



Island Based Contractor (IBC Tracer Study)

Mid-Line Data & Information Collection
Phase II



Date of Report: 13 December 2017
Version No: Final v3

TABLE OF CONTENTS

TABLE OF FIGURES	i
Acronyms	i
Recommendations	ii
1 Introduction	1
1.1 Purpose and Objectives of the Study.....	1
2 Methodology and Study Limitations	2
3 Findings and Results	3
3.1 IBC Equipment	5
3.2 Constraints on IBC Business.....	7
3.3 Benefits Derived from R4D	8
3.4 IBC Priority Support	9
3.5 Future Plans	10
3.6 Staffing and Community Contracting	11
3.7 Awareness of Gender, Disability and Social Inclusion Policies	12
4 Conclusions and Recommendations	14
Annex 1: Survey-Interview Tool	15

TABLE OF FIGURES

Figure 1 - Location of Surveyed IBCs	3
Figure 2 - Annual IBC Turnover - All Islands	4
Figure 3 - Gross IBC profit - All Islands	4
Figure 4 - IBC Equipment.....	5
Figure 5 - Purchase Plan in coming months	6
Figure 6 - Constraints on Expansion	7
Figure 7 - Benefits Derived from R4D.....	8
Figure 8 - Support Required	10
Figure 9 - Expansion Plans.....	10
Figure 10 - Full-time employees and community engaged labour	11
Figure 11 - Awareness of Gender, Disability and Social Inclusion Policies %.....	12
Figure 12 - Employment of People with Disabilities	13

ACRONYMS

Acronym	Definition
DFAT	Department of Foreign Affairs and Trade
GoA	Government of Australia
GoV	Government of Vanuatu
IBC	Island Based Contractor
PWD	Public Works Department
R4D	Roads for Development Program

EXECUTIVE SUMMARY

The Roads for Development (R4D) is a A\$37 million, four-year commitment by the Government of Australia to assist the people of Vanuatu to gain increased access to a well maintained and affordable rural road network. It supports the Government of Vanuatu to effectively plan, build, and maintain its road transport infrastructure.

As part of its commitment to deliver a quality road infrastructure in rural Vanuatu, R4D has pursued a number of key strategies to engage with the local business sector and communities. The purpose is to deliver roads in a cost effective manner while at the same time maintaining the long-term viability and sustainability of the network. A core component of R4D contribution to improving the road network has been the development and support of an Island Based Contractor (IBC) model whereby small scale works are sourced to small businesses to provide employment, increase income and encourage private sector development.

The purpose of this report is to present the third data collection of a longitudinal tracer study to determine if any enhancements and improvements have been realised by IBCs since their inception in 2014. The main objectives of the tracer study are to:

- Identify and assess tangible improvements in the business performance of IBCs, as a result of R4D training and financial support;
- Determine the effectiveness of the long-term sustainability and viability of the IBC model in delivering basic road maintenance.

The current data collection round of the IBC Tracer study was facilitated in August-September 2017. This study builds upon the:

- first (baseline) data collection round in May 2014, and
- first midline in June 2015.

A summary of key findings is presented below and further expanded upon in the main report.

Key Findings

A total of 33 IBCs were interviewed for the baseline and first midline across the four islands of Ambae, Tanna, Malekula and Pentecost. The current data collection round reached 13 IBCs as some earlier IBCs had ceased or were unable to participate in the study. The tracer study has continued to employ a predominantly qualitative focus for data collection. Key findings from the current midline include:

- The average establishment date of IBC's is 2007, which is consistent with the commencement of Phase I.
- Growth was significant in 2015 with IBC's averaging annual turnovers of Vt8,359,137 (AUD 100,712) and this has been sustained through until 2016 with an average of Vt10,483,497 (AUD126,307).
- Average growth in profit from Vt 2,000,769 (AUD 24,105) per annum in 2013 through to Vt2,374,266 (AUD28,605) 2016 across all islands.
- IBC's are transitioning from basic hand tools to more heavy plant and equipment
- 97% of all IBCs are looking to purchase more tools in the next 12-months to underpin business growth.
- Forward planning for the type of equipment to be purchased remains consistent with 45% of IBCs looking to purchase more "heavy" equipment.
- Increase cost of materials and transport is seen as the most significant constraint on business (5% increase on midline figure) along with the rise of community tensions and jealousies.
- More consistent work has emerged as a key priority moving forward. This is now ranked higher than the baseline findings requesting more capital (decrease of 33%).

- Technical training is seen as most important (40% increase) with 60% of IBCs requesting more support technical support and guidance as opposed to general management training.
- A 60% increase in IBCs wanting to expand into a new business (construction) to diversify income compared with a 20% decline in preferences to expand existing businesses.
- Reduction in staff and community contract numbers reflecting more streamlined IBC practices.
- Further training in DFAT policies (gender, social inclusion and disability) is required along with greater awareness of PWD polices and strategies.

Recommendations

Based on the key findings and conclusions, the following recommendations are provided as a means for further engagement and consultation:

- R4D (and its successor programs) to focus on more technical site guidance and support, particularly on issues relating to infrastructure improvements.
- R4D to continue supporting IBCs to reinvest profits into purchasing of new equipment and growth of business opportunities (within roads)
- R4D to maintain on-going community-based work to ensure communities are actively engaged and that all IBCs are aware of relevant environmental and social safeguards, particularly appropriate levels of engagement with communities
- R4D, together with PWD, to review the rates used in IBC contracts to cover transport of materials, and if it is found that rates are not in line with actual market costs, make adjustments to the IBC cost model so that they are appropriately compensated.
- R4D and PWD to continue to work with other GoV agencies on reform of procurement processes to allow the introduction of multi-year contracts where appropriate, thus giving contractors more confidence to invest against an improved forward order book [note this is not an issue specific to IBCs but will benefit many forms of contracting].

1 INTRODUCTION

The Roads for Development (R4D) Program is a A\$37 million, four-year commitment by the Government of Australia (GoA), through the Department of Foreign Affairs and Trade (DFAT) to assist the people of Vanuatu to gain increased access to a well maintained and affordable rural road network. It supports the Government of Vanuatu (GoV) to effectively plan, build, and maintain its road transport infrastructure.

As part of its commitment to deliver quality road infrastructure in rural Vanuatu, has sought a number of key strategies to engage with local business and communities to support maintenance and improvement to the road network. The purpose is to deliver roads in a cost effective manner while at the same time maintaining the long-term viability and sustainability of the network. One strategy commenced in 2014 was to engage and promote the Island Based Contractor (IBC) model to support road enhancements, repair and maintenance as an alternative to the PWD force account. In simple terms, the model functions by supporting local IBCs (predominantly sole traders) to undertake small scale repair, upgrade and maintenance contracts to support larger road improvement and to potentially act as a link between large scale contractors and community based workers.

