



# **VANUATU**

## **ROADS FOR DEVELOPMENT PROGRAM**

**INDEPENDENT EVALUATION**

**Final Report**

**12 April 2017**

### ***Disclaimer***

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## Contents

### EXECUTIVE SUMMARY

#### 1. INTRODUCTION

- 1.1 Independent Evaluation
- 1.2 Purpose
- 1.3 Key Evaluation Questions
- 1.4 Independent Evaluation Approach and Methodology
- 1.5 Acknowledgments
- 1.6 Vanuatu Context
- 1.7 Roads for Development Program Context
- 1.8 Limitations Encountered
- 1.9 Report outline

#### 2. VANUATU TRANSPORT SECTOR CONTEXT

- 2.1 Overview
- 2.2 Road Sector
- 2.3 Sector Context - Donors
- 2.4 Sector Context – MIPU
- 2.5 Sector Context – MIPU Budgets
- 2.6 Rural Roads Access Framework
- 2.7 Definitions of Road Works
- 2.8 The Annual Rural Road Access Plans
- 2.9 Road Condition
- 2.10 Maintenance Budget and Core Network

#### 3. ROLE AND EFFECTIVENESS OF AUSTRALIAN AID (Research Area A)

- 3.1 Introduction
- 3.2 [Question A1](#)
- 3.3 [Question A2](#)
- 3.4 [Question A3](#)
- 3.5 [Question A4](#)

#### 4. R4D SUCCESS – ACHIEVING END-OF-PROGRAM OUTCOME (Research Area B)

- 4.1 Introduction
- 4.2 [Question B1](#)
- 4.3 [Question B2](#)
- 4.4 [Question B3](#)

#### 5. R4D SUCCESSES – ACHIEVING OUTPUTS (Research Area C)

- 5.1 Introduction
- 5.2 [Question C1](#)
- 5.3 [Question C2](#)
- 5.4 [Question C3](#)
- 5.5 [Question C4](#)
- 5.6 [Question C5](#)

- 5.7 Question C6
- 5.8 Question C7

## **6. REMAINING NEEDS AND OPPORTUNITIES (Research Area D)**

- 6.1 Introduction
- 6.2 Question D1
- 6.3 Question D2
- 6.4 Question D3

## **7. SCOPE (Research Area E)**

- 7.1 Introduction
- 7.2 Question E1
- 7.3 Question E2

## **8. TECHNICAL APPROACHES (Research Area F)**

- 8.1 Introduction
- 8.2 Question F1
- 8.3 Question F2
- 8.4 Question F3
- 8.5 Question F4

## **9. IMPLEMENTATION ARRANGEMENTS (Research Area G)**

- 9.1 Introduction
- 9.2 Question G1
- 9.3 Question G2
- 9.4 Question G3
- 9.5 Question G4
- 9.6 Question G5

## **10. CROSSCUTTING ISSUES AND SOCIAL SAFEGUARDS (Research Area H)**

- 10.1 Introduction
- 10.2 Question H1
- 10.3 Question H2
- 10.4 Question H3

## **11. ENVIRONMENTAL MANAGEMENT (Research Area I)**

- 11.1 Introduction
- 11.2 Question I1
- 11.3 Question I2

## **12. CONCLUSIONS – SUCCESS FACTORS and CHANGES TO MAKE IN DESIGNING A POSSIBLE NEXT ROUND OF ROADS SUBSECTOR SUPPORT**

- 12.1 Key decisions the independent evaluation is intended to inform
- 12.2 Whether to support Vanuatu's rural road sector after R4D finishes on June 30, 2017
- 12.3 Success factors to carry through in designing a next round of rural roads subsector support

## 12.4 Changes to make in designing a possible next round of rural roads subsector support

### Tables

Table 1	Vanuatu Road Network 2016
Table 2	Current Donor Funded Infrastructure Projects
Table 3	Time series data of GoV funding to Road Maintenance, Marine and Aviation transport modes 2013-2016
Table 4	RAI, Rural Population and Rural Road Length by Province
Table 5	Road Condition – Definitions
Table 6	R4D Monitoring and Evaluation Plan – January 2016 – June 2017 PFM Indicators
Table 8	Improvement Works (Island Based Contract)
Table 9	Routine and Periodic Maintenance Contracts and Outputs
Table 10	Network manager tasks, current status and remaining activities
Table 11	Force Account and Outsourcing
Table 12	Road Maintenance and Improvement Works
Table 13	Physical Works Outputs
Table 14	PWD Staff – Current Level of Competence in Key Technical Skills
Table 15	CBC Models 2016
Table 16	Participation by Gender (Worker Day Summary): March 2014 – September 2016

### Boxes

Box 1: [Key Evaluation Questions](#)

Box 2: MIPU Mission Statement and Objectives – 2014

### Annexes

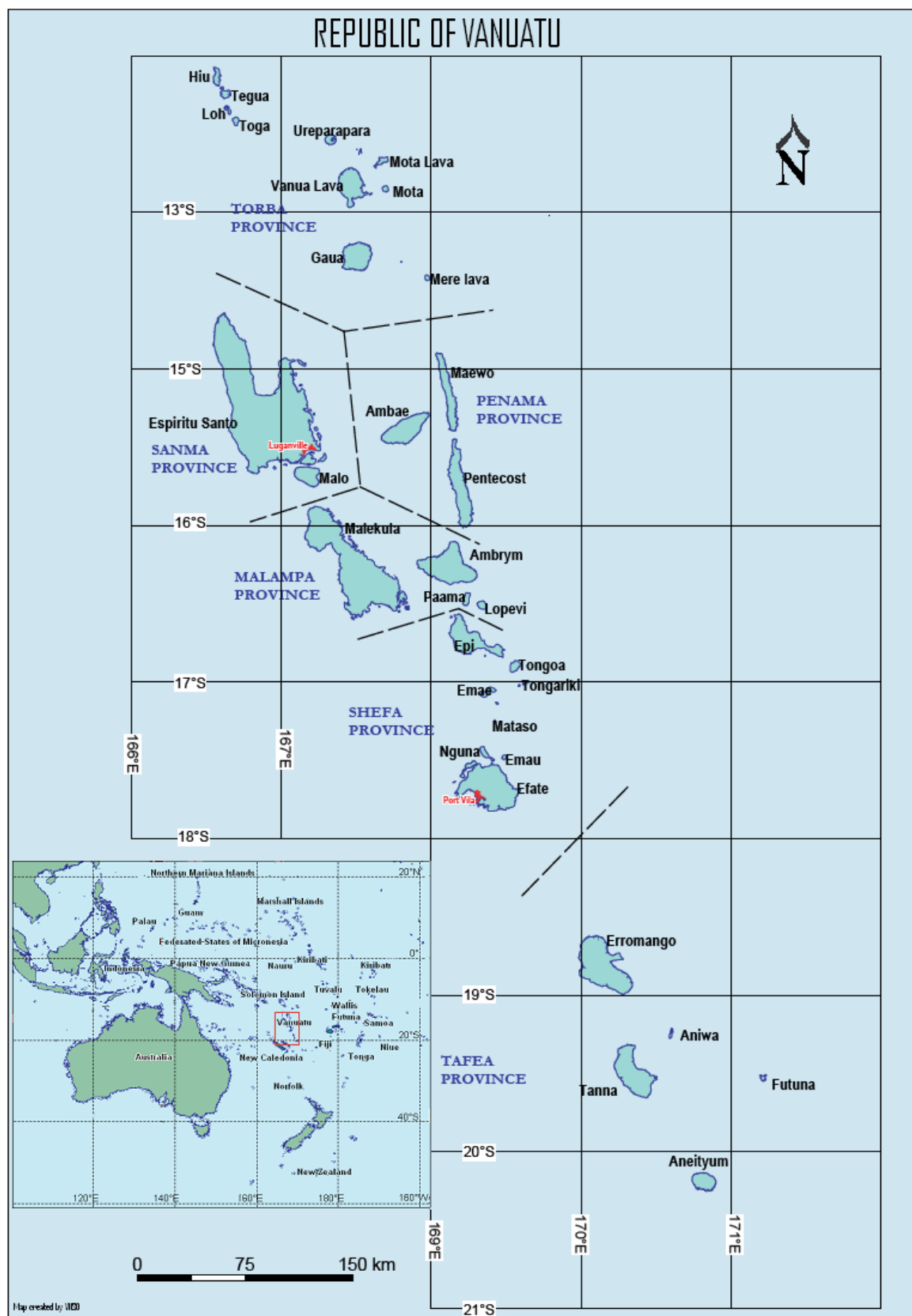
1. Independent Evaluation Terms of Reference (29 August 2016)
2. [Key Evaluation Questions \(From Evaluation Plan 3 November 2016\)](#)
3. Documents Reviewed
4. Persons Met
5. Field Visit Report
6. VTSSP/ R4D: Comparing Goal, Outcomes, Outputs (2012-2016)
7. Actual expenditure on Road Maintenance by Province over the period of R4D
8. Crosscutting issues, social and environmental safeguards: standards, guides and handbooks

## Acronyms and Abbreviations

Acronym	Full Name
AAP	Australian Aid Program
ADB	Asian Development Bank
AHC	Australian High Commission (Port Vila)
AIP	Aid Investment Plan
ANAO	Australian National Audit Office
APPR	Aid Program Performance Report
AWP	Annual Works Plan
CBC	Community Based Contractors
CBP	Capacity Building Program
CPO	Community Partnership Officers
CTB	Central Tender Board
DFA	Direct Funding Agreement (between GoA and GoV)
DFAT	(Australian) Department of Foreign Affairs and Trade
DG	Director General
DM	Divisional Manager (PWD)
EHC	Equipment Hire Contracts
EOPO	End of Program Outcomes
FA	Force Account
FIDIC	<i>Fédération Internationale des Ingénieurs Conseils</i> – (International Federation of Consulting Engineers)
FSB	Financial Services Bureaux
FY	Financial Year
GDP	Gross Domestic Product
GfG	Governance for Growth
GoA	Government of Australia
GoV	Government of Vanuatu
HIV/AIDS	Human Immuno Deficiency Virus/ Acquired Immuno Deficiency Syndrome
HR	Human Resources
HRD	Human Resource Development
HO	Head Office (of PWD)
HSES	Household Socio Economic Survey

Acronym	Full Name
IBC	Island Based Contractors
ICB	International Competitive Bidding
ICT	Information and Communications Technology
ID	Institutional Development
IDA	International Development Association
IE	Independent Evaluation
IFI	International Financial Institution
IR	Interim Review
ISP	Implementation Service Provider
JICA	Japan International Cooperation Agency
km	kilometre(s)
LBES	Labour based equipment supported
LPO	Local Purchase Order
M&E	Monitoring and Evaluation
MFEM	Ministry of Finance and Economic Management
MIS	Management Information System
MIPU	Ministry for Infrastructure and Public Utilities
MP	Member of Parliament
NBC	Nationally Based Contractors
NCB	National Competitive Bidding
NGO	Non-Government Organisation
PACTAM	Pacific Technical Assistance Mechanism
PER	Public Expenditure Review
PDD	Program Design Document
PFM	Public Financial Management
PFMS	Public Financial Management Specialist
PSA	Performance Situational Analysis
PSC	Public Service Commission
PWD	Public Works Department
PVUDP	Port Vila Urban Development Project
R4D	Roads for Development (Program)
RAI	Rural Access Index
RFQ	Request for Quote

Acronym	Full Name
RFT	Request for Tender
RIMS	Road Information Management System
RRAF	Rural Roads Access Framework
RRAP	Rural Roads Access Policy
RRAS	Rural Roads Access Strategy
RME	Road Maintenance Engineer (of ISP)
RPT	Road Prioritisation Tool
SoS	Scope of Services (of the ISP)
SRME	Senior Road Maintenance Engineer
SSF	Social Safeguards Framework (of MIPU)
TA	Technical Assistance
TBET	Tractor Based Equipment Trial
TC Pam	Tropical Cyclone Pam
TL	Team Leader
ToR	Terms of Reference
VAIP	Vanuatu Aviation Investment Project
VCN	Vanuatu Broadband Network
VIRIP	Vanuatu Infrastructure Reconstruction and Improvement Project
VTSSP	Vanuatu Transport Sector Support Program
VT	Vanuatu Vatu
WB	World Bank
WHS	Work Health and Safety





## EXECUTIVE SUMMARY

### Independent Evaluation

1. The **Vanuatu Roads for Development Program (R4D)** is a long-term program (10-15 years), funded by the Government of Australia (GoA), and designed to improve economic growth and service delivery in rural areas through increased access to a well-maintained, affordable and integrated transport network. R4D is implemented by the Government of Vanuatu (GoV) Public Works Department (PWD) on the islands of Tanna (Tafea Province), Malekula (Malampa Province), Ambae and Pentecost (Penama Province), with key activities including physical works and road maintenance, human resource capacity building, and institutional reform in relation to financial management and procurement processes.
2. The first phase - Vanuatu Transport Sector Support Program (VTSSP I) - ran from September 2009 to July 2012 and spent \$A16.9 million on road rehabilitation and maintenance works, equipment, capacity development technical assistance, and program management services. During the course of the program, 126.9 km of road were improved (plus an additional 37.5 km reworked).
3. The design of the second phase of VTSSP (VTSSP II) was completed in September 2012, and implementation started in July 2013. VTSSP II was renamed *Roads for Development* in late 2013. By end June 2016, R4D had maintained 688 kilometres of rural roads and built 210 drainage structures. The two VTSSP II financing agreements signed by GoA and the GoV totalled \$A26.5 million over three years. At the time of the IE Mission, the R4D agreement was in the process of extension to 30 June 2017.
4. The Report of an Interim Review (IR) of R4D conducted by Department of Foreign Affairs and Trade (DFAT) was released in March 2015. The IR recommended significant changes to R4D, which PWD and the R4D team have been preparing and “rolling out” since mid-2015. In 2016, DFAT commissioned an Independent Evaluation (IE) as part of its standard end of program review process for the current phase of R4D. This Executive Summary presents the findings and conclusions of the Independent Evaluation of the R4D Program in Vanuatu.

### Purpose

5. The purpose of the IE, as stated in the ToR, is: *“to provide information - an evidence base - on the success and rationale of R4D: what worked, what didn’t work, why, and is R4D still relevant (the “right thing to do”). This information will help inform two high-level decisions:*
  - i. *Whether to continue supporting Vanuatu’s rural roads subsector after R4D finishes on 30 June 2017; and*
  - ii. *What R4D success factors to carry through and what changes to make in designing a possible next round of rural roads subsector support.”*

### Key Evaluation Questions

6. The Evaluation Questions are structured around the two Purpose Statements and divided into Research Areas, each with a primary question, and associated secondary questions. The intention is that answers to these questions should inform the analysis and recommendations around the program rationale as well as program success.

### Independent Evaluation Approach and Methodology

7. The IE was conducted by a five-person team, with technical expertise in M&E and Organisational Development (Team Leader), Crosscutting Issues, Social and Environmental Management, Public Financial Management, Road Maintenance, and Road Network Management. The Network Management Specialist was a PWD staff member; all other team members were independent consultants.

## Key Evaluation Questions

### Whether to Support Vanuatu's Rural Roads Subsector after R4D finishes on 30 June 2017

**A. Vanuatu Transport Sector Context:** To what extent is Australian Aid Program (AAP) support a valued and influential contribution to transport sector development?

**B. R4D success - achieving end-of-program outcome:** To what extent has R4D achieved its end-of-program outcome as set out in the revised M&E Framework (for January 2015 to June 2017)?

**C. R4D success - achieving outputs:** To what extent has R4D achieved its Outputs as set out in the revised M&E Framework (for January 2015 to June 2017)?

**D. Remaining needs and opportunities:** To what extent does GoV need more road subsector support in order to consolidate and sustain achievements under R4D?

### R4D Success Factors to Carry Through and Changes to Make in Designing a Possible Next Round of Roads Subsector Support

**E. Scope:** How efficacious are the changes coming from the R4D Interim Review?

**F. Technical Approaches:** How efficacious are the reform initiatives supported by R4D?

**G. Implementation arrangements:** How could roads subsector support be delivered more cost effectively?

**H. Crosscutting Issues and Social Safeguards:** What has been the impact of improved rural road access on the beneficiary communities; specifically for women, men, youth and children?

**I. Environmental Management:** How could environmental management be addressed more effectively?

8. The methodology for the IE incorporated a mixed methods approach, utilising quantitative and qualitative data, including document reviews and data collection from DFAT, R4D program and GoV sources, stakeholder and key informant interviews, observation of planning and works processes, site visits and focus group discussions with community members.

9. The IE Mission took place in Vanuatu from 6-19 November 2016. During the mission, the team undertook a three-day field visit to the islands of Ambae (Penama Province), Malekula (Malampa Province), and Tanna (Tafea Province). During the field visit the team met with PWD Divisional staff, including Community Partnership Officers (CPOs) engaged in road maintenance, Island Based Contractors (IBCs), Community Based Contractors (CBCs) and representatives of local communities.

### Whether to support Vanuatu's rural road sector after R4D finishes on June 30, 2017?

#### Recommendation

The IE recommends that GoA should continue to support Vanuatu's rural road sector after June 30, 2017 for the following reasons:

**10. Support economic development through improved rural access** The next phase of R4D provides GoA and GoV an opportunity to consolidate the strengths and successes of R4D, and to modify elements of the design to more effectively respond to the changed context. A key element of this changed context is the recently launched Vanuatu Sustainable Development Plan, which includes a number of policies to improve rural access and living conditions.

11. As a "work in progress" and part of a long-term commitment on behalf of GoA, R4D can assist GoV's efforts to improve rural living conditions, and to contribute to economic growth and service delivery by improving and then sustaining rural access. The funding available to GoV after June 2017 (even with ADB and World Bank funds) only meets about 50% of GoV requirements to improve and maintain rural road access. GoA can play a vital role in the economic and social

development of Vanuatu by ensuring GoV has the funds it needs to maintain rural access. It is a role that fits well into the first pillar of GoA's current Aid Investment Plan – *building resilient infrastructure and an environment for economic opportunity*.

**12. Support institutional transformation for sustainable improvement to rural access** A critical element of consolidating the strengths and successes of R4D is further assistance for capacity building of MIPU-PWD to transition to be the rural road network manager for Vanuatu. PWD still needs support to address the challenges it now faces to strengthen the planning, budgeting and service delivery systems so as to meet the GoV sustainable development objectives in the most equitable, cost effective and efficient manner. This support will assist PWD in *building resilient infrastructure*.

### Success factors to carry through in designing a next round of rural roads subsector support

#### Recommendations

13. The recommendations on the success factors to carry forward are organised around two key elements: (a) improving and maintaining rural access; and (b) institutional development, as summarised below.

**14. Improving and maintaining rural Access** The formulation and adoption of the Rural Roads Access Framework (RRAF) and the clarifying of R4D's focus after the IR to just PWD and to just rural roads improvement and maintenance has strengthened Program results in improving rural access. At the same time, opening R4D support to all PWD Divisions (to all provinces) has strengthened the R4D-PWD partnership at the Divisional level. This partnership has now matured to the extent that there is now one integrated budget and works program funded by PWD and DFAT. The approach developed by R4D to deciding where to improve rural access based on the RRAF has been adopted by the World Bank for its new rural road infrastructure project.

**15. Institutional Development** R4D has supported MIPU-PWD to become an effective and efficient organisation for delivery of access improvements and road maintenance, and PWD staff to become competent in planning and implementing these works. PWD has accepted the concept of moving from a work organisation (with about 60% of staff being manual labourers undertaking public works) to becoming a network manager and has made a start on the program of activities required to transition itself into one. This includes accepting to outsource maintenance and improvement works as this is more effective and efficient than use of the Force Account (FA) workforce. As a result, the value of maintenance works undertaken by FA is decreasing.

16. Social safeguards and crosscutting issues have been mainstreamed, including gender, disability, child protection, HIV/AIDS, Work Health and Safety and Environmental Protection. Manuals and guides are being developed and some training has taken place with PWD staff and contractors. The recently adopted Road Design Guide includes a section on design for climate change mitigation.

### Changes to make in designing a possible next round of rural roads subsector support

#### Recommendations

17. Two main Components of Institutional Development and Service Delivery have been present in the VTSSP since the inception in 2009 (though perhaps with different descriptions). The IE recommends these components should be maintained as part of a possible next round of support.

The elements of the R4D Program that the IE recommends should be changed or enhanced in the design of a possible next round of support are described below.

**18. Strengthen support for MIPU-PWD transition to a network manager** The development of a visionary but pragmatic strategy (including a Human Resources Development Strategy) that will assist PWD along the path of transitioning itself into a road network manager is a first step. The experience and lessons learned from elsewhere in the Pacific, particularly in Fiji, Samoa and Tonga which have reduced staff and costs and improved efficiency should be used in developing the R4D approach.

**19.** The strategy should include upgrading of systems, manuals, contracts and staff competencies so that they match the standards of international good practice, in particular as practised by the donors currently providing funds to GoV. This applies particularly to Social and Environmental Safeguards, (including Gender, Child Protection, Disability, HIV/AIDS, and Work Health and Safety), and to a lesser extent procurement and M&E systems for MIPU.

**20. Improve and sustain rural access** The key change is to fully integrate the provisions of the road subsector policy from the RRAF (particularly the use of the Rural Access Index and road condition) into the process for determination of budget allocations by province, island and type of work. This includes the development of an evidence based maintenance and spot improvement budget for submission to Ministry of Finance and Economic Management (MFEM).

**21. Integrate Formal Consultation as part of the Planning Process** Political influences (known as exceptional requests) are still seen by PWD as having too much impact on works programs, despite mitigating measures put in place during R4D. Including such requests in the planning process through formal consultation is seen as a way of mitigating their influence on the work program. So too is allowing up to say 30% of the work program to accommodate events that arise during the year, provided they meet the program objectives.

**22. Upgrade effectiveness, efficiency and value for money of service delivery** For an effective, efficient and sustainable maintenance outcome, a first step should be to undertake a study to establish the appropriate amount of maintenance work to be undertaken by FA. In parallel, to the maximum extent possible, outsourced contracts should be let through competitive bidding, with consideration given to increasing the value of contracts. A review should also be undertaken on how to improve the management of Community Based Contractors (CBC). Island Based Contractors (IBC) and CBC contracts should be reviewed with a view to including context appropriate sections on environmental management, as well as relevant sections on Work Health and Safety, Child Protection, HIV/AIDS, and Gender issues that are currently lacking.

**23. Improve Program Governance** To improve implementation, an overarching need is for an improvement in program governance. This should include (a) greater partnership with PWD in decision making, (b) regular formal management meetings on an agreed time interval and (c) review of the need for a Project Steering Committee, rather than attempting to re-establish it (d) Consistent and useful M&E (e) ISP Reporting that provides useful physical and financial progress reports (f) upgrading of DFAT Monitoring and Reporting

**24. R4D Support Delivery Model** The IE considers that overall the Support Delivery Model should be maintained as the pre-conditions necessary for DFAT to move from an ISP model of program delivery to a budget support model are not yet in place in MIPU-PWD. For the next round, more emphasis in person months of inputs should be placed on support for the transition of PWD from a works organisation to a Road Network Manager. Technical assistance and support should be focused on (a) guiding/mentoring PWD staff to develop competencies; and (b) specific tasks to upgrade systems and develop strategic planning and road maintenance policy.

## 1. INTRODUCTION

### 1.1 Independent Evaluation

The **Vanuatu Roads for Development Program** (R4D) is a long-term program (10-15 years), funded by the Government of Australia (GoA), and designed to improve economic growth and service delivery in rural areas through increased access to a well-maintained, affordable and integrated transport network. R4D is implemented by the Government of Vanuatu (GoV) Public Works Department (PWD) on the islands of Ambae (Penama Province), Malekula (Malampa Province), Tanna (Tafea Province), and Pentecost (Penama Province). Key activities include physical works and road maintenance, human resource capacity building, and institutional reform in relation to financial management and procurement processes.<sup>1</sup>

The first phase - Vanuatu Transport Sector Support Program (VTSSP I) - ran from September 2009 to July 2012 and spent \$A16.9 million on road rehabilitation and maintenance works,<sup>2</sup> equipment, capacity development technical assistance, and program management services. The design of the second phase of VTSSP (VTSSP II) was completed in September 2012<sup>3</sup>, and implementation started in July 2013. VTSSP II was renamed *Roads for Development* in late 2013<sup>4</sup>.

The Report of an Interim Review (IR) of R4D conducted by Department of Foreign Affairs and Trade (DFAT) was released in March 2015.<sup>5</sup> The IR recommended significant changes to R4D, which PWD and the R4D team have been preparing and “rolling out” since mid-2015. In 2016, DFAT commissioned an Independent Evaluation (IE) as part of its standard end of program review process for the current phase of R4D.<sup>6</sup> Terms of Reference (ToR) for the IE are provided at **Annex 1**. This Report presents the findings and conclusions of the Independent Evaluation of the R4D Program in Vanuatu.

### 1.2 Purpose

The purpose of the IE, as stated in the ToR, is: *“to provide information - an evidence base - on the success and rationale of R4D: what worked, what didn’t work, why, and is R4D still relevant (the “right thing to do”). This information will help inform two high-level decisions:*

- iii. Whether to continue supporting Vanuatu’s rural roads subsector after R4D finishes on 30 June 2017; and*
- iv. What R4D success factors to carry through and what changes to make in designing a possible next round of rural roads subsector support.”*

The ToR specifically notes that: *“The IE team should bear in mind the changed sector context and how this affects R4D’s ongoing rationale. The IE is not intended to influence R4D design and implementation during the 4<sup>th</sup> year, July 2016 to June 2017.”*

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<sup>1</sup> Australian Government. DFAT. Aid Program, Performance Report 2015-16 Vanuatu. September 2016.

<sup>2</sup> Road works were undertaken on Ambae Island, Malekula Island, and Tanna Island.

<sup>3</sup> VTSSP II Program Design Document. Sept 2012.

<sup>4</sup> “VTSSP II” is used when referring to events, documents, agreements, etc. prior to the name change. Throughout this Report the term Roads for Development or the acronym R4D is used.

<sup>5</sup> DFAT. Interim Review Roads for Development Program. Australian High Commission, Development Cooperation, Port Vila. Final Draft Report. March 2015.

<sup>6</sup> This Independent Evaluation (IE) is required pursuant to the Department of Foreign Affairs and Trade (DFAT) Aid Programming Guide (July 2014), Section 9. ToR 29 August 2016.

### 1.3 Key Evaluation Questions

The ToR provided a set of Key Evaluation Questions developed from the findings and recommendations of the IR. The IE Team worked with DFAT to finalise the questions as part of the IE Evaluation Plan.<sup>7</sup> The final set of questions is shown in **Annex 2**.

The Evaluation Questions are structured around the two Purpose Statements and divided into Research Areas, each with a primary question, and associated secondary questions.<sup>8</sup> The intention is that answers to these questions should inform the analysis and recommendations around the program rationale as well as program success. These questions form the basis of the IE Report structure and are shown in **Box 1**.

#### Box 1: Key Evaluation Questions

##### Whether to Support Vanuatu's Rural Roads Subsector after R4D finishes on 30 June 2017

**A. Vanuatu Transport Sector Context:** To what extent is Australian Aid Program (AAP) support a valued and influential contribution to transport sector development?

**B. R4D success - achieving end-of-program outcome:** To what extent has R4D achieved its end-of-program outcome as set out in the revised M&E Framework (for January 2015 to June 2017)?

**C. R4D success - achieving outputs:** To what extent has R4D achieved its Outputs as set out in the revised M&E Framework (for January 2015 to June 2017)?

**D. Remaining needs and opportunities:** To what extent does GoV need more road subsector support in order to consolidate and sustain achievements under R4D?

##### R4D Success Factors to Carry Through and Changes to Make in Designing a Possible Next Round of Roads Subsector Support

**E. Scope:** How efficacious are the changes coming from the R4D Interim Review?

**F. Technical Approaches:** How efficacious are the reform initiatives supported by R4D?

**G. Implementation arrangements:** How could roads subsector support be delivered more cost effectively?

**H. Crosscutting Issues and Social Safeguards:** What has been the impact of improved rural road access on the beneficiary communities; specifically for women, men, youth and children?

**I. Environmental Management:** How could environmental management be addressed more effectively?

### 1.4 Independent Evaluation Approach and Methodology

The IE was conducted by a five-person team, with technical expertise in M&E and Organisational Development (Team Leader); Crosscutting Issues, Social and Environmental Management; Public Financial Management; Road Maintenance; and Road Network Management. The Network

<sup>7</sup> IE Evaluation Plan. 3 November 2016. In developing the Evaluation Plan, the IE Team provided comments on the Draft ToR to DFAT, in particular the proposed Evaluation Questions. The Team noted in particular the extensive scope of Research Area G Crosscutting and Safeguards but limited number of questions, and developed a separate Research Area I on Environmental Management with relevant questions to cover the scope of these topics.

<sup>8</sup> It should be noted that as part of the ToR the IE is required to address: the 2 Purpose Statements; 9 Research Areas – i.e. 9 Primary Question; and a total of 33 associated secondary questions.



Management Specialist was a PWD staff member; all other team members were independent consultants.<sup>9</sup>

The Team Leader undertook an Inception Mission to Vanuatu from 6-10 September 2016, after which an Inception Report was produced. An Evaluation Plan was then drafted, reviewed by DFAT and agreed with the Team<sup>10</sup>.

The IE Mission took place in Vanuatu from 6-19 November 2016. The methodology for the IE incorporated a mixed methods approach, utilising quantitative and qualitative data, including document reviews and data collection from DFAT, R4D program and GoV sources, stakeholder and key informant interviews, observation of planning and works processes, site visits and focus group discussions with community members. **Annex 3** lists the documents reviewed, and the list of persons met is provided in **Annex 4**.

A kick off meeting with key stakeholders (from GoV, PWD, R4D and DFAT) was held in PWD Head Office (HO) in Port Vila on 7 November. The team undertook a three-day (9-11 November) field visit to the islands of Ambae (Penama Province), Malekula (Malampa Province), and Tanna (Tafea Province).<sup>11</sup> The Report of the field visit is provided in **Annex 5**. During the field visit the team met with PWD Divisional staff, including Community Partnership Officers (CPO) engaged in road maintenance, Island Based Contractors (IBC), Community Based Contractors (CBC) and representatives of local communities.

The remainder of the mission was spent in Port Vila: interviewing persons in DFAT, GoV, the Implementing Service Provider (ISP) and PWD; meeting with two additional CBC and community representatives on Efate (16 November); participating in and observing the PWD Planning Workshop and CPO Workshop (14-18 November). A wrap up PowerPoint presentation of the mission's findings was made to stakeholders at PWD HO on 17 November, and a debrief on key findings was presented to DFAT Head of Mission, First Secretary Development and program staff on 18 November.

## 1.5 Acknowledgments

The IE would like to acknowledge and thank the GoV, PWD, DFAT and the ISP for all their efforts in facilitating and supporting the mission, in Port Vila and in the provinces. The constructive contributions of all persons met were very much appreciated, as was the generous contribution of their time for interviews. The IE would also like to give credit to the communities on Ambae, Malekula, Tanna, and Efate for their generosity of time and openness with the IE team during field visits.

## 1.6 Vanuatu Context

Vanuatu has a widely dispersed population, is vulnerable to natural disasters, and has limited and highly varied services across provinces. In this section, a brief summary is provided of the broader economic and socio-political context, DFAT's contribution to Vanuatu's aid and development, and R4D's position within these contexts. Chapter 2 provides a more specific overview of the Vanuatu Transport Sector context.

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<sup>9</sup> Evaluation Team: Team Leader, Edward Dotson; Financial Management Specialist, Peter Heijkoop; Social Safeguards Specialist, Ludmilla Kwitko; Road Rehabilitation and Maintenance Specialist, Russell Burke; Road Network Specialist, James Hakwa (PWD). The Mission was supported by DFAT (Port Vila) Senior Program Manager, Pamela Carlo.

<sup>10</sup> Evaluation Plan 3<sup>rd</sup> November 2016. The elements of the plan follow Standard 5 Independent Evaluation Plans in the DFAT Monitoring and Evaluation Standards June 2014.

<sup>11</sup> Field visits to Ambae, Malekula and Tanna were facilitated by DFAT, and site visits chosen and coordinated by R4D and PWD. The IE Team had requested opportunities to visit maintenance sites, meet with IBC and CBC on each of the islands, and to meet with PWD Provincial staff.

The Republic of Vanuatu is an archipelago of 83 volcanic islands (65 of which are inhabited) covering a total land area of about 12,200 square kilometres. Vanuatu's population in 2015 was estimated at about 272,000 people, of whom about 206,000 were rural population, and the remainder urban population of about 51, 400 in Port Vila and 14, 200 in Luganville<sup>12</sup>. The islands are grouped into the six administrative provinces of Malampa, Penama, Sanma, Shefa, Tafea and Torba.

Over the last decade, Vanuatu has seen relatively strong economic growth of 4 per cent GDP per annum. The Gross Domestic Product (GDP) in 2015 per capita was around \$4,250<sup>13</sup>. The GDP is projected for 2017 to be driven by post-cyclone recovery in tourism and agriculture production, and increased infrastructure development.<sup>14</sup> This is despite numerous on-going challenges for GoV in providing adequate revenue for education and health services, growing population, particularly youth, and developing jobs in the formal economy, particularly in the rural areas. Other challenges include urbanisation leading to increased land pressures, poverty and insecurity, access to justice, particularly in rural areas, high levels of violence against women, climate change and frequent natural disasters.<sup>15</sup>

Tropical Cyclone Pam (TC Pam) which struck Vanuatu in March 2015 continues to have a significant impact on the livelihoods of approximately 195,000 people, and its effects are likely to compound on-going social and economic challenges. GoA has contributed over \$50 million in assistance, aligning closely with the GoV's recovery plan, with the recovery process projected to take a number of years.

In February 2016, a new government was formed after a snap election in January 2016 and a period of political instability, which saw the conviction of 15 Vanuatu Government Members of Parliament in late 2015 on corruption charges. The subsequent period has been relatively politically stable, with GoV focusing on cyclone recovery efforts and a government reform agenda.<sup>16</sup>

**Australian Aid and Development:** GoA's current aid program is articulated in the *Aid Investment Plan 2015-16 to 2018-19* (AIP) and is based on dialogue with the GoV on a new Aid Partnership. There are four strategic pillars:

- (i) building resilient infrastructure and an environment for economic opportunity,
- (ii) improving early education and health services,
- (iii) improving community safety and resilience, and
- (iv) supporting cyclone recovery and reconstruction.

