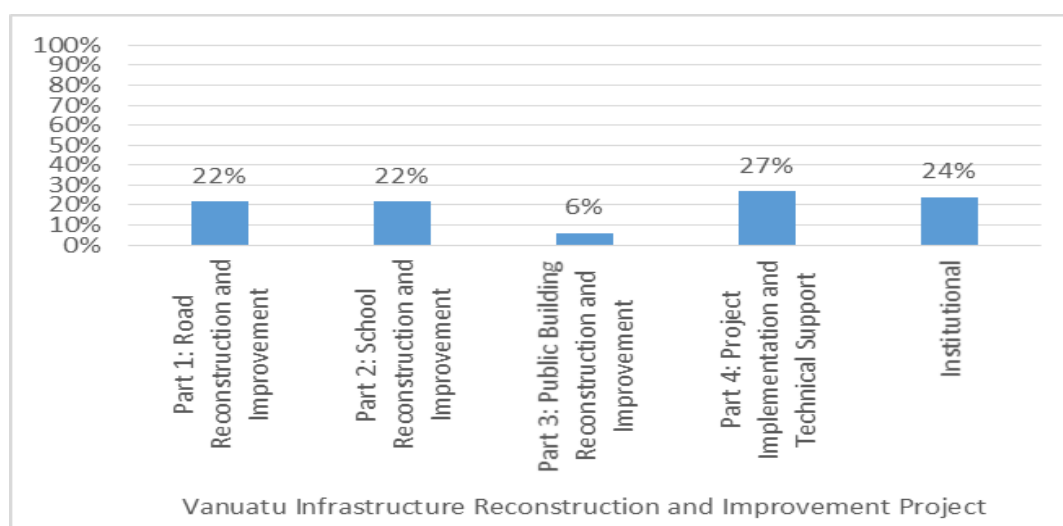


Figure 1: Completion Rates for relevant work sectors

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 second 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

#### 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.

As such the PST are in the process of engaging a specialist to develop a Disaster Recovery Framework. With the assistance from the World Bank and the Global Facility for Disaster Risk Reduction (GFDRR), an eminent specialist was sourced. Nigel Fisher is a previous Assistant Secretary General to the United Nations and in amongst other notably postings, he was the lead for the UN response in Haiti earthquake in 2010.

The objective of this assignment is to support the Government of Vanuatu (GoV) in developing a national Disaster Recovery Framework to guide the preparation and implementation of post-disaster recovery from future disasters, including measures to reduce and mitigate natural disaster risks and to inform longer-term development planning. This will help Vanuatu be better-prepared to more quickly and effectively recover from disasters and build resilience. The contract with Mr. Fisher is expected to be signed in April 2018 and he will then arrive in May 2018 to undertake the services.

#### 4.7 Financial Management and Performance

In 2018, the PST with the support of the PWD have improved the Budget and Financial Management of VIRIP in particular the improved budget structure in the Smart-Stream financial management system. This include the ability to differentiate the various Project Parts and the ability to differentiate contracts for roads, schools and public buildings and Project Implementation.

The Budget management system will be able to report on the Project Number 17B978 and the incoming revenues and outgoings of the funds. In ensuring that the reporting is compatible with the Budget structure, the expenditures from the previous Project Numbers for the different parts have been journal to the new Project Number (17B978). Furthermore, the team have worked tirelessly to ensure that the PWD Annual Works Plan reflects the objective of VIRIP and improve documentation to justify the implications on the budget.

Overall, the performance of the PST has improved which is indicated by about 2% of expenditures incurred which is an increase by 1 percent from 2017. In the first quarter of 2018, the expenditures and commitments shows an increase of 9% of Funds Committed and 11% on Total Expenditure and Commitments.

#### **Project Support Staff and PWD**

In 2018, the VIRIP work and documentation for projects and activities have been increased which is a reflection of the improve capacity of the Project Support Team. The Asbestos Specialist contract period has been extended from 8 weeks to 16 weeks and also there is a possibility to engage a junior finance officer and a procurement officer to assist with the increasing demand of contracts.

