

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA20332

Project Name	Vanuatu Aviation Investment Project (P154149)
Region	EAST ASIA AND PACIFIC
Country	Vanuatu
Sector(s)	Aviation (100%)
Theme(s)	Administrative and civil service reform (15%), Trade facilitation and market access (85%)
Lending Instrument	Investment Project Financing
Project ID	P154149
Borrower(s)	Republic of Vanuatu
Implementing Agency	Ministry of Infrastructure and Public Utilities (MIPU)
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	07-Apr-2015
Date PID Approved/Disclosed	07-Apr-2015
Estimated Date of Appraisal Completion	
Estimated Date of Board Approval	07-May-2015
Appraisal Review Decision (from Decision Note)	

I. Project Context

Country Context

The Republic of Vanuatu is a small nation located in the South Pacific about 2,000 km to the northeast of Australia. Comprised of about 80 islands, the country's land area is some 12,200 km². With an almost entirely Melanesian population of about 266,000, it is one of the more populated Pacific Island Countries (PICs). Efate Island is the location of the capital Port Vila—the gateway for most visitors to Vanuatu.

Vanuatu has been hit hard by repeated natural disasters, which take a heavy toll on communities affected. For example, the recent devastation caused by Cyclone Pam in March 2015—the full extent of which is not yet known—has included reported deaths, widespread displacement of communities, destruction of houses and buildings, as well as damage to Bauerfield International Airport, roads and wharves, communications systems, and other critical infrastructure.

Vanuatu's per capita gross domestic product (GDP) in 2013 was US\$3,302. The country's service and agricultural sectors are major contributors to Vanuatu's GDP, making up 67.9 percent and 22.4 percent respectively. An estimated 80 percent of the population is engaged in agricultural activities

that range from subsistence farming to smallholder farming of coconuts and other cash crops. Copra, cocoa, kava and beef account for more than 60 percent of Vanuatu's total exports by value.

Tourism and travel make a significant contribution to Vanuatu's economy. The World Travel and Tourism Council (WTTC) estimated the direct contribution at US\$184 million in 2014 (which is almost a quarter of total GDP) with expected 4.3 percent growth p.a. until 2024. The total contribution is estimated to be US\$513 million in 2014 with expected 3.4 percent growth p.a. for the next 10 years. Tourist arrivals have been steadily increasing, with around 330,000 visitors in 2013. A quarter of these tourists arrive by air via Bauerfield International Airport, the remainder by cruise ship. In 2013, tourism and travel services directly engaged some 12,500 workers representing around 18.2 percent of total employment. The direct contribution of travel and tourism to GDP is expected to grow to 25 percent of employment by 2024. Any interruption to tourism would therefore have an impact on poverty, particularly in Port Vila where the poverty rate is 50 percent higher than the national average, and where one in three poor people in Vanuatu live.

Sectoral and institutional Context

Aviation is a critical pillar in Vanuatu's economic and social development for a number of reasons:

- Tourists as well as VFR (visiting friends and relatives) travelers rely on the availability of air transport to access the country;
- Air connectivity enables effective regional integration and trade links and facilitates access to education and medical services;
- Vanuatu's geography, being spread across many islands, and its distance from key export markets make efficient and safe air services essential; and,
- Vanuatu's remoteness, limited size, coastal settlement patterns and susceptibility to a host of natural disasters make aviation critical for effective disaster risk management, particularly in the delivery of relief aid. Air transport can effectively and efficiently bring in humanitarian cargo and aid workers to reach cut-off communities. Aircraft and helicopters also have the advantage of being able to survey large areas, scan affected zones for victims and assess damage on the ground. The importance of this was shown in March 2015 after Cyclone Pam devastated Vanuatu.

Airports Vanuatu Ltd. (AVL), a State Owned Enterprise, is responsible for the management and operation of Vanuatu's three international (Bauerfield, Pekoa and Whitegrass) airports. Bauerfield International Airport (VLI) is the main international gateway to Vanuatu, processing some 500,000 passengers per year. A 2012 IFC analysis suggests that the demand could be as much as one million passengers per year by 2030.

In 2011 Bauerfield runway's poor pavement condition was identified as an issue that needed to be urgently addressed. To identify further critical areas of investments and to ensure the overall sustainability of airport infrastructure, it was also suggested that a master plan for all of Vanuatu's airports was prepared. The IFC was commissioned by the Government of Vanuatu (GoV) to identify opportunities for private sector participation in the three international airports and in 2012 provided its recommendations in a 'Strategic Options Report', which was not implemented.

In July 2013, the GoV signed a concession with Vanuatu Trade Development Pte. Ltd (VTDP) for the construction of a new greenfield airport on Efate. Under this concession VTDP was to undertake the necessary maintenance repairs to Bauerfield to keep it fully operational until the new

airport was completed. The concession was cancelled in mid-2014 before any repairs had been made to the Bauerfield's runway, although testing and design of the repairs had been started.

