

SUMMARY OF PROJECT PERFORMANCE

A. Background

1. Tropical Cyclone Pam (TCP) was a category 5 cyclone that impacted Vanuatu on 13 March 2015. The ensuing damage resulted in vital infrastructure including roads, bridges, housing, and sewerage and water supply systems being damaged and destroyed. Large flows and debris buildup caused damage to bridges; including to piers, abutments and scour protection. Approaches to bridges, causeways and culverts collapsed or were washed away and road pavement stability was affected in a number of locations. The Cyclone Pam Road Reconstruction Project (the project) aimed to accelerate economic and social recovery in Vanuatu's TCP affected areas and contribute to Ni-Vanuatu resilience.¹ The development objective is to restore socioeconomic activities of people around the Efate ring road to pre-cyclone levels. This will be achieved by providing disaster resilient road and bridge infrastructure by reconstructing priority assets i.e. "build back better" (BBB).²

2. The design and supervision consultant (DSC) was selected on 27 June 2016 and mobilized on 6 July 2016. The DSC includes international and national consultants and has been integrated within the Project Management Unit (PMU) under Public Works Department of Ministry of Infrastructure and Public Utilities (MIPU). The PMU led by DSC team leader is managing project activities and coordinating with other development partners to ensure there is no duplication of activities. The DSC assists MIPU for project design and implementation and to date has completed feasibility study includes engineering option analysis, financial, economic, social, gender, environment, land acquisition and indigenous people assessments, climate change adaptation and disaster risk management and detailed engineering designs.

3. DSC also assists MIPU for procurement of a civil works contract includes 20 damaged sites and the invitation for bids was published on national newspapers in Vanuatu and in ADB website since 22 January 2017. At the bid opening following closing time for submission of bids on 16 March 2017, 6 numbers of bids were received and currently bid evaluation is in progress. The civil works contract is scheduled to be awarded in July 2017.

B. Performance of the Project

4. The project is assessed in the following aspects.

- (i) **Delivery of expected outputs.** This is measured against the output indicators set in the design and monitoring framework of the original project. The original project has only one output: transport infrastructure in damaged locations on Efate ring road reconstructed, and climate- and disaster resilience improved. The expected specific outputs were: (i) 10 km of road rehabilitated; (ii) 8 major stream crossings and their approach roads rehabilitated and protected;³ (iii) minor damage to 9 bridges or box culverts and causeways repaired, and debris cleared;⁴ (iv) 200 meters (m) of river channel realigned (upstream and downstream), and river

¹ Ni-Vanuatu are nationals of Vanuatu.

² Build back better (BBB) concept (i) promotes a decentralized and participatory approach to reconstruction, (ii) uses local skills, institutions and resources, (iii) adopts climate and disaster risk reduction measures into reconstruction processes to lessen vulnerability to future risks, (iv) promotes the recovery of local livelihoods, and (vi) enables a more cost-effective and sustainable recovery.

