



QUARTERLY REPORT – APR-JUN 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 14 August 2018

**Republic of Vanuatu: Vanuatu Infrastructure Reconstruction and Improvement Project
Quarterly Report – Apr-Jul 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

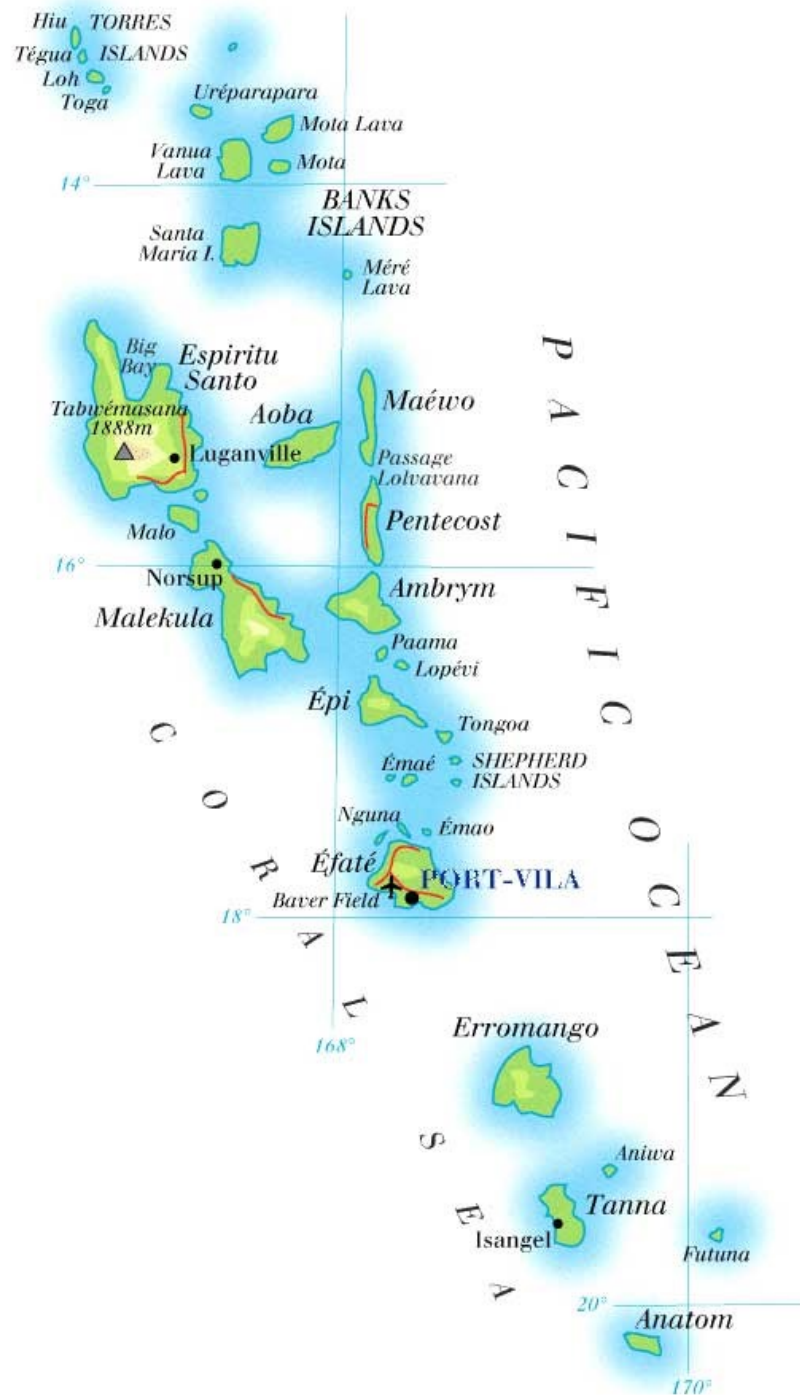
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Document History

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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

Table of Contents

Abbreviations.....	1
Table of Contents.....	1
Basic Data	1
Project Purpose	1
Executive Summary	3
1. Introduction	6
2. Operating Context (April-June 2018).....	6
3. Status of Implementation and Key Results	1
4. Program Implementation (Narrative Section).....	6
4.1 Part 1. Road Reconstruction and Improvement.....	6
4.2 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 Financial Management and Performance	11
4.8 Safeguards	17
4.7 Procurement	18
4.8 Monitoring and Evaluation	19
5. Risk Management and Key Lessons Learned.....	20
Conclusions and Recommendations for the Period	20
Appendix 1: Works Program.....	22
Appendix 2: Procurement Plan.....	23

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)	March 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.

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.

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.*

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 April-June 2018. The operating context for the program during the current quarter has been somewhat challenging. Engagement with senior representatives from MoET and PWD continues to present challenges but on-going engagement and regular meetings have improved coordination. The Project Implementation Committee (PIC) has met once on 21 June 2018 amongst guiding progress, and noting the development of the Disaster Recovery Framework.

PWD

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. SMEC finished on 30 June 2018 and transitional arrangements will be put in place whilst R4D2 is tendered. The outcome of the Vanuatu Transport Sector Master Plan is continuing to be developed and will be completed in the third quarter of 2018.

For public buildings, an initial assessment of the activities indicate that the activities will need a thorough review. The most evident problem was that most of the buildings on the list provided by DSPPAC have now been repaired and in some cases re-purposed or permanently abandoned. This will require a review of selection criteria and a possible review of identified buildings approved for VIRIP support.

MoET

The MoET has been supportive 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.

VIRIP has been actively working with MoET during the period to establish landholder agreements as either a formal 'right of use' or lease. As previously reported, the services of a Land Registration Officer (LRO) initially failed and the Safeguards Officer has had to temporarily fill in whilst the procurement process was reactivated.

A Contractor's Quality Control Plan – Template was developed during the period which will allow contractors to readily implement a quality system. 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.

Project Implementation and Technical Support

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

was approved and released to the market and by the end of the reporting period, a preferred candidate identified.

