

Project Administration Manual

Project Number: 49319-002

Loan and Grant Number: L3331, L3332, LXXXX; G0459, G0460, G0461, GXXXX

July 2017

Vanuatu: Cyclone Pam Road Reconstruction Project

Additional Financing

Contents

ABBREVIATIONS

I.	PROJECT DESCRIPTION	1
II.	IMPLEMENTATION PLANS	3
	A. Project Readiness Activities	3
	B. Overall Project Implementation Plan	3
III.	PROJECT MANAGEMENT ARRANGEMENTS	7
	A. Project Implementation Organizations—Roles and Responsibilities	7
	B. Key Persons Involved in Implementation	9
	C. Project Organization Structure	10
IV.	COSTS AND FINANCING	10
	A. Detailed Cost Estimates by Expenditure Category (Updated)	12
	B. Allocation and Withdrawal of Loan and Grant Proceeds (Updated)	13
	C. Detailed Cost Estimates by Financier	15
	D. Detailed Cost Estimates by Outputs/Components	16
	E. Detailed Cost Estimates by Year	17
	F. Contract and Disbursement S-curve - Additional Financing Only	18
	G. Fund Flow Diagram	19
V.	FINANCIAL MANAGEMENT	20
	A. Financial Management Assessment	20
	B. Disbursement	20
	C. Accounting	21
	D. Auditing	22
VI.	PROCUREMENT AND CONSULTING SERVICES	23
	A. Advance Contracting	23
	B. Procurement of Goods, Works and Consulting Services	23
	C. Procurement Plan	24
	D. Consultant's Terms of Reference	25
	E. MIPU Counterpart Support and PWD Resources	31
VII.	SAFEGUARDS	31
VIII.	GENDER AND SOCIAL DIMENSIONS	34
IX.	PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION	35
	A. Revised Project Design and Monitoring Framework	35
	B. Monitoring	38
	C. Evaluation	39
	D. Reporting	39
	E. Stakeholder Communication Strategy	40
X.	ANTICORRUPTION POLICY	40
XI.	ACCOUNTABILITY MECHANISM	41
XII.	RECORD OF PAM CHANGES	41

Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project (includes both original and additional financing) on time, within budget, and in accordance with Government of Vanuatu (the government) and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Ministry of Finance and Economic Management (MFEM) as the executing agency, and the Ministry of Infrastructure and Public Utilities (MIPU) as the implementing agency, are wholly responsible for the implementation of ADB financed projects, as agreed jointly between the borrower and ADB, and in accordance with the government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Loan/Grant Negotiations the borrower and ADB shall agree to the PAM and ensure consistency with the Financing Agreement. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the PAM and the Financing Agreement, the provisions of the Financing Agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP) changes in implementation arrangements are subject to agreement and approval pursuant to relevant administrative procedures of the government and ADB (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

Abbreviations

ADB	=	Asian Development Bank
ADF	=	Asian Development Fund
DEPC	=	Department of Environmental Protection and Conservation
DMF	=	design and monitoring framework
DSC	=	design and supervision consultants
EARF	=	environmental assessment and review framework
EMP	=	environmental management plan
GDP	=	gross domestic product
GEF	=	Global Environment Facility
ICB	=	international competitive bidding
IEE	=	initial environmental examination
MFEM	=	Ministry of Finance and Economic Management
MIPU	=	Ministry of Infrastructure and Public Utilities
NCB	=	national competitive bidding
NGOs	=	nongovernment organizations
PAM	=	project administration manual
PMU	=	project management unit
PRC	=	program recovery committee
PWD	=	Public Works Department
QCBS	=	quality- and cost based selection
RRP	=	report and recommendation of the President to the Board
SPS	=	Safeguard Policy Statement 2009
TCP	=	Tropical Cyclone Pam
TOR	=	terms of reference

I. PROJECT DESCRIPTION

1. The initial financing of the Cyclone Pam Road Reconstruction Project (the original project) supports the efforts of the Government of the Republic of Vanuatu (the government) to reconstruct, and “climate and disaster proof” the transport sector infrastructure on Efate ring road damaged by the Tropical Cyclone Pam (TCP) floods and destructive storm surges in March 2015.¹

2. The additional financing of the Cyclone Pam Road Reconstruction Project (the additional financing) will further support the efforts of the Government of the government to reconstruct, and “climate-resilient” and “disaster-proof” the transport sector infrastructure on Efate ring road damaged by the Cyclone Pam floods and destructive storm surges in March 2015.

3. The combined original project and the additional financing of Cyclone Pam Road Reconstruction Project (the project) will support the government to implement “build back better” (BBB) concepts and strengthen resilience to future disasters, particularly through more resilient roads and bridges.²

1. Impact and Outcome

4. The impact of the project will be accelerated economic and social recovery in Vanuatu’s Cyclone Pam affected provinces. The outcome will of the project will be socioeconomic activities restored to at least pre-cyclone levels.

2. Outputs

5. In response to and in line with the post-disaster needs assessment findings, the project will have one output: transport infrastructure in damaged locations on Efate ring road reconstructed, and “climate-resilient” and “disaster-proofed”.

6. The damages by TCP were at various locations on the Efate ring road. The civil works under the original project included (i) approximately 10 km of road rehabilitated; (ii) about 8 major stream crossings³ and their approach roads rehabilitated and protected; (iii) about 9 bridges⁴ or box culverts and causeways repaired for minor damages and debris cleared; (iv) approximately 200 m meters of river channel realigned at upstream and downstream and river training structures constructed; (v) approximately 800 m meters of sealed pavement protected against erosion from storm surges; (vi) approximately 8 km of road side and cross road drainage improved; (vii) about 6 culvert headwalls reconstructed; (viii) 250 m of guard rail reconstructed; (ix) approximately 180 m of river banks protected; (x) approximately 100 m by 50 m of land slide at Klems hill reinstated and road pavement protected; and (xi) approximately 600 m long concrete longitudinal road side drain ay Klems hill improved. Currently the feasibility study covering all due diligence, safeguards and other necessary assessments, geotechnical investigations, bathymetry and topography surveys and detailed engineering designs under the original project have been completed.

¹ ADB. 2015. *Report and Recommendation of the President to the Board of Directors for Vanuatu Cyclone Pam Road Reconstruction Project*. Manila.

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 Bridge, 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.

7. During detailed geotechnical investigations and surveys of the Efate ring road, the reconstruction and rehabilitation requirements of the damaged assets were confirmed and scope of some of the damaged sites were required to be revised due to extent of damage and unforeseen ground conditions. These include (i) replacement of Epule bridge (originally included as repairs however requires reconstruction with an improved road alignment), (ii) Marona Bridge – boreholes under geotechnical investigations in original scope of work terminated at a 20 m depth. However, upon interpretation and analysis of the data, the underneath soils were identified to be liquefaction and required bore holes to be driven down to at least 30 m, to confirm the founding material for bridge piles.

8. In addition, the detailed investigations and surveys also identified additional infrastructure on the road damaged due to TCP. The additional damaged locations and recommended reconstruction and rehabilitation requirements includes (i) rehabilitation of Tassikiri road section (6.2 km) including drainage improvements; (ii) Prima floodplain management to manage floodwaters in the Prima (La Colle) catchment in the vicinity of the Prima bridge; (iii) reconstruction of Tanoliu and Ulei bridges; and (iv) drainage improvement at Saama.

9. The government requested ADB for an additional financing to scale up the ongoing original project and include expanded scope in the project for implementation.⁵

10. As envisaged under the original project, all works will also incorporate “gender-proactive” and universal access features in designs, including construction of walkways and provision of access to, and laundry facilities in, the streams alongside the road.

⁵ ADB. 2016. *Vanuatu Country Operation Business Plan 2017-2019*. Manila.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

1. Original project

Indicative Activities	Months (2015–2016)							Who responsible
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	
Advance contracting actions			X					ADB. Completed.
Establish Project Management Unit						X		Government and DSC. Completed.
ADB Board Approval				X				ADB. Completed.
Loan/Grant agreement Signing					X			ADB and Government. Completed.
Government legal opinion provided					X			Government. Completed.
Government budget inclusion						X		Government. Completed.
Loan and Grant Effectiveness ⁶						X		ADB. Completed.

Source: Asian Development Bank.

2. Additional financing

Indicative Activities	Months (2017)							Who responsible
	Feb	Mar	Apr	May	Jun	Jul	Aug	
Advance contracting actions	X							ADB. Completed. A contract variation (issued Feb 2017) to DSC to undertake feasibility study and detailed designs.
Establish Project Management Unit	X							Government and DSC. Completed. Same PMU as of the original project
ADB Board Approval						X		ADB.
Loan/Grant agreement Signing						X		ADB and Government.
Government legal opinion provided						X		Government.
Government budget inclusion	X							Government. Completed.
Loan and Grant Effectiveness (footnote 6)						X		ADB.

B. Overall Project Implementation Plan

11. The original project was initially envisaged to be implemented within 2 years period. However due to expanded scope, the project is now expected to be completed by end of 2018, an extension by a year. The overall project implementation schedule is provided below.

⁶ The loan and grant require ratification by Parliament and the effectiveness is likely to be delayed.

Cyclone Pam Road Reconstruction Project Implementation Schedule (original project - updated)

Activities	2015				2016				2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
A. Milestones																
ADB Loan & Grant Negotiations																
ADB Loan & Grant Approvals																
Loan Effectiveness																
B. DMF Output: Transport infrastructure in damaged locations on Efate ring road reconstructed, and climate and disaster-proofed																
Activity 1: Project management unit (PMU) and design and supervision consultant (DSC)																
Activity 1.1: Recruitment of PMU / DSC																
1.1.1: Advertisement and request for EOIs																
1.1.2: Shortlisting and evaluation of proposals																
1.1.3: Negotiation and awarding of contract																
1.1.4: Mobilization and Supervision																
1.1.5: Prepare inception report and an implementation plan																
Activity 2: Civil Works																
(a) Preconstruction Phase																
Activity 2.1 Reconstruction of roads and bridges																
2.1.1: Conduct topographical survey of all subprojects																
2.1.2: Conduct geotechnical investigations																
2.1.3: Conduct feasibility study																
2.1.4: Prepare detailed engineering design																
2.1.5: Prepare bid documents, bidding, evaluation, contract award and signing																
(b) Construction Phase																
2.1.6: Contractor mobilization and construction																

Activities	2015				2016				2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Activity 2.2: Klehms hill landslide and drainage improvement																
(a) Preconstruction Phase																
2.2.1: Conduct topographical survey																
2.2.2: Conduct feasibility study																
2.2.3: Conduct geotechnical investigations																
2.2.3: Prepare detailed engineering designs																
2.2.4 Prepare bid documents, bidding, evaluation, contract award and signing																
(b) Construction Phase																
2.2.5: Contractor mobilization and construction																
A. Management Activities																
National contractor capacity assessed																
Procurement plan key activities to procure contract packages																
Environment management plan and oversee environment management activities																
Key gender activities identified and implementation																
Communication strategy key activities and implementation																
Community consultation process																
M&E System and performance monitoring																
Inception mission, inception report and implementation plan																
Review mission																
Project completion report																
Arrange annual audit of project accounts																

Cyclone Pam Road Reconstruction Project Implementation Schedule (Additional Financing)

Activities	2017				2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
A. Processing Milestones												
1. ADB Loan & Grant Negotiations (Additional Financing)												
2. ADB Loan & Grant Approvals (Additional Financing)												
3. Loan Effectiveness (Additional Financing)												
B. Consultant Selection and Procurement												
Activity 1: Project management unit (PMU) and supervision consultant												
1.1: Advertisement and request for EOIs												
1.2: Shortlisting and evaluation of proposals												
1.3: Negotiation and awarding of contract												
1.4: Mobilization and Supervision												
1.5: Prepare inception report and an implementation plan												
Activity 2: Civil Works												
(a) Preconstruction Phase												
2.1: Conduct topographical survey of all subprojects												
2.2: Conduct geotechnical investigations												
2.3: Conduct feasibility study												
2.4: Prepare detailed engineering design												
2.5: Prepare bid documents, bidding, evaluation, contract award and signing												
(b) Construction Phase												
2.6: Contractor mobilization and construction												

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations—Roles and Responsibilities

12. ADB has ongoing projects in Vanuatu in the Transport and Urban Development sectors. The implementation arrangements follow as much as possible established procedures and processes under on-going ADB-financed projects and/or relevant government established procedures or these of other development partners to enable speedy and efficient implementation. The implementation arrangements of the original project will be maintained for the additional financing.