R4D is part of the first pillar, along with the Port Vila Urban Development Project (PVUDP), which is co-financed by ADB and DFAT and managed by the ADB. PVUDP will contribute to sustainable urban development in Port Vila through improved roads, drainage and sanitation infrastructure services. One of the key contextual changes in relation to R4D and PVUDP has seen the DFAT budget for R4D reduced and redirected to PVUDP<sup>17</sup>. A second change relates to the modified AIP benchmark (2017 to 2018). In the DFAT Aid Program Performance Report (APPR) 2015-2016, there appears to be no specific performance benchmark reported for R4D. Rather, as the APPR notes: *"The previous AIP benchmark (Increase in Vanuatu's rural access index (RAI) has been changed for the period 2016-17 to 2017-18. Progress will now be measured against kilometres of urban roads resealed/asphalt concreted. RAI targets for islands, provinces and the entire country, will be set out in the Vanuatu*

<sup>12</sup> Projections from the 2009 Census prepared by the Secretariat of the Pacific Community for the Vanuatu National Statistical Office, March 2015

<sup>13</sup> World Bank

<sup>14</sup> Chapter 2, Table 2 provides details of the current donor funded infrastructure projects.

<sup>15</sup> Australian Government. DFAT. Aid Program, Performance Report 2015-16 Vanuatu. September 2016; and APPRs for 2013-14 and 2014-15.

<sup>16</sup> Ibid.

<sup>17</sup> As advised to the IE by DFAT Post in Port Vila.



*Government's Rural Road Access Policy<sup>18</sup>, which is in the final stages of preparation. But at the time of writing, these targets has not been finalised. The revised AIP benchmark also reflects the enhanced focus on PVUDP over the next two years."<sup>19</sup>*

**DFAT Policy:** In terms of the overarching strategic policy context, *Australia's Strategy for Investments in Economic Infrastructure<sup>20</sup>* guides the GoA's official aid expenditure, prioritising investment in infrastructure as part of the strategic target of the government's commitment to scale-up the aid for trade portfolio. In Vanuatu, this covers transport, energy, rural and urban infrastructure investments, and provides guidance to support the GoA's development, economic diplomacy, trade and investment priorities. Transport infrastructure development contributes to investment and economic growth through increased productivity and efficiency, because it links people to jobs, products to market, and resources to industry. Without safe, sustainable and reliable transport access, poor people have difficulty accessing markets to buy and sell goods, families cannot reach health clinics in a reasonable time, and children are discouraged from attending schools in both rural and urban areas. This high-level policy rationale is intended to underpin the strategic intent of R4D and PVUDP in Vanuatu.

As *Australia's Strategy for Investments in Economic Infrastructure* policy notes, the effective development of infrastructure requires appropriate action to safeguard communities and infrastructure investments from environmental and displacement/resettlement risks. It is also important that Gender and access for people with disabilities are integrated into infrastructure activities to support inclusive development. DFAT's safeguard policies provide the policy and practice context for the IE's analysis of R4D's program implementation, and crosscutting, social and environmental issues.<sup>21</sup>

## 1.7 Roads for Development Program Context

**VTSSP/ R4D:** As an initial step in the IE analysis, it is important to understand the background and context to the Roads for Development Program. R4D is the second phase of a 15-year commitment by GoA to the GoV. The first phase - Vanuatu Transport Sector Support Program (VTSSP I) - ran from September 2009 to July 2012 and spent \$A16.9 million on road rehabilitation and maintenance works,<sup>22</sup> equipment, capacity development technical assistance, and program management services.

The second phase of VTSSP (VTSSP II) was renamed *Roads for Development* in late 2013<sup>23</sup>. The name change reflects Phase 2's focus on rehabilitating and maintaining rural roads and PWD's capacity to manage the rural roads network. The design of VTSSP II was presented in the Project Design Document (PDD) completed in September 2012<sup>24</sup>. SMEC International was awarded the contract as the Implementation Support Provider (ISP) on 1 July 2013 on a three years plus one basis. The R4D Program (VTSSP II design) proposed a \$A37 million expenditure over four years. The program would cover road rehabilitation and maintenance works, equipment, capacity development technical assistance, and program management. The two VTSSP II financing agreements signed by GoA and

<sup>18</sup> See Section 2.6 for a discussion of the Rural Access Index (RAI) and the Rural Roads Access Policy

<sup>19</sup> Australian Government DFAT Aid Program, Performance Report 2015-16 Vanuatu. September 2016 p. 25 AIP refers to DFAT's Aid Investment Plan

<sup>20</sup> DFAT Australia's Strategy for Investments in Economic Infrastructure July 2015

<sup>21</sup> DFAT policies include: Child Protection Policy for the Australian Government's Aid Program. 2013; Development for all 2015-2020: Strategy for Strengthening Disability-inclusive Development in Australia's Aid Program 2015; Gender Equality and Women's Empowerment Strategy 2016; Displacement and Resettlement of People in Development Activities 2015; Environment Protection Policy for the Aid Program 2014.

<sup>22</sup> Road works were undertaken on Ambae Island, Malekula Island, and Tanna Island.

<sup>23</sup> "VTSSP II" is used when referring to events, documents, agreements, etc. prior to the name change. Throughout this Report the term Roads for Development or the acronym R4D is used.

<sup>24</sup> VTSSP II Program Design Document Sept 2012.

the GoV totalled \$A26.5 million over three years.<sup>25</sup> At the time of the IE Mission, the R4D agreement was in the process of extension to 30 June 2018.

**2015 Interim Review:** The DFAT Interim Review (IR) of R4D released its findings and recommendations in March 2015. The IR found that R4D's physical works program was being implemented in parallel to, not as an integral part of, PWD's own physical works program. PWD and the ISP have since changed this. For planning purposes, R4D's annual physical works budget is now combined with PWD's six rural roads operations budget. There is no separate R4D annual work plan and as of 2016, all of PWD's six Divisions are eligible to receive R4D support by "bidding" for allocations from the PWD-R4D combined works budget. PWD HO staff, PWD Divisional managers and engineers, and ISP specialists jointly prepared PWD's 2016 Operations Work Plan.

R4D's physical works scope has been clarified to include:

- (i) rural roads only,
- (ii) road improvements, rehabilitation and maintenance – no new roads,
- (iii) originally on the islands of Tanna, Ambae and Malekula only, with Pentecost added in 2015 – and now open to all PWD Divisions (all provinces),
- (iv) funding civil works and maintenance carried out by communities, IBC, national contractors and one international contractor, and PWD Divisions either using their own equipment or using equipment and operators provided by national equipment contractors,
- (v) funding hand tools, light mechanical equipment and tractor-based equipment for road works,
- (vi) funding engineers, site inspectors, and community partnership officers to help PWD plan, prepare, and manage/oversight works. R4D is also intended to build competencies, systems and processes directly and specifically targeting road rehabilitation and maintenance.

R4D's broader sector reform and *capacity development* scope is now more fluid. During its first two years, R4D funded infrastructure and transport sector reform and institutional development analysis and advice, covering Ministry of Infrastructure and Public Utilities' (MIPU) entire mandate. Since the Interim Review, R4D's policy and strategic planning support has focused on road network management, principally rural. The IR noted that a rural road access policy would improve network management, and recommended that R4D engage with MIPU and PWD to develop a national rural road accessibility policy.

**Monitoring and Evaluation Plans:** Section 4.4 and Annex 7 of the Project Design Document of September 2012 discuss the monitoring and evaluation (M&E) arrangements and framework for the VTSSP/R4D Program. The final version of the initial M&E Plan was accepted in May 2014<sup>26</sup>. The purpose of the initial M&E Plan was to outline the system and approach to collecting valid and reliable data and information to address the R4D development goal: *People in Vanuatu have increased access and derive economic benefit from a well-maintained, affordable and integrated road network.*

The goal statement was supported by two end outcomes: i) *PWD strategic framework guiding management and operational decision-making*; and ii) *PWD managing and maintaining its road network to a high standard in a cost effective manner.*

Following the publication of the IR Report in March 2015, the initial R4D M&E Plan was reviewed in January 2016 when it was proposed that R4D consider returning to a more logical structure (or log

<sup>25</sup> IE ToRs - see Annex1. R4D Monitoring and Evaluation Plan. January 2016-June 2017. 26 February 2016. Version No: Final #2.

<sup>26</sup> Vanuatu Transport Sector Support Program (VTSSP) Phase II, Monitoring and Evaluation Plan Final (Version 4), SMEC International, May 2014.

frame) to prioritise and outline key results expected to be achieved in the current program period. In light of this, and with the proposed Rural Roads Access Policy (RRAP), a revised R4D M&E plan was issued in February 2016<sup>27</sup>. The R4D goal statement was adjusted to: *People in Vanuatu have reliable access to a well-maintained, affordable and integrated road network.*

The intention of changing the goal statement was to focus on the term "reliable access", which is aligned to the RRAP *priority to provide universal basic access*. In addition, R4D's previous two end outcome statements have been merged together to form a consolidated statement. The new end outcome is: *Improved rural road access resulting from PWD using its new and improved policy, strategic planning, systems, processes, competencies (and budgets).* The end outcome statement is also intended to be aligned to the concept of access to roads, the importance of the institutional support and guidance in having PWD "use" their own systems, and processes to achieve that end.<sup>28</sup>

The percentage improvement in the Rural Access Index (RAI) was given as the indicator to measure the improvement in rural road access. This indicator formed part of the draft Rural Roads Access Strategy, which is one component of the RRAP. Endorsement by PWD and MIPU of the draft Rural Roads Access Policy and Strategy was stated as a key R4D Output.<sup>29</sup>

The IE Team notes that program outputs were also substantially revised from 18 outputs in three groups, to nine outputs in four different groups. Only four of the revised outputs appear similar to the outputs in the initial M&E Plan. These changes are summarised in **Annex 6: VTSSP/ R4D: Comparing Goal, Outcomes, Outputs (2012-2016)**. However, despite the IR's recommendations, subsequent program changes and redesign to implementation and M&E, there appears to be no R4D consolidated Program Plan (or document) to provide an overall guide in terms of timeframe, budget, strategies, and outputs across physical works, sector reform and capacity development.

While it is important for M&E to be flexible and responsive to program modifications, changes to the M&E Plan, goal, outcomes and outputs have important implications for not only program implementation, but also data collection and the robust monitoring and analysis of program progress. First, the lack of a baseline from which to determine progress towards achieving outputs and outcomes is a key issue. Second, as the revised M&E Plan was only finalised in February 2016, reporting in the R4D Annual Report Year 3, provides only limited data on revised outputs and progress towards outcomes, and limited analysis of what has changed, what was effective and why.<sup>30</sup> Third, as noted above in Section 1.6, in the DFAT Aid Program Performance Report (APPR) 2015-2016, there appears to be no specific performance benchmark reported for R4D.

## 1.8 Limitations Encountered

There were a number of limitations that constrained the IE; including the time available for completion and resources. However, the two major limitations that the IE has had to take into account were:

- (i) *Unavailability of key persons for interviews during the IE mission to Vanuatu*
- (ii) *Limited project documentation, reporting and availability of project data:* As noted in Section 1.7 above, the February 2016 M&E Plan provides no information about baseline or target values of key numerical indicators on which evaluation questions are asked. Nor are the values of these indicators reported in R4D monthly, quarterly or annual reports. These basic indicators include: per cent improvement in RAI year on year; per cent improvement in road condition year on year; number of CBC contracts awarded for

<sup>27</sup> R4D Monitoring and Evaluation Plan, January 2016-June 2017. 26 February 2016. Version No: Final #2

<sup>28</sup> Ibid.

<sup>29</sup> Table 7, Ibid.

<sup>30</sup> R4D Annual Report Year 3. July 2015-June 2016.

the year; number of kilometres of roads maintained and; number of new culverts and new drifts.

One of the key concerns for the IE Team has been the limited substantive reporting that is available for R4D, and where there is quantitative data, the lack of consistency across separate data sets.<sup>31</sup> For example, the ISP Monthly, Quarterly and Annual Reports contain much text, however, with limited data and analysis to demonstrate what has changed to support program management and decision-making. For example, Evaluation Questions are asked about different types of road maintenance, yet data on expenditure by type of work and contract type is not reported.

In assessing the Concluding section in each of the R4D Annual Reports for Year 2 (July 2014-June 2015) and Year 3 (July 2015-June 2016) it is interesting to note how similar the statements are for the 2 years, notwithstanding the impact of TC Pam in March 2015. Yet this is also the period in which the IR was conducted, and recommendations began to be implemented in relation to physical works, institutional systems, and capacity development. While the IE acknowledges the impact of TC Pam on PWD and DFAT's capacity to manage programs in addition to emergency response operations, the IE notes that DFAT monitoring, reporting and documentation on R4D has been limited throughout Year 3 (July 2015-June 2016) as a result of this event.

Further, the links between M&E, reporting, and data management across PWD and R4D are also limited. In Year 3 of the overall program, it is still not possible to easily access quantitative data across the program, as an integrated PWD/R4D data system has yet to be developed. The IE has needed to go back to original sources of data to partially overcome this lack of reporting, and the lack of an integrated and accessible data source. For **financial data**, the IE acknowledges the help and support of the ISP Public Financial Management Specialist (PFMS) in providing an analysis of expenditures that has assisted the IE in responding to the evaluation questions<sup>32</sup>.

For **road network data**, the IE was able to utilise the recently completed Road Information Management System (RIMS) database made available by the ISP Senior Road Maintenance Engineer (SRME). For data on **road condition**, the IE referred to the road condition data module in RIMS. However, the majority of this data is from 2014, when the most recent surveys were completed. It is therefore of limited value in answering evaluation questions which cover this topic.

This combination of these limitations has constrained the IE's findings and analysis in responding to the Evaluation Questions, which are detailed in the following chapters. Equally, these limitations are also key findings of systemic issues in the program for program implementation, monitoring and decision-making.

## 1.9 Report outline

**Chapter 1** introduces the purpose, approach, and overall context for the IE, and an overview of the background to the development of R4D. **Chapter 2** provides the context for the R4D program within the transport sector in Vanuatu, including a discussion of GoV objectives and commitments, and the role of other donors.

The IE Report is structured to respond directly to the nine key Evaluation Questions posed in the ToR. [To aid the reader, these questions are presented in blue text.](#)

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<sup>31</sup> Data issues have been a significant limitation, and added considerably to the time needed for the IE to track down available sources, and then analyse the consistency of data across the varying sources.

<sup>32</sup> However, due to other work pressure, the PFMS was only able to provide this data after the mission had left Vanuatu. (Even so it was difficult to get data on type of maintenance expenditure by contract type).

**Chapters 3 to 6** consider *“Whether to continue supporting Vanuatu’s rural roads subsector after R4D finishes on 30 June 2017”*. Chapter 3 discusses the Role and Effectiveness of Australian Aid. Chapters 4 and 5 present the IE’s findings on the extent to which R4D is likely to achieve the End of Program Outcomes and Outputs respectively, while Chapter 6 summarises the IE assessment of Remaining needs and Opportunities. (The IE advises that these remaining needs and opportunities are not intended to be addressed prior to the closure of R4D – which at the time of the IE was June 2017).

**Chapters 7 to 11** consider *“What R4D success factors to carry through and what changes to make in designing a possible next round of rural roads subsector support”*. Chapters 7 and 8 assess the scope and technical changes in R4D resulting from the IR, while Chapter 9 considers implementation arrangements. Chapter 10 then assesses Crosscutting Issues and Social Safeguards, and Chapter 11 focuses on Environmental Management.

In order to respond to the two key questions, the IE has analysed the current performance of the R4D program and identified remaining needs, successes, and things that could be done better, which could potentially form the basis for further support. The IE conclusions on success factors of R4D and changes to make in designing a possible next round of rural roads subsector support in Vanuatu are presented in Chapter 12.

As noted in Section 1.3, the TOR contains two key questions, nine primary questions and thirty-three associated secondary questions (shown in **Annex 2**). The IE was asked to structure the Report to provide responses to all these questions. There are common elements in some of the thirty-three secondary questions, which leads to some repetition in the text of the report in the responses.

Vanuatu’s Financial Year operates from January to December, which differs from DFAT and most donor Countries who operate from July to June. This factor is reflected in tables depending on the source of data, to allow verification from published sources.

## 2. VANUATU TRANSPORT SECTOR CONTEXT -

### 2.1 Overview

The Vanuatu transport sector comprises roads, maritime (ports, jetties and inter-island shipping) and aviation (international and domestic airfields). There are 25 rural jetties, three international airports and 25 outer island airstrips. Within the GoV, the transport sector is the responsibility of the Ministry of Infrastructure and Utilities (MIPU).

**2.2 Road Sector** The national public road network of Vanuatu in the Road Inventory Management System (RIMS)<sup>33</sup> is shown in **Table 1**. The rural road network comprises arterial roads and feeder roads. The majority of roads are earth surfaced, with less than 10% sealed with a bitumen or concrete surface.

**Table 1: Vanuatu Road Network 2016**

Province	Road Length (Km)		By Road Surface (Km)			
	Rural	Urban	Sealed	Gravel	Earth	Concrete
Malampa	406.93			150.13	256.8	
Penama	355.45			74.3	280.93	
Sanma	523.5		68	353.93	101.5	
Shefa	349.96		123.2	61.5	164.46	0.8
		6.05	5.7			0.35
Tafea	343.49			81.66	261.52	0.3
Torba	51.6			42.2	9.4	
<b>National Total Rural</b>	<b>2030.93</b>	<b>6.05</b>	<b>196.9</b>	<b>763.72</b>	<b>1074.61</b>	<b>1.45</b>
<b>National TOTAL</b>		<b>2036.98</b>				
<b>Percentage of Total Rural Road Length</b>			<b>9.67%</b>	<b>37.49%</b>	<b>52.76%</b>	<b>0.07%</b>

Source: RIMS

**Note:** RIMS only lists urban roads on Efate (in Port Vila)  
No urban roads are listed on Santo (in Luganville)

### 2.3 Sector Context - Donors

The sector and institutional context around R4D have changed significantly since the PDD. In 2012, Australia was alone in supporting Vanuatu's transport sector development. Now, Australia's contribution to transport infrastructure, through R4D, is small compared to projects funded by the other donors.

**Table 2** provides details of the current infrastructure projects for other donors; including The Asian Development Bank (ADB), the Japan International Cooperation Agency (JICA), New Zealand (NZ) Aid, and the World Bank (WB). DFAT is co-financing the Port Vila Urban development Project (PVUDP), which is being managed by ADB.

The investments in rural roads over 2016-2022 total about \$US 40 million<sup>34</sup> –with \$US 10 million per annum in 2017 and 2018. In comparison, R4D invests about \$A5 million (US\$ 3.75 equivalent) in road works annually. R4D's partner agency, PWD, is also the GoV partner responsible for all these large value projects for airports, roads, urban and shipping/wharves.

<sup>33</sup> RIMS data supplied by ISP November 2016.

<sup>34</sup> ADB Cyclone Pam Reconstruction Project and the road component of WB VIRIP



To assist PWD in this task, funding for a number of these projects includes some level of funding for implementation support, as well as some other technical assistance. However, the provision of implementation support does not mean that there is no impact on PWD workload from these projects. The extent of this additional workload is dependent on the scope and specialities included in the implementation support, (in particular for any engineering design, construction supervision and project management), and the extent to which the projects use GoV systems, donor systems, or a hybrid arrangement (in particular for financial management, procurement and social and environmental safeguards).

Even where the project may be considered to be almost “stand-alone” (implemented using its own implementation support resources), there will still be calls on PWD resources for tasks which MIPU-PWD is responsible for as a GoV agency (and cannot contract out) or has the most appropriate skills and knowledge to perform, such as community liaison and land matters. The IE has been mindful of these demands on PWD human resources in making its assessments and presenting its findings in relation to the capacity of PWD. However, the IE has not attempted to make any quantitative assessment of the extent of these demands, in terms of person months of workload or the number and skills of PWD staff required to service these projects.

From a review of the design and loan documents for these projects, and associated discussions, the following observations on these projects can be made relevant to the IE:

- (i) The scope of three of these projects includes rural roads: ADB TC Pam, China EXIM Bank (now completed) and WB VIRIP.
- (ii) The Port Vila Urban Development Project (PVUDP) includes roads – but in the urban area of Port Vila – and sanitation. About US\$ 24.7 million is for road reconstruction and improvement. The remainder is for sanitation, hygiene, institutional strengthening and project management. This project is scheduled for completion in December 2018.
- (iii) Only US\$25 million of the World Bank VIRIP is for road reconstruction and improvement. The remainder is for school reconstruction.
- (iv) The China EXIM Bank loans are at commercial rates. They were developed outside of the normal GoV procedures for Donor Aid, and prior to tightening of GoV procedures for approval of loans from overseas financial institutions. The updated GoV Debt Management Strategy would prevent further loans of this type unless a strong case can be made that they are in the national interest<sup>35</sup>.
- (v) Other loans are at International Development Association (IDA) concessional rates rather than International Financial Institutions (IFI) normal rates. This significantly reduces the repayment costs to GoV.
- (vi) Project Implementation Support is included in the ADB TC Pam and WB VIRIP.
- (vii) Technical assistance (TA) support is included in three projects, only one of which (VIRIP) relates to rural roads. (The other two are PVUDP and the Vanuatu Aviation Investment Project - VAIP.)

In addition, ADB is separately providing support to PWD HO for Procurement and Project Management specialists, a Road and Bridge Engineer, a Transport Policy Specialist (to assist MIPU in drafting a Vanuatu Transport Strategy) and a specialist to prepare a paper on a Road Maintenance Fund.

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<sup>35</sup> Discussion with MFEM

**Table 2: Current Donor Funded Infrastructure Projects**

Donor	Project Name	Value	Loan/ Grant	GoV Funds	Project Implementation Support		Separate Technical Assistance
		(million)	(million)	(million)	Period	(million)	(million)
ADB/DFAT	Port Vila Urban Development Project (PVUDP) <sup>36</sup>	US\$25.61 US\$5.39 US\$5M	DFAT Grant DFAT CFA ADB Loan	US\$3.1	2012 - 2017	US\$4.7*	US\$1.5*
ADB	Cyclone Pam Road Reconstruction Project <sup>37</sup> (Efate)	US\$9.81 US\$ 3.80 US\$ 2.68	ADB Grant ADB Loan GEF Grant	US\$2.21	2016- 2018	US\$2.71	None
China Exim <sup>38</sup> Bank	Vanuatu Road Rehabilitation Project (Malekula and Tanna)	US\$53M RMB350M	Loan 2% Interest		2014- 2016		
	Vanuatu Port Luganville Main Wharf Rehabilitation and Extension	US \$60M RMB541.9M	Loan 2% Interest		2014 - 2016		
	E Gov Broadband Network	US\$30M /RMB 199M	Loan 2% Interest		2008- 2010		
JICA	Port Vila Lapetasi International Multi-Purpose Wharf Phases I & II <sup>39</sup>	US\$ 90 / JPY 9543M	ODA Loan		2014- 2017		
NZ Aid	Port Vila Seafront	NZ\$20M <sup>40</sup>					
ADB/NZ Aid	Inter-Island Shipping <sup>41</sup>	US\$29.3 US\$17.25	ADB Loan NZ Aid Grant	US\$5.07	2011- 2017	US\$3.67M	None
World Bank	Vanuatu Aviation Investment Project <sup>42</sup> (VAIP)	US\$59.50 (SDR42.3M) US\$ 0.3M	IDA Credit  PRIF Grant	Nil	2014- 2019	US\$2.48M	US\$2.67M
	Vanuatu Infrastructure Reconstruction and Improvement Project (VIRIP) <sup>43</sup>	US\$25M (SDR17.65M) US\$25M (SDR17.65M)	IDA Grant  IDA Credit	Nil	2016- 2022	US\$4.0	US\$0.5M

Source: IE Team from Project Documents Notes \*excluding contingencies

<sup>36</sup> ADB RRP 42391 Port Vila Urban Development Project November 2011<sup>37</sup> ADB RRP 41939-001 Cyclone Pam Road Reconstruction Project, November 2015<sup>38</sup> Separate Loan Documents for each loan<sup>39</sup> JICA Country Assistance Policy Annex Rolling Plan for the Republic of Vanuatu April 2015<sup>40</sup> NZ AID Website Accessed 30/11/16<sup>41</sup> ADB RRP 42392-014 Inter Island Shipping February 2015<sup>42</sup> World Bank PAD 1342 Vanuatu Aviation Investment Project, April 20, 2015<sup>43</sup> World Bank PAD 1575 Vanuatu Infrastructure Reconstruction and Improvement Project, June 6, 2016,



## 2.4 Sector Context – MIPU

MIPU is responsible for all transport policy, regulations and licensing, as well as infrastructure construction and maintenance. The Ministry has three main departments: Public Works (PWD), Ports and Maritime, and the Civil Aviation Authority. There are also six statutory bodies attached to the Ministry.<sup>44</sup>

The MIPU Sector Strategy (2015-2017)<sup>45</sup> and Corporate Plan (2015-2017)<sup>46</sup> provide the MIPU – PWD context for review of R4D. The Sector Strategy is an update of the 2014-2016 Strategy to harmonise with the Corporate Plan. Both documents focus on development of PWD, and are somewhat silent on infrastructure policy, construction, maintenance and services. They provide limited information on GoV commitments to the rural road subsector. MIPU Mission Statement and Objectives are listed in **Box 2**.

### Box 2: MIPU Mission Statement and Objectives – 2014

#### MIPU MISSION STATEMENT

“Through effective partnerships, provide safe and secure, sustainable and inclusive quality infrastructure and services”

#### MIPU OBJECTIVES

1. To create an **enabling framework** that supports proper planning, legislation, reporting, budgeting, and capacity building, resources allocations and donor harmonisation;
2. To enable **user responsive infrastructure** connecting to the future;
3. To progress **decentralisation** through consultative implementation and maintenance of appropriate, resilient, sustainable infrastructure and services **to support social & economic development in the provinces**;
4. Strengthen environmentally sustainable, energy efficient and **resilient infrastructure**;
5. Improve **equitable access** to economic and social opportunities, especially for women, children, youth and disabled people, **through provision of infrastructure & social services**.

## 2.5 Sector Context – MIPU Budgets

Neither MIPU, nor R4D, provide any formal reporting of GoV contributions to the rural roads sector. The IE analysed GoV Recurrent Budget appropriations to transport modes and presents this data in **Table 3** below. **Table 3** also sets out the PWD road maintenance funding baseline and annual increments estimated by VTSSP II over the four- year R4D program period to date. (The IE assumed that GoV project contributions and transfers to State Owned Enterprises are capital in nature, and excluded these items from the calculation of GoV recurrent funding to the transport subsectors in **Table 3**).

**Table 3** includes Donor grants and Aid in kind and externally funded loans (shown in **Table 2**), as well as the GoV infrastructure maintenance funding sourced from internally raised revenues. (It needs to be noted that a detailed analysis of 2014 funding was not possible due to the non-availability of Volume 2 of the GoV 2014 Budget).

<sup>44</sup> Air Vanuatu, Airports Vanuatu Ltd, Ifira Wharf & Stevedoring, Vanuatu Post Ltd, Northern Islands Stevedoring (NISCOL) and Vanuatu Maritime College

<sup>45</sup> MIPU Sector Strategy, 28/04/14

<sup>46</sup> MIPU 2015-2017)Corporate Plan, May 2014

**Table 3: Time series data of GoV funding to Road Maintenance, Marine and Aviation transport modes 2013-2016**

Transport Mode and Funding Source	FY 2013 VT million	FY 2014** VT million	FY 2015 VT million	FY 2016 VT million
<b>VTSSP II INDICATOR</b>				
<b>Road maintenance "target" of +5% p.a.</b>	<b>500</b> <i>Baseline</i>	<b>525</b> <i>+5%</i>	<b>551</b> <i>+5%</i>	<b>579</b> <i>+5%</i>
<b>GoV BUDGETS*</b>				
<b>Road Maintenance</b>				
<b>GoV Internal Revenue</b>	<b>417m</b> <i>Baseline -17%</i>	<b>331</b> <i>-37%</i>	<b>320</b> <i>-42%</i>	<b>520</b> <i>-10%</i>
Cash grants, Aid in kind	426		1,319	8,372
Funded from External loans			3,460	3,476
<b>Road Maintenance TOTAL</b>	<b>842</b>	<b>331</b>	<b>5,099</b>	<b>12,368</b>
<b>Marine</b>				
GoV Appropriation	156	127	147	177
Cash grants, Aid in kind	1,159		499	546
Funded from External loans	169		2,398	5,170
<b>Marine TOTAL</b>	<b>1,494</b>	<b>127</b>	<b>3,044</b>	<b>5,893</b>
<b>Aviation</b>				
GoV Appropriation	69	107	113	113
Cash grants, Aid in kind				58
Funded from External loans				2,781
<b>Aviation TOTAL</b>	<b>69</b>	<b>107</b>	<b>113</b>	<b>2,901</b>

(Data source - GoV Budget Volume 2)

\*Includes Personnel Emoluments, Other Goods &amp; Services and Capital Expenditure, but not GoV Project Contributions or transfers to State Owned Enterprises (SOEs).

\*\* - 2014 Volume 2 not published by Vanuatu Treasury

Funding for Road Maintenance over the program period is not consistent with the 2013 Baseline and the VTSSP II target; and does not follow any consistent or obvious trend such as increasing by 5% p.a.

The Public Expenditure Review (PER) of August 2015 stated<sup>47</sup>: "The 2012 National Condition Audit of the nation's roads reported that VT9.9 billion (about \$121 million equivalent) was needed to up-

<sup>47</sup> Vanuatu Infrastructure Public Expenditure Review 2015 Page iii, Mott Mac Donald, August 2015

*grade the existing roads to a usable standard<sup>48</sup>. Estimates also show that once upgrading is complete a budget of AUD 20 million per annum (about VT 1600 million equivalent) would be needed for maintenance.”* Chapter 3, Implementation of the Rural Roads Access Strategy (RRAS), discusses a notional annual average national roads budget of VT 2500 million (maintenance VT 1600 M, Improvements VT 900 M), (see Section 2.6 below). This means the GoV 2016 budget allocation would need to increase by a factor of four if PWD is to be able to maintain the entire rural network as set out in the RRAF.

R4D is contributing about \$A5 million on average in R4D annually – about VT 408 million equivalent. Combined with the GoV funds, this provides MIPU around VT 900 million on average – or just over half the funding estimated to be required for maintenance of the whole network.

## 2.6 Rural Roads Access Framework

### 2.6.1 Overview

The IE ToR (quoting the IR) makes a number of references to road subsector policy, and to the Rural Roads Access Framework (RRAF). The IE was provided with a draft of the RRAF during the Inception Mission<sup>49</sup>, and what is referred to as the final version during the IE Mission<sup>50</sup>. The IE was advised that the documents had been agreed by the Minister of Infrastructure and Public Utilities and that the next step was to seek GoV approval for use of the RRAF for a period on 12 months, after which it would be reviewed.

The RRAF consists of three separate documents covering Policy, Strategy and Work Plans. The Policy and Strategy are presented in the following paragraphs. Work Plans are presented in Section 2.8.

#### 2.6.2 Rural Roads Access Policy

The Rural Roads Access Policy (RRAP) is a short statement covering the purpose, context, rural road network investment priorities and commitments. The Policy states:

*“The highest priority is to maximise year round basic access. **Access**’ means that people and goods can travel by local vehicle to their nearest commercial, services and transport hub in all but the worst weather. The principal consideration for **‘basic**’ access is year-round connectivity, regardless of how fast or slow, smooth or rough”.*

#### 2.6.3 Rural Roads Access Strategy

The Rural Roads Access Strategy (RRAS) is a useful document as it sets out various technical issues relating to the maintenance of rural roads, which are not covered in the Road Design Guide<sup>51</sup>. Most importantly, this includes an approach to maximising basic rural road access and for measuring it using the Rural Access Index (RAI). The Strategy also discusses how to support economic development and prioritise road investments, with maintenance of the existing road network as the highest investment priority.

Chapter 3 Implementation of the RRAS discusses a notional annual average national roads budget of VT 2500<sup>52</sup> million (maintenance VT 1600 M, Improvements VT 900 M), and a budget allocation process to provinces. This is based on the principle of funding equity between the provinces, and allocates annual funding for provinces on the overall length of rural road network and rural

<sup>48</sup> MIPU Annual Report 2013

<sup>49</sup> RRAF - 25 July 2016

<sup>50</sup> RRAF – 20 October 2016

<sup>51</sup> Vanuatu Rural Roads Design Guide Incorporating Climate Resilient Design, PWD, September 2016

<sup>52</sup> The actual annual budget for 2017 combining GoV and R4d allocations is VT634 M.

population. Section 3.3 of the RRAS presents the budget process and the preparation of the Annual Rural Road Access Plans (Work Plans).

The RRAS also introduces the supporting tools and process for the implementation of the RRAF, namely the Vanuatu Road Inventory, Road Inventory Management System (RIMS) and road condition assessments.

The IE notes that the RRAS does not provide guidance on the broader policy questions of (a) how to equitably distribute resources between provinces with differences of RAI - Section 3.2 states *“this will be based on the overall length of the road network and the rural population”* and (b) the balance to be struck in the distribution of resources between the level of access (measured by RAI) and road condition (level of service) – Section 2.4 states *“maintenance of the existing road network as having the highest priority. Significant improvement/rehabilitation to the existing road network is considered a second priority”*.

The RRAS has now been launched, and Section 7 of the RRAS states that in the first year of implementation it will be reviewed biannually.

#### 2.6.4 Rural Access Index

The Rural Access Index (RAI) is defined in the RRAS as *the percentage of the population of an area with year round access*. This is a little different to the original World Bank definition as *the percentage of people who have access to an all season road within a 2 km walking distance*<sup>53</sup>.

The World Bank defines an all-season road as *“a road that is motorable (passable) all year round by the prevailing means of rural transport (typically a pick-up or a truck which does not have four-wheel-drive). Occasional interruptions of short duration during inclement weather (e.g. heavy rainfall) are accepted, particularly on lightly trafficked roads.”* The definition does not include any parameter for road condition, beyond that the road is motorable (passable).

**Table 4** shows the current and 2020 target RAI by Province. In this table, Network RAI is the target RAI that would exist if all the existing rural arterial and feeder roads were passable year round. This is also the Target RAI for the year 2030. The Actual RAI is the RAI taking into account rural arterial and feeder roads that are currently passable year round.

**Table 4: RAI, Rural Population and Rural Road Length by Province**

Province	Network RAI	Actual RAI	Target RAI	Rural Road Length	Rural Population	Area
	2015	2015	2020	Km	2015	Sq Km
	1	2	3	4	5	6
<b>Malampa</b>	80	61	67	406.93	39,709	<b>2,779</b>
<b>Penama</b>	88	60	69	355.45	33,706	<b>1,198</b>
<b>Sanma</b>	70	67	68	523.5	38,884	<b>4,248</b>
<b>Shefa</b>	90	85	87	349.96	48,274	<b>1,455</b>
<b>Tafea</b>	86	79	81	343.49	34,918	<b>1,628</b>
<b>Torba</b>	60	60	60	51.6	10,546	<b>882</b>
<b>National</b>	<b>82</b>	<b>70</b>	<b>74</b>	<b>2030.93</b>	<b>206,047</b>	<b>12,190</b>

**Source** Columns 1-3: Table 1 RRAS 20 October 2016: Column 4 RIMS: Columns 5&6 Vanuatu National Statistical Office

**Note** Shefa road length is for rural roads only

<sup>53</sup> Roberts, Peter, KC Shyam and Codula Rastogi 2006 “Rural Access Index: A Key Development Indicator” Transport Papers TP-10 World Bank

## 2.7 Definitions of Road Works<sup>54</sup>

### 2.7.1 Type of works, frequency and budget source

This report makes frequent reference to the various types of road works being undertaken in Vanuatu. Road works of the type being undertaken in Vanuatu are normally divided into road maintenance and road improvements or new works. Road maintenance includes routine and periodic maintenance.<sup>55</sup>

**Routine maintenance** works include: a) grass and vegetation cutting/clearing from road shoulders and verges; b) clearing of drains and drainage structures; c) pavement patching; and d) light grading/re-shaping of gravel roads. These works are undertaken to keep the road in a passable condition, and to prevent degradation of the asset. Routine maintenance works are normally carried out on a regular basis, at least annually. The works would normally be funded out of the government's recurrent budget. This is the case in Vanuatu.