The Disaster Recovery Framework (DRF) Specialist (Nigel Fisher) was sourced through sole source selection arrived in May 2018 to work with the Prime Minister's Office. During the period he undertook a desktop study and collection of numerous key documents and developed an extensive bibliography.

Financial Management and Performance

Overall, the performance of the PST has improved which is indicated by about 10% of expenditures incurred in Q1 which is an increase by about 7 percent from 2017. In the first quarter of 2018, the actual expenditures show an increase of 10% of Funds Committed. The provisional budget forecasted for 2018 is VUV1,189,542,717 and to date the Total Expenditure and Commitments stands at 55%. 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.102,724,579 from Part1, Part 2 and Part 4 of the Project which is about 31% of the Budget for 2018

Social Safeguards

The Safeguards Specialist (SS) arranged the public disclosure of hard copies of the safeguards framework documents approved by the World Bank in Q1 over this quarter This included a newspaper advertisement and distribution via provincial councils and PWD offices. Screening forms were completed for most of the schools' packages for 2018, the remainder are to be completed early Q3 and attached to the relevant Activity Proposals if required

standardised safeguards documents continue to be refined and developed as each round of works packages are developed as described above. This continuous improvement is aimed at developing a standard set of documents capable of wider use for example as codes of environmental practice (COEP) under Vanuatu legislation.

Procurement

The current quarter has seen agreement as to the suite of bidding documents to be used by VIRIP in the short to medium term (including State Law Office agreement). This has provided a solid foundation upon which procurements can be conducted and subsequently the rate of output of contracts has increased.

The VIRIP PST has continued to be the organisation that puts in place most of the VIRIP contracts. This is partly due to a lack of counterpart procurement staff within PWD and MIPU. At the end of the quarter a Procurement Officer was appointed through VIRIP funding to support the International Procurement Specialist and to provide a ni-Van counterpart to whom the Procurement Specialist can transfer his skills, knowledge and experiences. The appointment of this person will add to the procurement skillset of ni Van people.

During the June quarter VIRIP executed 10 contracts and began the procurement process for a further 11 contracts. "Delays" as identified through the STEP system declined from a peak of 24 to 16 at the end of the June quarter. It is anticipated that these "delays" will continue to decline in coming quarters.

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.

Conclusions and Recommendations

VIRIP is now officially embedded and operating within MIPU. VIRIP continues to operate in a fluid environment and needs to adjust is operating approach to cater for uncertainly 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.

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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 (April-June 2018)

The operating context for the program does remain somewhat challenging. The backlog of procurement as a result of delayed planning, design and documentation and a collapsed programme has caused time and resource constraints. Ongoing contracts in Tanna are now well underway, which has added even greater pressure on the need for other key program staff, notably a Contracts Manager, Procurement Officer and Junior Project Accountant to join the PST team.

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

The operating context within PWD does remain challenging due to serious HR capacity issues and shortages caused by a combination of 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. Attempts to meet with key people in a timely manner is difficult as these people deal with numerous conflicting priorities. However, the overall buy-in and ownership remains good, albeit communications and coordination needs to be improved.

MoET remains an active stakeholder. Whilst there have been delays in procurement because of finalisation of classroom design and certification, with the assistance of MoET the remainder of the planning, design and documentation has progressed smoothly and expediently.

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

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 (Phase 1) program was completed on 30 June 2018 and transitional arrangements have been developed for the intervening period leading up to Phase 2. Details of the transitional arrangements are still unclear, which is unnerving given the relationship of 4D with the VIRIP project and its objectives. A redesign process is yet to be completed for Phase 2 but uncertainty remains in terms of the availability of the transitional and Phase 2 teams, 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, which is integrated with other reporting functions of PWD, R4D and MOET.

Engagement with the World Bank during the period has been very constructive with active participation by the World Bank team, including the recently initiated fortnightly video-conferences. During the period, the PMC and Director General, Finance attended the joint Understanding Risk/SISRI Conference in Mexico City. The learning outcomes of that conference reinforced the learnings from the Brussels' 3rd World Reconstruction Conference WRC3) last year.




The continued development of the institutional stream of work under VIRIP has been a notable outcome during the period. This work emerged following consultations with GoV and participation of VIRIP at WRC3. During the period an eminent Disaster Recovery Framework (DRF) Specialist was mobilised with the assistance of the World Bank/GFDRR. Whilst in the early stages, the DRF Consultant has been actively working with the Prime Minister's Office/DSPPAC on the early stages of a policy and planning framework as an integral component of disaster reconstruction and resilience. This framework will form much of the structure for future initiatives under VIRIP.

Progress of Recommendations

Key Recommendations from Annual Report	Summary of progress
Recommendation 1: PST to continue supporting and promoting a high level ownership of the project, including infrastructure and institutional components.	This is an on-going process whereby the PST has sought high engagement with individual Ministries and in working through the PIC. Mobilisation of the DRF Consultant has raised awareness of risk informed development planning, which will be a main feature of DRF. This is an on-going recommendation which will be carefully monitored.
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	This work as moved quickly this quarter with the appointment of the Disaster Recovery Framework Consultant. Further developments are expected next quarter.

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	Safeguards frameworks have been approved and are currently in the early stages of being operational
Recommendation 4: VIRIP to explore options to consider adequate and appropriate skills transfer to young Ni-Vanuatu business graduates and young professionals.	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.
Key recommendation from QPR 1 – Jan-March 2018	
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.	Communications with key stakeholders generally improved, with numerous coordination meetings, attendance at 2 x QPA (PWD/R4D), 1 x PIC Meeting and issuance of 2 x Newsletters. Communications Strategy not developed and will be completed during August for discussion with PIC and World Bank.
Recommendation 2: During the upcoming period, VIRIP must increase the pace of procurement to meet the project requirements and improve perception of project performance.	Pace significantly increased and made more efficient. SLO blanket clearance of bidding documents has reduced the length of the procurement process considerably.
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.	DRF Consultant sourced and mobilised. Significant progress already made on services to date.
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.	Clarification eventually sought. However, some aspects still remain unclear, for example the oversight of IBC Contractors.

