



Report and Recommendation of the President to the Board of Directors

Project Number: 46499-002
April 2016

Proposed Results-Based Loan and Administration of Technical Assistance Grant Solomon Islands: Sustainable Transport Infrastructure Improvement Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 11 April 2016)

| | | |
|---------------|---|---------------------------------|
| Currency unit | – | Solomon Islands dollar/s (SI\$) |
| Currency unit | – | Australian dollar/s(A\$) |
| \$1.00 | = | SI\$7.92 |
| \$1.00 | = | A\$1.31 |

ABBREVIATIONS

| | | |
|-------|---|---|
| 3-YAP | – | 3-year action plan |
| ADB | – | Asian Development Bank |
| DLI | – | disbursement-linked indicator |
| DMF | – | design and monitoring framework |
| km | – | kilometer |
| LBES | – | labor-based, equipment-supported (method) |
| M&E | – | monitoring and evaluation |
| MID | – | Ministry of Infrastructure Development |
| MOFT | – | Ministry of Finance and Treasury |
| NTF | – | National Transport Fund |
| NTP | – | National Transport Plan |
| PAP | – | program action plan |
| PFMA | – | Public Financial Management Act |
| PSSA | – | program safeguard systems assessment |
| RBL | – | results-based lending |
| SPM | – | safeguards procedures manual |
| TA | – | technical assistance |

NOTE

In this report, "\$" refers to US dollars, unless otherwise stated.

| | |
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PROGRAM AT A GLANCE

| | | | |
|---|---|--|----------------------------------|
| 1. Basic Data | | Project Number: 46499-002 | |
| Project Name | Sustainable Transport Infrastructure Improvement Program | Department /Division | PARD/PATE |
| Country Borrower | Solomon Islands Ministry of Finance and Treasury | Executing Agency | Ministry of Finance and Treasury |
| 2. Sector | Subsector(s) | ADB Financing (\$ million) | |
| ✓ Transport | Road transport (non-urban) | | 15.75 |
| | Transport policies and institutional development | | 3.15 |
| | Urban roads and traffic management | | 2.10 |
| | Total | | 21.00 |
| 3. Strategic Agenda | Subcomponents | Climate Change Information | |
| Inclusive economic growth (IEG) | Pillar 2: Access to economic opportunities, including jobs, made more inclusive | Climate Change impact on the Project | Medium |
| Environmentally sustainable growth (ESG) | Disaster risk management | | |
| 4. Drivers of Change | Components | Gender Equity and Mainstreaming | |
| Governance and capacity development (GCD) | Institutional development | Effective gender mainstreaming (EGM) | ✓ |
| Knowledge solutions (KNS) | Application and use of new knowledge solutions in key operational areas | | |
| Partnerships (PAR) | Bilateral institutions (not client government) | | |
| Private sector development (PSD) | Official cofinancing Public sector goods and services essential for private sector development | | |
| 5. Poverty Targeting | | Location Impact | |
| Project directly targets poverty | Yes | Rural | High |
| Geographic targeting (TI-G) | Yes | Urban | Low |
| 6. Risk Categorization: | Low | | |
| 7. Safeguard Categorization | Environment: B Involuntary Resettlement: B Indigenous Peoples: C | | |
| 8. Financing | | | |
| Modality and Sources | | Amount (\$ million) | |
| ADB | | 21.00 | |
| Sovereign Results Based Lending: Asian Development Fund | | 21.00 | |
| Cofinancing | | 27.85 | |
| Australian Grant - Grant | | 23.35 | |
| Australian Grant - Technical Assistance | | 4.50 | |
| Counterpart | | 34.45 | |
| Government | | 34.45 | |
| Total | | 83.30 | |
| 9. Effective Development Cooperation | | | |
| Use of country procurement systems | | Yes | |
| Use of country public financial management systems | | Yes | |

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed results-based loan to Solomon Islands for the Sustainable Transport Infrastructure Improvement Program. The report also describes the proposed administration of technical assistance (TA) grant to be provided by the Government of Australia for Strengthening the Capacity of the Ministry of Infrastructure Development (MID), and if the Board approves the proposed loan, I, acting under the authority delegated to me by the Board, approve the TA.¹

2. The proposed Asian Development Bank (ADB) assistance will support the Government of Solomon Islands' National Transport Plan (NTP) 2010–2030 to improve access to socioeconomic opportunities and promote inclusive growth. The program is a nationwide initiative that supports the NTP priorities from 2016 to 2020, financed through the National Transport Fund (NTF). The program, cofinanced by the Government of Australia, will bolster the efficiency and effectiveness of the multimodal transport system by improving nearly half of the land and maritime transport network.² The results-based modality will align government and development partner support for the NTP through the NTF; incentivize increased government contribution to the NTF to mark a significant shift from external financing of transport infrastructure maintenance to major rehabilitation; and improve sector performance through a common results and expenditure framework to meet longer-term development goals.

II. THE PROGRAM

A. Strategic Context

3. Solomon Islands is a South Pacific archipelagic nation with a population of 549,600 and a land area of about 28,000 square kilometers, comprising six large islands and dozens of smaller islands, and hundreds of islets and atolls. It is categorized as a lower middle-income country with a per capita income of almost \$2,000 in 2013.

4. **Economic growth and income.** Economic growth was between 8% and 10% in 2010 and 2011, largely based on resource extraction such as forestry and mining, but decreased to 2.8% in 2013 as these sectors declined.³ New drivers of growth are needed for the country to become more self-reliant as development assistance is also declining.⁴ Solomon Islands' best growth prospects lie in realizing opportunities and improving flows of people and resources in geographical areas and sectors where it has a distinct advantage. Most Solomon Islanders will continue to rely on smallholder agriculture, so improving productivity of agriculture and connectivity is vital for incomes, food security, and livelihoods. Potential for growth also lies with Solomon Islands' abundant natural resources, tourism and fisheries.

5. **Status of transport infrastructure.** Solomon Islands has a 1,500-kilometer (km) road network comprising about 150 km of sealed and 1,350 km of unsealed roads, which gives 77% of the rural population access to an all-weather road within a 2 km radius. This suggests that the

¹ The design and monitoring framework is in Appendix 1.

² ADB provided program preparatory technical assistance. ADB 2014. *Technical Assistance to Solomon Islands for the Sustainable Transport Improvement Investment Program*. Manila.

³ ADB. 2014. *Asian Development Outlook: Fiscal Policy for Inclusive Growth*. Manila.