13. The coordination and administration oversight of the overall recovery and reconstruction program is the Program Recovery Committee (PRC) chaired by the Director General of the Prime Minister's Office. The committee has four permanent members, the Director Generals of the Ministry of the Prime Minister, of the Ministry of Finance and Economic Management (MFEM), of the Ministry of Foreign Affairs and Trade, and of the Ministry of Infrastructure and Public Utilities (MIPU). All recovery projects will need to have approval by the committee to ensure it is in line with the Ni Vanuatu Resilience Plan (2015). The Department of Strategy, Policy Planning and Aid Coordination acts as the secretariat of the committee.

14. MFEM will be the executing agency and MIPU will be the implementing agency of the project. A project management unit (PMU) comprising design and supervision consultants (DSC) has already been established in MIPU for the design and implementation of the original project and will be continued for the additional financing. The DSC comprises international and national consultants. An infrastructure working group (IWG) has also been established in MIPU comprising the Director General of MIPU, Director, Public Works Department, Operations Manager, Provincial Managers and PWD Engineers. The DSC directly reports to the IWG.

15. The existing arrangements will be maintained for the additional financing. The PMU is led by a team leader/implementation specialist. The DSC is integrated within MIPU's engineering unit to deliver the project activities. The PMU team leader coordinates and manages the project activities and reports to Director General, MIPU. The PMU will coordinate the additional financing activities with other development partner agencies and within MIPU to ensure there is no duplication of activities in the road sector. MIPU's engineering unit will continue to be strengthened by mobilizing DSC to support the existing technical and managerial capacity. The PMU will be responsible for the detailed assessment, feasibility studies, detailed design, cost estimates, procurement, contract management and supervision, and day-to-day implementation, including financial management, and monitoring and evaluation. The PMU will use ADB disbursement procedures and financial management guidelines, and will maintain separate accounts for the project, which will be audited by an independent auditor. The PMU will be responsible for procurement, financial management, monitoring and evaluation, disbursement, and administration of contracts on behalf of MIPU.

16. With the additional financing, the project will be implemented within three years from the date of inception mission and defects notification period will be 12 months from the physical completion of the civil works, which is the norm for emergency assistance projects.

17. The implementation arrangements are summarized below.

Project implementation organizations	Management Roles and Responsibilities
• MFEM	Recipient and executing agency Ministry representing for Recipient
• MIPU	Implementing agency Project implementation, procurement, technical and financial management, withdrawal applications, reporting, audited statements
• PWD Project Management Unit (PMU) including the DSC	<p>Manages and implements the project</p> <p>Ensures implementation of communications and consultation plan</p> <p>Supervises and monitors project consultants and contractors</p> <p>Ensures implementation and monitoring of gender activities</p> <p>Prepares the annual work plan and budget</p> <p>Provides annual audited project accounts</p> <p>Ensures compliance with the covenants in the ADB-government grant agreement</p> <p>Compiles quarterly and annual progress reports (physical and financial) and semi-annual safeguards monitoring reports</p> <p>Ensures compliance with the safeguards frameworks prepared for the project</p> <p>Procures services in accordance with government and ADB procedures</p> <p>Prepares withdrawal applications with supporting documentation</p> <p>Ensures grievance redress mechanism is established and in operates effectively</p> <p>Monitors and evaluates (M&E) project implementation.</p> <p>Convenes meetings of the IWG</p>
• PRC	Provides advice and guidance to the PMU on implementation issues Provide overall coordination and administrative oversight of the Strengthening Ni-Vanuatu Resilience for the National Recovery and Economic Strengthening Program
• IWG	Provide oversight for project implementation
• Asian Development Bank	<p>Conducts field review missions, midterm review mission, and project completion review mission to assess project implementation progress and compliance of loan covenants.</p> <p>Reviews PMU's submissions of the bid evaluation reports for procurement of goods, civil works and services, and provides comments and no objection on the submissions.</p> <p>Checks statement of expenditures, and disburses the loans and grants funds as agreed in the Financing Agreement</p>

B. Key Persons Involved in Implementation

Executing Agency

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Economic Management

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ADB

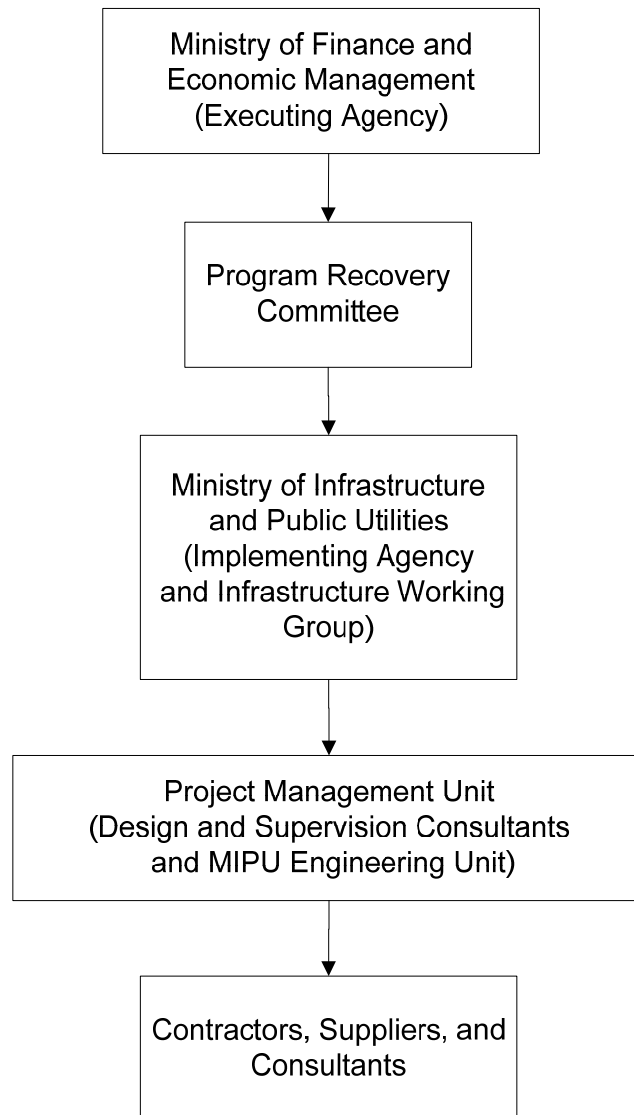
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C. Project Organization Structure



IV. COSTS AND FINANCING

18. The original project is estimated to cost \$18,500,000 (Table1). The government requested support for rehabilitation and reconstruction for transport sector infrastructure. ADB, through the Disaster Response Facility (DRF), the Asian Development Fund (ADF), and the Global Environment Facility (GEF), provided ADF loan in various currencies equivalent to SDR708,000, DRF loan in various currencies equivalent to SDR1,986,000, \$7,000,000 grant from ADF, \$2,810,000 grant from DRF, and \$2,680,000 cofinancing grant from GEF, for the reconstruction of roads and bridges damaged by Cyclone Pam.

19. ADB confirms the additional financing of (i) a concessional loan in various currencies equivalent to SDR2,961,000 from ADB's ordinary capital resources, and (ii) a grant not exceeding \$4,100,000 from ADB's Special Funds resources (ADF), for the expanded scope under the

project.⁷ The government will finance combined \$3,410,000 in taxes and duties, office space, counterpart support staff for the overall project. The summary of the project investment plan is in Table 1 and details of the cost estimates and the financing plan are shown in Tables A through E.

Table 1: Project Investment Plan

Item	Original (\$ million)	Current Amount ^a (\$ million)	Additional Financing (\$ million)	Total Amount (\$ million) ^b
A. Base Cost ^c	16.03	18.25	9.11	27.36
B. Contingencies ^d	2.41	0.19	0.21	0.40
C. Financing charges during implementation ^e	0.06	0.06	0.08	0.14
Total (A+B+C)	18.50	18.50	9.40	27.90

^a Refers to the original amount and subsequent amendment to the financing plan following the minor change approved on 6 February 2017. Includes taxes and duties of \$1.91 million financed by the government through exemptions.

^b Includes taxes and duties of \$2.96 million financed by the government through exemptions, and \$0.45 million for in-kind contribution for counterpart staff and audit fees.

^c In Dec 2016 prices.

^d Contingencies (price contingency only) computed at 15% of the total base cost.

^e Interest during construction for additional financing ADB loan has been computed at the rate of 1% per year.

Source: Asian Development Bank.

⁷ Special Drawing Rights (SDR); Exchange Rate: SDR1=\$1.38478 as of 6 June 2017.

A. Detailed Cost Estimates by Expenditure Category (Updated)

Item	(\$ million) ^a		Total Cost	% of Total Base Cost
	Foreign Exchange	Local Currency ^b		
A. Investment Costs				
1. Civil Works	19.53	2.96	22.49	82.20
a. Civil Works – Original	12.10	1.91	14.01	51.21
b. Civil Works – Additional ^c	7.43	1.05	8.48	30.99
2. Consultants^d	4.42	0.00	4.42	16.15
a. Design and Supervision – Original	3.71	0.00	3.71	13.56
b. Construction Supervision – Additional	0.48	0.00	0.48	1.75
c. Individual Consultants	0.23	0.00	0.23	0.84
Subtotal (A)	23.95	2.96	26.91	98.36
B. Recurrent Costs				
1. Salaries	0.00	0.15	0.15	0.55
2. Office Accommodation	0.00	0.22	0.22	0.80
3. Audit Fee	0.00	0.08	0.08	0.29
Subtotal (B)	0.00	0.45	0.45	1.64
Total Base Costs	23.95	3.41	27.36	100.00
C. Contingencies^e				
1. Physical	0.00	0.00	0.00	0.00
2. Price	0.40	0.00	0.40	1.46
Subtotal (C)	0.40	0.00	0.40	1.46
D. Financial Charges During Implementation				
Interest During Construction	0.14	0.00	0.14	0.51
Subtotal (D)	0.14	0.00	0.14	0.51
E. Total Project Cost (A+B+C+D)	24.49	3.41	27.90	101.97

^a Figures may not tally due to rounding.

^b Includes taxes and duties of \$2.96 million financed by the government through exemptions, and \$0.45 million for in-kind contribution for counterpart staff and audit fees.

^c Grant funds are front loaded. Loan may be withdrawn only after the grant funds are fully utilized.

^d Includes vehicles and PMU operating costs.

^e Includes price contingency as a reserve to cover exchange rate losses on SDR.

Source: Asian Development Bank estimates.

B. Allocation and Withdrawal of Loan and Grant Proceeds (Updated)

Table 2: Withdrawal of ADB (COL) Loan Proceeds – Loan 3331

CATEGORY			ADB FINANCING
Number	Item	Amount Allocated (SDR)	Percentage of Total
		Category	
1	Civil Works	661,452	7.72% of total expenditure
2	Interest	10,440	
3	Unallocated	36,108	
	TOTAL	708,000	

Table 3: Withdrawal of ADB (COL-DRF) Loan Proceeds – Loan 3332

CATEGORY			ADB FINANCING
Number	Item	Amount Allocated (SDR)	Percentage of Total
		Category	
1	Civil Works	1,854,381	21.64% of total expenditure
2	Interest	30,372	
3	Unallocated	101,247	
	TOTAL	1,986,000	

Table 4: Withdrawal of ADB (ADF) Grant Proceeds - Grant 0459

CATEGORY			ADB FINANCING
Number	Item	Amount Allocated (\$)	Percentage of Total
		Category	
1	Civil Works	3,062,000	25.31% of total expenditure
2	Consulting Services	3,938,000	100% of total expenditure
	TOTAL	7,000,000	

Table 5: Withdrawal of ADB (DRF) Grant Proceeds - Grant 0460

CATEGORY			ADB FINANCING
Number	Item	Amount Allocated (\$)	Percentage of Total
		Category	
1	Civil Works	2,805,000	23.18% of total expenditure claimed
	TOTAL	2,805,000	

Table 6: Withdrawal of GEF Grant Proceeds – Grant 0461

CATEGORY			ADB FINANCING
Number	Item	Amount Allocated (\$)	Percentage of Total
		Category	
1	Civil Works	2,680,000	22.15% of total expenditure claimed
	TOTAL	2,680,000	

Table 7: Withdrawal of ADB (COL) Loan Proceeds (Additional financing)

CATEGORY			ADB FINANCING
Number	Item	Amount Allocated (SDR)	Percentage of Total
		Category	
1	Works**	2,721,000	100% of total expenditure claimed
2	Interest	59,000	100% of amounts due
3	Unallocated	181,000	
	TOTAL	2,961,000	

