

Validation Report
April 2021

Vanuatu: Port Vila Urban Development Project

Reference Number: PVR-730
Project Number: 42391-013
Loan Number: 2832
Grant Numbers: 0275, 0276, and 0526



Raising development impact through evaluation

ABBREVIATIONS

ADB	– Asian Development Bank
AusAID	– Australian Agency for International Development
CSF	– community sanitation facilities
DMF	– design and monitoring framework
EIRR	– economic internal rate of return
GAP	– gender action plan
GEF	– Global Environment Facility
IED	– Independent Evaluation Department
km	– kilometer
MIPU	– Ministry of Infrastructure and Public Utilities
O&M	– operations and maintenance
PCR	– project completion report
PMU	– project management unit
RRP	– report and recommendation of the President

NOTE

In this report, “\$” refers to United States dollars.

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PROJECT BASIC DATA

Project number	42391-013	PCR circulation date	22 Jul 2020	
Loan and grant numbers	2832, 0275, 0276, and 0526	PCR validation date	Apr 2021	
Project name	Port Vila Urban Development Project			
Sector and subsector	Transport	Urban roads and traffic management		
Strategic agenda	Environmentally sustainable growth Inclusive economic growth			
Safeguard categories	Environment		B	
	Involuntary resettlement		B	
	Indigenous peoples		C	
Country	Republic of Vanuatu		Approved (\$ million)	Actual (\$ million)
ADB financing (\$ million)		Total project costs*	41.97	31.89
	ADF: 5.00 (L2832)	Loan	5.00	4.43
		Borrower	3.10	0.00
		Beneficiaries	0.00	0.00
		Others	0.00	0.00
Cofinanciers G0275/G0276	Government of Australia	Total cofinancing G0275	33.87 25.61	27.46 20.18
		G0276	5.39	4.42
	G0526	GEF: Least Developed Countries Fund	G0256	2.87
Approval dates L2832/G0275/G0276 G0526	13 Dec 2011 8 Dec 2016	Effectiveness dates L2832/G0275/G0276 G0526	12 Mar 2013 17 May 2017	13 Feb 2013 18 Apr 2017
Signing dates L2832/G0275/G0276 G0526	12 Dec 2012 16 Feb 2017	Loan closing dates L2832/G0275/G0276 G0526 Financial closing date	31 Dec 2017 31 Dec 2018	31 Dec 2018 31 Dec 2018 24 Dec 2019
Project officer	S. Blaik	Location ADB headquarters	From 13 Feb 2013	To 24 Dec 2019
IED review Director Team leader	N. Subramaniam, IESP S. Shin, Senior Evaluation Specialist, IESP**			

ADB = Asian Development Bank, ADF = Asian Development Fund, GEF = Global Environment Fund, IED = Independent Evaluation Department, IESP = Sector and Project Division, OCR = ordinary capital resources, PCR = project completion report.

*Figures were based on the PCR's basic data in A.6. and in pp. iv–vi. The estimated total project cost stated in the main text of the PCR (para. 9) was \$39.10 million (excluding GEF's \$2.87 million grant) while the actual total cost included the GEF amount.

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I. PROJECT DESCRIPTION

A. Rationale

1. Port Vila on the island of Efate in Shefa Province is the capital of Vanuatu. It is the country's main commercial center and with the largest population at about 50,000 residents, bolstered by thousands of tourists arriving each year by air and sea. Adequate urban services were needed to support the residential population and to underpin the tourism-led economic growth in Shefa Province and the whole of Vanuatu. At appraisal in 2011, the city expanded beyond the originally defined urban boundary due to rural–urban migration and increasing number of urban informal settlements in the greater Port Vila area.¹ The added population stressed the infrastructure and urban services particularly the drainage, roads, and sanitation and hygiene facilities.

