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IDA/R2018-0108/1

May 4, 2018

<p>Closing Date: Wednesday, May 23, 2018 at 6 p.m.</p>

FROM: Vice President and Corporate Secretary

**Pacific Islands - Pacific Aviation Safety Office Reform Project
Second Additional Financing**

Project Paper

Attached is the Project Paper regarding a proposed additional grant to the Pacific Aviation Safety Office to the Pacific Islands for a Pacific Aviation Safety Office Reform Project (IDA/R2018-0108), which is being processed on an absence-of-objection basis.

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Report No: PAD2746

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT

IN THE AMOUNT OF SDR 2.50 MILLION
(US\$3.55 MILLION EQUIVALENT)

TO THE

PACIFIC AVIATION SAFETY OFFICE

AND A RESTRUCTURING

FOR THE

PACIFIC AVIATION SAFETY OFFICE REFORM PROJECT

MAY 2, 2018

Transport & ICT Global Practice
East Asia and Pacific Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective March 30, 2018)

Currency Unit = Australian Dollar (AUD)

AUD 1 = US\$0.76965

SDR 1 = US\$1.45386

FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

AWP	Annual Work Program
GASOS	Global Aviation Safety Oversight System
GRS	Grievance Redress Service
ICAO	International Civil Aviation Organization
ICB	International Competitive Bidding
ICT	Information Communication Technology
IDA	International Development Association
MDTF	Multi-Donor Trust Fund
MFAT	Ministry of Foreign Affairs and Trade (New Zealand)
OP/BP	Operational Policy/Bank Procedure
PAD	Project Appraisal Document
PAIP	Pacific Aviation Investment Program
PASO	Pacific Aviation Safety Office
PDO	Project Development Objective
PICASST	Pacific Islands Civil Aviation Safety and Security Treaty
PIDP	Pacific Inspector Development Program
PRIF	Pacific Region Infrastructure Facility
RETF	Recipient Executed Trust Fund
ROI	Register of Inspectors
RPAS	Remotely Piloted Aircraft Systems
RSOO	Regional Safety Oversight Organization
SDR	Special Drawing Rights
SLA	Service Level Agreement
TAL	Tonga Airports Ltd.
TFSU	Technical and Fiduciary Services Unit
US\$	United States Dollars
USAP	Universal Security Audit Program
USOAP	Universal Safety Oversight Audit Program
VSAT	Very Small Aperture Terminal

Regional Vice President: Victoria Kwakwa

Country Director: Michel Kerf

Senior Global Practice Director: Jose Luis Irigoyen

Practice Manager: Almud Weitz

Task Team Leader: Christopher J. De Serio

**BASIC INFORMATION – PARENT (Pacific Aviation Safety Office Reform - P145057)**

Country	Product Line	Team Leader(s)		
Pacific Islands	IBRD/IDA	Christopher J. De Serio		
Project ID	Financing Instrument	Resp CC	Req CC	Practice Area (Lead)
P145057	Investment Project Financing	GTD02 (9381)	EACNF (6680)	Transport & Digital Development

Implementing Agency: Pacific Aviation Safety Office

Is this a regionally tagged project?				
No				
<input type="checkbox"/> Situations of Urgent Need or Capacity Constraints <input type="checkbox"/> Financial Intermediaries <input type="checkbox"/> Series of Projects	Bank/IFC Collaboration No			
Approval Date	Closing Date	Original Environmental Assessment Category	Current EA Category	
30-Sep-2013	31-Dec-2018	Not Required (C)	Not Required (C)	

Development Objective(s)

The project development objective is to strengthen the coordination capacity of the Pacific Aviation Safety Office to deliver regional aviation safety and security oversight, and technical and advisory services to the Pacific Island Countries.

Ratings (from Parent ISR)

	Implementation
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	05-Dec-2015	16-Jun-2016	22-Dec-2016	12-Jun-2017	28-Nov-2017
Progress towards achievement of PDO	MS	MS	MS	MS	MS
Overall Implementation Progress (IP)	MS	MS	MS	MS	MS
Overall Safeguards Rating					
Overall Risk	H	H	H	H	S

BASIC INFORMATION – ADDITIONAL FINANCING (Pacific Aviation Safety Office Reform Project Additional Financing II - P164468)

Project ID P164468	Project Name Pacific Aviation Safety Office Reform Project Additional Financing II	Additional Financing Type Cost Overrun, Scale Up	Urgent Need or Capacity Constraints No
Financing instrument Investment Project Financing	Product line IBRD/IDA	Approval Date 23-May-2018	
Projected Date of Full Disbursement 31-Dec-2021	Bank/IFC Collaboration No		
Is this a regionally tagged project? Yes		Country (ies) East Asia and Pacific	

- ☐ Situations of Urgent Need or Capacity Constraints
- ☐ Financial Intermediaries
- ☐ Series of Projects

PROJECT FINANCING DATA – PARENT (Pacific Aviation Safety Office Reform - P145057)

**Disbursement Summary (from Parent ISR)**

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed	
IBRD				<div></div>	%
IDA	2.15	2.08	0.09	<div></div>	96 %
Grants	0.95	0.05	0.90	<div></div>	5.3 %

PROJECT FINANCING DATA – ADDITIONAL FINANCING (Pacific Aviation Safety Office Reform Project Additional Financing II - P164468)**FINANCING DATA (US\$, Millions)****SUMMARY**

Total Project Cost	3.55
Total Financing	3.55
Financing Gap	0.00

DETAILS

International Development Association (IDA)	3.55
IDA Grant	3.55

COMPLIANCE**Policy**

Does the project depart from the CPF in content or in other significant respects?

☐ Yes ☒ No

Does the project require any other Policy waiver(s)?

☐ Yes ☒ No

**INSTITUTIONAL DATA****Practice Area (Lead)**

Transport & Digital Development

Contributing Practice Areas**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

PROJECT TEAM**Bank Staff**

Name	Role	Specialization	Unit
Christopher J. De Serio	Team Leader (ADM Responsible)	Transport	GTD02
Cristiano Costa e Silva Nunes	Procurement Specialist (ADM Responsible)	Procurement	GGOPG
David Bruce Whitehead	Financial Management Specialist	Financial Management	GGOEP
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Extended Team			
Name	Title	Organization	Location



PACIFIC ISLANDS

PACIFIC AVIATION SAFETY OFFICE REFORM PROJECT ADDITIONAL FINANCING II

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I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

1. **Regional and Sector Context.** The aviation sector provides vital national, regional and international connectivity for Pacific island countries (PICs). Air connectivity is essential to meeting educational and medical needs, and enables effective regional integration. Air services are essential for the import and export of goods, and are a prerequisite for tourism development. The high dependence on air linkages in the Pacific underscores the importance of an effective aviation safety and security oversight system to ensure that services are maintained and, where possible, expanded to facilitate economic and tourism development. A reliable network of air links, within and among island countries and to major hubs such as Australia and New Zealand and beyond, is therefore essential to the viability of Pacific Island countries from humanitarian, political and economic perspectives.

2. Compliance with aviation safety and security regulation is an obligation under international treaties, and a prerequisite for maintaining international and domestic air services. Assessments of the aviation sector in the South Pacific by the International Civil Aviation Organization (ICAO) have found that many of the countries lack the proper policy, regulatory and infrastructure to conform with ICAO Standards and Recommended Practices (SARPs). In recent years, these standards have been continuously expanded. The PICs have received less than satisfactory results from the ICAO-mandated Universal Safety Oversight Audit Program (USOAP) and Universal Security Audit Program (USAP).

3. As part of a broader effort by the Pacific countries to increase regional integration and address the issue of scarce, highly specialized human resources in small island states, the Pacific Aviation Safety Office (PASO)¹ was formally established with the 2006 ratification of the Pacific Islands Civil Aviation Safety and Security Treaty (PICASST). Formed through an Asian Development Bank loan that was guaranteed by four Member States (Kiribati, Papua New Guinea, Samoa and Vanuatu), PASO's role as an oversight agent advisor is to provide advisory, certification, inspection, and surveillance services to the national civil aviation authorities (CAAs) and aviation industries of its ten Member States. It performs entry control and audit of airport and airline operators and aims to assist with aviation capacity building, so that they may meet international standards required under the ICAO convention.

4. In 2017, ICAO presented a new conceptual framework, referred to as a Global Aviation Safety Oversight System (GASOS), that represents an evolving effort to improve aviation safety oversight as next generation aircraft and air navigation platforms present new safety and security challenges. The rationale for adapting a new safety oversight system is rooted in the underperformance of contracting States relative to the global average of ICAO's USOAP

¹ PASO comprises ten Member States: the Cook Islands, Kiribati, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu; as well as three non-voting Associate Member States: Australia, Fiji, and New Zealand.



indicators. Numerous civil aviation authorities worldwide are unable to keep pace of aviation industry changes, due both to a lack of financial resources and highly specialized skillsets. In the unique case of limited capacity environments, such as those found in small island developing states, these shortcomings are usually more frequent and disruptive.

