

Millennium Challenge Account Vanuatu
Constitution Building
Lini Highway
PO Box 192
Port Vila, Vanuatu
Tel: (678) 26918 / 26415
Fax: (678) 26419
Email: mcavanuatu@vanuatu.gov.vu



Compte du Défi du Millénaire Vanuatu
Bâtiment de Constitution
Lini Route
BP 192
Port Vila, Vanuatu
Tel: (678) 26918 / 26415
Fax: (678) 26419
Email: mcavanuatu@vanuatu.gov.vu

Reducing Poverty through Improved Infrastructure

MCA-Vanuatu Steering Committee Meeting Minutes No.10 of 10101409

Type of Meeting: Special Steering Committee Meeting

2.30pm – 14 October 2009

MCA Vanuatu Conference Room

Board Members:

Present: Chairman, DG PMO, Simeon Athy
DG, MIPU, Wilson Tari Vuti
Director, PWD, Allan Faerua
Representative, Director of Finance, Primrose Toro

MCC & NZAID Representative

Chris Cookson, MCC Resident Country Manager
Kristian D, MCC Program Officer, Washington
John Classen, NZAID Representative

MCA Vanuatu Program Management:

Johnson Wabaiat, Program Director MCA-V
Hans Euscher, Project Manager/Advisor
Catherine Malosu, Environment & Social Impact Officer
Tony Sewen, Economist
Marie Jo Bani, Administrative Personnel

Apology:

Gregoir Nimitik, Director, DSM
DG, Lands
DG, Finance

Quorum present? Yes

Meeting was quorated.

Person Acting as Chairman: Director General, Prime Minister's Office

Person Acting as Secretary: Director, MCA Program Management

PROCEEDINGS:

The meeting called to order at 2.00pm by the Director General of the Prime Minister's Office who is also the Chairman of the MCA Vanuatu Steering Committee.

Opening pray by the Program Director of MCA Johnson Wabaiat.

AGENDA ITEM

- 1. Consideration of previously deferred minutes**
- 2. Engineers Support to ESU**
- 3. Project Manager Program Update**
- 4. MCA Staffing Complement**
- 5. AOB**
 - a) Recent F&C incident**
 - b) Disbursement Request Response**
 - c) MCA-Vanuatu presentation, Business Forum**
- 6. Next SC Meeting 12th November 2009**

1. Consideration of previously deferred minutes

The Chair suggested to the SC that there should be another time specified for the SC to be able sit and look at the Minutes which has been outstanding for a long time.

The SC endorsed that agenda no. 3 be discussed before no. 2 agenda and also agenda no. 4. Agenda 5 would be discussed in the next meeting.

3. Project Manager Program Update

Project Manager MCA-V presented an updated report on road infrastructure Development Project for Efate Ring Road and Santo East Cost Road. In his report he talked about the progress being made during the last quarter on the construction of the Efate Ring Road (ERR) and the Santo East Coast Road (SECR); and also to seek Members approval to the agreed amount of the Proposed Lump Sum for the total project.

The Program Manager reported that the project is progressing well. The last quarter saw mobilization of Downer EDI Works' subcontractor to Santo, and their commencement of

work on Section A of the Santo East Coast Road. After delay due to bad weather, work has progressed well and are currently about 12% ahead of schedule. Works also continued as scheduled for the ERR, however, some nonconforming areas of seal meant a reduction to the contractor's interim certificate.

The report all presented the Financial report of the project to date which shows:

To the end of September 09, a total of \$36,269,049.22 had been certified by the Engineer. This includes some \$2,926,628.76 this also includes advance payments of \$10,791,375 and a saving to the Contract price of \$1,607,633.45 as a result of foreign exchange rate fluctuations.

To coincide with the monthly coordinating meeting for September 2009, a workshop was conducted on Santo to deal with Environmental, Social Resettlement and Safety issues. This was well attended by personnel from the Sanma Provincial Gov, PWD, DEW, QCPP, MCC and MCA-V. The feedback was positive and most attendees indicated that they benefited by attending the workshop.

For the Survey and design: Final designs have now been submitted for all Sections of the Efate Ring Road as well as Sections of the Santo East Coast Road. The contractor has also submitted a proposed design for the construction of the steep section such as Klehm's Hill. The negotiation continued between MCA-V and Downer EDI Works which concluded in reaching agreement of the proposed Lump Sum for the total project by the end of September 09.

Construction- Efate Ring Road

Construction of culverts and outlet drainage progressing well together with cleaning and grubbing as well as earthworks have now been completed commenced from remain part of Section 3-sectin 4 over a total distance of 40 km on Efate

In addition to completing pavement construction of almost 35km, the contractor has also completed Bituminous Sealing to about 28.5 km of the ERR. Downer EDI Works revised program show completion of Efate Ring Road by end of September 2010.