2. At the core of the infrastructure issue was the poor condition of the country's urban road network, characterized by many potholes and surface deficiencies. This was largely due to the deferred maintenance work and inadequate stormwater drainage system, which accelerated road deterioration during heavy rainfall. Water runoff from normal rainfall flooded portions of the network, resulting in significant disruptions on vehicular traffic and pedestrian movements. In some areas, this affected trade and economic activities leading to economic and financial losses. The runoff caused road debris, silt, dust, garbage, and oil waste to be discharged into the sea, hence damaging the marine environment. Many areas were dependent on septic tanks for their main waste disposal system. The sludge from households and businesses were often disposed into open pits at the Bouffa landfill or illegally dumped near waterways, thus, exposing the urban population to waterborne diseases. Many communities in the central business district lacked safe sanitation facilities, raising risks of sanitation-related diseases.

3. The project concept was based on the government's Priorities and Action Agenda, 2006–2015, which emphasized sustainable urban development with improved access to basic services such as sanitation, drainage facilities, and urban infrastructure.² It was also aligned with the government's medium-term action program—Planning Long, Acting Short: Action Agenda, 2009–2012³—which identified urban, transport, and energy as three core sectors for support under the Asian Development Bank's (ADB) country partnership strategy for Vanuatu. The Australian Agency for International Development (AusAID), the Japan International Cooperation Agency, and the New Zealand Aid Programme also provided assistance to support urban, rural, and inter-island transport, including capacity development. ADB and the AusAID were to assist the government improve the urban infrastructure and services in Port Vila and its adjacent peri-urban areas. The project was designed to implement the investment plan to improve drainage and road network, which was an important component of the drainage and sanitation master plan for 2011–2025.⁴

B. Expected Impacts, Outcomes, and Outputs

4. The project's expected impact was support for the sustainable development of Port Vila. Its expected outcomes at appraisal were an improved and sustained hygiene situation and

¹ ADB. 2020. *Completion Report: Port Vila Urban Development Project in Vanuatu*. Manila.

² Government of Vanuatu, Ministry of Finance and Economic Management. 2006. *Priorities and Action Agenda, 2006–2015: An Educated, Healthy and Wealthy Vanuatu*. Port Vila.

³ ADB. 2004. *Technical Assistance to the Republic of Vanuatu for a Medium-Term Strategic Framework*. Manila. This program was developed with support from ADB.

⁴ ADB. 2010. *Port Vila Urban Development Project Phase 1: Situation Analysis and Master Plan Formulation*. Manila.

reduced water-based hazards in Port Vila. The expected outcomes—as defined in the project completion report (PCR)—were safer and less congested roads, reduced flooding, and improved health and hygiene in Port Vila. The project had five planned outputs. The first three were (i) improved road network and drainage system, (ii) improved sanitation system in Greater Port Vila, and (iii) improved hygiene facilities usage in the central area and settlement communities. The fourth targeted output was capacity development in the government agencies and communities and user groups to manage sanitation, roads, and drainage systems effectively and efficiently. The fifth envisaged output was efficient project management.⁵

C. Provision of Inputs

5. The ADB Board of Directors approved the project in December 2011.⁶ Loan and grant agreements were signed in December 2012 and became effective in February 2013. The 12-month delay in loan and grant signing was due to the delayed compliance by the Government of Vanuatu in reporting the project loan details to the Parliament, and the delayed signing of the cofinancing agreement with AusAID. The loan and grant closing dates scheduled in December 2017 were delayed for a year due to various implementation delays. It took another year to financially close the project in December 2019.

6. At appraisal, the project cost was estimated at \$39.1 million. The original financing included an ADB-approved loan of SDR3,174,000 from ADB's Special Funds resources. It also included an ADB-administered grant from the Government of Australia totaling \$31 million. The Government of Vanuatu provided the remainder of the project cost. In 2015, additional financing was sought from the Global Environment Facility (GEF) Least Developed Countries Fund. The GEF approved in October 2015 a grant of \$2.87 million to be administered by ADB to finance (i) roads and drainage infrastructure, (ii) climate-resilient and sustainable drainage in two urban catchments, (iii) and technical assistance and capacity development for the planning and construction of climate-resilient roads and drainage systems.

