




Australian Government
AusAID

Quality at Entry Report for Vanuatu Transport Sector Support Program Phase II

A: AidWorks details

Initiative Name:	Vanuatu Transport Sector Support Program Phase II		
Initiative No:	< insert AidWorks ID >	Total Amount:	\$36.6m
Start Date:	April 2013	End Date:	2016

B: Appraisal Peer Review meeting details

Initial ratings prepared by:	Stephen Hills
Meeting date:	16 August 2012
Chair:	John Davidson, Minister-Counsellor Pacific 
Peer reviewers providing formal comment & ratings:	<ul style="list-style-type: none"> Mark Barrett (Infrastructure Adviser) Laurie McCulloch (Program Enabling Unit)
Independent Appraiser:	<ul style="list-style-type: none"> Asif Faiz (Independent Appraiser)
Other peer review participants:	<p>Government of Vanuatu: Sam Namuri (Director Public Works Department)</p> <p>AusAID: John Davidson (Minister Counsellor Pacific, AusAID); Katherine Ruiz-Avila (Counsellor); Simon Cramp (Director Governance for Growth); Peter Smith (Governance for Growth Infrastructure Advisor); Jennifer Kalpokas Doan (Governance for Growth Program); Mark Barrett (Infrastructure Advisor and peer reviewer); Laurie McCulloch (Program Enabling Unit and peer reviewer); David Chick (Director Fiji and Vanuatu); Peter Kelly (Pacific Infrastructure Advisor); Rohan Nandan (Director Infrastructure and Water); Stephen Hills (Vanuatu Program); Kevin Smith (Fiji and Vanuatu Economist); Duncan McCullough (Climate Change Unit).</p> <p>External: David Swete-Kelly (Design Team Leader); Asif Faiz (Peer Reviewer); Sarosh Khan (ADB Senior Transport Specialist); PRIF Secretariat</p>

C: Safeguards and Commitments

Answer the following questions relevant to potential impacts of the activity.

1. Environment	Have the environmental marker questions been answered and adequately addressed by the design document in line with legal requirements under the <i>Environmental Protection and Biodiversity Conservation Act</i> ?	Yes
2. Child Protection	Does the design meet the requirements of AusAID's Child Protection Policy?	Yes

D: Initiative/Activity description (no more than 300 words per cell)

3. Description of the Initiative/Activity	<p>What is it?</p> <p>VTSSP II is a four year, \$36.6m project designed to improve the Government of Vanuatu's capacity to responsibly prioritise, plan, build and maintain road transport infrastructure within available national and donor resources. The project will have two core components: 'Institutional Transformation' of the Public Works Department aims to ensure that Vanuatu has the skills, systems and resources necessary to manage Vanuatu's public infrastructure; the second component is to support the physical maintenance of the road network in four provinces (selected jointly with PWD) – Penama, Malampa Shefa and Tafea – and to provide technical support to develop a market to which PWD can outsource road maintenance. VTSSP II incorporates and builds upon the progress made in Phase I (3 years, \$16.9m) which will have restored 144km of road on completion and established a credible basis for the capacity building planned in Phase II.</p>
4. Objectives Summary	<p>What are we doing?</p> <p>Outcome 1: PWD Institutional transformation – PWD has the skills, systems and resources necessary to plan and manage its agreed core mandate</p> <ul style="list-style-type: none"> - Core strategy, budgeting, policy, oversight, and service delivery functions agreed and delivered - Administration, finance, procurement and management information systems developed and maintained - Human resources managed and developed <p>Outcome 2: PWD Service Delivery – Ministry of Infrastructure and Public Utilities and the Public Works Department Operations Department capably maintain key road transport infrastructure</p> <ul style="list-style-type: none"> - The PWD Operations Group will focus on core road network reconstruction and maintenance - PWD can implement whatever physical works it undertakes, either through its own internal technical service capacity, or by establishing appropriate partnerships with private sector or community based agents