The IBC model is in the technical classification of a “small scale contractor” model defined as a private enterprise that usually operates only in a local area, but strives to grow in size, technical capacity, and geographical range. Small-scale contractors are trained in labour-based methods and are competent to work on unsealed roads only. They have some technically qualified permanent staff. IBC contracts were awarded and not tendered on the open market. This situation has resulted in IBCs ranging from very inexperienced to more established and experienced operations.

IBCs were invested in to fill a gap, where there was a need for contractors who were suitably skilled, reliable and efficient to be able to work on small structure construction and reinstatement, bio-engineering and erosion control, as well as contribute to tractor based routine pavement maintenance and spot repairs on provincial main and secondary roads where appropriate. Over the period 2014-2017, the IBC model has continued to evolve and develop in line with the requirements of the road network. This report presents the key findings of a tracer study that commenced in 2014 and was followed with a first mid-line in June 2015. This is the second mid-line data collection round with another proposed before June 2018.

1.1 Purpose and Objectives of the Study

The purpose of the IBC tracer study carried out in 2014 was to collect initial baseline data and information that can be regularly followed up on an annual basis to determine if any enhancement and improvements have been realised by IBCs. The objectives of this tracer study include:

- Identify and assess tangible improvements in the business performance of IBCs as a result of R4D training and financial support;
- Determine the effectiveness of the long-term sustainability and viability of the IBC model in delivering basic road maintenance.

The study was established a means of developing a longitudinal approach to evaluation and provides an opportunity for PWD to continue future studies applying a similar approach and methodology. The structure of the evaluation also provides opportunity to adjust and refine the scope based on the adjustment of key evaluation questions. This is an important consideration given new and emerging priorities that have been identified over the past three years with regards to IBC implementation and management.

2 METHODOLOGY AND STUDY LIMITATIONS

The tracer study employs a predominantly qualitative focus for the data collection at both the baseline and for the previous and current mid-line stages. Attempts have been made to quantify some information through the coding of responses, that have been refined and updated through data collection rounds.

Preliminary data at the baseline stage was gathered using a desk review and stakeholder consultation. This involved reviewing personal and business data and accessing records to identify and locate IBCs. Given the quality of data collection to date, all IBCs were located and invited to participate.

The initial baseline covered 33 IBCs across four islands - Ambae (6), Malekula (10), Pentecost (8) and Tanna (9). Interviews for the mid-line review occurred over an eight-week period (May-June 2015). There were delays involved due to weather conditions and access to islands.

The current midline study covered 13 IBCs in the same locations. The reduced numbers were the result of some IBCs having ceased operations, and a small number could not be contacted at the time of data collection. Surveys were conducted over a 4-weeks period from August-September 2017. A copy of the data collection tool is included as *Annex 1*. The same IBCs from the baseline were followed up for the first and second midline. Some IBCs have closed and others have moved to other islands. Drop-outs were replaced by the next available IBC based on years in operation.

The current midline study was completed using the services and support of the R4D-funded PWD Community Partnership Officers. This represented a shift in approach and a capacity development opportunity. Surveys were loaded onto tablets which allowed for quick collection and collation of data and information.

Like all evaluations and studies, there are often a number of limitations. For this study, key limitations included:

- The general lack of detailed financial information and accurate record keeping by IBCs meant that important data was sometimes not communicated or available.
- The timeframes, including the amount of time spent implementing contracts means that in some cases data has not changed to any significant degree to demonstrate any change or influence.
- Not all IBCs have remained in the same location and some have terminated their business so the same number of IBCs to be surveyed could not be reached.
- A vast majority of the data used in the baseline was from the IBCs themselves, therefore views and opinions had the potential to skew results.
- The reliability of the results is questionable due to a perception that 'positive answers' were required, so as to ensure ongoing participation and engagement with R4D/PWD.

3 FINDINGS AND RESULTS

The IBCs surveyed as part of the tracer study are evenly spread across the country, as shown in Figure 1.¹ This is not surprising given the mature state of the business model and the spreading of the IBC concept to all islands involved with PWD. Another contributing factor has been the shifting of some IBCs from one island to another.

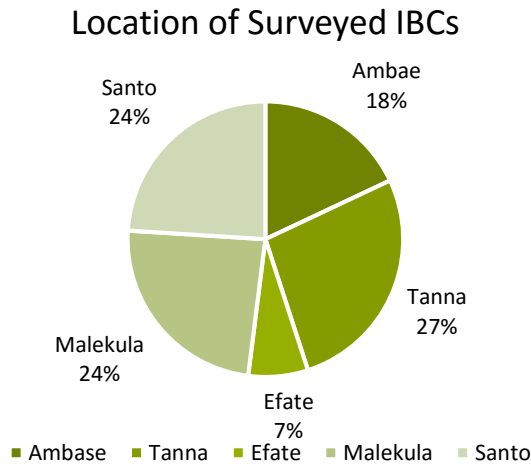


Figure 1 - Location of Surveyed IBCs

The average establishment date for IBCs across Vanuatu is 2007. Surprisingly, at baseline five IBCs could not recall their commencement dates (however this could be attributed to staff rather than the owners themselves attending the meetings). The earliest IBC established in the sample group was 1995 in Ambae with a majority commencing work in the period 2010-2011. IBCs at that stage were very small and relied heavily on small ad hoc contracts with limited technical input and/or support.

Total turnover for all IBCs at the baseline stage was Vt3,232,000 (AUD38,939²). There is a relatively even distribution of expenditure through IBCs across all islands. However, there are some IBCs which were successful businesses prior to engagement with PWD with work in areas such as building and construction. Extreme and outlying amounts were removed from the analysis, in an attempt to provide a more realistic perspective.³

The impact of IBC work has had a significant impact upon average business turnover. Growth was significant in 2015 with IBCs averaging Vt8,359,137 (AUD 100,712) and this has been sustained through until 2016 with an average of Vt10,483,497 (AUD126,307). The general turnover trend is improving. The current scopes of work through PWD do provide a solid source of income but the barriers to entry to register and establish an IBC are relatively small, so with improving margins comes the risk of greater competition for IBCs. However, increased competition should prove beneficial for PWD if managed correctly.

¹ It is important to note that the graph reflects all the IBC surveyed to date across the three data collection rounds. It is an attempt to demonstrate the relatively even spread of IBCs involved in the tracer study.

² Using rate of 1AUD:83 VUV (average over previous 5 years)

³ One IBC has turnover of Vt72million which greatly skewed results at the baseline phase, therefore the IBC was removed from the initial analysis given the impact those figures would have in presenting an accurate picture overall.