** Funds may be withdrawn only after the grant funds are fully utilized.

Table 8: Withdrawal of ADB (ADF) Grant Proceeds (Additional financing)

CATEGORY			ADB FINANCING
Number	Item	Amount Allocated (\$)	Percentage of Total
		Category	
1	Works	3,625,000	100% of total expenditure claimed
2	Consulting Services	475,000	100% of total expenditure claimed
	TOTAL	4,100,000	

C. Detailed Cost Estimates by Financier

(\$ million)^a

Project Components	COL ^c		COL-DRF ^c		COL-AF ^c		ADF-Grant ^c		ADF-DRF Grant ^c		GEF Grant ^c		ADF Grant AF ^c		Government ^d		Total Cost
	Amt	% of Cost Catgy	Amt	% of Cost Catgy	Amt	% of Cost Catgy	Amt	% of Cost Catgy	Amt	% of Cost Catgy	Amt	% of Cost Catgy	Amt	% of Cost Catgy	Amt	% of Cost Catgy	
	A	A/T	B	B/T	C	C/T	D	D/T	E	E/T	F	F/T	G	G/T	H	H/T	
A. Investment Costs^b																	
1. Civil Works																	
a. Civil Works -Original	0.93	6.67%	2.62	18.69%	0.00	0.00%	3.06	21.86%	2.81	20.02%	2.68	19.13%	0.00	0.00%	1.91	0.14	14.01
b. Civil Works - Additional ^e	0.00	0.00%	0.00	0.00%	3.81	44.90%	0.00	0.00%	0.00	0.00%	0.00	0.00%	3.63	42.73%	1.05	12.38%	8.48
2. Consultants																	
a. Design and Supervision - Original	0.00	0.00%	0.00	0.00%	0.00	0.00%	3.71	100%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00	3.71
b. Design and Supervision - Additional	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.48	100.00%	0.00	0.00	0.48
c. Individual Consultants	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.23	100%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00	0.23
Subtotal (A)	0.93	3.47%	2.62	9.73%	3.81	11.11%	7.00	26.02%	2.81	10.42%	2.68	9.96%	4.10	11.37%	2.96	11.00%	26.91
B. Recurrent Costs^f																	
1. Salaries	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.15	1.00	0.15
2. Office Accommodation	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.23	1.00	0.23
3. Audit Fee	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.08	1.00	0.08
Subtotal (B)	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.45	1.00	0.45
Total Base Cost (A+B)	0.93	3.42%	2.62	9.57%	3.81	11.11%	7.00	25.59%	2.81	10.25%	2.68	9.80%	4.10	11.37%	3.41	12.00%	27.36
C. Contingencies	0.05	12.66%	0.14	35.48%	0.21	51.86%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00	0.40
1. Physical	0.00	0.00%	0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00
2. Price ^g	0.05	12.66%	0.14	35.48%	0.21	51.86%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00	0.40
D. Financial charges during implementation	0.01	10.56%	0.04	30.72%	0.08	30.72%	0.00		0.00		0.00		0.00		0.00	0.00	0.14
Interest During Implementation	0.01	100%	0.04	100%	0.08	100%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00	0.14
Total (A+B+C+D)	1.00	3.58%	2.81	10.05%	4.10	14.70%	7.00	25.09%	2.81	10.05%	2.68	9.61%	4.10	14.70%	3.41	12.00	27.90

^a Figures may not tally due to rounding.

^b At Dec 2016 prices.

^c Exclusive of taxes and duties imposed within the territory of the Beneficiary.

^d Inclusive of taxes and duties and in-kind contribution by the Government of Vanuatu. The Government of Vanuatu will exempt the taxes and duties as its contribution to the project.

^e Grant funds are front loaded. Loan may be withdrawn only after the grant funds are fully utilized.

^f In-kind costs by the Government of Vanuatu.

^g Price contingency includes reserve for foreign exchange fluctuation on SDR.

Source: Asian Development Bank.

D. Detailed Cost Estimates by Outputs/Components

		(\$ million)		
Item	Total Cost	Amount	Output 1 % of Cost Category	
A. Investment Costs^a				
1 Civil Works	22.49		80.62%	
a Civil Works - Original	14.01	14.01	50.22%	
b Civil Works - Additional ^b	8.48	8.48	30.41%	
2 Consultants	4.41		15.82%	
a Design and Supervision - Original	3.71	3.71	13.31%	
b Design and Supervision - Additional	0.48	0.48	1.70%	
c Individual Consultants	0.23	0.23	0.81%	
Subtotal (A)	26.91		96.44%	
B. Recurrent Costs			0.00%	
1 Salaries	0.15	0.15	0.54%	
2 Accommodation	0.23	0.23	0.81%	
3 Audit Fees	0.08	0.08	0.27%	
Subtotal (B)	0.45		1.61%	
Total Base Cost	27.36		98.06%	
C. Contingencies			0.00%	
1 Physical	0.00	0.00	0.00%	
2 Price ^c	0.40	0.40	1.44%	
Subtotal (C)	0.40		1.44%	
D. Financing Charges During Implementation			0.00%	
1 Interest During Implementation	0.14	0.14	0.50%	
Subtotal (D)	0.14		0.50%	
Total Project Cost (A+B+C+D)	27.90		100%	

^a At Dec 2016 prices.

^b Grant funds are front loaded. Loan may be withdrawn only after the grant funds are fully utilized.

^c Price contingency includes reserve for foreign exchange fluctuation on SDR.

Source: Asian Development Bank.

E. Detailed Cost Estimates by Year

Items	(\$ million)					
	Total Cost	2015	2016	2017	2018	2019
A. Investment Costs^a						
1. Civil Works	22.49					
a. Civil Works - Original	14.01	0.00	0.00	4.00	10.01	0.00
b. Civil Works - Additional ^b	8.48	0.00	0.00	1.60	5.20	1.68
2. Consultants	4.41					
a. Design and Supervision - Original	3.71	0.00	0.37	1.71	1.63	0.00
b. Design and Supervision - Additional	0.48	0.00	0.00	0.15	0.25	0.08
c. Individual Consultants	0.23	0.00	0.00	0.23	0.00	0.00
Subtotal (A)	26.91					
B. Recurrent Costs						
1. Salaries	0.15	0.03	0.03	0.03	0.03	0.03
2. Accommodation	0.23	0.00	0.06	0.06	0.07	0.04
3. Audit Fees	0.08	0.00	0.02	0.02	0.02	0.02
Subtotal (B)	0.45					
Total Base Cost	27.36					
C. Contingencies						
1. Physical	0.00	0.00	0.00	0.00	0.00	0.00
2. Price ^c	0.40	0.00	0.10	0.10	0.10	0.10
Subtotal (C)	0.40					
D. Financing Charges During Implementation						
Interest During Implementation	0.14	0.00	0.05	0.04	0.03	0.02
Subtotal (D)	0.14					
Total Project Cost (A+B+C+D)	27.90					

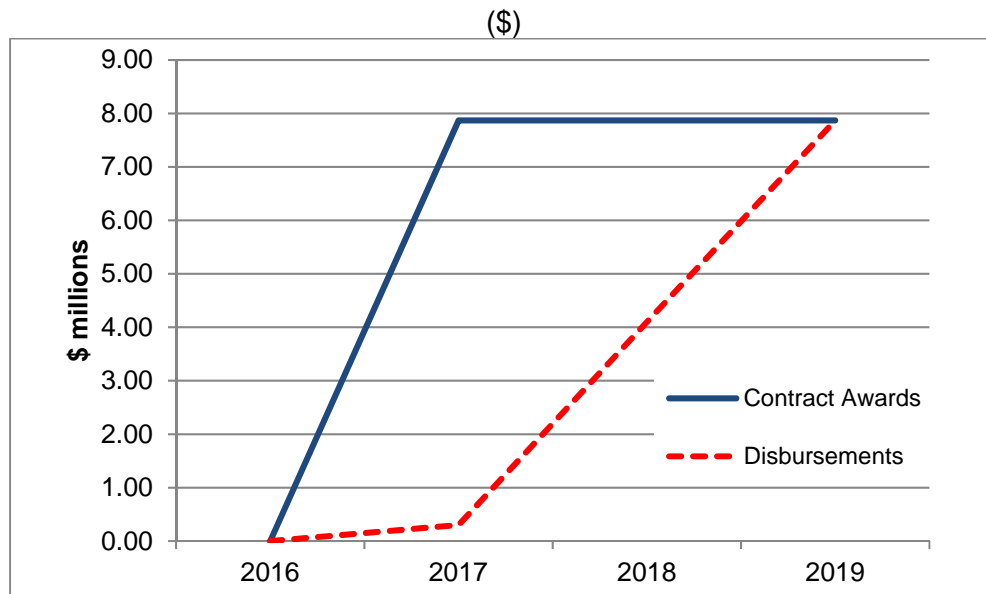
^a At Dec 2016 prices.

^b Grant funds are front loaded. Loan may be withdrawn only after the grant funds are fully utilized.

^c Includes reserve for foreign exchange fluctuation on SDR.

Source: Asian Development Bank.

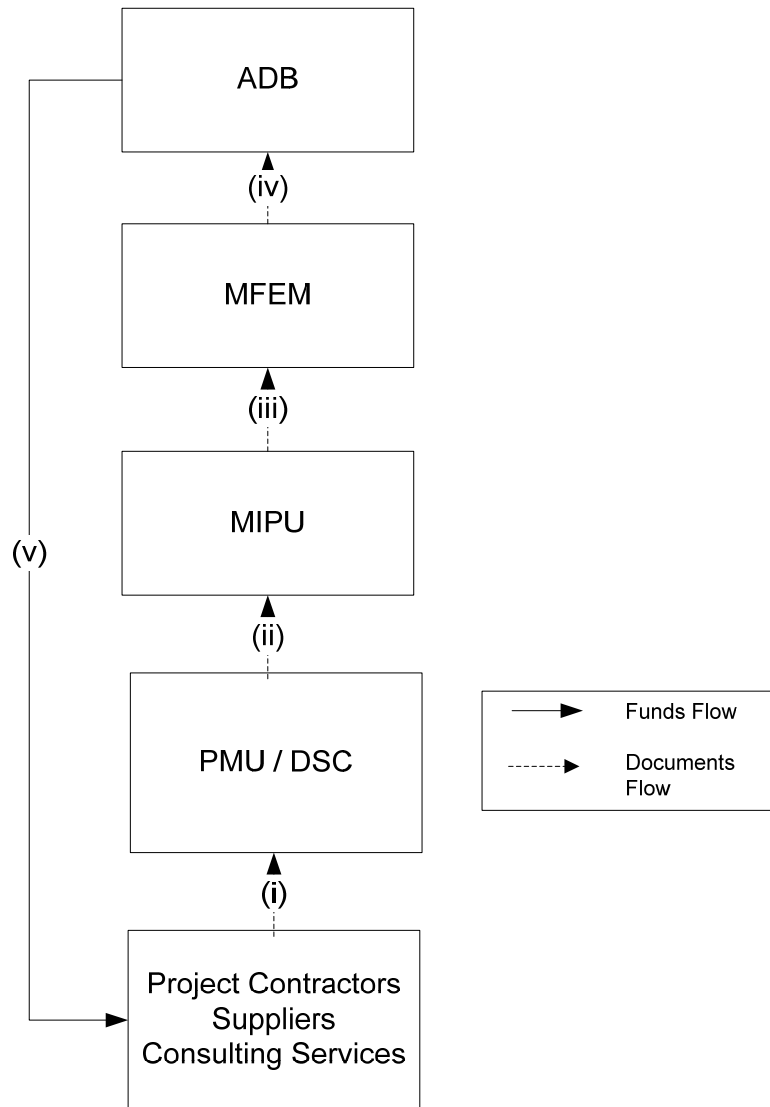
F. Contract and Disbursement S-curve - Additional Financing Only



Items	Cumulative (\$)		
	2017	2018	2019
Contract Award	7,910,000	7,910,000	7,910,000
Disbursement	300,000	4,100,000	7,910,000

Source: Asian Development Bank estimates.

G. Fund Flow Diagram



Direct Payment Procedure:

- (i) The project contractor/supplier/consultant issues an invoice.
- (ii) PMU/DSC prepares withdrawal applications and submits to MIPU.
- (iii) MIPU reviews the claim, and prepares the withdrawal application for MFEM's endorsement.
- (iv) MFEM endorses and sends the withdrawal application to ADB.
- (v) ADB makes the direct payment to consultant/contractor.