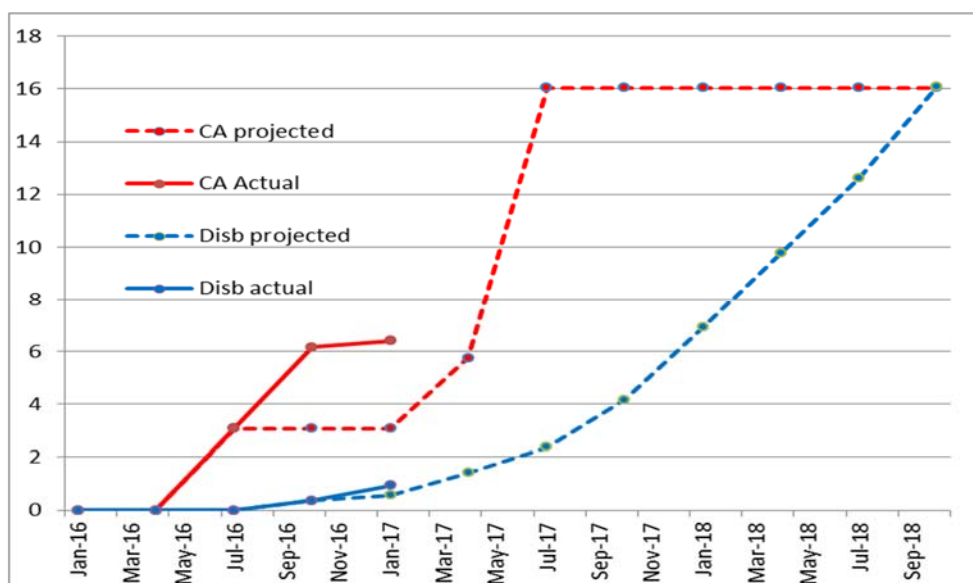
³ The bridges include Mele, Prima, Creek Ai, Marona, Lamin, Malatia, Pangpang, and Rentapau.

⁴ The bridges include Eton Dry Creek, Eton Beach, La Cressonnaire, Havana, Tanoliu, Sara, Epule, Epau, and Neslep.

training structures constructed; (v) 1,000 m of sealed pavement protected against erosion from storm surge; (vi) 8 km of roadside and cross-road drainage improved; (vii) 6 culvert headwalls reconstructed; (viii) 250 m of guard rail reconstructed; (ix) 180 m of riverbanks protected; (x) a 100 m by 50 m landslide at Klems hill restored, and the road pavement protected; and (xi) a 600 m long concrete longitudinal roadside drain at Klems hill improved. The project is on track to meet its envisaged outcome and rehabilitation and reconstruction of all damaged sites included in the original project are expected to be completed before end of December 2018. The status of realizing project outcomes and achievement of project outputs as at 31 March 2017 against targets in the design and monitoring framework is detailed in Table 1.

- (ii) **Satisfactory implementation progress.** The current progress of the project is estimated to be 38% complete in terms of project duration, \$6.4 million (38%) on cumulative contract awards and \$0.94 million (6%) on cumulative disbursements. The examination of the implementation progress is measured on actual contract awards and disbursements against baseline targets as set out at the approval of the project and shown in cumulative contract award and disbursement S-curve in Figure 1. The implementation progress of each activity of the project as of 31 March 2017 is detailed in Table 2.

Figure 1: Cumulative Contract Award and Disbursement



- (iii) **Satisfactory compliance with safeguard policy requirements.** The project is category B for environment. Following the environmental assessment and review framework prepared for the project, two environmental assessments were prepared; an assessment covering eastern Efate (12 sites) and an assessment covering western Efate (8 sites). Following review and clearance by ADB these were submitted with the application for environmental permit and foreshore development consent. The assessments have been disclosed on ADB's website. The Department of Environmental Protection and Conservation has issued the environmental permit for the 12 eastern sites and has advised that the decision on the western sites is forthcoming. Environmental safeguards are being

implemented in compliance with the Safeguard Policy Statement 2009 (SPS) and national laws and regulations. The project was originally classified *category B* for involuntary resettlement, but was reclassified to *category C*. Its classification as *category C* for indigenous peoples remains the same. The involuntary resettlement safeguard has not been triggered by the project and following the resettlement framework, a due diligence report for land issues has been prepared. The finalized due diligence report (including all memorandum of understanding and third party validation)—based on the detailed designs—has been submitted, cleared and disclosed. Social safeguards are being implemented in compliance with the Safeguard Policy and national laws and regulations.

- (iv) **Successful management of risks.** The PMU led by DSC have managed or mitigated the risks identified during processing and implementation of the project. The successful implementation of the project is not threatened by major risks. The envisaged project risks and actions taken by PMU to mitigate those risks are detailed in Table 3.
- (v) **On track rating.** As of 31 March 2017, the project is rated *on track* with 88.35% contract awards and over 90% disbursement against baseline projections in the project performance rating.