3. Status of Implementation and Key Results

On track 	Slightly behind schedule 	Issues requiring attention 
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VIRIP Quarterly Report Q2, 2018

OBJECTIVES (What you want to achieve)	INDICATORS (How to measure change)	Overall Program Target (2018- 2021)	Targets January- December 2018	QUARTERLY PROGRESS (April - June 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)	Lenakel to Kings Cross Road is around 93% Complete which will provide improved pedestrian access for about 2000 people, according to census data in in surrounding target communities (2km from road).	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	Lenakel to Kings Cross Road is around 93% Complete which will provide improved access for about 5000 people, according to census data in target communities.	0%	M&E Plan contains details on approach and methodology to measure and assess	0%	
<i>Goal: Goal Statement: People in Vanuatu have reliable access to a safe, resilient and environmentally specific infrastructure (built to standards and relevant codes) supported by sound government systems and processes</i>	<ul style="list-style-type: none"> Level of Service (LoS) maintained and enhanced through VIRIP scope of works. Communities and schools report high levels of satisfaction with improved infrastructure. 	LoS score maintained	Average of LoS across the road network	Work not complete.	0%	M&E Plan contains details on the approach and methodology to measure and assess.	0%	

VIRIP Quarterly Report Q2, 2018

OBJECTIVES (What you want to achieve)	INDICATORS (How to measure change)	Overall Program Target (2018- 2021)	Targets January- December 2018	QUARTERLY PROGRESS (April - June 2018)	% Progress in QTR	CUMULATIVE ANNUAL PROGRESS	% overall progress
End Outcome 1- Safer and resilient communities using and maintaining improved infrastructure.	# 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- GoV implementing an institutional framework committed to better emergency response and promotion of community resilience.	<ul style="list-style-type: none"> GoV adopt and implement a reconstruction policy and strategy 	1 policy and strategy implemented	Development of policy and strategy Management meetings around policy and strategy implementation	Disaster Recovery Framework Specialist engaged and mobilised during period and started services.	25%	<ul style="list-style-type: none"> Majority of work to commence in Quarter 1 and 2, 2018. 	25%
Output 1: Infrastructure Provision 1.1 Road Assets reconstructed and improved	<ul style="list-style-type: none"> #Km of roads maintained annually # physical infrastructure enhancements 	X km 250	0km 60	Physical works is significantly complete on W1-01-17 and W1-02-17 in Tanna/Tafea.	10%	<ul style="list-style-type: none"> Design and Documentation of Roads was complete in May 2018 and Consultant started services. Development on the Quality Control Manual has been completed on time, including training. Supervisor for the Tanna Works is on schedule. The Supervision of 2018-2019 is being procured and on track for upcoming works. The first two items of work W1-01-17 and W1-02-17 in Tanna are on track for completion in July-August. 2 items of work in Malekula have not started because of with design, scoping, safeguard checks and procurement. Procurement of 3 Vehicles for supervision has been delayed because of a lack of interest from suppliers. 	27%

VIRIP Quarterly Report Q2, 2018

OBJECTIVES (What you want to achieve)	INDICATORS (How to measure change)	Overall Program Target (2018- 2021)	Targets January- December 2018	QUARTERLY PROGRESS (April - June 2018)	% Progress in QTR	CUMULATIVE ANNUAL PROGRESS	% overall progress
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 has been released to the market. The Asbestos Specialist will remobilise later in the 2018 for assessment the remaining schools. 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. Packages 6 and 7 require field inspections of Worarana, Makira, Mataso, Vutekai, Lire, Lehili and Luvil schools, prior to tendering. 	15%
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 of Kramer Ausenco has occurred. Supervision of Public Building Works is expected to occur on time. 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. 	6%
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	8 contracts	5 IBC Contracts signed for Pentecost during the period and another 3 anticipated shortly.	25%	Further discussions are required around the possible use of IBCs and how these entities will be engaged and supported through VIRIP	25%

VIRIP Quarterly Report Q2, 2018

OBJECTIVES (What you want to achieve)	INDICATORS (How to measure change)	Overall Program Target (2018- 2021)	Targets January- December 2018	QUARTERLY PROGRESS (April - June 2018)	% Progress in QTR	CUMULATIVE ANNUAL PROGRESS	% overall progress	
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	2,000 days	No works have commenced to date. 4076 days (485 days- women) with 447 days worked in Q1.	18%	Works in Tanna have been labour intensive with Downers and Fletchers employing 40 people on average during the period.	22%	
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	ToR reviewed and recruitment occurred during the period.	30%	Engagement of the Disaster Recovery Framework specialist is complete and started in May 2018 for completion of services within 6 months.	30	
2.2 Safeguards Framework developed and applied	<ul style="list-style-type: none"> 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)	<ul style="list-style-type: none"> % grievances responded to within agreed timeframes 	95% of grievances responded to within timeframes	Nil	GRM sets out mechanism for project including contractors and supervisors. Community consultation taking place at initial scoping and onwards. Draft database template created.	Nil	Data collection tools to be further refined and results entered in Q2, 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 Contracts let 0 Variations	20%	Relevant financial management systems have been established and operational. Semester accounts have been audited. 10 Contracts let. 0 Variations issued. 11 Procurements Currently underway	20%	

VIRIP Quarterly Report Q2, 2018

OBJECTIVES (What you want to achieve)	INDICATORS (How to measure change)	Overall Program Target (2018- 2021)	Targets January- December 2018	QUARTERLY PROGRESS (April - June 2018)	% Progress in QTR		CUMULATIVE ANNUAL PROGRESS	% overall progress	
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	19 payments released (services) 4 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 reflection events to date, but will occur in August 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. SMEC finished on 30 June 2018 and transitional arrangements will be put in place whilst R4D2 is tendered.

It is understood World Bank-funded Transport Project is under preparation. Similar to R4D (Phase 2), the details of the new project are unknown. However, the introduction of another project into MIPU and PWD will be problematic, as there are existing institutional constraints within MIPU/PWD and their 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 quarter of 2018.