ADB = Asian Development Bank, DSC = design and supervision consultants, MFEM = Ministry of Finance and Economic Management, MIPU = Ministry of Infrastructure and Public Utilities, PMU = project management unit.

Source: Asian Development Bank.

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

20. MIPU in the past has implemented a number of ADB financed projects through various PMUs. The government is implementing a number of externally funded projects.⁸ The accounting and bookkeeping of all these projects are through various PMUs and are centrally monitored and kept by the Vanuatu Project Management Unit and the Department of Finance and Treasury of MFEM. Both MIPU and MFEM have been involved in financial management of projects, accounting, financial reporting and audit and have gradually built their capacity.

21. FMA of MFEM and MIPU were undertaken during the inception phase. FMAs for Interisland Shipping Support and Port Vila Urban Development projects have been updated, relied on, in part for the completion of the FMA. The FMA included review of the accounting and financial reporting system, internal and external auditing arrangements, staffing, fund disbursement procedures, and financial information systems. Issues and risks associated with their financial management systems were identified and appropriate risk mitigation measures were proposed to improve project implementation. The assessment concluded that while PWD and MIPU have general experience in managing foreign-financed projects, significant training and support will be required on ADB policies and procedures, including disbursement and project management. The assessment indicated that there are established financial management systems and policies in Vanuatu, which are followed strictly by PWD/MIPU, however, internal audit needs to be undertaken to highlight any system weaknesses.

22. An asset management plan was prepared by DSC projecting expenditures over a 5-year period for the sustainability of Efate ring road. The procurement capacity assessment of MIPU was conducted for the projects in footnote 8 and identified lack of procurement capacity within MIPU. A procurement specialist has been provided through the DSC to undertake procurement requirements of the original project and will be continued for the additional financing. During project implementation, capacity development is being provided by the procurement specialist to strengthen the capacity of MIPU in procurement.

B. Disbursement

23. The loans and grants proceeds will be disbursed in accordance with ADB's Loan Disbursement Handbook (2015, as amended from time to time),⁹ and detailed arrangements agreed upon between the Government and ADB. Online training for executing and implementing agencies staff on disbursement policies and procedures is available at: http://wpqr4.adb.org/disbursement_elearning. Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

24. Direct payment procedure of the loans and grants proceeds will generally be used for payments of the design and supervision consultants and civil works contracts (subject to the

⁸ ADB. 1996. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance to Republic of Vanuatu for the Urban Infrastructure Project*. Manila. ADB. 2011. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Administration of Grant to Republic of Vanuatu for the Interisland Shipping Project*. Manila. ADB. 2015. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Administration of Grant for Additional Financing to Republic of Vanuatu for the Interisland Shipping Project*. Manila. ADB. 2011. *Report and Recommendation of the President to the Board of Directors for the Proposed Loan and Administration of Grant to Republic of Vanuatu for the Port Vila Urban Development Project*. Manila.

⁹ Available at: http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf

minimum WA amount). The PMU will be responsible for (i) preparing disbursement projections, (ii) requesting budgetary allocations for counterpart funds, (iii) collecting supporting documents, (iii) checking invoice of consultants against project progress, and (iv) preparing and sending withdrawal applications through MFEM (for approval) to ADB.

25. Before the submission of the first withdrawal application, the recipient should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person in accordance with Article VII of the Financing and Grant Agreements. The minimum value per withdrawal application is US\$50,000 equivalent. Individual payments below this amount should be paid by the EA/IA and subsequently claimed from ADB through reimbursement, unless otherwise accepted by ADB.

C. Accounting

26. MFEM and the DSC through MIPU shall maintain separate accounts for the project for each loan and grant including the government contribution and have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB. MIPU through MFEM will furnish certified copies of audited accounts and financial statements including the auditor's report to ADB within six months after the end of each fiscal year (including the auditors' opinion on the use of the loan and grant proceeds and compliance with the financial covenants of the loan and grant agreements). The issues highlight by the auditor should be addressed through the management letters and submitted along with the audit report to ADB.

27. In 2002 MFEM established an integrated financial management information system (FMIS) that is generic to all government ministries. The government operates a centralized financial management system using SmartStream financial software. It includes modules for general ledger, fund control, accounts payable, accounts receivable, purchasing, payroll, and asset register. Financial statements are produced on an accrual basis. It is noted that the software is being used properly and PWD/MIPU finance staff are trained in the use of the system. MFEM will set up the accounts of the Project using SmartStream financial software by 5 August 2016. Furthermore, a separate asset register will be maintained by PWD/PMU for the project and will be updated from time to time.

28. The Asset Register will identify the useful life of the separate significant components of the infrastructure assets in accordance with International Public Sector Accounting Standards – IPSAS 17: Property, Plant and Equipment. The asset register is required to be maintained, updated and reported on quarterly as part of QPR reporting requirements during the implementation phase of the project, and will be audited on an annual basis. As per the DSC's TOR an asset management plan specifying the technical requirements and resourcing to carry out the ongoing maintenance with incremental costs and ultimate replacement of each asset or asset component at the end of its useful life will be prepared by the DSC. The Asset Register and asset maintenance plan will provide the government information to meet the obligations set out for operation and maintenance (O&M) under loans and grants covenants of the project as follows:

During project implementation and thereafter, the Beneficiary shall ensure that the project facilities are maintained and that proper technical supervision and adequate routine funds for this purpose are provided. The funds required for the O&M of the project facilities shall be allocated annually and released on a timely basis. The

Beneficiary shall prepare an asset management plan for Efate ring road forecasting routine and periodic maintenance expenditures for 5 years with incremental increases each year for the sustainability of the road assets.

The Beneficiary shall ensure that its budget allocation for road maintenance is increased annually, so that adequate funds are made available for O&M of the project facilities and other transport infrastructure.

D. Auditing

29. MFEM will cause the detailed consolidated project financial statements to be audited in accordance with International Standards on Auditing, by an independent auditor whose qualifications, experience and terms of reference are acceptable to ADB. The audited project financial statements together with the auditor's opinion will be submitted in the English language to ADB within six months of the end of the fiscal year by MFEM.

30. The annual audit report for the project accounts will include an audit management letter and audit opinions (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether the loans and grants proceeds were used only for the purposes of the project; and (iii) the level of compliance for each financial covenant contained in the legal agreements for the project

31. The government, MFEM and MIPU have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.¹⁰ ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the recipient), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

32. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal project supervision, and followed up regularly with all concerned, including the external auditor. MIPU, through PMU, will ensure that unaudited project financial statements are provided in time to the Auditor General's Office, no later than four months after the end of the fiscal year. The DSC will do the bidding process to recruit the independent audit firm, in consultation with ADB. Due to the capacity constraints and moreover the work load of OAG to audit the Government accounts, the Mission was advised that OAG will outsource the audit requirements under the project to a national firm. Given the number of projects being implemented, the mission suggested to OAG, MIPU and DSC team that it coordinates with VPMU

¹⁰ ADB approach and procedures regarding delayed submission of audited project financial statements:

- When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (i) the audit documents are overdue; and (ii) if they are not received within the next six months, requests for new contract awards and disbursement such as processing of new reimbursement, and issuance of new commitment letters will not be processed.
- When audited project financial statements have not been received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as processing of new reimbursement, and issuance of new commitment letters. ADB will (i) inform the executing agency of ADB's actions; and (ii) advise that the loan may be suspended if the audit documents are not received within the next six months.
- When audited project financial statements have not been received within 12 months after the due date, ADB may suspend the loan.

to include the scope of audit of the project with those VPMU managed projects under one consultancy contract. This will enable receiving a competitive pricing for all the audits and some savings under each of the project. In addition, MIPU and VPMU will overcome administrative burdens as it will have only a single firm to liaise. The consulting firms to be recruited will be in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time) and government procedures acceptable to ADB.¹¹ The terms of reference for the audit are with OAG.¹² The audited financial statements for the project will be due on or before 30 June 2017.

33. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011).¹³ After review, ADB in consultation with MFEM will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website. The audit management letter and entity level financial statements will not be disclosed.

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting

34. The project's procurement classification remains unchanged as of the original project. All advance contracting will be undertaken in conformity with ADB's Procurement Guidelines (April 2015). The issuance of invitations to bid under advance contracting will be subject to ADB approval. The government has been advised that approval of advance contracting does not commit ADB to finance the Project. Withdrawals from the loan and grant accounts may be made for reimbursement of eligible expenditures incurred under the project before the effectivity date in connection with works and consulting services, subject to a maximum amount equivalent to 30% of the loan and grant amounts; provided that the expenditures have been incurred after the emergency occurred but not earlier than 12 months before the date of the loan and grant agreements.

B. Procurement of Goods, Works and Consulting Services

35. All procurement of goods and works, and recruitment of consulting services will be undertaken in accordance with the ADB's Procurement Guidelines.

36. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages is in Section C. The DSC for the original project was selected through quality and cost based selection procedures (90:10) and the civil works contract is being procured following international competitive bidding procedures. The necessary due diligence (feasibility study) and detailed designs of the additional financing is being undertaken by the DSC of the original project through a contract variation. The consulting firm for the construction supervision of the additional financing will be recruited through Single Source Selection (SSS) procedures following ADB's Procurement Guidelines. International competitive bidding procedures will be used for the procurement of the civil works contract under the additional financing following ADB's *Procurement Guidelines (April 2015, as amended from time to time)*. ADB in consultation with the government will recruit the supervision consultant firm. The

¹¹ The recruitment procedures for the audit of VISSP and PVUDP accounts were approved by ADB under a change in scope mode of selection method.

¹² These terms of reference are for the audit of VISSP and PVUDP accounts.

¹³ Available from <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>.

supervision consultants are encouraged to support government's efforts to strengthen Ni-Vanuatu Resilience to build the capacity of national contractors under the civil works contract.

C. Procurement Plan

1. A. Methods, Thresholds, Review and 18-Month Procurement Plan

a. Procurement and Consulting Methods and Thresholds

37. Except as the ADB may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works		
Method	Threshold	Comments
International Competitive (Bidding for Works ¹⁴)	\$ 1,000,000 and Above	
National Competitive Bidding for Works	Below \$ 1,000,000	
Shopping for Goods	Up to \$ 99,999	

Consulting Services	
Method	Comments
QCBS	90:10 (Design and Supervision Consultant firm)
SSS	Supervision of the expanded scope - awarded to design and supervision consultant (firm) under original project

b. Goods and Works Contracts Estimated to Cost \$1 Million or More

38. The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

Package number	General Description	Estimated Value	Procurement Method	Review (Prior/Post)	Bidding Procedure	Advertisement Date (Qtr/year)	Comments
01	Civil Works—Original Project	\$13,000,000	ICB	Prior	1S1E	Q1 2017	Prequalification of Bidders: N Domestic Preference Applicable: N
02	Civil Works—Additional Financing	\$7,393,000	ICB	Prior	1S1E	Q3 2017	Prequalification of Bidders: N Domestic Preference Applicable: N

c. Consulting Services Contracts Estimated to Cost \$100,000 or More

39. The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

Package number	General Description	Estimated Value	Recruitment Method	Review (Prior/Post)	Advertisement Date (Qtr/year)	Type of Proposal	Comments
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¹⁴ In 2013, ADB's Board of Directors approved a blanket waiver of the member country procurement eligibility restrictions applicable to operations financed by the Asian Development Fund and to operations financed from ADB-administered cofinancing resources in all cases. The blanket waiver and universal procurement apply, regardless of whether ADB fully or partially administers the cofinancing resources.

03	Supervision consultant – Original Project	\$2,810,000	QCBS	Prior	Q2 2016	STP	Assignment: International and national
04	Supervision consultant – Additional Financing	\$475,000	SSS	Prior	NA	Biodata	Assignment: International and national

D. Consultant's Terms of Reference

1. Supervision Consultant

40. The international consulting firms in association with national consulting firms will be integrated into the engineering unit of PWD within MIPU to implement the works under the additional financing. The supervision consultant, consisting of international and national specialists, will be engaged by ADB in consultation with the government. The firm is encouraged to include female specialists in the consulting team to meet sex disaggregated targets and assist in implementation of gender activities under the project. PWD assisted by the consulting team will be responsible for construction supervision, contract management, financial management, and monitoring and evaluation (M&E) of the project. The Director of PWD assisted by consultants will oversee the overall implementation of the project. The team leader (TL) assisted by international and national consultants and PWD’s technical, financial, administration and clerical staff will carry out the day-to-day implementation of the project. Office space during the design and construction phases will be provided by MIPU.