7. At project closing, the actual cost was \$31.89 million, which included the GEF grant but excluded the government's contribution. The cost difference from the appraisal estimate was due to a change in scope that was caused by four interrelated factors. These factors were (i) reduction in available project financing due to exchange rate losses,⁷ (ii) underestimation of the quantity of stormwater runoff and drainage requirements, (iii) inclusion of special treatment for road sections interfacing properties in the central business district, and (iv) increased costs associated with the redesign of roads.

8. Results from the midterm review in August 2016 necessitated a major change in scope that the ADB Board of Directors subsequently approved in January 2017. The scope change focused on the priority needs that could be accomplished with the remaining available resources, resulting in a reduction in the length of road and drainage works to be completed.⁸ With the revised scope, the project's design and monitoring framework (DMF) was adjusted to reflect the smaller scope aimed to improve road safety, reduce road congestion, minimize urban flooding,

⁵ ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Grants to the Republic of Vanuatu: Port Vila Urban Development Project*. Manila.

⁶ Loan 2832 and Grants 0275, 0276 were approved in December 2011 and Grant 0526 in December 2016.

⁷ The PCR stated that the prevailing exchange rate when the grant was transferred to ADB was \$1.00 was equal to A\$1.00. This also applied to the value of the ADB concessional loan, which was in special drawing rights (SDRs). In October 2016, the total donor funding available for the project fell to \$29.60 million, compared with \$36 million at the time of loan and grant negotiations.

⁸ ADB. 2016. *Major Change in Project: Port Vila Urban Development Project*. Manila.

and improve health and hygiene conditions in Port Vila. One of the components that focused on road maintenance capacity building was removed from the project. It was transferred to a parallel activity covered by the assistance from the Government of Australia that was providing similar capacity development in the roads sector.⁹ Another scope adjustment was the replacement of the biogas plant in output 2, with a more technically viable fecal sludge treatment system.

9. At appraisal, the project was classified as effective gender mainstreaming. A gender action plan (GAP) was developed at the design stage, which was adjusted in December 2016 to reflect the revised focus. Project outputs 1 and 2 focused on improved roads, drainage, and septage service in Port Vila benefiting its 50,000 population of whom 50% were women. Under output 3, 18 community sanitation facilities (CSFs) were renovated and constructed, which improved sanitation services for 1,700 people of whom 50% were women. The GAP's beneficial aspect was the provision of enhanced benefits for women through training and the accompanying water, sanitation, and hygiene awareness-raising program. For this program, nongovernment organizations were engaged, and they successfully raised community awareness on health and hygiene issues. At appraisal, the project was classified category B for environment and involuntary resettlement, and category C for indigenous peoples. The initial environmental examination was periodically reviewed and updated and included in the various contract documents. At each stage, clearances were obtained from the Department of Environmental Protection and Conservation, which issued the clearance certificates.

D. Implementation Arrangements

10. The executing agency was the Ministry of Finance and Economic Management, and the implementing agencies were the Ministry of Infrastructure and Public Utilities (MIPU) and the Department of Environmental Protection and Conservation. A separate project management unit (PMU) reporting to the Office of the Prime Minister managed the project on behalf of the implementing agencies. The PCR indicated that the PMU was initially adequately staffed. However, after 2013, it took on other infrastructure projects financed by ADB and other donors, thus stretching its capacity and diverting attention from the project.¹⁰ Despite successive review missions regularly highlighting the general shortage in skills and capacity in government, the problems persisted throughout implementation. ADB channeled ad hoc support through TA funds to help MIPU with design reviews, quality control, and contract oversight. A firm of international consultants was recruited to undertake the design and supervision activities, including training and public awareness campaigns. The consultancy services were increased by over 70% due to the prolonged implementation period and eventually utilized almost one third of the loan resources.

11. Of the 41 loan covenants, 38 were fully complied with and three were partially complied with. Those partially complied with included the delayed action on the traffic management bill, which was eventually approved by a change in regulations; a shortfall in allocations for road and drainage maintenance; and delayed submission of the final 2019 audit statement.

II. EVALUATION OF PERFORMANCE AND RATINGS

⁹ Government of Australia. 2012. *Vanuatu Roads for Development Program*. Canberra. This was designed and approved as the Vanuatu Transport Sector Support Program, Phase II.