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.

Services

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

Task Name	Cost	% Complete
S1-01-17 Design and Documentation of Roads	\$195,500	27%
S1-02-17 Develop QCM	\$56,120	69%
S1-03-17 Pavement Specialist	\$5,000	100%
S1-04-17 Supervisor for Tanna Works	\$80,500	93%
S1-05-18 Supervision of 2018-2019 Works	\$409,000	19%

Design and Documentation of Roads is now contracted and performing well. Development on the Quality Control Manual is complete with training delivered on time. This Manual will now provide detailed procedures and forms for contract quality issues. This contract was varied to include the development of a complementing Contractor's Quality Plan – Template, which will allow contractors to readily implement a quality system. The Pavement Specialist, who conducted the pavement design for W1-01-17 and W1-02-17, is now complete. Services of the Supervisor for the Tanna Works is on schedule and performing generally poorly and requires PST support. 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 oversee the IBC works funded by VIRIP.

2017 Annual Works Plan

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

Task Name	% Complete	Cost
W1-01-17 Tanna - King Cross Road Improvement - FRC	93%	\$836,814
W1-02-17 Tanna - King Cross Road Improvement - Bitumen	93%	\$1,894,648
W1-03-17 Malekula - Improvement to Batven Stream (Neramb) Crossing (IBC)	26%	\$50,000
W1-04-17 Malekula - Improvement to Unua 5 Stream (Blacksand) Crossing (IBC)	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. Works are well underway and performing well. The last two activities in Malekula have been delayed because of design concerns and PWD directed that the Design Consultants for Part 1 should review the design, scoping and cost estimates prior to implementation by IBC Contractors. Works are now expected to start in the third 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	Cost	% Complete
W1-05-18 Pentecost - Improvement to South Pentecost Road	\$2,109,561	1%
W1-06-18 Epi - West Epi Road Improvements - 800m FRC	\$916,000	33%
W1-07-18 Tongoa - Road Improvements - 1000m FRC	\$990,000	10%
W1-08-18 Tanna - Lowiaru-Imafen Road Improvement - 1000m FRC	\$990,000	8%
W1-09-18 Tanna - White Grass Junction - Inalvat Road Improvement - Bridge and Culvert	\$1,000,000	1%
W1-10-18 Pentecost - Ranwadi Point Coastal Road - Retaining Wall (3 x IBC)	\$137,500	51%
W1-11-18 Pentecost - Cooks Cave Coastal Road - Gabion Protection (2 x IBC)	\$92,600	52%
W1-12-18 Pentecost - Vanwoki Hill - 300m FRC (3 x IBC)	\$148,690	52%
W1-13-18 Efate - Mangaliliu Road Improvement - 1100m FRC	\$800,000	10%

The first five activities were originally approved under the 2018 AWP, but the last four subsequently approved for incorporation, upon review VIRIP and PWD. W1-13-18 Mangaliliu Road Improvement was included upon the second quarter AWP review. At the direction of PWD, this resulted in W1-07-18 slipping by 3 months with a new procurement start date in August.

Ambrym-Paama Prime - Spot Improvements was discussed during the March World Bank Mission and it was agreed to explore this activity to be undertaken as a prime contract, utilising IBC contractors (as nominated sub-contractors). However, exploring this Prime-IBC procurement arrangement has taken some time, so it has been considered to undertake direct IBC contracts for each activity. If that is the case, then Prime-IBC Contracts will be considered in the future.

The VIRIIP 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) has been issued for quotation.

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; training for the use of the Quality Control Manual and training local contractors on how to complete quotations in accordance with standard World Bank documents. Further training was delivered to Qualao (Supervision Consultant) on safeguards management for Tanna Roads.

Goods

Task Name	% Complete	Cost
G1-01-18 Purchase of 3 Vehicles	45%	\$105,000

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

4.2 Part 2: School Reconstruction and Improvement

Institutional Arrangements

The MoET has been supportive 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.

VIRIP has been actively working with MoET during the period to establish landholder agreements as either a formal 'right of use' or lease. As previously reported, the services of a Land Registration Officer (LRO) initially failed and the Safeguards Officer has had to temporarily fill in whilst the procurement process was reactivated. A new procurement process has started for the sourcing of an LRO, which is expected to be complete in July. Unfortunately, that has delayed the establishment of these agreements and the implementation of Part 2.

A Contractor's Quality Control Plan – Template was developed during the period which will allow contractors to readily implement a quality system.

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 ready for issuance for expression of interest. Previously the VIRIP PMC conducted the inspections of 24 schools, which has formed the basis of the first five packages of works. 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 remobilise to inspect the remaining schools during the third quarter. Supervision of the 2018-2018 Works is ready for issuance for expressions of interest and is expected to be secured prior to the award of the first package of works.

Task Name	Cost	% Complete
S2-01-17 Survey and Documentation of School Buildings	\$140,000	14%
S2-02-17 Asbestos Specialist	\$69,900	53%
S2-03-17 Land Registration Officer	\$40,000	16%
S2-04-17 Safeguards Officer	\$23,238	80%
S2-05-18 Supervision of 2018-2019 Works	\$409,000	9%

2018 Annual Works Plan

Procurement on the first five packages of works is now ready for issuance for quotation, now the certification of the MoET-approved Classroom design has been attained. Package 1 will be issued early July 2018 and will serve as the test case, prior to issuance of other packages. Packages 6 and 7 (marked in orange below) require field inspections of Worarana, Makira, Mataso, Vutekai, Lire, Lehili and Luvil schools during August 2018, prior to issuance for quotation.