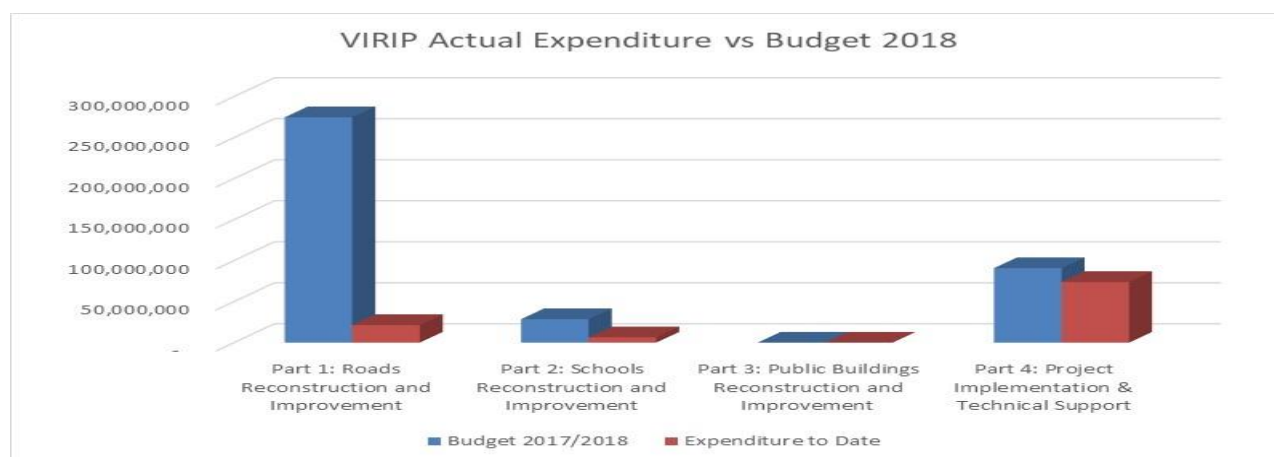


## Expenditure

The first Quarter Interim Financial Report has been generated and emailed to David Whitehead for his review and comments before it is sent to the Bank to show how the budget is managed but importantly to show the balance of the Credit and Grant received in 2017.

As the PST capacity have been improved since Semester 1 2017, two works contracts have been issued and awarded for two roads improvement on Tanna including the Tanna Kings Cross Road Improvement (FRC) and the Tanna Kings Cross Road Improvement (Bitumen) with a cost of Vt.87,865,470 and Vt.198,938,040, respectively

Similarly, the PST has expended Vt.43,950,259 from Part1, Part 2 and Part 4 of the Project which is about 4% of the Budget for 2018. The Road works alone have expedited about 3% of the budget for Part 1 Roads Improvement. To date, the total expenditure from the Designated Account stood at Vt.101,737,695 which is about 2% of the total VIRIP Budget. (See IFR Quarterly Report March 2018). The Graph below shows the expenditure made from the Grant and Credit received in 2017 totaled Vt.400,000,000.



## Designated Account - Reserve Bank of Vanuatu

VIRIP funds are credited in the Designated Account with the Reserve Bank stood at Vt.400, 000,000. According to the IFR for Quarter 1, 2018, the balance of the Designated Account at the Reserve Bank stands at Vt.298,262,305. There is no new money transferred from the World Bank in the first quarter of 2018, however it is planned that the third application would be lodge in June 2018.

## Financing

The revenue (Credit and Grant) that was received in 2017 and deposited in the Designated Account (DA) at the Reserve Bank of Vanuatu was distributed into three Parts – Roads, Schools and Project Implementation and Technical Support.

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

There was Vt.200,000,000 from Credit and Vt. 200,000,000 from Grant. It should be noted that the Grant was distributed as follows – 90,760,000 in Project Implementation, 34,240,000 for Schools and Vt.75,000,000 was put in for Roads. This means that the Roads has a budget of Vt.275,000,000 which consist of Vt.200,000,000 from the Credit and Vt.75,000,000 from the Grant.