E: Quality Assessment and Rating

Criteria	Assessment	Rating (1-6) *	Required Action (if needed) ‡
1. Relevance	<p>VTSSP is a 15 year commitment to support jointly agreed infrastructure objectives as detailed in the Vanuatu-Australia Partnership for Development (Outcome 3) and is aligned with the Vanuatu Government's Development policy framework – Priorities Actions Agenda (PAA) and Planning Long Acting Short (PLAS).</p> <p>The Government of Vanuatu is facing major challenges in sustainably managing its transport assets. As the largest donor bilateral donor to Vanuatu, and building on the progress of Phase I, AusAID is well positioned to assist to develop appropriate strategies and to prioritise a constrained maintenance budget.</p> <p>The ultimate goal of the project is that people in Vanuatu have increased access to a well maintained, affordable and integrated transport network.</p> <p>The design has been developed in close consultation with GoV, and despite challenges in this process, both sides are now more aware of each other's expectations and this should improve GoV ownership.</p> <p>Consideration should be given to the suite of donor interventions in infrastructure over the next four years and the possible risks of these major concurrent projects for VTSSP.</p>	5	Include risks arising from the large infrastructure pipeline in risk matrix

2. Effectiveness	<p>Based on the successes in Phase I, it is likely the program will work, but it might fall short of its planned targets.</p> <p>The Phase II design focusses on two core areas, the institutional strengthening of the Public Works Department and the delivery of works and technical assistance to develop a sustainable model to carry out those works (developing a private-sector market to which PWD can outsource road maintenance in the islands). This approach responds to the challenges and lessons learned in Phase I and is positive step. However, as a result of this focus, the program will only address a small component of PWD functions. Consideration must be given to mapping all the anticipated functions of PWD and developing a joint 'vision' of what the structure of the organisation should be.</p> <p>The design should more clearly articulate the rationale for narrowing the focus in Phase II.</p> <p>The design document provides a solid analysis of the challenges facing the program. It is important that the program is realistic about what can be achieved in terms of road maintenance over the timeframe.</p> <p>Human resource risks may be a binding constraint. Despite resource gains in the first phase, long term solutions are yet to be found.</p> <p>Transition planning could also be improved with more detail on the resources to be extended/novated from Phase I for physical works before the new managing contractor is recruited.</p> <p>Planning for the maintenance of rural roads should be linked to urban road maintenance planning – in particular, the project should coordinate with the planned Port Vila Urban Development Project.</p>	<p>4</p>	<p>Develop a vision for the institutional and organisational structure of a future road organisation (to be developed with PWD through implementation).</p> <p>Further analysis and explanation of how VTSSP will impact on other parts of MIPU.</p> <p>Clearly articulate the rationale for a narrowed focus on roads and institutional strengthening.</p> <p>Need to break down the budget clearly showing the distinct contributions to the two outcomes (also include GoV maintenance contributions).</p> <p>Clear explanation needed of the economic/social criteria for the selection of priority road funding.</p>
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<p>3. Efficiency</p>	<p>GoV ownership of financial responsibility for transport assets is not directly addressed. GoV should take on a greater burden of this responsibility over time.</p> <p>The document does not include technical detail on solutions, but it is understood that the design solutions developed during Phase I will be applied.</p> <p>A life cycle analysis study should be conducted during Phase II to confirm design and construction options used to date are appropriate and test other surfacing types. Maximising the use of locally available materials and reducing expensive transportation costs to barge and haul materials should be promoted and encouraged.</p> <p>There needs to be greater clarification (including specifications in the budget) about how the works and institutional strengthening components will/will not use Government systems. Fiduciary risks are identified in the draft Assessment of National Systems and need to be carefully mapped.</p> <p>The use of competitive bidding procedures and island-based contractors is a worthwhile objective, but does need to be balanced against timely delivery and efficiency. This may require using contractors from within the region. Consideration could be given to longer term performance-based contracts issued by PWD.</p> <p>It will be important that a detailed Scope of Services and Basis of Payment be prepared, as well as a risk matrix that conforms with current AusAID requirements – this should include key risks in staffing and fiduciary controls. Overall however, the treatment of development risk is sound.</p> <p>Road safety should be considered as part of program implementation, as should options for developing a more decentralised mode of maintenance provision.</p> <p>The institutional strengthening component is heavy on technical assistance (and is not without risk), however the introduction of a short term pool should increase the value for money of this investment.</p>	<p>4</p> <p>Scope of Services, Basis of Payment and Direct Funding Agreement to be prepared</p> <p>Clear explanation of which elements of national systems will be used – to be prepared once those documents are finalised (early in implementation).</p> <p>Adjust the current risk matrix to the usual AusAID format. Ensure fiduciary risks are incorporated and be clear if ratings refer to the “existing” or “mitigated” level of risk</p> <p><i>(note other implementation recommendations provided in individual reviewer reports)</i></p>
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4. Monitoring & Evaluation	<p>The design includes a good description of the proposed Monitoring and Evaluation Framework, which will be further developed by the program M&E specialist. The framework includes other transport modes (likely a legacy issue from the reduction in scope) which needs to be addressed.</p> <p>The proposed framework is well aligned with the design and has clear linkages with project outputs, outcomes and impacts.</p> <p>The inclusion of longitudinal case studies is a good initiative. Data collected through these studies could be used by the PWD to promote the good work they are doing and will therefore assist with implementation management and evidence of effectiveness.</p> <p>The analysis provides relatively few indicators of transport network/system performance. These will be developed early in implementation.</p>	5	Update M&E framework to reflect roads and institutional strengthening focus
5. Sustainability	<p>Sustainability of infrastructure assets for small island nations is a major problem. The design notes that Vanuatu will continue to depend on donors for the development and rehabilitation of transport assets. The key to address for a sustainable transport asset is the life cycle cost of the asset and how GoV will manage maintenance.</p> <p>There is limited discussion of the key sustainability issues, most notably financial sustainability and institutional sustainability. These need to be directly addressed.</p> <p>If VTSSP/GoV cannot develop an affordable maintenance strategy for the transport network as a whole we should reconsider our assistance. Our goal should be to develop a core network that provides a level of service that is commensurate with the maintenance funding available.</p> <p>We should avoid building or rehabilitating assets that do not fit within a realistic maintenance strategy. The program must assist GoV to carry out the analysis that will underpin the "hard decisions" required on the extent and quality of the road network so that transport network development and asset management issues are optimised within the constrained budget available to GoV.</p> <p>Donors need to ensure that they only fund assets with a realistic maintenance strategy; this could include donor funded maintenance in the short to medium term.</p>	4	<p>Design Team will produce a cover note explaining the approach to sustainability, this will be summarised in the sustainability section of the design.</p> <p><i>(Individual peer review comments provide detailed guidance)</i></p>