5. ICAO's vision is centered on states' collaborative support, to realize an integrated global system that can deliver on the aviation safety oversight mandates. This could essentially be achieved by strengthening and empowering Regional Safety Oversight Organizations (RSOOs), such as PASO. RSOOs are regional entities mandated by states to carry out part or all aviation safety and security regulation and oversight or advisory services. RSOOs would constitute the pillars of a new, global safety oversight system, and would need to demonstrate their ability to deliver adequate levels of service, and thus qualify as ICAO-recognized safety oversight providers. There are currently seventeen RSOOs, including PASO, with a range of functions - from relatively informal safety oversight advisory services, to more institutionalized organizations that perform safety oversight through formal delegation. PASO's function and intrinsic economy of scale is consistently aligned with ICAO's vision. Through PASO, Pacific Islands States are enabled to leverage expertise and resources unattainable through an independent (and unsustainable) state-by-state implementation model.

6. **Project Background.** In December 2011 IDA approved the Pacific Aviation Investment Program (PAIP), a regional, horizontal Adaptable Program Loan that consists of a series of projects designed to ensure that critical aviation infrastructure meets operational safety requirements and to strengthen regulatory compliance of international air transport of participating countries in the region. Major elements of the now US\$220 million program focus on the upgrading of airport infrastructure and aeronautical equipment, and the strengthening of policy and regulatory capacity. Phase I of PAIP included projects in Kiribati, Tonga and Tuvalu. Phase 2 and Phase 3 included Samoa in April 2014, and Vanuatu in March 2015, respectively. PAIP also identified a need to strengthen international safety regulatory compliance and PASO was recognized as a potential PAIP beneficiary of regional IDA funding during Phase 1.²

7. At the time of project identification, PASO's effectiveness and efficiency confronted several limitations:

- PASO is constrained by its governance arrangements. It does not have delegated authority and enforcement status associated with a State's regulatory body, but

² The five countries implementing PAIP have been supported with grant funding from the Pacific Region Infrastructure Facility (PRIF) to purchase regulatory oversight and advisory services from PASO as the regional entity responsible for fulfilling inspection and certification requirements for international aviation. These funds have helped to ensure the continuation of regional aviation safety and security oversight in the respective Member States, and was also intended to improve PASO's cash flow. Additionally, the PRIF resources were made available to support the preparation of a new PASO business plan (2013) and facilitated the implementation of restructuring measures agreed to under the IDA-financed PASO Reform Project. PRIF resources amounting to approximately US\$3.70 million have been committed, directly or indirectly, to the PASO reform process.



rather provides States with advice and recommendations, which are thereby assessed and acted upon by the respective State regulatory body, as it deems appropriate.

- PASO is a not-for-profit, regional entity trading as a subscription-based, fee-for-services business model. Since its inception PASO has operated as a professional services supplier with insufficient chargeable days, and therefore insufficient revenue, to cover its full-time consultant salaries or the remaining fixed costs. In the absence of appropriate corporate systems and internal controls, the organization continued to operate with on-going operational losses through 2013.
- Some States express concern over PASO's ability to undertake its core functions, while often holding unrealistic expectations that these services can be delivered on-demand. PASO must therefore be adequately staffed, with qualified and experienced personnel, and be backed up by appropriate systems and documentation.

8. PASO is governed through a Council that comprises a Member or Associate Member delegate, often either a director of civil aviation or ministerial level representative, with only signatories to the PICASST holding voting power on Council decisions. The PASO Constitution³ sets out the intent of Council in respect to procedural norms. The Council must be convened annually, but generally holds both an Annual and a General Meeting in a single calendar year. A major challenge to PASO's governance has been the level attention devoted to client relations, building industry confidence, inadequate Information Technology systems and transparent reporting. Ultimately, this has limited organizational ownership among stakeholders or has hampered the Council's ability to engage at appropriate Government levels.

9. The subscription-based, fee-for-service model has predominantly focused on developing annual work plans with each State, and confirmed through a Service Level Agreement. However, annual budgets presented to the Council for approval have not been fully consistent with the operational requirements. Many Member States face operating budget constraints, thus limiting their ability to actively engage with PASO. Furthermore, in several States, national regulations require audit services to be paid for directly by certificate or license holders (e.g. airports, airlines, pilots, mechanics, air traffic services, etc.). While most services are routine and annual once participants are within the aviation system, many of the third-party paid services fall into the category of unscheduled regulatory tasks (new operator or aircraft certification, changes to senior staff, validations of licenses, etc.) further complicating the delivery of annual plans and raising the perceived cost of PASO services—especially when the third-parties do not pay and there is no recourse to claim the funds from the regulatory authorities. Consequently, the PASO Council's approval of an annual budget has not always translated into a financial commitment from its Members to manage their arrears after operators have purchased PASO services.

³ The PASO Constitution provides the organizations objectives, legal identity, membership, Council representation and functions, financial policies, and disputes resolution.



10. Located in Port Vila, Vanuatu, the PASO office is small⁴. A General Manager is responsible for the performance and day-to-day operations. PASO uses a regional registry of qualified inspectors with appropriate credentials to provide expert advice to regulatory authorities. Identification, training and induction of both inspectors and candidate inspectors represents part of the project's approach to delivery of on each State's agreed annual work plans. Given both the high technology skill requirements and global demand for aviation related services, commercial industry salaries are significantly more competitive than remuneration for regulatory oversight functions, thus creating difficulties in recruitment and retention of potential inspectors.

11. The PASO Reform Project was prepared with the aim to: (i) provide transitional financial support to a change management process; (ii) technical assistance towards the identification and implementation of a new organizational framework; (iii) appropriate quality management systems to provide assurance that oversight is being managed by States; and, (iv) identification of alternative funding mechanisms to ensure its future operations. Investment Project Financing was approved by the Board of Executive Directors on September 30, 2013 and became effective on December 12, 2013, with a total IDA regional grant contribution of SDR 1.5 million (US\$2.15 million equivalent). The Governments of Australia and New Zealand provided the Pacific Region Infrastructure Facility (PRIF) with grant funding for PASO in the amount of US\$0.95 million, and a Level 1 restructuring was approved on January 5, 2017, which revised the project development objective (PDO) and included a new project component 'Supporting Regional Aviation Infrastructure'.

12. The original PDO was "to ensure effective regional delivery of aviation safety and security oversight in Pacific Island Countries by strengthening the Pacific Aviation Safety Office's technical and coordination capacity." The revised PDO after the Level 1 restructuring is "to strengthen the coordination capacity of the Pacific Aviation Safety Office to deliver regional aviation safety and security oversight, and technical and advisory services to the Pacific Island Countries."

13. The Project consists of four components:

(a) Component A: Transitional Management and Support (approximately US\$1.75 million including contingencies) - to assist PASO's restructuring process including, financing the costs associated with: (i) implementing a new organizational framework and staff changes, including financing of severance packages for termination of existing contracts of staff; (ii) conducting legal reviews for strengthening PASO's governance and management; (iii) evaluating PASO's funding approach, including finding new revenue sources; (iv) conducting workshops and seminars for PASO Council members; (v) developing a communications strategy; (vi) implementing the new Business Plan, with assistance, as necessary, from the Technical and Fiduciary Services Unit (TFSU) provided

⁴ There is currently a total of seven staff, of which four are female.



by Tonga Airports, Ltd. in accordance with their Service Agreement; and, (vii) carrying out annual financial audits of the Project as agreed with the Association.

- (b) Component B: Establishment of a Pool of Regional Aviation Inspectors (approximately US\$0.27 million including contingencies)** – to support the establishment of a pool of inspectors to be used by PASO to oversee aviation safety and security, through a series of activities including: (i) establishing a comprehensive Register of Inspectors for the region available for PASO-related services; (ii) establishing a Regional Program of Inspectors to build and assess the capacity of inspectors; (iii) providing the necessary training for inspectors to ensure they meet skill levels necessary to provide PASO services; and, (iv) providing training to PASO staff to develop the human resources to deliver the necessary services.
- (c) Component C: Quality Management (approximately US\$0.23 million including contingencies)** – to strengthen the overall quality management of PASO, including by: (i) establishing a quality assurance system for PASO to ensure that all operations meet an appropriate standard; and (ii) implementing a PASO Management Information System with an appropriate IT network, including a document management system. The final stage of the IT enhancements entails the implementation and roll-out of all PASO community applications and databases, such as the document management system and the central repository, to be centrally managed by PASO but accessible to all member states.
- (d) Component D: Supporting Regional Aviation Infrastructure (approximately US\$0.85 million including contingencies)** – to expand regional aeronautical data and communication network through the acquisition and installation of very small aperture terminal (VSAT) equipment for the Cook Islands and Niue.

Project Performance

14. The project is entering the fifth year of a five-year implementation cycle. Implementation progress has been rated Moderately Satisfactory or better for the life of the project cycle and considerable progress has been made towards achieving the Project Development Objective (PDO). The project has been instrumental to ensuring the continuation of technical assistance in regional aviation safety and security oversight with PASO's respective Member States. Most noteworthy is the consistent increases in PASO services being provided to Member States in each year of the project.