Task Name	Cost	% Complete
W2-01-18 Package 1: Efate - Eton and Ekiye	\$384,000	23%
W2-02-18 Package 2: Ngunu, Pele and Emau	\$262,000	15%
W2-03-18 Package 3: Efate - Etas, Maumau and Kawenu	\$472,000	15%
W2-04-18 Package 4: Epi - Bonkovio, Lamenu, Akama, Mafilau	\$416,000	15%
W2-05-18 Package 5: Tongoa - Malawia, Ere, Nottage, Itakuma and Naworaone	\$631,549	15%
W2-06-18 Package 6: Shepherds - Senecol, Coconak, Worarana, Makira and Mataso	\$398,000	0%
W2-07-18 Package 7: Paama - Vutekai, Lire, Lehili and Luvil	\$243,000	0%

4.3 Part 3 - Public Building Reconstruction and Improvement

Institutional Arrangements

DSPPAC has been actively involved during the period for the review of the draft inception report from Kramers and direction on how to proceed. The most evident problem was that most of the buildings on the list provided by DSPPAC have now been repaired and in some cases re-purposed or permanently abandoned. This will almost certainly require a re-issuance of expressions of interest to Ministries and Departments for repairs and improvements.

Services

Kramers were engaged on 2 May 18 and shortly after started inspections of public buildings in Port Vila. Up to the end of the reporting period they had conducted a desktop review and initial stakeholder meetings, developed a method of assessment and rapid assessment forms, undertaken some site visits and conducted a preliminary assessment of buildings. Kramer developed a first package of works for the Catering Building at the Parliament House.

Supervision of the Public Buildings will be issued in July which will coincide with the issuance of the quotation for the first package of works.

Task Name	Cost	% Complete
S3-01-18 Survey and Documentation of Public Buildings	\$170,000	53%
S3-02-18 Supervision of Public Building Works	\$750,000	1%

2018 Annual Works Plan

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

4.4 Part 4 – Project Implementation and Technical Support

As of end of June 2018, the full complement of key staff had been engaged in the PST, as envisioned in the Project Appraisal Document. However, upon review a Contracts Manager was considered to be

a necessary addition to the PST to support the implementation of design and supervision services and oversee the works and associated quality control and administration. The Contracts Manager position was approved and released to the market and by the end of the reporting period, a preferred candidate identified.

Ancillary staff were requested by PWD to take up the incremental workload imposed by VIRIP on PWD, notably procurement and finance functions. As such, a Procurement Officer and Junior Accountant was approved for recruitment. These positions have been released to the market and are expected to be contracted in July 2018.

The Disaster Recovery Framework (DRF) Specialist (Nigel Fisher) was sourced through sole source selection arrived in May 2018 to work with the Prime Minister's Office. During the period he undertook a desktop study and collection of numerous key documents and developed an extensive bibliography. With the A/DG PMO he reframed his terms of reference to achieve the expected outcome of a policy framework. This included the development and awareness of risk informed development planning (RIDP) amongst key players. He subsequently conducted numerous meetings and interviews with DGs and Directors of key agencies, including notably NDMO, Ministry of Climate Change and Internal Affairs. At the end of the period, it is believed the awareness process and development of a clear approach has been achieved. However, there remains significant inertia to change mainly as a result of resource constraints in PMO/DSPPAC.

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	26%	30%	8%	4.6%
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:

Description	Practical Completion
Project	26%
Part 1: Road Reconstruction and Improvement	27%
Part 2: School Reconstruction and Improvement	20%
Part 3: Public Building Reconstruction and Improvement	6%
Part 4: Project Implementation and Technical Support	34%

Based on the above table, it can be seen that Part 3 is still behind the overall schedule and compared to practical completion of other Parts. A concerted effort has been made to raise the progress to bring this Part back onto schedule during the third 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. 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.

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. However, the anticipated splitting of the Prime-IBC works for Ambrym-Paama into 8 individual activities will change the procurement plan and available resources.

A Market Analysis will be developed for national civil and building contractors. It is still unclear about the absorptive capacity of national contractors in Vanuatu. However, a major factor that will remain, 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. Early tender responses and works suggest this is the case. The PST will continue to work with these Contractors and others to build up local contractor capacity.

4.6 Financial Management and Performance

The VIRIP Work Plan and implementation has been improved in Semester 1 2018 compared to Semester 2 2017 and this is attributed to the two road projects progress on Tanna Island and preparation of project proposals submitted and approved by the World Bank. The progress to date reflect the collaboration with the Public Works Department and R4D to ensure better synergy in planning and coordination. The relationship development with the stakeholders is a testimony to the improve progress in project implementation. Further works are envisaged for the coming months under the different parts of VIRIP.

In 2018 the PST has developed a five multi-year budget framework to help guide the work plan of Public Works Department and its leadership for the Vanuatu Infrastructure Reconstruction and Improvement project (VIRIP) implementation.

The 2018 first Quarter Interim Financial Report has been generated and emailed to David Whitehead for his review and comments especially as this is a big project where grant and credit are the mode of financing therefore requires careful reporting. It was advised that the IFR will be generated on a quarterly basis to assist in disseminating the financial management and expenditures to the Project Implementation Committee (PIC) for their information and assist PWD decision making and improvement. Based on the quarterly report it should provide a much easier pathway to prepare the Interim Financial Report (IFR) for Semester 1 2018 which should be forwarded to the World Bank.

It was a policy decision agreed by David Whitehead that the IFR Semester reports will be sent to the World Bank to show how the budget is managed but importantly to show the balance of the Credit and Grant received in 2017.

Expenditure and Outstanding Commitments

Semester 1 2018 actual expenditure stands at Vt.160,293,097 which is an increase of about 7% expenditures compared to the same period in 2017. This increase is from the implementation of the road works especially the Tanna Kings Cross Road Improvement – Bitumen and the Tanna Kings Cross Road –FRC. See table below.