**Periodic maintenance** works include: a) pavement re-graveling and re-shaping to a standard profile of gravel roads; b) repairing drainage structures; c) repairing safety signs and structures; and d) excavation of side drains and turnouts. These works are undertaken to keep the road in a passable condition, and to prevent degradation of the asset. Periodic maintenance works are normally carried out every 3 years, either at fixed time intervals or as determined by road condition surveys. The works would normally be funded out of the government's recurrent budget. This is the case in Vanuatu.

**Rehabilitation** works include: a) re-formation and complete re-graveling/re-shaping/compaction of pavements; b) re-formation of longitudinal drains; and c) replacement and installation of additional safety signs and structures. These works are intended to return the road to a condition where it can be considered "maintainable" – i.e. where routine and periodic maintenance can keep the road in passable condition and prevent degradation. These works are carried out on an "as required" basis, based on the condition surveys and assessments by road maintenance engineers. This work is considered re-creation of a road asset and so is normally funded out of the government or road agency capital, or development budget. In Vanuatu, this is the Development Budget.

**Road improvement** works variously include: a) complete sub-grade and pavement "formation" of sections that are badly deteriorated or were never "engineered" in the first place; b) construction of new drainage structures, wet crossings (drifts and vented drifts), and safety installations; c) construction of concrete pavements on steep sections and; d) earthworks, protection works and pavement surfacing (including gravel, concrete and bituminous).

**Drainage Improvement** works include installation of cross drainage structures, lining of side drains, and new drifts (*fords*).

Road and drainage improvement works are carried out on an "as required" basis, based on assessments by road network managers or planning engineers. These works are considered creation of a new road asset and so are normally funded out of the government or road agency capital or development budget. In Vanuatu, this is the Development Budget.

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<sup>54</sup> Definitions from IE TOR, with additions by the IE Road Maintenance Specialist

<sup>55</sup> See also Section 3.2 INFRASTRUCTURE MAINTENANCE IN THE PACIFIC  
*Challenging the Build-Neglect-Rebuild Paradigm PRIF, 2013*

## 2.7.2 Contract Types

This report makes frequent reference to the various implementation methods being used in Vanuatu to undertake the maintenance and improvement works. They are described by both type of contract, and the way in which the works are undertaken.

**Community Based Contracts (CBC Contracts)** are entered into by PWD with Community Based Contractors by direct appointment, for a value up to VT 5 million. They are used for routine maintenance.

**Island Based Contracts (IBC Contracts)** are entered into by PWD with IBC direct appointment, for a value up to VT 5 million. They are used mainly for spot improvement works, but have also been used for routine maintenance.

**Request for Quotation (RFQ) and Request for Tender (RFT)** Contracts are entered into with local suppliers for the supply of materials and stockpiling of materials after a competitive process.

**Equipment Hire Contracts (EHC)** are entered into with local suppliers for the supply of heavy equipment (such as graders) for periodic maintenance after a competitive process. These contracts are used when the PWD plant is not available (or unserviceable) and so PWD Force Account labour cannot be used.

**National Competitive Bid (NCB)** Contracts are entered into with National Based Contractors (NBC) after a competitive bidding process for Periodic Maintenance.

**Labour Based Equipment Supported (LBES)** Contracts are CBC and IBC contracts, which are mainly undertaken using labour, but supported with hand or small machine equipment that may be supplied initially by R4D. The cost of the equipment is then deducted from the contract payments to the CBC and IBC.

**Force Account (FA)** works are undertaken by PWD's own workforce, mechanical plant and equipment. This is mainly for periodic maintenance of gravel surfaces by re-graveling (re-sheeting).

## 2.8 The Annual Rural Road Access Plans

These plans, also known as Annual Work Plans (AWP), are the third element of the RRAF, which have been developed during R4D and adopted by PWD<sup>56</sup>. The detailed process for preparation of the AWP includes assigning a budget priority for each type of road maintenance and improvement works, and the prioritisation of roads to be maintained at a provincial level.

The AWP are a program of physical works for a single calendar year (which corresponds to the GoV FY), that can be implemented within the combined GoV and R4D budget allocations. They include works schedules by type of works (routine, periodic, improvement), and associated procurement types and schedules (by CBC, IBC, NCB, RFQ and RFT).

The AWP for 2017 is based on a combined budget (GoV + R4D) of VT 634M, compared to the notional budget required to implement the strategy based set out in the RRAS of VT 2,500M. The 2017 Work Plan has been developed with the assistance of a road maintenance prioritisation tool and budget allocation system developed by R4D, experience gained from VTSSP 1, and earlier stages of R4D. The prioritisation tool is in its early stages<sup>57</sup>, but was used to determine the following:

<sup>56</sup> As observed by the IE during the Annual Work Plan Workshop for the 2017 Program

<sup>57</sup> Budget Allocation System 160708 BAS v2. ISP

- Funding allocation to routine maintenance, periodic maintenance and improvement works
- Funding allocation to stockpiling of road materials and supply of road materials

The proportions of funding allocated focuses on spot improvement works being a high priority and attracting a significant proportion of budget funding. This approach follows the provisions of Section 2.4 of the RRAF and is supported by experience from VTSSP I:<sup>58</sup>

*“Experience from VTSSP I has reiterated the crucial importance of installing culverts and other water protection measures before considering any pavement maintenance works”.*

## 2.9 Road Condition

Use of the terms “good” or “fair” to describe road condition is standard international practice. However, these terms are then described in the particular context (country, rural/urban road, road legal classification) through a number of measurable technical criteria. The RRAF refers in Section 4.3 to road condition assessments and discuss the criteria, but does not provide a table showing “good” and “fair” condition. This topic is also not covered in the PWD Road Design Manual (which covers road design standards).

The R4D Unsealed Road Condition Survey report dated November 2014 discusses road condition. This survey report states:

*“R4D has looked to the Roads Condition Evaluation Manual for Queensland as a guide to undertake an unsealed road condition survey”. The two parameters that have been assessed in this survey are:*

- *Ride quality/road roughness*
- *Road profile/cross section*

*Ride quality is most easily rated as a function of the “estimated” comfortable and safe driving speed (unaffected by geometric constraints or road width) that can be driven in a four-wheel drive vehicle. The ratings used in this survey are given in **Table 5** for estimated ranges of speed.*

*Road profile is rated on a five-point scale where 4 is good and the trafficked surface sheds water easily, and 0 is very bad/uneven resulting in localised ponding and/or surface drainage occurring in a longitudinal direction. These ratings are also defined in **Table 5.**”*

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<sup>58</sup> VTSSP I PDD, p. 72



**Table 5: Road Condition – Definitions**

Road Condition		Ride Quality	Road Profile
Description	Rating	Speed (km/h)	Description
Good	4	>50	Camber .4%)
Fair	3	35-50	Camber 2-4 %
Poor	2	20-35	Some unevenness, camber < 2%
Bad	1	0-20	Development of irregularities that will impede drainage and form depressions
Very bad/ Impassable	0		Severe irregularities that will impede drainage and likely to cause extensive localised ponding; water tends to flow to the centre of the road or individual lanes

Source: Tables 1 & 2, R4D Unsealed Road Condition Survey – Ambae, Malekula and Tanna, November 2014

## 2.10 Maintenance Budget and Core Network

The RRAS proposes a notional budget that is far greater than the actual maintenance expenditure during R4D to date. This implies that the actual size of the network that can be maintained is less than the 2,031 km shown in Table 1.

One of the key objectives of R4D, as set out in the PDD, is to “define a core transport network which is affordable and justifiable by transport and internationally accepted criteria for economic and social benefit”. In one form or another, this is a standard approach where actual maintenance budgets are less than the budget a network manager estimates is required to maintain a network to at least a fair condition. Another way to describe a core network is a maintainable network, as has been done in the Solomon Islands<sup>59</sup>.

The core road network that is affordable with current level of funding has not been identified. Hence, the appropriate levels of the funding allocations to Provinces and the proportions to routine maintenance, periodic maintenance, improvement works, stockpiling and supply of materials are also not known.

<sup>59</sup> Solomons Transport Sector Infrastructure Investment Program (STIIP), ADB/DFAT co funded.



### 3. ROLE AND EFFECTIVENESS OF AUSTRALIAN AID (Research Area A)

#### 3.1 Introduction

Chapters 3 to 6<sup>60</sup> consider “*Whether to continue supporting Vanuatu’s rural roads subsector after R4D finishes on 30 June 2017*”.

The primary question for the IE is “To what extent is DFAT<sup>61</sup> support a valued and influential contribution to transport sector development?” Four secondary questions are posed. The IE findings and recommendations in response to these questions are given below.

#### 3.2 Question A1 How and to what extent have GoV’s objectives and commitments to the rural roads subsector changed since 2012?

The IE has reviewed GoV policy, planning and budget documents since 2012, and has supplemented this review with interviews of some key GoV officers. The IE team was not able to interview any Ministers or all the GoV officers listed in the Evaluation Plan due to their unavailability at the time of the mission.

##### 3.2.1 GoV Objectives

###### Background

The VTSSP II PDD<sup>62</sup> refers to the 2011/12 priority set for the infrastructure sector by the Department of Strategic Planning and Coordination, which was “*reliable and accessible infrastructure services*”. This included four transport objectives:

- (i) Upgrading of domestic airstrips,
- (ii) Review of airspace/upper space agreements,
- (iii) Improved shipping, wharf and storage facilities, and
- (iv) Strengthening the institutional capacity of the transport sector.

However, the IE was not able to identify any GoV statements from 2012 that provided Objectives for the Transport Sector in general, and the rural road sector in particular. Yet, at the time, GoV had made a commitment to the rural road sector through its support for VTSSP I (which finished in July 2012) – and had agreed to the design phase for VTSSP II<sup>63</sup>. The MIPU Corporate and Strategic Plans from early 2014 (see section 2.4) are silent on the topic.

The GoV commitments to the 2015 Donor projects for airports and shipping in **Table 2** are in accord with these objectives.

###### Current Situation

The most recent GoV goals and objectives for the transport sector are set out in the vision for a Stable, Sustainable and Prosperous Vanuatu in *Vanuatu National Sustainable Development Plan, Vanuatu 2030 - The People’s Plan*<sup>64</sup>. Economic Goal Eco 2 is Improve Infrastructure, where policy objectives 2.6, 2.7 and 2.8 relate to transport. Economic Goal Eco 3 is Strengthen Rural

<sup>60</sup> Chapters 3-6 represent Research Areas A-D. See Annex 2 for Key Evaluation Questions.

<sup>61</sup> The ToR used the term Australian Aid Program (AAP). This Report uses DFAT throughout when referring to the Australian Aid Program.

<sup>62</sup> PDD paragraph 13

<sup>63</sup> This should have been completed by end 2011. VTSSP II PDD p. 1, September 2012.

<sup>64</sup> Vanuatu National Sustainable Development Plan 2016-2030, Government of Vanuatu, DRAFT FOR VALIDATION, November 2016.

Communities, where policy objectives relate to access to markets. However, these goals make no specific reference to rural roads or any other transport mode/subsector.

Along with other GoV agencies, PWD is now required to elaborate the ways in which the rural roads sector can contribute towards achieving the Vision. This will involve updating sector plans to align them with the priorities and development aspirations of *Vanuatu 2030*. The Policy Statement of the RRAF states that the policy supports the GoV *Vanuatu National Sustainable Development Plan*.

## Discussion

Until the recently approved RRAF, there have been no explicit references to rural road access in GoV objectives. An alternative way to assess GoV objectives is to consider the donor projects GoV has accepted. Since 2012, while GoV has accepted donor projects in accord with the 2012 objectives, GoV has also supported R4D. GoV is also supporting two donor projects (in addition to R4D) with significant amounts of expenditure on rural roads – ADB and WB. In interviews, GoV staff discussed current GoV commitments to improving rural road access, improving opportunities for rural communities, and to infrastructure maintenance, including rural road maintenance. They gave no indication of the GoV commitments in other transport sectors.

## Findings

GoV objectives for the rural road subsector were not explicit in any GoV document in 2012, but now are explicit with the recent approval (October 2016) by the Minister of Infrastructure and Public Utilities of the RRAF. This RRAF confirms the change in GoV commitment to the rural road subsector.

### 3.2.2 Financial commitments to the rural road subsector

#### Background

At the macro-level of sectoral resources allocation, neither PWD nor R4D undertake time-series analysis of GoV budget allocations to asset maintenance (recurrent budget) and asset formation (development budget) by the transport modes of aviation, maritime (wharves and shipping) and roads. The indicator that R4D adopts to measure the equity and sustainability of GoV resource commitments to the rural roads subsector is recurrent budget allocations to PWD Road Maintenance.

The baseline established by VTSSP II for road maintenance funding by GoV is VT500m (\$A6.25m) in FY 2013. In the VTSSP II PDD,<sup>65</sup> the indicative target set for PWD institutional transformation is that “*PWD fund proportion for maintenance works increases by 5% each year*”. The latest R4D M&E Plan refers to this indicator in the Reporting Matrix for ISP Team Members, but not in the Table 6 Objectives of the M&E Framework, which would be more useful.

#### Current Situation

The IE was unable to find any references to monitoring or reporting of GoV Recurrent Budget contributions in the R4D Quarterly Progress Report, July-September 2016. Further, the summary of Public Financial Management (PFM) achievements for R4D does not identify monitoring or assessment of GoV contributions as a 2016 goal. In the absence of any formal reporting of GoV contributions by PWD or R4D, the IE analysed GoV Recurrent Budget appropriations to transport modes and presents this data in **Table 3** in Section 2.5. **Table 3** also sets out the PWD road

<sup>65</sup> VTSSP II PDD, p. 34.

maintenance funding baseline and annual increments estimated by VTSSP II over the four-year R4D program period to date.

Funding for Road Maintenance over the program period is not consistent with the 2013 Baseline and the VTSSP II target; and does not follow any consistent or obvious trend such as increasing by 5% p.a.

## Findings

The GoV financial commitment from internal revenue to the rural road sector has been the largest for the transport sector, but has not been consistent since FY 2013, which has made planning of road maintenance and heavy equipment contracting uncertain. Over the same period GoV financial commitment from GoV internal revenue to Maritime has not changed, while commitment to Aviation has doubled. However, if Donor grants and external loans are taken into account, the GoV commitment to the rural road sector far exceeds the other two modes, in both absolute terms and as a proportion of overall transport expenditure. The IE acknowledges that much of this increased expenditure is for reconstruction of roads damaged by TC Pam, but considers this fact also demonstrates the GoV commitment to rural road subsector would benefit from policy consistency around funding levels.

The IE proposes that future reporting by the ISP incorporate the GoV Recurrent Budget funding indicators for PWD, as agreed by all stakeholders in the R4D M&E Plan January 2016 - June 2017.

PWD should report GoV recurrent budget and actual expenditures for rural road maintenance as key indicators as part of the annual planning and budgeting workshop; and PWD/ R4D reflect this indicator in their respective Quarterly and Annual Reporting to keep GoV informed of the level of funding actually needed to maintain the arterial road network in fair condition across the nation.

### 3.3 Question A2 How and to what extent have MIPU-PWD's capacity and interest in partnering with Australia in the rural roads subsector changed since 2012?

This question covers two topics, which will be discussed separately.

#### 3.3.1 PWD Capacity

##### Background

In 2012, the capacity of PWD was limited by, amongst other things, a high vacancy rate in key positions<sup>66</sup> and low skill levels. This was addressed in part by focused talent acquisition<sup>67</sup>, (which reduced the vacancy rate to 12.8% in November 2014) and training to improve the competencies of PWD staff. However, following this initial success, the progress of capacity development slowed. This could be attributed to lower emphasis on institutional transformation in the ISP SoS<sup>68</sup>, and lack of consistency in the work that was undertaken from 2015 (as well as to the other political factors discussed in Section 1.7 and the response to Question A3 below).

The R4D initial approach (in the 2015 Capacity Development Program) to shaping this strategy and mandate focused on Human Resource Development (HRD) (which was a key element of the MIPU

<sup>66</sup> PWD 2015 Capacity Building Program, R4D, December 2014

<sup>67</sup> Interview with Margaret McFarlane

<sup>68</sup> Contract 66274 Schedule 1 Scope of Services

Corporate Plan), in particular the capacity building of PWD and filling vacant positions<sup>69</sup>. However, this was done without considering the PWD functions, processes and competencies needed to meet the stated long-term outcome and organisational mandate.

The Performance Situational Analysis (PSA) in October 2015<sup>70</sup> also focused on HR procedures and systems, and the HR requirements of the Public Service Commission (PSC). This report did however make proposals for work force planning starting with a review of MIPU functions, as set out in Figure 6 of the PSA Report.

During this 2013 to 2015 period, the main efforts (and ISP resources) were applied to increasing the service delivery program of physical works. The ISP Team Leader (TL) was not an Institutional Development (ID) specialist, but an engineer.

### Current Situation

From interviews with PWD staff and observation of their work<sup>71</sup>, the IE considers that staff now have the competencies (skills and knowledge) and PWD as an organisation has the understanding of how to deliver the R4D program. This capacity is now being tested through two factors. The first is the increase in the number and value of programs and projects from other donors, as discussed in Section 2.3, which puts considerable pressure on PWD staff by increasing their workloads. A number of these projects have dedicated ISP Teams specifically provided to reduce the impact on PWD capacity for service delivery, and provide training in critical skills (such as project management) to increase the efficiency and effectiveness of PWD staff across all projects.

The second is the impending staff changes. The IE was advised by senior PWD staff during the IE Mission that five senior staff positions were about to be vacated. While replacements are found and trained, this will inevitably reduce the capacity of PWD as observed by the IE.

**Public Financial Management (PFM) capacity building** PWD has built its PFM capacity because of continuous R4D support to this area; and through strategic recruitment of qualified and experienced finance officers to key PFM roles in PWD. This PFM capacity building effort has dovetailed with continuing technical developments in the GoV SmartStream accounting system; and the Ministry of Finance and Economic Management (MFEM) acknowledges that PWD as a leader in adoption of GoV's decentralised PFM management strategy through its Divisional offices.

An example of decentralisation that has been effectively trialed by PWD is the delegation of procurement authority up to VT500,000 (\$6,460) in 2016 to PWD Divisional Managers', with a view to increasing this delegation to the maximum allowed of VT1m (\$12,920) in 2017 or 2018, depending on feedback from the trial. This delegation, combined with MFEM payment offices and National Bank of Vanuatu Branches in each District, has streamlined PWD payments for progress claims made by CBC and smaller value IBC contracts.

Development of tailored manuals for PWD use is ongoing; and there are several useful examples of PFM tools that were developed in R4D that have subsequently migrated across to PWD regular usage.

R4D PFM capacity building has supported development of the following in PWD:

- (i) Matching PWD budget reformulation required from the Annual Planning and Budgeting meeting in November to the required GoV SmartStream Chart of Account changes so

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<sup>69</sup> PWD 2015 Capacity Building Program, R4D, December 2014

<sup>70</sup> PWD Performance Situational Analysis, A Pathway for Incremental Change, R4D, 28 October 2015

<sup>71</sup> Field visits, AWP workshop, PDO induction

that Warrant Releases will be made and actual expenditure data reported alongside the objectives of the Annual Work Plan. This is a crucial PFM reform that supports timely reporting and enhanced data analysis within PWD, which has been efficiently delivered by the ISP through the PFMS as a short term TA input 16 – 20 weeks a year,

- (ii) Ensuring R4D project spending is reimbursed to GoV through the GoV Development Trust Account monthly. MFEM confirmed to the IE that this process is efficient in ensuring that GOV cash flows are not compromised by ex-post reimbursement of R4D spending in any month. This function is essential to maintain sound bilateral working-level relations between MFEM and DFAT,
- (iii) Monitoring payments for accuracy and timeliness through contract payment schedules and payments registers that are updated regularly and reconciled to the SmartStream expenditure records is a key initiative to ensuring that contracting out of rural road maintenance works can be developed and expanded into the future. This will facilitate PWD absorption of larger volumes of development partner funds into the rural roads subsector and improved access, as will more efficient PWD systems and development of a larger group of CBC and IBC,
- (iv) Procurement reforms generally have been less efficient in impacting on PWD capacities and PWD value for money outcomes through a potential 10-year rural road maintenance cycle.

## Findings

The IE considers PWD capacity has improved since 2012, with significant improvement in PFM. The change in PWD capacity is a function of the support for capacity building and institutional transformation provided by R4D, and the increased demands placed on PWD by the increase in the programs and projects of other donors (as discussed in Section 2.3).

This capacity is now under pressure from increased workloads (from additional donor projects as discussed in Section 2.3), staff departures, and inefficiencies and gaps in systems. If the gaps and inefficiencies in the systems were addressed, the capacity of PWD would increase through greater efficiency and throughputs. This could reduce, but not overcome the current pressures. Apart from system improvements, there is an ongoing need for professional development of PWD staff, and capacity development of PWD, not just to respond more effectively to current pressures, but also to further assist in the institutional transformation of PWD.

### 3.3.2 Interest in Partnering with Australia

#### Background

As noted in Section 2.3, in 2012, Australia was alone in supporting Vanuatu's transport sector development. Now, Australia's contribution to transport infrastructure, through R4D, is small compared to projects funded by the other donors.

#### Current Situation

In discussions, GoV officers<sup>72</sup> indicated that GoV has an interest in partnering with GoA for these reasons:

- (i) GoA is prepared to provide longer term (15 year) Technical Assistance (TA) support for Institutional Development (ID). Other donors provide only limited support for ID, and for short periods (5 years). (As noted in Section 2.3, actual donor TA support not related to project implementation in current projects is limited).

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<sup>72</sup> MIPU, MFEM, DSPPAC. The IE was not able to meet any Ministers, despite repeated requests by DFAT staff.

- (ii) GoV is concerned about the levels of funding for road maintenance. GoA has been the only donor currently providing funds for road maintenance. (Other donors focused on post TC Pam road reconstruction or road improvements, although the VIRIP project is undertaking works similar in scope to R4D).
- (iii) GoA was prepared to merge the R4D and PWD programs after the IR, with ISP support provided to the single program, and to use GoV systems. (Other donors are providing parallel financing and using their own systems, with some customisation to meet GoV requirements).

## Findings

The IE considers the comments above demonstrate that DFAT has a niche role of interest to GoV in institutional development and rural road access, and a comparative advantage in these areas over other donors.

### 3.4 Question A3. To what extent have “political” and “economic” influences reduced the effectiveness, efficiency or sustainability of R4D support, for both PWD institutional “transformation” and PWD service delivery?

#### 3.4.1 Influences

##### Background

There have been a number of influences in the period since 2012, which have been described in DFAT Reports<sup>73</sup> and in Chapter 1, including these factors:

- (i) A period of political instability, leading to a snap election in February 2016
- (ii) TC Pam which struck in March 2015 and the need to respond to this as an overarching priority
- (iii) The redirection of some of the DFAT R4D budget contribution from R4D to PVUDP in 2016.

##### Current Situation

Other influences at an organisational level were mentioned in discussion with the IE. These have included: attempts to influence middle/senior management on operational matters and staff appointments; continued requests (referred to as exceptional requests) for road maintenance and improvement outside of the agreed AWP; and matters related to the award of IBC contracts, which are not subject to competitive bidding.

#### 3.4.2 PWD Institutional Transformation

The IE considers that delivery of effective and sustainable Institutional transformation is an incremental and relatively slow process. The influences listed above would all have had an impact in slowing and making less efficient the institutional transformation of PWD, by creating an uncertain organisational environment where stakeholders are unwilling to proceed with changes, and by making it difficult to identify and support champions of change. The extent to which this may have occurred in practice can best be assessed by comparing the planned schedules, resource utilisation and outputs for institutional transformation with what has been achieved in practice. The IE found this comparison difficult as there is little evidence of consistent time based plans<sup>74</sup> for institutional transformation having been produced by R4D and agreed by PWD or of the actual impacts on these plans.

<sup>73</sup> Vanuatu Aid Program Performance Reports 2013-14 and 2014-15.

<sup>74</sup> Three reports were produced – Capacity Building 2015, Situational Analysis, “The Way Forward”

Since the election in early 2016, more stable conditions exist in MIPU which provides the conditions for a more effective, efficient and sustainable transformation. The IE was advised by senior PWD staff that five senior staff positions may be vacated in 2017. The IE is of the view that this situation should be seen as an opportunity to allow capable junior staff to step up to these senior positions, and to guide the implementation of the transformation. It should also be seen as the occasion to adjust the DFAT support to provide more knowledge transfer and mentoring to PWD staff, particularly engineers, and less direct support to service delivery of maintenance works.

**3.4.3 PWD Service Delivery** Of the influences discussed above exceptional requests were often cited in interviews with PWD staff as having the greatest influence on the efficiency and effectiveness of R4D support, as they disrupt the efficient and effective delivery of the agreed PWD/R4D annual work plans. (TC Pam disrupted all activity for a period). While the reasons for redirection of part of the DFAT budget were understood and agreed by PWD, this action reduced the annual budgets and therefore the overall AWP outputs for these years.

The manner in which this influence of exceptional requests occurs is *ad hoc*. The IE found from Interviews with PWD Divisional Managers (DMs) and engineers during the island visits that they had attempted to mitigate the influence of these *ad hoc* requests by undertaking them using the Force Account (FA) workforce and equipment. R4D has been supporting PWD in reducing the amount of work undertaken by FA. Only small amounts of FA works are included in the program for R4D/PWD works, so the result is that the influence on the effectiveness, efficiency and sustainability of PWD service delivery is limited.

## Finding

There has been an influence on Institutional Transformation, but less influence on service delivery due to mitigation measures put in place by the DM and Engineers in the provinces under R4D guidance.

### 3.5 Question A4. To what extent have “political” and “economic” influences been mitigated by new road subsector policy and strategic planning; better work planning, and stronger public financial management systems, processes and competencies?

This question refers to the mitigation of a number of different items, which will be discussed separately.

#### 3.5.1 Policy and Strategic Planning

##### Background

These topics are included in the Rural Roads Access Framework (RRAF), in particular the Rural Roads Access Policy and the Rural Roads Access Strategy (RRAS), which has been developed with R4D support, as discussed in Section 2.7.

##### Current Situation

The IE was advised by DFAT that the final draft of the RRA and RRAS<sup>75</sup> was agreed between PWD and DFAT during the IE mission. While this draft has been reviewed by the Minister for Infrastructure and Public Utilities, it has not yet been formally approved, or ratified by the GoV.

The benefit of the RRAF is that it makes transparent the process for allocation of resources, which can be communicated to and discussed with MP's and community leaders. This enables them to

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<sup>75</sup> Rural Roads Access Strategy, Version No:1.0, October 2016, Public Works Department.



understand the process, when roads in which they are interested will be worked on, and why certain requests are difficult to accommodate. Therefore, the expectation would be that it will reduce the exceptional requests. However, for this to happen, consultation has to take place on the current draft of the RRAF, amendments made as necessary as a result of the consultations, and agreement reached on the post consultation draft of the RRAF. The IE was advised that so far the Minister has not undertaken any such consultation<sup>76</sup>.

A concern of the IE is that in Section 3, Strategy Implementation of the RRAS provides no evidence to suggest that, at a national level, any strategic planning process using the RAI is being applied to determine the amount of resources required or in the allocation of these resources to provinces, to spot improvements and the various types of maintenance works. Section 3.2 of the RRAS indicates that annual budget allocations to the provinces will be based on overall road length and rural population, yet Table 1 in Chapter 1 shows that the current 2015 Real RAI is significantly higher in some provinces than others, even approaching the target RAI in Sanma province. (It is accepted that these figures may mask differences between islands, or parts of islands). However, no information is provided on existing and target road condition/level of service in a similar format to Table 1 of the RRAS. The IE is of the view that until this data is also communicated to and discussed with MPs and community leaders, and agreements reached on priorities by them, political influences will not be fully mitigated by the new subsector policy.

Interviews with PWD staff suggest that they have limited competencies in strategic planning.

A further concern of the IE is the level of budget available. Section 3 Strategy Implementation provides a notional budget in Table 3, which (as noted in Section 2.5) assumes a combined annual average level of GoV and donor funding of VT 2.5 billion, compared to a budget for 2017 of VT 634 million. The RRAS is silent on the topic of how to address this overarching economic influence on strategic planning and works planning. This means there are difficult choices to be made, and that community representatives will continue to exert political influence by lobbying with requests to serve their communities, as is their role<sup>77</sup>.

### **Finding**

The draft RRAF has not yet been formally approved, but it would be expected to reduce the political influences or exceptional requests once it has been discussed with Ministers, Members of Parliament (MPs), and other community leaders, and revised to take account of their comments. Until this is done, it is too early to say whether the policy and strategic planning provisions of the RRAF have mitigated political influences. The draft RRAF presents no discussion of means to mitigate economic influences.

PWD staff competencies in policy and strategic planning are still being developed. The limited strategic planning parameters that are being input into the Work Planning process (see below) are currently being developed by the ISP.

### **3.5.2 Work Planning**

#### **Background**

The work planning processes introduced under R4D developed an annual program of works to be executed through contracting out, using a mixture of Community Based Contractors (CBC), IBC and Nationally Based Contractors (NBC), as well as Force Account (FA). FA is used for tasks (mainly periodic maintenance) which require the use of the heavy plant and equipment either owned by PWD, or hired and operated by PWD staff. Work planning using FA is very challenging. The reasons cited by DMs for this are the lack of serviceable plant, and delays in procuring spare parts. For this

<sup>76</sup> Discussion with MIPU Executive Officer

<sup>77</sup> The IE team met with the Member for Pentecost who spoke of villages without any road access.



reason, and in accord with the principle of increasing contracting out, the work planning is reducing the extent of dependence on FA.

### Current Situation

The influences of TC Pam and redirection of DFAT resources were able to be taken into account by the improvements in workforce planning introduced by R4D. An approach to the handling of exceptional requests has been developed by PWD staff. These requests are included in the work plan when considered viable<sup>78</sup>. Other exceptional requests which arise during the course of the year are not included in the work planning developed at the start of each financial year, but are undertaken using Force Account (FA) labour and FA plant when it is available or can be hired. This way, they do not disrupt the work planning developed using the process set out in the RRAF.

PWD DMs are also trying to reduce exceptional requests through consultation with local communities, and involving them in the maintenance work program, particularly through CBC. This approach is focused on building and maintaining “ownership” by local communities, and is supported by the MIPU DG and the Director PWD.

### Finding

The work planning processes introduced under R4D, and included in the RRAF have led to more contracting out of works and less reliance on Force Account works. They have reduced the potential for political influences in the Provinces to direct PWD resources to personal projects that are not on the PWD Annual Work Plan. Influences have been further mitigated by separating exceptional requests from the outcome driven parameter based AWP.

### 3.5.3 Public Financial Management (PFM)

#### Background

DFAT has been providing support for the development of PFM in PWD from the start of the VTSSP I.

#### Current Situation

R4D is making an influential contribution to road maintenance management by PWD. R4D (and its predecessor, VTSSP I) have trialled more comprehensive use of the technical features of the GoV budgeting and accounting system, SmartStream. These were used initially for DFAT road maintenance funding through R4D, and then R4D supported PWD to adopt use of these same technical features for PWD Recurrent Budget funding in subsequent years.

One of the key strengths of R4D PFM support has been the ability to quickly and effectively amend the PWD SmartStream Chart of Account structure to better accommodate new budgeting and reporting initiatives that emerge from the Annual Planning and Budgeting workshops in November 2014, 2015 and 2016. This capacity has enabled PWD budget formatting changes to be put into effect in a timely and technically robust way, as confirmed by MFEM, but also has the downside of making relevant, inter-year comparisons more complex when looking at time-series financial data.

A similar demonstration effect is evidenced in financial management procedures and processes employed by R4D that are now in use by PWD Administration and Procurement Unit, such as analysis of “days to pay” for IBC and CBC through R4D (since 2013) and PWD (since 2015) Payments

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<sup>78</sup> The example cited to the IE by the ISP was work at Maewo, which is included in the 2017 workplan.

Registers. This is a PWD Service Delivery Indicative Target in the VTSSP II PDD (p.34 & 35), but is not reported in PWD or R4D quarterly or annual reports.

R4D's ability to provide this demonstration effect is attributable to continuity in the Financial Management TA provided to PWD; and the whole of Government PFM technical platform provided by MFEM in the form of SmartStream and its distribution network, VBN (Vanuatu Broadband Network).

MFEM advises that continued decentralisation to the Provinces (PWD Divisions) will continue to be implemented by MFEM in 2017 and beyond. This will take the form of higher value delegation limits to Authorising Officers, such as the PWD Divisional Managers (currently VT500,000 (\$6,250) but can be VT1m (\$A12,500)), and greater volumes and values of payments through the Financial Services Bureaux (FSB) situated in the Provinces.

## Findings

The stronger PFM systems and reporting linked to more contracting out of works and less heavy plant available for Force Account works have reduced the potential for influential individuals in the Provinces to direct PWD resources to personal projects that are not in the PWD Annual Work Plan. The IE was not advised of any recent examples where resources had been diverted to unplanned works, other than were required to make effective and timely responses to TC Pam.

In terms of competency in PFM systems and processes, the IE was advised by MFEM that PWD is one of the best-prepared Departments in terms of adopting and implementing decentralised PFM practices.

### 3.5.4 Procurement and contract management

#### Background

The current PWD Procurement Manual dates from 2013<sup>79</sup>. This provides some exemptions from standard GoV procedures for R4D.

#### Current Situation

**Procurement** Procurement systems, processes and competencies have not been strengthened to the same extent as other aspects of PFM. The PWD 2013 Procurement Manual has been strengthened through the development in 2016 of Provincial Guidelines<sup>80</sup>, which detail the procedures for use of the decentralised PFM, including the use of the revised chart of accounts and new job codes. These guidelines make influence on the award of contracts more difficult.

At the other end of the spectrum, the strengthening of the Central Tender Board (outside of R4D) and the passing of the Debt Control Regulations (see Section 2.3) has significantly reduced the influences on the award of contracts with a value exceeding VT 5 million.

In addition to this strengthening of procurements processes, R4D has contributed to a greater use of outsourcing by contract as a method for undertaking rural road maintenance through the AWP process. However, only a small number of contracts are subject to competitive bidding. These are the contracts procured through RFQ and RFT (see Section 2.6.2).

The combined effect of these measures is to reduce influences on procurement (as the processes are more transparent), and mitigate the economic effects (as the amount of procurement in any

<sup>79</sup> PWD Procurement Manual Version 2013.4, 5/9/2103 (Last updated 30/8/2013 by James Guy).