C. Cost Overruns and Financing Gaps

5. The project is not envisaged to face any major cost overruns due to (i) specific input price increase or overall inflation, (ii) increase in taxes and/or duties, and (iii) underestimated costs, and (iv) delays and other implementation issues. However, project might face cost overrun due to potential exchange rate fluctuations against Special Drawing Rights (SDR) under loan financing component of the project. As of 31 March 2017, the total exchange rate fluctuation loss is estimated to be \$403,000. This is currently managed within available project financing and will not trigger as a reason for requesting additional financing to meet any financing gap.

6. The additional financing in this instance is requested for scaling up of the project that is performing well to cover additional works that were identified during detailed geotechnical investigations and surveys of the Efate ring road. The expanded scope includes 4 additional sites of the Efate ring road damaged due to TCP and revision to scope of 2 sites already included in the original project.

D. Conclusion

7. The project is performing well, and the additional financing is warranted to scale up the project to include additional damaged sites that were identified during detailed investigations of the Efate ring road under the project. The expanded scope complies with eligibility criteria for additional financing that it (i) remains technically feasible, economically viable, and financially sound; (ii) accorded as high priority by the government; (iii) consistent with the project's development objectives; and (iv) consistent with the current country operation business plan.

8. Additional financing is the most suitable financing modality for implementing this expanded scope in terms of the designs and implementation arrangement and will enhance outcome of the project. The expanded scope has strong links with the original project that the (i) additional sites are in the same road of the scope for original project, (ii) feasibility study and detailed engineering designs are undertaken by DSC similar to the original project, (iii)

procurement of civil works will follow similar to the original project, and (iv) construction supervision will be able to carry out by potentially by the DSC through single source selection procedures following ADB's Procurement Guidelines (2015, as amended from time to time).

Table 1: Status of Project Outcomes and Outputs as of 31 March 2017

Indicator	Baseline Value and Year	Achievement Against Target
IMPACT: Aligned with accelerated economic and social recovery in Vanuatu's Cyclone Pam affected provinces.		
OUTCOME: Socioeconomic activities restored to pre-cyclone levels		
OC-1: GDP growth increased from baseline	2015 GDP = - 0.9% [Source: VNSO]	Target: 3.6% by 2018 Achievement: Not yet due
OC-2: 130 km of road connected for road users to facilitate trade as evidenced by:		
a. Reduced travel time to markets to pre-cyclone levels	2015 to community market = 60-110 min by 4WD 2015 to Port Vila market = 60-110 min by 4WD	Target: ≤ 110 min by 4WD to community market and Port Vila markets Achievement: Not yet due
b. Reliability of road access to markets and tourist destinations restored to pre-cyclone levels	2015 = Unplanned road closure for 1 to 2 weeks in various locations	Target: Unplanned road closure reduced from baseline Achievement: Not yet due
OC3: Travel time restored to pre-cyclone levels:		
a. To primary school	2015 at < 1 km Walk = 5-10 min Bicycle = 3-5 min	Target: ≤ 10 min by walking; ≤ 5 min by bicycle Achievement: Not yet due
b. To Port Vila Central Hospital	2015 at > 4 km Bus = 100 min 4WD = 100 min	Target: ≤ 100 min by bus or by 4WD Achievement: Not yet due
OC4: Incidence of road accidents reduced to at least pre-cyclone levels	2015 = Up to 70 road accident per year	Target: < 70 per year Achievement: Not yet due
OUTPUT: Transport infrastructure in damaged locations on Efate ring road reconstructed, and climate and disaster-proofed		
OP-1: Road rehabilitated	Not applicable	Target: 10 km by 2018 Achievement: Not yet due
OP-2: Stream crossings and their approach roads, abutments, piers repaired and protected	Not applicable	Target: 8 by 2018 Achievement: Not yet due
OP-3: Bridges, box culverts and causeways repaired for minor damages and debris cleared	Not applicable	Target: 9 by 2018 Achievement: Not yet due
OP-4: River channel realigned at upstream and downstream and river training structures constructed	Not applicable	Target: 200 m by 2018 Achievement: Not yet due
OP-5: Sealed pavement protected against erosion from storm surges	Not applicable	Target: 1000 m by 2018 Achievement: Not yet due
OP-6: Road side and cross road drainage improved	Not applicable	Target: 8 km by 2018 Achievement: Not yet due
OP-7: Culvert headwalls reconstructed	Not applicable	Target: 6 by 2018 Achievement: Not yet due
OP-8: Guard rail reconstructed	Not applicable	Target: 250 m by 2018 Achievement: Not yet due
OP-9: River banks protected	Not applicable	Target: 180 m by 2018 Achievement: Not yet due
OP-10: Landslide at Klems Hill reinstated	Not applicable	Target: 5000 sqm by 2018 Achievement: Not yet due
OP-11: Concrete longitudinal road side drain at Klems Hill improved	Not applicable	Target: 600 m by 2018 Achievement: Not yet due
OP-12: Construction workers and roadside inhabitants receive education in gender equality and HIV/AIDS awareness by end of project	Not applicable	Target: 100% of construction workers by 2018 Achievement: Not yet due
	Not applicable	Target: 80% of roadside inhabitants by 2018 Achievement: Not yet due
OP-13: Women participation in community consultations	Not applicable	Target: At least 30% by 2018
		Achievement: 31.5% to date

