

**Millennium Challenge Account
Vanuatu**

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MCA-Vanuatu Steering Committee Meeting Minutes

Type of Meeting: Regular Steering Committee

2nd May 2008

9.30am

MCA Vanuatu Conference Room

Board Members:

Present:

Chairman	Director-General Prime Ministers Office
Member	Director General, Ministry of Lands
Member	Director of Finance
Member	Director General, Ministry of Infrastructure & Public Utilities
Member	Director of Department of Strategic Management
Member	A/Director, Public Works Department
Member	Representing Secretary General, VANGO
Member	Representing Director of DESP
Member	Principal Statistician

MCA Vanuatu Program Management:

Program Director
Environment and Social Impact Officer
Infrastructure Analyst
Economics Analyst
Secretary & Support Staff

Observers:

MCC Representative
Deputy MCC Representative
Representative of VTO
Acting Director, Environment Unit

Apologies:

Head of Development Cooperation Foreign Affairs
General Manager of Chamber of Commerce

Absent:

Director General, Ministry of Finance & Economic Management
Director General, Ministry of Foreign Affairs

Quorum present? Yes

The meeting was quorate.

Person Acting as Chairman: Director General, Office of the Prime Minister

Person Acting as Secretary: Program Director

Proceedings:

The meeting called to order at 9.30am by Chairman.

The Chairman welcomed every one to the meeting.

1. Introduction of the Agenda by Chairman of the Steering Committee

The Chairman thanked the Program Director and his team for a successful negotiation with Downer EDI Works Ltd and subsequent reviews and finalization of the contract with Downer. He thanked MCC for their assistance in helping MCA Vanuatu through this process.

The Program Director welcomed all SC members, and noted for the first time the attendance of the SC Meeting by the Acting Director of Environment as Observer. He encouraged his continual participation in future meetings as the program nears finalization of EMPs and RAPs.

2. Summary Minutes of the Negotiation

The Chairman requested the Program Director to summarize this report.

Because of the details of the negotiated points, the Program Director read to the SC the Negotiation Decisions of 10 April 2008 executed by Downer and MCA Vanuatu.

Scope and Design issues

Downer EDI Works, Ltd. was the lowest bidder for all the schedules issued with Tender No. MCA-VAN-02. Because the limit on approved MCC funding made it impossible to complete all eleven subprojects, the Council of Ministers requested that priority be placed on executing the Efate Ring Road and Santo East Road. The negotiation commenced with the understanding that we would like to make the allocated money go as far as possible.

The Australian based QCPP (Queensland Consulting Project Partners) have been appointed the Engineer to the Project.

Preliminary investigation revealed that currently 75% of the culverts on Efate Ring road are useable if cleaned through use of community contracts. 25% of the culverts will require to be replaced.

The current quantities for the Santo East Coast Road pavement width was reduced from 6m to 5m with 1m shoulders. Seal road will only start from Shapui to Matevulu and repair and not seal to Khole.

Quarry Materials

The Contractor have maintained the position that they are not responsible for landowner's material costs. The Contractor's coral price is capped at average 500vt in Efate and 300 vt in Santo. There are currently 13 quarry sites licensed by 3 operators on Efate. The permits contained land owner's consents. Question raised by DG Lands of whether Contractors will use own machine was responded to as 'yes'. Some Operators have in their possession machines that can be used, with this the Director responded by saying the Operators has been asked to speak directly to the Contractor for deals of using Operator's machines, but material costs will remain the same.

Work Program

It is expected that the Ground Breaking Ceremony happens on Friday 27 June or Monday June 30 (as suggested by MCC). Mr Sethness suggested that the date for this should depend on the PM's schedule. The Chairman told the meeting that the dissolution of Parliament will happen on July 2, 2008 and that the ceremony must happen before then.

The DG of Lands commented that the 20m of the road is required to be explained to landowners and particularly lessees. The MCA team and Maunsell Limited has had consultations with the Dept of Land Surveys and their clarification was that the existing Act provides for 10 m from the centre of the alignment. The Department of Lands indicated that there is no need to obtain such lease given that Government has 20m in total of the road according to the existing Act. The environmental consultants concluded that there is no need for rehabilitations. The MCC Representative commented on the DG of Lands comment and queried whether Lands has checked this and ensured that this matter will not be brought up in the future? The DG Lands suggested that this be taken seriously because of past experiences regarding land surveys on roads.

It is designed that the Efate Ring Road design will be segmented. The first segment includes the road from La Cascade to Tanoliu (Port Havannah). This is where the design team work will start work.

2. Adjudication of Clarifications included in the Downer EDI Works Ltd bid.

The Program Director asked whether it is necessary for the SC to understand the agreements reached in connections to the "clarifications" sought by the Contractor. The

Chairman responded by asking whether these were not reflected in the contracts? The Program Director responded by saying they form part and parcel of the contract. Anyway, the Program Director proceeded and read out all the Decisions Outcome to the SC. All the Decisions Outcome were agreed to by the SC.

3. Other matters.

Quarry issue

One of the decisions made at the Negotiations to enable the Contractor to be able to construct the Efate Ring Road and the Santo Eastern Road is to allow the Contractor full control of the quarry sites. This is to ensure limitations of injury to persons and machines and allow reasonable insurance cover to include these sites. Currently on Efate, 3 Local Operators have obtained licenses to supply quarry materials to the Contractor. However the Operators are demanding that they control the site and extraction and transportation of materials be undertaken by the Operators themselves. This demand is inconsistent with agreed Decisions Outcome. If this is allowed, the Contractor will want to re-negotiate the contract based on associated risks connected with not having control of the site, and quality control of the material supplied cannot be guaranteed. The Contractor's responsibility is to construct a road that lasts a lifespan of 20 years. This cannot be ensured when you have a third party doing the above for you.

The Lands DG commented that the Contractor can be granted licenses. Mr. Sethness commented that MCC is concerned about legal solutions to the matter; and the Contractor would want to work on a safe, sound and sensible manner. The DG Lands commented that it is an ideal position if the Operator and the Contractor could function well as capacity building can be achieved. The Director of Public Works commented that past experience indicate delays with operators and that it is good if the Contractor can have full access to the quarry and be able to control it for quality reasons. After some discussions, it was agreed, after the motion being tabled by the Director of PWD, that PWD facilitate granting of new licenses to PWD for use by the Contractor and for PWD and for MCA to pay land owners directly.

The Chairman signed the execution page of the Contract after a motion by Director of PWD and seconded by Director General, MIPU .

The Chairman signed the Letter of Acceptance and Contract Award.

Before closing, the MCC Representative congratulated the whole MCA Team, as well as PWD, its ESU and the FIDIC Engineer for a wonderful job they did to maximize the amount of priority roads that could be delivered within the time and money available within the limits of the MCC Compact. The Chairman thanked MCC Vanuatu and Headquarters staff on behalf of MCA Vanuatu for their contribution to the successful conclusion of the negotiations, and for being able to comply with the Decisions of the Council of Ministers. He noted there are challenges ahead that face the Program Director

and his team and asked for their perseverance. Now that the Letter of Acceptance and Award is signed, the Chairman hoped that MCC will oblige by providing a No Objection. Mr. Sethness confirmed that he was giving MCC's No Objection verbally at that very moment, and would confirm it in writing as soon as it is formally submitted to him.

No other business was discussed.

The MCA Vanuatu Steering Committee meeting closed @ 11.30 am

Certified by: /S/
Secretary, MCA-Vanuatu

Acknowledged by: /S/
Chair of the Steering Committee