⁴ International Monetary Fund. *Solomon Islands: Staff Report for the 2013 Article IV consultation and Second Review Under the Extended Credit Facility Arrangement and Request for Modification of Performance*. Washington, DC.

size of the road network, relative to both the population and national revenue, is moderately adequate if the network is properly maintained and is serviceable. However, at the end of December 2014, only 62% of the network was in fair to very good condition, and therefore in maintainable condition.⁵ Road safety is also a significant issue. Of 81 wharves nationwide, 33 are in maintainable condition, although some require substantial repairs, and 48 are structurally deficient. Roads and wharves deemed in fair or better condition can be maintained, with some localized rehabilitation and major repairs included. But those in poor condition require comprehensive rehabilitation to be maintainable.⁶

6. **Institutional capacity and financing.** In addition to a deteriorating transport system, MID's capacity to manage and maintain infrastructure is weak and limited. Contributing factors include high dependency on external assistance, low government contributions to asset maintenance, high costs of rehabilitation and maintenance because of inefficiencies and diseconomies of scale, and poor cost effectiveness due to shifting priorities and timing of investments. Poor inter- and intra-island transport infrastructure constrains the efficient movement of goods, capital, and labor, and affects the quality and scope of essential government services.

7. **Disaster and climate change vulnerabilities.** Solomon Islands is ranked 6th in the world in being at risk of disasters caused by extreme natural events such as cyclones, floods, landslides, storm surges, earthquakes, tsunamis, and droughts.⁷ The country is experiencing higher temperatures, changing rainfall patterns, varying frequencies of natural hazard events, and sea level rise. Transport infrastructure is highly vulnerable to these hazards.

B. Program Rationale

8. Solomon Islands relies on its multimodal transport system for passenger travel for social, educational, health, and business purposes; for transfer of goods from the outer islands to the capital, Honiara, for domestic trade and export; and for interisland movement of consumer goods, building material, and fuel. A good transport network generates multiple benefits of better human development outcomes and increased domestic and international trade; it also offers cheaper, more efficient, and more reliable access to social services, prospects of lower food costs, and diversification of agricultural products. Providing safe, resilient transport infrastructure is key to development and sustained and inclusive economic growth in Solomon Islands.

9. Transport sector development is a national priority in the Solomon Islands National Development Strategy, 2011–2020.⁸ It is also a strategic priority in ADB's country partnership strategy, 2012–2016 for Solomon Islands.⁹ The proposed program is included in ADB's country operations business plan, 2016–2018 for Solomon Islands.¹⁰

10. **Results-based lending and ADB support.** The results-based lending (RBL) modality is proposed because (i) it aligns the support of ADB and the Government of Australia with the Government of Solomon Islands' NTP infrastructure and capacity targets to meet longer-term development goals; (ii) it provides a strong incentive and greater accountability to development

⁵ Road conditions are based on a scale of 1–5: (1) very good, (2) good, (3) fair, (4) poor, and (5) very poor; roads in conditions 1–3 are considered maintainable.

⁶ Summary Sector Assessment: Transport (accessible from the list of linked documents in Appendix 2).

⁷ Alliance of Development Works. 2014. *World Risk Report 2014*. Berlin.

⁸ Government of Solomon Islands. 2011. *National Development Strategy, 2011–2020*. Honiara.

⁹ ADB. 2012. *Country Partnership Strategy: Solomon Islands, 2012–2016*. Manila.

¹⁰ ADB. 2013. *Country Operations Business Plan: Solomon Islands, 2016–2018*. Manila.

goals, and lower transaction costs, leading to more efficient public spending in the sector; (iii) it relies on country systems to deliver a well-defined and monitored program; and (iv) the attached TA provides support to further strengthen country systems and fill gaps. The value added by ADB through this proposed program stems from technical expertise, in-country sector experience, and ability to encourage larger government contributions to finance asset maintenance. ADB's RBL pilot and the World Bank's P4R experience highlight the importance of a well-focused program and strong field presence at the operational level.¹¹ The proposed program is well defined and meets the RBL policy guidelines.¹²

C. Program Scope

11. The NTP sets out the strategic objective of developing effective transport infrastructure and transport services, and improving the capacity of government agencies and the private sector for sustained economic growth and social development in Solomon Islands.¹³ The NTF is designed to be a sustainable mechanism to fund the development and maintenance of transport infrastructure and services. Of the 1,500 km of roads, 377 bridges, and 81 wharves, NTP targets rehabilitation and restoration of all infrastructure assets to maintainable conditions, and also targets the proportion of regularly maintained assets in good condition to reach 100% by 2030.

12. The proposed program will improve the transport system by using government and development partner resources, improved country systems, and strengthened government agencies to deliver transport infrastructure. It will finance, through the NTF, activities prioritized in the NTP's 3-year action plan (3-YAP); however, activities that would be classified as category A under ADB's Safeguard Policy Statement (2009) or involve the procurement of goods and services exceeding the monetary limits for high-value contracts, will be excluded. The scope of both the NTP and the program is in Table 1.¹⁴

Table 1: Program Scope

| Item | National Transport Plan | Proposed RBL Program |
|------------------------------|---|--|
| Outcome | Effective transport infrastructure and services established. | Multimodal transport system efficiency and sustainability improved. |
| Key outputs | (i) Transport sector physical infrastructure developed and maintained. (ii) Competency and capacity of government agencies improved. | (i) Transport infrastructure rehabilitated and maintained for all users, with safety, gender-responsiveness, and climate and disaster resilience improved. (ii) Country systems to finance and implement the NTP strengthened. (iii) MID's management and supervision capacity improved. |
| Activity types | Develop, rehabilitate, and maintain roads, bridges, wharves, airfields. | Rehabilitate and maintain roads, bridges, and wharves. |
| Expenditure size | \$151 million (2011–2030) | \$79 million (2016–2020) |
| Main financiers | Government, Asian Development Bank, Government of Australia | Government, Asian Development Bank, Government of Australia |
| Geographic coverage | Nationwide | Nationwide |
| Implementing agency | MID | MID |
| Implementation period | 2011–2030 | 2016–2020 |

MID = Ministry of Infrastructure Development, NTP = National Transport Plan, RBL = results-based lending.

Sources: Ministry of Infrastructure Development and Asian Development Bank.

¹¹ P4R stands for "program for results." World Bank. 2015. *Program for Results: Two-Year Review*. Washington, DC.

¹² ADB. 2013. *Piloting Results-Based Lending for Programs*. Manila.

¹³ Government of Solomon Islands, Ministry of Infrastructure Development, 2010. *National Transport Plan 2011–2030*.

