June 28, 2017

Hon Gaetan Pikioune
Minister
Ministry of Finance & Economic Management
3/F Government Building
Lini Highway
Port Vila
Vanuatu

Dear Minister,

Vanuatu: Increasing Resilience to Climate Change and Natural Hazards Project
(GFDRR Grant Number TF013694)
Amendment to GFDRR Grant Agreement

I refer to the Global Facility for Disaster Reduction and Recovery Grant Agreement between the Republic of Vanuatu ("Recipient") and the International Bank for Reconstruction and Development, acting as Administrator of the Global Facility for Disaster Reduction and Recovery ("World Bank") dated December 12, 2012 for the above-referenced Project, as amended ("GFDRR Grant Agreement"). I also refer to your letters, dated February 10, 2016, October 5, 2016 and February 17, 2017, requesting certain amendments to the GFDRR Grant Agreement to support the Recipient’s emergency recovery program developed in response to the impacts of Tropical Cyclone Pam.

I am pleased to inform you that the World Bank agrees with your request and hereby proposes to amend the GFDRR Grant Agreement by way of this letter ("Amendment Letter") as follows:

1. Section 2.01 of the GFDRR Grant Agreement is amended to read as follows:

"2.01 The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out (a) Components 1.1, 1.3 and 2 of the Project through VMGD and (b) Component 1.2 of the Project through NDMO, all in accordance with the provisions of Article II of the Standard Conditions."

2. The objective of the Project in the first paragraph of Schedule 1 to the GFDRR Grant Agreement is amended to read as follows:

"The objective of the Project is to strengthen disaster risk management systems and pilot investments in select villages in the Recipient’s territory to increase resilience to the impacts of natural hazards and climate variability and change."
3. Component 1.3 of the Project Description in Schedule 1 to the GFDRR Grant Agreement is amended to read as follows:

"1.3 Strengthening the Recipient’s Early Warning Systems by: (i) establishing real-time data communication network linking the existing volcano, seismic and weather observing stations with the national data and warning center; and (ii) strengthening multi-hazard standard operating procedures; and (iii) strengthening the capacity of the national multi-hazard warning and emergency operations centers to manage and respond to disasters, especially from climate-related events."

4. Component 2 of the Project Description in Schedule 1 to the GFDRR Grant Agreement is amended to read as follows:

"Component 2: Increasing Community Resilience in Areas Affected by Tropical Cyclone Pam

Increasing the ability of stakeholders at national, regional and community levels to work together to enhance disaster and climate resilience in rural communities by:

2.1 Supporting the development, preparation, delivery and monitoring and evaluation of Micro-Projects, and the development of strengthened methods, processes and protocols for climate change adaptation and disaster risk management.

2.2 Supporting climate resilient community investments by implementing the said methods, processes and protocols developed under Component 2.1 through Micro-Projects for communities affected by Tropical Cyclone Pam, such Micro-Projects to be identified and implemented in accordance with the processes and eligibility criteria detailed in the Operational Manual."

5. Section I.C (Subprojects under Component 2.2 of the Project) of Schedule 2 to the GFDRR Grant Agreement is deleted in its entirety and replaced with the following:

"C. Micro-Projects Under Component 2 of the Project

1. For purposes of implementation of Component 2 of the Project, the Recipient shall prepare and implement Micro-Projects under Component 2 of the Project in accordance with the eligibility criteria and procedures acceptable to the World Bank, as further detailed in the Operational Manual, which shall include the following:

(a) Each Micro-Project shall be endorsed by the National Advisory Board before its implementation, and shall be allocated with funding in an amount not exceeding the limit specified in the Operational Manual.

(b) Each Micro-Project shall: (i) be implemented in the areas affected by tropical Cyclone Pam; (ii) include activities which reduce the climate related risks and enhance resilience of the people in such affected areas; and (iii) aim to target a large number of beneficiaries that are particularly poor, relative to the surrounding communities."

6. Section I.E (Operational Manual, Small Grant Operational Manual and Environmental and Social Management Framework) of Schedule 2 to the GFDRR Grant Agreement is amended to read as follows:
"D. Operational Manual

1. (a) The Recipient shall carry out the Project in accordance with the provisions of the Operational Manual.

(b) The Recipient shall not amend the Operational Manual without the prior written approval of the World Bank.

2. In the event of any inconsistency between the provisions of the Operational Manual and this Agreement, this Agreement shall prevail.”

