

Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 31-Mar-2019 | Report No: PIDC25464

BASIC INFORMATION

A. Basic Project Data

Country Vanuatu	Project ID P168749	Project Name Vanuatu Disaster Risk Management Development Policy Grant with a Catastrophe-Deferred Drawdown Option (CAT-DDO) (P168749)	Parent Project ID (if any)
Region EAST ASIA AND PACIFIC	Estimated Board Date Aug 30, 2019	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice	Financing Instrument Development Policy Financing
Borrower(s) Republic of Vanuatu	Implementing Agency Ministry of Finance and Economic Management		

Proposed Development Objective(s)

To enhance the Government of Vanuatu's regulatory framework and institutional capacity for reducing disaster and climate risk and managing the impacts of natural disasters.

Financing (in US\$, Millions)

SUMMARY

Total Financing	10.00
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DETAILS

Total World Bank Group Financing	10.00
World Bank Lending	10.00

Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country context

1. The Republic of Vanuatu is an archipelago of 83 volcanic islands (72 of them inhabited) with approximately 12,200 square kilometers land area, dispersed over an exclusive economic zone of about 827,000 square kilometers. Vanuatu is exposed to a variety of both hydrometeorological and geophysical disasters due to its location in the South Pacific tropical cyclone basin and the Pacific Ring of Fire. Hydrometeorological hazards include tropical cyclones, floods, and droughts, whereas geophysical hazards include volcanoes, earthquakes, and resulting tsunamis and landslides. During the period 1980 to 2012, Vanuatu experienced approximately 53 disaster events, affecting around 300,000 people during the period examined¹. As at 2014, the cumulative effect of disaster loss on fixed capital was estimated at approximately 24 per cent of capital investment since 1970². On a long-term annual average, the country faces US\$48 million per year in losses due to earthquakes and tropical cyclones, excluding losses from other disasters such as volcanic eruptions, droughts and flooding. In the next 50 years, Vanuatu has a 50% chance of experiencing a loss exceeding US\$330 million, and a 10% chance of experiencing a loss exceeding US\$540 million³.
2. In response to these challenges, the program will support key reforms toward the National Sustainable Development Plan's policy objectives to: (i) institutionalize climate change and disaster risk governance and build institutional capacity; (ii) strengthen post-disaster systems in planning, preparedness, and recovery; and (iii) promote strengthened resilience and adaptive capacity to natural hazards.

Relationship to CPF

3. This program is consistent with the World Bank Group's Pacific Islands - Regional Partnership Framework (FY17-FY21) (Report 120479) covering nine Pacific island countries, including Vanuatu. In particular, it is in line with Focus Area 3: Protecting incomes and livelihoods, through its contribution to the achievement of Objective 3.1: Strengthened resilience to natural disasters and climate change. In support of this objective, the program will also complement recently completed and ongoing projects and technical assistance activities in Vanuatu. These include: Mainstreaming Disaster Risk Reduction Project (closed in 2017), Increasing Resilience to Climate Change and Natural Hazards Project (closed in December 2018), Vanuatu Enabling Affordable and Resilient Settlements (ASA), the Vanuatu Infrastructure Reconstruction and Improvement Project, and the Pacific Resilience Project.

C. Proposed Development Objective(s)

To enhance the Government of Vanuatu's regulatory framework and institutional capacity for reducing disaster and climate risk and managing the impacts of natural disasters. This objective will be achieved by supporting policy actions that will strengthen the national legislative and institutional framework for disaster risk management and disaster recovery, as well as the regulatory environment for risk reduction and resilient, inclusive settlement development.

Key Results

4. The key results expected from this program are: (i) strengthened institutional mandates for disaster risk management and climate adaptation, with clarified roles and responsibilities across levels of government and sectors, (ii) clear institutional roles and responsibilities for more effective and timely recovery, and (iii) affordable, resilient land and

¹ Pacific Disaster Net. 2013. www.pacificdisaster.net.