Annual IBC Turnover - All Islands

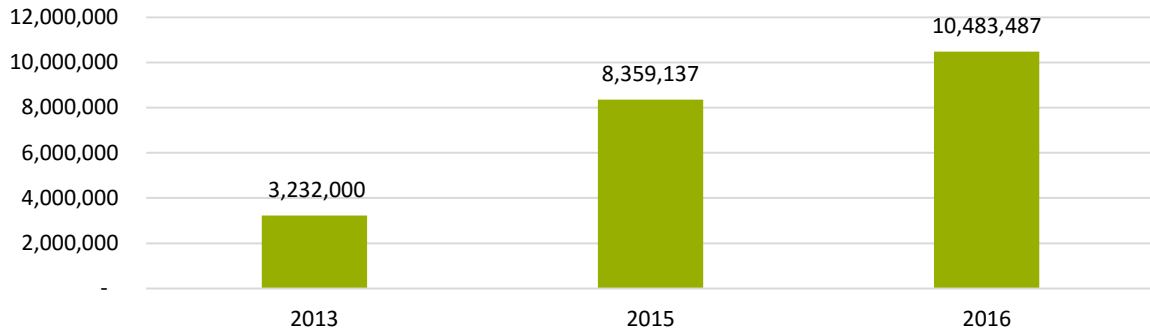


Figure 2 - Annual IBC Turnover - All Islands

In viewing profits, there has been a gradual increase in returns over the past three-years, as shown in Figure 2. The report notes that these are total averages and there are different profits levels for each IBC with some enjoying greater success than others. In looking at the headline figures, we note an average growth in profit from Vt 2,000,769 (AUD 24,105) in 2013 through to Vt2,374,266 (AUD28,605) 2016 across all islands. Profit has been somewhat muted but considering the growth of reinvestment into new machinery and equipment the figures represent steady improvement in the financial health of IBCs. As shown in Figure 3 below, profit fell in 2015 as IBCs scaled up respective businesses across all islands.

Gross IBC Profit - All Islands

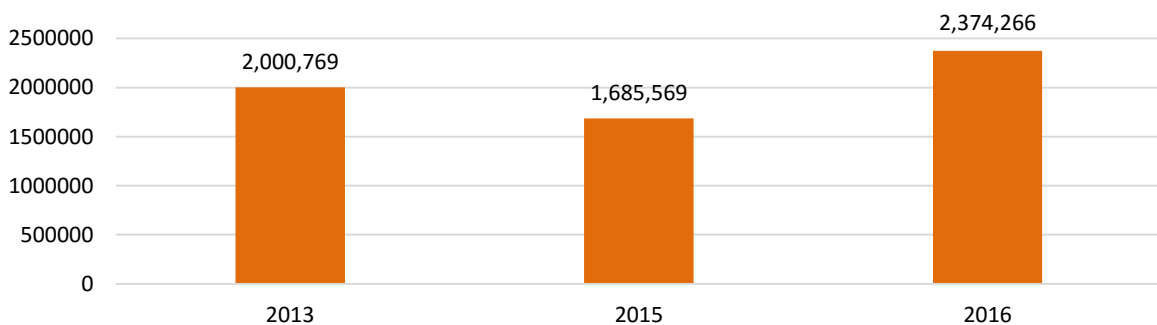


Figure 3 - Gross IBC profit - All Islands

Detailed analysis of individual IBC bank accounts with regards to turnover and profit is outside the scope of the review but the qualitative responses to questions do indicate that IBC owners are happy with the opportunity to earn income. There are some sustainability concerns as many IBCs are heavily reliant upon one source of income (i.e. R4D and PWD). However, many are seeking to expand operations onto other islands and to move into new sectors. Details are discussed in later sections.

Cash flow and cash flow management continue to remain an issue for all IBCs with regards to turnover and profit. The delay in some payments and general delays in invoice payments is consistently raised

by IBCs as a significant influence on their ability to grow and expand business. The issue of invoice payments and perceived delays are discussed in a later section.

3.1 IBC Equipment

A requirement of IBCs to participate in the program is to have ownership or at least access to tools. Results ranged from simple hand-tools through to basic construction equipment to some cases with access to heavy plant and equipment. A summary of IBC equipment is shown graphically below in Figure 4.

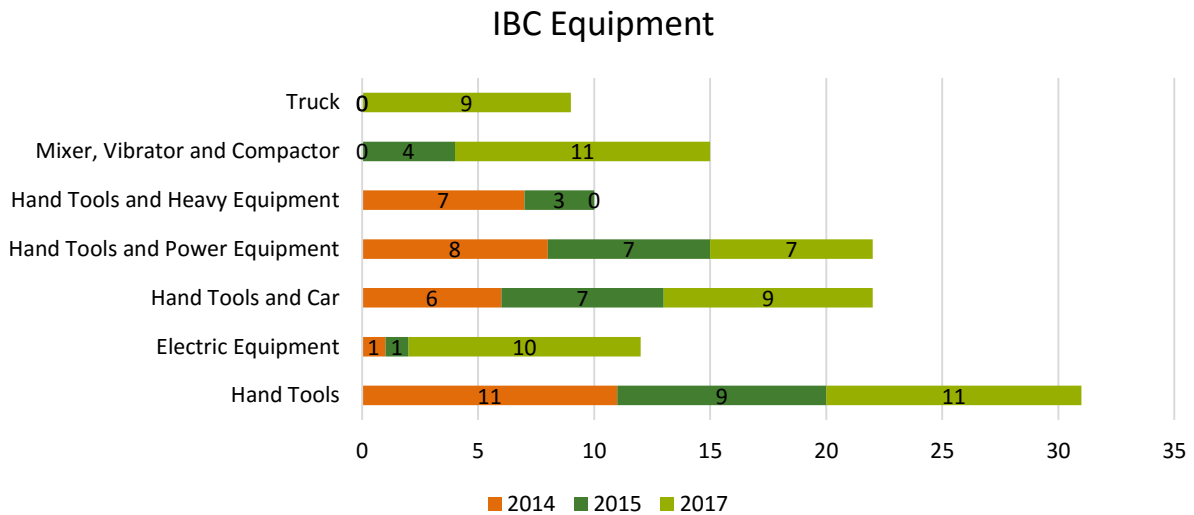


Figure 4 - IBC Equipment

At the time of the baseline study an assumption was made by the survey team that access to equipment would be limited. It is clear that plant and equipment is available on the islands, however, it tends to be limited and often in high demand when available. Further probing through the interviews at baseline and the first midline, revealed that the equipment of a number of IBCs is often inefficiently applied and often is allocated to other tasks the IBCs are involved in. As a result, IBCs are thinly stretched when they have multiple work contracts operating at the same time and are unable to ensure all equipment is available when needed.

The involvement of R4D has increased the scope and reach of tools. Since the baseline stage, IBCs have gradually increased the number and type of equipment utilised. Hand tools remain the most dominant form of equipment but IBCs over the past two (2) years have increased investments in electrical equipment (i.e. power tools) and heavier equipment such as mixers, vibrators and compactors. Interestingly, trucks have become an important source of equipment. This is not to suggest that IBCs are all purchasing brand new trucks, but it does indicate a source of growth as more IBC contracts are issued across the road network necessitating a need to travel further.

As a result, IBCs remain confident moving forward with 97% of IBCs reporting to increase tool purchases over the coming year, as shown in Figure 5. This is an increase on 88% from a year earlier. IBCs have maintained the same level of enthusiasm for the program and general business environment.