¹⁰ The August 2015 Review Mission indicated that the four PMU staff were also responsible for five additional projects comprising the (i) Vanuatu Tourism Infrastructure Project, (ii) Port Vila Lapetasi International Multi-Purpose Wharf Development Project, (iii) Vanuatu Inter Island Shipping Support Project, (iv) Vanuatu Aviation Investment Project, and (v) Vanuatu Energy Project.

A. Relevance of Design and Formulation

12. The PCR rated the project relevant since its outcome was aligned with the country's development priorities at appraisal and at completion. It was also in line with ADB's country strategy and with the country priorities of the cofinanciers. However, underestimation of the detailed engineering design features at appraisal led to a substantial increase in the project cost, such as errors in the cost estimate for the stormwater drainage infrastructure. The subsequent shortage of funding was compounded by exchange rate losses and the longer time required to implement the core components. The change in scope enabled the project to meet some of the achievable targets that were in the original project scope. However, there were design deficiencies that could have been foreseen during appraisal stage if the technical feasibility was properly undertaken.¹¹

13. At appraisal, the DMF specified the performance targets and indicators associated with the impact—which were to decrease the damage to property and infrastructure from flooding by 50%, and to avoid an additional 4,200 tons of carbon dioxide at project completion, initially by the end of 2015. It was noted that no baseline was established to measure these targets. During the project's midterm review, the DMF was adjusted due to scope change but the performance targets for project impact were not identified nor updated in the PCR. This was considered a retrograde adjustment that did not set any development target for the investment. Projects approved after 1 July 2015 were no longer required to have impact indicators with baseline and target values, with the assessment of development impacts needing to rely on qualitative information on the project's contributions toward the impact statements.¹² Although the scope change occurred in 2016, the review of the DMF was warranted since the project was approved in 2011. Due to the implementation delays, some outcome targets were reset to 2019 as some planned facilities and/or outputs were not yet technically feasible.

14. This validation also notes that some performance indicators could have better reflected infrastructure improvements in the former heavily potholed road surfaces and the periodic flooding constraints. Such indicators could have led to outcome indicators such as improvements in road roughness, changes in flood characteristics, reduced delays due to flooding, and reductions in traffic diversion due to flooding. Also, the project design based on a master plan did not include detailed preliminary engineering, causing problems at the design phase and exacerbated by poor output quality of the design team consultants. This validation, however, recognizes that geological, topographical, and environmental aspects could require further adjustments to the project design during the project implementation. In this project, for example, drainage tunnels were found to be technically unfeasible during the detailed design phase due to geotechnical and seismic conditions in Port Vila, and some of these project design deficiencies could not have been fully foreseen during the project appraisal phase. Considering that the reduced scope of the project's outputs was still appropriate in contributing to the achievement of some of the project outcomes, this validation assesses the project relevant.

B. Effectiveness in Achieving Project Outcomes and Outputs

15. The PCR rated the project less than effective. The PCR identified four performance outcome indicators to be achieved by 2019. The project achieved several of its targets and two

¹¹ The cost increases reduced the scale of infrastructure that could be completed under the project. The road component was reduced from 22 kilometers (km) to 13 km, and the drainage facilities from 33.0 km to 14.5 km of drains.

¹² ADB. 2016. *Guidelines for the Evaluation of Public Sector Operations*. Manila.

of the four outcome indicators. For the first outcome indicator, the government was to maintain its budget commitment of \$400,000 per year for maintenance works. Although a higher allocation equivalent to \$570,000 was allotted in the 2019 national budget for the development and maintenance of urban roads in Shefa province in 2019, this indicator was not achieved. There was no evidence or available data showing that this amount was spent on the project roads' operations and maintenance (O&M).

16. The second outcome indicator was for 75% of households within the urban and peri-urban areas of Port Vila to have access to improved sanitation by 2019. This was achieved based on the available joint data of the World Health Organization (WHO) and the United Nations Children's Fund (UNICEF), which indicated that 92% of Vanuatu's urban population had access to improved sanitation by the end of 2016.¹³ Within Port Vila, 94% of households, equivalent to 10,270 households, were reported to have access to improved sanitation.