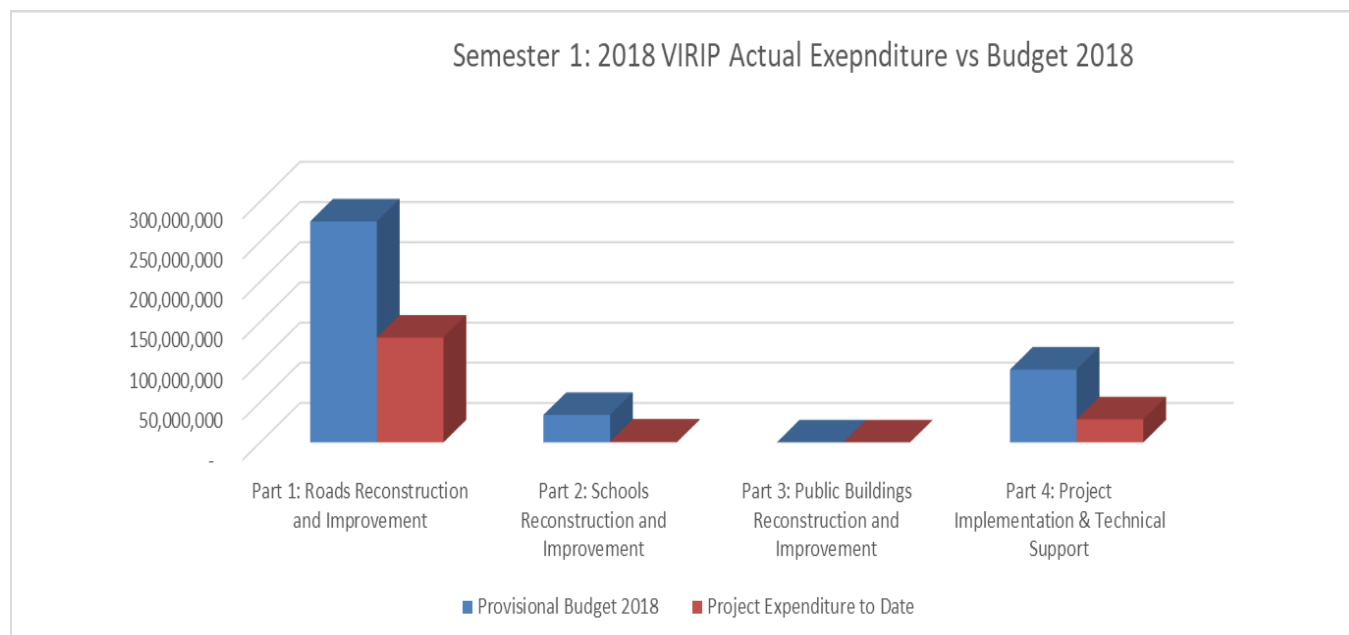
The works on Tanna was performed by Downer and Fletchers Ltd.

To date, Part 1 - Roads Improvement the expenditure stood at Vt.130,504,162 which includes works and supervision and design components.

The Expenditure in Part 2 stands at Vt.1,095,740 and the Part 4 Expenditure stands at Vt.28,693,195.

It should be noted that the Expenditure in Part 2, Schools is at its infant stage and mostly for Asbestos and Safeguards Officer which mainly for the preparatory work. It is however anticipated that works will happen in Semester 2 2018. The PST team met with potential contractors early July 2018 provides a timeframe for schools' improvement to start.

The Total Expenditure by Project to Date stands at Vt.229,699,082.



The Outstanding Commitments to date stands at Vt.426,954,047. This includes TA and Works Contract as shown by different Parts of VIRIP in the Table below.

Parts	Job Code	Job Code Name	Outstanding
Part 1	VRAA001	Kings Cross Concrete Pavement – FRC Tanna	Vt.45,132,770
	VRAA002	Kings Cross Road Improvement – Bitumen Tanna	Vt.116,049,500
	VRAA005	Qualao Consulting - Supervision	Vt. 9,992,858
	VRAA006	Ranwadi Point Road, Central Pentecost	Vt.14,437,500
	VRAA008	Vanwoki Hill Road Improvement - Pentecost	Vt.15,612,450
Part 2	VRAB002	Schools Assessment and Asbestos	Vt. 4,889,173
Part 4	VRAD001	Project Implementation and Technical Support	Vt.220,839,796
Total			Vt.426,954,047

To date, the Total Expenditure stands at Vt.229,699,082 whilst the Outstanding Commitments Vt.426,954,047.

Financing

The Financing of the Vanuatu Infrastructure Reconstruction and Improvement Project (VIRIP) is provided by the International Development Association and to date the grant and credit received stood at Vt.400,000,000. To date, the Closing Balance stands at Vt.170,300,918.

In 2018, the financing forecasted to be drawn down stands at VUV 848,360,361 which includes the four Parts under VIRIP. See Table (iv) in the Appendix.

In May 2018, the PST have applied in the Client Connection for the additional grant financing from the International Development Association of Vt.82,409,687. There would be another withdrawal application for both the grant and credit financing by July 2018.

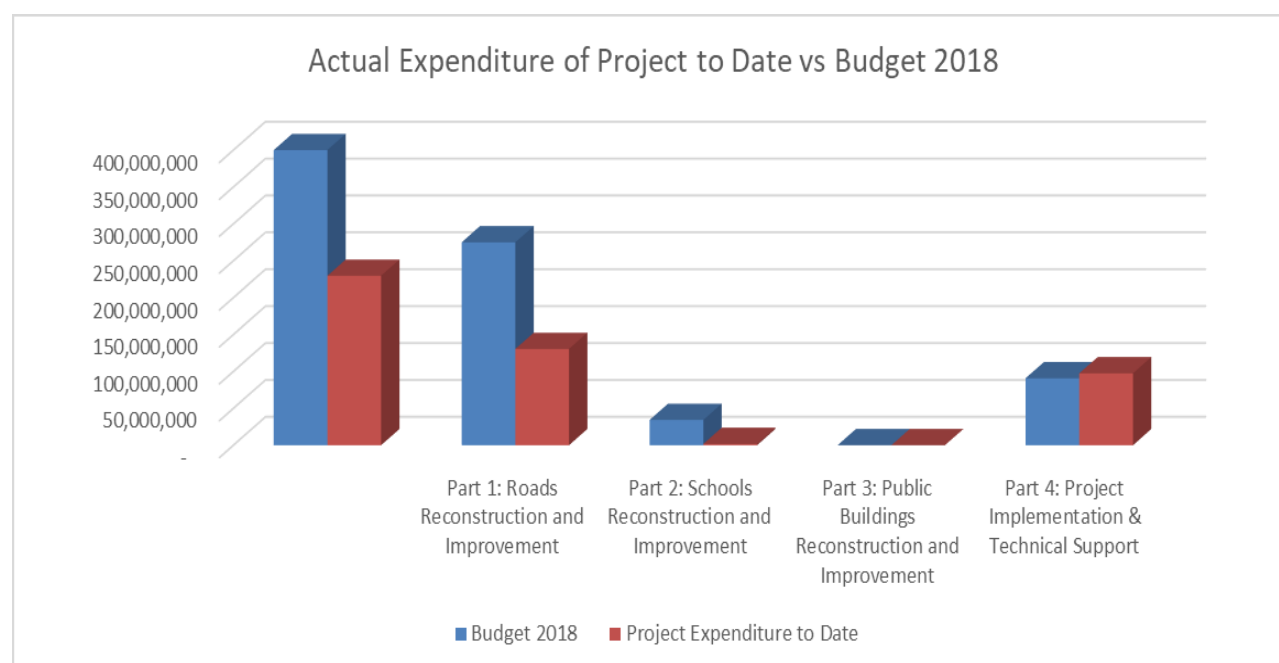
The Annual Budget vs Actual Expenditure 2018