## ***VIRIP budget and financial planning 2017 – 2021***

To develop the 5 Year VIRIP budget, the Project Support Team (PST) has to identify the Total Project Value (TPV) which is USD47,472,976. See Appendix 3. This is after the first two tranches of USD 3,683,260.77 received in 2017. The Total Project Value will depend very much on the Special Drawing Rights (XDR). This budget framework will assist to implement the PWD Annual Plans by complementing its financial resources (budget) in an effort to achieve the objectives of the Financing Agreement<sup>i</sup> and to a larger extent the Peoples Sustainable Development Plan (SDP). The VIRIP Budget Framework includes the 2017 Actual Budget.

This budget framework presents the VIRIP 5 Year Budget horizon associated with the 2018 annual works budget to kick-start implementing the aspirations of the project. The quality of the budget presentation in this framework depends on the priorities assessed by Divisional Managers and the PWD leadership that reflects the depth in which the discussions were held with stakeholders and communities around the infrastructure strategic priorities damaged by TC Pam.

The multi-year budgeting (2017 – 2021) reflects the timeframe of the VIRIP Financing Agreement supported with the budget that fits the PWD Annual Work Plan.

It is recognised that there will be constraints and obstacles along the way that will affect the VIRIP implementation plan associated with the process to reach consensus and approval of documents with the World Bank. For example, the process of estimating cost required and determining its competition takes an effort. Moreover, in determining the ultimate approach and ensuring that checks and balances are in place with the Government of Vanuatu and the financial policies in relation to World Bank procurement and implementation takes time to ascertain prudent investment and administration of funds.

At the outset, MIPU/PST provides this five-year budget with the objective to revise annually to arrive at the right budget estimates supported by well documented, analysed and assess project activities and seeking World Bank's and PWD approval. The annual budget will be reviewed during the PWD Quarterly Meetings, consistent with the development of the IFR Quarterly Report.

### ***Overall Budget Estimate***

The Five Year Budget for VIRIP stands at SDR 35,300,000. These were provided in the Financing Agreement and the Project Appraisal Document (PAD). The Financing Agreement provided that the IDA provision of USD50,000,000 is equivalent to Vt.5,000,000,000 at the USD/VUV 100. The Financing Agreement includes Grant and Credit. The budget will be distributed by the Ministry of Infrastructure and Public Utility (MIPU) based on the policy of the Government of Vanuatu that Credit will not be used to pay the Project Support Team and other consultant services. The split between the Credit and Grant would be as follows:

<b>FINANCING</b>	<b>PROJECT PARTS</b>	<b>DESCRIPTION</b>
Credit Facility	Part 1	Roads Improvement
	Part 2	School Improvement
	Part 3	Public Building
Grant Facility	Part 4.2	Vehicles
	Part 4.1	Project Support Team (PST)
	Part 4.3	Project Operating Cost
	Part 4.4	Annual Audits
	Part 4.5	Technical Support

It should be noted that some parts of the Grant Funding will be used to fund some activities under Part 1, Part 2 and Part 3 of VIRIP. Furthermore, the Grant will be drawn first followed with the Credit. It is noted that exchange rate fluctuations will determine the overall project budget in Vatu (Local currency) either increase or decrease depending on the currency market.

The Table 1 below shows the Total Budget Distribution for the different components of the Project.

<b>PARTS</b>	<b>Description</b>	<b>Total Budget 5 Yrs (USD)</b>	<b>Actual Budget 2017 (USD)</b>	<b>Budget 2018 (USD)</b>	<b>Budget 2019 (USD)</b>	<b>Budget 2020 (USD)</b>	<b>Budget 2021 (USD)</b>
1	Roads Reconstruction and Improvement	23,769,610	2,415	5,857,372	9,461,466	4,908,735	3,158,670
2	Schools Reconstruction and Improvement	13,000,000	53,544	2,216,138	1,447,554	5,110,858	4,171,906
3	Public Building	6,500,000	0	1,920,000	3,000,000	1,530,000	50,000
4	Project Implementation and Technical Support	4,203,365	494,398	1,364,759	1,189,916	923,545	230,747
	<b>Total5</b>	<b>47,472,976</b>	<b>550,357</b>	<b>11,326,569</b>	<b>15,479,888</b>	<b>12,473,138</b>	<b>7,611,324</b>

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.