<sup>80</sup> PWD Provincial Guidelines Minor Procurement and Financial Management August 1, 2016

year can be scaled up or down to match the funding available). Even so, two systemic procurement risks remain to be mitigated. The award of IBC contracts (which are not subject to competitive tendering), and the time required for the approval of contracts (which is excessive by international standards in a similar context).

**Contract Management** PWD contract administration has not been strengthened to the same extent as is noted above for other aspects of PFM. The contract administration data is currently kept on a number of stand-alone computers. It is not an application in the SmartStream system. (This is partly attributable to the premature departure of the International Procurement Advisor in early 2015, who was not replaced). This is an inefficient way of administering contracts, but it does not leave the system open to political influence.

### **Finding**

The procurement and contract management systems, procedures and staff competencies have been strengthened to the point where they can mitigate political and economic influences on the type of low value works being supported by the PWD/R4D road improvement and maintenance program, including by making such influences more apparent. The systems, processes and staff require further development to be able to manage higher value IBC, NBC (and perhaps ICB contracts).

## 4. R4D SUCCESS – ACHIEVING END-OF-PROGRAM OUTCOME (Research Area B)

### 4.1 Introduction

The primary question for the IE is “To what extent has R4D achieved its end-of-program outcome as set out in the revised M&E Framework (for January 2015 to June 2017)?”

The end of program outcome<sup>81</sup> is “Improved rural road access resulting from PWD using its new and improved policy, strategic planning, budgets, systems, processes, and competencies.”

The M&E Indicators to measure this outcome are:

- % improvement in RAI year on year
- % improvement in road conditions year on year

As noted in Chapter 1, the revised M&E Framework provides neither baseline nor target values for these indicators.

Reporting to date (in the R4D Annual Report Year 3) has provided only limited data on progress towards outcomes and revised outputs, with only limited analysis of what has been achieved or changed and why.<sup>82</sup> As confirmed in the DFAT APPR 2015-2016, there appears to be no specific performance benchmark reported for R4D. Rather the APPR notes: “*The previous AIP benchmark (Increase in Vanuatu’s rural access index (RAI) has been changed for the period 2016-17 to 2017-18. Progress will now be measured against kilometres of urban roads resealed/asphalt concreted. RAI targets for islands, provinces and the entire country will be set out in the Vanuatu Government’s Rural Road Access Policy, which is in the final stages of preparation. But at the time of writing, these targets has not been finalised. The revised AIP benchmark also reflects the enhanced focus on PVUDP over the next two years.*”<sup>83</sup>

**4.2 Question B1. To what extent has PWD halted and reversed the decline in rural roads access across the network. To what extent is this attributable to new and improved policy, strategic planning, budgets, systems, processes, and competencies that R4D supported?**

#### 4.2.1 Introduction

The indicators to measure rural road access, as stated in the M&E Plan, are the RAI and road condition (The definitions of these indicators are set out in Section 2). Data on the values of these indicators (including baseline data) is not included in the M&E Plan of February 2016, nor in the R4D Progress Reports provided to the IE. However, data on baseline RAI indicators and 2020 targets is available from the October 2016 RRAF (see **Table 4** of this Report). Road condition is available in a module of the RIMS<sup>84</sup>, from surveys of road sections undertaken in August 2015, May 2014, and September 2013. The oldest is November 2010<sup>85</sup>. The IE Team can provide responses based on this data and professional judgment.

This Evaluation Question refers to a number of different items, which will be discussed separately.

<sup>81</sup> M&E Plan January 2016-June 2017, Version No: Final #2, R4D Program, 26 February 2016

<sup>82</sup> R4D Annual Report Year 3. July 2015-June 2016.

<sup>83</sup> Australian Government. DFAT. Aid Program, Performance Report 2015-16 Vanuatu. September 2016. p. 25.

<sup>84</sup> Road Inspections and Conditions List, RIMS

<sup>85</sup> The RRAF is proposing road condition surveys every year for Road Classes 1 & 2, and every 2 years for Road Classes 3, 4 and 5. Road classes 1 & 2 may be sealed have 2 lanes and carry respectively more than 500 or 200 vehicles per day average daily traffic (ADT). Road classes 3, 4 & 5 are unsealed carry respectively less than 200, 50 or 20 vehicles/day ADT and are regarded as basic access roads.

#### 4.2.2 Policy and Strategic Planning

The new and improved policy is part of the RRAF (as discussed in Section 2.7), the highest priority of which is the provision of basic access. As noted above in response to Question A4, the RRAF has yet to be ratified by GoV, so it is too early to formally attribute any improvements in access across the network directly to the new policy.

Even so, the IE found that PWD (with support from R4D) has been following the principle of improving basic access while the RRAF was being formulated. From observation of the AWP process and field visits, the IE considers that PWD staff have the competencies for making provisions for works to improve access. The IE considers that these efforts, based on the new policy, are contributing towards reversing the decline in rural access.

However, as also noted in response to Question A4, the IE found that the implementation aspects of the RRAF do not appear to be taking account of RAI and road condition in the strategic planning. This applies particularly in relation to budget allocations to provinces/islands and activities required to reduce the differences in rural road access (measured by RAI) between provinces (as shown in Table 4).

#### 4.2.3 Works Planning System

Access to the National Road Network in all weather conditions is improving through the increased improvement works targeting concrete drifts, drainage culverts and concrete road pavements on steep road sections. These works are being prioritised by PWD engineers on the arterial road sections of the national network, working from the main population centre outward to the end of these roads. This work is reducing the number of impassable sections of road and increasing access. (The number of drifts, drainage culverts and concrete road pavement contracts reduced slightly from 61 in 2014/2015 FY to 58 in 2015/2016 FY and has fallen to 53 in 2016/2017 FY.) This should increase the RAI, although as noted in the Background section above, this has not been measured. While the lengths of concrete drifts and concrete road works have been measured, the increase in the overall length of road made passable by these works has not been measured, nor the RAI recalculated.

#### 4.2.4 Budgets

The integration of R4D and PWD programs and the introduction of annual work programs as a result of R4D provide a larger budget, and therefore a more efficient basis for allocating fund to reverse the decline in rural road access. Following the IR there has been a shift in focus from the outcome of *“annual targets for roads realised”* (and output of *“lengths of road and drainage structures maintained and upgraded”*) as set out in the PDD<sup>86</sup> and initial M&E Plan<sup>87</sup>, to the output indicators given in the Introduction to this chapter (and outputs of *“length of roads maintained and numbers of new culverts and drifts”*). This shift was due in part to the high unit cost of the initial approach before the IR and the better value for money of the spot improvements.

Further reversal in the decline would be possible with increased budgets for spot improvements. However, this would need to be assessed in conjunction with the budgets necessary for the increased routine and periodic maintenance of these longer lengths of passable road within the overall budget available. The IE found no evidence that PWD had been trained in these competencies or that such analysis has been undertaken by R4D to date. This topic is also discussed in response to Question A4.

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<sup>86</sup> PDD Table 5

<sup>87</sup> Table 2, VTSSP II Monitoring and Evaluation Plan Final (Version 4), SMEC International May 2014.

#### 4.2.5 PFM Systems

Improved management of contracts and contract payments, supported by GoV decentralisation policy, modelled in R4D and adopted by PWD has empowered PWD DMs to allocate more resources away from Force Account (FA) to sub-contracting as a preferred modality for rural road maintenance<sup>88</sup>. Less impact has been made on effectively budgeting for and maintaining the PWD heavy plant needed to perform routine maintenance to extend the life of gravel roads, after costlier periodic maintenance such as gravel re-sheeting. R4D notes that some funding was allocated in the 2015 PWD Annual Work Plan for heavy plant maintenance, but this was not utilised and so was not included in 2016. The related option of PWD entering multi-year Heavy Plant Maintenance contracts with outsourced suppliers has not been advanced by R4D or PWD at the time of the IE.

**Findings** The decline in overall access to the road network has been reversed. This is attributable to:

- (i) Improved investigation planning and budgeting of funds for spot improvement works to remove impassable sections of road
- (ii) Increasing access to road maintenance funding from 3 Provinces to 6 provinces which has increased the number of spot improvement works in higher population areas, thereby increasing access to a larger population along the road length
- (iii) Periodic maintenance works (Gravel re-sheeting and light grading) which provides all weather access on sections of road which were previously impassable
- (iv) The improved competencies of PWD staff in the planning and execution of maintenance works (works planning)

However, the extent to which PWD has reversed the decline is not being measured. The means to measure access to the rural road network is the Rural Access Index (RAI). As discussed in Section 2.7, RAI is defined as the *percentage of the population of an area with year round road access*. As the decline in the overall access to the road network is reversed, more people should have all round road access, and so this indicator should increase – island by island and across the country.

The RAI index is included in the 2016 M&E Plan. However, it is not being reported for areas or sections of road on which increased access is being provided through improvement works.

#### 4.3 Question B2. To what extent has R4D provided increased access to services and economic (job) opportunities for women, men and youth; what has been the impact, and what more can be done to provide opportunities appropriate to the context?

##### Background

The Goal of the R4D program in the initial M&E Plan was: *“People in Vanuatu have increased access and derive economic benefit from a well-maintained, affordable and integrated road network”*. The initial M&E Plan included an outcome indicator of *“Socio Economic indicators maintained or improved”* for the second End Outcome of *“PWD managing and maintaining its road network to a high standard in a cost effective manner”*.

The revised M&E Plan<sup>89</sup> developed in February 2016 after the IR “slightly adjusted” the Goal statement to read, *“People in Vanuatu have reliable access to a well-maintained, affordable and integrated road network”*. The two End Outcomes were “measured together” to a single End Outcome: *“Improved rural road access resulting from PWD using its new and improved policy, strategic planning, systems, processes, competencies (and budgets)”*. At the same time, the

<sup>88</sup> Consultations with PWD Malekula and PWD Ambae.

<sup>89</sup> R4D M&E Plan January 2016-June 2017, Version No: Final #2, 26 February 2016

outcome indicators were changed to those shown in the Introduction to this Chapter: percentage improvement in RAI year on year and percentage improvement in road conditions year on year. The net result is that there are now no indicators for measuring the impact of changes in rural access on the rural population.

### Current situation

There is limited data *per se* to begin to answer this question (and Question B3). The primary source of R4D information in respect of social and economic outcomes has been the Household Socio-economic Survey Report (HSES).<sup>90</sup> Data collected during May-September 2015, on Ambae, Pentecost and Malekula, was to serve as a baseline for the analysis of changes in access and mobility, and economic, social, and transport provision factors (for the original outcome indicator). Unfortunately, the original scope of the HSES, which could have provided detailed Gender and age disaggregated information (as well as data on social inclusiveness and Disability), was limited. The IE was advised this decision was made on grounds of the cost of the survey.

Overall, there is limited *Gender and age disaggregated data* available for the R4D program. Gender disaggregated (and Disability) data is collected as part of “muster rolls” for CBC (and IBC) community participation. At a Program level, Gender issues in R4D are addressed as part of the Social and Environment Safeguards Module, with a focus on raising awareness of principles of Gender equality (GEQ), Gender issues on the worksite for contractors and employees, and Gender differences in accessibility and mobility. The M&E Framework refers to social and environment outputs reported in terms of CBC established and annual contracts awarded (as disaggregated by Gender).

### Findings

Survey data from the HSES concludes that overall road improvement contributes to increased access to services and economic opportunities, and is an important factor in local economic development, particularly in contributing to household livelihoods and economies. Households surveyed viewed improved road access as an opportunity for earning income or trading, with examples of possible increased opportunities in tourism and retail trade. The HSES reports that households ranked improved access to economic services and stimulation of development higher overall than access to social services. However, the HSES is not able to say how important improved road access is for women, men and youth specifically.

In IE Team interviews on Ambae, Malekula and Tanna, conducted with individual community members, generally confirmed the findings of the HSES with particular comments made about the importance of increased access to markets, hospitals and health centres, as well as opportunities for increased economic activity. However, there were also comments from community members that increased road traffic also meant there was also concern about the increased amounts of dust and the health implications, as well as issues related to concerns about road safety.

The 2015 HSES is a missed opportunity to set in place a comprehensive baseline for the R4D program and should be addressed as part of preparation for a possible next phase. This has been complicated by a change in the R4D Outcome statement in January 2016.

Further details on R4D employment/livelihood opportunities for women, men and youth are provided in response to Question H2 in Chapter 10.

### What more can be done?

Serious consideration should be given for a follow up HSES survey with comprehensive analysis by Gender, age and ability before the start of a possible next round of support to get an understanding of what has changed over two years and to begin to understand socio-economic outcomes. In

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<sup>90</sup> R4D The Household Socio-economic Survey Report. January 2016.



particular, questions related to access to services, livelihoods and impacts on workload in the household should be carefully assessed.

Assessment of outcomes could also be supported by the analysis of other R4D data, such as traffic surveys, and relevant Vanuatu socio-economic analysis, such as province specific and census data. Context specific and geographically appropriate options can then be developed to increase access to services and economic opportunities from women, men and youth.

#### **4.4 Question B3 To what extent has R4D provided economic/trade benefits to women, men and youth what has been the impact, and what more can be done to provide benefits appropriate to the context?**

**Current situation** The answers to Question B3 mirror those of B2, with the primary source of R4D information in respect of social and economic outcomes being the HSES.

##### **Findings**

As noted above, the HSES survey concluded that overall road improvement had positive economic/trade benefits. The majority of households interviewed earned their main income from small-scale agriculture (market gardening) and cash cropping. This was a mixture of subsistence gardening, and selling local produce at local and regional markets. Cash crops (mainly kava and copra) were sold at regional markets where available, but preferably shipped to national markets in Santo and Efate. This activity supported both local economic development and household economies. In addition, access to banking by public transport was ranked highly by households. These findings were supported by IE interviews where access to markets to sell goods was cited by the community members as an important economic activity.

##### **What more can be done?**

As noted in Question B2, the HSES focuses on households, and was not able to assess the importance of the impact of improved road access for women, men and youth specifically. A follow up HSES survey prior to the start of a possible next round of support could further investigate how R4D has contributed to economic and trade impacts.

## 5. R4D SUCCESSES – ACHIEVING OUTPUTS (Research Area C)

### 5.1 Introduction

The primary question for the IE is “[To what extent has R4D achieved its Outputs as set out in the revised M&E Framework \(for January 2015 to June 2017\)?](#)” Seven secondary questions are posed. The IE findings on achievements and recommendations on remaining needs and opportunities in response to these questions are given below. The IE advises that these remaining needs and opportunities are not intended to be addressed prior to the closure of R4D (which was June 2017 at the time of the IE).

The revised M&E Framework lists nine outputs: Policy and Strategy (3), Budgeting and Reporting (2), Social and Environmental (2) and Physical Works (2). The Indicators for the Outputs in the current M&E Framework provide no baseline or target values. Table 1 Quarterly Output and Performance Matrix in the R4D Annual Report Year 3 records the status of achievement of the eight outputs as of *June 2016*. (Annex 6 compares M&E Goals, Outcomes and Outputs)

The IE notes that Policy and Strategy [Output 1.2 Institutional conceptual framework presented, covering broader policy statements and strategies](#) in the M&E Plan does not appear in Table 1 the Year 3 Annual Report, or in Table 4 the most recent Quarterly Report (June to September 2016).

The seven secondary Evaluation Questions are not directly aligned with these outputs. The IE is able to respond partially to some of these questions, given the lack of data (including baseline data) on indicators. The responses to the seven questions follow. Findings are provided at the end of the discussion of each topic, or each question, as appropriate. The Remaining Needs and Opportunities are indicated at the end of discussions in response to Questions C1 –C4.

### 5.2 [Question C1. To what extent has R4D shaped and embedded MIPU-PWD corporate strategy and function?](#)

#### Background

The IE considers that this question goes beyond the scope of [M&E Output 1.1 Rural Roads Access Policy Strategy accepted and endorsed](#) and addresses [Output 1.2 Institutional conceptual framework presented, covering broader policy statements and strategies](#).

In order to be able to respond to this question (and these M&E outputs), the IE has sought to gain an understanding of PWD Corporate strategy and functions at the start of R4D in July 2013, and then to assess how R4D has shaped the Strategy and Functions and embedded them through approved/ratified changes, including in the organisational mandate, organisational structure, staffing and procedures<sup>91</sup>.

Box 1 in Section 2.4 contains statements taken from the MIPU Corporate and Sector Strategies of May 2014. These are the only statements that could be considered as representing MIPU Corporate Strategy. There is no separate mission statement, list of objectives or Strategy for PWD. It would be reasonable to assume therefore that PWD, as a Department within MIPU, would follow overall MIPU strategy.

R4D refers to MIPU-PWD corporate strategy and function in the PDD and the initial (May 2014) R4D M&E Plan. This Plan included a Long Term PWD Outcome: *PWD providing appropriate road infrastructure in accordance with the broader GoV policy mandate and framework*. Both this Plan and the current M&E Plan (February 2016) present a PWD Organisational Mandate – *to deliver quality road infrastructure*.

<sup>91</sup> This included a review of the Report *The Road Ahead – A Strategic Planning and Policy Assessment of Vanuatu’s Public Works Department*, Wayne Trappet, March 2013. which predates the current phase of R4D

The R4D initial approach to shaping this strategy and mandate, in December 2014, focused on HRD (which was a key element of the MIPU Corporate Plan), in particular the capacity building of PWD and filling vacant positions<sup>92</sup>. The 2015 Capacity Building Program (CBP) focuses on the PWD core business of sustainable road maintenance, and training in service delivery – works planning, scoping, procurement, contract management and supervision<sup>93</sup>. This was done without considering the PWD functions, processes and competencies needed to meet the stated long-term outcome and organisational mandate. The 2105 CBP notes that *“the movement from doing to managing is being widely discussed internally within PWD but still needs to do through the external approval processes”* and *“Once the shape and role of PWD in the future is defined, a clearer relationship between skills and training can be developed”*<sup>94</sup>.

The next initiative in October 2015<sup>95</sup> also focused on HR procedures and systems, and the HR requirements of the Public Service Commission. The purpose of this report was *“to provide situational analysis defining key constraints to organisational performance of MIPU-PWD and to provide recommendations to introduce effective performance management throughout PWD”*<sup>96</sup>.

However, this report did make proposals for work force planning starting with a review of MIPU functions, as set out in Figure 6 of that report.

During this 2013 to 2015 period, the main efforts (and ISP resources) were applied to increasing the service delivery program of physical works. The ISP Team Leader (TL) was not an Institutional Development (ID) specialist, but an engineer.

### Current Situation

The ISP changed the TL for an ID specialist in Jan 2016. Recent work in 2016 continues the approach on workforce planning from the recommendations in the October 2015 Report. The approach to workforce planning that has been adopted since has been to start with clarifying existing PWD functions and staff job descriptions.<sup>97</sup> There is a focus on what the PWD Director has described as “PWD Core Business – sustainable road maintenance”<sup>98</sup>.

Despite these three initiatives, no clear written statement has eventuated on MIPU-PWD corporate strategy and function (beyond the verbal statement from the PWD Director). Beyond the RRAF, there do not appear to be any new policy and strategy documents (as set out in M&E Output 1.2).

### Findings

Based on the documents made available to the IE, the extent to which R4D has shaped MIPU-PWD corporate strategy and function – as opposed to PWD service delivery and performance management (in addition to the RRAF) is limited. There has been limited documented consideration of MIPU corporate strategy *per se* by R4D (as opposed to HRD and Performance Management of PWD staff). This can be attributed in part to the limited resources allocated to Institutional Development and Capacity Building work undertaken by the ISP. There also has not been a consistent approach to the use of the limited ISP resource. Similar comments apply to delivery of *Output 1.2 Indicator PWD endorse policies and strategies and set relevant targets*.

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<sup>92</sup> PWD 2015 Capacity Building Program, R4D, December 2014

<sup>93</sup> Section 1.1 Ibid

<sup>94</sup> Section 3.3.5 Ibid

<sup>95</sup> PWD Performance Situational Analysis, A Pathway for Incremental Change, R4D, 28 October 2015

<sup>96</sup> Section 1.1 Ibid

<sup>97</sup> Discussion with ISP TL

<sup>98</sup> Section 3.1, R4D Annual Report Year 3, June 2016.

### 5.3 Question C2. To what extent has R4D shaped and embedded road subsector policy? To what extent is policy influencing budgeting, work planning and expenditure performance in the roads subsector?

#### 5.3.1 Introduction

##### Background

This question relates to M&E Plan Outputs 1.1 and 1.3. These will be discussed in turn.

##### 1.1 Rural Roads Access Policy and Strategy accepted and endorsed, with Indicators:

- RRAP policy endorsed by PWD and MIPU
- PWD update strategy and targets on an annual basis

As indicated in the Vanuatu Aid Program Performance Reports<sup>99</sup>, and confirmed by consultations with stakeholders, R4D (both the ISP and AHC) has assisted in shaping road subsector policy. The IE was advised that the final draft of the RRAF and the RRAS<sup>100</sup> was agreed between PWD and DFAT during the IE mission. While this draft has been approved by the Minister for Infrastructure and Public Utilities, it has not yet been formally endorsed by the GoV. Therefore the first of the Output 1.1 Indicators has been met. The intention of PWD is now to seek GoV approval, to trial implementation and to review the policy in 6 months. This intention addresses the second Indicator.

##### 1.3 Relevant planning and road prioritisation strategies established under the broader RRAP (output 1.1) for ongoing road works, with Indicators:

- Planning process aligned with established procedures utilising available tools.
- Work planning undertaken in accordance with agreed PWD schedules and deadlines.

As discussed in Section 2.7, (and referred to in response to questions A4 and B1), the RRAS sets out planning and road prioritisation strategies for ongoing road works. The RRAS also sets out the annual budget and AWP processes. These were followed in the preparation of the 2016 AWP and the IE observed them being followed *in accordance with agreed PWD schedules and deadlines* in the preparation of the 2017 AWP. The IE considers that these Indicators, which R4D has shaped, have been met.

##### Current Situation

R4D has succeeded in embedding some aspects of the policy, which is influencing budgeting, work planning, and expenditure performance. The budgeting and work planning provisions of the policy, as set out in Section 3 of the RRAS, are now used in formulation of the Annual Work Plans. As discussed in the more detailed description in Section 2.7 of this Report, these provisions are not yet fully aligned with the highest priority policy objective to maximise year round basic access, as measured by use of the RAI. The extent to which R4D has embedded road subsector policy is discussed further.

#### 5.3.2 Budgeting

From extensive discussions with the PFMS, the IE can attest that R4D has embedded the policy in GoV Smart Stream PFM system, through additions to the Chart of Accounts. These additions enable the combined budget provided by MFEM and DFAT to be converted to budget allocations to be made to different types of work by province to achieve policy objectives.

<sup>99</sup> DFAT Vanuatu Aid Program Performance Report 2014-15, Vanuatu, November 2015 DFAT Vanuatu Aid Program Performance Report 2015-16, Vanuatu, September 2016

<sup>100</sup> Rural Roads Access Strategy, Version No:1.0, October 2010, Public Works Department.

### 5.3.3 Work Planning

In 2015, with support from R4D, PWD undertook the first planning and budgeting exercise for the 2016 Calendar financial year. This process commenced in July 2015 and assisted in bedding down this forward planning process. A similar exercise for the 2017 Calendar financial year has just been completed<sup>101</sup>. The IE considers these processes (which are based on Sections 2 & 3 of the RRAS) are now well embedded in PWD. As discussed in Section 2.7, the concern of the IE is that use of RAI and road condition in this process is still to be embedded.

### 5.3.4 Expenditure performance

R4D has embedded in PWD a review of Divisional Program performance and expenditure each month through the monthly DMs report. This report is combined into a quarterly report. The first PWD DMs quarterly report was produced in September 2016, covering Q3 FY 2016<sup>102</sup>. Major reviews take place quarterly, and funds are reallocated during the year within divisions and between divisions.

There are still some start up issues to be resolved in this reporting and monitoring of expenditure between the DMs and the Finance Section in PWD (as noted in the first PWD DMs quarterly reports).

## Findings

R4D (both the ISP and DFAT) has had a significant influence in shaping road subsector policy. Outputs 1.1 and 1.2 Indicators have generally been met. However, to date R4D has not been able to embed road subsector policy formally in PWD, in particular or more widely in GoV. Pending GoV endorsement of the policy, R4D has been able to embed the policy in budgeting, work planning and expenditure performance.

## 5.4 Question C3. To what extent has R4D developed and institutionalised sound administration, financial management, procurement, management information systems, and performance management systems in PWD? To what extent are these systems and capabilities improving work unit and management performance?

### 5.4.1 Background

This question relates to M&E Plan Output 2.1 Financial Management Framework is established and operational, Output 2.2 PWD has established management system of performance reporting by division, and Output 3.2 Key social safeguards are implemented and institutionalised within PWD. However, the scope of the question is much wider than the Indicators in the M&E Plan. In addition, the M&E Plan has no objectives or indicators for procurement and contract management.

The IE considered separately the development and institutionalisation of procedures and associated handbooks/guidelines for various aspects of PWD activities from the ICT systems (the technology). The IE has defined the term “sound” to mean that systems are fit for purpose in the Vanuatu context, and at least meet GoV legal requirements and DFAT policy requirements (where these exist for the particular system). Comments are provided on whether (based on the professional experience of the IE Team) the systems could also be considered to reflect international good practice and meet the requirements of IFI, using ADB or WB requirements as the reference.

<sup>101</sup> This is a 2 week workshop in Port Vila. The IE observed the initial days of the workshop while on mission.

<sup>102</sup> PWD Quarterly Report July-September 2016. Separate reports for Malampa, Penama and Tafea Divisions.

### 5.4.2 Administration

The IE would include under this heading the sound management, integration and accessibility of databases, and sharing of data in addition to hard copy and electronic filing. From reviews of quarterly and annual reports, this does not appear to be a topic that has attracted much attention from R4D. The most recent quarterly report<sup>103</sup> refers to development of filing systems.

The IE would also include, as an administrative function, integration of all aspects of systems and service delivery across PWD sections (Finance, Operations, Social and Environmental Safeguards, Procurement and Contract Management). This function does not appear to be well developed or institutionalised. (The IE considers this a key HR Task also). Absence of this integration holds back work unit and management performance.

Communication internally between sections of PWD and externally is not specifically mentioned in the question, but is another function that the IE observed does not appear to be well developed.

### 5.4.3 Public Financial Management

Capacity building of PWD Finance Section is taking place, but given the new systems and procedures in place and the smaller number of staff, this institutional capacity is vulnerable to PWD staff movements. The presence of the PFMS would assist with the changeover of staff, but the PWD in-house PFM capacity needs more time to stabilise. Further, the implementation of new donor projects will add to capacity challenges that the PWD finance team is likely to face.

Financial and administrative support for rural roads maintenance has been achieved through payments processing and management disciplines that have been introduced into PWD. Reports of slow payments to IBC and CBC can be analysed and better discussed where R4D and PWD reported on their Payment Register findings. A brief review of these Registers indicates that that average days to pay all forms of contract invoices is around 12 days for both PWD and R4D funds.

This PWD payment period of 12 days is well within the GoV standard payment period of 30 days for approved invoices. PWD satisfies required procurement procedures and GoV automation and devolution of PFM data processing continues to accelerate transaction management. This feature of PWD financial management is likely to be an incentive for potential private sector and donor agencies to partner with PWD.

The extent of a full joined up partnership in the PFM area is offset by the DFAT DFA requirements for R4D payments to be subject to No Objection processes through the R4D Project Team in Port Vila. This means that in processing payments, there is a two-track approach to managing PWD and R4D payments and similarly for financial reporting. However, in the context of future donor support to PWD, this well-established two-track approach is not a disadvantage.

It is likely that development partners in the process of entering the Vanuatu roads subsector will seek to take advantage of the oversight and controls established by the PWD mechanisms, established for the DFAT "No Objection" process. The experience that PWD Finance Officers have gained in processing R4D funded payments through a second track, with greater levels of oversight and reporting, will assist in meeting the funds management requirements of these donors, albeit with ongoing R4D support to the PWD Finance Section into the medium term.

The R4D Monitoring and Evaluation Plan - January 2016-June 2017 has two key sets of indicators for R4D effectiveness in PFM capacity Building, they are shown in **Table 6**.

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<sup>103</sup> R4D Quarterly Report July to September 2016

**Table 6: R4D Monitoring and Evaluation Plan - January 2016-June 2017 PFM Indicators**

Output and Indicators	IE Assessment
<b>Output 2.1 Financial management framework is established and operational</b>	
Formal evidence based budget processes established	Done annually at PWD Planning and Budgeting Workshop
Financial management processes are devolved to the provinces	Done by MFEM and MIPU-PWD through structured use of decentralisation at Divisional Offices. This will be expanded in 2017 as greater delegations of financial authority are considered and trialled for DMs
R4D Grant Fund manual and PWD	Done
Finance manual completed	Done
Formal monthly financial reporting established	Done successfully during R4D
Financial audits (R4D) undertaken annually, and Internal audits (PWD) are facilitated with MFEM	MFEM does not have surplus capacity to undertake internal audits of MIPU-PWD. Internal audits not conducted during R4D period. MIPU internal audit capacity not yet established or in development as at October 2016
<b>Output 2.2 PWD has established management system of performance reporting by division</b>	
Report forms developed and accepted and training completed	IE not aware of these developments, not sighted in PWD
Timely submission of monthly reports	IE not aware of these developments, not sighted in PWD

## Findings

Budgeting and planning of R4D and PWD road maintenance works is now a single process. This was well demonstrated in early 2016, when the DG PWD delayed both R4D, and PWD IBC and CBC contract signing because it was not possible to distinguish the pre-funded R4D contracts from the PWD contracts awaiting MFEM Warrant Issues. This was rectified with R4D support in early 2016 by amending the contract number format to incorporate the funding source.

The PWD payment period of 12 days is likely to be an incentive for potential private sector and donor agencies to partner with PWD.

The first set of indicators is being met by R4D, albeit with a reducing dependency on the R4D PFMS to carry out these tasks. Proposed changes to the configuration of the PWD Finance Section, in the form of consolidation into a common MIPU Finance Section; and up-coming staff turnover in the PWD Finance Section, indicate that there will be a continuing reliance on the PFMS into the medium term. In particular, the important step of integrating the reporting needs emerging from the PWD Annual Work Plan into the GoV SmartStream budget and accounting system will continue to need R4D support.



#### 5.4.4 Procurement and Contract Management

**Procurement** The PWD Procurement Manual 2013<sup>104</sup> was prepared with support from the Pacific Technical Assistance Mechanism (PACTAM). This Manual has been strengthened by R4D through the development in 2016 of Provincial Guidelines<sup>105</sup>, which detail the procedures for use of the decentralised PFM, including the use of the revised chart of accounts and new job codes. The approval of the list of contracts in the AWP 2017 now serves as the starting point for procurement, eliminating the previous requirement for approval of each contract to start the procurement process.

There are a number of aspects of procurement which may have been appropriate for the conditions applying at the start of VTSSP in 2009, but which merit review as the IE does not consider them “sound” (based on the definition provided above):

- (v) The exemptions in Section 8.2 and 8.3 of the Procurement Manual 2013 from certain standard GoV procedures for R4D contracts.
- (vi) The lack of competitive bidding for IBC contracts.<sup>106</sup>
- (vii) R4D keeping the value of individual IBC Contracts below VT 5 million to enable the contracts to be signed by the Director General MIPU, and to avoid the contracts being sent to the Central Tender Board (CTB) for approval. The reasons quoted are the time this can take, and the delays in getting the successive sign-offs required within MIPU and then the CTB. While this is understandable, it increases the number of contracts to be processed and so reduces the performance of the procurement unit. It also shows that management systems are not in place for tracking the progress of contracts (elapsed times) and reporting to PWD and DFAT on contracts that exceed the target processing times. The IE considers that the CTB has appropriate procedures in place.
- (viii) The Standard Forms of Contract being used for CBC, IBC and NBC currently lack clauses covering WHS, Environmental Management, HIV/AIDS, (as in FIDIC/ADB/WB Standard Forms of Contract) and Child Protection, and Disability (as required by DFAT).
- (ix) The increase in the numbers of CBC contracts to 234 in 2017<sup>107</sup>, and the reduction in individual contract value. This increases the workload of all staff, but particularly the procurement staff and the CPO (especially for supervision), decreasing their performance.

**Contract management** A single linked up contract management system has yet to be developed which provides sound inputs to the analysis of expenditure performance. The multiple systems in use are not linked to SmartStream. This is not sound practice. It is hindering work unit performance and management oversight of contract management. R4D is addressing this by merging PWD contract management into a single database, and training PWD Contract and Procurement Support Officers in operation and use of the system in 2017.

#### Findings

R4D has put in place systems that meet basic DFAT requirements, and reflect current staff capacity, which PWD procurement staff are diligently using. However, there are a number of practices which are not sound and which should be reviewed by PWD and DFAT before the start of a possible new

<sup>104</sup> PWD Procurement Manual Version 2013.4, 5/9/2013 (Last updated 30/8/2013 by James Guy).

<sup>105</sup> PWD Provincial Guidelines Minor Procurement and Financial Management August 1, 2016

<sup>106</sup> Section 8.2 Ibid states “While the IBC are expected to eventually move into a competitive bidding mode, at present while their skills are developed the procurement of their services is a non-competitive process.”

<sup>107</sup> CBC data is from PWD Planning Meeting 14 November 2016. This data differs from that provided by PWD Social and Environment Unit as reported in Chapter 6, and reinforces the IE observations related to data consistency

round of support, including the scope of the Standard Forms of Contracts used for CBC, IBC and NBC. Further development of the systems (in particular for contract management) is required, with complementary development of staff competencies if work unit and management performance of the program is to be improved.

#### 5.4.5 Management Information Systems (MIS)

R4D has attempted to develop an MIS, but the IE was advised that PWD did not see this as a priority. A ToR has been written for a Consultant to scope the system<sup>108</sup>. In Year 3 of the program, it is still not possible to easily access quantitative data across the program. As the IE Team found, several databases exist within sections (with individuals) of the ISP and PWD. They are not integrated and it is not easy to find out what specific data exists, and what analysis can be developed at least from some of the quantitative data. What is equally of concern is how this data is linked across different aspects of the program.

##### **Finding**

R4D has been unable to develop and institutionalise an MIS in part because PWD does not see this as a priority.

#### 5.4.6 Performance Management

This relates to [Output 2.2](#), PWD has established management system of performance reporting by division. The Indicators are:

- Report forms developed and accepted, and training completed
- Timely submission of monthly reports

##### **Finding**

As noted above in the discussion on PFM, the IE is not aware of any developments in performance management.

#### 5.4.7 Crosscutting Issues and Social Safeguards

##### **Background**

[Output 3.2 Key social safeguards are implemented and institutionalised within PWD](#), is the key output for institutionalising systems and management of crosscutting and social safeguards issues. The Social and Environmental Unit<sup>109</sup> is primarily tasked with implementing and institutionalising safeguards, though implementation of safeguards applies across PWD. The goals of the unit are to:

- (i) mainstream environmental and social impact mitigation measures of road works into PWD,
- (ii) consult and partner with relevant Social and Environmental key stakeholders and work in partnership with them to implement the social and environmental activities of PWD, and
- (iii) inform and provide feedback to (and obtain feedback from) communities, landowners, affected individuals/ institutions on PWD Social and Environmental activities.