The VIRIP annual budget was developed based on the PWD 2018 Annual Plan and was submitted to David Whitehead early in the year. ***The budget amount forecasted for 2018 stands at Vt.1,195,165,393.*** See Table (iii) in Appendix.

The annual plan includes all sub-projects for roads, schools and public buildings that would address in 2018.

In Semester 1, the Road Expenditure stood at about 39% of the budget and 0.05% expenditure from the school budget whilst 9% expenditure from the budget under the project implementation and technical support.

Diagram 1: Year to Date: Expenditure to Date Against Budget



Part 3 of VIRIP will be address later in Semester 2, 2018.

The Budget Framework

The Table below shows the snapshot of the VIRIP budget Framework that the Project Support Team (PST) provided to the World Bank after careful consultation with the Department of Public Works.

This budget framework will be reviewed annually according to the Public Works Department priorities for Part 1 and also the Ministry of Education and Training (MoET) for Part 2 and Department of Strategic Management and Policy Coordination (DSMPC) for Part 3 - the Public Buildings.

Some key achievements in the reporting period include:

- Audit of the 2017 VIRIP financial statements was done by the Law Partners and the report was sent to the Auditor General's Office.
- The audit report was furnished to the Bank by the Auditor General's Office well before the dateline stated in the Financing Agreement not later than 6 months after the end of the period.

- The Withdrawal Application 2 was lodge in the Client Connection on 7th May 2018 and the signatures signed and it is in the final stage for the World Bank approval and disbursement.
- Interim Financial Report for Semester 1, 2018 was presented to the Project Manager and to forward to David Whitehead.

The 2018 fiscal year will saw a sizable amount of project activities happening under all parts of VIRIP. It is forecasted that by year end a budget expenditure of Vt. 1,189,289,738 would be realized. Improved coordination with the Public Works Department and relationship building by PST with the stakeholders will see works happening.

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

PARTS	Description	Total Budget 5 Yrs (USD)	Total VIRIP Budget	Actual Budget 2017 (VUV)	Budget 2018 (VUV)	Budget 2019 (VUV)	Budget 2020 (VUV)	Budget 2021 (VUV)
1	Roads Reconstruction and Improvement	23,769,610	2,495,809,058	253,531	615,024,060	1,033,453,905	515,417,197	331,660,365
2	Schools Reconstruction and Improvement	13,000,000	1,361,671,500	5,622,123	229,365,990	151,993,155	536,640,052	438,050,180
3	Public Building	6,500,000	682,499,999	0	201,600,000	315,000,000	160,650,000	5,249,999
4	Project Implementation and Technical Support	4,203,365	441,353,371	51,911,781	143,299,688	124,941,188	96,972,248	24,228,466
	Total5	47,472,976	4,981,333,929	57,787,436	1,189,289,738	1,625,388,248	1,309,679,497	799,189,010

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 Table below.

There are four projects that are currently being implemented including the;

- Tanna Kings Cross Road Improvement – FRC.
- Tanna Kings Cross Road Improvement – Bitumen.
- Ranwadi Point Coastal Road, Pentecost, and
- Vanwoki Hill Road, Pentecost.

The other project activities are programmed well including documentation, design and supervision and should be approved by the World Bank for implementation very soon.

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
		615,024,060	5,857,372

Part 2	Description	Vatu	USD
	Schools Reconstruction and Improvement		
	(a) W2-01-18 Package 1: Efate – Eton and Ekiye	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
		229,365,990	2,184,438

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
		201,600,000	1,920,000

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
		143,299,688	1,364,759

	Description	Vatu	USD
	Total Budget for 2018	1,189,289,738	11,326,569

Foreign Exchange rate is 105 (VUV/USD)

4.8 Safeguards

The Safeguards Specialist (SS) arranged the public disclosure of hard copies of the safeguards framework documents approved by the World Bank in Q1 over this quarter. This included a newspaper advertisement and distribution via provincial councils and PWD offices. The PST is developing a dedicated website for VIRIP likely to be launched in Q3 for disclosure of all project documents. Progress in Q2 included agreements from the GoV government information officer to a project website under the government framework, engaging a website specialist through the current IT provider and providing an outline structure for the site and also registering a website name (virip.gov.vu).

The SS made road screening site visits to both Tongoa and Tanna during Q2, the latter combined screening with attending community consultation and feedback sessions at four communities living adjacent to the Kings Cross Road Bitumen Seal works. Community feedback is overwhelmingly favourable although concerns are now being voiced as to the increased speed of vehicles along the improved road. Feedback will be incorporated into traffic calming and control measures.