## Annual Budget 2018

The 2018 Budget is based on the PWD Annual Plan approved by MIPU. The Total Cost for 2018 Projects under the PWD Annual Work Plan stands at USD 11,326,569 which is equivalent to about Vt.1,189,289,738. See Appendix 1: Budget 2018.

Parts	Description	Vatu	USD
Part 1	Roads Reconstruction and Improvement		
	(a) S1-01-17 Design and Document of Roads	20,527,500	195,500
	(b) S1-02-17 Develop QCM	5,892,600	56,120
	(c) S1-04-17 Supervision of Tanna Works	8,452,500	80,500
	(d) S1-05-18 Supervision of 2018 – 2019 Works	42,945,000	409,000
	(e) W1-01-17 Tanna Kings Cross Road Improvement -FRC	87,865,470	836,814
	(f) W1-02-17 Tanna Kings Cross Road Improvement - Bitumen	198,938,040	1,894,648
	(g) W1-03-17 Malekula – Improvement to Batven Stream (Neramb) crossing (IBC)	5,250,000	50,000
	(h) W1-04-17 Malekula –Improvement to Unua (Blacksand) Crossing (IBC)	5,250,000	50,000
	(i) W1-06-18 Epi – West Epi Road Improvement – 800 m FRC	96,180,000	916,000
	(j) W1-07-18 Tongoa – Road Improvements – 1000m FRC	103,950,000	990,000
	(k) W1-10-18 Pentecost – Ranwadi Point Coastal Road – Retaining Wall (IBC)	14,437,500	137,500
	(l) W1-11-18 Pentecost –Cooks Cave Coastal Road Gabion Protection (IBC)	9,723,000	92,600
	(m) W1-12-18 Pentecost – Vanwoki Hill – 300m FRC	15,612,450	148,690
		<b>615,024,060</b>	<b>5,857,372</b>

Part 2	Description	Vatu	USD
	Schools Reconstruction and Improvement		
	(a) W2-01-18 Package 1: Efate – Eton and Ekipe	40,320,000	384,000
	(b) W2-02-18 Package 2: Nguna, Pele and Emau	27,510,000	262,000
	(c) W2-03-18 Package 3: Efate – Etas, Maumau and Kawenu	49,560,000	472,000
	(d) W2-03-18 Package 4: Epi – Bonkovio, Lamenu, Akama and Mafilau	43,680,000	416,000
	(e) S2-02-17 Asbestos Specialist	4,011,000	38,200
	(f) S2-03-17 Land Registration Officer	4,200,000	40,000
	(g) S2-04-17 Safeguards Officer	2,439,990	23,238
	(h) S2-01-17 Survey and Documentation of School Buildings	14,700,000	140,000
	(i) S2-05-18 Supervision of 2018 – 2019 Works	42,945,000	409,000
		<b>229,365,990</b>	<b>2,184,438</b>

Part 3	Description	Vatu	USD
	(a) S3-01-18 Survey and Documentation of Public Buildings	17,850,000	170,000
	(b) W3-01-18 Package 1: Public Buildings	31,500,000	300,000
	(c) W3-02-18 Package 2: Public Buildings	73,500,000	700,000
	(d) W3-03-18 Package 3: Public Buildings	78,750,000	750,000
		<b>201,600,000</b>	<b>1,920,000</b>

Part 4	Description	Vatu	USD
	(a) PST	91,541,188	871,821
	(b) Project Vehicles	15,758,500	150,000
	(c) Project Operating Cost	15,000,000	142,857
	(d) Annual Project Audits	1,000,000	9,524
	(e) Sustainable Maintenance	10,000,000	95,238
	(f) Training and Capacity Building	10,000,000	95,238
		<b>143,299,688</b>	<b>1,364,759</b>