Santo East Coast Road

In Santo, clearing and grubbing has progressed to section B1-B2. Quarry development at Lopelope has also commenced, sub base construction has been completed to 2 km. The Contractor also submitted revised program which also shows completion of Santo East Coast Road by 1st September 2010 – road works and pavements.

While Contractors performance is now in line with requirements to complete by the due dates, their quality and environmental control continue to be monitored closely. This also requires efforts by the employee and contractor to additional non-conformance issues as required in the general agreement. in the issue of several non-conformance notices

requiring the contractor to rectify works not constructed in accordance with the Employer's requirements.

The report also presented as a matter issue for discussion relating to RFAs on request by the contractor.

Additional Program Fund

Under the terms of the Multi-year contribution agreement, signed 10th June 2009, the New Zealand Agency for International Dev (NZAID) will provide a total contribution of NZ\$14 million to the Government of the Republic of Vanuatu in respect of the Millenium Challenge Account Transport and Infrastructure Project, on condition that the Government of Vanuatu will apply the total contribution solely for the purpose of the Project. Part of funding has been deposited at the Reserve Bank of Vanuatu account from New Zealand Aid in July 09. And disbursement funds will be reflected in the current quarter October to December 09.

Lump Sum Calculations

As was stated in the July report, the Contractor and MCA-V reached substantial agreement on several sections forming part of the proposed Lump Sum for the project.

Since that time, progress has continued to be made and at the end of September final agreement was reached on the lump sums for all Sections of the project.

For Contracted works:

The Summary for proposed lump sum Design:	\$ 2,955,087.74
Site Establishment:	\$22,867,719.54
Efate & Santo Constructions:	\$31,014,508.01
Additional works (Santo):	\$ 8,033,954.88
Gives a total Works of	\$64,871,270.17
Less Foreign Exchange	\$ 2,204,813.56
So Net Lump Sum is equal to	<u>\$62,666,456.61</u>

Now MCA-Vanuatu is quite confident that the total construction costs can be met from the total funds available for the Design and Construction Phase of the project given the funds from MCC\$ 56,324,790.93 and NZAID 8,690,000.00 leaving an estimated amount of \$2,348,334.32 for contingencies such as royalty payments for Coral, further improvements designs to address safety aspects of the roads, additional staff for QCPP and provision of salaries for key personnel during the Compact Closure Period.

Concrete Pavement Works

Klehm's hill and Lelepa Landing (creek high hill) are considered too steep, (20%) to adopt a granular pavement with a spray seal surface, as is being constructed elsewhere along the road. That the agreed lump sum includes provision for these locations to have concrete pavements constructed, however further recent discussions with Downer EDI Works may result in a proposal for asphaltic concrete to be used instead. This option was previously ruled out because of the high cost of establishing an asphalt concrete plant in Efate; however, Downer EDI Works are investigating the possibility of obtaining other work for such a plant outside the Compact.

Provision for Compact Closure

During the past few weeks, MCA-V has been looking closely at the MCC requirements for Compact Closure, which requires that all road works must be completed prior to 28th April 2011 and following the provision of 128 days to finalize compact closure that the Compact be closed completely by 28th August 2011. The Contractor's proposed completion dates, allow MCA-Vanuatu to be confident about achieving the situation where all contractual payments will be made prior to the date for closure except for possible Force Majeure situations occurring during the later stages of completion, or possibly during the Defects Notification Period prior to the end of 2010.

Discussion points.

The Director of PWD questioned the issue of not applying a prime code will work, however, the Program Manager elaborated the contractor has found out that the prime has run off from some of the pass project, therefore based on he engineers analysis the Contractor proceeded based on the designed for seal. The Program Manager told the SC that the reason why they would not use the concrete, is that it would often need maintenance compared to bitumen road.

Recommendation

1. That the Steering Committee noted and endorsed and approve the report has recommended as follows:
2. the Lump Sum for design and build the Efate Ring Road and the Santo East Coast Road for a total sum of **\$62,666,456.61** as agreed between DEW and MCA-V on 1st October 2009.
3. the variation for the additional works to be finalized and submitted to MCC for their "No Objection" and
4. completion of the required modification to the Contract Agreement, by the Procurement Agent, to be signed by the Chair as the modified document.

The recommendation was moved by the DG of MIPU and Seconded by the Director of PWD.