¹⁴ The proposed program was jointly prepared by the government, ADB, and the Government of Australia.

D. Program Results

13. The program's impact will be sustainable access to socioeconomic opportunities and inclusive growth. The program will cover almost 40% of the total maritime transport network and 50% of the land transport network. The outcome will be improved multimodal transport system efficiency and sustainability. Details of the performance indicators and targets are included in the design and monitoring framework (DMF). Selected output performance indicators are further developed into annual disbursement-linked indicators (DLIs), to progressively achieve program results. Some output indicators, which are also important for outcome achievement but difficult to link to disbursement, are included in the program action plan (PAP). Program outputs are:

- (i) **Output 1: Transport infrastructure rehabilitated and maintained for all users, with safety, gender-responsiveness, and climate and disaster resilience improved.** This output will (a) climate-screen, rehabilitate, and upgrade sealed and unsealed road networks, bridges, and wharves to maintainable condition; (b) ensure that transport infrastructure is designed to include safety features for all users, i.e., women and men and people with disabilities, and public and private vehicles; and (c) regularly maintain transport infrastructure assets. The output will upgrade and increase the proportion of roads regularly maintained from 41% to 85%; and rehabilitate and increase the proportion of wharves regularly maintained from 9% to 100%.¹⁵
- (ii) **Output 2: Country systems strengthened to finance and implement the National Transport Plan.** Gaps and weaknesses in country systems will be filled and strengthened. The output will (a) increase annual government contributions to the NTF by more than 60%; (b) update annually the NTP's 3-YAP based on multiple sustainability criteria such as inclusiveness, economic effectiveness, and accessibility to basic services and economic opportunities; (c) improve fiduciary controls, procurement, and safeguard systems, including development, approval and application of the finance operating manual, and safeguards procedures manual (SPM); (d) improve the road classification system; and (e) establish systems for independent safety and technical audits for technical quality assurance and cost effectiveness.
- (iii) **Output 3: Ministry of Infrastructure Development's management and supervision capacity strengthened.** To deliver the NTP more efficiently and effectively, this output will support MID in (a) improving its capacity to implement the NTP work program with a reduced level of TA and increased use of output-based consulting services; (b) increasing staffing in core areas of procurement, safeguards, and monitoring and evaluation (M&E); (c) improving efficiency and effectiveness in contracting and contract management for maintenance and rehabilitation; and (d) improving operational and administrative capacity in business processes, including procurement and disbursement processes and safeguards, climate and disaster resilience, and safety.

14. The allocation of ADB finance and the DLIs are summarized in Table 2. Higher amounts are allocated to critical reform areas of quality, relevance, sector management capacity, and adequate financing. The Government of Australia will also use DLI 3 for its parallel cofinancing disbursements.

¹⁵ The program's maintenance indicator for unsealed roads is based on the financing envelope, MID's financial execution rate, and the low volume of traffic on some unsealed roads.

Table 2: Disbursement-Linked Indicators

| Indicator | Disbursement Allocated (\$ million) | Share of Total ADB Financing (%) |
|---|---|--|
| Outputs | | |
| Output 1 | | |
| DLI 1: Length of sealed and major unsealed roads maintained annually | 3.6 | 17.1 |
| DLI 2: Gender-responsive design features built | 1.5 | 7.1 |
| Output 2 | | |
| DLI 3: Government contribution to the program funded adequately | 4.2 | 20.0 |
| DLI 4: SPM adopted and implemented, and the NTP 3-YAP updated annually | 3.6 | 17.1 |
| Output 3 | | |
| DLI 5: Road network inventoried and condition surveyed | 3.0 | 14.3 |
| DLI 6: Increased annual disbursements of the work program | 3.6 | 17.1 |
| DLI 7: MID staff increased in key functions | 1.5 | 7.2 |
| Total | 21.0 | 100.0 |

3-YAP = 3-year action plan, ADB = Asian Development Bank, DLI = disbursement-linked indicator, MID = Ministry of Infrastructure Development, NTF = National Transport Fund, NTP = National Transport Plan, SPM = safeguards procedures manual.

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank.

15. The DLIs will be verified by MID based on monthly supervision reports of maintenance contracts, the NTF financial statements, the NTF work program, physical verification of the query functionality of the database, random review of the survey reports, contract supervision reports, and field inspections. Verification of the DLIs will follow a rigorous protocol (Table A3.2, Appendix 3), which includes independent third-party validation.¹⁶

E. Expenditure Framework and Financing Plan

16. **Program expenditures.** The program expenditures, estimated at \$78.8 million from 2016 to 2020 (Table 3), support the NTP targets and NTP medium-term expenditure framework.

Table 3: Summary of Indicative Program Expenditure Framework, 2016–2020
(in 2016 prices)

| Item | Amount (\$ million) | Share of Total (%) |
|----------------------|------------------------|-----------------------|
| Investment | 35.8 | 45.5 |
| Maintenance | 42.0 | 53.2 |
| Capacity development | 1.0 | 1.3 |
| Total | 78.8 | 100.0 |

Source: Asian Development Bank estimates.

17. **Program financing.** The program will be financed by a \$21 million loan from ADB's Asian Development Fund resources, \$34.4 million from the government budget, and up to \$23.3 million from the Government of Australia's contribution to the NTF. The initial loan disbursement of \$3.9 million (18.6% of the loan) will be made after loan effectiveness and upon verification of the achievement of prior results, as outlined under DLI 4 and DLI 5. An advance payment of \$2.4 million will be available to help the program's cash flow. Thus, a total of \$6.3 million (30% of the loan amount) may be withdrawn immediately after effectiveness. Prior results of SPM approval and a recently conducted condition survey, are essential for efficient

¹⁶ The accompanying TA will support capacity building of the verification agency, MID, and validation of DLIs by an independent third party.

implementation of the program. The program may be scaled up based on additional financing from the Green Climate Fund.

18. The Government of Solomon Islands has requested a loan in various currencies equivalent to SDR15,129,000 from ADB's Special Funds resources to finance the program (Table 4). The loan terms and conditions are provided in para. 38.