7. A new Section I.E (Safeguards) of Schedule 2 to the GFDRR Grant Agreement is added to read as follows:

"E. Safeguards

1. The Recipient shall carry out the Project in accordance with the provisions of the Safeguards Instruments.

2. If any Project activities would, pursuant to the Environmental and Social Management Framework, require preparation of an ESMP, the Recipient shall ensure that no such activities shall be implemented unless and until such ESMP is prepared in accordance with the Environmental and Social Management Framework and furnished to the World Bank for review and approval, and is disclosed as required by the ESMP and approved by the World Bank.

3. If a RAP would be required for any Project activities on the basis of a RPF, the Recipient shall ensure that: (a) said RAP has been prepared in accordance with the requirements of the RPF, furnished to the World Bank for approval, and disclosed locally; and (b) no such activities shall commence until: (i) all measures required to be taken under said RAP prior to the initiation of said activities have been taken; (ii) a report, in form and substance satisfactory to the World Bank, on the status of compliance with the requirements of said RAP has been prepared and furnished to the World Bank; and (iii) the World Bank has confirmed that said activities may be commenced.

4. The Recipient shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, any of the Safeguards Instruments, or any provision thereof, unless the World Bank has provided its prior no-objection thereof in writing, and the Recipient has complied with the same consultation and disclosure requirements as applicable to the original adoption of the said Safeguards Instruments.

5. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall take all measures necessary to regularly collect and compile, and submit to the World Bank, as part of the Project Reports, and promptly in a separate report whenever the circumstances warrant, information on the status of compliance with the Safeguards Instruments, providing details of:

(a) the measures taken in furtherance of the Safeguards Instruments;
(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; and

c) remedial measures taken or required to be taken to address such conditions.

6. The Recipient shall afford the World Bank a reasonable opportunity to review the reports prepared under paragraph 5 of this Section I.E, and thereafter shall carry out with due diligence all remedial measures agreed with the World Bank so as to ensure the proper implementation of the Project in accordance with the Safeguards Instruments.

7. In the event that any provision of the Safeguards Instruments shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.

8. The Recipient shall ensure that:

(a) all terms of reference for any technical assistance or studies carried out under the Project are consistent with the World Bank's environmental and social safeguards policies, as well as the Recipient's laws relating to the environment and social aspects and the Safeguards Instruments; and

(b) in drafting any regulations, guidelines or corporate procedures and carrying out capacity building activities under the Project, due attention is given to said policies, laws and instruments."

8. Section II.A.1 of Schedule 2 to the GFDRR Grant Agreement is amended to read as follows:

"1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators acceptable to the World Bank and set forth in the Operational Manual. Each Project Report shall cover the period of one (1) calendar year, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report."

9. The withdrawal table in Section IV.A.2 of Schedule 2 to the GFDRR Grant Agreement is amended to read as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants' services, Training, and Operating Costs under the Project</td>
<td>2,730,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>2,730,000</td>
<td></td>
</tr>
</tbody>
</table>

10. Section IV.B.1(b) of Schedule 2 to the GFDRR Grant Agreement is deleted in its entirety.
11. Paragraphs 3 ("Community" or "Communities"), 20 ("Small Grant"), 21 ("Small Grant Agreement"), 22 ("Small Grant Operational Manual"), and 23 ("Subproject") of the Appendix to the GFDRR Grant Agreement are deleted in their entirety, and renumbering the subsequent paragraphs accordingly, taking into account the new paragraphs inserted pursuant to this Amendment Letter.

12. A new paragraph 6 ("Displaced Person") is inserted in the Appendix to the GFDRR Grant Agreement and reads as follows:

   "6. "Displaced Person" means a person who, on account of the involuntary taking of land and other assets as part of the execution of the Project experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction to access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and "Displaced Persons" means, collectively, the plural thereof."

13. A new paragraph 9 ("Environmental and Social Management Plan") is inserted in the Appendix to the GFDRR Grant Agreement and reads as follows:

   "9. "Environmental and Social Management Plan" or "ESMP" means any plan to be prepared in accordance with the Environmental and Social Management Framework, in form and substance satisfactory to the World Bank, defining details of measures to manage potential environmental and social risks and avoid, minimize and/or mitigate any adverse environmental and social impacts associated with Project activities, together with adequate budget, institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms; as said plan may be modified from time to time with the prior written no-objection of the World Bank, and such term includes any schedules or annexes to such plan; and "Environmental and Social Management Plan" or "ESMPs" means, collectively, all or several such plans."