² *Global Assessment Report on Disaster Risk Reduction 2015: Making Development Sustainable: The Future of Disaster Risk Management*. Geneva, Switzerland: United Nations International Strategy for Disaster Reduction, 2015.

³ PCRAFI Country Risk Profiles, September 2011.

settlement development, with suitable standards of disaster risk reduction, amenity, access, and health and safety.

D. Concept Description

5. The program will contribute to strategic priorities identified under the Vanuatu Climate Change and Disaster Risk Reduction Policy for 2016-2030. The operation's prior actions and associated result indicators are aligned with the following strategic priorities: (i) reviewing and updating legislation and policy frameworks in view of evolving disaster risk and climate change contexts, (ii) integrating climate change adaptation and disaster risk reduction for more efficient service delivery and streamlined approaches, and (iii) well-coordinated and resourced recovery. The Prior Actions are as follows:

Prior action 1: The Recipient's Parliament has enacted the Disaster Risk Management Act, which provides for an integrated approach to disaster risk reduction and climate change adaptation, disaster preparedness, response and recovery at national and local levels.

Prior action 2: The Recipient's Council of Ministers has approved a National Disaster Recovery Framework, to establish systems for effective disaster recovery.

Prior action 3: The Recipient's Council of Ministers has approved a National Land Subdivision Policy, which provides for risk-informed land development and physical planning, with suitable standards for disaster risk reduction.

E. Poverty and Social Impacts and Environmental Aspects

Poverty and Social Impacts

6. The policy actions and results to be supported by this proposed operation are expected to have significant positive effects on poor people and vulnerable groups. While the average annual risk to assets in Vanuatu is 7% of GDP, well-being risk (accounting for the disproportionate impact of asset loss on the poor) is 10% of GDP⁴. Even though the poor suffer only a small share of the dollar value of asset losses caused by disasters, the well-being effect across the population is magnified (as measured by the estimated drop in consumption) due to lack of capacity to cope with disasters. By supporting policy reform for strong recovery -- so that assets and livelihoods become less vulnerable to future shocks -- this program could help reduce overall well-being losses due to natural disasters in Vanuatu by more than 40 percent. Similarly, by enabling fast recovery through immediate liquidity -- so that people can get back to their normal life as early as possible -- the program could help reduce overall well-being losses by over 20 percent⁵.

Environmental Impacts

7. The policy actions proposed under the operation are not likely to have any negative effects on Vanuatu's environment, natural resources or forests, relative to the status quo. The actions, which include implementation of the Disaster Risk Management Act, establishing systems under the National Disaster Recovery Framework and application of the National Land Subdivision Policy, will improve the preparedness, response and recovery to natural disasters and are not associated with activities that will impact the environment or natural resources. The subdivision policy is expected to have positive environmental impacts associated with future development, via integration of environmental considerations in the subdivision approval, design and implementation process.

⁴ World Bank and Global Facility for Disaster Reduction and Recovery "Resilience Indicator". World Bank 2017, *Unbreakable*.

⁵ World Bank and Global Facility for Disaster Reduction and Recovery. World Bank 2018, *Building back better: achieving resilience through stronger, faster, and more inclusive post-disaster reconstruction*. Washington, D.C.: World Bank Group.

8. The GoV has in place environment and natural resources management laws that provide for sustainable utilization and conservation of the environment and natural resources. The primary legislation is the Environmental Protection and Conservation Act, administered by the Department of Environmental Protection and Conservation. The act requires environmental assessment to be undertaken for any activity likely to impact on the environment and is referred to in the National Land Subdivision Policy. The framework for environmental assessments has been mainstreamed into the development process and for specific projects, and the Strategic Environmental Assessment (SEA) is required for sectoral plans and programs. More effective environmental management, including the adoption of eco-based adaptation and risk mitigation measures that work with natural systems, will be informed by the mainstreaming of DRM in the development process through Prior Actions 1 and 3.

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APPROVAL

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