GDP = gross domestic product, km = kilometer, m = meter, min = minutes, MIPU = Ministry, OC = outcome, OP = output, sqm = square meter, VNSO = Vanuatu National Statistics Office, WD = wheel drive.

Source: Asian Development Bank and Project Management Unit, Ministry of Infrastructure and Public Utilities.

Table 2: Project Implementation Progress as of 31 March 2017

Activity		2016				2017				2018		Assigned Weight [%]	Actual Progress [%]	Weighted Progress [%]
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
A.	DMF Output													
1.	Project management and supervision											15%	59%	8.8%
1.1	Recruit design supervision consultants											5%	80%	4.0%
1.2	Prepare inception report and an implementation plan	■										1%	100%	1.0%
1.3	Prepare communication strategy and communication plan and implement	■	■	■	■	■	■	■	■			4%	55%	2.2%
1.4	Oversee environment management activities		■	■	■	■	■	■	■	■		4%	40%	1.6%
1.5	Prepare project completion report									■	■	1%	0%	0.0%
2.	Reconstruction of damaged infrastructure											85%	23%	19.9%
2.1	Conduct topographical survey of all subprojects	■										2%	100%	2.0%
2.2	Conduct feasibility study of all subprojects	■	■									7%	100%	7.0%
2.3	Prepare detailed engineering designs of all subprojects		■	■								7%	100%	7.0%
2.4	Prepare bid documents				■							3%	90%	2.7%
2.5	Carry out bidding and bid evaluation					■						6%	20%	1.2%
2.6	Award civil works contracts					■						2%	0%	0.0%
2.7	Reconstruct civil works					■	■	■	■	■	■	58%	0.0%	0.0%
B.	Milestones													
1.	Inception Mission and Inception Report	■												
2.	Annual and/or mid-term review					■				■				
3.	Quarterly progress report	■	■	■	■	■	■	■	■	■				
4.	Project completion report									■	■			
TOTAL Implementation Progress														28.7%
Elapsed Time (months)												24	9	37.5%

DMF = design and monitoring framework.

Source: Project Management Unit, Ministry of Infrastructure and Public Utilities.