Appendix B Screening forms were completed for most of the schools packages for 2018, the remainder are to be completed early Q3 and attached to the relevant Activity Proposals if required. Appendix B forms were also completed for Tanna Lowiaru Imafen Road. ESMPs were completed for the Tanna Lowiaru Imafen Road FRC, West Epi Greenhill Road FRC and Mangaliliu Road FRC were also completed during the period. The review and improvement to each FRC ESMP means that the revised version of the ESMP has become standardised for FRC works however the format of ESMPs may change from the current format depending on developments of standardised project safeguards documents (COEPs, CESMPs).

As reported in the previous quarter, standardised safeguards documents continue to be refined and developed as each round of works packages are developed as described above. This continuous improvement is aimed at developing a standard set of documents capable of wider use for example as codes of environmental practice (COEP) under Vanuatu legislation. Department of Environmental Protection and Conservation is supportive of this as is the Public Works Department. An initial set of manuals and management plans is planned for September 2018 with a set finalised in 2019 after trials on activities to observe success in standardising and improving safeguards management performance by Vanuatu contractors. The World Bank Safeguards Specialists continue to be supportive of these approaches.

The Land Registration Officer position for location at MOET was readvertised after initial attempt at the beginning of the year. Evaluation will take place in early Q3 with engagement as soon as possible. In line with the AM from the WB Mission in March, the SS also developed a draft resource analysis in May.

Further work on developing suitable resource and industry responsibility for safeguards will further refine resource requirements.

4.7 Procurement

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

- Establishment of the MoET (Schools) Procurement Evaluation Panel
- Agreement with the Bank and State Law Office to use Bank procurement documents as per “Making Procurement Work for Fragile and Small States in the Pacific” for most procurements in the short to medium term.
- Update of the Annual Procurement Plan from 23 to 29 activities through the Bank STEP system
- Automation of RFQ document tailoring in relation to the choice between BoQ / AS approaches.
- Writing an Excel macro to make the output from STEP more usable by the Project Team for planning and monitoring procurement progress.

The predominant focus has however been on putting contracts in place. During this quarter VIRIP executed 10 contracts and began to contract a further 11 contracts.

Contracts established or amended in the June quarter are detailed in the table below:

Contract Name	Contract Signature Date	Initial Expiry Date	Contractor	Contract Value
Pentecost - Ranwadi Point Coastal Road - Retaining Wall – IBC1	19 th May 18	16 th September 18	Pentecost Construction	USD 42,729
Pentecost - Ranwadi Point Coastal Road - Retaining Wall – IBC2	19 th May 18	16 th September 18	Ure Construction	USD 42,729
Pentecost - Ranwadi Point Coastal Road - Retaining Wall – IBC3	19 th May 18	16 th September 18	Lerana Construction	USD 42,729
Pentecost - Cooks Cave Coastal Road - Gabion Protection - IBC1	19 th May 18	16 th September 18	Vari Constructin	USD 43,196
Pentecost - Cooks Cave Coastal Road - Gabion Protection – IBC2	19 th May 18	16 th September 18	Rasoi Construction	USD 43,196
Design and Documentation of Roads	7 th May 18	6 th May 20	Qualao Consulting	USD 195,500
DRF International Consultant	4 th April 18	3 rd August 18	Nigel Fisher	USD 82,000
Survey and Documentation of Public Buildings	2 nd May 18	23 rd September 18	Kramer Ausenco	USD 170,000
Procurement Officer	28 th June 18	1 st July 20	Odile Siro	USD 49,045
Junior Accountant	29 th June 18	31 st July 21	Leitangi Morris	USD 43,964

Procurements begun (or continued) during the June quarter that are yet to reach contract execution are detailed in the table below:

Procurement Name	Progress	Expected Contract Value
Purchase of 3 Vehicles	Evaluation Underway	USD 105,000
West Epi Road Improvements - 800M Fibre Reinforced Concrete	Awaiting Evaluation	USD 916,000
Package 1: Schools - Efate - Eton and Ekipe	RFQ Released	USD 384,000
Mangaliliu steep Hill road Improvement - Construction of 950M of fibre reinforced concrete, including crossover drainage	Bidding Documents being Prepared	USD 577,000
Pentecost - Vanwoki Hill - 100m Fibre Reinforced Concrete – IBC1	Awaiting Contract Execution	USD 49,500
Pentecost - Vanwoki Hill - 100m Fibre Reinforced Concrete – IBC2	Awaiting Contract Execution	USD 49,500
Pentecost - Vanwoki Hill - 100m Fibre Reinforced Concrete – IBC3	Awaiting Contract Execution	USD 49,500
Supervision of 2018-19 Road Works	Awaiting Approval of recommendation	USD 409,000
Survey and Documentation of School Buildings	Drafting RFQ Documents	USD 140,000
Contracts Manager	Evaluation Underway	USD 418,500
Land Registration Officer	Evaluation Underway	USD 40,000

The lack of a PWD Procurement Manager has resulted in most procurement being conducted through VIRIP PST staff; this will continue at least to the medium term. Whilst this will meet the need of VIRIP, MoET 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 the Vanuatu public sector, PWD and MoET. This quarter VIRIP recruited a ni-Van Procurement Officer to assist with conducting procurement, after an initial period of training. This will provide a counterpart to whom the IPS can transfer his 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 Q3, 2018, it is planned to progress the foundational procurement infrastructure including the following:

- Begin to establish a GoV Evaluation Panel for remediation of Public Buildings.
- Build up to 16 new procurement activities into the Annual Procurement Plan using STEP
- Begin to write a discussion paper on the Prime / sib-contractor IBC model.

The foundational work associated with establishing the overall state of GoV Procurement and a plan for GoV procurement reform is unlikely to begin in the next quarter due to the pressing need for the IPS to conduct procurements.

4.8 Monitoring and Evaluation

The VIRIP M&E Plan was endorsed by the World Bank in July 2018. Work is now currently focusing on embedding the systems and tools required for data and information collection.

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.

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.

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Appendix 1: Works Program



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Appendix 2: Procurement Plan



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Procurement Plan 29 .