17. The third outcome indicator was reducing by half the incidence of diarrhea in Port Vila—from 892 reported cases per 1,000 people based on WHO data. In 2018, the Ministry of Health reported just 83 diarrhea cases per 1,000 people in Efate, including Port Vila, which was about 80% improvement over the target. While this target was achieved, the PCR correctly pointed out that this was due to other factors that were not related to the project, such as improved hygiene, and better food preservation and quality.

18. The fourth outcome indicator was at least a 20% decrease in travel time compared to the 2010 baseline of 2 minutes per kilometer (km), and a 0.5% decrease in vehicle operating costs, compared to the 2010 baseline of \$0.20 per km. The report and recommendation of the President (RRP) cited the 2010 baseline for the operating cost to be \$0.20 per km but there was no baseline reflected in the PCR. The PCR noted that these indicators could not be assessed and, therefore, considered as not achieved due to the absence of commuter and traffic surveys since 2014.

19. On the performance indicators and targets for the five outputs, the first output indicator was improved road network and drainage system—to be delivered by 13.3 km of rehabilitated urban roads and 14.5 km of urban drainage constructed or rehabilitated. The targets were achieved for the rehabilitated urban roads and partly achieved for the urban drainage even with the major change in scope.¹⁴ The second output indicator was an improved sanitation system in greater Port Vila—through proper treatment and disposal of all domestic and commercial sludge. This target was achieved as the construction of a fecal sludge treatment facility was commissioned in 2017. Also, all fecal sludge collected in Port Vila and its surrounding areas were treated at the facility.

20. The third output indicator was improved hygiene facilities usage in the central area and settlement communities—to be delivered based on the following sub-indicators. The first sub-indicator was four new multipurpose community sanitation and hygiene facilities at two informal settlements in greater Port Vila, constructed and operational, with the majority operated by women's groups. This indicator was achieved as the project delivered 13 new CSFs to six informal settlements in Port Vila. The second sub-indicator was refurbishment of four existing multipurpose community sanitation and hygiene facilities at three informal settlements in greater Port Vila, with

¹³ WHO/UNICEF. Joint Monitoring Programme for Water Supply, Sanitation and Hygiene database. <http://washdata.org/data/household#!/vut>

¹⁴ This was considerably reduced from the outputs expected at appraisal as specified in the RRP, which included (i) 22 km of roads rehabilitated, 25 km of underground drains installed, and 8 km of surface drainage open channels; (ii) 0.65 km of tunnel; and (iii) +/- 7.0 km² of area drained in five drainage basins, which were anticipated to reduce seasonal flooding incidences to zero.

the majority operated by women's groups. This indicator was achieved since the project refurbished five existing sanitation facilities at four informal communities. The third sub-indicator was three new public toilet facilities constructed and operational—which was substantially achieved. The fourth sub-indicator was four existing public toilet facilities refurbished, including special access provisions for women, children, and disabled in the greater Port Vila, which was not achieved.

21. The fourth output indicator was capacity development for the government agencies and communities and user groups—to help them manage sanitation, roads, and drainage systems effectively and efficiently. This output indicator had four sub-indicators. The first sub-indicator—to improve the capacities of at least 50 government staff (with at least half to be women) to manage and maintain the sanitation, roads, and drainage facilities—was not achieved. The second sub-indicator—for the drainage maintenance to follow 100% annual maintenance schedule—was also not achieved. The third sub-indicator—for 100% of CSFs to comply with sanitation standards at any time—was substantially achieved. The fourth sub-indicator—to have 100 women trained to manage the sanitation and hygiene facilities' maintenance activities—was achieved. The fifth output indicator—efficient project management with the project implemented on time and within budget—was not achieved.