2. Engineers Support to ESU

Report on strength and capacity of ESU presented based on the assessment of capacity of the Engineer Support Unit regarding the engagement of Mr. Ambatha Paralius' capacity to assume the role of the Engineer, indicated that we will still require external assistance by QCPP under the FIDIC Engineer Guidelines.

MCA-V position that the role of the engineer, required by the FIDIC condition contract is clearly defined into 2 conditions,

1. that the engineer must act for the employer assuring that the works must be completed within the employers' requirements
2. on the other hand the engineer access an independent certifier.

MCA-V seek approval of the SC for the expertise assistance to provide engineer and on the job support services for monitoring and implementation of the two (2) projects. to appoint Mr. Harry Wagorn to replace Mr. Richard Von Senger, as the civil engineer of the project to assist and PWD Fidic Engineer.

The Report was concurred by the Director of PWD based on the current scarcity of the HR (engineers) and with the recommendation of the report and settled that due to current HR constructor continued assistance will continue to be required.

The Director of PWD questioned MCA-V in regards to current arrangements with PWD, out in the field, that if they are doing their work and to see that there are no more engineers, Hans replied by saying that the people are doing their work, but the team is still under strength, would need or promise two engineers in the team which we haven't got. With out that, the role the QCPP had, their know that they will not get approval to get more people on the job or fill the two position. They would like someone else to work on Santo. But as far as the role of the engineer, MCA-V would be more comfortable, which is no reflection on PWD, with an independent, national consultant engineer, as the engineer on the contract. Apart from the fact that there is more experience in that situation, it is also a transparent system. When PWD becomes engineer, it would be come a two party contract, it would be the Gov against the contractor but with an independent engineer, you would have a 3 party contract, it would the Gov, the independent and the independent accessor. At the stage, there is no implication in the budget. But at the stage, the PWD is not yet ready to take over. So the SC has to decide whether to make the PWD the engineer or whether to continue with QCPP. Our recommendations are that we continue with QCPP and need SC's approval.

MCC Country Representative Ms. Coockson, said that the SC could give an approval subject to the Director being satisfied with the details of the referee checking and that could be forwarded to MCC for "No-Objection".

So QCPP is requesting that (i) that SC approve the appointment of Mr. Harry Wagorn to replace Richard Von Senger and (ii) that there also requesting the Santo Team be strengthened by providing additional support for Ambatha and also because the works in Santo has doubled, that we would need a senior work supervisor.

The Director of PWD agrees to this options, reasons being that the was too much time being spend in the ERR there has to be a Site Senior Work Supervisor to speed up the works in Santo.

Recommendation:

1. The SC noted and endorsed the report presented by QCPP (engineering) to be self explanatory and endorse the recommendation for continued engineer support service to ESU.
2. The SC noted and approved the recommendation for Mr. Harry Wagorn to replace Richard Von Seger and to seek MCC for “No objection”.
3. that the Santo Team be strengthen through provision of additional support staff for local site engineer.

4. MCA Staffing Complement

Environment and Social Impact 2nd Officer

All these three (3) positions were advertised in the local media outlets and selection process was completed by an independent selection panel.

The Director explained that due to increasing demand on Environmental and Social activities, there is urgent need for MCA-Vanuatu to fill in the position of the 2nd ESI Officer to compliment and supplement the activity and functions, roles and responsibility committed to be conducted by ESI Officer and to reduce backlog of outstanding issues.

Program Officer

He also stated that due to his work load, he would urgently need assistant from the Program Officer. This post was vacant for a long time and needs to be filled.

Administrative Officer and Support Staff

Also the administrative personnel’s post was vacant since the previous holder of the post was terminated. So the MCA-Vanuatu being very short staffed, decided to appoint someone on a contract basis until the posts were advertised and that they would appoint an eligible candidate for the post which is also very urgent, due to work load of other senior staff in MCA-Vanuatu office.

The Selection Panel after interviewing personnel for the 3 post, had forwarded the nominated individuals to the SC's approval and recommendation
All these new appointments are to be given three (3) months probation period.

MCA Fiscal Agent

The Director MCA-V expressed that within the next few day, he will forward the report to MCC for the new Development Account to the Fiscal Agent for "no objection".

Recommendation:

1. The SC approved the recommendations of the Selection Panel
2. MCA-Vanuatu to submit the recommendations to MCC for "no objection"
3. MCA-Vanuatu with the Procurement Agent to include the probation period of 3 months into the final contracts.

The SC noted and endorsed that this report be forward as the 2nd progress to date report on MCA program to the Council of Ministers.

There was no mo further items to be discussed so the meeting closed at 4.30 pm.

Certified by: _____/S/_____
Secretary, MCA-Vanuatu

Acknowledged by: _____/S/_____
Chair of the Steering Committee