15. Implementation progress is largely on track to enable completion of several current project activities. The Council is carrying forward the recommendations outlined in the PASO Governance and Restructuring Findings that will strengthen the roles and responsibilities of the Council and Management, as well as introduce new management and procedural manuals that clarify delegations of authority and streamline corporate delivery. A Financial Management and



Sustainability Analysis evaluated options to move from PASO's current funding structure (i.e., Host Agreement funding from Vanuatu for local office management in Port Vila, subscription fees from its Member and Associate Member States, and fee-for-service billing of operators) to the revenues collected through a regional safety and security levy on departing international passengers, a decision on which is discussed further below. Quality Assurance Systems, as well as targeted consultancies providing regulatory and marketing support, have been successfully completed. Activities that were not able to be fully completed include Director-level governance workshops, both inspector and candidate inspector training and induction programs, and the roll-out of a modernized IT business system.

16. The status of the project outcome indicators is as follows:

- (a) *Successful recruitment of technical coordinators with expertise in airworthiness, flight operations, security and aerodromes.* The reform project originally envisaged recruiting three technical staff internally. A new organizational framework was recommended as part of the "PASO Governance and Management" assignment that would see a General Manager, Operations Manager, and a Corporate Services Manager rather than appointing technical experts as fulltime inspectorate staff. The analysis has instead recommended that these skills be met by the register of inspectors. PASO is implementing these staffing changes in line with the respective Council Decision November 2016.
- (b) *The Establishment of a Pool of Regional Aviation Inspectors* was achieved early in the project cycle (2014). There are currently nine persons within the pool, including: two airworthiness inspectors; two flight operations inspectors; one aerodrome inspector; two air traffic inspectors; and two security inspectors. Additional personnel that are used based on the needs of the States and timing can vary, but have been as many as 10 other individuals.
- (c) There has been an increased uptake in PASO services, reflecting the improved level of confidence in PASO inspectorate knowledge and skills. With a target for undertaking 80 percent of the *recommended Annual Work Programs implemented by PASO member states*, implementation rates average 68.7% (2014); 49.9% (2015); 61.7% (2016), and 80.1% (2017), respectively, over the project period. More critical is the level of oversight days conducted, which has generally seen an increase from 272 days in 2014 to 426 days in 2017. Beyond the minimum scheduled oversight regimes, 2016 and 2017 witnessed additional expansion of advisory services related to addressing gaps in States' regulatory frameworks undertaken by PASO through funding provided by New Zealand Ministry of Foreign Affairs and Trade (MFAT).

17. The progress for the various activities under the project components are as follows:

- (a) *The Transitional Management and Support* component comprises several activities that have been completed or are in later stages of implementation.



- (i) Project funds have been used to cover transitional costs associated with the restructuring of the organization, including such expenditures as (i) payment for forensic accounting work of the organization during the transition process; (ii) legal fees related to ex-employees' severance payments⁵; (iii) repatriation and mobilization costs for PASO personnel; and (iv) the advertising and hiring of new PASO technical specialists.
 - (ii) A Legal Advisor completed a new draft of the Vanuatu Hosting Agreement, which is under discussion between PASO management and the host country. The Legal advisor was also to provide updates to the PASO Constitution, though this did not eventuate based on the timings of other relevant Council decisions needing to be addressed within the Constitution.
 - (iii) Delays were encountered over the course of the Financial Management and Sustainability Analysis assignment, in part due to an identified gap in the scope of consultant services. Further, the Council wanted to consider alternative options to the proposed levy collection by seeking whether Associate Member States might manage levy collection on their behalf, and which was ultimately declined by Associate Members. This created additional lags in completing the study, as further stakeholder consultations and reporting were required. Ultimately, the Special Council meeting decision in February 2018 committed all Member States to adopting a 'Total Cost Model' that is based on a percentage of the respective State's Audit and Inspection work plan requirements. A key output of the Financial Management and Sustainability Analysis presented an implementation strategy (tasks, responsibilities, timelines and supporting financial modelling) for those States that intend to utilize a passenger levy as the mechanism to meeting their contribution to the 'Total Cost Model'.
 - (iv) A media and marketing strategy has been developed. Funding to execute the strategy and outreach remains a crucial element to improving perceptions and increasing PASO visibility within the sector and among stakeholders
 - (v) With assistance of the TFSU provided through the PAIP regional implementation arrangements, funding supported project management through two project managers, as well as costs associated with project steering committee meetings.
 - (vi) Project funds were not used for carrying out annual financial audit, as PASO opted to audit project funds as part of its entity audit requirements.
- (b) The *Establishment of a Pool of Regional Aviation Inspectors* has seen the development early in the project cycle (2014) of a register of inspectors. However, induction processes for new inspectors and identification and upskilling of candidate inspectors requires additional resources to undertake the necessary capacity development efforts.

⁵ In accordance with BP 10.00 (para 25d), the Association agreed to allow financing of severance packages as an eligible expenditure from the IDA financing, as confirmed in the memorandum to the Regional Vice President, dated July 31, 2013.



- (c) *Quality Management*. To date, the project has supported the development of key policies and procedures related to organizational staffing and operational directives. The PASO Council has adopted an updated set of new business materials, including: (i) PASO Employment Policy and Procedures Manual; (ii) PASO's Financial Management Policies and Procedures Manual; and (iii) Skills Development and Training Policy. A PASO Suite of Manuals⁶ have been also refined and accepted by Council. A *PASONet IT Strategy* was recently completed in January 2018. However, there is insufficient funding within the current project envelope to complete the rollout of an upgraded, functional IT platform that meets the business needs of PASO. The fit-for-purpose IT system remains an important original intermediate indicator.
- (d) The *Supporting Regional Aviation Infrastructure* component, which is being financed by a PRIF Grant (TFA3687), has commenced with the procurement of the design and supervision consultant for the VSAT installations for Cook Islands and Niue; procurement for acquisition of goods has also commenced. Completion of the installations is expected in late-2018.

18. The project is compliant with all Grant covenants.

19. Disbursements as of March 30, 2018 amount to approximately SDR 1.441 million (US\$2.09 million equivalent), or 96.1 percent of the SDR 1.5 million Grant (US\$2.15 million equivalent). Disbursements from the PRIF Grant (TFA3687) amount to approximately US\$49,450 or 5.21% of the US\$0.95 million grant.

Rationale for Additional Finance

20. The original project design was completed in 2013 within a six-month preparation horizon. Upon recognition that PASO's short-term cash flow forecast and forthcoming liabilities projecting an impending insolvency, Member States requested IDA-support to an agreed reform agenda. Appraisal estimates for the recommended activity interventions defined in the 2013 Business Plan were not sufficiently robust. There was also a fiduciary risk associated with the PASO's ongoing fiscal performance issues. For this reason, the original project size was limited to approximately US\$2.15 million equivalent. During implementation, it became clear that funding resources were not sufficient to meet the project's investment expectations related to capacity development for the inspectorate pool, as well as the envisaged IT business transformation. The AFII will allow PASO to progress towards the successful completion of the reform activities, thereby ensuring the continued effective and efficient delivery of safety and security oversight functions to its Pacific State members.

⁶ This includes an Organization and Management System Manual, Assessment and Accreditation Framework, Billing Processes, Inspector Monitoring and Performance Assessment, the Certification and Approvals Manual, Quality and Surveillance Manual, Accident and Incident Management Manual, Security Manual, Training Manual and Package.



21. There has been considerable improvement in the capacity of PASO to manage funding and to deliver positive outcomes. Key items such as the commitment to financial sustainability, the adoption of an updated PASO Strategic Plan 2018-2022, and the continual increase in the number of audits and inspections undertaken demonstrate an enhanced confidence in PASO. The PASO Strategic Plan identifies several priorities and a roadmap to how they will be achieved. This request for Additional Financing supports these strategic priorities and assists in ensuring that PASO is reformed and is a relevant and effective organization for its members.

22. The most important outcome of the additional financing and three-year closing date extension will be ensuring that PASO is increasingly more financially viable. The introduction of the new financing modality aims to lock in the reform efforts achievements and therefore improve the organization's sustainability. Importantly, an extension of the project period will enable the new financing modality that is planned to go forward from January 1, 2020, and additional projects resources will be utilized to support Member State readiness with the new model. Continuing IDA engagement in the business transformation will also enable PASO to accrue savings by leveraging short-term funding offsets through the project activities.

23. PASO's 2018-2022 Strategic Plan includes a focus on its support of a Pacific Inspector Development Program (PIDP) to target candidate inspectors across all PASO Member States. Completing the development of the regional pool of inspectors remains the highest priority among States, as they seek to build technical knowledge and capabilities of Pacific Islanders. This is aligned with the project's original design to finance the development and delivery of multiple, specifically targeted training sessions, thus providing a regional program of inspectors with a cadre of expertise from within the Pacific community. As the civil aviation departments represent the primary beneficiaries of the PIDP, their engagement in the process is crucial to its success. A three-year extension is required to ensure that PASO can develop appropriate capacity and continuity with a regional pool of qualified inspectors.

24. The implementation of a reliable telecommunication and IT architecture remains to be completed under the project. PASO needs to alter the currently fragmented, non-interactive processes and disintegrated information flows into a new collaborative business model. Without a central repository system or document management application, PASO has not been able to effectively assist member states in a key area of need – data collection and analysis requirements of ICAO State Safety Programs. The IT business transformation is expected to improve client State engagements, information sharing, continuous monitoring, and the quality of regulatory support services provided by PASO.