22. The implementation of GAP was rated unsuccessful since it did not meet the 80% threshold in delivering its intended gender equality results. The PCR indicated that the project only met 63% of its quantitative targets and 65% of the intended activities. These results were partly due to challenges resulting from poor project design and the absence of national regulations relating to gender. Equal pay for equal work was not an aspect of the national labor code and, therefore, contractors were unable to enforce its compliance. There was also an oversight in the supervision consultant's terms of reference—which did not require reporting against gender targets. Both these issues highlighted the need for greater assessment during project preparation and implementation to ensure that gender issues are fully met.

23. On the whole, there were no measurable significant negative impacts on people or on the environment. The mitigation measures identified were implemented and deemed effective in reducing negative impacts. An early assessment of the project concluded that the project had positive environmental benefits by reducing the flooding of roads. It also improved environmental conditions in the locations of the sanitation facilities and supported the tourism and investment sectors. The project also reduced runoff to the sea. However, there were several other discharges outside of the project, which adversely affected Mele Bay.¹⁵

24. Two resettlement plans were prepared and implemented. The land for the Bouffa sludge treatment plant was owned by the Port Vila Municipal Council. Among those affected, 40 were non-titled land users who were given an alternative site for their continued use as gardens. The roads and drainage subproject required 2,700 square meters of leased private land to create drainage easement to minimize flooding and 177 public access areas were constructed across private leasehold lands. Other sanitation subprojects did not require land nor affected land uses. The project did not cause landlessness, loss of homes, or loss of income sources. A grievance redress mechanism was established for complaints received during project implementation. Grievances received were minor and related only to construction matters, which were all adequately addressed.

¹⁵ The PCR reported personal communications with the staff of the Ministry of Lands and Water, which identified weak enforcement of building codes and environmental regulations.

25. On the whole, design problems, project implementation delays, and the lack of measures to ascertain the adequacy of the road and drainage works were major issues that affected the effectiveness of the project. As a result, this validation assesses the project less than effective.

C. Efficiency of Resource Use

26. The PCR rated the project efficient based on process efficiency but the economic internal rate of return (EIRR) was not fully recalculated at project completion due to lack of background information and post-project data.¹⁶ With this limitation, the project team reported to have consulted with ADB's Economic Research and Regional Cooperation Department on how best to rate efficiency given their inability to fully replicate the project economic analysis—due to the lack of the original project economic model and the inability to capture post-project data to gauge impact. While taking this into account, this validation still considers this a limitation in efficiency assessment given that the infrastructure elements were the project's main components and the rationale for the investment. Owing to the lack of local skills in the government, the reestimation of the EIRR would have to be undertaken by the supervision team or under separate inputs provided by the TA. The absence of information on the project's impact on traffic conditions in Port Vila and the reestimation of the EIRR posed a limitation in the PCR's efficiency rating. The PCR indicated that a reevaluation estimated the EIRR for all components to be 12.5% (PCR, Appendix 9, para. 11). However, this figure was just marginally higher than the 12% discount rate, and changes in cost and benefits based on a sensitivity analysis could further lower this figure below 12%.

27. Significant delays also occurred during the detailed design of the project due to the poor performance of the consultants and to the local administrative delays in the review processes. Given the high costs of undertaking the design and supervision services, there could have been greater attention to ensuring adequate performance of the services and to their scope of work. The project scope at completion was substantially less than envisaged at appraisal and efforts were spent on designs that were subsequently deleted from the project. On the whole, this validation assesses the project less than efficient.

D. Preliminary Assessment of Sustainability

28. The PCR rated the project less than likely sustainable. The government was unable to address the medium and long-term planning of public finances for many years, resulting in inadequate budgets for the periodic and routine maintenance of infrastructure. Also, the skills available for road asset management have been inadequate. The introduction of management systems and the skill sets associated with managing and operating such a system are needed. The PCR noted that most of the 18 CSFs completed under the project were operating well using a revenue stream generated by the users.