Purchase Plan in coming 12-months

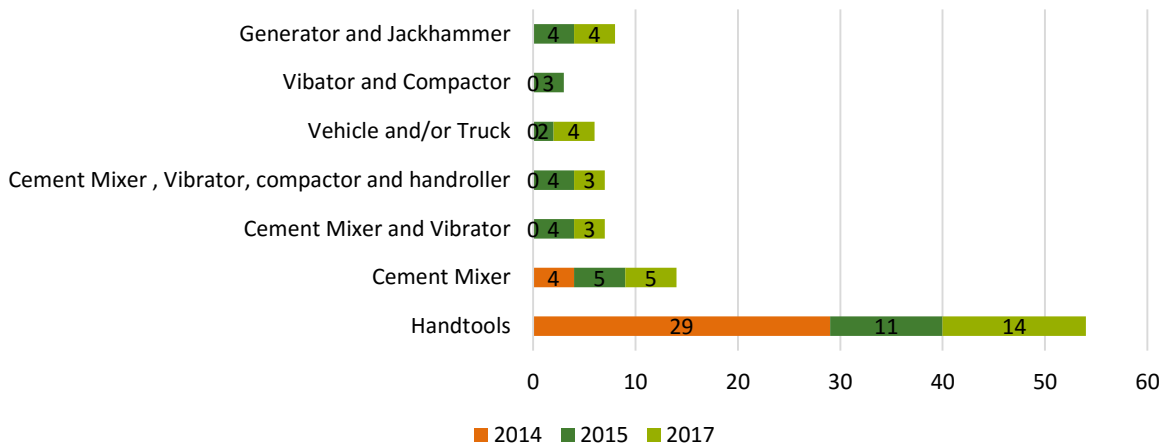


Figure 5 - Purchase Plan in coming months

The type of equipment planned for purchase over the coming year remains relatively consistent. Of note is the increased focus on more heavy equipment and plant, which reveals an intention to scale up operations, and obviously the availability of sufficient levels of cash flow. Figure 5 does demonstrate a gradual shift towards heavier equipment (most likely attributable to increased turnover and profit).

At the baseline and first midline stage, there was plans to establish an equipment pool through PWD. The concept of the pool was not popular with IBCs. Key reasons for not using the PWD pool include:

- Lack of engagement by PWD to provide the necessary equipment at the right time in a serviceable manner;
- IBCs have to compete with other contractors to obtain equipment thus causing significant delays to work;
- The cost of hiring is high with PWD charging between 10-20% of contract values to access and use equipment.
- Inconvenience and cost of transport back and forth from distant sites

IBC's would prefer to have allocations made within contracts to contribute towards the purchase of additional equipment. This question was dropped from the latest survey given that the concept does not appear likely to proceed successfully and IBCs appear to have greater control over their own tools and equipment.

3.2 Constraints on IBC Business

The major constraint on IBC business has been the increase in the cost and transportation of materials. The data suggests that these are a continuing and growing concern for IBCs. Close to 35% of all IBC report it as an issue. Anecdotal evidence suggests that costs have been increasing over time. Costs have been identified by nearly a third of IBCs surveyed. All constraints on expansion are summarised in Figure 6.

Access to capital also remains a key constraint for IBCs as evidenced by the initial baseline. However, the actual number of IBCs reporting it as a primary concern has decreased slightly. It appears with increased cash flow through operations, IBCs have been able to rely less on external credit to fund expansion and growth.

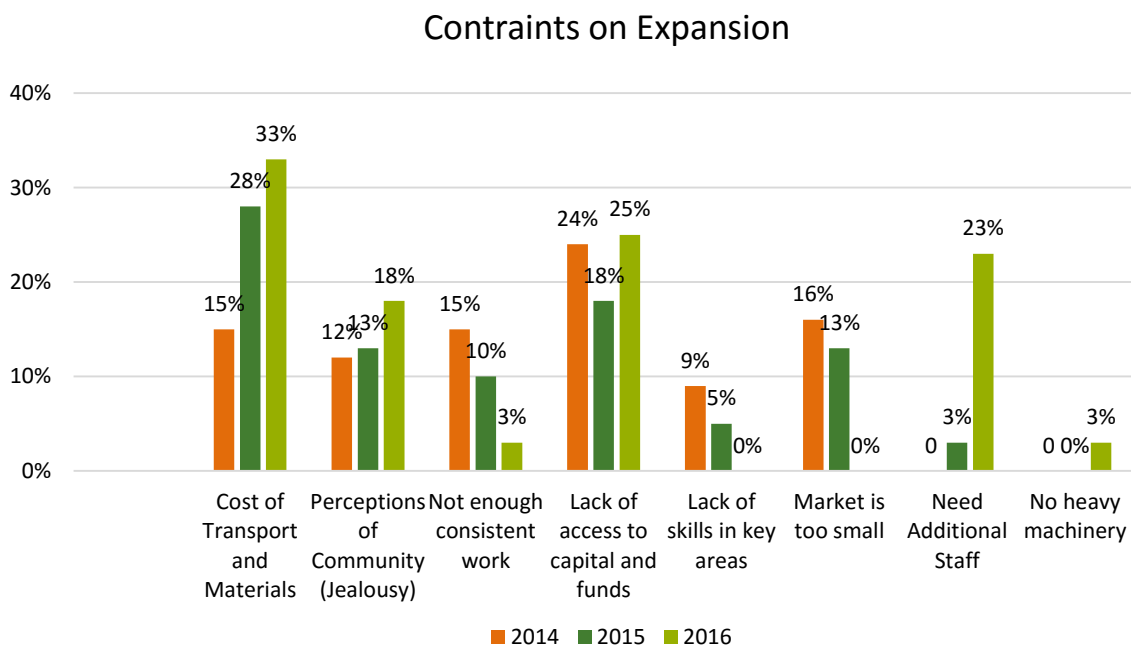


Figure 6 - Constraints on Expansion

In the last 12-months the lack of staff has also emerged as a key issue. This is both for contracted staff and also full-time staff within IBCs. It is unclear as to the reasons for staff shortages, but there have also been corresponding increase in community concerns with regards to the work of some IBCs.

The community tensions are linked to the challenges around securing materials. Qualitative responses to the survey questions reveal community tensions around the access and use of materials on kastom land. IBCs are seeking lower cost alternatives but disputes have become more frequent over the years as communities seek to obtain a greater share of proceeds. Some specific quotes from IBCs include:

“We sometimes have issues with land owners...they often complain about the workloads, particularly when it involves digging” IBC, Sanma

“There are some disputes over the use of beach sand and corals.” IBC Sanma

“We generally don’t have any disputes with communities as we have agreement before we commence work.” IBC, Malampa

“We have several challenges with communities – agreement around rates to unload shipments, disputes over materials and coral and we even sometimes have challenges over access to the road.” IBC Tanna.