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<sup>108</sup> Vanuatu Government Department of Public Works Infrastructure Management Information System REQUEST FOR PROPOSAL Prepared July 21, 2015

<sup>109</sup> The PWD Social and Environmental Unit's purpose is to: "*protect the environment and communities by minimising the negative environment and social impacts of the PWD road and initiatives and projects.*"

As noted in Chapter 1, all DFAT social and environmental safeguards policies apply to all GoA aid investments.<sup>110</sup>

### Current Situation

A mainstreaming approach has been adopted for Crosscutting issues and Safeguards across PWD (and MIPU): *Gender, Disability, Child Protection, HIV/AIDS, Work Health and Safety, and Environmental Protection*, and this applies to R4D. Nine 'guides' have been developed based on the MIPU Social Safeguards Framework (SSF), July 2014.<sup>111</sup> While the SSF has provided an overarching framework<sup>112</sup>, it has also sent a mixed message that environmental safeguards can be referred to as part of social safeguards. They are clearly closely linked, but environmental safeguards need to be addressed in their own right, (as is standard practice with ADB and WB), and the SSF updated to reflect this. Chapter 11 discusses environmental management aspects of R4D.

In summary, the majority of the Guides have not been finalised, are in draft, requiring additional work and sign off from PWD. **Annex 8** provides a summary assessment of the status and suggestions for additional work on the Safeguards and Crosscutting Issues Guides. There are reports that guides have been trialled and that training has taken place with PWD staff, IBC, and CBC across the crosscutting issues and safeguards.<sup>113</sup> While some quantitative data exists on number of trainees, it is not comprehensive, and integrated into an easily accessible database. What is not clear from reporting to date is the effectiveness of the training, and/or the Guides.

In addition, consideration should be given to developing two further social safeguard areas that need to be addressed specifically. First, *Grievance Redress and Dispute Resolution* - while a number of the current guides (e.g. Community - Based Contracting Operations Manual, and PWD Quarry Guide) refer to disputes and grievance procedures, it would be useful to develop a comprehensive guide and to ensure that there is alignment across all safeguards guides/manuals on disputes and grievance procedures.

Second, while R4D focuses on road maintenance, the broader scope of PWD activities does involve quarry work, land and customary boundary issues, limited land acquisition and/or compensation, and some construction activities, which could be viewed as triggering safeguard policies for *Displacement and Involuntary Resettlement*<sup>114</sup>. To date, DFAT take the view that the road maintenance works in R4D do not trigger this policy. However, the World Bank has identified this as a concern for its Vanuatu Infrastructure Reconstruction and Improvement Project (VIRIP), which is intended to build on the R4D model.<sup>115</sup> It is therefore recommended that PWD, with the assistance of R4D, consider developing further guidance on displacement and involuntary resettlement, which takes into account all the existing safeguards guides, and particularly those referring to quarry management and environment. This will also enable PWD to more effectively manage social safeguards approaches across the different donors, including DFAT, ADB and the WB.

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<sup>110</sup> DFAT safeguards policies include: Child Protection Policy for the Australian Government's Aid Program. 2013; Development for all 2015-2020: Strategy for Strengthening Disability-inclusive Development in Australia's Aid Program. 2015; Gender Equality and Women's Empowerment Strategy. 2016; Displacement and Resettlement of People in Development Activities. 2015; Environment Protection Policy for the Aid Program. 2014.

<sup>111</sup> Social Safeguards Framework (SSF) for the Vanuatu Roads for Development Program. July 2014.

<sup>112</sup> The Social and Environment Unit Document Hierarchy

<sup>113</sup> PWD Social and Environment Unit. Quarterly Report 1<sup>st</sup> Quarter 2016, January - April 2016; R4D Annual Report Year 3 (July 2015-June 2016); R4D Annual Report Year 2 (July 2014-June 2015).

Third, one of the most significant concerns related to R4D Social and Environmental Safeguards, is the lack of accessible quantitative and qualitative data, limited reporting and analysis of the progress and implementation being made with community-based initiatives and social and economic benefits of the program. The HSES has examined social and economic benefits, and the current M&E Plan<sup>116</sup> refers to specific social and environmental outputs as contributing to the R4D outcome; however, there is limited data and analysis. This presents a challenge to effectiveness of the R4D program. Not only does it make it difficult to track progress, but it also undermines the ability to learn from successes and challenges, and to tell the story of the program.<sup>117</sup>

## Findings

**Achievements** In summary, these include:

- (i) overarching approach to safeguards and crosscutting issues, based on Vanuatu legislation, as applies to PWD (and MIPU) and promotes an integrated approach across the Ministry,
- (ii) draft guides developed, being tested, and training underway,
- (iii) PWD Social and Environment Unit has some systems and institutionalisation to progress its purpose, and
- (iv) R4D has provided some technical assistance.

**Gaps** The key gaps include:

- (i) on-going delays in progressing guides,
- (ii) lack of accessible quantitative and qualitative data, limited reporting and analysis of the progress and implementation of safeguards and crosscutting issues,
- (iii) limited integration and analysis of quantitative data being collected as part of integrated database,
- (iv) limited integration of Social and Environment Unit into overall PWD Roads Operations,
- (v) limited assessment of effectiveness of training and guides,
- (vi) IBC contracts without sections on social and environmental safeguards, and
- (vii) Lack of specific guides to address grievances and dispute resolution, displacement and involuntary resettlement that may arise with road maintenance works.

### 5.4.8 Disability, Child Protection, HIV/AIDS

Disability, Child Protection and HIV/AIDS issues in R4D are addressed as part of the Social and Environment Safeguards Module, and focus on raising awareness of communities.

Overall, the information is satisfactory in terms of awareness-raising, and refers to the Vanuatu context and acknowledges the Australian Aid Child Protection Code of Conduct<sup>118</sup>. CPO have been conducting training with CBC, but the Module is still to be completed, and importantly in the Draft of the Child Protection section the appropriate PWD officer for notification is yet to be identified. In addition, the HIV/AIDS and Disability sections would benefit from some active practical suggestions.

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<sup>118</sup> DFAT Child Protection Policy for the Australian Government's Aid Program. 2013; Development for all 2015-20120: Strategy for Strengthening Disability-inclusive Development in Australia's Aid Program. 2015.

## Findings

Again, this is a specific area where there is a considerable gap in the contracts of both CBC and IBC. Neither contract template with signature block includes specific reference to Safeguards. There is no mention of Child Protection, HIV/AIDS, environment, Work Health and Safety, or Disability.

In the case of Child Protection and HIV/AIDS, this is a considerable risk for the contractor and the community. There is always a concern with infrastructure projects where workers are coming in from outside communities, and there is the risk of increased potential for prostitution, HIV/AIDS and other communicable diseases as well as pregnancies. While there is a statement on HIV/AIDS and CBC are briefed by CPO, this issue needs to be more explicitly addressed by PWD in relation to IBC, as IBC expand activities beyond their “home” islands. There is also reference made to HIV/AIDS in Guideline 2 PWD Occupational Health and Workplace Safety Guidelines, which would also benefit from further technical review.

This must also be addressed in the contract and addressed by the IBC in their duty of care to their workers (and the communities). Including this as a clause in the contract with penalties is a way to promote this and to manage risk in the program. Additional training and information will also be needed to provide support for IBC and PWD staff to address this as part of contract supervision. This approach follows in line with FIDIC.

## Overall Findings

Based on the findings presented above for the different systems, the overall [development and institutionalisation of sound administration, financial management, procurement, management information systems, and performance management systems in PWD](#) is a “work in progress”. As a result, there has also been limited progress on improving work unit and management performance.

Communication internally, between sections of PWD, and externally is not specifically mentioned in the question, but is another function that the IE observed does not appear to be well developed.

### 5.5 Question C4. To what extent has R4D human resource development (HRD – including training, mentoring, short-courses, tours, etc., talent acquisition, succession planning, etc.) improved work unit and management performance?

#### 5.5.1 Background

There were significant early improvements due to the effort put into talent acquisition and training<sup>119</sup>, which resulted in a significant reduction in vacant positions in PWD. Inadequate performance management has since been identified as a key factor limiting work unit performance. This is now being addressed. Succession planning is in early stages of formulation. The overall finding is that there has been limited progress.

#### 5.5.2 Gender

The IE notes that Gender issues have been considered in both the 2015 PWD Capacity Building Program and the PWD Performance Situational Analysis (2015).<sup>120</sup> However, the IE finds that Gender issues have not been systematically integrated as part of a HRD approach. Overall, the R4D Program has no specific Gender Strategy or approach, other than awareness raising and training. A series of *ad hoc* initiatives have been attempted but there has been no specific monitoring to determine their effectiveness, and the term Gender has commonly been used interchangeably for woman. An informal analysis of PWD HQ staff by the IE, notes that the majority of women are employed in

<sup>119</sup> 2015 PWD Capacity Development Plan 2015

<sup>120</sup> 2015 PWD Capacity Building Plan. 2015; PWD Performance Situational Analysis. 2015.

administration, finance, social/CPO, and custodial roles. Some of these roles are senior but most are not.

## Findings

The approach to HRD has not been consistent, as discussed in response to Question C1.

As the Situational Analysis notes, there is a need to address the understanding of Gender equity (within PWD and MIPU) to begin to form the basis for an inclusive HRD strategy. It would be more useful to be specific about the groups of women, men, youth who are part of R4D. The IE could not find evidence that the Gender recommendations from the two HRD documents have begun to be implemented.

### 5.6 Question C5. To what extent are PWD and R4D funded works integrated into a single program; a genuine partnership?

PWD and R4D funded works are now fully integrated into a single program, and presented as such. The 2017 work program has been planned by PWD senior management and DMs based on one budget with combined funding from R4D and PWD<sup>121</sup>. This was apparent to the IE from attendance at a number of sessions of the AWP Workshop, and from review of the presentation material<sup>122</sup>. In the 2017 calendar year budget, PWD funding in road maintenance will be higher than R4D funding.

## Findings

The view from discussions with DMs and Divisional Engineers from the IE visit to three Provinces is that there is now no distinction between a R4D road maintenance project and a PWD road maintenance project. Force Account funding in 2016 has been reallocated to IBC contracts, which were developed by R4D when implementation problems arose with FA works due to lack of PWD plant and equipment.

### 5.7 Question C6. To what extent are PWD divisions genuinely committed to and have ownership of:

- a) outsourcing road works to IBC and communities;
- b) a sound balance between roads routine and periodic maintenance; and
- c) a sound balance between labour-based equipment supported road works and other forms of contracting?

#### 5.7.1 Introduction

Assessment of commitment and ownership is analysed based on:

- (i) The views expressed by PWD staff in discussions with the IE, or the actions taken by them, as observed in the field visits and during the AWP workshop.
- (ii) The numbers of contracts or value of works being proposed and implemented by the actions of PWD divisions, as shown in Tables 7, 8, 9 and 11 later in the Report.

Actual expenditure on the different types of road maintenance over the period of R4D is shown in **Annex 7**.

<sup>121</sup> The “No Objection” requirements for R4D funded works as set out in the Direct Funding Agreement (DFA) between DFAT and PWD are maintained.. The DFA requires all procurements (contracts) and disbursements (progress payments) to be directly oversighted and a “No Objection” issued by ISP personnel in Port Vila.

<sup>122</sup> 2016 Work Plan Design – Goals and Findings 14<sup>th</sup> November 2016



### 5.7.2 Outsourcing road works to IBC and communities

#### CBC/Communities

From discussions with PWD staff, particularly on field visits, the IE considers that PWD are committed and have ownership to outsourcing road works to CBC and communities (through CBC contracts).

In June 2015, the PWD, with support from R4D, began to formalise the use of CBC by PWD for road maintenance, with the possibility of extending this nationally throughout MIPU. CBC had previously been used by PWD (and MIPU for example for mowing of island airfields) but the processes were not standardised, documented, nor transparent, with potential for open manipulation and community conflict. By 2013, within MIPU there were 249 contracts, with the largest number of contracts for road maintenance on Efate (Efate Ring Road).<sup>123</sup> These are known as the “old” model of CBC contracts and many are still functioning.

The CBC approach is viewed by PWD as an important part of road maintenance and the Vanuatu Government’s Decentralisation Strategy. Building partnerships with provincial governments and communities has been an essential element to building “ownership” and maintaining road access. As indicated in **Table 7**<sup>124</sup> the number of total “R4D” CBC contracts has increased by 2.4 times from 70 (2015) to a projected 169 (2017). This is most pronounced in Malampa where CBC contracts will quadruple between 2016 and 2017.

Provinces	2015	2016	2017 projected
Penama	39	61	63
Tafea	20	17	24
Malampa	11	22	82
<b>TOTAL</b>	<b>70</b>	<b>100</b>	<b>169</b>

Source: PWD Social and Environmental Unit

PWD DM, CPO and Head Office staff have expressed concerns about how to manage this increase in numbers of CBC contracts. Currently, based on data from the 2017 AWP, (shown in Table 9) CBC contracts are maintaining 530 km of 961 km of maintainable road<sup>125</sup>. On average, this is 2.25 km of road per CBC contract. If each CBC contract maintains this length of road on average, then to maintain all the maintainable network would require about 411 CBC contracts.

The IE also notes that while the number of CBC contracts grows, the value of individual CBC contracts is declining. The rationale behind this growth in CBC contracts has not been made explicit. There are further significant implications for R4D and PWD staff in the rapid increase in CBC contracts, including risks for increasing transaction costs in establishing, training, socialising and monitoring increasing numbers of CBC. In addition, there is a significant increase in workload projected for Community Partnership Officers (CPO). Without additional support in Malampa, for example, it will not be feasible for the CPO to keep up with the workload. The IE suggests that PWD

<sup>123</sup> PWD Social and Environment Unit. Community-Based Contracting Trial Establishment Period – June to December 2015. Operational Evaluation 29 March 2016

<sup>124</sup> Table 7 was confirmed by PWD Social and Environmental Unit on 17 November 2016, and presented by the IE Team at the IE Workshop on 17 November 2016. There were no comments made with respect to Table 7. This table is used here as the basis for analysis and comment on the increasing number of CBC. However, different data for numbers of CBC was presented at the PWD Planning Workshop on 14 November 2016, as shown in Table 9. This raises further questions about the reliability and consistency of R4D data and the management and communication of information across PWD, and externally about the program. This is a serious issue with significant implications for planning, implementation, M&E and financing.

<sup>125</sup> This comprises the gravel, sealed and concrete roads.



and R4D address this issue before the completion of this current phase, as it is potentially unsustainable in its current form.

## IBC

From discussions with PWD staff, particularly on field visits, the IE considers that PWD are committed to, and have ownership of, outsourcing road works to IBC. Outsourcing of road works to IBC had occurred using R4D funding since 2014 and using PWD funding (that would otherwise have been used for FA) in the 2016 Financial Year. The PWD Divisions prefer to keep the FA funds for their own staff to work on projects, but if resources are diverted or there is PWD equipment breakdown then the funds are re-directed to IBC. IBC have become a quick way of expending unspent FA funds on high priority works such as improvement works.

The number of IBC contracts has fallen to 53 from a peak of 61 in 2014 (See **Table 8**).

**Table 8: Improvement Works (Island Based Contracts)**

	FY		2013 /14	2014/ 15	2015/ 16	2016/ 17	IE Comments
Item							
<b>Project Design Document Target</b>	Km		200	250	250	250	
<b>Concrete drift/culvert</b>	No.	0	50	35	21		No. of impassable road sections decreasing
<b>Concrete road surface</b>	Km	0	1.00	2.6	4.8		Length of road with concrete surface increasing
<b>Contracts</b>	No.	0	61	58	53		No. contracts has fallen from peak

Sources: R4D Annual Report Year 3 Performance Matrix and Annex 2; R4D Annual Work Plan March 2016; R4D IE Inception Mission Physical Works presentation and report by ISP SMRE Richard Farrell 6 September 2016

PWD DMs and Head Office staff have commented that a number of IBC have acquired sufficient business skills to be able to manage larger value contracts than the current VT 5 million limit, and to competitively bid for contracts. The IE saw an example of three IBC on three separate contracts working on spot improvements next to each other along a short section of road. It would have been more efficient to award one contract of a higher value (about VT15 million) for this work to a single IBC which has the business skills to manage a larger contract. With IBC now having been in operation for six years it would be expected that some of the IBC would acquire such skills. Discussions with IBC during the field visits showed their interest in larger value contracts.

## Findings

While committed to the use of CBC, all PWD staff are concerned about the increases in numbers of contracts to be managed. There are gaps at many levels in integrating the CPO and social-environmental aspects across operations and institutional change. CPO individually have positive working relationships with Provincial Teams, but institutionally there needs to be further work.

PWD are committed to the use of IBC, but in the interest of efficiency, it may be time to consider increasing the scope and value of IBC contracts over VT 5 million, and making them subject to competitive bidding.

### 5.7.3 A sound balance between roads routine and periodic maintenance:

#### Background

The definition of “sound balance” (or optimisation<sup>126</sup> of routine and periodic maintenance) is an issue, which is only now being raised in discussions between R4D and PWD. It is not covered in the RRAP. (See discussion in Section 2.10). No numerical or financial analysis of the topic has been undertaken by PWD staff assisted by R4D. Therefore, the IE is relying on its own observations and professional judgement to respond to this question.

An evidence-based response to this question requires information on and analysis of the core network of roads to be maintained based on the current available budget<sup>127</sup>. PWD/R4D is hampered in achieving this in practice by lack of strategic planning tool (as discussed in Section 2.8). Given that the maintainable core road network length, based on the current 2017 AWP budget of VT634M, is unknown, the appropriate balance of funds to Periodic Maintenance and Routine Maintenance cannot be determined.

The priority for road maintenance works carried over from VSSTP I, as stated in the PDD, is to undertake drainage improvement works before pavement maintenance works. The next highest priority is periodic maintenance involving gravel re-sheeting and light grading, and road rehabilitation, which involves pavement reconstruction. Routine maintenance is the lower of the priorities given the lower impact these works have on maintaining year round access.

#### Current Situation

The amounts (contracts and kilometres of road) of routine and periodic maintenance have increased during the period of R4D, as shown in **Table 9**.

**Table 9: Routine and Periodic Maintenance Contracts and Outputs**

Works, Contract and Outputs by FY						IE Comments
FY		2013/	2014/	2015/	2016/	
Item		2014	2015	2016	2017	
<b>Routine Maintenance (Community Based Contract)</b>						
Actual Length	Km	0	26	201	530	Grass cutting and drain clearing No light grading of road pavement
Contracts	No.	0	26	201	234	increase in length of works from 2015/2016 onwards
						Number of contracts increasing
<b>Periodic Maintenance (National Based Contract)</b>						
Actual Length	Km	0	0.6	27.3	60.95	Gravel re-sheeting works
Contracts	No.	0	1	2	13	Increase in works once all 6 provinces involved. Number of contracts increasing

Sources: R4D Annual Report Year 3 Performance Matrix and Annex 2; R4D Annual Work Plan March 2016; R4D IE Inception Mission Physical Works presentation and report by ISP SMRE Richard Farrell 6 September 2016

For 2016/17, routine maintenance by CBC is being carried out on 530 km of the about 2031 km rural road network (see Table 1), around 26% - or about 55% of the 961 km sealed and gravel network. Periodic maintenance is being carried out on about 61 km of the 961 km sealed and gravel network.

<sup>126</sup> The term optimisation was used in the TOR. The IE sought clarification on the meaning of the term, and the term “sound balance” was substituted by DFAT, and used in Table 1 of the Evaluation Plan.

<sup>127</sup> Such an analysis was done in the preparation of the ADB/DFAT STIIP in the Solomons.

As periodic maintenance should be carried out about every 3 years, this implies about 20% of the gravel and sealed road is being periodically maintained. These figures result from an actual PWD 2017 budget for maintenance of VT 634M, compared to a notional requirement in Table 3 of the RRAF of VT1.6 Billion – or about 40%.

The current proportion of funding in the 2017 Work plan allocates: i) 24% routine maintenance; ii) 27% periodic maintenance; iii) 33% improvement works; and 16% stockpiling and materials supply.

## Findings

An assessment of the current proportion of the budget allocated to Routine Maintenance and Periodic Maintenance shows a similar proportion of the budget spent on each. The IE considers that this is not a sound balance given the higher impact on achieving year round access through budget allocation spent on periodic maintenance, compared to Routine Maintenance which is primarily grass cutting of the road shoulder and table drains.

A reduction in the proportion of budget allocation to Routine Maintenance and increase in the budget proportion to Periodic Maintenance would seem a better option with Improvement Works budget proportion maintained at its current proportion of the budget until a maintainable core road network length can be determined.

### 5.7.4 A sound balance between labour-based equipment-supported road works and other forms of contracting:

#### Background

Labour based equipment supported (LBES) works include manually cleaning road table drains with bush knives and whipper snippers, repairing road pavements with tamping equipment (as has been done by CBC for routine maintenance), and mixing concrete using mobile concrete mixers (as is done by IBC for spot improvements). LBES roadwork also involves the use of tractors with grader blades (for periodic maintenance), tractors with bucket attachments, mini-graders, pedestrian rollers, tipping trailers and water tankers.

Other forms of contracting involving the use of heavy equipment for periodic maintenance include:

- (i) Use of NBC for periodic maintenance (where the NBC supplies and operates the heavy equipment required as part of the contract, under an NCB contract). IE discussions with PWD engineers suggest that it seems to take a long time to complete the procurement cycle for these contracts, to the extent that the works are not always achieved in the financial year planned to implement the works.
- (ii) Equipment Hire Contracts (EHC) for the heavy equipment to be used by PWD FA for periodic maintenance of gravel roads when PWD equipment is not serviceable.
- (iii) RFT/RFQ contracts for stockpiling of gravels for use in periodic maintenance

The definition of “sound balance” (or optimisation<sup>128</sup> of LBES and other forms of contracting) is an issue that is only now being raised in discussions between R4D and PWD.

Since the commencement of R4D, there have been 633 LBES contracts for CBC contracts and IBC contracts, and only 16 NBC contracts (see Tables 8 and 9).

#### Current Situation

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<sup>128</sup> The term optimisation was used in the TOR. The IE sought clarification on the meaning of the term, and the term “sound balance” was substituted by DFAT, and used in Table 1 of the Evaluation Plan.

LBES CBC are currently used for routine maintenance, LBES IBC for spot improvements, and NBC for periodic maintenance. The use of IBC for undertaking Road Improvement Works (such as the construction of drainage culverts, drifts and concrete road pavements) has been implemented by a small value direct appointment contract between the Island Based Contractors and PWD.

**Tractor Based Equipment Trial (TBET)** LBES road works using tractor-based equipment are currently being trialed on Ambae and Tanna islands. The TBET offers an alternate method for Periodic Maintenance involving gravel re-sheeting and for routine maintenance using light grading.

The tractor based plant is much cheaper to run than heavy plant and cheaper to maintain. However, the tractor-based plant lacks the strength to grade hard compacted coronous (coral-derived material) roads and spread large or oversized coronous gravels. This has resulted in damage to the graders and the grader blades. Once the graders break down, it takes a long time to repair the graders as they have to be shipped to Efate for repairs.

The initial conclusion is that it is not as effective as using Heavy Plant. The riding surface achieved from using tractor-based plant is much rougher and bumpier than using Heavy Plant. However, the trial used unscreened coronous material, which would give a rough surface even if heavy plant were used.

Overall, the IE considers that tractor based plant has a place in the periodic maintenance of roads based on the following:

- (i) It provides a road pavement with a year round access, using unscreened coronous material at a lower cost per kilometre compared to using Heavy Plant and screened coronous road material, but with a lower ride quality/road condition/level of service.
- (ii) The ride quality of the road pavement can be improved using screened coronous material instead of the unscreened coronous material, although this will be at a higher cost.

The financial assessment is not based on a unit cost assessment, but on information passed on from the Divisional Managers in Tanna and Ambau who stated that tractor based equipment using screened or un-screened coronous material costs less for gravel re-sheeting than Heavy Plant using screened or un-screened coronous road material.

The supervision of Periodic Maintenance involving gravel re-sheeting and light grading is performed by the Provincial Civil Engineer, with support provided by R4D, irrespective if the works are implemented by TBET, Force Account or NBC. Hence, there is no cost saving in supervision using TBET.

A “Value for money” assessment of using TBET for Periodic Maintenance, involving gravel re-sheeting and light grading as compared to Force Account or NBC, would need to look at cost (operational costs), quality of works and time (productivity).

It also needs to be noted that TBET has restricted capability on coronous road pavements, hence TBET is not suited to light grading of compacted coronous material due to lack of plant capacity to tyne and reshape the road pavement.

## Findings

A “Value for Money” scorecard approach suggests the following in relation to use of LBES and other contracting methods for periodic maintenance:

- (i) LBES using TBET is the lowest cost, lowest quality and lowest productivity
- (ii) NBC and EHC have the highest cost, quality and productivity compared to TBET

(iii) FA, if plant is working, has a higher cost, quality and productivity compared to TBET. This suggests that there should be less LBES contracts for periodic maintenance. However, as noted above, an evidence-based response to the question would require more data than was available to the IE. The analysis should also take into account that different methods are appropriate on different islands, given the types of materials, size of the networks and value of contracts.

## 5.8 Question C7. To what extent have these partnerships and changes increased the likelihood that improved and rehabilitated roads will be maintained in good or fair condition?

### Background

Road condition is defined in Section 2.9. Data on road condition has not been collected on a regular basis, and to date, not with the frequency envisaged in Section 4.3 of the RRAS.

The IE has therefore used its professional experience and judgment, in discussion with R4D and PWD DMs, in assessing the “likelihood” that improved and rehabilitated roads will be maintained in good or fair condition. These judgements are based on inspection of the road profile, the surface roughness, other road damage and the comfortable travel speed, as well as on the mix of maintenance being applied to the improved and rehabilitated roads.

### Current Situation

The current focus of activity on improvement works means that a larger proportion of the network will be year round passable; i.e. RAI will increase. However, periodic maintenance of the road pavement is insufficient to maintain shape and ride quality. If this is not addressed, then the likelihood is that the condition of some sections of the network will decline to below a “fair” condition.

The condition of the road network has overall deteriorated from the commencement of the project, because periodic maintenance of the road pavement (gravel re-sheeting) and light grading are not undertaken in sequence of each other. This has resulted in a decline in the condition of the road surface and resulted in a lower level of service. This means it takes longer to drive along the road comfortably than was previously the case.

This could be due to a number of factors including:

- (i) Unavailability of PWD Heavy Plant to undertake gravel re-sheeting and light grading due to plant disrepair
- (ii) High cost of undertaking Periodic Maintenance in Provinces located a long way from Efate and Espiritu Santo, where the local contractor heavy plant resides
- (iii) High cost of using screened coronous gravel materials for gravel re-sheeting works in remote provinces compared to Efate and Espiritu Santo
- (iv) Not all Provinces having coronous materials available for gravel re-sheeting works, such as Ambae Island in Penama Province
- (v) Long time frame involved, cited by PWD staff in the awarding of National Contracts by the Central Tender Board
- (vi) Local contractors with Heavy Plant do not seem interested in bidding for small sized periodic maintenance contracts due to the financial risks involved

**Partnerships with CBC, IBC and Provinces** Based on the IE’s assessment, PWD is committed to “ownership” of varying degrees of outsourcing road works, with various partners including IBC and CBC (Question C6). However, the nature of those partnerships varies and includes a contractual financial element. The IE finds, however, that there does not seem to have been full consideration of the nature of the partnerships with provinces and communities, which also need to be maintained as part of overall community relations. This is also part of PWD’s broader engagement to address

issues such as exceptional requests and to build community “ownership” and responsibility for road maintenance.

### **Findings**

The partnerships and system changes have increased the likelihood for improvements, but the M&E data is lacking to verify this. The access to the road network has increased due to the priority of funding road improvement works at locations that were previously impassable. The road network is steadily transforming into an all-weather road (passable) network with the level of service of the road pavement moving from a “good” to “fair” condition. However if the amount of periodic maintenance is not increased then the likelihood is that the condition of some sections of the network will decline to below a “fair” condition.

## 6. REMAINING NEEDS AND OPPORTUNITIES (Research Area D)

### 6.1 Introduction

In Research Area D, the primary question to the IE is *“To what extent does GoV need more road subsector support in order to consolidate achievements under R4D?”* Three secondary questions are posed which relate to items C1 to C4 in Question C. The responses to Questions D1 to D3 draw on the findings in the responses to Question C in Chapter 5. In all cases, these *Remaining Needs and Opportunities* are not intended to be addressed prior to the closure of R4D (which at the time of the IE was June 2017). Rather, they may be considered in the design process for a possible next round of support.

For Question D1, what is left to do has been identified from the analysis and findings in Chapters 5 above, but also taking account of findings in Chapters 3 and 4. There are a number of tasks left to do. A number of which address current gaps and the remainder of which are to improve/upgrade current practice, procedures and systems so that they are in accord with international good practice. These tasks respond to Question D1, with the majority relating to Item C3 Development and institutionalisation of sound systems.

The capacity of PWD to absorb more roads subsector support (Question D2) will depend on the extent to which these system improvements can be implemented, and the extent to which they are effective in improving the efficiency of PWD operations. The capacity of PWD to convert additional support into improved rural roads access will depend on these system improvements, as well as competing demands on PWD staff resources and systems from the additional road sector support for road development works foreseen from other donors in the next 5 years.

DFAT is well-positioned to provide support (Question D3) for continued Institutional development and capacity building for the road sector. DFAT as an institution has knowledge of PWD from working with PWD since 2009, and a good working relationship with PWD. Other donors have not provided and are not proposing to provide such support to any great extent. ADB and WB are providing support for implementation of the investment programs (shown in Table 1) they are supporting, and TA focused on specific topics<sup>129</sup>. Similar comments apply to the provision of financial support for rural road maintenance (in addition to any provided in TC Pam Recovery Programs) – which only WB is providing in addition to DFAT.

### 6.2 Question D1. For items C1 to C4 – what is left to do?

#### 6.2.1 C1. MIPU-PWD corporate strategy and function

Based on the findings presented, the IE considers that there is a remaining need for the creation of a new Corporate Strategy that goes beyond a simple update of the 2014 Corporate Strategy. The MIPU Corporate Strategy should set out how MIPU-PWD as an organisation is to implement the Rural Roads Access Policy/Strategy, as well as to formulate and deliver an update to the overall transport sector policy and strategy. The endorsement of the RRAF by MIPU and the publication of *Vanuatu 2030* provide the opportunity to develop a visionary but pragmatic strategy that will assist PWD along the path of transforming itself into a road network manager.

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<sup>129</sup> WB VIRIP includes Technical Support for consideration of a Road Maintenance Fund and Outsourcing of Road Maintenance. ABD is providing a stand-alone TA for Institutional Strengthening for Environmental Safeguards.



### 6.2.2 C2. Shaping and embedding road subsector policy: – and the influence of policy on budgeting, work planning, and expenditure performance in the roads subsector?

Based on the findings presented, the IE considers the remaining needs are to embed regular collection and reporting of RAI and road condition data into the PWD M&E, and to ensure that this data along with traffic count data is easily accessible in RIMS. Then, to embed the use of RIMS, particularly RAI and road condition data, in the process for determination of budget allocations by province, island and type of work. This would also provide the opportunity to further shape subsector budget policy by developing evidence-based maintenance and spot improvement budget for submission to MFEM that meets the RRAF targets, and which ensures that road condition is stabilised and overall access does increase. This should build on the work undertaken in the PER.

The IE considers the other need is to complete the influence of policy on expenditure performance monitoring by embedding and integrating physical and financial progress reports, across all Divisions and sections of PWD, into the GoV SmartStream PFM system.

In addition, PWD should take the opportunity presented in the RRAF Section 7 to undertake reviews every 6 months and to make improvements, and to build in and undertake broader consultation into the RRAF so as to reduce political influences.

### 6.2.3 C3 Development and institutionalisation of sound administration, financial management, procurement, management information systems and performance management systems in PWD, – to improve work unit and management performance.

Based on the findings presented, the IE considers that the remaining needs are to strengthen all systems and improve staff competencies so that they match the standards of international good practice, in particular, as practised by the donors currently providing funds to MPIU. This applies to a lesser extent to PFM and Procurement. It applies particularly to Social and Environmental Safeguards, including Disability, Child Protection, and HIV/AIDS, as detailed below.

Equally, to improve work unit and management performance the IE considers there are remaining needs in integration of GoV systems across PWD, internal and external communications, MIS, performance management, and expenditure performance reporting. The IE acknowledges that defining the needs in this way will require a significant level of support to PWD if the needs are to be met.

There is also a need to develop and institutionalise M&E systems for PWD (which were not raised in the Question). The appointment of an M&E Officer in MIPU and the references to M&E in Section 6 of the RRAF provide the opportunity to do this.

#### **Social and Environmental Safeguards**

Consideration should be given to developing two further social safeguards areas, which need to be addressed specifically.

First, *Grievance Redress and Dispute Resolution* - while a number of the current guides (e.g. Community - Based Contracting Operations Manual, and PWD Quarry Guide) refer to disputes and grievance procedures, it would be useful to develop a comprehensive guide and to ensure that there is alignment across all safeguards guides/manuals on disputes and grievance procedures.

Second, while R4D focuses on road maintenance, the broader scope of PWD activities does involve quarry work, land and customary boundary issues, limited land acquisition and/or compensation,

and some construction activities, which could be viewed as triggering safeguard policies for *Displacement and Involuntary Resettlement*<sup>130</sup>. To date, DFAT have taken the view that the road maintenance works in R4D do not trigger this policy. However, the World Bank has identified this as a concern for its Vanuatu Infrastructure Reconstruction and Improvement Project (VIRIP), which is intended to build on the R4D model.<sup>131</sup> It is therefore recommended that PWD, with the assistance of R4D, consider developing further guidance on displacement and involuntary resettlement, which takes into account all the existing safeguards guides, and particularly those referring to quarry management and environment. This will also enable PWD to more effectively manage social safeguards approaches across the different donors, including DFAT, ADB and the WB. The IE recommends that this activity be included in the design of the possible next round of rural roads subsector support.

One of the most significant concerns related to R4D Social and Environmental Safeguards is the lack of accessible quantitative and qualitative data, limited reporting and analysis of the progress and implementation being made with community-based initiatives, and social and economic benefits of the program. The HSES has examined social and economic benefits, and the current M&E Plan<sup>132</sup> refers to specific social and environmental outputs as contributing to the R4D outcome; however, there is limited data and analysis. This presents a challenge to effectiveness of the R4D program. Not only does it make it difficult to track progress, but also undermines the ability to learn from successes and challenges, and to tell the story of the program.<sup>133</sup>

More specific remaining needs are listed below.

