Early Warning System

WB-P506285

Vanuatu Resilience Development Policy Financing with a Catastrophe Deferred Drawdown Option

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Quick Facts

Countries	Vanuatu
Financial Institutions	World Bank (WB)
Status	Approved
Bank Risk Rating	A
Voting Date	2025-01-14
Borrower	Government of Vanuatu - Ministry of Finance and Economic Management
Sectors	Law and Government
Investment Type(s)	Grant
Investment Amount (USD)	$ 30.00 million
Project Cost (USD)	$ 30.00 million

Project Description

According to the Bank’s website, the program development objectives are to 1) promote fiscal resilience and transparency, and 2) strengthen climate and disaster risk management.

The proposed operation is designed to support Vanuatu in addressing the cause and effect of these economic shocks by strengthening fiscal management and climate resilience. Pillar 1 aims to improve fiscal management by improving domestic revenue mobilization, strengthening state-owned enterprise (SOE) governance, and improving cash management and tax transparency. Pillar 2 PAs are supporting the government’s climate adaptation goals through legislation and policies that support disaster risk response, disaster risk reduction financing, and adaptive social protection.

Early Warning System Project Analysis

According to the Appraisal Program Information Document (PID), the overall risk of the Operation is rated as Substantial. However, the selection of prior actions that align with government priorities and the close involvement of development partners helps to reduce technical and stakeholder risks. Political and governance risks are rated as High because of the heightened state of political uncertainty due to three changes of government in the second half of 2023 through a series of no-confidence motions. Changes in government may result in a change in policy priorities and prevent successful implementation of the policy reforms. Additionally, the DPO dialogue through a joint development partner forum is new, beginning only in 2023, and changes in government poses risks to its continuation.

Macroeconomic risk is rated as High due to the country's narrow economic base and vulnerability to external shocks. A deterioration of macroeconomic conditions, particularly climate-related disasters, may weaken growth and domestic activity and diminish the impact of government reforms, particularly regarding raising domestic revenues and natural hazards may result in a tighter fiscal stance may divert financial and human resources away from policy actions supported by this Operation.

Investment Description

- World Bank (WB)

IDA Grant: US$ 30.00 million

Contact Information

World Bank

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Government of Vanuatu

Implementing Agencies

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ACCESS TO INFORMATION

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Bank Documents

- Appraisal Program Information Document (PID) (English)
- Concept Program Information Document (PID) (English)
- Official Documents- Financing Agreement for Grant E406-VU.pdf (English)
- Official Documents- Financing Agreement for Grant E407-VU.pdf (English)
- Vanuatu - Resilience Development Policy Financing with a Catastrophe Deferred Drawdown Option (Engli