The other major concern for IBCs is the delay in payments. Community tensions often arise around the non-payment or delayed payment of invoices for work. This has been a continual problem since the first baseline study, and needs to be continually monitored. The issue has also been raised as part a review of the community based contractor model approach and requires PWD engagement to resolve if the IBC and CBC model concept are to be sustained in the longer-term.

3.3 Benefits Derived from R4D

The results around the benefits derived from R4D remain consistent between the baseline and two midline studies, as shown in Figure 7 below. The timing and sequential nature of contracts has posed a problem for a number of IBCs. Not surprisingly, road maintenance and rehabilitation are the greatest source of income for most IBCs. The ability to plan and schedule work to ensure consistency is limited. However, the sustainability of this needs to be considered as there appears in some circumstances a heavy reliance on the continuation of R4D for ongoing income. As demonstrated in the quote below, some IBCs would like to see longer contracts to allow them to improve resource planning and increase investment in their business.

"I would like to have a longer contract period of 2 years to guarantee work and help with future business planning (e.g. budgets, contracts etc.). Would be good if PWD used IBC's more outside of road construction in other areas of development work. Is it possible to be sent to other islands to work and expand business? I have experience and can be used on other islands." IBC Tanna.

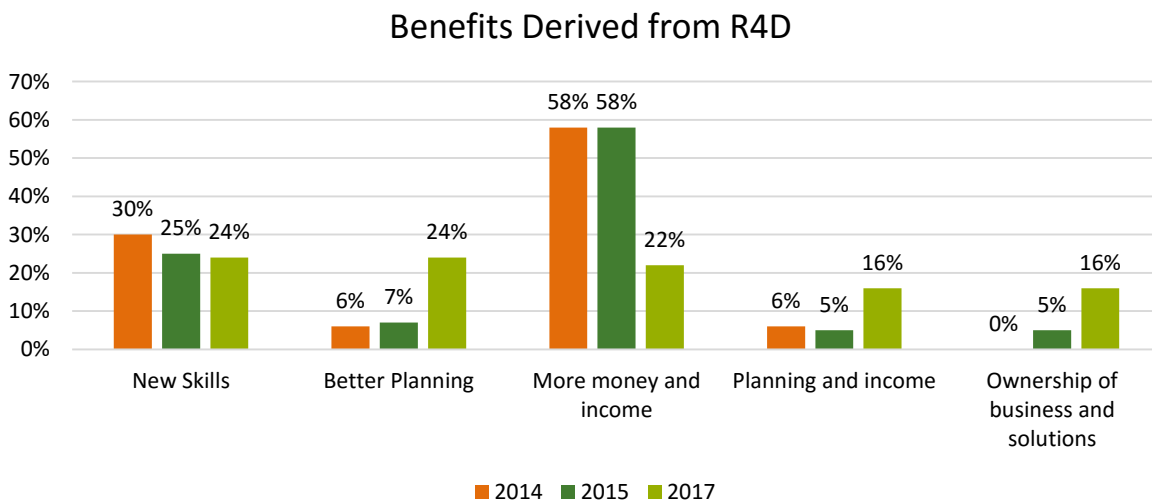


Figure 7 - Benefits Derived from R4D

Surprisingly, there has been the reduction in identification of money and income as the main benefit (a decrease from 58% to 22%). The evidence suggests that IBC owners are placing greater emphasis on the support they receive to undertake better planning, and also to have ownership of their own businesses. This is an interesting finding as it demonstrates the maturity of the IBC model and the focus on growing businesses, and also to look to purchasing new business.

At the baseline stage, there was no real evidence to suggest IBCs are actively seeking alternative sources of income either through the expansion of existing businesses or the establishment of new businesses. However, this is starting to change after 3-years, as more IBCs are looking to expand and invest in growing respective businesses.

Training and enhancement of skills continues to rank highly in terms of benefits derived with the program. Evidence suggests that technical skills are identified as the highest benefit derived, however there is also a need to consider broader training support (contract management, finance and tender development) as a means to underpin further benefits. Given the limited resources for R4D, the idea

of longer term training and subsequent contract periods will need to be discussed and considered as part of the next phase of R4D.

3.4 IBC Priority Support

The greatest priority for IBCs identified at the baseline stage was as a steady stream of consistent work through R4D. A total of 39% of respondents prioritised this at the time of the baseline. At that time, the study identified that further work was required in key areas to assist IBCs become more self-sufficient and also to divest income streams to ensure they are not reliant upon one income source.

Training has maintained its position as a key priority albeit with a slight decrease against the baseline. All IBCs reported that they feel confident that they can handle the work. A total of 65% of IBCs interviewed stated they would like to have further technical training around road engineering but most felt they had sufficient skills to complete required tasks.

More surprising, is the significant decrease in capital requirements. The evidence here suggests that with more consistent work, IBCs have been able to invest in plant and equipment and reduce the need to seek external sources of finance and capital. This is a positive outcome from the engagement of R4D. However, it does place more emphasis on R4D (and PWD) to maintain consistent work and to continue to utilise the IBC model. PWD also needs to continue to identify opportunities for informal capital support as many IBCs are still unable to qualify for a loan through the formal banking system. This has the potential to stifle growth, and also presents a risk if IBCs are forced to take on other riskier loans through informal channels.

In assisting with expansion and continuity in work, IBCs have prioritised additional technical advice and support and greater access to capital. Training support is focused primarily on how to better understand contracts, negotiate contracts and rates, project management and basic accounting. This does remain a priority but evidence from the interviews is that IBCs are seeking greater involvement from R4D and PWD to provide more detailed technical advice.

This was noted at the baseline and first midline stage as well, and identified as a potential issue moving forward. The main reason for this shift is that IBCs are engaging with more workers and communities to complete work tasks and contracts. IBC leaders perceive there is a need for more technical training and engineering support since some elements of work require more in-depth solutions (culverts, small bridges, drainage etc.). The general perception of administrative training is that it has been a little repetitive so not always in the best interests of IBCs to support further growth. Ideally the IBCs want to spend less time in training, but have more on site supervision, guidance and technical support from R4D/PWD engineers.

"I am very happy to participate in the program. I would like to have more management training, as this is important for the future of the business. I would like to have first aid kits. It is mentioned in the contract but we haven't received it". IBC Tanna.

Capital and equipment, along with more consistent work, continue to feature as priorities moving forward. Over 66% of respondents reported this as a priority. Consistent with the constraints mentioned in the previous section, IBCs have reported a slight increase in the need for more support with labour, particularly the identification and development of skilled labour. A summary of responses in terms of future support required by IBCs is shown in Figure 8.