- (i) Plan for completion and sign off on all Guides; prioritising endorsement by PWD management. This should include updating the MIPU Social Safeguards Framework and renaming it the *Social and Environmental Safeguards Framework*. (See Annex 7)
- (ii) Consider strengthening the comprehensiveness of the Safeguards Guides by developing two additional focused Guides on *Grievance Redress and Dispute Resolution*, and *Displacement and Involuntary Resettlement*.
- (iii) R4D to put in place a plan to improve on monitoring, reporting, integration with MIS data, and lessons learned across Social and Environmental Safeguards. This will include strengthening practice - reporting and monitoring - around Gender, WHS, environment, Disability, HIV/AIDS, Child Protection, and further integration with Operations, and a follow up on assessment of the effectiveness of training and the guides.
- (iv) IBC Tracer Studies, the Household Socio-economic Study and the possibility of a CBC “tracer” study should be considered as part of a baseline for a possible next round of support in building the social and economic assessment of R4D.
- (v) Review CBC and IBC contracts with a view to including specific context appropriate sections on social and environmental safeguards as part of signature obligations.

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<sup>130</sup> DFAT Displacement and Resettlement of People in Development Activities. July 2015. The following principles provide DFAT guidance: “...responsibility for managing displacement and resettlement rests with the government of the country where the project is undertaken.” (no. 34, p.11); “DFAT may choose to use partner government systems” (no. 35, p.11); “DFAT promotes harmonisation of policies among donor agencies” (no.36, p.11).

<sup>131</sup> World Bank Vanuatu Infrastructure Reconstruction and Improvement Project (VIRIP). Project Appraisal Document. p. 53.

<sup>132</sup> R4D Program M&E Plan Jan 2016-June 2017. Final (Version 2) 26 Feb 2016 *Table 7*. See also Annex 6.

<sup>133</sup> The IE provides this comment within the context of DFAT’s overarching strategic policy *Australia’s Strategy for Investments in Economic Infrastructure* and the DFAT. Aid Program, Performance Report 2015-16 Vanuatu. September 2016.

- (vi) R4D to provide further technical assistance; i.e. specialist in social and environmental safeguards, and community engagement to support Social and Environment Unit, and to work with the R4D M&E Specialist, to build greater integration across PWD.

### **HIV/AIDS, Disability and Child Protection**

- (i) Plan for completion and sign off on all Guides, including those focused on HIV/AIDS, Disability and Child Protection. (See Annex 8 also)
- (ii) Review CBC, IBC and NBC contracts, with a view to including specific context appropriate sections on Gender and participation, Child Protection, Disability, HIV/AIDS, and Work, Health and Safety, and provide training to PWD staff to improve contract management and supervision
- (iii) Develop additional training for PWD staff to supervise and assess contract compliance.
- (iv) Improve on monitoring, reporting and integration with MIS data, as well as contract compliance.
- (v) R4D to provide further technical assistance; i.e. specialist in social and environmental safeguards, and community engagement to support Social and Environment Unit.

#### **6.2.4 C4. Human resource development (HRD): – (including training, mentoring, short-courses, tours, etc., talent acquisition, succession planning) to improve work unit and management performance.**

The IE considers that there is a constant need for HRD, but in addition, a need for a more consistent approach to training capacity building and institutional change than has been evident in the review of the various reports produced since 2013. A HRD Strategy should be prepared (drawing on previous work) which can be monitored, updated and adjusted annually, and which supports the stated overall goal to transform PWD from a works organisation to a network manager.

Consideration should be given to the integration of Gender issues within an appropriate cultural context. A *Gender Strategy or approach* is required to provide a framework for systematic inputs, at the PWD institutional and R4D community levels, which could be monitored. One of the considerations for MIPU and PWD, as part of HR and institutional development, could be how women can be supported into becoming professional and technical staff e.g. engineers, site inspectors, and network managers. Drawing on the previous 2015 Strategy and Situational Analysis, a context appropriate capacity building strategy as part of HR and institutional development, integrating and inclusive approach, noting Gender issues, should be developed as part of any possible future support.

Specific Change Management training and support will be required if the culture of an organisation is to be changed. To enable this strategy to be developed and implemented will require a greater allocation of ISP resources in a possible next round of roads subsector support, than has occurred to date under R4D.

To enable the transformation of PWD to occur, training for DMs, Engineers and CPO is needed in Road Network Management (especially for DMs), Program Management (of works and associated activities), and Project Management. The training should also include non-technical skills, such as communications and community consultation. The training would need to be followed with supervision/mentoring by staff. The IE recommends that this be included in the design of a possible next round of roads subsector support.

### 6.3 Question D2. For items C1 to C4 – to what extent would GoV (principally PWD) be able to absorb more roads subsector support and convert it into improved rural roads access?

#### 6.3.1 Approach

There are a number of steps to answering this question. First, it is useful to consider the amount of expenditure on rural road access over the past 3 years, and the historic response to increases in increased budget over this period. This provides an indication of the cash expenditure rate that can be achieved under current conditions.

Second, to discuss factors which constrain the rate of expenditure or the productivity of the current PWD Operations Divisions. These would include current inefficiencies in service delivery and weaknesses in supporting systems observed by the IE, as well as interruptions from exceptional requests.

Third, to consider whether the most effective use is being made of funds – are they being spent in locations where they produce the greatest return in terms of improved rural roads access, measured by length of passable road or RAI?

Fourth, to consider whether there are gaps in numbers or competencies of key staff (whether in operations or supporting functions) which would constrain the amount of physical works that could be undertaken.

Lastly, to consider the competing demands on PWD staff – particularly roads subsector staff – from the other donor projects (shown in **Table 2**) scheduled to be implemented in the period from 2017 to 2021.

#### 6.3.2 Rate of Expenditure over the past 3 years

The expenditure on rural road access (road improvement) and maintenance is shown in **Table 12**. This shows that from FY 2014 to FY 2015, expenditure for road improvement increased by 86%, while overall expenditure increased by 32%. Unfortunately, this rhythm was not maintained into 2016, with overall expenditure dropping by 10%, and expenditure on improvement dropping by 32%. Worse, PWD appeared unable to use the additional funding budgeted by GoV for improvement. This analysis suggests that PWD operations could absorb extra financial support, but that strengthening is needed in the work planning and implementation processes.

#### 6.3.3 Constraints on Rate of Expenditure

Current inefficiencies in service delivery relate to the number and value of IBC contracts. As shown in Table 8, the number of contracts has declined by 15% over the past three years, while the overall value has increased by 15%. The contract size is constrained by the VT 5 million-limit. If the amounts spent on improvements are to be increased in an efficient manner, then attempts should be made to limit the increase in numbers of contracts to reduce the pressures on PWD DM, procurement and finance staff. (Similar comments could be made in relation to CBC contracts for routine maintenance). There are also weaknesses in supporting systems, (which the IE has noted in response to Questions C3 and D1), which should be addressed.

#### 6.3.4 Effective use of funds

The IE has noted in response to Question C2 that funds for increasing access (and maintenance) are not currently being allocated on the basis of RAI and road condition, but on the basis of population

and road length. This was a necessary approach while the RRAF was being developed, but may not provide the best return for converting financial support into increased access. While this does not directly affect the question of whether PWD could absorb extra funds, it does go to the question of “value for money” in the use of these funds. The IE would suggest that PWD should be encouraged to migrate from the current approach to an RAI/road condition approach, to allocation of funds in order to maximise the increase in access for any amount of money spent.

### **6.3.5 PWD Staff numbers and competencies**

DFAT and ISP staff expressed the view to the IE that PWD is a fragile organisation, particularly in view of the advice from PWD senior staff that five senior staff positions were expected to become vacant shortly. The IE takes a different view. There are weaknesses in PWD with insufficient staff numbers in certain areas, and competencies that require expanding. However, the IE considers that the potential departure of the five staff presents the opportunity for other staff to be promoted or transferred into these positions (following standard PSC procedures) and take on greater responsibilities. As discussed in response to Question C3 and D1, there are efficiency gains in the use of existing staff resources that can be obtained from system improvements and training, particularly training staff to work smarter, through greater use of ICT, especially engineers and CPO in the field.

If MIPU-PWD have difficulty in filling key positions with ni-Vanuatu staff with the required level of skills, then rather than including specialists in the ISP Team to support these functions, DFAT may wish to suggest to MIPU-PWD that they consider hiring a specialist to act in line for a period of time, in addition to other support provided through an ISP. DFAT may wish to consider funding and managing such support separately from the ISP.

### **6.3.6 Competing demands on PWD staff from other projects.**

This topic has been touched on in earlier sections (including 2.3). The IE accepts that these projects will have some impact, even where the projects do provide implementation support staff to assist PWD. The IE would suggest that the main issue is how the residual demands for specific functions (such as Safeguards, Procurement, and PFM) are managed. The Situational Analysis Report of October 2015 proposed a PWD structure that included a 4+ person Donor Coordination Unit, led by a Donor Coordination Specialist as a means of managing the demands. However, this proposed unit only includes engineers and a communication specialist. Further analysis is required of the workloads of current PWD staff to assess whether these projects would restrict them from converting extra funding support into increased rural road access.

## **Findings**

The IE considers that PWD could absorb more road subsector funding support and convert it into increased rural road access. The average expenditure on improvements over the 2013-2016 period has been VT 275 million/year, with a high point of VT 390 million in 2015. Based on this performance, and taking account of the other factors discussed above, the IE suggests that the extent could be in order of 50% (to VT 415 million in the short term, rising to 100% (VT 550 million) once the other factors are addressed. (These figures are based on the premise that expenditure on road maintenance stays around the annual average for the 2013-2016 period of VT 505 million, up to an annual maximum of around VT 570 million).

## 6.4 Question D3. For items C1 to C4 – what type support and in what area is the AAP well-positioned to provide?

**Introduction** The responses to these questions will draw on the findings under the respective Questions C1 to C4, as well as the response to Question D1 above. The response will deal first with the type of support GoV needs to consolidate and sustain achievements under R4D, and then in what areas of these needs DFAT is well-positioned to provide support.

### 6.4.1 C1 Shaping and embedding MPIU-PWD corporate strategy and function

As is made clear in the response above to Question D1, the IE considers there is a remaining need to develop a new corporate strategy and function for MPIU-PWD. The IE considers that GoV needs support to develop it, as it has been unable to identify GoV staff who could undertake this task. DFAT has an experience of working in partnership with PWD since 2009 and an understanding of PWD requirements. This provides DFAT with a comparative advantage over other donors to provide such support. DFAT has a further advantage that it can apply to this support: the experience and lessons learned from efforts to shape and embed corporate strategy and function under R4D (discussed under Question C1).

### 6.4.2 C2 Shaping and embedding road subsector policy, and influencing budgeting, work planning and expenditure performance.

The response above to Question D1 discusses the remaining needs in relation to road subsector policy. The IE considers that GoV needs support to meet these remaining needs, as it considers that PWD staff who should undertake these tasks would need guidance and mentoring from international technical specialists.

As discussed in Section 2.3, other donors are providing support in certain technical areas. The IE understands that that this will be in the areas of road and bridge design, project management, International Competitive Bidding (ICB) procurement and environmental safeguards.

As noted in the response above, in relation to Question C1, DFAT has the experience of working in partnership with PWD since 2009 and an understanding of PWD requirements. This provides DFAT with a comparative advantage over other donors to provide such support. DFAT has a further advantage that it can apply to this support: the experience and lessons learned from efforts to shape and embed road subsector policy under R4D (discussed under Question C2).

### 6.4.3 C3 Development and institutionalisation of sound administration, financial management, procurement, management information systems, and performance management systems in PWD, – to improve work unit and management performance.

The response above, to Question D1, discusses the remaining needs in relation to the development and institutionalisation of sound systems. The IE considers that GoV needs support to meet these remaining needs, as it considers that PWD staff who should undertake these tasks would need guidance and mentoring from international technical specialists. In a number of areas (including MIS, performance management and social and environmental safeguards), the knowledge of PWD staff is limited.

DFAT has experience through the GfG Program of working on a number of these systems at GoV level, including PFM and Procurement. This provides DFAT with a comparative advantage over other donors to continue to provide such support to PWD.

DFAT can effectively position itself as a champion of PWD Institutional Reform, PFM and Procurement/Contract Management capacity development in PWD. Key aspects of this positioning



would involve the following steps to ensure PWD PFM and procurement processes can meet other donor requirements:

- (i) Developing PWD capacity to report quarterly and annually on its Recurrent and Development Budget funds utilisation. This is an indicative target of VTSSP II PDD (p.34) that has not yet been achieved by R4D,
- (ii) Cash flow forecasting to be developed alongside Annual Planning and Budgeting; and updated quarterly. This is an indicative target of VTSSP II PDD (p.34) for both R4D and PWD that has not yet been achieved by either,
- (iii) Developing and stabilising PWD contract administration and management to support regular reporting of contract status, with both physical and financial performance indicators,
- (iv) Developing and implementing long term procurement arrangements to support PWD heavy plant maintenance through amendments to the Tender and Contracts Act and Regulations, PWD procedural manuals and PFM reporting mechanisms as needed, and
- (v) Development and stabilisation of decentralised funds commitment and payment processing in partnership with MFEM and the FSBs.

In a number of other areas (administration, management information systems, and performance management) DFAT has an experience of working in partnership with PWD since 2009 and an understanding of PWD requirements. This provides DFAT with a comparative advantage over other donors to provide such support. DFAT has a further advantage that it can apply to this support: the experience and lessons learned from efforts to shape and embed road subsector policy under R4D (discussed under Question C3).

DFAT has an interest and is well-positioned to provide support to GoV on these areas of social safeguards: Community engagement, Gender, Disability, Child Protection, HIV/AIDS and WHS. In contrast, the IE considers that DFAT is not as well-positioned to provide standalone support to GoV in the following areas, but an interest in working with other donors to achieve a clear, consistent and harmonised approach within PWD.

- (i) Environmental Safeguards, particularly as ADB is to provide support to GoV on Environmental Safeguards<sup>134</sup>.
- (ii) Land Acquisition and Resettlement (and associated dispute resolution) aspects of Social Safeguards, particularly as World Bank is to provide support to GoV in these areas as part of VIRIP.

This harmonised approach of DFAT using the detailed safeguards policies and implementation procedures of other donors where DFAT documentation is less detailed is standard DFAT practice on projects.

#### 6.4.4 C4 Human Resource Development

The IE response above to Question D1 indicates the ongoing need for HRD in PWD. The IE considers that given the limited expertise available in GoV, there is also an ongoing need to provide HRD support to GoV for PWD. This support should cover not only preparation, implementation, monitoring and evaluation of an HR Strategy, but also support for development of the HR function within MIPU. If GoV wishes to continue with the stated overall goal to transform PWD from a works organisation to a network manager, this should also be a clear objective of the HRD.

DFAT is well-positioned to provide this support given the experience gained and lessons learned from the HRD support provided to date in R4D. The critique provided in Chapter 5 of the scope of

<sup>134</sup> TA 9073-VAN Institutional Strengthening for Environmental Safeguards in Vanuatu Project Number 49445-001



HRD support to PWD does not diminish this assessment. Rather, it should be taken by DFAT as providing a lesson to be learned in designing the possible next round of support. No other donors have indicated any program of HRD support to PWD.

## 7. SCOPE (Research Area E)

### 7.1 Introduction

The questions posed in Research Areas E to I are presented under the heading of **R4D success factors to carry through and what changes to make in designing a possible next round of rural roads subsector support.**

In Research Area E, the primary question for the IE is **“How efficacious are the changes coming from R4D Interim Review?”** Two secondary questions are posed. The IE findings in response to these questions are given below, together with success factors to carry through and changes to make in designing a possible next round of rural subsector support.

### 7.2 Question E1. To what extent has narrowing R4D’s focus to just PWD and to just rural roads strengthened Program results?

#### 7.2.1 Background

The question gives the impression that prior to the IR, R4D had a scope outside PWD and that included other roads – specifically urban roads in Port Vila (Efate) and Luganville (Santo). However, in the description of Outcome 1 Institutional Transformation, the PDD refers to PWD and only mentions MIPU where any changes are made in PWD to MIPU systems. In the description of Outcome 2 PWD Service Delivery, the PDD only refers to roads on four islands – Malekula, Ambae, Tanna and Pentecost. (The earlier VTSSP I was similarly focused on PWD and rural roads.).

During the same time period as R4D before the IR (July 2013 –March 2015), the PVUDP (which started in 2012) was focused on urban roads on Efate, which constitute the only urban roads in Vanuatu listed in RIMS.

Given this background, any narrowing of R4D’s focus since the IR is considered marginal.

#### 7.2.2 Current Situation

**Physical Works** The program results in physical works achieved has increased from 2013/2014 FY to 2015/2016 FY, with the forecast for a further increase in 2017 FY. However, these improvements in results fall well short of the output targets described in the PDD. The IE was advised that the program up until the IR was trying to achieve program outputs that were unachievable, due to the following factors:

- (i) Funding for the program was not high enough to achieve the targets
- (ii) Road maintenance and road rehabilitation standards set out in the PDD were too high (inconsistent with the local context) and not “fit for purpose”, leading to high costs to implement
- (iii) PWD FA capacity and local and international contractor capacity were not sufficient
- (iv) PWD management systems and processes were not robust enough to achieve the required expenditure on time, on budget and meeting the required quality, environmental and safety requirements
- (v) Other donor projects were competing for PWD staff resources and equipment resources
- (vi) Priorities for where to invest the maintenance funds were not clear cut

**Revised M&E Outputs** The IR findings were implemented in the 2016 FY and are continuing into the 2016/2017 FY. The Interim Review changed the physical outputs of the program, which were recast

as described in the M&E Plan January 2016 to June 2017. The *Outputs - Physical Works 4.1 Key infrastructure components implemented has the following indicators:*

- # kilometres of roads maintained
- # new culverts and
- # new drifts

There is now no quantitative value assigned to the Indicator, as was the case with the physical outputs prior to the Interim Review.

The reason for the improvement in the Program results is not clear but the following improvements have been made:

- (i) PWD and R4D works are now integrated with combined resources, achieving a higher workload
- (ii) Improved planning and budgeting by DMs following a defined strategy
- (iii) Improved financial management system in being able to assign budgets to contracts and track results
- (iv) Higher use of contracting (instead of FA) for implementing maintenance works
- (v) Increase from 3 provinces to 6 provinces for undertaking road maintenance works

**Success Factor** There has been a strengthening of Program results since the IR. The reason for this is not clear, but cannot be attributed to the narrowing of R4D's focus to just PWD and to just rural roads, which is considered marginal.

**Changes to make in designing the possible next round** The focus of the program should be more on islands with lower than average RAI and poorer than average road condition.

### 7.3 Question E2. To what extent has opening R4D support to all PWD Divisions (to all provinces) strengthened the R4D-PWD partnership at the Divisional level?

#### 7.3.1 Background

At the start of R4D in 2013, the program applied to only three PWD Divisions/Vanuatu Provinces: Malekula, Ambae, Tanna with the later addition of Pentecost. There was one R4D RME in each Division. After the IR, the program was expanded in 2015 to cover all six PWD Divisions/Vanuatu Provinces, with the addition of Sanma, Shefa and Torba. At the same time, all the RMEs, which had been based in the provinces, were withdrawn to a service hub in PWD HQ in Port Vila. RME were reduced from one per division to one for three Divisions for operational support, with one RME at Head Office to provide support for planning, monitoring and reporting.

#### 7.3.2 Current Situation

The strengthening that has occurred was observed by the IE Team during the field visits to the islands, and in the workshop for the 2017 annual work program. There is now good communication and co-operation between all PWD DMs and R4D. The increased competition for funds has led DMs to cooperate more with R4D in work planning. Apart from the AWP workshop, all DMs get together quarterly to review the AWP.

All DMs are now involved and responsible for improving rural road access, enabling a higher population of people to achieve access to the road network. All DMs and R4D staff are working as a team. There are improved opportunities for knowledge transfer between R4D SMRE and RME, and PWD DMs and other PWD staff.

With respect to physical works, the R4D Program is now an integrated part of the PWD program, which is now widely endorsed. R4D is seen as an opportunity for funding improvements in the maintenance of roads and removal of impassable sections of road by using contracting systems bedded down in the PWD procurement processes.

### **Success Factor**

Based on the observations described above, the IE considers that opening R4D support to all PWD Divisions (to all provinces) strengthened the R4D-PWD partnership at the Divisional level.

### **Changes to make in designing a possible next round**

R4D SMRE and RME took a lead role in the conduct of the workshop and the preparation of the AWP for 2016 and 2017. The R4D/PWD partnership has now matured, and PWD staff have acquired more competence in planning, budgeting and expenditure management. In the next stage, consideration should be given to transferring the lead role to PWD DMs, with R4D SRME and RME providing advice and acting as mentors.

## 8. TECHNICAL APPROACHES (Research Area F)

### 8.1 Introduction

The questions posed in Research Areas E to I are presented under the heading of **R4D success factors to carry through and what changes to make in designing a possible next round of rural roads subsector support**.

In Research Area F, the primary question for the IE is **How efficacious are the reform initiatives supported by R4D?** Four secondary questions are posed. The IE findings in response to these questions are given below, together with success factors to carry through and changes to make in designing a possible next round of rural subsector support.

### 8.2 Question F1. To what extent has PWD migrated from being a works department to being a road network manager?

#### 8.2.1 Background

This question implies that PWD can or should become a network manager. The original M&E Plan referred to aspects of this in Outputs 1, 12 & 15. The latest M&E Plan does not explicitly set this as an outcome or output, but includes this Objective in *Output 1.12 Institutional conceptual framework presented, covering broader policy statements and strategies*. In interviews, senior MIPU-PWD staff have indicated support for PWD transitioning to being a road network manager.

#### 8.2.2 Current Situation

The PWD has only started on the transition process. More maintenance works are now being outsourced to contractors, but the large FA workforce is still on the PWD payroll. The IE considers that Outsourcing is only one proxy indicator of the steps to being a “network manager”.

The policies and systems needed for the transition are in early stages of development and/or deployment. The work undertaken under R4D has not yet produced a definition of what is meant by a network manager (see below), or a work plan to design and implement the transition process.

To become a network manager PWD will need to be able to undertake the tasks shown in **Table 10**. As noted in column 2, PWD is only in the early stages of moving towards these capabilities.

**Table 10: Network manager tasks, current status and remaining activities**

Rural Road Network Manager Tasks	Current Status	What remains to be done IE Assessment
Develop systems for collection and storage of road network data	Basic Road Inventory system established	Populate system with traffic count data, road condition, bridge condition, review accuracy of road inventory data, input quarry information  Populate system with drainage structures and bridges  Management of High Mass Limit vehicles
Develop systems for prioritisation of investments in road maintenance in accordance with Transport Policy	Basic level Road Prioritisation tool developed in accordance with Rural Road Access Policy	Upgrade Road prioritisation tool
Develop Road Asset Management Plans which optimise longer term road maintenance investments	Rural Road Access policy in place	Develop Transport Asset Management
Develop road transport and documentation specifications	Road design standards developed  Road contract documents developed	Update Work Health and Safety specification  Update Environmental Management Plan specification  Develop period contract for Periodic Maintenance Works
Road Safety	Road safety standards not developed	Develop Road safety policy  Undertake road safety audit

**Success Factor**

PWD has accepted the concept of becoming a network manager and has made a start on the program of activities required to transform itself into one, as shown in **Table 10** above.

**Changes to make in designing a possible next round**

There should be more consideration of the lessons Vanuatu can learn from experience elsewhere in the Pacific. The countries to look at in particular are Fiji, Samoa and Tonga. These countries have all transformed their PWD into Network Managers while reducing the public service numbers and annual costs, and increasing efficiencies.

### 8.3 Question F2 To what extent is PWD achieving a balance in the delivery of maintenance works between force account and outsourcing?

#### 8.3.1 Background

PWD historically has undertaken all types of works by force account labour, plant and equipment, and using purchased materials. The ability of PWD to undertake work has been hampered by failures of plant and equipment, slow repair times, slow procurement and inadequate budgets for parts and equipment. Works programs have been influenced by exceptional requests.

PWD has a Force Account labour force and salaries budget, which is about 65% of the PWD total labour force and salaries. The IE was unable to obtain data on the lengths of road being maintained by FA using this budget.

R4D has encouraged PWD to undertake works using contracts.

#### 8.3.2 Current Use of FA and Outsourcing

The value of maintenance works undertaken using FA (including salaries, operating costs and materials) has reduced from VT 306.4 million in 2013 to VT 224.57 million in 2016<sup>135</sup>. This represents a reduction from 63% of total maintenance expenditure by FA and outsourcing in 2013 to 48% in 2016. See **Table 11**.

The figures in Table 11 (which include FA salary and operating costs) are somewhat different to the figures reported in the PWD/R4D operations reporting, which appear to exclude FA salary and some FA operations costs. PWD/R4D Progress Reports state that maintenance works by PWD has been delivered up until the 2016 calendar year budget by 85% FA and 15% outsourcing. The 2016 and 2017 calendar year work programs show a change to 15% FA and 85% outsourcing.

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<sup>135</sup> Data extracted from GoV SmartStream by R4D PFMS November 2016, and further analysed by IE.



Table 11: Force Account and Outsourcing

Year	GoV Funded		DFAT Funded		Other	TOTAL		Portion of Total Road Works Cost
Item	Budget	Actual	Budget	Actual	Actual	Budget	Actual	
<b>2013</b>	VT million	VT million	VT million	VT million	VT million	VT million	VT million	%
<b>Road Maintenance</b>	539	476.6			8.7	539	485.3	65.1
Force Account		306.4				0	306.4	41.1
Outsourcing/Contract		170.2				0	170.2	22.8
<b>Road Improvement</b>	26	118			121.5	26	239.5	32.1
Other		2.5			26.5	0	29	3.9
<b>Works TOTAL</b>	<b>565</b>	<b>597.1</b>			<b>156.7</b>	565	<b>745.1</b>	
<b>2014</b>						0	0	
<b>Road Maintenance</b>	446.4	525.8	135.6	41.9		582	567.7	<b>71.4</b>
FA		292.2				0	292.2	36.7
Outsourcing/Contract		233.6				0	275.5	34.6
<b>Road Improvement</b>	67.3	146.8	96	62.2		163.3	209	26.3
Other	57.9		21	18.5		78.9	18.5	2.3
<b>Works TOTAL</b>	<b>571.6</b>	<b>672.6</b>	<b>252.6</b>	<b>122.6</b>		824.2	<b>795.2</b>	
<b>2015</b>						0		
<b>Road Maintenance</b>	397.8	469.16		28		397.8	497.16	<b>53.5</b>
FA		267.9				0	267.9	28.8
Outsourcing/Contract		201.3				0	229.26	24.7
<b>Road Improvement</b>	51.13	120.6		268.8		51.13	389.4	41.9
Other	46			42.53		46	42.53	4.6
<b>Works TOTAL</b>	<b>494.93</b>	<b>589.76</b>		<b>339.33</b>		494.93	<b>929.09</b>	
<b>2016</b>						0		
<b>Road Maintenance</b>	272	259.7	123.4	207.6		395.4	467.3	<b>57.1</b>
FA		224.6				0	224.57	27.4
Outsourcing/Contract		35.13				0	242.73	29.7
<b>Road Improvement</b>	370.2	183	87.3	82		457.5	265	32.4
Other	57.8	20.4	37.8	65.5		95.6	85.9	10.5
<b>Works TOTAL</b>	<b>700</b>	<b>463.1</b>	<b>248.5</b>	<b>355.1</b>		948.5	<b>818.2</b>	

Source: GoV SmartStream. Data extracted by ISP PFMS and analysed by IE

Note: Other means funding in 2013 from the Millennium Challenge Account

PWD engineers indicated that this change to outsourcing works to the private sector was in order to ensure that the scheduled AWP could be implemented. The capability of PWD FA to deliver maintenance works on schedule is compromised by a lack of serviceable equipment. The PWD engineers interviewed indicated most scheduled routine and periodic maintenance is now being outsourced. PWD FA is being used for unscheduled and unplanned exceptional requests.

### 8.3.3 Current Assessment of Balance

The definition of “balance” between FA and outsourcing in Vanuatu is an issue which is really only now being addressed. PWD (with support from R4D and AHC) has prepared a Discussion Paper<sup>136</sup> on the options for the use of FA for the delivery of road maintenance. This was discussed at a workshop in August 2016, at which a set of next steps were agreed. These steps included the drafting of a TOR for short-term consultant services, to be funded by R4D. Services will include: a) financial analysis, and b) any additional technical analysis.

Currently in discussions on use of maintenance, funds for FA by PWD DMs only include the costs for use of the plant and equipment needed by the FA labour to undertake any maintenance works. The funding for the FA labour is included in the PWD salaries budget, part of the MIPU recurrent budget. These salary costs are not charged to the maintenance budget, and so can be considered as a free of cost resource for the DMs. But equally, the FA salary budget cannot be converted to extra maintenance budget by the DMs for contracting out in order to make the most effective and efficient use of resources.

For the optimal balance to be arrived at, all the costs of the FA have to be included in the proposed financial analysis. The benefits of FA and Contracting out have also to be identified, and the costs and benefits compared. Until this is done, it is not possible to provide an evidence based response to this question.

#### Success Factor

PWD has accepted the concept of the R4D Reform to outsource maintenance works - as noted in response to Question C6 (a). Overall, the value of maintenance works undertaken by FA is decreasing.

#### Changes to make in designing a possible next round

- (i) There is a need to undertake a study to establish what would be an appropriate amount of maintenance work to be undertaken by FA. This should include “emergency works” after extraordinary weather events or natural disasters (and possibly also some exceptional requests”).
- (ii) Prepare an implementation action program to transform the current FA workforce and equipment into an organisation capable of delivering this level of maintenance.
- (iii) Include regular FA maintenance in the AWP and allow for the “emergency works”.

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<sup>136</sup> Discussion Paper A force account & outsourcing business model for PWD road works PWD-R4D –AHC August 2016

## 8.4 Question F3 To what extent is PWD is achieving a reasonable balance between road network maintenance and network improvement/expansion

### 8.4.1 Background

There is no reference to the concept of balance between (or optimisation of) road network maintenance and network improvement/expansion, prior to the IE. The IE could find no discussion of the issues involved in achieving a balance/optimisation in the PDD or IR, although both touch on aspects of the issue.

The basic issue is that in Vanuatu there are insufficient funds (from GoV and donors combined) to undertake all the spot improvements needed to make roads passable and increase basic access, and at the same time, keep the overall passable road network maintained in at least “fair” condition. As the length of the passable road network is increased, so too is the requirement for maintenance.

With a finite budget, a point is reached where the passable road length cannot be increased, as there are insufficient funds to pay for the maintenance. A balance has to be struck and the expenditures optimised. The problem is compounded when the finite budget available is far less than the amount of money required to provide basic lower levels of access and fair road condition on a core network (as discussed in Section 2.10). In Vanuatu, the actual budget in 2016 was one third of the notional budget required.

### 8.4.2 Current Situation

The amounts being spent on these activities and the lengths of roads are shown in **Tables 12 and 13**. Table 12 shows the amounts spent on road maintenance and improvement, and the source of funds. Table 13 shows the numbers of contracts and the physical outputs from these contracts. (Table 11 shows the same data as Table 12, but with the maintenance works disaggregated by FA and Outsourcing/Contracts).

The amount being spent on road maintenance works over the past 4 years averages 57% of the total expenditure (68% including other expenditure on stockpiling), with 32% being spent on spot improvements/network expansion.

Table 3 of the RRAF suggests a notional annual average budget of VT1.6 Billion and VT 900 million in Years 1-5, corresponding to 2015 – 2020. This compares with the figures shown in **Table 12**, which are on average 1/3<sup>rd</sup> of the notional budget. The implication is that only 1/3<sup>rd</sup> of the network can be maintained. PWD engineers talk of a core network, which is the network they feel can be maintained, and which provides the greatest access benefits as it comprises the roads close to commercial, services and transport hubs. They then direct the resources to maintaining this core network and to improving sections so that it is passable in all weathers. This is a sensible approach, which the IE has seen in many countries, when maintenance engineers are faced with the requirement to maintain a road network, but not provided with sufficient funds to maintain the network.

The view formed by the IE from site visits, discussions with PWD and R4D engineers, the data available (in the AWP budget allocation spreadsheets) and based on professional judgment, is that this is not an unreasonable balance at the current level of budgeted and actual expenditure.

To provide a more robust evidence based response would require a more in depth analysis than is possible with the data that appears to be currently available, or the resources allocated to the IE. The RRAF is silent on this matter.

The analysis should start with an indication of the overall length of road that is desired to maintain, and/or the overall level of budget available for road maintenance and improvement.

**Table 12: Road Maintenance and Improvement Works Budget and Actual Expenditure**

Source of Funds	GoV Funded		DFAT Funded		Other	TOTAL		Type of work as portion of Total
Year	Budget	Actual	Budget	Actual	Actual	Budget	Actual	
Type of Work								
2013	VT million	VT million	VT million	VT million	VT million	VT million	VT million	%
Road Maintenance	539	476.6			8.7	539	485.3	64.38
Road Improvement	26	118			121.5	26	239.5	31.77
Other		2.5			26.5	0	29	3.85
<b>Total Road Works</b>	<b>565</b>	<b>597.1</b>			<b>156.7</b>	565	<b>753.8</b>	
2014						0	0	
Road Maintenance	446.4	525.8	135.6	41.9		582	567.7	71.39
Road Improvement	67.3	146.8	96	62.2		163.3	209	26.28
Other	57.9		21	18.5		78.9	18.5	2.33
<b>Total Road Works</b>	<b>571.6</b>	<b>672.6</b>	<b>252.6</b>	<b>122.6</b>		824.2	<b>795.2</b>	
2015						0		
Road Maintenance	397.8	469.16		28		397.8	497.16	53.51
Road Improvement	51.13	120.6		268.8		51.13	389.4	41.91
Other	46			42.53		46	42.53	4.58
<b>Total Road Works</b>	<b>494.93</b>	<b>589.76</b>		<b>339.33</b>		494.93	<b>929.09</b>	
2016						0		
Road Maintenance	272	259.7	123.4	207.6		395.4	467.3	57.11
Road Improvement	370.2	183	87.3	82		457.5	265	32.39
Other	57.8	20.4	37.8	65.5		95.6	85.9	10.50
<b>Total Road Works</b>	<b>700</b>	<b>463.1</b>	<b>248.5</b>	<b>355.1</b>		948.5	<b>818.2</b>	

Source: GoV SmartStream extracted by R4D PRMS with further analysis by IE

Notes – Other source of funds in 2013 is from the Millennium Challenge Corporation

Notes Items - Road maintenance includes routine and periodic maintenance. Road Improvement includes concrete drifts/culverts, concrete road surface/tracks on steep slopes. Other includes stockpiling of materials

Table 13: Physical Works Outputs

Works, Contracts and Outputs by FY						IE Comments
FY		2013	2014	2015	2016	
Type of Work		2014	2015	2016	2017	
Routine Maintenance (Community Based Contract)						
VTSSP II PDD	Km	200	250	350	350	Grass cutting and drain clearing
Actual	Km	0	26	201	530	No light grading of road pavement
Contracts	No.	0	26	201	234	Increase in length of works from 2015/2016 onwards - Number of contracts increasing
Periodic Maintenance (National Based Contract)						
VTSSP II PDD	Km	132	165	198	231	Gravel re-sheeting works
Actual	Km	0	0.6	27.3	60.95	Kilometres achieved very low
Contracts	No.	0	1	2	13	Increase in works once all 6 provinces involved Number of contracts increasing
Improvement Works (Island Based Contract)						
VTSSP II PDD	Km	200	250	250	250	
Concrete drift/culvert	No.	0	50	35	21	Number of impassable road sections decreasing
Concrete road surface	Km	0	1.00	2.6	4.8	Length of road with concrete surface increasing
Contracts	No.	0	61	58	53	No. contracts increased then levelled off

Sources: R4D Annual Report Year 3 Performance Matrix and Annex 2; R4D Annual Work Plan March 2016; R4D IE Inception Mission Physical Works presentation and report by ISP SMRE Richard Farrell 6 September 2016

### Success Factor

PWD engineers, supported by R4D, appear to be achieving a reasonable balance between maintenance and improvement at the current level of budgeted and actual expenditure.