25. A scale-up of the project activities includes technical assistance with developing a common regional approach to supporting relevant policy, regulatory management, and contingency response planning related to remotely piloted aircraft systems (RPAS) in Member States' national airspace. The emergent use of this technology in responding to natural disasters, particularly in the context of the Pacific, acknowledges that the rapid pace of change is driving a



need for more seamless integration into existing dynamic air traffic environments, and must not compromise levels of aviation safety.

Alternatives Considered

26. The project investigated whether it would be possible to finance through PASO operational budgets aspects of the original project activities (an appropriate IT platform and human resource development), as well as newly identified activities that will continue to strengthen its operations and management. With the new funding mechanism not yet implemented, there is currently no fiscal space in PASO's budget to cover these costs themselves. In the medium term, AFII is therefore sought to fund these additional reform activities until the new funding mechanism in place and fiscal space is available.

27. The project also considered a request for interim funding of the new PASO staff roles (e.g. Operations Manager and Corporate Services Manager) through the AFII. Consideration was given to funding of the annual salaries for two years at 100 percent for the Corporate Services Manager and 50 percent for the Operations Manager, until such time that the implementation of the proposed staffing recommendations for these roles could be covered through the new PASO funding modality. However, after this request, the New Zealand Ministry of Foreign Affairs and Trade (MFAT) has tentatively agreed to fund these roles for two to three years. MFAT's decision reflects increasing confidence in PASO's capabilities and improved governance. Therefore, the AFII will not fund these positions.

II. DESCRIPTION OF ADDITIONAL FINANCING

28. This Project Paper seeks the approval of the Executive Directors for the provision of an additional regional International Development Association (IDA) grant in a total amount of SDR 2.50 million (approximately US\$3.55 million) to the Pacific Aviation Safety Office (PASO) Reform Project (P145057) (IDA Grant H-883 and PRIF Grant TFA03687); and Regional Vice President approval of a level two restructuring to extend the project closing date by three years from December 31, 2018 to December 31, 2021, revise the implementation schedule, adjust the results framework and disbursement projections, and change the components.

29. The proposed AFII will finance the following activities:

(a) Component A – Transitional Management and Support (approx. US\$1,050,000)

- (i) *Implementation of the new funding modality (approx. US\$330,000):* An implementation plan has been produced that outlines milestones and next steps for applying a total cost-share model across PASO Member States, which will be in effect from 1 January 2020. The report outlines that it is expected to take just over



one year, and require the PASO team's stakeholder engagements. This activity will finance:

- Legal Advisory services (US\$100,000) to support PASO to remain current with respective Service Level Agreements⁷ and amendments to the Constitution related to the change in financing model. The legal advisory role may also provide further guidance on any proposed governance structure and implementation arrangement requirements, as may be necessary to enable PASO to undertake additional advisory services.
 - Strategic Planning and Bi-annual fee structure review (US\$80,000) for PASO and its Member States to agree on corporate priorities and related updates to the financial amount of their respective contributions to PASO's op-going operational mandates.
 - Stakeholder engagement (US\$150,000) will require travel to all 10 Member States. The engagement strategy aims to (i) develop appropriate client dialogues and synergies with national aviation authorities; and (ii) ensure that governments, airlines, and operators are informed about the new operating model.
- (ii) *Communications and Marketing (approx. US\$40,000)*: This activity will finance the services of a marketing and communications consultant to update and implement PASO's media and communications strategy, and build the capacity of PASO staff over a two-year period.
- (iii) *Project Manager (approximately US\$160,000)*: Day-to-day project management requirements will be handled through a three-year period.
- (iv) *Project Steering Committee Meetings (approximately US\$90,000)*: Funding is necessary to convene Council Members that have been delegated to lead the transition process.
- (v) *PASO Staff training (approximately US\$60,000)*: Internal PASO staff are to be trained and developed to effectively contribute to PASO business.
- (vi) *Support from the Technical and Fiduciary Service Unit (approx. US\$270,000)*: The TFSU will continue to provide project implementation support through their handling of procurement, financial management, and coordination of Program and Project Steering Committee meetings.
- (vii) *Project support costs (US\$60,000)*: an incremental operating costs budget for three years, as defined by the Financing Agreement.

⁷ Service Level Agreements between PASO and its member states are the formal mechanism for PASO's engagement in advising States.



- (viii) *Annual Project Financial Audits (US\$40,000)*: Funding for PASO to undertake three annual financial audits of project proceeds to ensure compliance with financial requirements.

(b) Component B – Capacity Development for the Regional Inspectorate Program (approx. US\$1,210,000)

- (i) *Regulatory Advisor (approx. US\$180,000)*: This activity will finance the services of a specialized Regulatory Advisor to support developing/implementing training packages for inspectors, and providing advice to PASO and States over a two-year period. A standardized training plan will be prepared by the regulatory advisor role for each type of inspector service.
- (ii) *PASO Regional Regulatory training (approx. US\$300,000)*: The activity will finance the development and delivery of multiple, and specifically targeted training sessions for regulatory authorities in Member states, as well as current inspectors to maintain their credentials. The training requirements will be guided by the training needs analysis developed by each PAIP state, as well as training needs analysis provided by other PASO Member States.
- (iii) *Pacific Inspector Development Program (PIDP) training (approx. US\$350,000)*: The activity will identify high potential candidate inspectors from within the Member States' authorities. Long-term development will require relevant course-work and job trainings that support Member States in increasing their effectiveness as regulators, ensure consistency in regulatory knowledge and will ultimately aim to provide a cadre of credentialed inspectors for the regional pool.
- (iv) *Director Training (approx. US\$200,000)*: Annual directorship trainings for PASO Council Members, including the Chairman, and the General Manager will be financed. This supports better governance, leadership and strategic direction for the organization. This activity will result in several training sessions for Council members with qualified service providers.
- (v) *USOAP/USAP Advisor (approximately US\$180,000)*: This activity will finance an adviser to work directly with Member States to specifically improve their ICAO "Effective Implementation" scores by supporting them with their USOAP/USAP and State Letters to address certain protocol question (PQ) findings. At present, the response from PASO member States is extremely low primarily due to the absence of subject matter experts within their own national aviation authorities.

(c) Component C – Quality Management Systems (approx. US\$790,000)

- (i) *PASO IT Office Upgrade (approx. US\$65,000)*: An IT strategy and procurement plan for associated IT systems for PASO has been completed with the current project funding. PASO requires upgrading of its hardware and software. The activity will include supply



and installation of a server, a desktop refresh for the office, and updating of software licenses, and an upgrade to the PASO external website.

- (ii) *Information Technology Platform (approx. US\$725,000)*: The activity will finance an IT Manager (US\$175,000) for the rollout of upgraded platform. Funding for systems development (US\$550,000) will enable an: (i) appropriate IT infrastructure to streamline quality assurance systems, corporate services, the technical document repository, and standardization of on-line reporting frameworks.; and (ii) adequate and effective IT-enabled internal web-based interfaces with partitioned portals for both PASO Inspectors and national aviation authorities.

(d) Component D –Supporting Regional Aviation Infrastructure (approx. US\$500,000)

Technical Assistance on Management of RPAS in the Pacific Region (approximately US\$500,000): The scope of consultancy services for this activity will comprise three parts: (i) management of airspace incorporated with drone activity as per normal operations; (ii) the process for certification and registration/licensing of drones through well-developed systems and processes (operational manuals) that are consistent across the region; and (iii) the use and management of drones to support emergency and recovery services in the event of natural disasters, including how this is incorporated into local operations and airspace management given the mix of civilian and military aircraft supporting recovery operations. The technical assistance will support harmonization by developing a common regional approach to supporting relevant policy, regulatory management, and contingency response planning related to RPAS in Member States' national airspace.

30. In addition, the proposed AFII includes a level two restructuring to:

- (a) Revise the Results Framework and monitoring indicators to reflect the revised closing dates and include additional indicators related (i) to PASO's recognized mandate as a regional safety oversight organization, (ii) gender outcomes, and (iii) citizen engagement;
- (b) Extend the closing dates of the existing project financings (IDA Grant H-883) by 36 months to 31 December 2021 and the PRIF Grant (TFA03687) by one year to December 31, 2019, to complete the reform agenda and effectuate a new, sustainable financing mechanism;
- (c) Change the disbursement estimates; and,
- (d) Change the components and costs.

31. The above modifications proposed as part of this restructuring are within the scope of the current Project Development Objective (PDO). No additional safeguard policies will be triggered, and there will be no change to the current (Category C) safeguards classification. There will be no changes to the PDO, implementation arrangements or financial management arrangements currently in place for the Project.



Proposed Changes

32. The proposed US\$3.55 million in AFII and the associated project restructuring will result in the following changes:

Current Component Name	Original Cost (US\$M)	AF1 Cost (US\$M)	Proposed AF2 Cost (US\$M)	Revised (US\$M)
Component A: Transitional Management and Support	1.65	0.10	1.05	2.80
Component B: Establishment of a Pool of Regional Aviation Inspectors	0.27	0.00	1.21	1.48
Component C: Quality Management	0.23	0.00	0.79	1.02
Component D- Supporting Regional Aviation Infrastructure		0.85	0.50	1.35
Total:	2.15	0.95	3.55	6.65

33. *Financing Plan:* Revisions to the financing plan will include providing additional resources (US\$ equivalent) from Regional IDA.