14. A new paragraph 10 ("Micro-Project") is inserted in the Appendix to the GFDRR Grant Agreement and reads as follows:

   "10. "Micro-Project" means community level activities to be carried out under Component 2 of the Project, which are identified, implemented, monitored and evaluated by the Recipient in cooperation with villages and provincial governments in accordance with the provisions detailed in the Operations Manual and the provisions of Section I.C of Schedule 2 to the GFDRR Grant Agreement; and "Micro-Projects" means two or more of such projects."

15. Renumbered paragraph 16 ("Operational Manual") (originally paragraph 14) of the Appendix to the GFDRR Grant Agreement is amended to read as follows:

   "16. "Operational Manual" means a manual prepared and to be adopted by the Recipient, found satisfactory to the World Bank, which shall contain, inter alia: (i) the terms of reference, functions and responsibilities for the personnel of the National Advisory Committee on Climate Change and the National Advisory Board; (ii) the procedures for procurement of goods, works, non-consulting services, consultants' services and Operating Costs, as well as for financial management and audits under the Project; (iii) the indicators to be used in
the monitoring and evaluation of the Project; (iv) flow and disbursement arrangements of Project funds; (v) the criteria, detailed rules and procedures for the selection of the Micro-Projects; (vi) the procedures for community participation to support the Recipient’s implementation, reporting and audits under the Micro-Projects; (vii) the Procurement Plan; and (viii) the Safeguards Instruments, as said manual may be amended from time to time with the World Bank’s prior written approval.”

16. A new paragraph 22 (“Resettlement Action Plan”) is inserted in the Appendix to the GFDRR Grant Agreement and reads as follows:

“22. “Resettlement Action Plan” or “RAP” means any resettlement action plan to be prepared by the Recipient in accordance with the RPF, each such plan in form and substance satisfactory to the World Bank, setting out, inter alia, measures for compensation and resettlement of any Displaced Persons, including the magnitude of displacement, compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms, as said plan may be modified from time to time with the prior written no-objection of the World Bank, and such term includes any annexes and schedules to such plan; and “Resettlement Action Plans” or “RAPs” means, collectively, all or several such plans.”

17. A new paragraph 23 (“Resettlement Policy Framework”) is inserted in the Appendix to the GFDRR Grant Agreement and reads as follows:

“23. “Resettlement Policy Framework” or “RPF” means the Recipient’s Resettlement Policy Framework acceptable to the World Bank and adopted by the Recipient, dated June, 2017, setting out, inter alia, the principles, standards, processes and tools applicable to the acquisition of rights to land, resettlement and compensation of Displaced Persons, as well as reporting and monitoring arrangements to ensure compliance with the said framework, with related public consultation, disclosure and grievance redress procedures, as said framework may be modified from time to time with the prior written no-objection of the World Bank, and such term includes any schedules or annexes to such framework.”

18. A new paragraph 24 (“Safeguards Instruments”) is inserted in the Appendix to the GFDRR Grant Agreement and reads as follows:

“24. “Safeguard Instruments” means, collectively, the Environmental and Social Management Framework, the RPF, the ESMPs, and the RAPs.”

All capitalized terms used in this Amendment Letter have the same meanings assigned to them in the GFDRR Grant Agreement. All the terms of the GFDRR Grant Agreement not hereby amended will remain in full force and effect.

In addition, the Global Environment Facility Grant Agreement for the Project between the Recipient and the International Bank for Reconstruction and Development, acting as Implementing Agency of the Global Environment Facility, dated December 14, 2012 (GEF Grant Number TF013810) (the “GEF Grant Agreement”), which provides funds to assist in financing of the Project, is being amended by way of a letter of amendment to the GEF Grant Agreement dated the same date as this Amendment Letter.
Republic of Vanuatu

Please confirm your agreement to the amendments to the GFDRR Grant Agreement set out above by having an authorized representative of the Recipient sign and date the form of confirmation set forth below, and returning one fully countersigned original of this Amendment Letter to us. Upon receipt by the World Bank of: (a) a duly countersigned original of this Amendment Letter by an authorized representative of the Recipient; and (b) a duly countersigned original of the letter of amendment to the GEF Grant Agreement by an authorized representative of the Recipient, the amendments detailed in this Amendment Letter shall become effective as of the date of the last countersignature of this Amendment Letter and the letter of amendment to the GEF Grant Agreement.

Sincerely,
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as Administrator of the Global Facility for Disaster Reduction and Recovery

Mona Sur
Acting Country Director
Timor-Leste, Papua New Guinea & Pacific Islands
East Asia and Pacific Region

AGREED:
REPUBLIC OF VANUATU

By: [Signature]
Authorized Representative

Name: Gaétan Pikioune
Title: Minister of Finance and Economic Management
Date: 03 August 2017