2. Outputs and Scope of Services

41. There will be only one output: transport infrastructure in damaged locations on Efate ring road reconstructed, and climate and disaster-proofed. The DSC for the scope under original project has already been engaged and feasibility study (covering all due diligence), detailed designs have been completed. The procurement of a civil works contract is ongoing. The scope for original project included (i) approximately 10 km of road rehabilitated; (ii) about 8 major stream crossings¹⁵ and their approach roads rehabilitated and protected; (iii) about 9 bridges¹⁶ or box culverts and causeways repaired for minor damages and debris cleared; (iv) 200 m meters of river channel realigned at upstream and downstream and river training structures constructed; (v) 800m meters of sealed pavement protected against erosion from storm surges; (vi) 10 km of road side and cross road drainage improved; (vii) 6 culvert headwalls reconstructed; (viii) 250 m of guard rail reconstructed; (ix) 180 m of river banks protected; (x) 100 m by 50 m of land slide at Klems hill reinstated and road pavement protected; and (xi) approximately 600 m long concrete longitudinal road side drain by Klems hill improved.

42. The feasibility study and detailed designs of the scope under the additional financing was also awarded to ongoing DSC. The procurement and construction supervision of the scope under the additional financing will be undertaken through a consulting firm selected through Single Source Selection procedures following ADB’s Guidelines on the Use of Consultants (March 2013, as amended from time to time).

¹⁵ The bridges include Mele, Prima Bridge, Creek Ai, Marona, Lamin, Malatia, Pangpang, and Rentapau. The Japan Agency for International Corporation is considering the rehabilitation of Teouma bridge as it was constructed by them after 2001 earthquake.

¹⁶ The bridges include Eton Dry Creek, Eton Beach, La Cressonnaire, Havana, Tanoliu, Sara, Epule, Epau and Neslep.

43. The scope under the additional financing will include (i) replacement of Epule bridge (originally included as repairs however requires reconstruction with an improved road alignment), (ii) Marona Bridge – boreholes under geotechnical investigations in original scope of work terminated at a 20 m depth; (iii) rehabilitation of Tassikiri road section (6.2 km) including drainage improvements; (iv) Prima floodplain management to manage floodwaters in the Prima (La Colle) catchment in the vicinity of the Prima bridge; (v) reconstruction of Tanoliu and Ulei bridges; and (vi) drainage improvement at Saama.

44. The scope of services of the supervision consultants under additional financing will include but not necessarily be limited to the following:

- (i) Prepare detailed work plan, progress reports and implementation schedule for the project to ensure effective monitoring and timely project outputs, and regularly update the same;
- (ii) Prepare Quality Assurance and Quality Control (QA & QC) Plans and Safety Manuals to be followed on the respective construction sites so as to enforce adequate QA and QC, and safety of construction workers, engineers and citizens;
- (iii) Review existing contract administration guidelines and assist if necessary to improve for the use of the PWD, for its day-to-day contract administration requirements such as measurement of works; certification and payment of contractors' bills, release of retention money; approval of variation, time extension and contractors' claim, issue of completion certificate, financial closure of contract; management during the Defects Notification Period (DNP) and any other contract administration requirement;
- (iv) Prepare the standard construction management system to be followed by contractors at construction sites comprising important components such as planning of activities (work plan), procurement of construction material and equipment; construction methodology; environmental management, quality management, social interaction including gender awareness, grievance resolution and community liaison, health and safety including STI/HIV/AIDS awareness, deployment of construction machinery, deployment of workers, deployment of funds, etc.; and implement the same;
- (v) Support the PWD in preparation of bid documents using standard bidding documents and specific requirements (specification) of each project components if applicable, with due consideration to the ADB International Competitive Bidding (ICB) requirement and FIDIC¹⁷ Conditions of Contract for Construction – Multilateral Development Bank Harmonized Edition June 2010. The bid documents will include the environmental management plan(s) from the approved environmental assessment(s) which have been updated based on detailed design;
- (vi) Assist the PWD in issuing invitation for bids, addendum/corrigendum, and clarifications to the bidders' queries, pre-bid meeting/s, receiving of bids and evaluation, award of contract, signing of contract and compilation of the signed contract documents including construction drawings. Assist the PWD in reviewing and approving the contractor's construction EMP (CEMP) prior to commencement of physical works;
- (vii) Assist PWD in assessing compliance of contract specific bank guarantees, insurances and advise PWD on the expiry, renewal and forfeiting of the same when and where necessary;
- (viii) Assess contractor's interim payment certificates and forward to PWD and ADB for payment along with required supporting documents;

¹⁷ *Federacion Internacional de Ingenieros Consultores* or International Federation of Consulting Engineers

- (ix) Assist the PWD to set the indicators for the baseline on the project and to carry out the necessary tasks identified in the Project Administration Manual (PAM) for the Project;
- (x) Carryout financial due diligence including a general financial management capacity assessment of the MFEM and MIPU, and also an assessment of incremental recurrent cost financing capacity of the EA for maintaining the project roads in good working order for its economic life; and
- (xi) Carryout any other project-related services as deemed necessary and required by MIPU.

3. Supervision Consultant Team

45. The Government of Vanuatu has received a loan and grant from the ADB and part of the proceeds from this loan and grant will be used to finance the supervision consultants under the additional financing. Key positions are to be sourced from fulltime employees of the firm.

46. The terms of reference (TOR) for the individual team members shall be read in conjunction with the TOR for the other supervision consultants. Each team member shall support the overall goal of the project. The supervision consultants shall consist of 25 person-months of international consultants.

a. Details of Construction Phase

47. For the construction phase, the supervision consultants scope of services will include but not necessarily be limited to the following:

- (i) Regularly undertake project site inspections, oversee contractor's works and guide the contractors on the activities and works, and provide concrete suggestions to the PWD for improvement if required;
- (ii) Undertake quality assurance tests on pavement materials and structural materials used in construction for compliance with specifications and standards;
- (iii) Regularly monitor contractor's environmental management plans on the subprojects; and
- (iv) Provide all necessary support to the PWD in communicating with and monthly reporting to all relevant authorities such as the ADB, relevant ministries and government bodies, and all other relevant stakeholders as required by the MIPU.

b. Inputs and Outputs of the Supervision Consultants

48. **Inputs.** The supervision consultants will provide inputs to and outputs to the construction phase of scope under the additional financing of the project. The following experts with their terms of reference have been identified for the supervision consultants for the activities

49. The supervision consultants for construction phase activities shall consist of Deputy TL/Resident/Contract Engineer (12 pm), Field Superintendent (12 pm), and M&E Specialist (1 pm).

50. **Outputs.** The supervision consultants shall produce the following outputs for the construction phase:

- (i) Mobilization of contractor for major civil works within two months after contract signing;

- (ii) Provide to MIPU /PWD and ADB detailed project performance monitoring system (PPMS) including detailed indicators;
- (iii) Implementation of the community participation plan, gender activities, and monitoring of contractor compliance with the approved construction environmental monitoring plan (CEMP);
- (iv) Brief monthly and quarterly project progress reports and quarterly progress reports in an agreed format between PWD and ADB, submitted within 1 month of the end of the quarter;
- (v) Supervise construction works carried out by the contractor/s in accordance with contract specifications and FIDIC conditions of contract;
- (vi) Six-monthly safeguard monitoring reports submitted to ADB;
- (vii) Assess contractor's claims and prepare and submit interim and final payment certificates to MIPU and ADB for payment together with necessary supporting documents.
- (viii) Draft project completion report in an agreed format 3 months after physical completion of the project;
- (ix) Update/revise and provide PWD "As Built Drawings" under the scope of works; and
- (x) Final project completion report 1 month after receiving the comments on the draft final report from the government and ADB.

c. Supervision Consultants Composition and Terms of Reference

a. Deputy TL/Resident/Contract Engineer (international, 12 pm)

51. **Inputs.** The Deputy TL/Resident/Contract Engineer will also undertake the role of TL in discharging his/her duties during the construction phase. S/he will carry out the duties of the TL when the TL is out of the country. S/he will be the Engineer's Representative as detailed in the FIDIC conditions of contract. The Deputy TL/Resident/Contract Engineer responsibilities in contract administration and construction supervision will include, but not necessarily be limited to the following:

- (i) Assist the PWD in supervising and monitoring construction of the project, prepare measurements for works completed and in progress, and verify bills for payment to the contractors or suppliers;
- (ii) Assist the PWD in checking the line level, layout of the construction to ensure conformity with the contract, propose and present for approval any change in the plans that may be deemed necessary indicating any effect the change may have on contract and prepare all change/variation orders (where necessary) for the approval of MIPU;
- (iii) In consultation with the TL and other DSC members, review and recommend for approval of contractor's Project Quality Plan, Environmental Management Plan, Gender activities, Health and Safety Program, and As-Built drawings in accordance with the contract requirements,
- (iv) Monitor and enforce, as detailed out in Contractors Safety Program, the measures taken to ensure safety of the workers, other project personnel, general public and works;
- (v) Furnish detailed drawings, with revisions as necessary, to the contractor, check contractors' design and drawings;
- (vi) Attend third party inspections if required and provide certification on the quality of the supplies based on such inspections;

- (vii) Check measurement for works completed and in progress, verify and endorse bills for payment to the contractors / suppliers by the PWD, provide certification on the quality of the works accomplished and on their conformity to specifications and drawings. Ensure that works are constructed to the prescribed quality in accordance with specifications, tender documents and quality assurance system;
- (viii) Work as the engineer or employer's representative within the context of conditions of the construction contracts;
- (ix) Ensure the contractor complies with the approved construction environment management plan;
- (x) Hold monthly site meetings and prepare and submit monthly progress reports in such detail acceptable to PWD and ADB;
- (xi) Regularly monitor physical and financial progress against the milestones as per the contract so as to ensure completion of contract in time;
- (xii) Review and certify progress claims for disbursement;
- (xiii) Monitor and enforce quality control on all activities of the construction work to make sure the highest quality of works conforming to the specification and drawings;
- (xiv) Carry out timely reporting to PWD for any inconsistency in the work and suggestive appropriate corrective measures to be applied;
- (xv) Examine contractors' requests for time extension, variation, additional compensation and claims and recommend appropriate decision;
- (xvi) Assist PWD in the resolution of various other contractual issues and overall contract management; and
- (xvii) After physical completion of contract, prepare planned maintenance procedures; check installation and commissioning; monitor preparation of the "as built" drawings for various project component.

52. **Outputs.** The outputs of the DTL include:

- (i) Outputs of TL are completed by the DTL during the absence of TL.
- (ii) The damaged transport infrastructure is completed to specifications and standards specified in the contract.
- (iii) Effective management of the project activities, the consultants and contractor personnel in absence of the TL.
- (iv) Duties of Engineer to the Contract are discharged as per FIDIC Conditions of Contract.
- (v) Monthly progress reports and interim and final payment certificates are submitted on time.
- (vi) Education awareness on HIV/AIDS and STIs and gender are well coordinated and undertaken.
- (vii) Gender-sensitive community consultation is effectively implemented.
- (viii) PWD engineers trained in contract management and administration.

53. **Qualifications and experience.** S/he will have a civil engineering degree with at least 10 years' experience in contract administration and construction supervision of bridges or wet crossings and other transport infrastructure in a developing country. A sound knowledge of project management and road and bridge construction materials properties and strengths is also required including experience in managing past projects as well as undertaking the role of resident/contract engineer. S/he must be an employee of the firm.

b. Field Superintendent (international, 12 pm)

54. **Inputs.** The responsibilities of the specialist will include, but not necessarily be limited to the followings:

- (i) Under the guidance of Resident/Contract Engineer and TL, provide direct supervision of contractors works;
- (ii) Ensure that the contractor complies with the approved CEMP requirements. Work with the NSS to identify issues and identify corrective actions as required;
- (iii) Ensure that the works are completed in compliance with the specifications and standards under the contract;
- (iv) Oversee quality control of the works of the contractor's personnel including quality of pavement materials, concrete and reinforcing bars, steel, bitumen etc. as per specifications;
- (v) Assess construction materials and oversee field and laboratory tests;
- (vi) Certify the laboratory tests on materials and concrete;
- (vii) Assess contractor's monthly claims;
- (viii) Provide training in supervision to national staff or consultants; and
- (ix) Provide inputs in Resident /Contract Engineer's monthly progress report.

55. **Outputs.** The outputs are as follows.