Source(s)	At Approval	Current	Proposed
BORROWER	0	0	0
IDA	2,150,000	2,150,000	5,700,000
PRIF	0	950,000	950,000
Total	2,150,000	3,100,000	6,650,000

34. *Amendments to the Results Framework:* The results framework will have the following changes:

- (a) *Successful recruitment of technical coordinators with expertise in airworthiness, flight operations, security and aerodromes.* The indicator will be modified as part of the restructuring to reflect the new organizational arrangements of a General Manager, Operations Manager, and a Corporate Services Manager, while airworthiness, flight operations, security and aerodromes inspectors will be sources from the regional pool.
- (b) *Increasing Level of Oversight Support.* Based on an ICAO proposal to evaluate Regional Safety and Security Oversight Organizations (RSOO) through a tiered GASOS approach based on service classification, a new indicator would reflect an expansion of PASO's



likely classification as a Level 1 provider to achieve a Level 2 outcome at the end of the project⁸ (see Section IV. B Technical appraisal for details).

- (c) *Gender Outcome*: There are currently no female regulatory inspectors. The project will aim to expand the register of inspectors to include at least two female candidate inspectors for requisite training programs under PASO's Pacific Inspector Development Program.
- (d) *Citizen Engagement*: PASO has made a commitment to improve public access to information through on-line publication of relevant organizational documents and records (such as the Strategic Plan, the Annual Business Plan, Annual Reports, Quarterly Reports, etc.) as part of a planned website update. A new indicator will be included to reflect that *Project-supported organization(s) publish reports on effect of collaboration on project/program/policies (Yes/No)*

35. *Revision to Financing Agreement*. Severance packages for disestablishment of staff were an eligible expenditure during the initial change process. At the time of termination, a legal review of each staff members contracts in accordance with PASO Employment Policy and Procedures (2006) and PASO Business Policy and Procedure (2006), together with a forensic audit of staff expenditures, a determination was made and agreed by PASO Chairman that severances did not have to be paid. Registered correspondence with staff closed the matter. No related project expenses were incurred. The Financing Agreement will be amended to remove references to severance payments.

36. *Safeguards*. There are no large scale or irreversible impacts associated with the proposed ICT equipment installations and no physical footprint that could cause adverse impacts is planned. No adverse environmental and social impacts are foreseeable from these TA-type activities. There are no significant risks anticipated that require environmental and social assessment or require a change in the current Environmental Category C classification.

37. *Financial Management*. There are no changes to the Financial Management (FM) arrangements for the Project. The existing FM assessment for the original financing applies and is not required to be updated. A delay in submission of the annual audited financial statements has been addressed, and PASO intends to engage a new auditor for the coming years.

38. *Procurement*. With support from the PAIP TFSU, PASO has completed 12 of 14 procurements, mostly comprising individual consultants. The three remaining procurements relate to the VSAT acquisition and installation.

⁸ Noting the PASO Strategic Plan target aims for achieving this by 2022, an assessment against the criteria will be carried out before end-of-project.



39. *Institutional Arrangements.* There are no changes to the institutional arrangements. The Grant recipient and implementing agency is PASO. A project steering committee established by the PASO Council is responsible for managing project implementation. The steering committee is comprised of the PASO General Manager, the Council representatives from the four Member State guarantors to the ADB loan, the Associate Member representative from New Zealand, and the Director of the Technical and Fiduciary Service Unit.

III. KEY RISKS

40. The overall project risk rating is assessed to be Substantial, which has been downgraded from High based on the project performance to date. PASO has demonstrated a consistent effort to execute key project activities toward organizational change management and financial viability. Despite Council Members confirming their decision to implement the new funding framework, the political and governance risk is considered substantial due to a degree of disconnect between civil servants handling technocratic safety oversight administration and elected officials managing political economy issues within the aviation sector. Close consultation among client Member States that enables successful rollout of the new financing paradigm, governance-related directorship trainings, and PASO's performance in timely and cost-effective delivery of services will all be integral to the final stages of the reform agenda. Sector policies and the technical design risk are substantial as PASO's current fiscal position, cashflow management and the timeframe for rollout of the financing paradigm may present an implementation challenge. These can be partially mitigated through the implementation of the project activities, as well as potential donor funds to support operational roles within PASO in the near-term. Institutional capacity for implementation and fiduciary risks are also considered substantial, as continuity in PASO management staffing may pose risks to project delivery. These factors are mitigated through support from the TFSU, and key roles embedded in the project (including a project manager, regulatory advisor, and a specialist to coordinate the ICT sub-project). Further, PASO financial reporting has previously demonstrated deficiencies related to presentation of overall entity financial positions. PASO management has increased the frequency of financial reporting to Council to improve transparency, and intends to contract a new auditing firm as a project activity.

IV. APPRAISAL SUMMARY

A. Economic and Financial (if applicable) Analysis

41. In late February 2018, a PASO Council resolution endorsed a change in the organization's funding paradigm to a 'Total Cost Model' that allows States to either utilize revenues collected



through a safety and security levy⁹ or by other means (domestic departure tax, upper air space revenue, etc.) and allocated through internal budget procedures, or to directly budget the respective States' contribution to PASO. The project-funded financial sustainability analysis informed the basis for the indicative modelling. The total contribution is determined based on the level of aviation activity within each State, where the Members are making regular contributions to PASO for services in line with the operational environment's oversight requirements. These contributions can be further refined through a financial model developed specifically for taking account of sector dynamics going forward. The new Total Cost Model will enable PASO to adjust the level of overall service at specific time intervals (e.g. every three years), in line with the expectations of States for implementing PASO's Strategic Plan.

42. The Work Plans (the number of days each State requires PASO to provide regulatory aviation safety oversight functions) provides the methodology to identify each States contribution to sustainably fund PASO. The following table provides PASO revenue and expenses over the three-year period 2020-2022 based on an indicative budget forecast.

Revenue Sources (presented in \$ AUD)	2020	2021	2022	TOTAL REVENUE¹⁰ (2020-2022)
Associate Subscription Fees	130,000	130,000	130,000	390,000
Hosting Grant Revenue	270,958	242,771	212,771	726,499
Donor Funding ¹¹	400,000	400,000	400,000	1,200,000
Total Cost Model	1,779,358	1,779,358	1,779,358	5,338,075
TOTAL REVENUE	2,580,316	2,552,129	2,522,129	7,654,574
Expenses	2,600,183	2,482,196	2,572,196	7,654,574
Net Balance	-19,867	69,933	-50,067	-

43. The benefits of this model include a firm obligation from the Member State by taking ownership of its contribution to PASO, as well as improved cash flow forecasting and reliability of payments. By basing the Total Cost Model on a pre-defined level of oversight, the Member States' financial contribution can be embedded into respective government annual budget processes, thus ensuring the operational funding commitment is met by the State.

⁹ The five Member States participating in the World Bank-financed Pacific Aviation Investment Program (Kiribati, Tonga, Tuvalu, Samoa and Vanuatu) have all implemented a safety security levy of AUD \$5 on departing international passenger tickets. The levy expenditure frameworks allow States to either budget the necessary resource level for their commitments to PASO from the existing levy funding or, in some cases, increase the levy to meet the necessary contributions to the Total Cost Model.

¹⁰ The figures presented in this document are indicative only and are subject to final PASO Council decisions regarding (1) the budget for the period 2020-2022, (2) agreement with each State on their respective work plans, and (3) a review of the host agreement. Until all three items are confirmed, all numbers are subject to change.

¹¹ The Total Cost Model has not yet confirmed an indicative contribution of approximately NZ\$400,000 from New Zealand during 2020-2022, after which the model would be adjusted, costs reduce, or additional donor funding would be sought.



44. The 'Total Cost Model' would enable PASO to carry out the full program of oversight services across all Member States, cover repayments on the ADB loan obligations, assist the development of institutional knowledge and systems within PASO and Member States, and provide minor contingency for a steady accrual of PASO reserves to cover for potential unbudgeted growth in PASO work demands. The current financial modelling can be adjusted to produce a build-up in cash balances that could be used to repay the ADB loan at a faster rate than forecasted. The reform program continues and it will take several more years to fully implement all the changes to eliminate accumulated deficits and put PASO in a strong and sustainable financial position. In this regard, the reform process is proving to be effective.

45. It is also noted that the commencement of the PASO Reform Project at end-2013/early 2014, the initial reform measures had an immediate impact that turned around its financial performance, with decreasing annual net deficits of AUD0.2 million and AU0.07 million in 2014 and 2015, respectively, a revenue neutral 2016, and achieving an annual net surplus of AUD0.11 million in 2017.