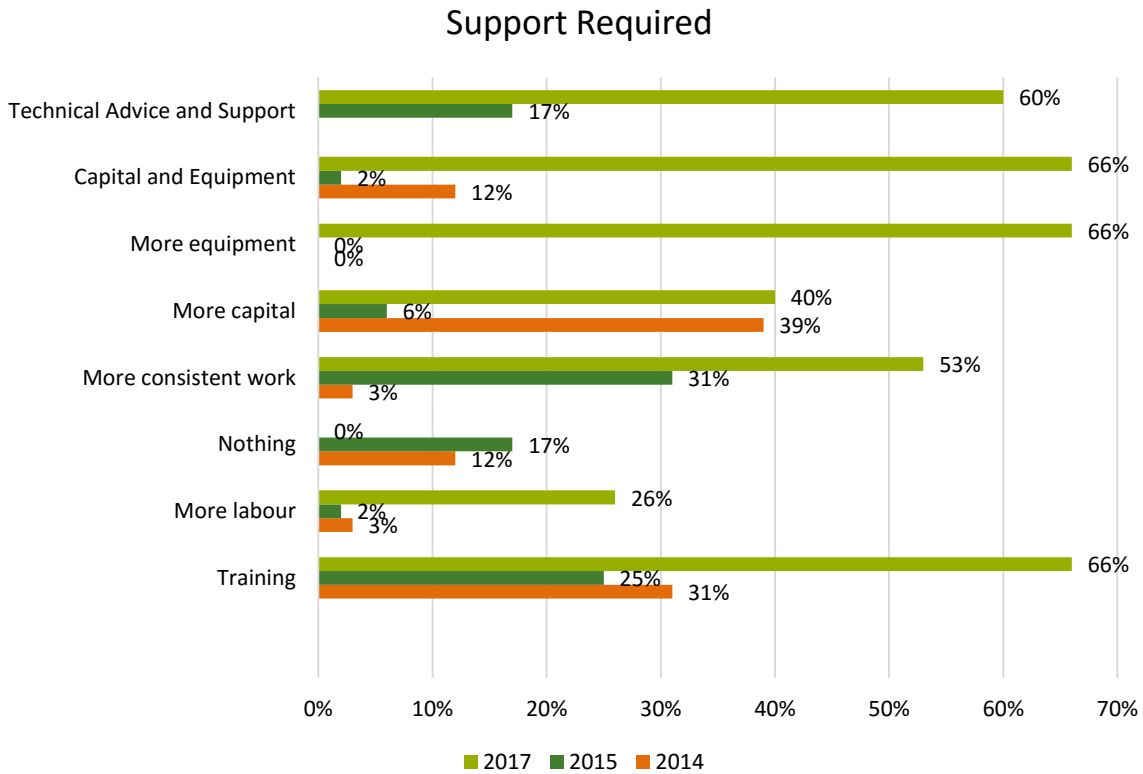


Figure 8 - Support Required

3.5 Future Plans

The main focus for the majority of IBCs, is to focus on starting a new business and/or expanding their existing business as shown in Figure 9. There has been a jump in the number of IBCs looking to move more specifically into construction/building works. This is primarily from the northern islands given a historical tendency to have secondary businesses and skills in carpentry and joinery in addition to buildings.

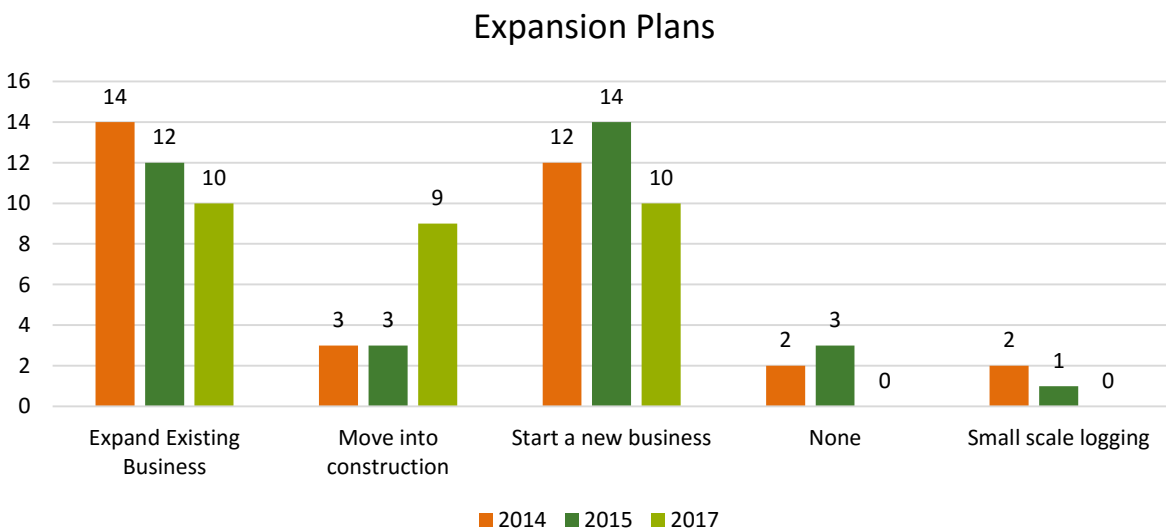


Figure 9 - Expansion Plans

Despite the constraints on IBCs mentioned in the previous section, a total of 78% were looking to expand their current business or move into a new business at the time of baseline. This has now decreased to 50% overall. This is interesting as most IBCs believe they have reached a sustainable size in terms of their ability to compete and implement work without over-committing time and resources. The attempt here is to diversify income and not to rely solely on one income source. The greatest threat to expansion is access to capital and the ability to maintain a level of consistent work, so as to provide adequate cash flow.

3.6 Staffing and Community Contracting

Across all 13 IBCs surveyed, a total of 93 people are employed as full-time staff in 2017. This is a slight increase from the 2014 baseline and 2015 first midline, as shown in Figure 10. Ambae appears to have the most mature market in terms of employment, with a number of staff engaged in building construction with road maintenance and repair being secondary industries.

The reduction of full-time staff is not necessarily related to cost cutting but rather to the availability of skilled labour. Approximately 60% of IBCs are looking to employ more staff but have resisted due to the constraints mentioned earlier. Many cannot commit to staff in light of limited access to capital and the irregularity of work. In addition, adequately skilled labour is often in short supply in some locations.

Gender breakdowns are not accurate as some IBCs are not fully aware of the exact numbers but indicative figures suggest an (80% male and 20% female breakdown). Most female employees tend to be family members (i.e. wives or sisters). Over 85% of all IBCs employ family members as full-time staff, thus reducing employment opportunities to the broader community.