- (i) Effective supervision and quality assurance of contractor's work in accordance with contract is complied with.
- (ii) Contractor's workers comply with the operational, health and safety standards as per the contract.
- (iii) Specification and strengths of the construction materials for bridges and roads are complied with as per the contract.
- (iv) Education awareness on HIV/AIDS and STIs are well coordinated and undertaken.
- (v) Community consultation is effectively implemented.
- (vi) PWD engineers and supervisors trained in construction supervision and quality control activities under the contract.

56. **Qualifications and Experience.** S/he will have (i) higher certificate or diploma in construction engineering particularly roads and bridges, (ii) at least 10 years of experience in supervision of the construction of bridges under road structures preferably in Pacific DMCs; and (iii) knowledge of properties of soil and aggregates including construction material and their strengths for roads and bridges is essential.

c. Monitoring and Evaluation (M&E) Specialist (international, 1 pm, intermittent)

57. **Inputs.** The responsibilities of the specialist will include, but not necessarily be limited to the followings:

- (i) Examine the existing reporting system by the M&E Unit in PMO, and determine how the project performance monitoring system (PPMS) could be minimally modified for the project. In consultation with PMO staff, PWD and ADB prepare an updated M&E Plan for the project;
- (ii) Review performance indicators in the project's Design and Monitoring Framework (DMF) and agree on indicators and targets as well as on definitions of these indicators. Submit proposed revisions, if necessary;
- (iii) Establish sex-disaggregated baseline data for the DMF performance indicators, if needed, and other gender-related indicators for regular monitoring and reporting during project implementation period.

- (iv) Update the M&E and systems that incorporate agreed indicators and targets and identifies sources of baseline and progress data as well as frequency of reporting;
- (v) Based on the M&E framework and M&E Plan, design and document a PPMS that incorporates systems and procedures for collecting, processing and reporting data, is compatible with the ADB's Project Performance Reporting (PPR), and meets the requirements of PWD and PMO's M&E Unit;
- (vi) Implement the PPMS and analyze data collected on key performance indicators ensuring that these activities are sustained within PWD and PMO's M&E Unit by training local counterpart and national consultant, as the case maybe;
- (vii) In coordination with the ESS, SRS and SDCCGS, train national counterparts and consultants on gender-sensitive survey methods, collection, analysis and reporting of baseline data for key performance indicators;
- (viii) Prepare a training design, training modules and training materials on gender-sensitive survey methods for collecting baseline data including the analysis of survey results, and conduct a training activity for national counterparts and consultants;
- (ix) Brief PWD and PMU staff and consultants regularly on the PPMS and its implementation including individual responsibilities for data collection and reporting; and
- (x) For all periodic reports, prepare and analyze data on physical progress based on the implementation plan, and on project performance based on indicators and targets for the mid-year and annual reports.

58. **Outputs.** The main outputs of the IMES during this phase include: (i) PPMs updated quarterly and national M&E specialist (NMES) trained in updating PPMS; and (ii) Quarterly M&E report prepared NMES trained in preparing quarterly M&E reports.

59. **Qualification and Experience.** S/he will have: (i) a tertiary degree in social science or economics or a closely related field; (ii) at least 8-10 years' experience working in developing countries; (iii) experience in the Pacific countries and experience in Vanuatu will be considered an advantage; (iv) recent and demonstrable experience in preparing and implementing monitoring evaluation aspects of infrastructure development projects in Pacific countries or similar environments

E. MIPU Counterpart Support and PWD Resources

60. MIPU will provide counterpart support through the Director PWD, MIPU Engineers in PWD, soils laboratory technician and equipment available in the Soils Laboratory. PWD will also provide as built drawings of the damaged structures particularly to the Efate ring road. In addition and in order for PWD to directly involve in financial management and project accounting, MIPU will provide an accounting officer and accounts clerk both intermittently during project period. MIPU will also provide for office space and furniture for DSC. All office equipment for the project and stationary, including office operational costs for the project, have been estimated in the DSC budget.

VII. SAFEGUARDS

61. MIPU, as the implementing agency, will have overall responsibility for compliance with safeguard requirements. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS),¹⁸ ADB funds must

¹⁸ Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS.

62. **Environment.** The project is category B for environment. An environmental assessment and review framework (EARF) was prepared for the original project and will apply to the additional financing. The EARF provides a procedure for the screening, environmental assessment and clearance of subprojects to be implemented with the additional financing. The EARF covers the selection, screening, assessment, implementation and monitoring of subprojects during design and construction phases of the project. The environmental assessment and clearance of subprojects under the additional financing will comply with the country safeguard system (CSS) of Vanuatu and any additional measures and provisions required by the SPS where there are gaps between CSS and best practice. Based on experience with the 20 sites assessed in the original project, it can be anticipated that most of the impacts of the additional financing will be site-specific, are not particularly significant as road segments and bridges to be repaired will be reconstructed within their existing location, i.e., within the already existing road corridor. Four of the six sites are included in the original project and the additional financing proposes to expand the scope of works at these sites. Thus, land acquisition and associated issues with regard to disturbance of cultural sites, destruction of significant vegetation or habitats is unlikely to occur under the additional financing.

63. The Department of Environmental Protection and Conservation has set out the requirements to be met under the Environmental Protection and Conservation Act (EPCA), this includes, as a first step, completion of an application which will identify baseline conditions and anticipated impacts at each of the sites. The DEPC conducts a preliminary environmental assessment of the application and makes a determination of assessment and/or environmental management plan (EMP) requirements for clearance—environmental permit—under the EPCA.

64. An initial environmental examination (IEE) has been prepared for the additional financing. The IEE has been formatted to meet the EPCA requirements as determined by DEPC, with additional elements as required to also ensure compliance with SPS. The environmental assessment will be cleared by government (DEPC) and ADB and disclosed locally and on the ADB website. For works in coastal locations the Foreshore Development Act is triggered. Application for foreshore development consent from Physical Planning Department will be required in addition to permit under the EPCA. The consent application requires: (i) consultation with, and consent of, the foreshore landowners; and (ii) a description of the proposed works including plans, maps and drawings. MIPU will sub it the application for foreshore development consent.

65. Post award of contract, the contractor will identify sources of construction materials. Sources of materials for the project will comply with the requirements of the Department of Geology, Mines and Water (DGMW) within the Ministry of Land and Natural Resources and the Quarry Act 2013 as well as MIPU's best practice guidelines for extracting, storing and transporting materials. Should a contractor elect to source aggregates locally, the contractor will be required to ensure that aggregate is sourced from sites that have a permit issued by the DGMW either to the owner of the quarry, to the PWD or directly to the contractor for the extraction of materials. Any site that is opened by the contractor will comply with relevant laws and requirements including the documentation to accompany the permit application (work program, site plan, extraction plan, health and safety plan, and rehabilitation plan). This process will be set out in the EMP section of the assessment. The DSC team will provide support to the contractor in preparing the application(s) and extraction/management plan(s).

66. Capacity building opportunities are being provided through the project and the additional financing. In addition to institutional strengthening for safeguards to PWD (and MIPU) staff, this will include environmental management capacity building for contractors prior to preparation and submission of contractor's site-specific EMP (SEMP). ADB will also offer to conduct an advanced environmental safeguards training (a two-day workshop style training event) focusing on EMP for national and international contractors in addition to PWD (and other project implementing agency) staff.

67. **Involuntary resettlement.** The original project has been recategorized from category B to C for involuntary resettlement since it has not triggered the involuntary resettlement safeguard as confirmed during the due diligence. Four of the six sites covered under the additional financing are included in the original project and the additional financing proposes to expand the scope of works at these sites. The additional financing is classified as category C for involuntary resettlement. The project is within the existing ring road corridor and temporary access to land outside the corridor where required to be obtained during construction, including any affected assets or loss of crops and trees to be compensated, will be through negotiated settlement and/or other land use agreement. This is in accordance with the resettlement framework (RF) prepared for the original project and the due diligence report prepared for the 20 sites in the original project.

68. The project's RF identifies the procedures to ensure compliance with the CSS and SPS. The CSS for social safeguards comprises Custom Land Management Act, which provides for the determination of custom owners (and the resolution of disputes over ownership of custom land by customary institutions) and for related purposes, Land Acquisition Act and Land Acquisition Amendment Act. As noted above the Foreshore Development Act may also be triggered.

69. The RF requires a screening process be undertaken (similar to that for environmental safeguards) to identify land and resource owner and use aspects (whether the involuntary resettlement safeguard will be triggered) and level of due diligence reporting required for each site.

70. Following the established procedures and protocols for access to land for construction, (and as implemented under the original project) a memorandum of understanding (MOU) has been adopted for the additional financing.¹⁹ This requires identification of, and consultation with, land/resource owners, signing of an agreement allowing access to project sites for investigation and construction purposes, and negotiation for longer-term access (with or without 'in-kind' compensation, lease, negotiated purchase, or other access arrangement). The MOU process has been verified by a third party and documented in the DDR.

71. The DDR will be cleared by government and ADB and disclosed locally and on the ADB website.

72. **Indigenous people.** The additional financing is category C for indigenous people. The additional financing is confined to six sites along the existing ring road corridor and the beneficiaries are the Ni-Van people of Efate. The project does not trigger the indigenous people's safeguard policy as there are no distinct and vulnerable indigenous peoples to be impacted by the project.

¹⁹ The MOU approach has been successfully implemented in the original project, Vanuatu Inter-island Shipping Support Project and Port Vila Urban Development Project and is also being implemented for World Bank funded projects.

VIII. GENDER AND SOCIAL DIMENSIONS

73. The additional financing is classified as some gender elements. Women will be encouraged to take up employment during project implementation (reconstruction) including labor-based road work, traffic control, traffic survey work and other employment opportunities. Equal wages for equal work will be paid to men and women engaged in the project. Community meetings and various training and awareness activities such as education awareness on HIV/AIDS and prevention (coordinated with HIV Coordinator of Ministry of Health) and awareness on gender sensitive transport and road safety issues will target at least 30% women participation. Grievance redress committees and community liaison committee will include at least 20% women members.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Revised Project Design and Monitoring Framework

<p>Impact the Project is Aligned with:</p> <p>Current Project</p> <p>Accelerated economic and social recovery in Vanuatu’s Cyclone Pam-affected provinces (defined by the PDNA)^a</p> <p>Overall Project</p> <p>Unchanged</p>
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Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>Outcome</p> <p>Current project</p> <p>Socioeconomic activities restored to at least pre-Cyclone Pam levels</p> <p>Overall project</p> <p>Unchanged</p>	<p>By 2018</p> <p>Current project</p> <p>a. GDP growth projection increased to 3.6% (2015 baseline: 2015 GDP growth is expected to decline to 1.4% from 4.6%)</p> <p>b. 130 km of road connected for road users to facilitate trade</p> <p>Overall project</p> <p>Unchanged</p>	<p>a. ADB Outlook, Pacific Economic Monitor database, and Vanuatu National Statistics Office</p> <p>b. Quarterly progress reports from the MIPU</p>	<p>Extreme weather event during reconstruction results in delays</p>
<p>Output</p> <p>Current project</p> <p>1. Transport infrastructure in damaged locations on Efate ring road reconstructed, and climate- and disaster-proofed</p> <p>Overall project</p> <p>Unchanged</p>	<p>By 2017</p> <p>Current project</p> <p>1a. About 10 km of road rehabilitated</p> <p>1b. About eight stream crossings and their approach roads, abutments, and piers repaired and protected</p> <p>1c. About nine bridges, box culverts, and causeways repaired for minor damages and debris cleared</p> <p>1d. About 200 m of river channel realigned upstream and downstream, and river training structures constructed</p>	<p>Quarterly progress reports from the MIPU</p>	<p>Delays in implementation caused by MIPU staff occupied in other infrastructure sectors such as reconstruction of public buildings adversely affecting the implementation and effectiveness of the emergency assistance</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	<p>1e. About 1,000 m of sealed pavement protected against erosion from storm surges</p> <p>1f. About 8 km of roadside and crossroad drainage improved</p> <p>1g. About six culvert headwalls reconstructed</p> <p>1h. About 250 m of guardrail reconstructed</p> <p>1i. About 180 m of riverbanks protected</p> <p>1j. Landslide at Klems hill (approximately 100 m x 50 m) reinstated</p> <p>1k. Concrete longitudinal roadside drain at Klems hill (about 600 m long) improved</p> <p>1l. 100% of construction workers and at least 80% of roadside inhabitants receive education on gender equality and HIV and AIDS awareness by the end of the project</p> <p>1m. At least 30% of participants in all community consultations and training sessions are women.</p> <p>Overall project</p> <p>By 2018</p> <p>1a-1m. Unchanged</p> <p>1n. 6 km of the Tassikiri road section rehabilitated</p> <p>1o. Management of Prima floodplain developed to manage the catchment near Prima Bridge</p> <p>1p. Tanoliu and Ulei bridges reconstructed</p> <p>1q. Drainage at Saama improved</p>		