B. Technical

46. ICAO has recently introduced the concept of GASOS, differentiating levels of effective RSOOs and to formally recognize these in three separate categories:

- Level 1 RSOO - Basic advisory and consultative assistance
- Level 2 RSOO - Operational assistance
- Level 3 RSOO - Certifying agency

Once the GASOS framework is formalized, ICAO will look to officially acknowledge the specific tasks and functions carried out by RSOOs, including PASO. For level 1 and 2 tasks and functions ICAO will undertake an initial assessment to evaluate PASO's capabilities. Each task and function will be mapped to a USOAP Continuous Monitoring Approach (CMA) protocol question (PQ) or set of questions. ICAO recognition will be renewed at a determined frequency, based on a re-assessment for Levels 1 and 2. All ICAO recognized safety oversight providers will have to demonstrate competence in the tasks and functions that they provide to qualify for ICAO recognition. ICAO will maintain an inventory of competent safety oversight providers, and the tasks and functions that they provide. This presents an opportunity for PASO to be recognized as a Level 2 RSOO following implementation of the PASO 2018-2022 Strategic Plan. This achievement will be measured against a specific project results indicator.

47. PASO's 2018-2022 Strategic Plan acknowledges its corporate commitment to developing qualified inspectors through a Pacific Inspector Development Program (PIDP), with the objective of meeting the compulsory level of aviation experience acknowledged by ICAO's Standards and Recommended Practices. The development program will identify candidates based on clear qualifications, including: technical skills, requisite licensing, age and experience, gender equality and cultural fit. The minimum qualifications and experience for a PASO Inspector are as follows:



- *Aerodrome Inspector* - 10 years in an aviation technical field (air crew, air traffic control (ATC), engineering, management, airport operations), quality assurance or in civil engineering; and undertaken specific training in: Annex 14 Aerodrome Design and Operations, auditing, and quality assurance. Previously undertaken aerodrome inspector duties for aviation safety regulator or similar organization.
- *Air Navigation Services Inspector – Air Traffic Services* - 10 years as air traffic controller; Civil Aviation Rule (CAR) Part 65 license with aerodrome and approach control ratings; ATC instructors or examiners ratings; Previously undertaken ANI - ATS inspector duties for aviation safety regulator or similar organization.
- *Air Navigation Services Inspector Telecommunications* - 10 years in aeronautical telecommunications; graduate engineering degree in telecommunications or Technician/diploma in telecommunications; previously undertaken inspector duties for aviation safety regulator or similar organization.
- *Airworthiness (AWI) Inspector* - 10 years aircraft maintenance experience; licensed Aircraft Maintenance Engineer CAR Part 66 with group 1, 2 airframe and engine, and at least 1 large aircraft type rating; two years as Quality Assurance, or supervisory maintenance role CAR 119/121 operator or CAR 145 maintenance organization; previously undertaken AWI inspector duties for aviation safety regulator or similar organization. Alternatively, the position requires 10 years aviation engineering experience; graduate aeronautical engineer degree; two years in supervisory role involving aircraft maintenance CAR 119/121 operator; previously undertaken AWI inspector duties for aviation safety regulator or similar organization.
- *Flight Operations Inspector (FOI) – Large Aircraft* - Airline transport pilot license, Instructor Rating A, B or D, Type rating turbo prop or jet (applicable to type responsible for oversight); Flight time of 5000 hours pilot in command minimum; five years as pilot in command Part 121 operations; three years management or in training or examiner role; previously undertaken FOI inspector duties for aviation safety regulator or similar organization.
- *Flight Operations Inspector – General Aviation* - Commercial pilot license, instructor rating A or B and instrument rating (multi-engine); Flight time 3000 hours minimum, 1000 pilot in command on CAR 135 operations; three years operations management, training or examiner; previously undertaken FOI inspector duties for aviation safety regulator or similar organization.
- *Security Inspector* - five years with aviation security or equivalent security service experience; three years in supervisory or QA role in aviation security service; previously undertaken aviation security inspector duties for aviation safety regulator or similar organization.

48. The PIDP seeks to source most inspectors in its inspectorate pool among Pacific Island citizens. The project also aims to be gender-tagged through understanding the human resource



dynamics of the office staff, PASO Council¹² and regional pool of inspectors. PASO's 2018-2022 Strategic Plan acknowledges its corporate commitment to promoting gender quality. The current register of inspectors is comprised entirely of males, and are primarily from developed state economies, which is reflective of the current aviation industry trends and job experience requirements outlined above. The PIDP recognizes gender as one of the key criteria necessary to compliment the requisite technical skills and years of experience for inspectorate roles. PASO draws on one female legal regulatory expert through the MFAT-Civil Aviation New Zealand program for advisory services on USOAP-related activities. While there are currently no female regulatory inspectors, two potential female candidates have been identified that will be included as part of the PIDP. The training requirements will be guided by the training needs analysis developed by each PAIP state, as well as training needs analysis provided by other PASO Member States.

49. The project has supported PASO with development of a comprehensive IT strategy that is designed to modernize internal business systems. The IT architecture includes elements of Enterprise Content Management (ECM)¹³; Regulatory Aviation Safety Oversight (RASO)¹⁴; Financing and Accounting; and Human Capital Management. The ECM provides the necessary applications and tools for PASO and Member States to interact in a more collaborative fashion while performing the required Aviation Safety Oversight activities. The new IT system is expected to provide better services to the States, increase productivity and efficiency, make significant improvements in data safety and protection, and improve access to information for all stakeholders. To take advantage of improved broadband capabilities in the region, a hybrid cloud architecture has been developed and recommended. The hybrid design promotes the use of public and private cloud computing, while at the same time enabling non-broadband remote users to have access to services and data. The hybrid cloud approach also offers business continuity in the face of climatic events by mitigating the potential loss of pertinent operational data and historical records. The delivery of IT business transformation is estimated to take between 50 and 66 weeks.

C. Financial Management and Disbursements

50. PASO is compliant with all financial covenants of the legal agreement and there are no overdue audits. The financing plan will be updated accordingly based on the current and proposed activities and funding commitments.

¹² Several Member States have been represented by females at various times, but this varies depending on which States have appointed females to the role of Civil Aviation Director or as delegated representative from the respective government. Women have also represented Associate Member States on various occasions.

¹³ Document Management; Workflow Management; Quality Management; Customer Management; Web, Customer & Contractor Portal; Collaboration

¹⁴ Audit, Surveillance, Certification; Annual Work Plans (AWP); Work Request Management; Inspector Pool Management; Audit Reporting; Post-Audit Tracking and Monitoring



51. Current disbursement arrangements for IDA H883 will remain unchanged, i.e. the pooled designated account (DA) already established for receipts of funds from IDA Grant H883 and PRIF Grant TF0A3687 will also be used for receipt of funds under this additional financing. Ceiling of the DA for this additional financing and related minimum application size will be detailed in the Disbursement and Financial Information letter. IDA financing of the project will be 100 percent, inclusive of taxes, and allocation of IDA Grant and PRIF Grant proceeds is in the table below.

Category	Amount of the Original IDA Grant Allocated (expressed in SDR)	Amount of Additional IDA Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, Consultants' Services, Operating Costs (except under Part 1 of the Project), Training and Workshops (except under Part 2 of the Project), and Transitional Costs for the Project (except Part 4(a) of the Project)	1,270,000	1,700,000	100%
(2) Payment for Service Agreement to TFSU	230,000	200,000	
(3) Training and Workshops under Part 2 of the Project		600,000	
TOTAL AMOUNT	1,500,000	2,500,000	

Category	Amount of the PRIF Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Operating Costs under Part 1 of the Project	100,000	100%
(2) Payment for Service Agreement to TFSU	0	
(3) Goods, works, non-consulting services and consultants' services under Part 4 of the Project	850,000	
TOTAL AMOUNT	950,000	

D. Procurement

52. The procurement under this project will follow procurement procedures specified in the World Bank Procurement Regulations for IPF Borrowers (July 2016) and the provisions stipulated in the Financing Agreement. In the case of procurement activities for which the invitation to bid or the request for expressions of interest was issued prior to the date of the legal agreements, procurement will be carried out in accordance with the Bank's "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers," dated January 2011, and revised July 2014 ("Procurement Guidelines"), and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011 and revised July 2014 ("Consultant Guidelines").

53. PASO prepared a Project Procurement Strategy Document (PPSD) with the following key conclusions:



- a. Institutional capacity for efficient procurement is limited due to PASO's small administrative and technical staff resources, and a business model that does not normally require full time procurement staff to perform this function;
- b. The overall attractiveness of PASO's business opportunities is generally low, given geographical remoteness and relative low value. The likelihood of proponents/bidders having participated in previous similar consulting assignments under PAIP is rated as high.

54. Accordingly, PASO will engage the TFSU to support project implementation, including procurement and contract management and will adopt procurement arrangements that actively promote PASO's business opportunities.

55. The main risks and mitigation measures have been discussed between the Bank and PASO, and are summarized as follows:

Risk Identified	Mitigation Measures
Small number of consultants/bidder due low attractiveness of opportunities may hamper implementation	PASO/TFSU will: (1) conduct extensive internet market research to identify potential proponents/bidders; (2) increase publicity through advertisement in the regional journals and among foreign embassies; and (3) Implement market outreach actions (such as business opportunity seminar) to widen the supply market base of the project.
Inefficient procurement may cause implementation delays	PASO/TFSU will maintain the procurement KPIs (data from STEP) and specifically monitor and report on timeliness of the preparation of TORs and detailed cost estimates. Any significant delays (e.g. one month) shall be reported to PASO's Project Manager and PAIP TFSU Director for corrective action
Poor contract management can impede achievement of project objectives.	<ul style="list-style-type: none"> In relation to approval of invoices, the TFSU will undertake a review and issue a recommendation for approval (or not). PAIP's Contract Management System will continue to be used and PASO will implement PAIP's Open Contracting Initiative.