### Changes to make in designing the possible next round

Undertake a study to assist in implementing Section 3.1 of the RRAF. This should include analysis of routine and periodic maintenance requirements, and of the impact of road improvements/expansion on the length of road to be maintained, to provide an evidence base for making decisions on a reasonable balance between road network maintenance and network improvement/expansion. The study should also define the length of rural roads that GoV can afford to maintain, as well as a “core network” of roads that provide access and economic benefits to the largest numbers of people.

## 8.5 Question F4. To what extent does the “rural access index” (RAI), drive PWD road network management planning, budgeting, expenditure, monitoring and reporting?

### 8.5.1 Background

As discussed in Section 2.7, the RAI is a transport planning tool for assisting network managers in identifying provinces or sections of road that should be given priority in the allocation of funds, if access is to be improved in an equitable manner. The RRAF and interviews with PWD staff provide no evidence that the RAI is used in this way. The annual budget and work planning process uses a road budget allocation process that is based on Section 3.2 of the RRAS in order to achieve funding equity between provinces. Annual funding for rural road works is based on the overall road length and rural population by province. Allocations between type of works (routine and periodic maintenance, rehabilitation and improvements) and between types of road (earth, gravel and sealed/concrete) uses a road prioritisation tool (RPT)<sup>137</sup> developed by R4D. The RPT makes provision for use of the RAI and road condition in the budget allocation process, but in the 2017 Budget Allocation, these have yet to be incorporated into the budget allocation system<sup>138</sup>.

### 8.5.2 Current Situation

The current RAI by province are shown in Table 1 of the RRAS and reproduced in **Table 4** of this Report. While the current RAI is not driving budgeting, the RAI principle of improving basic access has influenced the priority of works in the 2016 and 2017 calendar year. PWD budget allocations, which include R4D funding, are as follows:

- Road improvement works to reduce impassable sections of road
- Routine maintenance works to maintain the pavement and drainage
- Periodic maintenance involving gravel re-sheeting works

In the same way RAI is influencing but not driving expenditure.

The latest M&E Plan from February 2016 includes RAI as an Outcome Monitoring Indicator, but did not include baseline or a target values. These are now available from the October 2016 RRAS. The frequency of data collection is annual, so the RAI should be included in the monitoring and reporting in the next annual report.

### Success Factor

The RRAF, which includes the RAI, has been adopted by PWD. The RAI principle of improving basic access has influenced the priority of works in the 2016 and 2017 budget allocation. The RAI, per se, is not yet driving road network management planning, budgeting, expenditure, monitoring and reporting as it has yet to be formally approved by GoV and implemented by PWD. The latest M&E Plan includes RAI as an Outcome Indicator, which should be reported on in the next Annual Report. However, as the IE has noted in Chapter 2, it has not been adopted as APPR performance benchmark.<sup>139</sup>

<sup>137</sup> Budget Allocation System and Road Prioritisation Tool – R4D Powerpoint presentation August 2015.

<sup>138</sup> Budget Allocation System 160708 \_ BAS v2 Excel Spreadsheet R4D.

<sup>139</sup> Australian Government. DFAT. Aid Program, Performance Report 2015-16 Vanuatu. September 2016. p. 25.

**Changes to make in designing a possible next round**

Assist MIPU in obtaining GoV endorsement of the RRAF. Bring RAI fully into network management, and the budget allocation system, and develop the approach further, so that RAI does drive budgeting, expenditure, monitoring and reporting.



## 9. IMPLEMENTATION ARRANGEMENTS (Research Area G)

### 9.1 Introduction

The questions posed in Research Areas E to I are presented under the heading of **R4D success factors to carry through and what changes to make in designing a possible next round of rural roads subsector support**.

In Research Area G, the primary question for the IE is **How could roads subsector support be delivered more cost effectively?** Five secondary questions are posed. The IE findings in response to these questions are given below, together with success factors to carry through and changes to make in designing a possible next round of rural subsector support where considered appropriate.

In responding to these questions, the IE has made a working assumption that the next round of rural road sector support would have a similar scope to the current stage. In particular, that it would comprise a component for Institutional Transformation, and a component for Service Delivery.

### 9.2 Question G1. What aspects of R4D-support could be directly managed by MIPU-PWD rather than by an implementation support provider (ISP)?

#### 9.2.1 Background

R4D provides funds for the implementation of physical works for road maintenance. It also provides funds for an ISP to manage the infrastructure and associated capacity building work required to deliver the R4D program.

#### 9.2.2 Current Situation

The R4D support to PWD is provided and managed by an ISP under a contract with DFAT, which defines the Scope of Services (SoS) to be supplied. The SoS indicates tasks to be undertaken with timeframes and also sets out a list of technical specialists to be provided by the ISP to support PWD staff.

The SoS lists 6 long term (36 months each) specialists in Institutional Development, PFM, Road Maintenance Engineering (3) and HRD. In addition, there are 6 short term specialists (average 4 months each) in Community Liaison, Plant and Equipment, Communications, Gender, Environment and Social Safeguards. (Support for procurement was provided through PACTAM, not the ISP).

The ISP is to assist PWD to implement the scope of work of R4D as set out in the PDD for VTSSP II. This is for both Outcome 1 Institutional Development and Outcome 2 Service Delivery. The original contract period for the ISP was from July 1 2013 to June 30, 2016. It has recently been extended to June 30, 2017.

The discussion will consider separately the aspects of Institutional Transformation and Service Delivery of Road Maintenance and Improvement Operations that could be managed by MIPU-PWD.

#### 9.2.3 Institutional Transformation

The review of this component suggests that neither MIPU-PWD nor the ISP has been managing it particularly effectively during R4D (as discussed in response to Question C1). The aspects of this component that should be managed by MIPU-PWD are the delivery of detailed changes to staff roles, responsibilities and skills, and aspects that require discussions and agreement with the Public Service Commission. An ISP can provide advice and support to MIPU-PWD management in developing the strategy and path for institutional change (as was done by the ISP in 2016 and reported in Section 3.2 of the R4D Annual Report for Year 3), as well as to clarify the changes in functions and descriptions of staff (as the ISP is currently doing).

### 9.2.4 Service Delivery of Road Maintenance Operations

**Engineering** The IE Team had extensive discussions with PWD DMs and engineers, and observed them during the field visit to Ambae, Malekula and Tanna. The competencies of the current PWD technical staff, as observed by the IE team, lead to the view that many aspects of service delivery that have been managed by ISP RME could be directly managed by PWD DM and Engineers (see the further discussion of this view under Question G4).

It was also evident from field observations by the IE team that issues such as gravel pits royalties, breakdown of tractor based plant and equipment, coordination of IBC contract works, quarterly reporting, WHS and Environmental compliance, and development of contract documents were still being referred to the R4D engineers for advice by the PWD SME. Processes involving traffic counting, road condition assessment, contract development, implementing the RRAS, road prioritisation, populating and using the Road Inventory Management System, and Divisional quarterly reporting are still reliant on R4D to support PWD. This suggests to the IE that MIPU-PWD are not yet ready to directly manage the rural road network as many procedures and systems are not bedded down, and knowledge has not yet been adequately transferred from R4D Engineers to PWD staff.

In addition, as discussed earlier in response to Question D2, PWD engineers will be required to be involved in the other infrastructure projects involving other donors (see Section 2.3 and **Table 1**). They will also have to handle staff resourcing issues relating to staff heading overseas for training and changes in senior management positions at PWD.

PWD need to be challenged to see how they perform managing these tasks but at this point in the project R4D support is still required, although perhaps with one less SME. A greater emphasis should be placed on the role of the SMRE and RME to build the capacity of these engineers and mentor them. The SMRE and RME role would be knowledge transfer and ensuring the scope of the work of the PWD engineers develops. (See also comments in Section G4 below). Two RME could continue as at present to support the divisions and mentor DMs and engineers. The role of the SRME should change to provide more support developing the network management aspects of PWD, and embedding subsector policy into budgeting and works programming (as well as other topics mentioned in response to Question D 1).

### 9.2.5 Crosscutting Issues, Social and Environmental Safeguards

The PWD Social and Environment Unit in practice directly manages R4D crosscutting issues and social and environmental safeguards, and reports to the PWD Operations Manager. While the ISP has provided some technical assistance for community liaison and safeguards, this concluded in early 2016.

### 9.2.6 Procurement

Support for procurement during R4D was provided by PACTAM. As discussed in response to Question C3, this resulted in the updating of the PWD procurement guidelines to provide a system that is fit for the current requirements of R4D. A GoV staff member with experience in the CTB has been competently managing the procurement using the guidelines, based on IE interviews. There is some overview for DFAT funded procurement from ISP staff<sup>140</sup>. The IE considers this a satisfactory arrangement.

There are a number of factors which would suggest that in future there may be a need for ISP to provide some procurement support. First, the IE considers that PWD should undertake a further update of the Procurement Guidelines to meet the requirements of IFI for the projects listed in Table 1. Second, as the IE has been advised, that the Procurement Unit Manager is to leave the unit shortly.

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<sup>140</sup> To meet DFAT "No objection" notice requirements.

## Success Factors

Operational financial, procurement, social safeguards, environmental management, and engineering aspects of service delivery can all be managed by PWD staff.

## Changes to make in designing the possible next round

Support should focus on guiding and mentoring PWD staff, and specific tasks to upgrade systems and develop strategic planning and road maintenance policy.

On Crosscutting issues and safeguards, support should focus on providing specific technical support on management, strategic planning, M&E, integrating Gender across the program, finalising safeguards manuals, particularly on resettlement and dispute resolution, and training.

## 9.3 Question G2. What steps are required in order to enable a move away from an ISP to a budget support model?

### 9.3.1 Background

There are a significant number of steps to move towards a budget support model, as has been discussed in a paper prepared by the AHC.<sup>141</sup> The IE findings are that it would require the following as initial steps:

- (i) Completion of upgrades to budgeting, accounting, reporting and auditing procedures, and systems to bring them up to DFAT/IFI requirements. In particular, PWD would need to expand the use of Provincial and Project coding in the Annual Work Plan and Budget to accommodate the various project accounting and reporting needs established in separate donor funding agreements.
- (ii) Establishment of a functional and effective MIPU Internal Audit Unit to take over targeted transaction testing that is currently done by ISP personnel under “no objection” processes determined by the DFA.
- (iii) The DFAT-specific “No objection” process may need to be broadened to take in ADB/WB project management unit requirements. The experience gained by PWD in use of two-track accounting and reporting requirements, including interfacing with alternative oversight processes, will be valuable to making this transition.
- (iv) Completion of staff training/talent acquisition of individuals for key positions in FM and Procurement, and perhaps Environment, Social, and Strategic Planning Units. Clear retention strategies will also be needed to ensure that this capacity is sustainable once established.
- (v) Upgrading of DFAT M&E and reporting systems for tracking program progress using GoV and PWD reporting formats and timing.
- (vi) Stable DFAT budget contributions during the program period.

### 9.3.2 Current Situation

The key factor to moving from project to sector budget support will lie in the capacity of the GoV SmartStream system, and PWD processes to be structured and then administered to provide direct financial and physical progress reporting according to development partner reporting needs.

Given the potential variability in Development Partner reporting requirements, it will also be important for MIPU and MFEM to agree on a “standard” reporting format for donor contributions

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<sup>141</sup> Discussion Paper A force account & outsourcing business model for PWD road works PWD-R4D –AHC August 2016

that can meet most donor reporting needs, and then ensure that each negotiated donor funding agreement includes this GoV reporting format as the reporting requirement. Experience shows that individual donors will seek to obtain special reporting conditions in funding agreement clauses. If special reporting requests are agreed to, this will undermine the utility of the “standard” PWD reporting format and add significantly to the reporting burden that the PWD Finance Section is likely to face.

### **Changes to make in designing a possible next round**

The design of the next round will need to carefully consider the standard budgeting, accounting and reporting requirements of any donor funding agreements being proposed to PWD and ensure that these reporting needs, if committed to, can be successfully incorporated into PWD Budgets and Annual Work Plans. The PWD Finance Section can then integrate these requirements into the GoV SmartStream accounting package to streamline reporting in a format that will satisfy donor accountability and reporting requirements.

Audit and external oversight needs of donor funding agreements will also need to be considered and GoV and PWD responses developed that satisfy these risk management requirements using GoV and PWD capacities.

This approach requires a pragmatic capacity assessment of GoV institutions and their ability to meet these development partners’ reporting and risk management needs. In some areas, e.g. auditing, it may be important for MIPU and PWD to partner with private sector service providers, such as professional audit and accounting firms, to build capacity in the form of initial out-sourcing of these services until such time as the in-house capacity is able to meet these needs.

## **9.4 Question G3. What capacity development and program management inputs could be delivered by ni-Vanuatu specialists?**

### **9.4.1 Background**

The SoS for the ISP provides for all the capacity development and program management inputs to be provided by international, rather than ni-Vanuatu (national), specialists. Overall, there is a shortage of ni-Vanuatu specialists with tertiary training that would have the skills to provide these inputs, particularly for capacity building.

### **9.4.2 Capacity Development**

The inputs would need to be determined by assessment of resources available in Vanuatu, once a capacity development plan has been prepared which identifies the inputs required. The initial assessment of the IE is that the majority of these inputs would need to continue to be provided by international advisers, particularly on a short-term basis, or by commercial service providers based on Vanuatu.

This process will require a needs assessment of services that need to be brought into PWD because they cannot be met from in-house resources, and a capacity assessment of the Vanuatu marketplace to deliver these services. This is a significant body of work and would need to be specifically scoped and then resourced as a separate task.

As with any needs analysis, resource identification and mobilisation effort in support of program implementation, the quality of the analysis and then the design of the procurement approach will be critical to its success. In particular, DFAT would need to have a well-documented “owner’s estimate” of the cost of these services to use as a quality and reasonableness check for any tenders received for services provision.

### 9.4.3 Program Management

Pragmatic assessments of real capacity and costs are essential to this process; and will need to be supported by peer reviews of both the technical needs analysis and marketplace assessments. Any procurement approaches that result in overestimating the capacity of Vanuatu services providers, and/or under-funding the services provider contracts, are possible likely to undermine success.

Experience shows that overstating technical and staffing capacities and under costing bids for donor contracts can, and do, take place in markets where the demands of these contracts are not fully known or understood.

#### Success Factors

Program management for DFAT is provided in AHC by a ni-Vanuatu staff person with tertiary training in PFM. Internal and External auditing inputs is another area that can be conducted by Vanuatu-based organisations.

#### Changes to make in designing a possible next round

The next design stage would need to be preceded by a structured technical needs analysis and marketplace capacity assessment to incorporate into the initial design, and the identification and mobilisation of Vanuatu-based services providers. The next round could consider the use of ni-Vanuatu for program management.

## 9.5 Question G4. What R4D physical works support could be managed and delivered by ni-Vanuatu engineers

### 9.5.1 Background

In the initial period of R4D prior to the IR, physical works were only supported in three provinces. An RME was based in each province to support the work of the DMs and engineers in service delivery of physical works. Following the IR, R4D support applies on a demand driven basis to all provinces. The RME were recalled to a “hub” in the PWD HO in Port Vila, and two RME now provide support to the work of the DMs and engineers in all six provinces. (One RME for the three northern provinces of Penama, Sanma and Torba, and one for the three southern Provinces of Malampa, Shefa and Tafea).

### 9.5.2 Current Situation

As discussed in response to Question G1, the competencies of the current PWD technical staff, as observed by the IE team, lead to the view that many aspects of service delivery that have been managed by ISP RME could be directly managed by PWD DMs and Engineers. PWD DMs and engineers are competent to manage and deliver the normal tasks of maintenance and spot improvement works, including procurement, supervision, and contract management. They are also able to make judgements on where spot improvements should be undertaken, and where and when maintenance should take place. Working in collaboration with the CPO, they are competent to manage partnerships with local communities and management of CBC.

As noted in the response to Question G1, in the field DMs and engineers turn to R4D RME for advice on topics which fall outside of what road engineers might consider as outside their normal engineering responsibilities. This is due in part to limited knowledge, due in turn to limited training, as shown in **Table 14**.

**Table 14: PWD Staff – Current Level of Competence in Key Technical Skills**

Technical Skill	Current Level of Competence
<b>Investigation</b>	
Road safety	No PWD staff perform this task
Road condition assessment	PWD staff trained in this task
Traffic counting	PWD staff trained in this task
<b>Planning</b>	
Asset Management Plans	No PWD staff trained in this task
Asset database	Basic PWD training of staff in this task
Disaster planning	No PWD staff trained in this task
WHS plans	Basic training only for PWD staff
Environmental Management plans	Basic training only for PWD staff
Program planning and management	Insufficient training and knowledge transfer to PWD staff
<b>Design</b>	
Road design	No PWD staff trained in this task
Signage and line-marking	No PWD staff trained in this task
<b>Construction</b>	
Contract management	Basic level in PWD staff
Construction supervision	Basic level in PWD staff
Management of gravel pits	Basic level in PWD staff

If PWD staff were provided with these skills, then the IE considers that they could deliver the physical works program with only limited guidance and mentoring from R4D RME. Even then, specialist resources, which would be provided as required by outsourcing, include:

- Hydraulic modelling - drainage engineer specialist from Port Vila or Pacific region
- Structural engineer – outsourced to specialist in Port Vila or Pacific region

### **Success Factors**

Based on the observation of the IE, most physical works could be managed by PWD engineers given appropriate technical/mentoring support by RME, and improvements to systems as discussed elsewhere in the Report. All tasks could be managed and delivered by ni-Vanuatu engineers after appropriate training, and as the system improvements discussed in Section D are progressively implemented.

### **Changes to make in designing the next round**

Allow PWD engineers to “step up” and take responsibility for all tasks (through the PSC process), and emphasise that the R4D RME is to train and mentor PWD engineers and to “step back” from the delivery of physical works. Provide a focused training program for the skills PWD engineers lack in the early period of the next round of support.

## 9.6 Question G5. How could R4D synergise with other Australian aid program initiatives, for instance performance management TA through the Governance for Growth (GfG) program and investment in urban infrastructure?

### 9.6.1 Background

Chapter 1 provided an overview of the DFAT context in Vanuatu, where GoA is the largest provider of aid, equivalent to around 30 per cent of total spending and approximately 6 per cent of Vanuatu's GDP, at \$A61 million.<sup>142</sup> R4D is part of the first strategic pillar "building resilient infrastructure and an environment for economic opportunity" and was initially managed as part of the GfG program.

### 9.6.2 Current Situation

The IE, in discussion with DFAT, was not made aware of any direct interaction between R4D and other DFAT programs, beyond the connection to GfG. The PVUDP includes a component for urban road infrastructure and services, which requires similar technical, PFM, procurement, contract management, social and environmental safeguards skills as R4D. PVUDP is managed by ADB and overseen by the same DFAT AHC staff as R4D. Even so, the IE was not made aware of, or observed, any knowledge transfer on technical issues or capacity building between the two programs.

### 9.6.3 Potential Synergies

To respond to this question in detail requires an analysis to be made of the detailed scope of all the DFAT programs, and the specific technical, institutional strengthening or governance that are being supported. The next step would be to analyse where it appears R4D is covering similar topics. This would then provide the basis for a more detailed examination of the potential synergies.

Pending this analysis, the IE offers some suggestions on potential synergies with other programs. R4D is seeking to use GoV systems to the extent possible, in accord with one of the principles of the Paris Declaration on Aid Effectiveness<sup>143</sup>. It follows from this that any attempts by R4D to upgrade such systems should be seen as a "whole of government/whole of DFAT aid program" activity, rather than in terms of synergies only with specific programs, as discussed below.

**Investment in Urban Infrastructure - Roads** As noted above, for support on the delivery of physical works outputs, there should be synergy that could be utilised with the Port Vila Urban Development Project. Comments in relation to detailed requirements for procurement are provided below. Specifically, there are opportunities to learn lessons in relation to crosscutting issues and social and environmental safeguards. However, PVUDP is scheduled to be completed in 2018.

**ICT and Decentralisation in PFM** These are two areas which have synergy with any other Australian Aid Program, but particularly those programs which include the funding and procurement physical works and equipment.

Transaction costs have been significantly reduced by appropriate use of technology in GoV. In R4D, this is most evident in document handling and approval processing between PWD Divisions, PWD HQ Finance Section, MFEM Port Vila and Provincial FSBs. Notably, this includes the facility for scanning and transmission of detailed documentation in support of PWD Local Purchase Orders (LPOs) for online approval and payments processing.

For PWD, the next steps in decentralisation and efficiency gains will involve greater financial delegations to PWD Divisional Managers, from VT500,000 to VT1 million, which will begin to include

<sup>142</sup> Australian Government. DFAT. Aid Program, Performance Report 2015-16 Vanuatu. September 2016.

<sup>143</sup> Paris Declaration on Aide Effectiveness (2005) and the Accra Agenda for Action (2008), OECD



progress claims from IBC as well as CBC, as is the case now. MFEM already supports provincial delegations of VT1m, but PWD has been trialling the lower amount in 2016 to identify any risks and inefficiencies before considering higher delegations in 2017.

MFEM Payments Section is currently conducting 100% appraisal of documentation for online approvals. There is no policy to move from this to sampling or threshold based document appraisal protocols until FSBs have been quality assured to MFEM's satisfaction. This can cause delays in payments processing if MFEM officers are absent, or large volumes of online approvals are received e.g. at year end.

R4D can work with both increased PWD delegations and streamlined MFEM online approvals processes to deliver support to the rural roads subsector more effectively in 2017 and beyond.

Current DFAT policy on use of GoA funds in Partner Government Systems, and the need for No Objection processes, will limit R4D from improving payments processing effectiveness in the next phase, except for some minor gains in internal PWD Divisional and Head Office processing times.

Contract management can be enhanced, and R4D is working on a consolidated Contract Management Tool to be used by both R4D and PWD in 2017. This will make contract reporting and analysis more efficient.

**Safeguarding DFAT funds in the GoV PFM system** The DFA requires a two-step No Objection process initially, at point of procurement, by the Procurement Adviser and again at point of payment by the PFMS. This process was reduced to a single step with the departure of the Procurement Adviser in early 2015.

Further, the VTSSP II Purchase Request and Payment Form taken over from VTSSP I is a single-step process, signed off by the Senior Road Engineer, PFMS and the R4D Team Leader. Whilst not in strict compliance with the terms of the No Objection process in the DFA, the Evaluation concludes that the controls exercised over GoA funding in the GoV PFM system are adequate and effective in reducing fiduciary risk to these funds.

The PFMS reports no instances of fraud involving GoA funds in R4D.

**Audits** These have been conducted annually on R4D funding in the GoV PFM system, with no unacceptable internal control or fiduciary risks identified in either 2014 or 2015.

PWD has not been externally audited by the National Vanuatu Audit Office (NVAO) since 2013; and has not been subject to internal audit by MFEM Internal Audit Unit, but has formally requested this. Further, MIPU has not established an Internal Audit Unit to take up this oversight responsibility. Given the value and number of subcontracts in PWD, it is important for at least annual audits to be performed. Support for annual external audits of PWD needs to be considered in the next phase of R4D.

Further, the next phase of R4D also needs to consider support to the establishment of a MIPU Internal Audit Unit to provide internal oversight of PWD subcontracting and decentralised payments processing with higher financial delegation limits in the PWD Divisions. This will support greater efficiency and effectiveness through implementation of the GoV decentralisation policy; and offers the potential to move from ISP funds management to Budget Support in later years.

**IBC, CBC contract terms compliant with GoA sub-granting policies** IBC contract terms do include an anti-corruption policy statement, but do not include standard DFAT policy statements on Anti-Terror, Gender, Child Protection, Environment, WHS and HIV/AIDS. This is not consistent with DFAT policy on sub granting from GoA funds.

**Changes to make in designing the next round**

Effort should be made to exploit synergies with other programs on specific technical topics. More broadly, DFAT should seek to address topics related to the Finance, Procurement, and Social and Environmental Safeguards with GoV at a whole of aid program level. In addition, given the significant number of major donor infrastructure projects in Vanuatu (see **Table 2**), there are considerable opportunities for more effective donor coordination

PWD and MIPU need to develop a clear vision of what a fully functioning PFM operation looks like. This vision should be developed in terms of their own internal and any foreseeable development partner needs, and then document this in detail in a work plan that defines the steps and resources needed, and sets these out in a clear pathway that results in obtaining this level of services for PWD.

This approach will require PWD consideration and determination of what will be needed in terms of budgeting, accounting, reporting and auditing needs for, say, a five-year period, and then agreeing these with all development partners for that same period. It would be most efficient to undertake this consideration and determination of the PWD PFM formats before entering into new funding agreements with development partners.

R4D could also synergise with other DFAT programs to review CBC, IBC and NBC contracts with a view to arriving at specific context appropriate sections on Gender and participation, Child Protection, Disability, HIV/AIDS, and Work, Health and Safety. Common training programs for MIPU and other agencies staff to improve contract management and supervision in these areas could also be developed.

The next design stage will need to have a specific capacity building component for organisational governance and PFM to accommodate this approach and resource it adequately.

## 10. CROSSCUTTING ISSUES, SOCIAL AND ENVIRONMENTAL SAFEGUARDS (Research Area H)

### 10.1 Introduction

The questions posed in Research Areas E to I are presented under the heading of **R4D success factors to carry through and what changes to make in designing a possible next round of rural roads subsector support**.

In Research Area H, the primary question for the IE is “**What has been the impact of improved rural road access on the beneficiary communities; specifically for women, men, youth and children?**”<sup>144</sup>

Three secondary questions are posed. The IE findings in response to these questions are given below, together with success factors to carry through and changes to make in designing a possible next round of rural subsector support where considered appropriate.

### 10.2 Question H1. To what extent are consultation, training, and community partnership benefiting communities on IBC and community contracting works sites? What has been the impact, and what more can be done to enhance opportunities for community engagement?

To respond to these questions, it is most appropriate to examine what developments have taken place with Community Based Contractors (CBC) and to understand the role of PWD Community Partnership Officers (CPO) in community engagement, before discussing IBC. See also responses to questions C6 and C7.

#### 10.2.1 Current situation

As noted in Chapter 1, the IE recognises that there is limited R4D Program data to begin to respond to R4D outcome and impact questions, given the revised M&E Plan and outcome statement of January 2016.<sup>145</sup> Similarly, there is limited *Gender and age disaggregated data*, and little qualitative assessment or analysis of CBC and IBC partnerships with communities to date.<sup>146</sup> In Questions C6 and C7, the focus was on PWD commitment to and ownership of outsourcing road works to IBC and communities, and recognising the extent to which these partnerships were likely to maintain road improvements. In summary, the CBC approach and IBC outsourcing are viewed as an integral part of R4D road maintenance and enable the development of partnerships and ownership.

**Community Based Contractors** The CBC approach is viewed by PWD as an important part of road maintenance and the Vanuatu Government’s Decentralisation Strategy. Building partnerships with provincial Governments and communities has been an essential element to building “ownership” and maintaining road access. As indicated in Question C6, the number of total R4D CBC contracts has increased by 2.4 times from 70 (2015) to a projected 169 (2017). If we use the measure of increasing numbers of CBC contracts as a proxy for community engagement, then community engagement is clearly on the increase. However, what is the nature of this engagement, what sorts of CBC contracts are being created, partnerships formed, and who is benefitting?

The IE has also noted that while the number of CBC grows, the value of individual CBC contracts is declining, yet the rationale is not clear. One possible explanation is that more CBC promote more “community ownership” in the maintenance of roads, and provide an opportunity for GoV to share resources across Vanuatu, particularly in rural areas, and for more CBC to benefit from the income

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<sup>144</sup> In the 22/8/16 IE TOR, Research Area H also included environmental management and there was no primary question. The IE Team proposed revisions in the Evaluation Plan (as set out in Section 1.X), including this primary question.

<sup>145</sup> Australian Government. DFAT. Aid Program, Performance Report 2015-16 Vanuatu. September 2016.

<sup>146</sup> IBC Tracer Studies are available for 2014 and 2015.

generated for maintenance work. This may be viewed as a more equitable distribution of work and resources, benefitting more communities. The IE observed in field visits that communities demonstrated significant interest in having access to CBC contracts resources. However, further implications for R4D in the rapid increase in CBC contracts include implications for increasing transaction costs in establishing, training, socialising, managing, resolving disputes, and monitoring increasing numbers of CBC, constituting a significant increase in workload for CPO.

In addition, even with R4D's training, consultations, standardised community engagement procedures and safeguards guides, it is clear that numerous models of CBC contracts exist. They function in different ways of performing road maintenance, in models of decision making, in benefiting communities and individual women, men and youth, and they reflect their cultural, socio-economic, political and geographic contexts.

**Table 15** provides a snapshot of the CBC interviewed by the IE Team, with models ranging along a continuum, from community based efforts to address community needs (e.g. water supply), to individual labour hire models, with middlemen as brokers and decision makers.<sup>147</sup> . The diversity of community structures reflects both cultural aspects and traditional governance structures. However, it also reflects different interpretations of the CBC contract and practice, including some lack of transparency and inconsistency around community contracts, which needs further investigation.

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<sup>147</sup> Limited time in the field did not permit the IE to have extended interviews with individual community members to provide an understanding of specific parameters relating to Gender and age.

**Table 15: CBC Models 2016**

Location	CBC Approach	Socio-economic Benefits for Communities
Naor Leg Community, Erakor, Efate	Well organised extension of existing community groups; under Chief and Infrastructure Committee Undertaken as community activity; shared across different groups Funds go to community activities; with administration fee to Chief and Assistant	Payment to purchase machines for grass cutting Community activities for participating community groups Opportunity for further entrepreneurial activities with utilities company
Omega Church Community, Blacksands, Efate	Community activity by women, men and youth; overseen by Chief Funds go to community activities	Building community church Emergency assistance to community members
Mae Village Community, Malekula	Community activity by women, men and youth; overseen by Chief Funds go to community activities	Community hall
Rory Village Community, Malekula	Community activity by women, men and youth; overseen by Chief Funds go to community activities	Community water supply
Naine Tribal Council, Naine, Tanna	Group of individuals from local tribe and outside areas working as short term labourers CBC appears to be used as labour hire mechanism; middle-man broker Community conflict and lack of transparency about contracting arrangements	Individual income

Source: IE Mission visits. November 2016

The IE observed not only the diversity of models, but also the complexity of tasks that need to be undertaken and managed by R4D, particularly CPO staff. There is no data being collected on the “operations of CBC”. The Objective of Output 3.1 of the M&E Plan is *CBC established and expanded*. The indicator is *# Contracts awarded for the year*. There are no indicators to assess impacts, benefits and unexpected consequences. Yet, this complexity is likely to increase in 2017.

On a practical level, communities also expressed concerns about the delays in payments from PWD, as well as a lack of consistency and transparency in some aspects of information related to the CBC contract.

**Community Partnership Officers**

CPO are engaged in multiple roles and tasks, working with a broad range of stakeholders, including communities, Provincial and local governments, PWD (and MIPU), private sector, and partner governments. They consult and work across a diverse group of programs, including: R4D – communities and their leadership, CBC, IBC, GoV agencies, quarry management, land dispute resolution, liaison on other donor projects (e.g. China EXIM Bank), doing social and environmental mapping, and running training.<sup>148</sup> CPO had a Safeguards Training Workshop the week of the PWD Planning Workshop (14-18 November 2016), where many valuable lessons and case studies were shared across the CPO group.

CPO perform a key linkage role between PWD and communities in facilitating CBC, and consulting with Provincial Government and private sector. However, at many levels there are gaps in integrating the CPO and social-environmental aspects across operations and institutional development changes, and from the provinces to HO. Physical works still drives R4D. CPO, individually, have positive working relationships with DMs and Provincial Teams, but institutionally there needs to be further work on integration across R4D.

**IBC** Based on field visits and discussions with PWD staff, the IE considers that PWD is committed to having ownership of outsourcing road works to IBC. Outsourcing of road works to IBC has been occurring since 2014 (R4D funds) and using PWD funding (that would otherwise have been used for FA) in the 2016 Financial Year. IBC have undergone training in safeguards, technical issues and some aspects of contract maintenance. However, for IBC and communities to benefit further IBC require follow up training on basic business practices and project management and; on the job training in safeguards not just policy awareness raising.

The number of IBC contracts has fallen to 53 (2016) from a peak of 61 in 2014. For some IBC, irregularity of work and access to capital still operate as constraints to committing to more staff. Many IBC engage their labour through Community Contracting, which has the advantage of mediating cultural and social demands and tribal boundaries, is viewed as potentially more equitable, and facilitates access to road sections in tribal areas to which the IBC does not belong. This clearly has benefits for the community. However, many IBC also find the negotiations time consuming and burdensome, and result in a lack of control over the labourers. This is an issue that requires further review as IBC expand to islands other than their home islands.

**10.2.3 Gaps**

The key concerns include:

- (i) the implications of the growing numbers of CBC which will need additional time, resources and staff so that they are effectively established, socialised and managed by community leaders and CPO,
- (ii) balancing work load - with quality and sustainability of community engagement; no indications that this has been addressed as part of planning for 2017 or the future,
- (iii) the need for improved monitoring, reporting and integration with the overall R4D data needs,
- (iv) practical issues for CPO related to transport travelling around islands, particularly as quad bikes are breaking down frequently and take lengthy periods of time for repair,
- (v) institutional integration across PWD with social-environmental aspects needs improvement,
- (vi) need to support CPO with on-going capacity building, and
- (vii) support to IBC with follow up on the job training.

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<sup>148</sup> PWD Social and Environment Unit. Quarterly Report 1<sup>st</sup> Quarter 2016, January - April 2016

## Success Factors

In summary, the R4D CPO, CBC and IBC achievements include:

- (i) hiring CPO for Malampa, Tafea, Shefa, and Sanma; (Penama has recently resigned),
- (ii) conducting training with communities, IBC and CPO (in Gender, WHS, environmental protection) across Ambae, Pentecost, Tanna and Malekula, and
- (iii) establishing and managing an increase from 70 to 100 CBC contracts (2015-16), with 169 proposed for 2017, and IBC actively pursuing community contracting as a contracting option.

## What more can be done? Changes to make in designing the possible next round

The following recommendations are made to address the gaps identified and to enhance opportunities for community engagement.