Table 4: Program Financing Plan

| Source | Amount (\$ million) | Share of Total (%) |
|--------------------------------------|----------------------------|---------------------------|
| Government | 34.4 | 43.7 |
| Development partners | | |
| Asian Development Bank | | |
| Asian Development Fund (loan) | 21.0 | 26.7 |
| Government of Australia ^a | 23.3 | 29.6 |
| Total | 78.8 | 100.0 |

^a The contribution from the Government of Australia up to A\$33 million, as parallel collaborative cofinancing, is subject to its approval processes. It includes a base contribution up to A\$25 million, with an additional A\$8 million linked to an increase in the Government of Solomon Islands' contribution, as outlined in the program's design and monitoring framework; currency conversions based on 12 February 2016 rates: \$1.0 = A\$1.41 and \$1.0 = SI\$8.13. Source: Asian Development Bank.

19. **Disbursement arrangements.** The loan will be disbursed over 5 years (2016-2020), subject to the achievement and verification of the DLIs.¹⁷ ADB will field periodic review missions, including validating DLI achievements as per the DLI verification protocol, preceding the submission of a withdrawal application for a given year. Once the DLI achievements are validated, MID will submit withdrawal applications by January of the following year, together with the DLI achievement report, to ADB through the Ministry of Finance and Treasury (MOFT). Any undisbursed amount for unmet DLIs will be disbursed once the DLIs are achieved. Loan proceeds will be disbursed to the government's NTF, and details are outlined in the program fiduciary systems assessment.¹⁸

20. The program will be leveraging the Government of Australia's planned contribution over 5 years, and disbursement is expected to start in 2016. Of this amount, \$17.7 million (A\$25 million) as base contribution will be linked to the government's contribution to the NTF of SI\$200 million in equal disbursements over 5 years. The remaining contribution from the Government of Australia will be linked to the government increasing its contribution to the NTF to SI\$280 million over 5 years, as outlined in the program DMF. The Government of Australia will be using the program's DMF and DLI 3 to disburse its contribution.

F. Capacity Development and Program Action Plan

21. The program will finance capacity building and system monitoring, and implementation support as well as other consulting services considered necessary to assist MID in (i) delivering its work program; (ii) continuing the professional development of MID staff, (iii) strengthening the country systems; and (iv) improving the skills of national consultants and the road construction industry.¹⁹ MID will benefit from existing implementation arrangements, but aspects will be strengthened to ensure effective delivery of the NTP targets, and disaster and climate resilience.

¹⁷ Disbursement-Linked Indicators, Verification Protocols, and Disbursement Schedule (accessible in Appendix 3).

¹⁸ Program Fiduciary Systems Assessment (accessible from the list of linked documents in Appendix 2).

¹⁹ Attached Technical Assistance and Institutional Assessment (accessible from the list of linked documents in Appendix 2).

The PAP complements the DLIs and includes specific technical areas such as fiduciary, procurement, safeguards, and staffing and capacity development.

G. Technical Assistance

22. The TA is estimated to cost \$4.5 million, which will be financed on a grant basis by the Government of Australia and administered by ADB to support outputs 2 and 3 from 2016-2020. This will provide targeted support for strengthening MID's capacity to deliver the NTP efficiently and effectively.²⁰ This will allow continued tapering of TA support, while improving financial sustainability. The TA will strengthen (i) the capacity of MID's management team to manage its work program, and (ii) country systems to implement the NTP work program. Emphasis is placed on the quality and cost effectiveness, and value for money, of targets achieved, with focus on safe, gender-responsive designs, and climate- and disaster-resilient infrastructure. The government will support the TA with counterpart staff and office space.

H. Implementation Arrangements

23. The executing agency for the program will be MOFT. The implementing agency will be MID, which has extensive experience in implementing ADB and other externally funded projects. MID will use its existing Central Project Implementation Unit, which has expanded and has applied a sector approach to implement all government and externally funded projects since 2010. The NTF board, chaired by Permanent Secretary, MOFT, will provide policy guidance and approval of the work plan and budgets. An existing steering committee will advise the NTF board, and oversee and monitor program implementation, including technical and quality management, and progress reports. For the government's Public Financial Management Act (PFMA) promulgated in 2013, the NTF Fund Management Regulations 2010 will apply. The program will be implemented over 51 months from June 2016 to September 2020.

III. SUMMARY OF ASSESSMENTS

A. Program Technical Assessments

24. The sector assessment highlights the need to (i) prioritize, rehabilitate, and restore deteriorated transport infrastructure to maintainable conditions and avoid costly reconstruction; (ii) regularly maintain existing infrastructure; (iii) reduce vulnerabilities by improving infrastructure to be safe, gender-responsive, and climate- and disaster-resilient for all users; (iv) increase cost effectiveness, i.e., reduce costs and improve value for money; and (v) strengthen systems and institutions to deliver the NTP outcomes.

25. The program scope addresses these needs by building on previous implementation. The program will improve the multimodal transport system's performance by increasing nationwide access to services, livelihood opportunities and trade measured by improvements in the time, cost, and reliability of travel; increasing the safety, and climate and disaster resilience of infrastructure; and strengthening institutions to provide cost-effective infrastructure. It leverages existing structures and methods to implement the NTP and incentivizes government to increase its contribution to NTF for asset maintenance, which marks a significant shift away from external financing for transport asset maintenance. The program's implementation arrangements are

²⁰ The Government of Australia's TA contribution, subject to its approval processes, is A\$5.7 million (to be given in A\$).

sound, the results frameworks are well designed, the DLIs are reliable indicators for program results, and the expenditure framework and financing plan are robust.

26. An economic analysis was prepared by examining the benefits and costs of representative projects. The economic benefits for road projects include (i) lower operating costs, (ii) shorter travel time, and (iii) reduced safety costs. For wharves they include (i) time saved loading and servicing vessels, (ii) fare savings, and (iii) lower vessel operating costs. The analysis found a representative road rehabilitation project to be economically viable at an economic internal rate of return above the opportunity cost of capital of 12% and robust to condition changes.

27. **Poverty and gender.** The proposed program will promote poverty alleviation by improving access to basic social services and economic opportunities, especially in rural areas. The program's emphasis on road safety, universal access, and resilience measures will also enhance transport access for women, children, and other disadvantaged groups. Contracts for labor-based road maintenance works, which will be implemented by local community groups and overseen by community advisory committees, will generate significant employment opportunities and increase ownership of project activities.

28. The program is categorized as *effective gender mainstreaming* and includes a gender action plan. One of the DLIs will incorporate gender-responsive features in rehabilitated roads and other transport subprojects, such as resting and waiting areas, safe access to water, and laundry facilities. Key measures in the gender action plan also include setting up market areas along selected roads for women-run businesses, employment of women contractors for labor-based road maintenance, awareness-raising and training on sexual harassment for local police and transport operators, and collection of sex-disaggregated data for all project activities.