56. **Procurement Plan.** Based on the analysis of the PPSD, PASO has prepared a procurement plan which will also be published on the World Bank's external website. The procurement plan will be updated annually in agreement with IDA, or as required, to reflect project implementation needs. The summary procurement plan is as follows

No.	Description	Estimated Cost US\$	Selection/ Procurement Method	Review by Bank (Prior/Post)	Expected Contract Date	Comments
1	Financial Sustainability Implementation – Legal Advisor	100,000	CQS	Prior	July 2018	Draft Terms of Reference (TOR) Available
2	Communications and Marketing Consultant	40,000	CQS	Post	September 2018	Draft TOR Available



No.	Description	Estimated Cost US\$	Selection/ Procurement Method	Review by Bank (Prior/Post)	Expected Contract Date	Comments
3	Annual Financial Audits	45,000	CQS	Prior	January 2019	Draft TOR Available
4	Project Manager	160,000	CQS	Post	January 2019	Draft TOR Available
5	Regulatory Advisor	180,000	CQS	Post	July 2018	Draft TOR Available
6	USOAP/USAP and State Letters Advisor	180,000	CQS	Post	July 2018	Draft TOR Available
7	IT Project Manager	175,000	CQS	Post	September 2018	
8	PASO Office Upgrade	65,000	Shopping	Post	June 2018	Draft Specifications Available
9	IT Business Transformation	550,000		Prior	September 2018	
10	Regional RPAS Management	500,000	QCBS	Prior	September 2018	

57. **Procurement Supervision.** In addition to prior review of procurement transactions, at least one procurement mission will be fielded annually to support implementation. Procurement post reviews will be conducted annually.

E. Social (including Safeguards)

58. There are no significant risks that require a social assessment.

F. Environment (including Safeguards)

59. There are no large scale or irreversible impacts associated with the proposed ICT equipment installations. The project will retain its current Environmental Category C classification.

60. Climate Screening. The PASO office is in Port Vila, Vanuatu, an archipelago nation of 83 volcanic islands, 65 of which inhabited, that cover a total land area of about 12,200 km². Vanuatu is in the "Pacific Ring of Fire" and is also at the center of the Pacific "cyclone belt". This results in a high frequency of earthquakes, volcanic eruptions, cyclones, tsunamis, storm surges, coastal and river flooding and landslides. Given its location and physical characteristics, the country suffers from extreme events associated with climate vulnerability, including sea level rise, temperature extremes and droughts. PASO occupies rented water front office space and its primary assets are in computer equipment and furniture.



V. WORLD BANK GRIEVANCE REDRESS

61. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org

VI. SUMMARY TABLE OF CHANGES

	Changed	Not Changed
Change in Results Framework	✓	
Change in Components and Cost	✓	
Change in Loan Closing Date(s)	✓	
Change in Procurement	✓	
Change in Implementing Agency		✓
Change in Project's Development Objectives		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Change in Disbursements Arrangements		✓
Change in Safeguard Policies Triggered		✓
Change of EA category		✓
Change in Legal Covenants		✓
Change in Institutional Arrangements		✓



Change in Financial Management		✓
Change in APA Reliance		✓
Other Change(s)		✓

VII. DETAILED CHANGE(S)

RESULTS FRAMEWORK

Project Development Objective Indicators

Indicator One: Successful recruitment of coordinators Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	No positions filled	General Manager supported by pool of inspectors	General Manager/ Operations Manager/ Corporate Services Manager	Revised
Date	01-Nov-2013	28-Feb-2018	31-Dec-2019	
Indicator Three: Recommended Annual Work Program Implemented by PASO Members Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	12.50	73.20	80.00	Revised
Date	01-Nov-2013	01-Jan-2018	31-Dec-2021	
ICAO Regional Safety and Security Oversight Organization (RSOO) service level Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	Level 1	Level 1	Level 2	New
Date	28-Feb-2018	28-Feb-2018	31-Dec-2021	



Intermediate Indicators

Component A: Intermediate Results Indicator One: Revised governance structure (technical and financial committee composition), as per PASO Constitution

Unit of Measure: Text

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	PASO Constitution	Current PASO Constitution. Legal Advisor has completed new draft Hosting Agreement; Institutional Specialist has reviewed and updated: (i) PASO Employment Policy and Procedures Manual; (ii) PASO's Finance Policies and Procedures manual; (iii) PASO Governance and Restructuring Finding and Recommendations/ Governance and Procedures Manual; and (iv) Skills development and Training policy - Adopted by Council	Updated PASO Constitution	Revised
Date	01-Aug-2013	31-Oct-2017	31-Dec-2019	

Component A: Intermediate Results Indicator Two: Revised financing mechanism for sustainability

Unit of Measure: Text

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	Existing funding mechanism inadequate	The Final Report for the Financial Sustainability Analysis has been approved by Council	Sustainable Financing Mechanism in place	Revised
Date	01-Aug-2013	28-Feb-2018	01-Jan-2020	

Component B: Intermediate Results Indicator One: Adherence to Agreed Annual Work Plans

Unit of Measure: Percentage

Indicator Type: Custom



	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	0.00	Revised
Date	01-Jan-2013	29-Dec-2017	31-Dec-2021	
Annual Work Plan Implemented - Kiribati Unit of Measure: Percentage Indicator Type: Custom Breakdown				
	Baseline	Actual (Current)	End Target	Action
Value	130.00	82.00	80.00	Revised
Date	01-Jan-2013	29-Dec-2017	31-Dec-2021	
Annual Work Plan Implemented - Cook Islands Unit of Measure: Percentage Indicator Type: Custom Breakdown				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	100.00	80.00	Revised
Date	01-Jan-2013	29-Dec-2017	31-Dec-2021	
Annual Work Plan Implemented - Nauru Unit of Measure: Percentage Indicator Type: Custom Breakdown				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	80.00	Revised
Date	01-Jan-2013	29-Dec-2017	31-Dec-2021	
Annual Work Plan Implemented - Niue Unit of Measure: Percentage Indicator Type: Custom Breakdown				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	80.00	Revised
Date	01-Jan-2013	29-Dec-2017	31-Dec-2021	
Annual Work Plan Implemented - Papua New Guinea Unit of Measure: Percentage Indicator Type: Custom Breakdown				



	Baseline	Actual (Current)	End Target	Action
Value	0.00	42.00	80.00	Revised
Date	01-Jan-2013	29-Dec-2017	31-Dec-2021	
Annual Work Plan Implemented - Samoa Unit of Measure: Percentage Indicator Type: Custom Breakdown				
	Baseline	Actual (Current)	End Target	Action
Value	54.00	100.00	80.00	Revised
Date	01-Jan-2013	29-Dec-2017	31-Dec-2021	
Annual Work Plan Implemented - Solomon Islands Unit of Measure: Percentage Indicator Type: Custom Breakdown				
	Baseline	Actual (Current)	End Target	Action
Value	24.00	0.00	80.00	Revised
Date	01-Jan-2013	29-Dec-2017	31-Dec-2021	
Annual Work Plan Implemented - Tonga Unit of Measure: Percentage Indicator Type: Custom Breakdown				
	Baseline	Actual (Current)	End Target	Action
Value	62.00	100.00	80.00	Revised
Date	01-Jan-2013	29-Dec-2017	31-Dec-2021	
Annual Work Plan Implemented - Tuvalu Unit of Measure: Percentage Indicator Type: Custom Breakdown				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	54.00	80.00	Revised
Date	01-Jan-2013	29-Dec-2017	31-Dec-2021	
Annual Work Plan Implemented - Vanuatu Unit of Measure: Percentage Indicator Type: Custom Breakdown				



	Baseline	Actual (Current)	End Target	Action
Value	27.00	100.00	80.00	Revised
Date	01-Jan-2013	29-Dec-2017	31-Dec-2021	
Component C: Intermediate Results Indicator Two: Modernization of communication technology Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	Inadequate ICT system in use	PASO IT server updated; internet bandwidth upgraded. IT Strategy and Implementation Plan under way	Upgraded ICT System in use	Revised
Date	01-Aug-2013	31-Oct-2017	31-Dec-2020	
Component D: Supporting Regional Aviation Infrastructure Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	No VSAT	Selection of Design services completed/ goods acquisition under procurement	VSAT operating	New
Date	01-Aug-2013	28-Feb-2018	01-Jul-2019	
Beneficiaries of job-focused interventions Unit of Measure: Number Indicator Type: Core				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	10.00	New
Date	30-Mar-2018		31-Dec-2021	
Beneficiaries of job-focused interventions - Female Unit of Measure: Number Indicator Type: Core Supplement				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	2.00	New



Project-supported organization(s) publish reports on effect of collaboration on project/program/policies (Yes/No)