29. The project was assessed to be environmentally and socially sustainable due to the improved roads and associated drainage improvements; the innovative stormwater disposal; and the CSF, water, and sanitation improvements. However, the persistent issues of road maintenance remain, and this validation assesses the project less than likely sustainable, despite the initial maintenance allocation in the 2019 budget. While financial resources are important, the

¹⁶ It is noted that the PCR included an economic reevaluation of the project in Appendix 9. The project's economic reevaluation was indicative based on adjustments to the assumptions used at appraisal and the information from other data sources. This was a rudimentary analysis, and the results were not reported in the main body of the PCR. This validation concludes that the analysis was insufficient to approximate the investment's EIRR.

technical skills to manage and implement adequate road maintenance are currently absent. Capacity deficiencies in this area are likely to require substantive support in the future.

III. OTHER PERFORMANCE ASSESSMENTS

A. Preliminary Assessment of Development Impact

30. The PCR rated the development impact satisfactory as the project substantially achieved its targeted development impact. The DMF objectives were partly met since the project upgraded roads that became more climate-resilient, improved the stormwater drainage system, and reduced flooding. The PCR noted that the project improved fecal sludge treatment and disposal, and successfully delivered sanitation facilities, hygiene awareness, and training to more than 10,000 people. These components boosted sustainable development in Port Vila. However, the strengthening of the maintenance capacity for urban roads and drainage infrastructure was reallocated to another ongoing project funded by the Government of Australia, which will determine whether sufficient capacity and skills will be attained in the future. Despite a few shortfalls that included the performance targets and indicators associated with the project impact, the project is likely to have positive development impacts and support sustainable development in Port Vila. This validation assesses the preliminary development impact of the project satisfactory.

B. Performance of the Borrower and Executing Agency

31. The PCR rated the performance of the executing agency and the PMU satisfactory. It indicated that the government agencies involved in the project—the Ministry of Finance and Economic Management, MIPU, and PMU—fulfilled their roles as expected during implementation and their ownership eventually being strengthened. Counterpart staff were provided in line with the financing agreement. The PMU was fully staffed and kept records of the project accounts and managed project implementation, including the safeguard requirements and the grievance address mechanism. However, as the PMU's responsibility expanded, additional staff or resources were not supplemented due to insufficient leadership and guidance to the design, supervision, and capacity development work. On the whole, this validation assesses the performance of the borrower and executing agencies satisfactory.

C. Performance of the Asian Development Bank and Cofinanciers

32. The PCR rated ADB performance satisfactory but discussed deficiencies in the project design. Underestimation of costs significantly strained implementation adding to problems with foreign exchange losses. These adverse situations were aggravated by the poor performance of the consultants. ADB made significant efforts to manage the issues throughout the project duration and fielded 30 review missions to review and monitor implementation. It approved a major change in scope and secured additional financing from the GEF due to the shortfall of funds. Considerable additional consultant resources were provided to cover key constraints to review technical designs, helped to minimize delays, and maintained technical oversight. This was particularly important due to the lack of a specific technical staff in the MIPU.

33. The PCR rated the performance of cofinanciers satisfactory. The Government of Australia also provided the bulk of the project resources and was responsible for absorbing the capacity development component under its parallel Roads for Development program. The GEF provided cofinancing at a time when additional funding was required to complete the drainage system.

Considering these, this validation assesses the performance of ADB and the cofinanciers satisfactory.

IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment and Ratings

34. The PCR rated the project relevant, less than effective, efficient, and less than likely sustainable. This validation assesses the project relevant, less than effective, less than efficient, and less than likely sustainable. The table below compares the ratings and concludes that the overall rating is less than successful.

Overall Ratings

Validation Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance	Relevant	Relevant	
Effectiveness	Less than effective	Less than effective	
Efficiency	Efficient	Less than efficient	The reevaluation of the EIRR was insufficient to demonstrate project efficiency. Significant delays occurred during detailed design.
Sustainability	Less than likely sustainable	Less than likely sustainable	
Overall Assessment	Less than successful	Less than successful	
Preliminary assessment of impact	Satisfactory	Satisfactory	
Borrower and executing agency	Satisfactory	Satisfactory	
Performance of ADB	Satisfactory	Satisfactory	
Quality of PCR		Satisfactory	

ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = project completion report.

Source: ADB (Independent Evaluation Department).

