

Programming priority investment projects under VISIP 2015

Project	Estimated cost (bVUV)	Estimated timing
Vanuatu Urban Development Project (Phase 2 - Luganville, Port Vila)	2.100	2017-2021
Efate Grid Connected Solar Panels (1 MW) Project	0.523	2016-2018
Luganville Existing Water Supply System Rehabilitation	0.383	2016-2017
Brenwe Hydro Power Project (< 1.2MW), Malekula	0.523	2016-2018
Sarakata Hydro Power Extension Project (+600 KW), Santo	0.397	2017-2018
Grid Extension (Matelevu to Shark Bay, Port Olry, Stone Hill and Palekula), East Cost Santo	0.224	2017-2018
National Diagnostic Laboratory Bureau of Standards	0.560	2017-2019
Sealing of Tanna Roads Whitegrass to Isangel	0.467	2017-2019
Implementation of iGov Strategic Plan including planning of WB/ADB ICT loan package	1.881	2018-2022
New government Data Centre + Backup	0.093	2018-2019
Santo South Coast Road Rehabilitation	2.390	2019-2023
4 Provincial capitals Water Supply System Development	0.090	2019-2020
Malekula East Coast Road Rehabilitation	2.931	2019-2024
Upgrading Airports of Category A	1.764	2019-2022
Domestic Jetties Construction in Every Province	0.486	2019-2021
Expansion of Government Broadband Network (GBN), Phase 2 (more connectivity in provincial capitals and towns)	0.187	2019-2020
Luganville Solid Waste Management	0.140	2019-2020
Rehabilitation and Extension of Luganville International Wharf	5.000	2019-2024
Upgrading Airfields of Category B	0.263	2020-2021
Low Voltage (LV) and Medium Voltage (MV) extension (Vila, Santo, Malekula)	1.680	2020-2023
Road Rehabilitation and Improvement in Every Province	1.862	2020-2023
Rural and Feeder Roads Rehabilitation and Development in Every Province	2.310	2020-2024
Rural Water Supply Lamap, East Malo, Wala Rono, West Ambae	0.093	2020-2021
Rural Water Supply in Every Province	0.047	2021-2022
Reconstruction College Malapoa	1.494	2021-2024
New Proposed Privately Financed Investment Project		
Takara Geothermal Power Plant (4+4 MW) Preparatory Study & Investment	10.082	2016-2024

Funding strategy — capital investment

GoV funds limited infrastructure and other capital expenditure from domestic revenues. It relies on a narrow tax base (VAT, excise, import duties). Barring a broadening of this base, it is unlikely that GoV could self-fund major infrastructure projects in the medium term. Development partner grants (and more recently concessional loans) have been the main finance source for infrastructure. Clearly domestic resources for infrastructure investment, to augment those from the development partners, will need to increase (along with institutional capacity) for the pace of infrastructure investment to rise commensurate with GoV's development goals. The strategy for financing economic infrastructure priority projects under VISIP 2015, developed with the Ministry of Finance and Economic Management (MFEM), reflects the following principles:

- ◆ Ensure that the available funding for economic infrastructure from GoV and its development partners roughly matches the total capital and maintenance expenditures for the proposed investments in VISIP.
- ◆ Ensure that funds are available for adequately operating and maintaining new infrastructure and that the assessments of proposed projects are based on the lifetime costs of infrastructure assets.
- ◆ Use civil society organisations (CSOs) as instruments for achieving GoV's social and community objectives to avoid

compromising the financial performance of existing or potential new state-owned enterprises (SOE) or private utilities.

- ◆ Continue to develop a GoV debt management strategy to ensure infrastructure investment do not lead to debt distress; prioritise using grants to fund infrastructure investment; and strictly limit using loans for those investments that will best boost the country's productive capacity.

For ongoing and proposed priority projects, a mixture of external grants and concessional loans will cover investment costs; for proposed projects, grants are preferred but some concessional loan finance will also be needed. The total funding requirement for capital costs for ongoing and proposed projects amounts to about VUV71.2 billion (USD763m) over the next 10 years. For the new projects the proposed investment over 2014-2025 amounts to VUV37.99 billion (USD407m). Funding modalities for these investments are likely to be:

- ◆ Public investment (DP grants, local + concessional borrowing): VUV25.48 billion (USD273m)
- ◆ Private Sector (concessionaires): VUV2.43 billion (USD26m)
- ◆ Public private partnerships: VUV10.08 billion (USD108m)

For proposed priority investment projects, the following split of fund sources has been estimated: Grants: VUV11.7 billion (USD125 million); Loans: VUV13.8 billion (USD148 million).