B. Program Systems Assessments

29. **Monitoring and evaluation system.** The country system for M&E is centered in the Ministry of Development Planning and Aid Coordination, and line ministries carry out an M&E process in line with government priorities. The M&E system is mostly effective in meeting DMF reporting requirements. It will require strengthening in some areas under the program, mainly through managerial capacity building and in design, analysis, and reporting.

30. **Fiduciary systems.** The program will use the government's systems. Their strength has been assessed, including in a review of the government's public financial management systems, and capacity within MOFT and MID. These systems were strengthened through the new PFMA in 2013. The fiduciary assessment revealed pre-mitigation risks as substantial, including risks of varying degrees in accounting, financial reporting, and internal control risks to the program.²¹ To manage these risks, the PAP includes (i) annual internal audits of the NTF by MOFT's Internal Audit Division, (ii) development of a financial management manual, (iii) periodic fiduciary reviews, (iv) completed recruitment for the NTF secretariat, (v) resolution of all outstanding external audit observations, (vi) training on financial management and accounting procedures, (vii) development of an NTF annual plan with requisite financial data in accordance with the NTF Fund Management Regulations 2010, and (viii) ongoing compliance review of financial transactions.

²¹ Program Fiduciary Systems Assessment, and Financial Management Assessment (accessible from the list of linked documents in Appendix 2).

31. **Safeguard systems.** The program is category B for environment and involuntary resettlement, and category C for indigenous peoples. Any activities that would be deemed category A according to the Safeguard Policy Statement are excluded from the program. The majority of the program will focus on maintenance using the labor-based, equipment-supported (LBES) approach and machine-based maintenance works, and the remaining program will be rehabilitation and/or new works.

32. A program safeguard systems assessment (PSSA) found that most program activities will be small-scale works within a discreet footprint on existing rights of way, which can be managed through existing MID safeguard procedures with additional strengthening measures. MID includes a safeguards unit with a full-time MID staff member, an international specialist engaged intermittently, and four full-time national consultants. MID has adopted the SPM to strengthen screening, assessment, and management of program activities based on the PSSA. The PSSA has been discussed in a stakeholders' workshop and was posted on ADB's website.

33. **Environment.** For the program, 9 of the 11 policy principles of environment safeguards will apply, according to the Safeguard Policy Statement. For LBES and machine-based maintenance works, safeguard risks are considered low and can be managed with fairly simple tools that have been developed, and refined through use, under the Transport Sector Development Project.²² Some rehabilitation and new works (e.g., roads and wharves) may, as a result of larger scope and footprint, have impacts that will require environmental assessment. The impacts of these activities, which are expected to remain category B, are also generally well understood and will be subject to environmental assessment and environmental management plan in compliance with the Environment Act 1998 and the Safeguard Policy Statement. The environmental management system implemented by MID has gradually improved safeguard practices within MID and among contractors, but some weaknesses in institutional capacity and the application of procedures persist. The implementation of MID's environmental management system—strengthened further and updated to fill the gaps identified in the SPM—will be sufficient and adequate to satisfy the screening, assessment, and management of safeguards for the program.

34. **Involuntary resettlement.** The program comprises mostly works that will be undertaken within existing rights of way. While not expected to involve physical displacement of people, some activities may require use of land outside the existing corridor (for temporary access or for widening of infrastructure) resulting in minor socioeconomic impacts. The PSSA has assessed that the current practice of voluntary agreements with landowners for temporary land access is reasonable, and recommended to strengthen the process as well as the institutional capacity.

35. **Indigenous peoples.** The due diligence under the project preparatory TA has assessed that while tribes and clans reside in the program areas, their institutions are not distinct from mainstream Melanesian society, and these groups are not vulnerable. As sociocultural groups need to be both distinct and vulnerable for the Safeguard Policy Statement requirements to apply, the program is proposed as category C. The program will ensure that local communities actively participate in program activities and receive culturally appropriate benefits.

²² For LBES works, these include environmental health and safety guidelines, and checklists included in the contract, contractor awareness training, and compliance monitoring with guidelines. For machine-based maintenance works, the contractor is required to prepare and implement a site-specific construction environmental management plan.

C. Integrated Risk Assessment and Mitigating Measures

36. Major risks and mitigation measures are described in Table 5.²³

Table 5: Summary of Integrated Risk Assessment and Mitigating Measures

| Risks | Ratings | Key Mitigating Measures |
|--|----------------|---|
| Results. MID staffing, expertise, and competency improvement to increase operational efficiency may be limited. | H | 10 additional MID positions approved, and 7 filled. DLI 7 requires key positions filled in procurement and safeguards; momentum developed and results achieved; capacity building and \$4.5 million ADB-administered TA to fill remaining gaps. |
| Expenditures and financing. Insufficient government financing may derail implementation of the program. | M | The annual government contribution of SI\$40 million is based on current trend and the additional contribution expected is only SI\$80 million over 5 years. ADB's DLI 3 and the Government of Australia's DLI incentivize the government to increase its contribution. |
| Fiduciary. The program relies on the NTF financial statements as qualified by external auditors. | S | Annual internal audits of the NTF by MOFT's Internal Audit Division, financial management manual, periodic fiduciary reviews, training of staff in financial management and accounting procedures, and continued compliance review of financial transactions by the financial management advisor funded by the Government of Australia. These measures collectively will control risks. |
| Safeguards. Safeguard screening, planning, and supervision of activities are inadequate for requirements. | M | DLI 4 requires SPM implemented; third national safeguards staff (DLI 7) and an international safeguards specialist appointed, and no program subprojects fall under category A. |
| Operating environment. Escalation of construction costs. | S | TA includes contract management and administration support for system to analyze, track, and control unit rates. |
| Overall RBL program risk | S | |

ADB = Asian Development Bank, DLI = disbursement-linked indicator, H = high, M = moderate, MID = Ministry of Infrastructure Development, MOFT = Ministry of Finance and Treasury, NTF = National Transport Fund, RBL = results-based lending, S = substantial, SPM = safeguards procedures manual, TA = technical assistance.

Source: Asian Development Bank.

IV. ASSURANCES

37. The government and MID have agreed with ADB on certain covenants for the RBL program, which are set forth in the loan agreement.

V. RECOMMENDATION

38. I am satisfied that the proposed loan would comply with the Articles of Agreement of ADB and recommend that the Board approve the loan in various currencies equivalent to SDR15,129,000 to Solomon Islands for the Sustainable Transport Infrastructure Improvement Program, from ADB's Special Funds resources, with an interest charge at the rate of 1% per annum during the grace period and 1.5% per annum thereafter; for a term of 32 years, including a grace period of 8 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board.