Table 3: Status of Project Risks and Management as of 31 March 2017

Risk Description	Risk Assessment	Risk Management Plan	Status 31 March 2017
<p>Political economy and stability The COM has approved the NRESP, but following the 2012 elections, there have been five unsuccessful and two successful motions of a vote of no confidence in the government.</p>	Medium	<p>The latest vote of no confidence was in May 2015, which led to change in the government. A second vote of no confidence in the same month was defeated by the new government, which appears to have a good majority and is likely to provide some political stability. However, there are bribery charges pending against 16 of the new government's members of Parliament. The new minister for MIPU has suspended the director general indefinitely. Development partners will continue dialogue with the PRC established by the COM, which is the ultimate decision-making body of the NRESP.</p>	<p>There were two no-confidence motions against the government in December 2016, with only one moving to a vote, which was defeated.</p>
<p>Coordination Weak interagency and development partner coordination may undermine effective implementation of the NRESP.</p>	Medium	<p>The government (through the COM) has established the PRC to guide the NRESP. It will act as the policy-making and project approval body and provide guidance to line agencies on NRESP reconstruction, and will coordinate with line agencies to formulate, implement and monitor the program.</p>	<p>The PRC has had little involvement in the project to date. It is being implemented by MIPU, with regular reporting to the PMO, through normal government processes.</p>
<p>Technical design The effects of climate change and disaster could damage new and reconstructed infrastructure if designs are not resilient to disaster and climate.</p>	Medium	<p>Given the damage caused by storm surge and flood flows, the project will mitigate this risk by requiring conservative design assumptions regarding sea level rise and hydrology, and will require the use of quality materials and international construction standards. Disaster-resilient and climate-proof features will be included in the detailed engineering designs.</p>	<p>Sea level rise has accounted for a 50 year design horizon and climate change effects were factored into the hydrology assessments. This has been determinative in producing the engineering design</p>
<p>Project management and implementation capacity Weak project management and low implementation capacity of MIPU will delay the project, including timely completion of due diligence required for subprojects.</p>	High	<p>To expedite implementation, the project will support MIPU with international and national DSCs to undertake project management, feasibility studies, climate change adaptation and disaster risk management, engineering design, procurement, financial management, safeguards, construction supervision, monitoring and evaluation and reporting. The DSCs will be integrated into MIPU's engineering unit and will build capacity of MIPU staff. The PMU will assist MIPU in the establishment of CAC to redress grievances. ADB will assist MFEM and MIPU in procurement, disbursement, financial management and safeguards policies and procedures.</p>	<p>All deliverables have been achieved on time by the DSC. The DSC worked with MIPU to establish an internal Infrastructure Working Group (IWG) to advise the DSC. Working with MIPU, CLC's have been established. Better co-ordination between MFEM and MIPU on shared accounting processes would improve expediency</p>
<p>Low procurement and contract management capacity of MIPU.</p>	Medium	<p>The project will provide adequate consulting support to MIPU in procurement and contract management, and assist in the monitoring of progress, including resolving contractual and technical issues under the ongoing contracts to ensure their timely completion to specified standards and specifications. Under ongoing projects^a four engineers from MIPU attended Modules 1 and FIDIC workshop for 4 days in Suva, Fiji to familiarize themselves with conditions of contract for civil works contracts.</p>	<p>Procurement undertaken by the DSC, in consultation with MIPU. Contract management of the construction will also be undertaken by the DSC, in consultation with MIPU, who will remain as Engineer to the contract.</p>
<p>Low implementation capacity of national contractors may delay large-scale civil works within the scheduled period</p>	High		<p>The DSCs conducted a national contractor capacity assessment, which confirmed that national contractors don't have the capacity to implement large-scale contracts in Vanuatu, but could operate successfully as</p>