Pacific Region Infrastructure Facility is a multi-partner coordination, research and technical assistance facility for improved infrastructure in the Pacific.

PRIF Members: Asian Development Bank, Australian Aid - Department of Foreign Affairs and Trade, European Union, European Investment Bank, Japan International Cooperation Agency, New Zealand Ministry for Foreign Affairs and Trade, and the World Bank Group.

Vanuatu Infrastructure Strategic Investment Plan 2015

is available to download:

- From the PRIF web site document repository at www.theprif.org
- Scan this QR code with a mobile device
- Send email request to enquiries@theprif.org



This brochure provides a brief summary of the VISIP 2015, published by the Government of Vanuatu (GoV) with the technical assistance of the Pacific Region Infrastructure Facility (PRIF). The report, approved by the Council of Ministers on 16 April 2015, outlines Vanuatu's priorities and plans for major infrastructure for the coming decade — up to 2024. Specifically, it sets out a list of priority projects and recommends processes and institutional responsibilities within the Government that will allow successful implementation, monitoring and evaluation of these strategic investments. The VISIP 2015 considers both economic and social infrastructure.



Economic infrastructure (e.g. transport, power, water supply, communication) directly facilitates business activity and economic growth (e.g. industry, commerce, trade, tourism, food production). Social infrastructure refers to assets and buildings that accommodate social services (education, health, youth and sport facilities, justice and community services). Social infrastructure fosters economic development indirectly by nurturing the population's wellbeing and productivity in the medium and longer term. The report analyses the demand for economic and social infrastructure and establishes a list of priority investments for Vanuatu, together with a funding strategy. The report also recommends GoV actions for making VISIP 2015 the main infrastructure projects pipeline instrument to attract development partner funding, and securing the long term sustainability of infrastructure assets proposed in the pipeline by explicitly recognising maintenance needs.



For more information, and a copy of the full VISIP report, contact:
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Infrastructure needs

Infrastructure, vital for economic and social development, provides the foundation for developing urban and rural areas, operating industries and commerce, and delivering services to the community. Although Vanuatu has progressed in providing infrastructure and planning for investment is underway in individual sub-sectors, challenges remain:

- ◆ making infrastructure sustainable by identifying resources for maintenance and operation;
- ◆ integrating the prioritisation and planning of infrastructure into GoV's routine public administration;
- ◆ aligning development of the pipeline with evolving governmental policy and strategic priorities; and
- ◆ guiding development partner assistance to infrastructure in line with strategic priorities VISIP 2015.

The current stock of GoV-supported infrastructure assets is largely failing to deliver planned services, because they receive inadequate resources for their O&M once they are deployed. School buildings, sports stadiums, health facilities, courthouses, and GoV buildings as well as key transport and other assets are falling into disrepair and often become unusable well within design life.

VISIP 2015 recommends that operational and asset management considerations should not be side issues to consider after infrastructure investment decision making, but should be core to the investment decisions themselves. Maintaining and competently operating the current stock of assets should be prioritised in parallel with expanding the current asset stock. As such, the report includes an updated methodology for prioritising projects. It tailors the list of projects proposed for investment in accordance with to GoV's capacity and resources to operate and maintain each investment over the life of the asset.

Consultation and coherence

The VISIP 2015 process involved wide consultation among policy makers in government, and with providers and users of infrastructure and funding agencies. These consultations included meetings with individual stakeholders and stakeholder groups (including the private sector and civil society), and five workshops bringing stakeholders together at critical stages in the preparation process.