Takehiko Nakao
President

26 April 2016

²³ Integrated Risk Assessment and Mitigating Measures (accessible from the list of linked documents in Appendix 2).

DESIGN AND MONITORING FRAMEWORK

| Impact the RBL Program is Aligned with | | | |
|--|---|--|--|
| Sustainable access to socioeconomic opportunities and inclusive growth ^a | | | |
| Results Chain | Performance Indicators with Targets and Baselines | Data Sources and Reporting | Risks |
| Outcome Multimodal transport system efficiency and sustainability improved | By 2021: a. Land and maritime transport travel time, for men and women, to markets and health-care facilities in target areas decreased by 20% from 2016 to 2020. ^b (Baseline: Target areas to be identified by Q2 2016 and measured by Q3 2016) | a. MID asset inventory ^c and progress ^d reports | Political and social stability deteriorates. Government budget allocations fails to keep up with needs. |
| Outputs 1. Transport infrastructure rehabilitated and maintained with access for all users, with safety, gender-responsiveness, and climate and disaster resilience improved | By 2020: 1a. Length of unsealed roads, sealed roads, number of bridges and wharves maintained annually for safe access by all users, i.e., male and female pedestrians, public and private motor vehicles; increased to 545 km ^e , 154 km; 130 and 33 respectively by 2020 (2014 baseline: 296 km, 114 km, 30 and 3 respectively). 1b. Length of unsealed roads rehabilitated or upgraded to sealed roads, including safety and gender-responsive design features for pedestrians, and public and private motorized vehicles ^f , increased to 30 km by 2020 (2014 baseline: 0). 1c. Number of wharves reconstructed for safe and gender-responsive access ^f increased to 4 by 2020 (2014 baseline: 0). 1d. Gender-responsive facilities built in appropriate locations ^f increased to at least 6 by 2019 (2014 baseline: 0). 1e. Number of locations where traffic-calming measures and/or signage implemented in community areas ^f increased to at least 10 by 2020 (Baseline: 0). | a–e. MID progress reports a–c. MID asset inventory reports | Counterpart support, performance, and coordination are inadequate and weak. |
| 2. Country systems strengthened to finance and implement the NTP | 2a. Annual government contribution to NTF to finance all maintenance costs increased to SI\$65 million by 2019. (November 2014 baseline: SI\$31 million). 2b. NTP's 3-YAP is developed and updated annually based on multiple criteria, including inclusiveness and accessibility to basic services, by 2016 (2014 baseline: not updated annually). 2c. SPM adopted and used to screen works with annual review. 2d. Road classification finalized and approved by 2018 and used (2014 baseline: not fully developed and approved). 2e. Percentage of projects screened for climate-change-resilient infrastructure design ^h under the NTF rehabilitation and emergency works program increased to 70% by 2020 (2014 baseline: 0%). 2f. System to analyze, track, and control unit rates of bid price (to achieve cost | a–b. NTF Board meeting minutes ^g c–g. MID progress reports | |

| Results Chain | Performance Indicators with Targets and Baselines | Data Sources and Reporting | Risks |
|---|--|----------------------------|-------|
| | <p>effectiveness) in place by 2017 (2015 baseline: no system).</p> <p>2g. Annual fiduciary reviews of MID financial transactions show PFM reform measure implemented and performance improved in subsequent reviews (2014 baseline: no annual reviews).</p> <p>2h. Length of sealed roads subject to safety audit by a third party and with recommendations implemented increased to 150 km by 2020 (2014 baseline: 0).</p> | | |
| 3. MID's management and supervision capacity strengthened | <p>3a. Percentage of MID staff^d (men and women) whose performance has been reviewed and whose issues were handled promptly by MID management using the 4-stage Public Service Performance Management Process (which includes attendance), increased to 95% by 2020^d (2014 baseline: 0%).</p> <p>3b. Number of MID staff (men and women) in key core areas, where need has been assessed, increasedⁱ to 2 procurement officers (1 classified at levels 10–11), 3 safeguards officers (1 classified at levels 10–11), and 1 monitoring and evaluation officer all appointed by 2020ⁱ (2014–2015 baseline: 0 procurement officer, 2 safeguards officers, and 0 monitoring and evaluation officer positions approved)</p> <p>3c. Road length for LBES road upgrading contracts increased to 9 km by 2020 (2014 baseline: 5).</p> <p>3d. Road network and wharves inventoried and condition surveyed</p> <p>3e. Number of annual LBES maintenance contracts under implementation reduced (to increase efficiency and cost effectiveness) to 30 contracts by 2020 based on review of coverage (2014 baseline: 60 contracts).</p> <p>3f. Annual disbursement rate of the NTF work program increased to at least SI\$94 million (December 2014 baseline: SI\$88 million)</p> <p>3g. Regular sampling of verified sex-disaggregated data collected for institutional and program-related information by 2017 (2014 baseline: data not sex-disaggregated).</p> | MID progress reports | |

Key Program Actions

Area 1: Program Technical Aspects

- 1.1 Identify target areas and establish baselines for impact and outcome of ADB's Sustainable Transport Improvement Investment Program.
- 1.2 Commission a safety audit of the sealed roads, and implement key recommendations for investment works.
- 1.3 Finalize design of gender-responsive features, identify locations, explore and finalize operation and maintenance arrangements of toilets, and procure and supervise works.
- 1.4 Review LBES maintenance work arrangements, including the relevance of all road sections targeted for LBES maintenance. Reduce the number of contracts to increase efficiency and cost-effectiveness

(GAP).

1.5 Set up a system to analyze, track, and control unit rates of civil works to achieve cost-effectiveness.

Area 2: MID and NTF Staffing, Capacity Development, and Technical Assistance

2.1 Recruit the core management team and international safeguards specialist under advance action.

2.2 Appoint two procurement officers, one safeguards officer, and one monitoring and evaluation officer

Area 3: Fiduciary and Procurement

3.1 Develop an MID procurement instruction manual based on MOFT's Procurement and Contract Administration Manual.

3.2 Engage fiduciary expert, and conduct annual fiduciary and internal control review.

3.3 Conduct audit of NTF (carried out by MOFT IAD).

3.4 Engage external financial auditor and conduct annual independent external audit.

3.5 Ensure the submission of the NTF annual statement of accounts required by the NTF Act within 6 months of the financial year to the auditor general.