Unit of Measure: Yes/No

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	No	No	Yes	New
Date	30-Mar-2018	30-Mar-2018	01-Jan-2019	

COMPONENTS

Current Component Name	Current Cost (US\$, millions)	Action	Proposed Component Name	Proposed Cost (US\$, millions)
Component A: Transitional Management and Support	1.75	Revised	Component A: Transitional Management and Support	2.86
Component B: Establishment of a Pool of Regional Aviation Inspectors	0.27	Revised	Component B: Establishment of a Pool of Regional Aviation Inspectors	1.37
Component C: Quality Management	0.23	Revised	Component C: Quality Management	1.07
Component D: Safety Equipment and Infrastructure	0.85	Revised	Component D: Supporting Regional Aviation Infrastructure	1.35
TOTAL	3.10			6.65

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Current Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-H8830	Effective	31-Dec-2018	31-Dec-2018	31-Dec-2021	30-Apr-2022
TF-A3687	Effective	31-Dec-2018	31-Dec-2018	31-Dec-2019	30-Apr-2020



Expected Disbursements (in US\$, millions)

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
Annual	0.54	0.14	0.70	0.22	0.81	1.35	1.55	1.00	0.34
Cumulative	0.54	0.69	1.39	1.60	2.41	3.76	5.31	6.31	6.65

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● Substantial	● Substantial
Macroeconomic	● Substantial	● Substantial
Sector Strategies and Policies	● Substantial	● Substantial
Technical Design of Project or Program	● Substantial	● Substantial
Institutional Capacity for Implementation and Sustainability	● Substantial	● Substantial
Fiduciary	● Substantial	● Substantial
Environment and Social	● Low	● Low
Stakeholders	● Moderate	● Moderate
Other		
Overall	● Substantial	● Substantial

LEGAL COVENANTS – Pacific Aviation Safety Office Reform Project Additional Financing II (P164468)

Sections and Description

No information available

Conditions



VIII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY : Pacific Islands

Pacific Aviation Safety Office Reform Project Additional Financing II

Project Development Objectives

The project development objective is to strengthen the coordination capacity of the Pacific Aviation Safety Office to deliver regional aviation safety and security oversight, and technical and advisory services to the Pacific Island Countries.

Project Development Objective Indicators

Action	Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Revised	Name: Indicator One: Successful recruitment of coordinators		Text	No positions filled	General Manager/ Operations Manager/ Corporate Services Manager	end of project	PASO Staff Roster	PASO

Description: Indicator to be modified based on new organizational approach for service delivery, with core staff comprising a General Manager, Operations Manager and Corporate Services Manager



No Change	Name: Indicator Two: Establishment of a Register of Inspectors (ROI)		Text	No ROI	Updated ROI in place	Once	PASO	Annual after Year 2
Description: The registry is to comprise qualified technical experts across the following specializations; aerodromes, airworthiness, air navigation services, and flight operations. Additionally, inspectors for Civil Aviation Authority New Zealand (CAANZ) are available through the PASO-CAANZ memorandum of understanding, as well as the PASO-Airways NZ memorandum of understanding, which provides access to air navigation expertise.								
Revised	Name: Indicator Three: Recommended Annual Work Program Implemented by PASO Members		Percentage	12.50	80.00	Annual	PASO Annual Work Plans.	PASO Council
Description: The figure represents the average 'planned versus actual' scheduled minimum annual work program performed for all 10 PASO Member States. The calculation is determined as follows: (a) if the number of days performed for a Member State exceeds the planned work days due to additional, ad-hoc activity requests, a value of 100% is recorded for that State; and (b) If zero days were planned for a Member State, the country's contribution is excluded from the average calculation, rather than accounting zero. This method avoids a misleading deflation or inflation of the average.								
New	Name: ICAO Regional Safety and Security Oversight Organization (RSOO) service level		Text	Level 1	Level 2			
Description:								



Intermediate Results Indicators

Action	Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Revised	Name: Component A: Intermediate Results Indicator One: Revised governance structure (technical and financial committee composition), as per PASO Constitution		Text	PASO Constitution	Updated PASO Constitution	PASO	Legal Reviews & PASO Council approval	once
Description: Framework for strengthening ownership and participation in organizational management.								
Revised	Name: Component A: Intermediate Results Indicator Two: Revised financing mechanism for sustainability		Text	Existing funding mechanism inadequate	Sustainable Financing Mechanism in place			
Description: New revenue sources identified to support longer-term financial viability of PASO								
Revised	Name: Component B: Intermediate Results Indicator One: Adherence to		Percentage	0.00	0.00	Annual	PASO Annual Work Plans.	PASO



	Agreed Annual Work Plans							
Revised	Annual Work Plan Implemented - Kiribati		Percentage	130.00	80.00			
Revised	Annual Work Plan Implemented - Cook Islands		Percentage	0.00	80.00			
Revised	Annual Work Plan Implemented - Nauru		Percentage	0.00	80.00			
Revised	Annual Work Plan Implemented - Niue		Percentage	0.00	80.00			
Revised	Annual Work Plan Implemented - Papua New Guinea		Percentage	0.00	80.00			
Revised	Annual Work Plan Implemented - Samoa		Percentage	54.00	80.00			
Revised	Annual Work Plan Implemented - Solomon Islands		Percentage	24.00	80.00			
Revised	Annual Work Plan		Percentage	62.00	80.00			



	Implemented - Tonga							
Revised	Annual Work Plan Implemented - Tuvalu		Percentage	0.00	80.00			
Revised	Annual Work Plan Implemented - Vanuatu		Percentage	27.00	80.00			
Description: Each Member States usage of PASO services as a percentage of planned and actual Annual Work Plans								
No Change	Name: Component C: Intermediate Results Indicator One: Establishment of Quality Assurance System		Text	No Quality Assurance System	Quality Assurance System in Use	once	Requisite Manuals and Procedures	PASO
Description: Quality assurance plan and system for aviation monitoring and reporting								
Revised	Name: Component C: Intermediate Results Indicator Two: Modernization of communication technology		Text	Inadequat e ICT system in use	Upgraded ICT System in use	End of Project	PASO	PASO
Description: Integrated IT Network roll out								
New	Name: Component		Text	No VSAT	VSAT	End of Project	PASO	PASO



	D: Supporting Regional Aviation Infrastructure				operating			
Description: VSAT installations in Cook Islands and Niue								
New	Name: Beneficiaries of job-focused interventions	✓	Number	0.00	10.00	Annual	PASO Training Plan delivery	PASO
New	Beneficiaries of job-focused interventions - Female	✓	Number	0.00	2.00			
Description:								
New	Name: Project-supported organization(s) publish reports on effect of collaboration on project/program/policies (Yes/No)		Yes/No	No	Yes	Bi-annually	PASO website	PASO
Description:								



Target Values

Project Development Objective Indicators

Action	Indicator Name	Baseline	End Target
Revised	Indicator One: Successful recruitment of coordinators	No positions filled	General Manager/ Operations Manager/ Corporate Services Manager
No Change	Indicator Two: Establishment of a Register of Inspectors (ROI)	No ROI	Updated ROI in place
Revised	Indicator Three: Recommended Annual Work Program Implemented by PASO Members	12.50	80.00
New	ICAO Regional Safety and Security Oversight Organization (RSOO) service level	Level 1	Level 2

Intermediate Results Indicators

Action	Indicator Name	Baseline	End Target
Revised	Component A: Intermediate Results Indicator One: Revised governance structure (technical and financial committee composition), as per PASO Constitution	PASO Constitution	Updated PASO Constitution
Revised	Component A: Intermediate Results Indicator Two: Revised financing mechanism for sustainability	Existing funding mechanism inadequate	Sustainable Financing Mechanism in place
Revised	Component B: Intermediate Results Indicator One: Adherence to Agreed Annual Work Plans	0.00	0.00



Revised	Annual Work Plan Implemented - Kiribati	130.00	80.00
Revised	Annual Work Plan Implemented - Cook Islands	0.00	80.00
Revised	Annual Work Plan Implemented - Nauru	0.00	80.00
Revised	Annual Work Plan Implemented - Niue	0.00	80.00
Revised	Annual Work Plan Implemented - Papua New Guinea	0.00	80.00
Revised	Annual Work Plan Implemented - Samoa	54.00	80.00
Revised	Annual Work Plan Implemented - Solomon Islands	24.00	80.00
Revised	Annual Work Plan Implemented - Tonga	62.00	80.00
Revised	Annual Work Plan Implemented - Tuvalu	0.00	80.00
Revised	Annual Work Plan Implemented - Vanuatu	27.00	80.00
No Change	Component C: Intermediate Results Indicator One: Establishment of Quality Assurance System	No Quality Assurance System	Quality Assurance System in Use
Revised	Component C: Intermediate Results Indicator Two: Modernization of communication technology	Inadequate ICT system in use	Upgraded ICT System in use
New	Component D: Supporting Regional Aviation Infrastructure	No VSAT	VSAT operating
New	Beneficiaries of job-focused interventions	0.00	10.00
New	Beneficiaries of job-focused interventions - Female	0.00	2.00
New	Project-supported organization(s) publish reports on effect of collaboration on project/program/policies (Yes/No)	No	Y