By early 2015 the condition of the Bauerfield runway had significantly deteriorated. Approximately 600 m of the runway requires full reconstruction so as to restore the bearing capacity for jet aircraft. The temporary patching is failing with potential for foreign object damages to aircraft. Some airlines have reportedly modified their take off procedures so as to try and avoid the worst areas of the pavements. After Cyclone Pam 100 m of the runway was closed to traffic until temporary repairs, funded by IDA through a Project Preparation Advance (PPA), could be made. Clearly the repair of Bauerfield has become critical to ensure the continuity of operations.

II. Proposed Development Objectives

The project development objective is to improve operational safety and oversight of international air transport and associated infrastructure in Vanuatu.

III. Project Description

Component Name

Component A: International Airport Infrastructure Investments

Comments (optional)

The component will invest in international aviation infrastructure to meet and maintain minimum ICAO safety and security standards. Potential investments include: (i) runway, taxiway and apron rehabilitation (ii) extension of apron and addition of taxiways; (iii) energy efficient LED airfield lighting upgrades; (iv) provision of critical navigation aids; (v) provision of improved communications technologies; (vi) weather monitoring equipment; (vii) strengthening the quality and efficiency of the rescue fire service; and, (viii) various safety and security equipment for passenger screening and other activities.

Component Name

Component B: Aviation Sector Reform and Training

Comments (optional)

This component will help strengthen the Civil Aviation Authority of Vanuatu (CAAV), the Ministry of Infrastructure and Public Utilities (MIPU) and other line ministries' technical capacity through targeted technical assistance to strengthen institutional capacity and dedicated training.

A Pacific Regional Infrastructure Facility (PRIF) grant of US\$0.3 million will provide funding to CAAV (which remains a department within MIPU) for direct contracting of the safety and security audit, oversight and advisory services provided by the Pacific Aviation Safety Office (PASO) in accordance with Pacific Islands Civil Aviation Safety and Security Treaty (PICASST).

Component Name

Component C: Strengthening Airport Operations and Management Capacity

Comments (optional)

This component will strengthen AVL's airport operations and management capacity through: (i) development of an Airport Master Plan; (ii) provision of technical assistance to improve the planning, financial viability, efficiency, safety and security of airport operations; and, (iii) training on aviation policy, operations and management.

Component Name

Component D: Emergency Reconstruction after Cyclone Pam

Comments (optional)

During project preparation Cyclone Pam devastated Vanuatu, including damaging all three international airports. Damage assessments are still underway. This component is to provide support to the GoV with emergency reconstruction activities in the form of goods and works.

Component Name

Component E: Project Support

Comments (optional)

This component covers: (i) project management, advisory and administrative support for the Vanuatu Project Management Unit (VPMU) and AVL; (ii) costs for the support services provided to the VPMU and AVL by the PAIP Technical and Fiduciary Services Unit (TFSU); (iii) incremental operating costs of the VPMU and TFSU; (iv) Very Small Aperture Terminal (VSAT) subscription costs; and, (v) project financial audits.

IV. Financing (in USD Million)

Total Project Cost:	59.80	Total Bank Financing:	59.50
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			59.50
Pacific Regional Infrastructure Facility Trust Fund			0.30
Total			59.80

V. Implementation

The executing agency will be the Ministry of Finance and Economic Management (MFEM) and MIPU will be the implementing agency. AVL, CAAV and other line ministries will also be involved in supporting project implementation, providing inputs and performing roles within their respective mandates. A Project Implementation Agreement will be entered into between the GoV and AVL to set out their respective roles and responsibilities regarding Project implementation.

The Vanuatu Project Management Unit (VPMU) of the Prime Minister's Office (PMO) will be responsible for day-to-day Project management, including technical aspects, procurement handling and financial management, reporting, monitoring and evaluation, and ensuring environmental and social safeguards compliance in accordance with the safeguards instruments. Additional resources may be needed within the VPMU to handle the increased workload relating to the Project. The existing VPMU Steering Committee, comprised of key government stakeholders, will provide overall oversight of Project implementation and of the VPMU, and make Project policies and strategic decisions.

The VPMU will be supported by the PAIP TFSU based within Tonga Airports Ltd. (TAL). The TFSU will provide expertise and support services in the areas of procurement, financial management, contract management, safeguard policies, engineering and equipment specifications, monitoring, evaluation and reporting requirements. It is anticipated that most of the demands for VAIP support will be met through existing staffing, with some additional resources in procurement potentially required. Coordination between the MIPU, VPMU, AVL and the TFSU is critical to ensure efficient Project implementation in line with program objectives. A Service Agreement, prior

reviewed by and acceptable to the Bank, between the GoV, AVL, and TAL will be signed prior to project effectiveness.

Regional implementation arrangements, established and operationalized in prior phases, will facilitate project implementation. This includes a Program Steering Committee (PSC), comprising representatives from the national steering committees of the countries currently participating in PAIP, and the VPMU. The PSC meets regularly to review and evaluate the Program implementation process. Regional procurements are reviewed by the Regional Procurement Evaluation Committee (RPEC), with a member of each country involved in the procurement represented on the committee.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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