Area 4: Safeguards: Environment and Involuntary Resettlement

4.1 Adopt MID's SPM.

4.2 Implement SPM and update it, as required, to reflect changes to country safeguard systems; and implement GAP.

4.3 Ensure and maintain a full-time safeguard team covering social, community development, governance, and gender matters supported by intermittent inputs from international specialist (GAP).

4.4 Twice a year, provide training to (i) MID engineers, technical specialists, and safeguard staff on scope and procedures established in the SPM; and (ii) contractors and community advisory committees on key responsibilities in program safeguard requirements (GAP).

Area 5: NTP and NTF

5.1 Verify the government's transfer of annual commitment to the program in the NTF.

5.2 Submit annual update of the NTP 3-YAP for the next calendar year.

5.3 Verify financial expenditure rate of the work program.

ADB:

Asian Development Fund: \$21 million

Government of Australia:

\$23.3 million (grant) and \$4.5 million (TA grant)

ADB = Asian Development Bank, CPIU = Central Project Implementation Unit, DLI = disbursement-linked indicator, GAP = gender action plan, IAD = Internal Audit Division, LBES = labor-based, equipment-supported; km = kilometer, MID = Ministry of Infrastructure Development, MOFT = Ministry of Finance and Treasury, NTF = National Transport Fund, NTP = National Transport Plan, SPM = safeguards procedures manual, TA = technical assistance, TSDP = Transport Sector Development Project.

^a National Transport Plan 2011–2030, Ministry of Infrastructure Development, Government of Solomon Islands.

^b Quantitative values for indicators (e.g., traffic levels and travel time) to be determined following baseline surveys in target areas to cover representative sample of infrastructure and type of works.

^c *Roads and Structures Summary; Roads Maintainability and Maintenance Coverage; and Indicators Roads and Wharves*. Solomon Islands Transport Infrastructure Assets Management Service. Quarterly and upon request.

^d For MID staff and program-funded contracted national specialists.

^e Out of 540 km of unsealed roads, 330 km are major unsealed roads (**DLI 1**).

^f Gender-responsive and safety design features include small boat access at major wharves using platoons and ramps; pedestrian crossings, markings, signage, and traffic-calming measures (e.g., speed bumps) near housing and markets, for roads and bridges. Other infrastructure features will be recommended for specific locations to relevant MID unit for design and implementation, such as lighting, waiting areas and stations, separate male and female toilets, pedestrian crossings, and easily available information on where to complain in case of violation of personal safety.

^h Using MID Climate Change Manual for design and implementation.

^g *National Transport Fund Board Meeting Minutes*. NTF Board Secretariat. Quarterly.

ⁱ Staff to be funded under the program for the first year of implementation and under MID's payroll thereafter.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=46499-002-3>

1. Loan Agreement
2. Country Economic Indicators
3. Summary Sector Assessment: Transport
4. Program Soundness Assessment
5. Program Results Assessment
6. Program Results Framework
7. Program Expenditure and Financing Assessment
8. Program Monitoring and Evaluation System Assessment
9. Program Fiduciary Systems Assessment
10. Program Safeguard Systems Assessment
11. Integrated Risk Assessment and Mitigating Measures
12. Program Action Plan
13. Attached Technical Assistance
14. Contribution to the ADB Results Framework
15. Development Coordination
16. Summary Poverty Reduction and Social Analysis
17. Program Implementation Document
18. Gender Action Plan

Supplementary Documents

19. Safeguards Procedures Manual
20. Institutional Assessment
21. Program Procurement Systems Assessment
22. Financial Management Assessment

DISBURSEMENT-LINKED INDICATORS, VERIFICATION PROTOCOLS, AND DISBURSEMENT SCHEDULE

Table A3.1: Disbursement-Linked Indicators

| Disbursement Linked Indicators | Baseline Value | Baseline Year | Target Values | | | |
|---|---|---------------|--|---|---|---|
| | | | 2016 | 2017 | 2018 | 2019 |
| DLI 1: Length of sealed and major unsealed roads effectively maintained annually | Sealed: 114 km Unsealed: 250 km | 2014 | Sealed: 120 km; Unsealed: 270 km | Sealed: 130 km; Unsealed: 290 km | Sealed: 140 km; Unsealed: 310 km | Sealed: 154 km; Unsealed: 330 km |
| DLI 2: Gender-responsive design features built | NA | | 1 feature built ^a | 2 features built ^a | 2 features built ^a | 1 feature built ^a |
| DLI 3: Government counterpart contribution to the program funded adequately and timely | NA | | ≥ SI\$40 Million ^b | ≥ SI\$40 million ^b | ≥ SI\$40 million ^b | ≥ SI\$40 million ^b |
| DLI 4: SPM adopted and implemented annually and NTP 3-YAP updated annually | No | 2014 | Yes | Yes | Yes | Yes |
| DLI 5: Road network inventoried and condition surveyed | 1,063 km | 2014 | - ^c | | | |
| DLI 6: Increased annual financial rate of execution of the NTF work program | SI\$88 million | 2014 | SI\$90 million | SI\$94 million | SI\$94 million | SI\$94 million |
| DLI 7: MID staff increased in key functions | 0 procurement officer and 2 safeguards officers | 2014 | 1 procurement officer and 1 safeguards officer | 1 procurement officer | | |

3-YAP = 3-year action plan, DLI = disbursement-linked indicator, km = kilometer, MID = Ministry of Infrastructure Development, NA = not applicable, NTF = National Transport Fund, NTP = National Transport Plan, SPM = safeguards procedures manual.

^a Appendix 3, Table 3.2 for details about the features.

^b The Government of Australia will disburse against DLI 3, a base contribution of A\$5 million per year over 5 years and an additional A\$8 million over 5 years as outlined in para. 20 of the report and recommendation to the President, and the Program Results Framework (accessible from the list of linked documents in Appendix 2).

^c To be verified in 2016.

Source: Asian Development Bank.