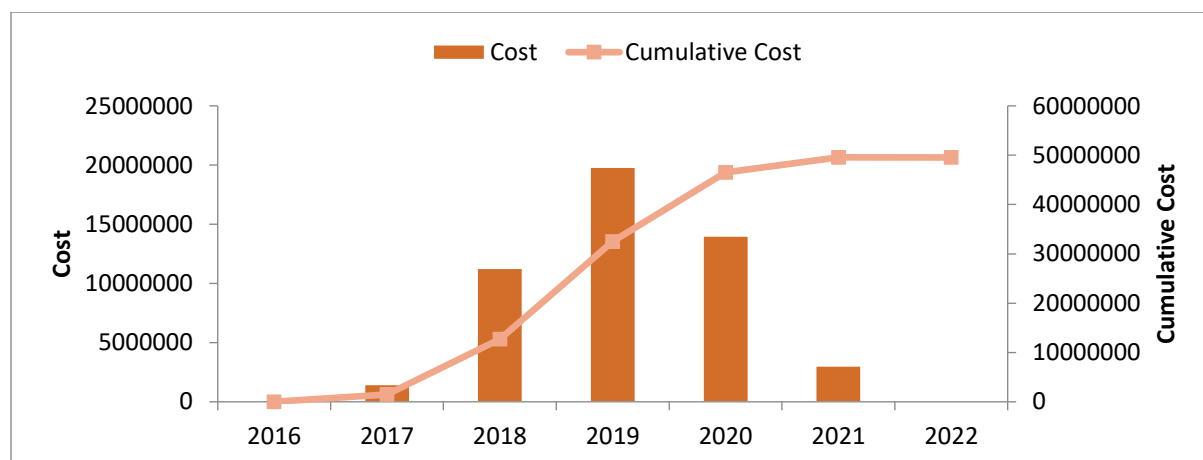
Description	Vatu	USD
<b>Total Budget for 2018</b>	<b>1,189,289,738</b>	<b>11,326,569</b>

Foreign Exchange rate is 105 (VUV/USD)

### **Cash Flow**

Cash flow shows the Incomings and Outgoings of cash and in this case representing the operating activities of Vanuatu Infrastructure and Reconstruction Project. In simple accounting terms, cash flow is the difference in amount of cash available at the beginning of a period (opening balance) and the amount at the end of that period (closing balance).

The cash flow will assist the PST when seeking to apply for reimbursement or replenishing the Designated Account at the Reserve Bank of Vanuatu so the budget is sufficient to pay the Work Contractors and Service Contractors on demand. The Bank Statement will have to be produced on a semester basis and forwarded to the World Bank. According to the 2017 and 2018 Expenditure Planning (See Microsoft Chart project), it was forecasted to spent USD12,712,245. See cumulative pictorial graph below.



### **The Government Financial Management System**

The Grant/Credit are revenues and to expedite funds the Government set up the Project Number 17B978 in the Government Finance System. The budget structure in the Finance System was set up for the three different Project numbers to identify the different parts of VIRIP as follows;

- Roads 17B978A1
- Schools 17B978B1
- Public Buildings 17B978C1
- Project Implementation and Technical Support 17B978D1.

However, the budget in the Government Finance System has been restructured with a new Budget Code to ensure proper reporting for the different Parts of the Project and also Sub-Activities for the Projects in different Parts. There is only One Project Number that is 17B978. This means that Contractors and Service Contractors will be provided with a Job Code/Job Code Name to differentiate different costs for services/works in the different Parts of the Project.

### **Achievement and Challenges**

The Public Works Department has developed an Annual Work Plan (AWP) for 2018 to help guide the implementation of the roads programs and activities for which VIRIP will be supporting some parts of the MIPU AWP.

There are challenges that the Project Support Team face in 2018 associated to the Annual Work Plan implementation. In the first Quarter of 2018, the PWD Annual Work Plan will be amended because the government through the Prime Minister’s Office wanted to see a must robust system of consultation to

arrive at the projects in the Annual Plan. This will be reviewed in the PWD Quarterly meeting planned for May 7<sup>th</sup> through to May 10<sup>th</sup> 2018 in Santo. There are other outstanding issues that VIRIP Team would like to iron out with the PWD especially in relation to the planning process and how it fits into the Procurement plan for 2018.

The World Bank mission in February is a testimony to assist the PST and the PWD to better aligned the works with the World Bank procurement framework and also for a shared understanding on documentations and processes between the PWD and the World Bank.