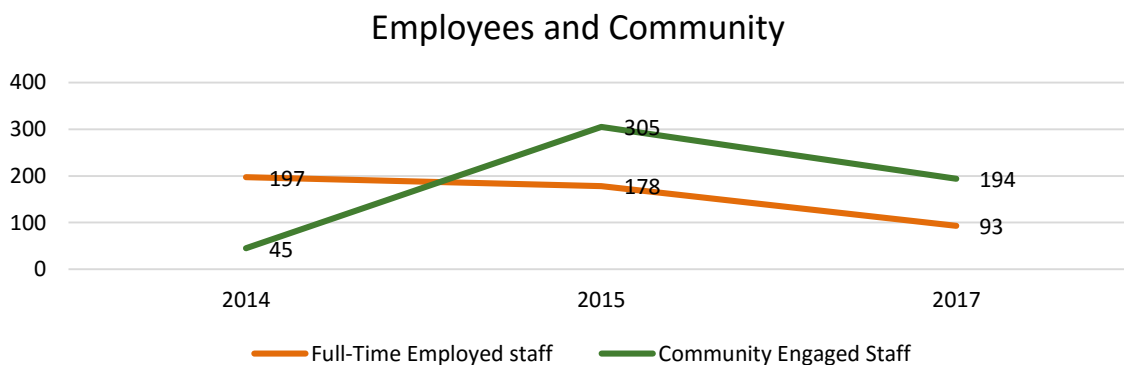


Figure 10 - Full-time employees and community engaged labour

Since 2015 R4D has initiated a community-based labour contracting model as part of its delivery of road infrastructure. In effect, labour is contracted not as individuals but as a group labour force from communities adjacent to the road to do light routine maintenance and light emergency works. Figure 10 above highlights the immediate growth in community engaged labour. IBCs generally see community contracting as complementary and supportive to their work, and a positive and proactive step forward. This is despite the fact that they understand that they will have fewer opportunities for routine maintenance works themselves. However, there was strong interest generally in building their operational capacity to do the more technical works. Reasons IBCs are broadly supportive of community based contracting for routine light maintenance include:

- IBCs often find it problematic having to work on road lengths passing through tribal/ethnic groups that are not their own. If they bring in their own staff they get pressure from local

chiefs to employ local people. But then they don't have adequate control or authority over these employees whose first allegiance is to their chief.

- IBCs would in many cases prefer to concentrate on and develop their capacity in the more skills/machinery- based level of works (crossings, cuttings, culverts etc.) with their selected semi-skilled labourers and more skilled staff that they can keep in permanent employment.
- In around half of the cases IBCs have moved of their own accord into contracting labour on a community basis from villages within their work area as it is "the normal (cultural) way" of solving the above issue. This involves a lot of time and traditional currency investment (mats, kava, chickens) from IBCs to negotiate with chiefs in a culturally appropriate manner. They mostly would prefer not to have to do this.
- Reduced piecework rates mean that basic maintenance work is largely economically unattractive to IBCs as by the time they pay their customary obligations to local authorities and the workers, their profit is below worthwhile levels.
- Using community labour reduces tension and suspicion of what IBCs are doing on "community roads" with the IBC only doing the technical work which is beyond the ability of the community.

Community contracts are most visible on Ambae and Tanna where the markets and working relationships are more pronounced and have been developed over a longer period of time. A separate evaluation of the CBC model and its influence on work is being prepared as a separate report.

3.7 Awareness of Gender, Disability and Social Inclusion Policies

There has been a steady improvement in the awareness of relevant GoV policies related to gender, disability and social inclusion as shown in Figure 11. This is not a surprising result given the exposure IBCs receive as part of initial training. What is not clear is how these policies are influencing business decisions, particularly the response to engage with men and women through the community-contracting model. The evidence does suggest that women have become more involved in CBC related work as opposed to working with IBCs. What needs to be introduced is an assessment of awareness of PWD policies and procedures, particularly as they relate to social safeguards, and community contracting. Awareness of relevant social inclusion policies and guidelines is most evident in IBCs who have been active in working with R4D since 2014. However, much scope remains to ensure appropriate standards and policies are maintained and enhanced. IBCs remain open to receiving further training and support and are actively interested in learning more.

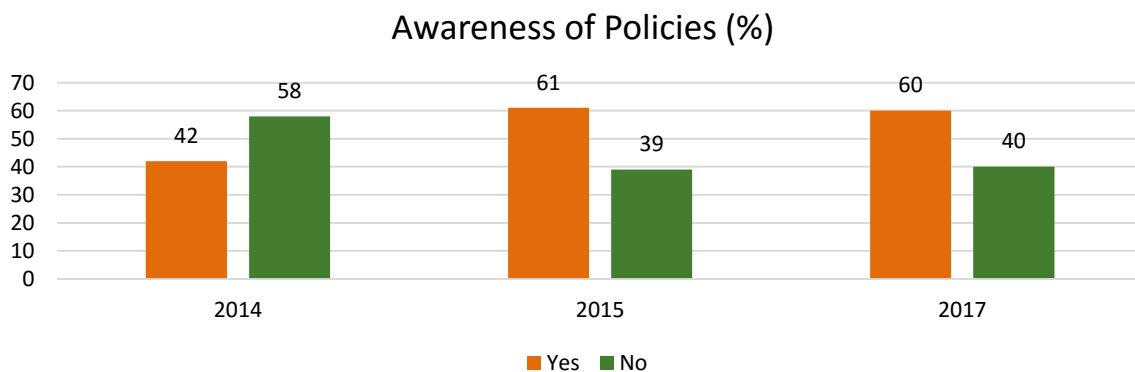


Figure 11 - Awareness of Gender, Disability and Social Inclusion Policies %

The training becomes more relevant with the shift towards a more community-based contracting model. IBCs are interested in learning new strategies on how to engage with communities and want

to remain compliant with any existing standards and policies so as not to threaten on-going contractual arrangements or the potential for new business.

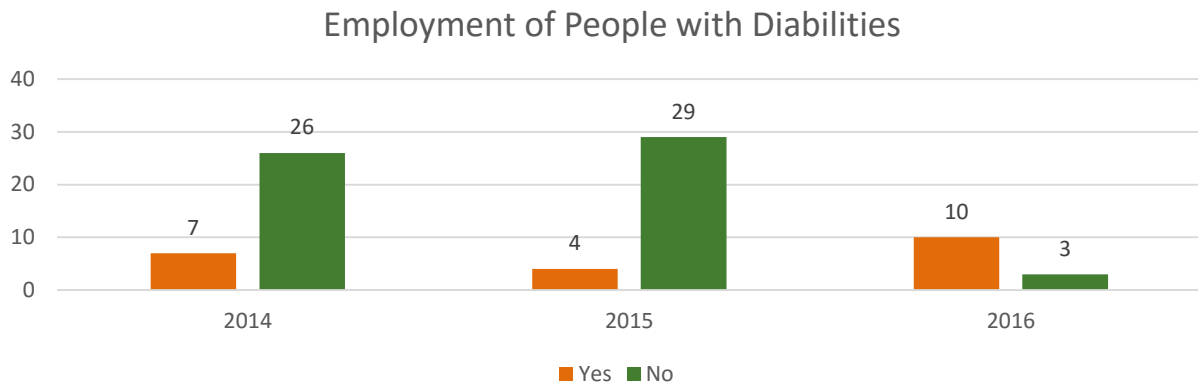


Figure 12 - Employment of People with Disabilities

The translation of training into action does require additional work and support. While IBCs have a growing awareness of relevant policies, the translation into changed behaviour is lagging. IBCs find it difficult to apply strategies to employ women and people with disabilities. However, it is noted that the number of IBCs reporting 'no' has decreased but there has not been a corresponding increase in those that have. This may possibly be attributable to IBCs not employing any new staff in the reporting period. Figure 12 highlights the number of IBC surveyed who mention that they are employing people with some form of disability. The figures are not entirely accurate as it only indicates a yes or no answer as opposed to the number and quality of support provided. This should be an area of focus through the community-contracting model - providing strategies to support IBCs on how to better engage and support communities and ensure minority and socially marginalised groups have the opportunity to participate in program activities.