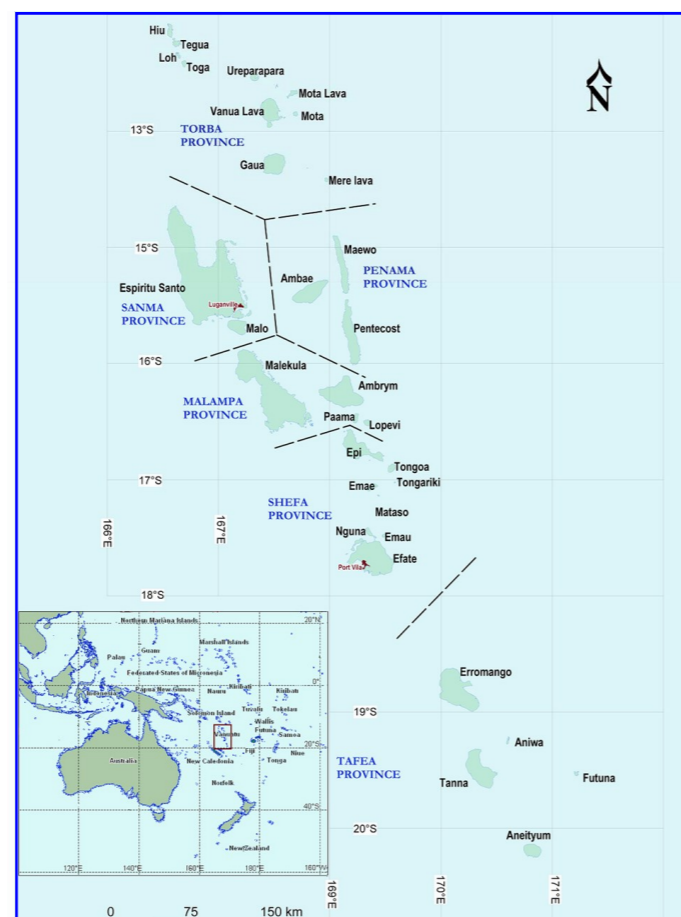
VISIP 2015 will be considered for adoption with the National Sustainable Development Plan (NSDP), which the Government of Vanuatu (GoV) is expected to approve by the end of 2015.

To establish full coherence with the NSDP and comprehensively address the issues facing the country, the VISIP includes social infrastructure in addition to economic infrastructure.

Approach and methodology

The project selection methodology is based on four criteria groups (CGs) and their sub-criteria that can be quantitatively and objectively scored based on information about proposed projects.

CGs and their sub-criteria were selected to dovetail into the three pillars of the upcoming NSDP. This ensures that project selection follows emerging GoV policy and to help sector analysts and the Department of Strategic Policy, Planning and Aid Coordination (DSPPAC) score and rank projects in a manner consistent with the NSDP for future VISIP updates. Indeed, to facilitate such updates the VISIP 2015 prioritisation methodology is structured as a process to be periodically repeated to reflect the country's changing socio-economic situation and GoV's evolving policies and priorities.



Priority projects selection outcome

VISIP 2015 groups future priority investments into three categories:

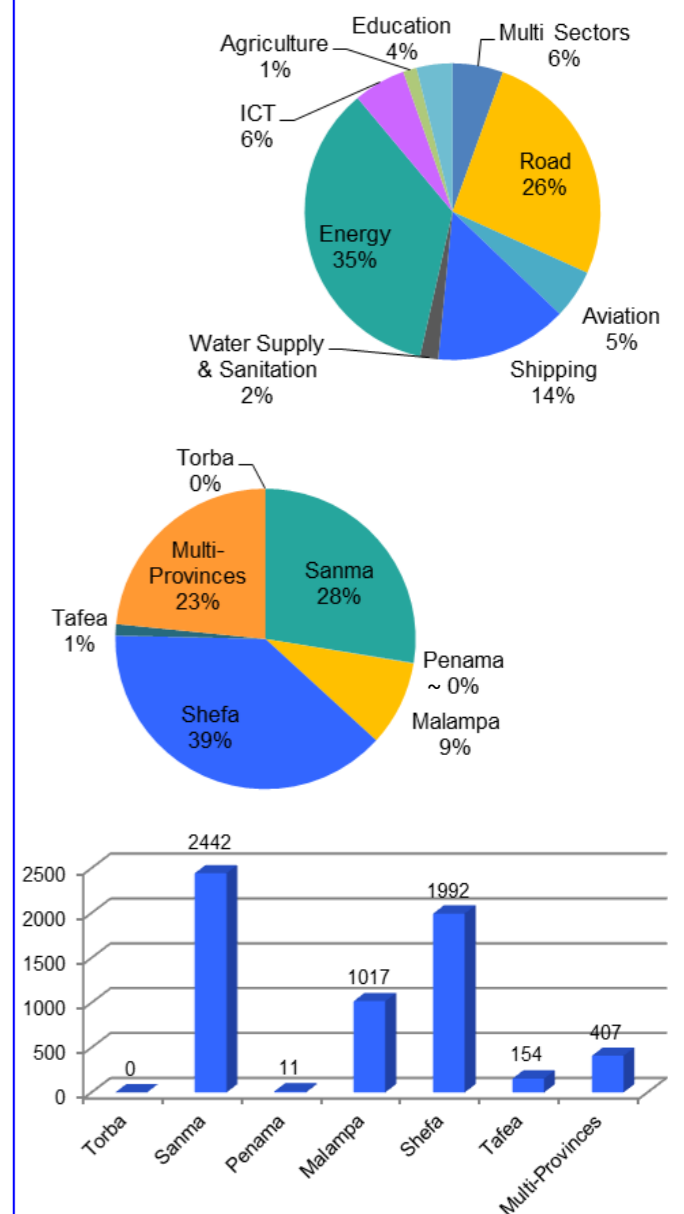
- ◆ A list of high priority individual public infrastructure projects needing Development Partner support for implementation funding – comprises 18 projects with a potential VUV21.10 billion (USD226 million) investment value (see table below).