1. Two major works contracts have been signed especially the Tanna Kings Cross Road Improvement – FRC and the Tanna Kings Cross Road Improvement –Bitumen where contractors have been mobilised to the sites.
2. Furthermore, there are other roads, schools and Public Building documentation that have been identify and scoped and seeking World Bank approval. It is envisaged that with the current momentum and good relationship between the PWD, World Bank and other stakeholders in country will form a foundation on which to progress the works plan.
3. Procurement Plan and development progress for the Works plan for 2018.
4. Documentation and scoping for roads on Epi and Pentecost completed including schools on the shepherds and Efate completed
5. Project Planning and Costing was completed to assist with Budget Planning and works planning for 2018.
6. Preparation of the VIRIP Budget 2017 to 2021 Completed and sent to the World Bank.
7. Interim Unaudited Financial Report for January to March 2018 was completed and email to David Whitehead for review.

#### 4.8 Safeguards

The Safeguards Specialist (SS) finalised the review of the safeguards framework documents over the quarter and these were approved by the World Bank. These documents included the Environmental and Social Management Framework (ESMF), the Resettlement Policy Framework (RPF) and Grievance Redress Mechanism (GRM). Final issue copies of these documents were sent to the World Bank for public disclosure and the PST will be developing a dedicate website for VIRIP which will include the public disclosure of these and other project documents. Arrangements for local disclosure have also been discussed and agreed with World Bank Safeguards Specialists.

The intention is to continue to standardise safeguards documents including manual and management plans in order to both standardise but primarily improve safeguards management by Vanuatu contractors, many of whom have not previously been exposed to these requirements. The World Bank Safeguards Specialists have been supportive of these approaches towards standardising and systematising safeguards management across the project. The VIRIP Safeguards specialist will continue to liaise and seek support and approval for such initiatives from the World Bank Safeguards Specialists.

#### 4.8 Procurement

The International Procurement Specialist contract began in Dec 2017. The current quarter has seen the development of some key procurement infrastructure including:

- Establishment of the PWD (roads) Evaluation Panel
- Submission of the VIRIP Procurement Supplement to the World Bank outlining how procurement will be conducted within VIRIP
- Establishment of the IPS work plan with PMC

- Submission of the Annual Procurement Plan with 23 activities through the Bank STEP system
- Introduction of a digital procurement folder system and improved procurement filing (hard copy)

During this quarter VIRIP also began stakeholder engagement to obtain agreement on:

- an acceptable suite of standardised procurement documents. This standardised suite of documents is foundational to conducting procurement in an efficient and effective manner.
- Means of engaging IBC's through a prime / sub-contractor model.

VIRIP have now introduced standardised monthly Consultant reporting against their workplan. Contracts established or amended in the March quarter are detailed in the table below:

Contract Name	Contract Signature Date	Initial Expiry Date	Contractor	Contract Value
Supervision of Tanna Works	22 February 18	28 October 18	Valerio Agno	USD 61,220
Monitoring and Evaluation Specialist – extension and amendment	15 March 18	Extended to 2 September 2020	Morrissey Consulting International Pty Ltd	USD 197,900 <i>Unchanged</i>

Procurements begun during the March quarter that are yet to reach contract execution are detailed in the table below:

Procurement Name	Progress	Expected Contract Value
Building Engineer and Support Services	Disagreement over key clauses has delayed this procurement. Expected contract signature 30 Apr 18.	USD 170,000
Design and Documentation of Roads - Consultancy	Expected contract signature – early May 2018.	USD 195,500
Purchase of 3 Vehicles	Lack of quotations will see this procurement undergoing review.	USD 105,000

The lack of a PWD Procurement Manager has resulted in most procurement being conducted through VIRIP staff; this will continue at least to the medium 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 Vanuatu, PWD and MoET. It is proposed that a local commerce / business graduate join the VIRIP PST as a means of transferring skills, knowledge and experience in procurement.

The status of each procurement outlined in the submitted 2018 Annual Procurement Plan (including residual 2017 plan procurements) is provided in Appendix 2. During Q2, 2018, it is planned to complete foundational procurement infrastructure including the following:

- Assimilate and respond to World Bank feedback in relation to the VIRIP Procurement Supplement
- Agree with the World Bank and GoV stakeholders the suite of standardised bidding documents to be used for VIRIP procurement.
- Begin to establish GoV Evaluation Panels for Public Buildings and Schools works.
- Review and re-submit items not cleared in the Annual Procurement Plan using STEP
- Establishing the overall state of GoV Procurement – as time permits.