Risk Description	Risk Assessment	Risk Management Plan	Status 31 March 2017
<p>Governance (Public Financial Management) Compliance with the financial management system may not be satisfactory.</p>	High		<p>subcontractors. The DSC has consulted the Office of the Auditor General and is working with PWD accounts and MFEM to ensure that the 2016 audit will be undertaken in accordance with ADB financial requirements. The OAG propose to undertake the audit themselves and are familiar with the requirements</p>
<p>Governance (Procurement) MIPU staff lacks significant experience with ADB procurement policies and procedures.</p>	Medium		<p>The DSC has undertaken the preparation of all bidding documents, in consultation with MIPU and ADB, to ensure that all ADB policies and procedures are followed</p>
<p>Potential project implementation delays due to slow engagement of DSCs.</p>	Medium		<p>Recruitment of the DSC was delayed by more than 3 months in 2016, commencing on 6 July 2016.</p>
<p>Corruption (Governance) MIPU lacks an effective anticorruption strategy or action plan.</p>	Medium	<p>The PMU DSCs will prepare an anticorruption strategy and action plan for agencies involved in the tender evaluation and contractor selection processes.</p>	<p>The development of an anti-corruption strategy was not included in the DSC's TOR. However, the DSC operates under an anti-bribery policy and all actions related to the tender are following both the government's and ADB's procurement policies.</p>
<p>Given cultural issues, bribes and corruption could be accepted as standard practice, particularly among members of the same island group.</p>	Medium		<p>MIPU and the PMU will support anticorruption efforts and transparency through wide consultation on major decisions regarding subproject selection and implementation.</p>
<p>Corruption-related issues may arise covering all aspects of project project-financed activities.</p>	Medium		<p>Under the oversight of MIPU and the PRC, the DSC's own company policies require them to promote transparency. Disclosure on the use of project funds will be required by MFEM and MIPU. The DSC will oversee and report on compliance with social, technical and legal aspects of project activities, including redress for grievances.</p>
<p>Neither MIPU nor the Ombudsman Office has a mechanism in place to review procurement-related complaints.</p>	Medium		<p>DSC will assist MIPU and PRC to respond to any complaints that arise, in accordance with MIPU and ADB policy</p>
Other risks			
<p>Lack of suitable construction materials may lead to delays in construction.</p>	Medium		<p>Vanuatu lacks hard aggregates for concrete and sealing. The contractor will source locally available and import materials as necessary, from neighboring countries for civil works as needed.</p>
<p>Lack of sustainability of transport infrastructure.</p>	Medium		<p>The assets completed under the project will remain the responsibility of MIPU. The DSC has prepared a 5-year routine and periodic maintenance plan for the new assets on the Efate ring road to assist with government budgeting. MIPU currently has in place community-based labor-intensive contracts for the Efate ring road.</p>
<p>Further natural disasters and the</p>	Medium		<p>The underlying principle of the government's NRESP is</p>

Risk Description	Risk Assessment	Risk Management Plan	Status 31 March 2017
adverse impact on Vanuatu's economy.			to restore the damaged transport infrastructure to a better-than-original condition. The NRESP will provide assets to the Vanuatu design standards (or international standards, as agreed) to improve earthquake resistance and flood immunity. While this will improve some infrastructure in the reconstructed parts of ring road, the other parts of the ring road will continue to be at high risk, and prone to damage.
Overall	Medium	This is a medium-risk environment with mitigation plans to be put in place to manage the risks.	

ADB = Asian Development Bank, CAC = community advisory committee, COM = council of ministers, DSC = design and supervision consultant, FIDIC = *Fédération Internationale des Ingénieurs Conseils* or International Federation of Consulting Engineers, MFEM = Ministry of Finance and Economic Management, MIPU = Ministry of Infrastructure and Public Utilities, NRESP = national recovery and economic strengthening program, PMU = project management unit, PRC = program recovery committee.

^a ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Grant to the Republic of Vanuatu for the Interisland Shipping Project*. Manila; and ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Grant to the Republic of Vanuatu for the Port Vila Urban Development Project*. Manila.

^b This practice is in place for the ongoing projects in footnote a.

Source: Asian Development Bank and Project Management Unit, Ministry of Infrastructure and Public Utilities.