High priority public infrastructure projects
Multi-Sector
Vanuatu Urban Development Project (Phase 2 - Luganville, Port Vila)
Roads
Santo South Coast Road Rehabilitation
Sealing of Tanna Roads Whitegrass to Isangel
Malekula East Coast Road Rehabilitation
Road Rehabilitation and Improvement in Every Province
Rural and Feeder Roads Rehabilitation and Development in Every Province
Aviation
Upgrading Airports of Category A
Upgrading Airfields of Category B
Shipping
Rehabilitation and Extension of Luganville International Wharf
Domestic Jetties Construction in Every Province
Urban Water Supply and Assimilate
Luganville Existing Water Supply System Rehabilitation
4 Provincial Capitals Water Supply System Development
Urban Solid Waste
Luganville Solid Waste Management
Power Grid
Grid Extension (Matelevu to Shark Bay, Port Olry, Stone Hill and Palekula), East Cost Santo
Low Voltage (LV) & Medium Voltage (MV) Extension (Vila, Santo, Malekula)
Renewable Energy Supply
Efate Grid Connected Solar Panels (1 MW) Project
Takara Geothermal Power Plant (4+4 MW) PrepStudy & Investment
Brenwe Hydro Power Project (< 1.2MW), Malekula
Sarakata Hydro Power Extension Project (+600 KW), Santo
Rural Water Supply
Rural Water Supply Lamap, East Malo, Wala Rono, West Ambae
Rural Water Supply in Every Province
Information and Communication Technology (ICT)
New Government Data Centre + Backup
Implementation of iGov Strategic Plan (including planning of WB/ADB ICT loan package)
Expansion of Government Broadband Network (GBN), Phase 2 (more connectivity in provincial capitals and towns)
Education
Reconstruction College Malapoa
National Diagnostic Laboratory Bureau of Standards

- ◆ A list of bundled sector projects (comprising many smaller mostly rural projects) needing development partner funding – rural roads, domestic airports, local jetties, and water supply. The total investment value of those bundled projects may be too large to implement in 10 years with foreseeable DP funding; implementation will thus need to be carried out over a longer timeframe. The realistic investments for the next 10 years in this category, consists of seven sector projects with an estimated VUV6.81 billion (USD73 million) investment value, which would be in line with foreseeable levels of development partner funding over the coming decade.

- ◆ A privately-funded public infrastructure project under Public Private Partnership (PPP) arrangements – a power supply project (geothermal) with a potential VUV10.08 billion (USD108 million) investment value.

The figures below provide a perspective of the distribution of priority projects investments by sector (below 1), by province (below 2), and, given the disparity in populations in the provinces, the per capita investment amounts in US dollars per capita, in each province (below 3).



The development partners in Vanuatu, and the sectors they work in

Development partners remain closely engaged in infrastructure development in the country and are keen to move projects and programs forward under VISIP 2015, endorsed by the Government of Vanuatu.

Looking ahead, the key development partners for infrastructure investment will remain, in addition to the World Bank and ADB (which work in urban development and maritime transport sectors); JICA – Japan International Cooperation Agency (maritime transport, agriculture, tourism, health); NZMFAT – New Zealand Ministry of Foreign Affairs and Trade (health, tourism, maritime and air transport); DFAT – Australian Aid (land transport, maritime transport, rural energy, education); and China (land transport, public buildings, sport facilities, social services). The private sector is also significantly involved in renewable energy, urban and rural electrification, information and communications technology (ICT), and water utilities in urban areas.