6. Gender Equality	<p>How will we achieve gender equality?</p> <p>Gender has been thought about and incorporated into the design documents well. It would be good to build on the positive gender aspects of Phase I, such as the women working on road construction in Malekula. The VTSSP Phase I Economic and Gender Impact study will likely find that improvements to the road infrastructure and transport options in Vanuatu has opened up opportunities for the rural family, including women and children by making health and education services more readily accessible.</p> <p>Regarding capacity building of local communities to eventually assume responsibility for preventative maintenance – good to see acknowledgment that women should be consulted as a part of the community.</p> <p>Building awareness of gender equality strategies amongst policy makers and Ministry staff, where possible and appropriate will also strengthen the commitment to gender equality for the program.</p> <p>Really positive to see that HIV awareness raising and support activities, including education programs will be taking place. It would be really great to also see incorporated into this type of training some awareness raising of gender based violence (GBV).</p>	5	
7. Analysis and Learning	<p>VTSSP Phase II builds on lessons learned from Phase I. The design show a strong contextual understanding and draws on the problems encountered during Phase I to improve the likelihood of success.</p> <p>However the mid-term review noted that capacity constraints were a major blockage in Phase I. The large capacity building component of Phase II will also be affected by these limitations. While technical assistance and training may mitigate these problems, they will not solve them – this will require fundamental organisation reforms which will be immensely challenging.</p> <p>Lessons learned from countries with vast areas of road with low population density such as Norway and Finland suggest that decentralising road maintenance delivery will be important – a major challenge in such a low capacity environment.</p> <p>Maintenance of such a large (1850km) road network will require ongoing donor support (at least in the short-medium term). As such, we should expect VTSSP II to be part of a much longer program of support to Vanuatu.</p> <p>Key lessons learned appear to have been: that we need to be realistic about the constraints on Human Resource growth and financial constraints; and, the timeframe for major reform is likely to be at least 10-15 years.</p>	4	

* Definitions of the Rating Scale:			
Satisfactory (4, 5 and 6)		Less than satisfactory (1, 2 and 3)	
6	Very high quality; needs ongoing management & monitoring only	3	Less than adequate quality; needs to be improved in core areas
5	Good quality; needs minor work to improve in some areas	2	Poor quality; needs major work to improve
4	Adequate quality; needs some work to improve	1	Very poor quality; needs major overhaul

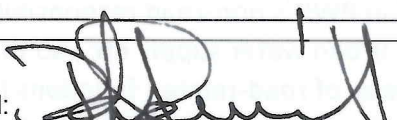
Agreed Quality at Entry Scores

	Agreed Score
Relevance	5
Effectiveness	4
Efficiency	4
Sustainability	4
Monitoring and Evaluation	5
Gender	5
Analysis and Learning	4

‡ **Required actions (if needed):** These boxes should be used wherever the rating is less than 5, to identify actions needed to raise the rating to the next level, and to fully satisfactory (5). The text can note recommended or ongoing actions.