4 CONCLUSIONS AND RECOMMENDATIONS

The study indicates that the IBC model continues to develop and evolve as the concept is supported, expanded and reviewed. IBCs provide a valuable service to support road implementation and also a source of employment and income generation. In reviewing IBCs through this longitudinal study, it is clear that there are a number of positive trends emerging as well as potential constraints that need to be addressed for the model to remain relevant and sustainable in the longer-term.

The baseline data collection process for the commencement of the tracer study in 2014 covered all four islands where R4D were conducting road improvements (Ambae, Malekula, Pentecost and Tanna). The mid-line data collection in June 2015 indicates that IBCs remain motivated and willing to participate in rehabilitation and maintenance work. The current midline suggests that IBCs have become mature and sophisticated with regards to the management and planning of IBC activities.

IBCs continue to grow. Turnover and profit, on average, are increasing. There are deviations in the results among individual contractors, however, the overall trend is positive. IBCs are looking to expand operations, either through equipment purchases or through the establishment of new businesses.

Barriers to expansion remain, with the main contributors being the cost of materials and transportation and access to capital. Priority areas requiring support have also changed. Previously the focus was on training, particularly basic accounting and project management. However, since 2015 this has changed towards a greater emphasis on technical support and advice, as opposed to formal training. Another significant priority is the need for consistent work. Considerable resources have been invested in the IBC model, and the concept does appear to be establishing itself as a long-term viable option for the maintenance of the road network.

Continuity in work is an essential component to the viability of IBCs, coupled with targeted training to assist in better business planning and project management. The sustainability of IBCs is dependent upon their ability to manage work, plan for the future and diversify income streams. Based on the evidence derived through this study, this will not occur unless there is outside intervention. Skilled labour is a major challenge to the viability of IBCs. Without adequate labour, work and business are unable to be sustained or grown.

IBCs are at a stage where they are on the verge of establishing long-term viable businesses through organic growth, reinvestment and improved business practices. There is considerable scope for R4D to continue support to IBCs. However, this needs to be focused on specific priorities.

The following recommendations are provided as a guide to assist future work planning:

- R4D (and its successor programs) to focus on more technical site guidance and support, particularly on issues relating to infrastructure improvements.
- R4D to continue supporting IBCs to reinvest profits into purchasing of new equipment and growth of business opportunities (within roads)
- R4D to maintain on-going community-based work to ensure communities are actively engaged and that all IBCs are aware of relevant environmental and social safeguards, particularly appropriate levels of engagement with communities
- R4D, together with PWD, to review the rates used in IBC contracts to cover transport of materials, and if it is found that rates are not in line with actual market costs, make adjustments to the IBC cost model so that they are appropriately compensated.
- R4D and PWD to continue to work with other GoV agencies on reform of procurement processes to allow the introduction of multi-year contracts where appropriate, thus giving contractors more confidence to invest against an improved forward order book [note this is not an issue specific to IBCs but will benefit many forms of contracting].

ANNEX 1: SURVEY-INTERVIEW TOOL

Template for IBC Tracer Study

Background Administration

1. **Enumerator Name:** Click here to enter text.

Phone: Click here to enter text.

Signature: Click here to enter text.

2. **Date(s) Tracer Study:** Click here to enter text.

3. **Type Tracer Study:** Baseline

Year 1 Endline

Year 2 Endline

IBC Administration Information

4. **IBC Name:** Click here to enter text.

Individual Name: Click here to enter text.

Male Female

5. **IBC Address:** Click here to enter text.

6. **IBC Phone Number:** Click here to enter text.

7. **Province:** Click here to enter text.

Click here to enter text.

8. **Date IBC Established:** 2011

VTSSP Contracting Information (VTSSP II)

9. **Code of VTSSP Contract:** Click here to enter text.

10. **Type of Works Completed:** Routine maintenance (e.g. drainage cleaning) Specific maintenance New Work Other:

11. **Road Name:** Click here to enter text.

12: Province: [Click here to enter text.](#) [Click here to enter text.](#)

13 Contract from [Click here to enter text.](#) km to km [Click here to enter text.](#) of the road mentioned under question 11.

14. Planned Start date of contract: [Click here to enter text.](#) (dd/mm/yy) Actual start date: [Click here to enter text.](#)(dd/mm/yy)

15. Planned End Date: [Click here to enter text.](#)(dd/mm/yy) Actual end date: [Click here to enter text.](#)(dd/mm/yy)

16. Overview of IBC's current work commitments and jobs in the past year (not including VTSSP Phase II but including VTSSP Phase I):

#	Main of sub-contract (M/S)	Funding source	Sector	Type of Work	Contract modality	Province	Start Date	End Date	Contract Value	Contract sighted and inspected? (Y/N)	Contract completed successfully (Y/N)
1											

Funding sources: PWD, DFAT, UN, Other Ministry, Private source **Sector:** roads, irrigation, buildings, water supply, other

Type of Work: routine, periodic, drainage, new construction **Contract modality:** tender or sole source

17. Total Annual turnover (2013):

Total Profit (2013):

18: Equipment Owned and Operated by IBC

	Type of Equipment	Working condition	Model and Make	Year of manufacture	Fully Owned /Partially owned	Current location	Availability and condition checked (Y/N)
#1							

Type of Equipment: Name equipment derived for work purposes. **Working Condition:** 1. New/good (operational, no breakdowns), 2. Fair (occasional breakdowns) 3. Poor (non-operational, many breakdowns), 4. Broken down and can be repaired 5. Broken down and cannot be repaired.

19. What equipment are you thinking of buying in the next 12-months?

[Click here to enter text.](#)

20. Would you consider buying/hiring from a local pool of equipment? Yes No

21. What have been the three major constraints to expanding your IBC business?

22. Name the three largest constraints you have experienced in IBC contracting to date?

[Click here to enter text.](#)

23. What benefits (if any) have you derived through work with VTSSP to date?

[Click here to enter text.](#)

24. What plans do you have to expand your business in the future? What, in your opinion would make your business better?

[Click here to enter text.](#)

25. What support is required to expand your business into the future?

[Click here to enter text.](#)

26. How many people do you have working for you at present (what about 12 months ago)?

Full-Time Staff:	Contract/Community Labour:	Male	Female	2014
Full-Time Staff:	Contract/Community Labour:	Male	Female	2013

Are they related to you?

27. How do you contract/liaise with communities? Contract individually? Contract as a community Other

28. Are you aware of DFAT's Gender, Disability and Child Protection Policies? Yes No

29. Do you employ any people with disabilities? Yes No If Yes, how many?

30. Any other information or comments to add?