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	1r. Epule Bridge replaced (reconstruction instead of repairs) 1s. Boreholes for the piles for the Marona Bridge driven down to at least 30 m		

Key Activities with Milestones																						
<p>1. Reconstruction of damaged infrastructure</p> <p>1.1 Conduct topographical survey (Q3 2017)</p> <p>1.2 Conduct feasibility study (Q2–Q3 2017)</p> <p>1.3 Prepare detailed engineering designs (Q2–Q3 2017)</p> <p>1.4 Prepare bid documents (Q3 2017)</p> <p>1.5 Carry out bidding and bid evaluation (Q3 2017)</p> <p>1.6 Award civil works contracts (Q1 2018)</p> <p>1.7 Reconstruct civil works (Q1–Q4 2018)</p> <p>Project Management Activities</p> <p>Recruit supervision consultants (Q3 2017)</p> <p>Prepare project implementation plan (Q1 2018)</p> <p>Implement communication strategy and communication plan (2017–2018)</p> <p>Oversee environment management activities (2017–2018)</p> <p>Prepare project completion report (Q4 2018)</p>																						
Inputs																						
<table border="1"> <thead> <tr> <th colspan="2">ADB</th> </tr> <tr> <th>Loan</th> <th>Grant</th> </tr> </thead> <tbody> <tr> <td>ADF: \$1,000,000 (current)</td> <td>ADF: \$7,000,000 (current)</td> </tr> <tr> <td>ADF (DRF): \$2,810,000 (current)</td> <td>ADF (DRF): \$2,805,000 (current)</td> </tr> <tr> <td>COL: \$4,100,000 (additional)^b</td> <td>ADF: \$4,100,000 (additional)^b</td> </tr> <tr> <td>\$7,910,000 (overall)</td> <td>\$13,905,000 (overall)</td> </tr> <tr> <th>Global Environment Facility</th> <th>Government^c</th> </tr> <tr> <th>Grant</th> <td></td> </tr> <tr> <td>\$2,680,000 (current)</td> <td>\$2,210,000 (current)</td> </tr> <tr> <td>\$2,680,000 (overall)</td> <td>\$1,200,000 (additional)</td> </tr> <tr> <td></td> <td>\$3,410,000 (overall)</td> </tr> </tbody> </table>	ADB		Loan	Grant	ADF: \$1,000,000 (current)	ADF: \$7,000,000 (current)	ADF (DRF): \$2,810,000 (current)	ADF (DRF): \$2,805,000 (current)	COL: \$4,100,000 (additional) ^b	ADF: \$4,100,000 (additional) ^b	\$7,910,000 (overall)	\$13,905,000 (overall)	Global Environment Facility	Government ^c	Grant		\$2,680,000 (current)	\$2,210,000 (current)	\$2,680,000 (overall)	\$1,200,000 (additional)		\$3,410,000 (overall)
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<p>Current project</p> <p>Additional cofinancing may be confirmed and added to the project for additional or expansion of existing performance targets for the output.</p> <p>Overall project</p> <p>Additional cofinancing may be confirmed and added to the project for any additional or upscaling of the performance targets for the output.</p>																						

ADB = Asian Development Bank, ADF = Asian Development Fund, COL = concessional ordinary capital resources loan, DRF = Disaster Response Facility, GDP = gross domestic product, km = kilometer, m = meter, MIPU = Ministry of Infrastructure and Public Utilities, Q = quarter, TCP = Tropical Cyclone Pam.

^a Government of Vanuatu. 2015. *Vanuatu Post-Disaster Needs Assessment: Tropical Cyclone Pam, March 2015*. Port Vila.

^b Grant funds are front-loaded. The loan may be withdrawn only after the grant funds are fully utilized.

^c Comprises taxes and duties of \$2,960,000 to be financed by the government through exemptions and \$450,000 as in-kind contribution for audit fees and counterpart staff.

Source: Asian Development Bank.

B. Monitoring

74. **Project performance monitoring.** The PMU through the DSC has been tasked to perform a monthly progress review of activities as agreed per work plan deliverables. This includes (i) initially the design work and (ii) community consultation and (iii) subsequently the reconstruction of the civil works. The supervision consultants under additional financing will be tasked to extend this activity for expanded scope of the project. In close coordination of the Government's monitoring and evaluation units at Prime Minister's Office, a simple monitoring and evaluation system has been established with baseline data at the PMIU which will include targets and indicators from the DMF. This will be continued for the expanded scope. Data collected will be sex-disaggregated. Achievement of work plan deliverables, milestones and as well as respective indicators will be reporting in the quarterly progress report and after each ADB review mission. These reports will provide information necessary to update ADB's project performance reporting system.

75. A MS Excel-based program has been designed for PPMS. This, together with the PPMS Guidelines and the PPMS training, has already been completed in August 2016. The PPMS considers the requirements of the Government as well as those under the ADB's Project Performance Reporting [PPR] system. Meanwhile, the Roads for Development [R4D] program that is being funded by Australia's Department of Foreign Trade [DFAT] has started work on a Management Information System [MIS]. The DSC shall work closely with PWD and R4D to ensure that the measurements of the project's performance indicators are included into the MIS.

76. **Compliance monitoring.** Compliance with project covenants will be monitored through the quarterly progress reports and after each ADB review mission. The PMU through the DSC will be responsible for monitoring compliance in accordance with the ADB-government loans and grants agreements, issuing warnings to the government and or consulting firms/contractors when covenants are breached, and informing ADB.

77. **Safeguards monitoring.** Environment and social safeguards will be monitored by international and national specialists within the PMU, in accordance with the IEE and any resettlement plan and/or due diligence report. The results of safeguards activities and monitoring will be reported in the PMU quarterly progress reports. Additionally, review missions and semi-annual safeguards monitoring reports will report on safeguard compliance. Review missions will be guided by the checklists contained in Appendix 1. The outline table of contents for semi-annual monitoring reports is also contained in Appendix 1. The semi-annual safeguards monitoring reports once accepted to ADB will be publicly disclosed to ADB's and government's websites.

78. **Gender and social dimensions monitoring.** The DMF indicators require measurement of the number of women included in consultations and training of construction workers and communities. Project performance against these indicators will be monitored through the M & E system of quarterly and annual reporting. PMU quarterly progress reports will also include reporting of progress against all identified gender activities, including opportunities, challenges and lessons learned related to integration of gender activities into the project.

79. The project is categorized as SGE,²⁰ which means that while a gender action plan is not required, attention is required to be paid through: (i) social/gender analysis during design stage;

²⁰ The project is by nature likely to directly improve women's access to services, opportunities, and improved voice (e.g., education, health, rural development, microfinance, rural water supply and sanitation, food security and emergency food and rehabilitation assistance) but does not meet effective gender mainstreaming design criteria; or

and (ii) inclusion of proactive gender design features (such as female employment targets in construction, women's involvement in operation and maintenance, participation in road safety programs, involvement in the selection of community infrastructure, budgeted campaign for HIV/AIDS or trafficking prevention, gender capacity building for executing agency, inclusion of consultant (or nongovernment organization) with gender expertise in project implementation teams. The progress and status of gender aspects will be documented in the QPR.

C. Evaluation

80. Once the loan and grant for the additional financing are effective, ADB will field an inception mission for MIPU to agree on a checklist on project implementation requirements. ADB and the government will undertake semiannual review mission with the government to review overall implementation of the project. The mission will (i) examine any implementation problems that the project is encountering or is likely to encounter, and work out measures with the EA and IA to resolve them; (ii) review actions required in terms of poverty reduction, environmental impact assessments, gender activities and resettlement plans, and where required, consult with nongovernment organizations; (iii) check on availability and timeliness of budgetary allocations and counterpart staff and funding; (iv) review project expenditures, and estimate whether the project can be completed within the original cost estimates; (v) identify any cost overruns or savings that may materialize under the project, and ascertain the need to reallocate grant and loan proceeds between categories or cancel surplus grant and loan proceeds; (vi) review progress with procurement and disbursement; and verify, based on a comparison of ADB's and the MIPU's records, the contracts awarded, and commitments and disbursements made; (vii) review the recipient's compliance with particular grant covenants and, where there is any noncompliance or delay, discuss proposed remedial measures with the recipient (including discussions with the external auditor where relevant); (viii) assess the likelihood of attaining the project's immediate development objectives as indicated in the project performance report (PPR); (ix) examine the need to extend the grant and loan closing date, and where required, work out with MFEM the most suitable grant and loan closing date based on a revised implementation schedule, and advise the MFEM and borrower to submit a formal request for extension to ADB; and (x) examine any other matter related to the project that requires ADB's attention. The midterm review will be made after 1 year of the loan and grant effectiveness date.

D. Reporting

81. MIPU with assistance with DSC team will provide ADB with (i) quarterly progress reports (QPR) in a format consistent with ADB's project performance reporting (PPR) system and in accordance with the details provided in the PAM including (a) progress achieved by output as measured through the DMF indicator's performance targets, (b) key implementation issues and solutions, (c) updated procurement plan, and (d) updated implementation plan for next quarter; and (ii) a project completion report (PCR) within three months of physical completion of the project.²¹ To ensure projects continue to be both viable and sustainable, project accounts and the executing agency AFSs, together with the associated auditor's report, should be adequately reviewed. The QPR should be submitted to ADB no later than 4th week after the end of quarter. The first QPR will be due in the last week of October 2016.

the project is unlikely to directly improve women's access to services, opportunities, and voice, but significant efforts were made to include some gender features to enhance benefits for women.

²¹ Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

E. Stakeholder Communication Strategy

82. At the outset of the design phase, the PMU will prepare a communications and participation plan (CPP) for the project. The CPP will be based on methods used in similar projects and follow custom and tradition for communication requirements. Once the process for dialogue with stakeholders at different levels has been established, consultations will be undertaken to share information about the project, receive information from communities and beneficiaries, and discuss potential impacts and mitigation measures. Disclosure of project documents including safeguards assessments and plans will comply with ADB Public Communications Policy 2011 and relevant requirements of laws of Vanuatu (Environmental Protection and Conservation Act). The CPP will also set out the grievance redress mechanism that will be implemented to resolve any project-level complaint or issue. Consultations and communications will be recorded, reported and be subject of monitoring.

83. The safeguards due diligence requires inputs to and from the communities and stakeholders along the road and within the catchment. This will be documented in the safeguards assessments/reports and as required in the social/gender analysis.

X. ANTICORRUPTION POLICY

84. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy (1998, as amended to date) relating to the project.²² All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.²³

85. To support these efforts, relevant provisions are included in the financing agreement/regulations and the bidding documents for the project. Procurement will follow ADB's Procurement Guidelines (2015, as amended from time to time), consultant selection will adopt ADB's Guidelines on the Use of Consultants (2013, as amended from time to time), and disbursement will be made in accordance with ADB's Loan Disbursement Handbook (2012, as amended from time to time).

86. Any suspect of fraud, waste; or misuse of project resources or property will be established through the Ombudsman's Office, Transparency International, government's internal auditors within MFEM, as well the Vanuatu Office of the Auditor General. ADB should be notified immediately in the event or suspicion of fraud, waste or misuse of project resources.

87. To ensure transparency and good governance, MIPU will publicly disclose the use of the loan and grant proceeds on the government's website. For each procurement contract, MIPU will disclose (i) the list of participating bidders, (ii) the name of the winning bidder, (iii) basic details on the bidding procedure adopted, (iv) the amount of the contract award, (v) the list of goods or services purchased, and (vi) the intended and the actual amount of loan and grant proceeds under each contract. MIPU will see to it that all consultants, contractors, and staff are fully aware of, and comply with, the procedures of the government and ADB, including those for implementation, procurement, use of consultants, disbursements, reporting, and prevention of fraud and corruption.

²² Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>.

²³ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>.

XI. ACCOUNTABILITY MECHANISM

88. People who are, or may in the future be, adversely affected by the project may address complaints to ADB, or request the review of ADB's compliance under the Accountability Mechanism.²⁴ The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department.