- (i) With Provincial PWD, review growing numbers of CBC, and develop a strategy to manage and balance workload and quality.
- (ii) Develop strategies to work smarter including: a) moving to electronic data records, by utilising updated technology instead of paper based recording, which is time intensive, and b) with Provincial PWD, review transport options, given increased workloads for CPO.
- (iii) Review CBC models across provinces to audit contract processes, develop lessons learned from provincial experiences, examine community engagement and decision-making and integrate into current practice. Suggest that an equivalent Tracer Study could be developed for CBC to map out the different models, participation patterns, and benefits and challenges; to include R4D and “older” models for a comprehensive review.
- (iv) Improve on monitoring, reporting and integration with R4D data; including utilise CPO, CBC and IBC experience to map out lessons learned to be shared across R4D, particularly as complexity and numbers increase in 2017.
- (v) Schedule capacity building support and skills development for CPO; e.g. alternative dispute resolution.
- (vi) Improve transparency and communication at CBC village locations with an information notice board, as with IBC, to encourage further community engagement
- (vii) Improve overall integration with Provincial Teams.

### 10.3 Question H2. To what extent has R4D provided suitable employment/livelihood opportunities for women, men and youth: what has been the impact, and what more can be done to provide opportunities appropriate to the context?

#### 10.3.1 Current situation

The IE has noted throughout that there is limited data to begin to respond to R4D outcome and impact questions at this point in time, given the revised M&E Plan and outcome statement of January 2016.<sup>149</sup> In addition, there is limited *Gender and age disaggregated data* available for the program. In Questions B2 and B3, the focus was on R4D impact on increased services, economic opportunities and trade. This question focuses on R4D’s impact on employment and livelihoods for women, men and youth. In summary, the HSES survey concluded that overall road improvement contributes to increased access to services and economic development for household livelihoods and local economies, with the majority of households earning their main income from subsistence gardening or selling produce at local or regional markets.

<sup>149</sup> Australian Government. DFAT. Aid Program, Performance Report 2015-16 Vanuatu. September 2016.



### 10.3.2 Findings

Despite these constraints, the IE has been able to develop **Table 16** to demonstrate participation by women in the community in CBC (and IBC) activities across 2014-2016, by utilising data collected as part of the Funded Contract Status report. The terminology of “worker day” is used by R4D, and may lead to the conclusion that these are days of paid employment. In the vast majority of cases they are not, as community based work on CBC contracts is volunteered on behalf of the community. Unfortunately, the data in this form does not allow differentiation between paid IBC work, and CBC volunteer activity. Therefore, it is not possible to account for individual incomes at this point.

**Table 16: Participation by Gender (Worker Day Summary): March 2014 – September 2016**

Location	Total Number of Worker Days	Number of Worker Days Female	% Worker Days Female
Torba	3,213	187	5.8
Sanma	6,704	2,032	30.3
Ambae	30,517	4,950	16.2
Pentecost	14,412	646	4.5
Malampa	33,660	6,117	18.2
Shefa	7,788	770	9.9
Tafea	28,834	4,209	14.6
<b>TOTAL</b>	<b>125,128</b>	<b>18,911</b>	<b>15.1</b>

*Source: Funded Contract Status Report (25 Sept 2016)*

It is interesting to note that while the total percentage of female worker days is 15.1%, that of Sanma is double at 30.3%, and Torba and Pentecost are a third at 5.8% and 4.5% respectively. This is only part of the picture, without context and further analysis; what is it in Sanma that promotes higher engagement of women; is it cultural, awareness raising, or stronger community engagement overall?

### 10.3.3 Gaps

The data is difficult to manipulate and would benefit from redesign of the spreadsheet fields to enable further analysis. For example, this is the case when trying to understand how participation has changed over time. In addition, Disability data is not collated as part of the Funded Contract Status report.

There also appears to be a misunderstanding of what takes place at this point with CBC and community engagement - people do not have “jobs/employment” as such. Rather, women, men and youth work as part of community based labour, generally to benefit “the community” and not necessarily to generate individual income generation. They engage in routine maintenance (e.g. grass cutting) between 2 to 4 times per cycle per year (depending on location) for a short period of time (which varies depending on the sort of equipment, season for grass growth, length of road) – from 5-7 days (with days decreasing depending on availability of equipment). Therefore, women, men and youth may “work” for CBC for perhaps 20 days/year, depending on other livelihood requirements and responsibilities for other household, community and cultural activities. For women, this would include involvement in market gardening, cash cropping, marketing, family and

childcare responsibilities, other community obligations; and perhaps other paid employment. Therefore “great care” needs to be taken in promoting “jobs/employment” per se through CBC activities.

While CBC supervision templates ask the question, “are women and men paid the same?” this is misleading, as CBC payments are made to community groups, and not necessarily to individuals. In IE interviews with IBC, CPO and communities, equal pay was asserted as the case, but this was not verifiable. The Labour Department rate of 1200 VT per day is used in calculating the CBC contract, but this should not be misconstrued as a daily rate for individuals. In some communities, there was discussion that the use of machines/equipment for maintenance was making the task easier and quicker, with machine activities predominantly undertaken by men.

There has also been discussion of *incentives* for the employment of women as part of IBC contracts. In interviews with PWD staff, IBC and CPO during field visits to Ambae, Malekula and Tanna, no one knew of any women employed as part of an IBC contract, nor had heard of this proposal and suggested that it would not likely be viewed positively. This finding contrasts with reports from the IBC Tracer Studies where in 2014 there were reports that 20% of the IBC workforce were women, and likely family members engaged in routine maintenance work, rather than construction. Despite IBC training in Gender awareness, community leaders and cultural practices strongly influence the selection of workers, to predominantly men. The IBC contract refers to Employment of Women (3.5.2) – *the Contractor shall make every effort to employ women or Women’s community groups*, but clearly, this is not a requirement strongly promoted by R4D site inspectors.

Overall, the R4D Program has no specific Gender Strategy or approach, other than awareness raising. A series of ad hoc initiatives have been attempted, but there has been no specific monitoring to determine their effectiveness, and the term Gender has commonly been used interchangeably for women. Perhaps it would be more useful to be specific about the groups of women, men, and youth who are part of R4D, and utilise a structured *Gender Strategy* to provide inputs at the PWD institutional, and the community levels. This is discussed in relation to PWD HRD in Question C4.

In focusing at the community level, a question for the program becomes: is R4D proposing to support skills development for community members, and to what end? There are possibilities in linking into Rural Training Centres, promoting short courses, on-the-job training, building community governance and management, for women, men and youth. However, R4D is not a community development program, employment opportunities vary greatly by location, and Gender issues are not well accommodated in the M&E Plan.

The IE considered further opportunities to engaging community women and men in other maintenance activities. There are several suggestions; e.g. pothole repair, and local road traffic counts, particularly with some basic training and supervision, and in the appropriate cultural context.<sup>150</sup> However, R4D needs to be mindful about the nature of this engagement, which is road maintenance, and not a livelihoods project. While R4D will have socio-economic benefits, “job” development requires different objectives and outcomes, and a differently skilled team.

### **What more can be done? - Changes to make in designing a possible next round**

- (i) Identify strategies and actions to improve the reporting and *Gender disaggregated data* available for R4D overall. This applies equally to Disability.
- (ii) Consider developing a Gender Strategy to provide a framework, for activities, indicators and monitoring at 1) the PWD institutional, and 2) the community levels.

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<sup>150</sup> PWD indicated that the current (2016) road count exercise was costly in bringing staff from Head Office to provincial locations, and that employing local women and men for future traffic counts could be feasible with appropriate training and supervision.

- (iii) As part of institutional development, consider how women can be supported into becoming professional and technical staff e.g. engineers, site inspectors, and network managers.
- (iv) In consultation with Provinces and communities, CPO look for further opportunities to engage community women and men in other maintenance activities; e.g. pothole repair, and local road traffic counts, with some basic training and supervision, and appropriate cultural context.
- (v) Clarify the understanding of what “paid work” takes place with CBC and community engagement vis a vis “jobs or employment”; and develop a way to monitor and report.

#### **10.4 Question H3. To what extent are training, improved supervision, and contract incentives improving workplace health and safety compliance on IBC and community contracting works sites?**

##### **10.4.1 Current Situation**

Work Health and Safety (WHS) is addressed in Guideline 2 PWD Occupational Health and Workplace Safety Guidelines, which is yet to be finalised, socialised and signed off by PWD. References are made to the Vanuatu legislation, but there seems to be some confusion between the OHS and WHS language. CPO have been conducting training with CBC, and also distributing safety vests, traffic cones and hand gloves in Ambae, Malampa and Tafea.

While a Draft Guideline exists, and safety equipment has been distributed, the IE Team noted during field visits that there was evidence of the lack of protective footwear, vests, and hard hats, and there were some road safety concerns for communities and workers. While both IBC and CBC are reminded of WHS, the level of implementation in practice is ad hoc.

##### **10.4.2 Gaps**

As noted above, the Draft Guideline also refers to HIV/AIDS. This section needs to be significantly strengthened to ensure that contractors exercise duty of care for their employees and community members.

Again, this is a specific area where there is a gap in the contracts of both CBC and IBC; as well as NBC and Equipment Hire Contracts. Contract templates with signature blocks do not include specific reference to WHS. However, it is understood that an additional document is provided to the contractor after the contract is signed as a variation, with an amount allocated for workplace health and safety; i.e. A.1.9 Workplace Health and Safety. This does not constitute legal compliance with Vanuatu law, as it is not legally part of the signed contract. It is strongly recommended that A.1.9 be integrated into the overall contract. This will strengthen the integrity of the contract and promote legal compliance. Including this as a clause in the contract with penalties is a way to promote good WHS practice and to manage risk.

The IE Team observed from their visits to worksites on Ambae, Malekula and Tanna, that there is a minimal WHS system in place at contract worksites, apart from the wearing of vests and erection of some signs. In addition, photos in the Malampa Division Quarterly Progress Report (July-September 2016) clearly show workers without shoes, gloves, eye protection, or safety vests, which means WHS work practices are not adequate.

While training has been provided to IBC and CBC, and PWD has developed a Contractor’s Task and Safety Guide, the IE Team concludes that the WHS Guide is not adequately supervised on worksites by CPO for CBC contracts and Site Inspectors for IBC contracts. Additional training and information will also be needed to be provided to support IBC and PWD staff to address this as part of contract supervision. This approach follows in line with FIDIC.

Overall, assessment is that WHS training, supervision and incentives are not achieving required compliance with WHS requirements. Training needs to be systematically undertaken with all contract staff on the worksite, as IE observed workers onsite who have not been trained in WHS or have forgotten what to do. Site induction of workers will improve WHS, as this will explain what site risks are present and what controls are required to mitigate the risks. In addition, there needs to be improved supervision – as site works photographs show site workers without safety equipment, which supports the view that non-compliance is common.

Contract incentives are a positive place to begin, i.e. being paid to comply with WHS has some influence on the contractors actions, but the contractor needs to carry spare WHS gear (e.g. hard hats, safety vests) when site workers do not have their own equipment.

#### **Changes to make in designing a possible next round**

The following recommendations are made to address the issues identified in relation WHS:

- (i) Plan for completion and sign off on all Guides, including those focused on Work Health and Safety. (See Annex 8 also)
- (ii) Revise IBC and CBC contracts to include contract incentives for compliance with social and environmental safeguards as part of signature obligations, including Work Health and Safety as part of Bill of Quantities. Review FIDIC for guidance.
- (iii) R4D to assist PWD to improve on site WHS practices, including start up WHS workshops for contractors and Force Account Supervisors prior to commencement of site works.
- (iv) Specific amendments need to be made to the Summary of Unit Rates (November 2014) to include WHS.
- (v) Develop additional training for PWD staff to supervise and assess contract compliance.
- (vi) Improve on monitoring, reporting and integration with MIS data, as well as contract compliance.
- (vii) R4D to provide further technical assistance; i.e. specialist in social and environmental safeguards, and community engagement to support Social and Environment Unit.

## 11. ENVIRONMENTAL SAFEGUARDS (Research Area I)

### 11.1 Introduction

The questions posed in Research Areas E to I are presented under the heading of **R4D success factors to carry through and what changes to make in designing a possible next round of rural roads subsector support**.

In Chapter 11, the primary question for the IE under Research Area I is **How could environmental management be addressed more effectively?**<sup>151</sup>

Two secondary questions are posed. The IE findings in response to these questions are given below, together with success factors to carry through and changes to make in designing a possible next round of rural subsector support where considered appropriate.

### 11.2 Question I1. How and to what extent are training, improved supervision, and contract incentives improving environmental management compliance on IBC and community contracting works sites?

#### 11.2.1 Background

Environmental management of road works is addressed in the PWD Environment Guide (2015), which *“is developed to mainstream environmental friendly practices into PWD operations”*<sup>152</sup>. The IE was unable to verify if this Guide has been reviewed by a DFAT Environmental Safeguards Specialist to ensure alignment with DFAT Environment Protection Policy for the Aid Program (2014).

The Environment Guide is supported by the PWD Quarry Guide (September 2014) which is *“to guide the PWD, and its agents, in acquiring and managing quarries or borrow-pits, in a legal and environmentally-friendly approach.”*<sup>153</sup> Planning, preparation and implementation of the Environment Guide lie with the Director PWD and Senior Environmental Safeguards Officer. General environment training has been conducted by the PWD Safeguards Unit, with IBC, some PWD staff and some CBC.

Routine maintenance works by CBC involving grass cutting and Periodic Maintenance works by IBC (or NBC) involving gravel re-sheeting do not need any environmental controls as the likelihood of erosion or sediments washing into a watercourse are low. Spot improvement works by IBC which involve works in a watercourse or concrete road pavement construction on steep road sections will require a basic level of environmental protection such as:

- Locating a toilet away from the watercourse
- Bunding to deflect the overland flow of water entering the worksite and causing erosion and transport of sediments in adjoining watercourses, impacting on water supply and washing areas

#### 11.2.2 Current Situation

The field trips by the IE team to Malekula, Ambae and Tanna revealed no environmental mitigation activities on the CBC and IBC worksites. The IE did not see any evidence that training, contract

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<sup>151</sup> In the 22/8/16 IE TOR, Research Area H also included environmental management. The IE Team proposed revisions in the Evaluation Plan (as set out in Section 1.X), including this Research Area and this primary question.

<sup>152</sup> PWD Environmental Guide Section 3.1

<sup>153</sup> PWD Quarry Guide Section 3 Purpose

incentives or improved supervision are effective in achieving the environmental protection required on the worksites.

This is a specific area where there is a gap in the contracts of IBC. The contract template does not specifically refer to Environment. However, it is understood that an additional loose page is provided after the contract is signed to IBC; i.e. A.1.10 Environmental Protection, which includes compliance specifications and payment schedules. This does not constitute legal compliance, as it is not legally part of the signed contract.

It is strongly recommended that A.1.10 be integrated into the overall contract. This will strengthen the integrity of the contract and promote legal compliance, and improved environmental protection practice.

### Success Factors

PWD Environment Guide and Quarry Guide have been produced (although, to date, only the Quarry Guide has been approved by the DG MIPU).

### Changes to make in designing a possible next round

- (i) Revise IBC and CBC contracts to include a specific section on environmental management.
- (ii) Provide additional training for PWD staff to supervise and assess contract compliance.
- (iii) Provide support to PWD to improve on site environmental management practices, prior to starting work on site.
- (iv) Improve on site monitoring, and reporting (including on contract compliance), and integration with other progress reporting.

## 11.3 Question I2 How and to what extent is PWD-R4D road works planning, design and implementation mitigating climate change related risks to Vanuatu's rural roads network

### 11.3.1 Background

Mitigation of climate change related risks is included in the Vanuatu Road Design Guide Section C.

### 11.3.2 Current Situation

**Road works planning** In discussions during the field visit, the IE noted that DMs are well aware of road sections which are vulnerable to coastal erosion, washout in large storm events, erosion of the road surface on steep road sections, blockage by trees falling onto roads in high wind events, and sections of road impassable in periods of high rainfall events.

**Road design** The Road Design Guide section C is not comprehensive in advice to plan for and mitigate climate change related risks to infrastructure, but does give some guidance. There is advice on how to design for roads in close proximity to the sea, but no advice on managing high velocity storms and increased frequency of flooding. The IE observed evidence of climate resilient designs on the coastline in Ambae and Malekula

Part C is being used as a guide by the R4D engineers. Evidence from discussions with the DMs in the field visit suggests this knowledge has not been transferred from the Design Guide to the DMs.

There is very little knowledge held by DMs on what climate resilient infrastructure is and how to implement.

**Road implementation** On field visits, the IE observed that use is made of durable materials that are less likely to erode. This includes using a concrete road surface on steep road sections, providing concrete table drains to prevent scour, clearing table drains to ensure unimpeded stormwater flows, and increasing the frequency of drainage structures

#### **Success Factors**

The Road Design Guide includes Section C on design for climate change mitigation. PWD DMs are aware from local knowledge of road sections that are susceptible to damage from extreme weather events.

#### **Changes to make in designing a possible next round**

Professional Development of PWD DMs and engineers on climate change mitigation based on Section C of the Road Design Guide.



## 12. CONCLUSIONS

### 12.1 Key decisions the independent evaluation is intended to inform

As stated in the IE TOR:

*The IE is to provide information – an evidence base – on the **success** and **rationale** of R4D: what worked, what didn't work, why, and is R4D still relevant (the "right thing to do"). This information will help inform two high-level decisions:*

*(i) Whether to continue supporting Vanuatu's rural roads subsector after R4D finishes on 30 June 2017; and*

*(ii) What R4D success factors to carry through and what changes to make in designing a possible next round of rural roads subsector support.*

This Chapter presents the conclusions of the IE in relation to these two high-level decisions. The conclusions follow from the:

- contextual analysis in Chapters 1 and 2;
- analysis and findings in Chapters 3-5, leading to the remaining needs and opportunities presented in Chapter 6; and
- success factors and changes to make in designing a possible next round of support identified in Chapters 7 to 11.

### 12.2 Whether to support Vanuatu's rural road sector after R4D finishes on June 30, 2017?

The key question to be answered in this context is *To what extent does GoV need more road subsector support in order to consolidate and sustain achievements under R4D?*

#### **Recommendation**

The IE recommends that GoA should continue to support Vanuatu's rural road sector after June 30, 2017 for the following reasons:

#### 12.2.1 Support economic development through improved rural access

The next phase of R4D provides GoA and GoV an opportunity to consolidate the strengths and successes of R4D, and to change elements of the design to more effectively respond to the changed context. A key element of this changes context is the recently launched Vanuatu Sustainable Development Plan, which includes a number of policies to improve rural access and living conditions. As a "work in progress", and part of a long-term commitment on behalf of GoA, R4D can assist GoV's efforts to improve rural living conditions, and to contribute to economic growth and service delivery by improving and then sustaining rural access. The funding available to MIPU-PWD after June 2017 (even with ADB and WB funds) only meets VT 880 to VT 1,140 million of the requirements of VT 1,600 million/year<sup>154</sup> to maintain rural road access.

GoA can play a vital role in the economic and social development of Vanuatu by ensuring GoV has the VT 1,600 million/year funds it needs to maintain rural access by continuing to provide at least the VT 408 million (\$A5 million) provided under R4D. GoA could further support GoV by, in addition, providing some of the VT 900 million/year required for network improvements. It is a role that fits well into the first pillar of GoA's current AIP *building resilient infrastructure and an environment for economic opportunity*.

<sup>154</sup> See Section 2.5

### 12.2.2 Support institutional transformation for sustainable improvement to rural access

A critical element of consolidating the strengths and successes of R4D is further assistance for capacity building of MIPU-PWD to transition to be the rural road network manager for Vanuatu. R4D has supported MIPU-PWD to become an effective and efficient organisation for delivery of access improvements and road maintenance works, and PWD staff to become competent in works planning and implementing these works. This is a key first step in providing the capacity to manage the network. PWD still needs support to address the challenges it now faces to strengthen the strategic planning, budgeting and service delivery systems to meet the GoV sustainable development objectives in the most equitable, cost effective and efficient manner. This support will assist PWD in *building resilient infrastructure*.

### 12.3 Success factors to carry through in designing a next round of rural roads subsector support

#### Recommendations

The success factors to carry forward flow from the responses to the questions in Chapters 7 to 11 and are organised around two key elements: i) improving and maintaining rural access; and ii) institutional development, as summarised below.

#### 12.3.1 Improving and maintaining rural Access

**Focus of R4D** The narrowing of R4D's focus to just PWD and to just rural roads improvement and maintenance has strengthened Program results.

**Providing Support to all PWD divisions** Opening R4D support to all PWD Divisions (to all provinces) has strengthened the R4D-PWD partnership at the Divisional level. This partnership has now matured.

**Integrated Works Program/AWP** Integration of PWD and R4D funds into one Works Program, which is developed annually as a joint effort by all PWD Divisions and R4D ISP RME.

**Delivery of Physical Works Support** PWD engineers have the competencies to manage delivery of physical works, including contract management, construction supervision and gravel pits.

#### 12.3.2 Institutional Development

**Transitioning to network management** PWD has accepted the concept of becoming a network manager and has made a start on the program of activities required to transform itself into one.

**Force Account and outsourcing** PWD has accepted to outsource maintenance works and, overall, the value of maintenance works undertaken by FA is decreasing.

**Management of R4D support** PWD staff have demonstrated they can manage operational financial, procurement, social safeguards, environmental management, and engineering aspects of R4D service delivery of physical works.

**Social safeguards and crosscutting issues** A mainstreaming approach has been adopted for crosscutting issues and safeguards across PWD and R4D, including Gender, Disability, Child Protection, HIV/AIDS, Work Health and Safety and Environmental Protection. Manuals and guides are being developed and some training has taken place with CPO, PWD staff, IBC and CBC.

**Environmental Management** PWD Environment Guide and Quarry Guide have been produced.

**Climate change mitigation** The Road Design Guide includes Section C on design for climate change mitigation. PWD DMs are aware from local knowledge of road sections that are susceptible to damage from extreme weather events.

## 12.4 Changes to make in designing a possible next round of rural roads subsector support

### Recommendations

#### 12.4.1 Introduction

**Maintain the two main components** Before discussing changes, the IE would like to set down one thing it considers should not be changed. The IE finds that the two main Components of Institutional Development and Service Delivery have been present in the VTSSP since the inception in 2009 (though perhaps with different descriptions). They should be maintained as part of proposed future support. However, the IE considers that the remaining needs and the changed donor environment require the preparation of a new design for the detailed scope of a possible next round of R4D. This design process should take as an input the findings and conclusions of this IE.

**Elements to Enhance** Designing a possible next round of support provides the opportunity to change and enhance a number of program elements including:

- (i) MIPU-PWD transition to network management,
- (ii) Improve and sustain rural access,
- (iii) Integrate Political and Community Consultation as part of the Planning Process,
- (iv) Upgrade service delivery,
- (v) Program Governance, and
- (vi) R4D Support Delivery model.

The suggested changes to make in designing a possible next round of support flow from the responses to the questions in Chapters 7 to 11 and are summarised below.

#### 12.4.2 MIPU-PWD Transition to Network Management

**MIPU-PWD corporate strategy and function** Development of a visionary but pragmatic strategy that will assist PWD along the path of transitioning itself into a road network manager.

**Transitioning towards network management** Consider the experience and lessons from elsewhere in the Pacific, particularly in Fiji, Samoa and Tonga in developing the R4D approach.

**Development and institutionalisation of sound systems in PWD** Strengthen all systems and improve staff competencies so that they match the standards of international good practice, in particular as practised by the donors currently providing funds to MIPU. This applies particularly to Social and Environmental Safeguards, and to a lesser extent Procurement. Develop and institutionalise M&E systems for MIPU.

**Human resource development (HRD)** Prepare an HRD Strategy which supports the goal to transform PWD from a works organisation to a network manager. Provide training for DMs, Engineers and CPO in Road Network Management, Program Management (of works and associated activities), Project Management, and non-technical skills (such as communications and community consultation).

**Social safeguards and crosscutting issues** Complete current safeguards manuals and guides, and undertake phased program wide training and socialisation. Develop specific guidance on

displacement and involuntary resettlement and grievance redress. Review IBC, CBC and NBC contracts with a view to including specific context appropriate sections on Gender and Participation, Child Protection, Disability, HIV/AIDS, and Work Health and Safety, and provide training to PWD staff to improve contract management and supervision.

#### 12.4.3 Improve and Sustain Rural Access

**Fully integrate road subsector policy** Integrate the use of RIMS, particularly RAI and road condition data, into the process for determination of budget allocations by province, island and type of work. This includes: i) the development of an evidence based maintenance and spot improvement budget for submission to MFEM that meets the RRAF targets, and ii) undertaking reviews of the RRAF every 6 months with broader consultation with MPs and community representatives to reduce political influences.

**Focus of R4D** Focus the program more on islands with lower than average RAI and poorer than average road condition.

**Maintenance and improvement** Undertake network wide analysis based on different assumptions of budget to provide an evidence base for making decisions on a reasonable balance between road network maintenance and network improvement/expansion.

**RAI influence** Integrate RAI into decision-making processes and practice, to ensure RAI does drive budgeting, expenditure, monitoring and reporting.

#### 12.4.4 Integrate Political and Community Consultation as part of the Planning Process

The IE was asked on several occasions by PWD and DFAT for their views on how to deal with exceptional requests, which were clearly seen as impacting the efficiency and effectiveness of the service delivery. Discussions with PWD staff suggested that exceptional requests could be characterised as works “in the wrong place, at the wrong time, to the wrong standard”. Three methods for reducing these requests were proposed:

- (i) The Minister asks his Ministerial colleagues and MPs to make such requests directly to him once a year before the start of the work planning process. He then decides which of them to pass on to PWD to consider.
- (ii) PWD DMs undertake community consultation to explain what work the PWD is thinking of undertaking, and at the same time, to find out from the community their priorities.
- (iii) The PWD DMs accept that only say 70% of the work program in any year can be fixed, with 30% dependent on events that arise during the year and requests from the Minister and communities. The requests are accommodated in the program if they meet the program objectives.

However, these methods are only useful if there is already agreement on the desired outcomes and the parameters for measuring them. While PWD may have accepted the concept of basic access, the concept has yet to be formally endorsed as the overarching policy, and more importantly, communicated and understood across all stakeholders in a consistent manner. Most importantly, the policies for resource allocation, which would guide what works are done on which roads and when, and which would enable DMs to have discussions with communities, have yet to be endorsed.

#### 12.4.5 Upgrade Service Delivery

**Force Account and outsourcing** For an effective, efficient and sustainable maintenance outcome, establish the appropriate amount of maintenance work to be undertaken by FA.

**Delivery of Physical Works Support** Shift approach to PWD engineers “stepping up” and taking responsibility for all tasks, with the R4D RME as trainer and mentor to PWD engineers and “stepping back” from the direct delivery of physical works.

**Providing Support to all divisions** Transfer the lead role in the program to PWD DMs, with R4D SRME and RME acting as mentors.

**Environmental management** Revise IBC and CBC contracts to include a specific section on environmental management. Provide additional training and support to PWD staff to improve on site environmental management practices, and improve on site monitoring, and reporting.

**Climate change mitigation** As part of capacity building, PWD DMs and engineers should undertake further professional development on climate change mitigation, based on Section C of the Road Design Guide.

**Procurement** Upgrade procurement procedures, including the exceptions to GoV procedures granted at the start of VTSSP I, the items included in the Standard Forms of Contract for CBC, IBC and NCB Contracts, and assess the efficiency and effectiveness of limiting IBC Contracts to under VT 5 million.

**Management of CBC and IBC** Review the efficiency and effectiveness of the arrangements for delivery of routine maintenance and improvements works using CBC and IBC.

#### 12.4.6 R4D Program Governance

**Overview** The IE questions on implementation arrangements relate largely to cost effectiveness and the support to be provided by an ISP. An overarching need, which is not covered, is the need for an improvement in Program governance. This should include:

- (i) Greater partnership in decision making with PWD, particularly in relation to any reviews of the program.
- (ii) More active management and direction of any ISP, particularly in relation to:
  - a. the specific tasks and delivery dates in the ISP Scope of Services, and
  - b. progress of activities as reported in quarterly and annual reports.
- (iii) Regular formal management meetings as required. The monthly PWD/DFAT/ISP management meetings that were held in the initial period of the project should be reinstated, with records kept, particularly of actions agreed to be taken by any of the participants, and the decisions made. This includes the changes that have begun to be implemented as a result of the IR
- (iv) Review of the need for a Project Steering Committee: This IR makes a number of recommendations on re-establishing an R4D dedicated Project Steering Committee. Given the difficulties in convening a dedicated Project Steering Committee since the start of R4D, the IE suggests that PWD and DFAT consider whether particular management meetings (say annually) could perform any or all of the activities required of the Project Steering Committee in the DFA.
- (v) Fully addressing DFA reporting requirements.
- (vi) Fully addressing the comments made in the ANAO Report.
- (vii) Consistency and transparency of documentation related to program implementation, including the changes that are currently being implemented as a result of the IR. To date there is no clear and structured document that summarises the rationale, changes, decision-making approach, budget, prioritisation, nor roles and responsibilities of DFAT, PWD or ISP, which have been taking place since the IR; i.e. since March 2015.

- (viii) Consistency of Goals, End Outcomes and Outputs (see below)
- (ix) Improved ISP Reporting (see below)
- (x) Improved DFAT Monitoring and Reporting (see below)
- (xi) A functioning MIS

**M&E – Goals, Outcomes and Outputs** Since the initial design of R4D, there have been three separate statements on M&E, with significant differences of Goals, Outcomes and Outputs. (PDD September 2012, M&E Plan May 2014, post IR M&E Plan February 2016 – See Chapter 1 and Annex 6). In the M&E Plan produced after the IR, the Goal in the May 2014 Plan was amended, the two end outcomes were merged into one and 17 Outputs were reduced to 9, one of which appears to be no longer reported. Only the first statement (in the PDD 2012) had any baseline or end of program target values for Indicators. The IE does not find what has occurred to be normal international practice for development programs.

The reporting on the 2016 M&E Plan has provided limited assistance to the IE in understanding the progress of the program or in answering the evaluation questions. The IE is concerned by this situation, as an M&E plan should be a working document used regularly by everyone working on a program in their daily activities to check on progress towards the end outcome and stay on track.

The IE considers that if the next round of rural road subsector support is to be a continuation of R4D, then for the sake of continuity as a general principle, only limited changes should be made to Goal, End Outcomes and Outputs. With this in mind, the IE recommends that these changes should be made:

- (i) To incorporate the relevant Economic Goals and Policy Objectives from Vanuatu 2030 – The People’s Plan into the Goal Statement, and Outcomes
- (ii) Inclusion of definitions of the terms used in the statements of objectives so that progress can be easily monitored and evaluated
- (iii) Inclusion of baseline and target values for all indicators before the Plan is issued
- (iv) Any changes needed to integrate the Plan with the Goals, Outcomes, Outputs and Indicators used by MIPU M&E Unit

The IE also recommends that the M&E Plan be finalised and agreed with MIPU-PWD as part of the design document (PDD) for the next round.

**ISP Reporting** One of the key concerns for the IE Team has been the limited substantive reporting that is available on the progress of R4D that could assist the IE in responding to the evaluation questions. The ISP Monthly, Quarterly and Annual Reports contain much text, but little numerical or financial data to indicate the physical and financial progress of the program, and even less information on institutional development. Data is not summarised in a format that supports program management and management decision making by PWD and DFAT. In particular, **physical and financial progress reports** are not yet embedded and integrated across all Divisions and sections of PWD into the GoV SmartStream PFM system.

**DFAT Monitoring and Reporting** DFAT conducted the R4D Interim Review in March 2015, which (as noted above) resulted in substantive program changes, including changes to the overall Goal, Outcomes and Outputs of R4D, and a revised M&E Plan (February 2016). In some respects, the restructuring of the R4D Program Goal, Outcomes and Outputs could be considered a redesign of R4D.

In attempting to understand the process which led to the IR, the revision to R4D Goal, Outcomes and Outputs, and the post-IR monitoring prior to the IE, it has been difficult for the IE to identify any



consistent patterns - for DFAT monitoring, reporting and documentation of findings, decision making points and subsequent program changes throughout 2015-16.

In contrast, the IE Team notes that DFAT assessed overall R4D progress for both 2015 and 2016 through its Aid Quality Check (AQC) mechanism as broadly adequate.<sup>155</sup> Yet, major changes to R4D Goal, Outcomes and Outputs were considered necessary during this period. This suggests an absence of structure in program monitoring. This absence of structure in program monitoring, reporting and documentation has also been noted previously under VTSSP.<sup>156</sup>

#### 12.4.7 R4D Support Delivery Model

The IE considers that, overall, the Support Delivery Model should be maintained. In drawing this overall conclusion, the IE draws these conclusions about some important elements, which should be taken into account in design:

- (i) That the pre-conditions necessary for a DFAT to move from an ISP model of program delivery to a budget support model are not yet in place in MIPU-PWD
- (ii) That if the ISP is to be given a SoS with defined tasks and outputs (including some that are time based), then the ISP should provide quarterly reports of progress on these tasks to DFAT and PWD, based on which DFAT and PWD should manage the performance of the ISP.
- (iii) Technical assistance and support should be focused on (a) guiding/mentoring PWD staff to develop competencies and (b) specific tasks to upgrade systems and develop strategic planning and road maintenance policy.
- (iv) That if MIPU-PWD have difficulty in filling key positions with ni-Vanuatu staff with the required level of skills, then rather than including specialists in the ISP Team to support these functions, DFAT may wish to suggest to MIPU-PWD that they consider hiring a specialist to act in line for a period of time, in addition to other support provided through an ISP. DFAT may wish to consider funding and managing such support separately from the ISP.

**Increase the resources for Institutional Development of PWD:** Although R4D places equal emphasis on PWD Institutional Development and Service Delivery, in the scope of ISP services for R4D, in practice far more ISP resources were allocated to service delivery. The IE recommends that in the possible next stage, PWD and DFAT place more emphasis on support for the transition of PWD from a works organisation to a Road Network Manager.

The scope of the next round should include preparation of a clearly defined, consultative, well-resourced and time based plan for the institutional development of PWD that reflects the transition of PWD from a works organisation to a network manager. It should also include specific support to raise PWD capabilities to meet donor requirements in the areas of Crosscutting issues, Social and Environmental Safeguards, and Procurement. The extent of the support to be provided in these areas should be designed taking into account the existing or planned TA support from other donors, in project teams or as PWD advisors.

<sup>155</sup> DFAT Aid Quality Check 2015 and 2016.

<sup>156</sup> This absence of structure in program monitoring, reporting and documentation was also noted by the ANAO in mid 2015, with specific reference to VTSSP: "For example, requirements for progress reporting are specified in DFAT's agreements with the VESP and VTSSP contractors, the Ministry of Health, and VWC. However, DFAT has not documented, in one plan or strategy, its approach to monitoring and evaluating each initiative. Developing M&E plans for each initiative that focus on DFAT's management and monitoring of the performance of delivery partners, as well as the progress of the initiative, would assist DFAT to take a more risk-based approach to monitoring."