Foundational to productive procurement is a suite of standardised bidding documents. Once these are agreed between all stakeholders the pace of procurement should begin to pick up.

#### **STEP SYSTEM – URGENTLY RECOMMENDED ENHANCEMENT**

The STEP system enables projects to submit their Annual Procurement Plan and for the World Bank to “clear” acceptable procurements. “Uncleared” procurements are returned to the project with a request for remediation. Some “uncleared” procurements are easily and rapidly amended whilst others may take considerable time to remedy for matters such as strategy re-think and consultation.

The STEP system requires that all “uncleared” procurements must be re-submitted together – at one time. This unnecessarily delays procurement for “uncleared” activities that are quickly and simply remedied. It is **recommended that STEP be urgently enhanced to allow projects to re-submit individual “uncleared” procurements** that have now been remedied **to reduce unnecessary delays in the procurement process.**

#### 4.9 Monitoring and Evaluation

The VIRIP M&E Specialist was mobilised in November 2018 and immediately commenced with a review of existing documentation and approaches. To date the M&E plan and framework have not been formally endorsed by the World Bank. This has resulted in a delay for implementation as work cannot commence until formal feedback is provided and approval granted to proceed with the suggested changes to the results framework contained within the PAD. Approval is requested as part of this report.

### 5. Risk Management and Key Lessons Learned

A risk management and lessons learned update will be provided on a six-monthly basis. This will involve a review of past risks and lessons as well as the documentation of new and emerging risks and lessons.

#### 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 to date. Some on-going positions need to be filled but the core PST is mobilised and respective partners in PWD and the MoET are engaged.

VIRIP continues to operate in a fluid environment and needs to adjust its operating approach to cater for uncertainty and changes. This is particularly important in dealing with GoV representatives from PWD and MoET. The R4D program does complete its current phase at the end of June 2018 but it is likely that it will be extended. Positive collaboration and cooperation does exist between these two programs

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. PWD has been extremely active in VIRIP during the quarter, working on Activities including programming, planning, scoping, designing and budgeting. A number of new developments have occurred that present opportunities for further cooperation and engagement, particularly with the Vanuatu Transport Sector Master Plan.

Physical works are getting underway with two road projects being tendered and another two currently in the process of being tendered. For 2018, eight additional road projects have been identified. This is an important step and continues to build upon the foundational work established through the latter part of 2017.

The change in classroom design by MoET is unfortunate and has delayed progress in this area. The situation has been compounded by landowner issues which continue to be discussed with MoET. Re-

scoping work continues. For public buildings progress is also slow but selection criteria have been revised and three packages of work are scheduled during the course of this year.

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.

Financial management continues and work is progressing with safeguards and procurement. There are some challenges with procurement such as the lack of a direct counterpart and this needs to be prioritised in discussions with PWD. Additional support is also required around the Step system.

In progressing work, the PST has identified a number of recommendations from the first quarter of the 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. These recommendations do build upon the recommendations provided in the annual report. Key recommendations for the quarter include:

**Recommendation 1:** Communications with relevant stakeholders require improvement. PST to develop and implement a communication strategy that meets the requirements for information from politicians, key government agencies, World Bank and general public.

**Recommendation 2:** During the upcoming period, VIRIP must increase the pace of procurement to meet the project requirements and improve perception of project performance.

**Recommendation 3:** During the next 2 quarters, VIRIP must transition to improving the resilience of the long term recovery, including development of the Disaster Recovery Framework and supporting the subsequent reform measures within the scope of the project.

**Recommendation 4:** The transitional arrangement with R4D and the second phase of that programme require clarification. Most notably, it is essential the roles, functions and inter-relationship between the VIRIP and R4D must be made clear.

.



## Appendix 1: Works Program

See attached file for complete program.

Appendix 2: Procurement Plan

---

<sup>i</sup> Financing Agreement (Infrastructure Reconstruction and Improvement Project) between the Republic of Vanuatu and International Development Association, dated 2<sup>nd</sup> August 2016.