F: Next Steps		
Provide information on all steps required to finalise the design	Who is responsible	Date to be done
1. Cover note with frank explanation of sustainability to be prepared and summarised in the Sustainability Section of the PDD	Design Team	17/9/12
2. More detail on budget breakdown required, including further detail on GoV spending and the split between institutional strengthening and works	Design Team	17/9/12
3. Scope of Services, Basis of Payment and Direct Funding Agreement to be prepared	Design Team	17/9/12
4. Document reviewed to ensure consistency	Design Team	17/9/12
5. Road selection criteria to be clarified – explaining poverty focus	Design Team	17/9/12
6. Adjust the current risk matrix to the usual AusAID format. Ensure fiduciary risks are incorporated and be clear if ratings refer to the “existing” or “mitigated” level of risk	Design Team	17/9/12
7. Clear explanation of which elements of national systems will be used – to be prepared once those documents are finalised (early in implementation).	Design Team	17/9/12
8. Update Monitoring and Evaluation Framework to reflect the narrowed scope	Design Team	17/9/12

G: Other comments or issues
<ul style="list-style-type: none"> Other issues raised by the peer reviewers intended for the implementation phase or to guide future decision making are detailed in the Appraisal Peer Review Minutes (attached) and in the formal peer reviewer reports.

H: Approval <i>completed by ADG or Minister-Counsellor who chaired the peer review meeting</i>		
On the basis of the final agreed Quality Rating assessment (C) and Next Steps (D) above:		
<input checked="" type="checkbox"/> QAE REPORT IS APPROVED , and authorization given to proceed to: <div style="margin-left: 40px;"> <input checked="" type="radio"/> FINALISE the design incorporating actions above, and proceed to implementation or: <input type="radio"/> REDESIGN and resubmit for appraisal peer review </div>		
<input type="checkbox"/> NOT APPROVED for the following reason(s): <hr/> <hr/> <hr/>		
John Davidson	Signed: 	4.9.2012 < date >

Attachment A: Peer Review Minutes

1. Introduction Chair: John Davidson

- Welcome and thanks to all for participating, with particular thanks to the Government of Vanuatu and the Public Works Department (represented by Sam Namuri) for their strong engagement in the design process.

2. Overview VTSSP 1 Simon Cramp

- VTSSP was AusAID's first major infrastructure project in Vanuatu
- VTSSP planned as 15 year program
- Slow start to Phase I as a result of weaker than expected systems
- Impact of Public Works institutional strengthening felt towards end of Phase I
- Success of VTSSP II will depend on gains in reforming the Ministry

3. Design Outline David Swete-Kelly and Peter Smith

- 18 month design process
- Original design anticipated expanding beyond roads, but it became clear that consolidation on roads was necessary and hence focus of phase II

4. QAE Discussion**a. Relevance – Why are we doing this?**

- Narrowed focus on institutional strengthening and roads is good (MB)
- Key will be realistic aspirations and ongoing GoV buy-in, which has been strong to this point (MB)
- Priority roads will be reviewed through ongoing discussions between VTSSP and GoV, aligned with broader infrastructure planning (SC)
- Program should carefully consider crowding in the infrastructure area (international wharf, inter-island shipping, Urban Development and VTSSP) and develop a strategy to manage (JO)
- Program aligns with AusAID results target for road construction/maintenance (SC)

b. Analysis and Learning – Have we thought this through well?

- Would have been useful to show how Phase I had contributed to the Planning Long, Acting Short national development plan (AF) – this could be considered as part of AusAID's internal review processes for Phase 1.
- Design document could incorporate analysis of how GoV spends its own road/infrastructure funds (AF)
- The institutional strengthening component of VTSSP should address the reforms and improvements needed in PWD's non-road responsibilities (e.g wharfs, airstrips, motor pool, public buildings, urban water supply etc.) so that these do not become a drag on institutional effectiveness of road-related functions (AF)
- The road maintenance component of the VTSSP should look at the maintenance of the entire road network, especially the allocation of Government's own budget and the effectiveness of resource use. (AF)