Table A3.2: Verification Protocols

| Disbursement-Linked Indicators | Definition and Description of Achievement and Verification Timeframe | Information Source and Frequency | Verification Agency and Procedure | Verification Time Frame |
|--|--|-------------------------------------|---|--|
| Output 1: Transport infrastructure rehabilitated and maintained for all users, with safety, gender-responsiveness, and climate and disaster resilience improved | | | | |
| DLI 1: Length of sealed and major unsealed roads maintained | Routine maintenance works, including repairs, are fully executed across the entire length and effectively supervised on both maintainable sealed roads and major unsealed roads each calendar year. The list of maintainable unsealed roads has been identified by the Asset Management Unit. | CPIU reports | ADB, the Government of Australia, and a third party (short-term individual expert). The results of the verification for a period of 1 year will be compiled in October of every year to form the annual result. | On-site verification of randomly selected sections at different times of the year. |
| DLI 2: Gender-responsive design features built | Four types of six features have been built in appropriate locations, following a design commonly agreed, and the toilets are privately operated for a fee: (i) two-shaded resting areas equipped with separate male and female toilets located at a market point and a wharf, (ii) two laundry facilities on streams near water crossings and roads, (iii) one improved access to river or stream for water and laundry, and (iv) one small boat access at a major wharf using pontoons and ramps. | Field visits, testimonies, pictures | ADB and the Government of Australia. | Results verified during field supervision missions. |
| Output 2: Country systems strengthened to finance and implement the NTP | | | | |
| DLI 3: Government counterpart contribution to STIIP funded adequately | Government counterpart funds for the program must be transferred to the NTF in an amount not less than SI\$40 million every calendar year. This amount is not earmarked for any purpose other than the NTF work program, which is approved for the corresponding year. | NTF monthly financial statements | ADB and the Government of Australia. Verification of financial statements. | October–November every year |
| DLI 4: Safeguards | The SPM is adopted before ADB Board approval and counts as a prior result. | NTF board and | ADB and the Government of Australia. Comparative analyses | October–November |

| Disbursement-Linked Indicators | Definition and Description of Achievement and Verification Timeframe | Information Source and Frequency | Verification Agency and Procedure | Verification Time Frame |
|--|--|---|--|--|
| procedures manual adopted and implemented and NTP 3-YAP updated annually | NTP's 3-YAP is developed and updated annually based on multiple criteria, including inclusiveness and accessibility to basic services; and safeguards procedures implemented annually. The NTF work program is built in accordance with the priorities of the 3-YAP. | secretariat every year by October 15 | of the NTP, past 3-YAP and NTF work program, and the proposed update. | |
| Output 3: MID's management and supervision capacity strengthened | | | | |
| DLI 5: Road network and wharves inventoried and condition surveyed | The entire length of the road network and all the wharves have been surveyed in terms of characteristics and condition. All information have been archived in a computerized system and can be retrieved by simple query. The above is completed before STIIP Board approval and counts as a prior result. | CPIU, Asset Management Unit progress reports | ADB and the Government of Australia. Physical verification of the query functionality of the database. | Random review of the reports submitted by consultants who performed the surveys. |
| DLI 6: Increased annual financial rate of execution of the NTF work program | Total amount of expenditures paid and/or approved for payment (approved monthly payment certificates of contracts and other eligible expenditures) against activities of the NTF work program divided by the total amount planned for disbursement by 31 December every year. | CPIU monthly, quarterly, and annual progress reports with separate records for NTF programs | ADB and the Government of Australia. Review of the reports, random review of contract supervision reports, and field inspection(s). | October–November |
| DLI 7: MID staff increased in key functions | MID staff in the CPIU increased in key core areas where need has been assessed: two procurement officers, one of which is classified at levels 10–11, and one safeguards officer. | Effective appointment of CPIU staff | ADB and the Government of Australia. Contract documents of each officer. Staff could be funded by the program for the first year of implementation, and be included in the MID payroll thereafter. | October–November |

3-YAP = 3-year action plan, ADB = Asian Development Bank, CPIU = Central Project Implementation Unit, DLI = disbursement-linked indicator, MID = Ministry of Infrastructure Development, NTF = National Transport Fund, NTP = National Transport Plan, SPM = safeguards procedures manual.

Source: Asian Development Bank.

Table A3.3: Disbursement Schedule

| Disbursement-Linked Indicators | Total ADB Financing Allocation (\$ million) | Share of Total ADB Financing (%) | Financing for Prior Results 2016 (\$ million) | Advance Financing (\$ million) | 2016 (\$ million) | 2017 (\$ million) | 2018 (\$ million) | 2019 (\$ million) |
|--|---|----------------------------------|---|--------------------------------|-------------------|-------------------|-------------------|-------------------|
| Output 1: Transport infrastructure rehabilitated and maintained for all users, with safety, gender-responsiveness, and climate and disaster resilience improved | | | | | | | | |
| DLI 1: Length of major unsealed roads maintained annually | 3.6 | 17.1% | | | 1.2 | 1.2 | 0.6 | 0.6 |
| DLI 2: Gender responsive design features built | 1.5 | 7.1% | | | 0.25 | 0.5 | 0.5 | 0.25 |
| Output 2: Country systems strengthened to finance and implement the NTP | | | | | | | | |
| DLI 3: Government counterpart contribution to STIIP funded adequately ^a | 4.2 | 20.0% | | | 1.05 ^a | 1.05 ^a | 1.05 ^a | 1.05 ^a |
| DLI 4: SPM adopted and implemented and NTP 3-YAP updated annually | 3.6 | 17.1% | 0.9 | | 0.9 | 0.9 | 0.9 | |
| Output 3: MID's management and supervision capacity strengthened | | | | | | | | |
| DLI 5: Road network inventoried and condition surveyed | 3.0 | 14.3% | 3.0 | | NA | NA | NA | NA |
| DLI 6: Increased annual financial rate of execution of the NTF work program | 3.6 | 17.1% | | | 1.2 | 1.2 | 1.2 | |
| DLI 7: MID staff increased in key functions | 1.5 | 7.2% | | | 0.75 | 0.75 | | |
| Total | 21.0 | 100% | 3.9 | | 5.35 | 5.60 | 4.25 | 1.9 |
| Advance | | | | 2.4 | 0.75 | 1.20 | 0.45 | |
| Net | | | 3.9 | 2.4 | 4.60 | 4.4 | 3.8 | 1.9 |

3-YAP = 3-year action plan, ADB = Asian Development Bank, DLI = disbursement-linked indicator, MID = Ministry of Infrastructure Development, NA = not applicable, NTF = National Transport Fund, NTP = National Transport Plan, SPM = safeguards procedures manual, STIIP = Sustainable Transport Infrastructure Improvement Program.

Note: Percentages may not total 100% because of rounding.

^aThe Government of Australia will disburse against DLI 3, a base contribution of A\$5 million per year over 5 years and an additional A\$8 million over 5 years as outlined in para. 20 of the report and recommendation to the President, and the Program Results Framework (accessible from the list of linked documents in Appendix 2).

Source: Asian Development Bank.