B. Lessons

35. The PCR listed five lessons on project preparation, cofinancing, sustainable O&M budgets, implementation of GAP, and on the transfer of knowledge and skills. These lessons described areas of the project that were problematic throughout implementation until post-project completion. Several lessons were related to the limited capacity of many government departments, which was a common problem encountered in many Pacific Island countries. Building the requisite skills base is a long-term requirement and to successfully implement and operate projects require sufficient capacity development and knowledge transfer in all projects.

36. This validation highlights two project-level lessons. First, preparatory studies of project design, which ensure technical feasibility during project preparatory phase, help reduce the effect of implementation delays that may arise due to changes in project scope or geographical conditions. As such, project master plans need to be properly supplemented by technical details

to ensure suitable configuration of components.¹⁷ These need to cover the whole range of alternative technical options that are available. Also, the detailed engineering design of the chosen technical option could carefully consider site-specific conditions (agronomical, hydrological, among other things), which are crucial in the context of the Pacific region. Second, strengthening partnerships among bilateral and multilateral organizations, especially in the Pacific region, supplements a government's initiatives. For instance, complementary work among these donors helps a government in redesigning projects struck by disasters during implementation, especially to realign project components alongside the urgent needs of disaster recovery, rehabilitation, and reconstruction efforts.¹⁸ A range of interventions for the government in facilitating timely response for disasters could come about through strengthened donor partnership, which will help maximize the achievement of project results.

C. Recommendations for Follow-Up

37. The PCR included recommendations associated with categories covering project preparation and sustainable O&M. First, based on the lessons identified from the project and the mission reports, the PCR included several recommendations to improve project preparation and readiness applicable to future projects. These were discussed in a country portfolio review mission in April 2018. The second category was on strengthening O&M activities as successive governments failed to implement an effective policy. Additional actions were recommended to enabling O&M and promoting resilience. This validation recommends that these actions need to be mainstreamed in policy dialogue to protect the large infrastructure investments made in the past and as identified for the future. Third, the PCR noted that outstanding financial accounts are currently being followed up by ADB country operations. The other items for follow-up included the need for the design and development of other ongoing projects to respond to and be informed by the lessons learned from this project to ensure sustainability of outcomes, and for subsequent projects and supporting TA to be designed with broader institutional strengthening as a goal and output.

V. OTHER CONSIDERATIONS AND FOLLOW-UP

A. Monitoring and Reporting

38. Based on the information at the time of the PCR, there was no feedback on whether the roads and drainage components were successful at mitigating flooding occurrences or how the improved roads enhanced traffic conditions in Port Vila. Future missions to Vanuatu need to provide information on the operation of project facilities to give feedback for future urban development activities and to discuss the adequacy of maintenance funding for the infrastructure.

B. Comments on Project Completion Report Quality

39. The PCR covered all aspects of the project and assessed it in accordance with the evaluation criteria and guidelines. The PCR was generally candid on its self-assessment on these evaluation criteria. One of the limitations of the PCR in terms of the report quality was the project's economic reevaluation being indicative based on adjustments to the assumptions used at appraisal and information from other data sources due to lack of background information and

¹⁷ ADB's Pacific Department (PARD) Urban Development, Water Supply and Sanitation Division (PAUW) also pointed out that validation of master plans through independent technical review during project preparation could have addressed the master plan errors and would have reduced delays and redesign costs during project implementation.

¹⁸ In this project, cyclone Pam that struck the country in 2015 resulted in extensive damage that required the government to refocus on rehabilitation response and efforts.

post-project data. It was indicated by the regional department that the project's economic reevaluation involved substantial consultation with Economic Research and Regional Cooperation Department (ERCD) to address this shortfall and that COVID-19–related border closures prevented primary data capture required for assessment of some performance targets. For these reasons, this validation assesses the PCR quality satisfactory.

C. Data Sources for Validation

40. Data sources included the RRP, PCR, and back-to-office reports of ADB review missions.

D. Recommendation for Independent Evaluation Department Follow-Up

41. The PCR suggested that any project performance evaluation report should allow 12 months for the final loan covenants to be complied with. This validation recommends the situation to be reassessed at that time to determine the proper timing of the project performance evaluation report.