89. A procedure for managing complaints and problems will be established by MIPU to (i) review and redress grievances and complaints of project stakeholders in relation to the project, any service provider, or any person responsible for carrying out the project; (ii) set the threshold criteria and procedures for handling such grievances, for proactively addressing them, and for notifying stakeholders about the mechanism or course of action chosen; and (iii) maintain the records on the above. The DSC will assist MIPU in the establishment of these procedures, proactively addressing them as well as keeping of the records.

XII. RECORD OF PAM CHANGES

90. The record of PAM changes included in following table:

Date Changed	Section Changed	Changes Made
1. 3 August 2016	I – IX	Relevant updates as of the inception mission on 28 July – 3 August 2016.
2. 14 April 2017	I – X	Relevant to additional financing

²⁴ For further information see: <http://compliance.adb.org/>.

Appendix 1: Safeguards Compliance Checklists and Outline Contents of Monitoring Reports

Heading/Section	Contents
Introduction	Brief background on the project and subproject; Institutional arrangements for project management and environmental management;
Monitoring Activities	Who participated in the monitoring; Methodology for monitoring (whether checklists prepared etc); When the monitoring was undertaken and what period it covers; Summary of other monitoring undertaken in the period (i.e. form contractor's monthly reports and if any survey/sample monitoring undertaken); Main activities – observations/inspections, consultations, interviews with contractor staff etc
Works in Progress	Details of the works being undertaken, (with photographs); Include whether any environmental training/awareness has been provided to contractor staff in the period (what, by whom etc)
Monitoring Results and Actions Required	Whether works and measures comply with the approved EMP/CEMP and RP; Should follow sequence of items identified in EMP/CEMP and RP and verify that all mitigations measures noted are being implemented; Corrective actions cited (date to be resolved and person responsible on contractor team and verification by IA/PMU)
Summary and Conclusions	Summary of main findings; Main issues identified and corrective actions noted; Can include summary table which can be updated each period to track completion of actions required
Attachments	Monitoring checklist (based on items identified in the EMP/CEMP and RP) refer Annex 1 Additional photographs Additional information as required

Annex 1. Checklist for Safeguard Supervision/Monitoring (Environment)

PARD Safeguards Implementation Checklist: Environment					
Date: _____					
PROJECT INFORMATION					
Loan/Grant No.:		Project Name:			
Approval Date:		Closing Date:		Cumulative Progress (%):	
Project Team Leader(s):				Implementing Agency:	
1) Categorization					
(Original)		A	B	C	FI
(additional financing, if any)		A	B	C	FI
<i>(Please complete the following sections if the project has been categorized as A, B or FI)</i>					
2) Planning					
Documents:		EARF	IEE/EIA	No. of IEE/EIA	EMP
IEE/EIA Disclosed and Posted on ADB Website:		Yes	No	If no, actions? _____	
EMP Finalized or Updated after Detailed Design:		Yes	No	If no, actions? _____	
CEMP submitted, reviewed and approved:		Yes	No	If no, actions? _____	
<i>(Attach a list of subprojects and status if necessary.)</i>					
3) Institutional Setup					
PIU/PMU Environment Staff Assigned:		Yes	No	If no, actions? _____	
If yes, Name:		_____		Since: _____ / _____ (month) (year)	
Environmental Specialist/Consultant Mobilized:		Yes	No	If no, actions? _____	
If yes, National Specialist's Name:		_____		Since: _____ / _____ (month) (year)	
If yes, International Specialist's Name:		_____		Since: _____ / _____ (month) (year)	
participation of Gov. Environment Agency/Division:		Yes	No	If no, actions? _____	
If yes, Name:		_____		Since: _____ / _____ (month) (year)	
Grievance Redress Mechanism Established:		Yes	No	If no, why? _____	
Allocation of Government Budget:		Yes	No	If no, actions? _____	
If yes, amount\$:		_____			
4) Monitoring and Reports					
Internal Monitoring System Established:		Yes	No	If no, actions? _____	
Compliance monitoring incorp. into O Progress Reports:		Yes	No	If no, actions? _____	
External Monitor Engaged (if needed):		Yes	No	If no, actions? _____	
If yes, Name:		_____		Since: _____ / _____ (month) (year)	
Monitoring Report Submitted to ADB:		Yes	No	If no, actions? _____	
If Yes, provide information below					
	Baseline Report	Report 1	Report 2	Report 3	Report 4
Submission Date (m/yr)					
ADB Review Date (m/yr)					
Web-posting Date (m/yr)					
Name of ADB Reviewer					
5) Field Review with Participation of Safeguard Specialist/Officer/Staff Consultant					
		Yes	No	If no, actions? _____	
If Yes, provide information below					
Mission Date (m/yr)					
Type of mission:					
Participants (safeguard specialist/officer/staff consultants)					

Checklist for Safeguard Supervision/Monitoring (Resettlement)

Checklist for Safeguard Supervision: Involuntary Resettlement											
PROJECT INFORMATION											
Loan/Grant No.:	Project Name:										
Approval Date:	Closing Date:			Cumulative Progress (%):							
Project Team Leader(s):				Project Analyst:							
1) Resettlement Categorization											
(Original)	A	<input type="checkbox"/>	B	<input type="checkbox"/>	C	<input type="checkbox"/>	FI	<input type="checkbox"/>			
(additional financing, if any)	A	<input type="checkbox"/>	B	<input type="checkbox"/>	C	<input type="checkbox"/>	FI	<input type="checkbox"/>			
<i>(Please complete the following sections if the project has been categorized as A, B or FI involving land acquisition/resettlement issues)</i>											
2) Resettlement Planning											
Resettlement Planning Documents:	RF	<input type="checkbox"/>	RP	<input type="checkbox"/>	Number of RPs _____	ESMS	<input type="checkbox"/>				
RP Finalized or Updated after Detailed Design: (Attach a list of subprojects and status if necessary.)	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?						
Final/Updated RP Disclosed and Posted on ADB Website:	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?						
Compensation Rates Approved by the Government:	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?						
3) Institutional Setup for Resettlement											
PMU Resettlement Staff Assigned:	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?						
	If yes, Name: _____			Since: _____ / _____		(month) (year)					
Resettlement Specialist Consultant Mobilized:	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?						
	If yes, Name: _____			Since: _____ / _____		(month) (year)					
Grievance Redress Mechanism Established:	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, why?						
Allocation of Government Budget:	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?						
	If yes, amount\$: _____										
4) Resettlement Monitoring and Reports											
Internal Monitoring System Established:	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?						
External Monitor Engaged (if needed):	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?						
	If yes, Name: _____			Since: _____ / _____		(month) (year)					
Monitoring Report Submitted to ADB:	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?						
	If Yes, provide information below										
	Baseline Report	Report 1	Report 2	Report 3	Report 4						
Submission Date (m/yr)											
ADB Review Date (m/yr)											
Web-posting Date (m/yr)											
Name of ADB Reviewer											
5) Resettlement Field Review with Participation of Safeguard Specialist/Officer/Staff Consultant						Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?	
If Yes, provide information below											
Mission Date (m/yr)											
Type of mission											
Name of safeguard specialist/officer/staff consultants											

Appendix 2: Subproject Selection and Eligibility Criteria

1. The Cyclone Pam Road Reconstruction Project (the Project) will be provided through a sector approach to reconstruction and 'building back better' transport infrastructure damaged by the floods as well as storm surges by Cyclone Pam. The Project will include repairs to roads, bridges, bridge approaches, culverts and drainage systems, land slide stabilization and road and river bank protection works including disaster and climate proofing on the Efate ring road. The sector approach allows the government to take lead in identifying, prioritizing, appraising, designing, and implementing prioritized segments of road network as 'subprojects'.¹ The Ministry of Infrastructure and Public Utilities through Public Works Department and the design and supervision consultants (DSC) in the project management unit (PMU) will prioritize the subprojects on behalf of the government. The approval of the subprojects will be based on satisfactory technical, economic, safeguards screening following compliance with eligibility criteria.

2. Subprojects will meet the following general eligibility criteria. The subprojects will reconstruct, with appropriate climate and disaster proofing, transport infrastructure damaged by the floods and storm surges, and assessed as high development priorities based on their contribution to the regular connectivity to the national capital of Port Vila, central market, business centers and hospital, particularly:

- (i) improved accessibility to social services to rural households, including schools, health facilities, and government extension services;
- (ii) potential for increased private sector participation in civil works activities;
- (iii) potential to catalyze development around the Efate Island particularly in tourism; and
- (iv) reduce vehicle operating costs, travel related time and improved reliability of access to social services

3. Subprojects will be economically viable, and will demonstrate an economic internal rate of return (EIRR) not less than 10%. An economic analysis will be conducted in accordance with Asian Development Bank's (ADB) guidelines for the economic analysis of projects.² Road segments with damaged infrastructure will be selected for the economic analysis. The economic due-diligence will cover cost-benefit analysis as well as alternative and least cost analysis, sensitivity analysis, and sustainability analysis, among other areas of the economic due diligence.

4. Environmental screening will be conducted for all subprojects. No subproject classified as Category A in accordance with ADB's Safeguard Policy Statement 2009 (SPS),³ will be eligible for funding under the Project. If any of the following are found applicable to the site or proposed works, the subproject will not be accepted as part of the Project:

- (i) roads in or adjacent to areas determined as critical or natural habitat, protected areas, or ecologically sensitive;
- (ii) requirement for major re-alignment of the existing road;
- (iii) significant loss or damage to near-shore marine environments, such as reefs, mangroves, or other sensitive coastal areas;
- (iv) permanent negative effect on a known rare, threatened or endangered species;
- (v) permanent damage to cultural relics and tambu sites or other physical cultural resources.

¹ The individual site damages are not individual subprojects.

² ADB. 1997. *Guidelines for the Economic Analysis of Projects*. Manila.

³ ADB. 2009. *Safeguard Policy Statement*. Manila.

5. Screening for land acquisition and resettlement impacts will be conducted for all subprojects. No subproject that would entail significant land acquisition/involuntary resettlement impacts according to Department of Environment Protection and Conservation Act (2010) and ADB's SPS (2009) will be eligible for funding under the Project.⁴

6. Most of the potential subprojects on Efate ring road except the damaged road sections and the protection works have been identified in the Impact Assessment Report on Efate and Epi Islands Transport Infrastructure⁵ and listed in the Project Administration Manual. The damaged sites have been identified in consultation with the government and all the civil works for rehabilitation at these sites are included for financing under the project.

7. The MIPU assisted by the PMU will conduct and document an assessment of each subproject based on the criteria. Each assessment will involve collecting and analyzing baseline data to determine the detailed feasibility and impacts expected, using generally accepted transport planning methods. Community consultations will be conducted to (i) validate baseline data; (ii) identify positive and negative impacts; and (iii) evaluate technical, social, and environmental risks. Throughout the process, particular attention shall be paid to data collection to enable benefit monitoring.

8. Each subproject assessment will include (i) a technical feasibility assessment (engineering, hydraulics and hydrology, climate change adaptation and disaster risk reduction); (ii) an economic impact analysis; and (iii) safeguards assessments, plans or reports following the project's environmental assessment and review framework and resettlement framework. Technical specifications, design and construction standards will be elevated to appropriate levels. The flood frequencies and levels of rivers or natural streams or drainage channels shall be considered during the design. Wherever applicable, geotechnical investigations shall be undertaken and slope protection and stabilization measures considered for land slide areas. Details of geotechnical investigations and protection of the road including drainage improvement are provided in the report in footnote 5 below.

9. Each component of the assessment will confirm acceptable ratings against the criteria, or recommend further work to complete the assessment. Before the detailed engineering design of any subproject, and its inclusion for financing under the Project, proposed subprojects are subject to approval by the Government's Program Recovery Committee and ADB.

⁴ The involuntary resettlement impacts are considered significant if 200 or more persons will experience major impacts, which are defined as (i) being physically displaced from housing, or (ii) losing 10% or more of their productive assets (income generating). "Involuntary resettlement" includes both physical displacement (relocation, loss of residential land, or loss of shelter) and economic displacement (loss of land, assets, access to assets, income sources, or means of livelihoods) as a result of involuntary acquisition of land, or involuntary restrictions on land use or on access to legally designated parks and protected areas.

⁵ Government of Vanuatu. 2015. *Tropical Cyclone Pam-Vanuatu Impact Assessment Report-Structural Engineer (Bridges) for Emergency Response and Recovery Assessments*. Port Vila; Pacific Region Infrastructure Facility. 2015. Scoping Study for Klems Hill Land Slide and Drainage Improvement. Sydney.