REPORT NO.: RES35364

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

INCREASING RESILIENCE TO CLIMATE CHANGE AND NATURAL HAZARDS IN VANUATU

APPROVED ON DECEMBER 4, 2012

TO

MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT

ENVIRONMENT & NATURAL RESOURCES

EAST ASIA AND PACIFIC

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I. BASIC DATA

**Product Information**

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
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<tr>
<td>P112611</td>
<td>Investment Project Financing</td>
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<th>Original EA Category</th>
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<table>
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<th>Approval Date</th>
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**Organizations**

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<th>Borrower</th>
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<tr>
<td>Ministry of Finance and Economic Management</td>
<td>Vanuatu Meteorology and Geohazards Department, Vanuatu Agricultural Research and Technical Centre (VARTC), Vanuatu Meteorology and Geohazards Department</td>
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**Project Development Objective (PDO)**

**Original PDO**

The objective of the Project is to help increase the resilience of communities in Vanuatu to the impacts of climate variability and change and natural hazards on food and water security as well as livelihoods.

**Current PDO**

The PDO 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.

**Summary Status of Financing**

<table>
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<th>Ln/Cr/Tf</th>
<th>Approval</th>
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<th>Effectiveness</th>
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II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

BACKGROUND:
The project has been effective since April 2013. Implementation progress had been slow, but has accelerated over the past 15 months, with disbursements increasing from 75 percent to 90 percent during this time, mainly to support to communities affected by tropical cyclones. Both the Project Development Objectives (PDO) and implementation progress is currently rated as Moderately Satisfactory.

There have been two previous restructurings:

a) A Level 2 restructuring in March 2016 to extend the closing date of a Trust Fund (TF013694) from March 31, 2016 to December 31, 2017.

b) A Level 1 restructuring in June 2017 to:
   a) Revise the PDO to focus on improving the resilience of communities affected by tropical cyclones;
   b) simplify the implementation arrangements to have just one Government entity - that of the Vanuatu Meteorological and Geohazards Department (VMGD); and
   c) reduce the scope of stand-alone activities related to agriculture and water supply and integrate these activities, where possible, into the micro-projects aimed at enhancing the resilience and adaptive capacity of the communities/villages affected by Tropical Cyclone Pam (TC Pam) and vulnerable to other climate related events such as droughts. The micro-projects thus became the major focus of the project.

PROGRESS BY COMPONENTS:

Component 1 (Institutional Strengthening for Climate Change Adaptation and Disaster Risk Management): The Project Management Unit (PMU) has contributed to the climate and disaster risk management agenda in Vanuatu especially through supporting the National Advisory Board that is responsible for providing strategic advice and coordination on climate and disaster resilience efforts across multiple projects and development partners. Two Provincial Disaster Centers were completed in May 2016. A customized curriculum for Provincial Disaster Officers was also developed and the National Disaster Act revised and updated (with the aim that the Parliament would approval it in late 2018 or early 2019). This legislation improves preparedness and coordination in the event of a disaster and lays out clear roles and responsibilities of different entities. Under this component, in 2017, eight seismic sensors were procured, tested and units to accommodate them constructed in eight islands. In May 2017, six sensors in six islands were installed and connected to a nation-wide automatic relaying system and the two remaining ones (in Tanna and in the Banks Island group) installed and connected in 2018.

Component 2 (Increasing Community Resilience in Areas Affected by Tropical Cyclone Pam): Methodologies for disaster risk management and climate adaptation were developed. This component has been financing micro-projects in cyclone affected areas (primarily in the islands of Tanna and the Shepherds) based on proposals received by the
communities/villages affected by TC Pam. As existing institutional structures in Vanuatu are not conducive to use of a small grant mechanism and access to materials for construction is a challenge in most cyclone affected areas, the PMU instigated a centralized procurement and transportation system for the material required and also procured services (such as plumbers and carpenters) for each island to support successful implementation of the micro-projects by the communities/villages. The cost of each of micro-project, including transport of the materials to the sites, was capped at VT5.0 million (approximately USD 45,000). A manual to guide the implementation of micro-projects was drafted and used for guiding community resilience activities and incorporated in the Project Operational Manual (POM). The POM also included criteria for selection of the micro-projects such as: (i) the sites are in the TC Pam affected areas or vulnerable to other recent weather and/or volcanic activities; (ii) the activities would reduce the climate related risks and enhance resilience of the people in the area; and (iii) target a large number of beneficiaries that are particularly poor, relative to the surrounding communities. The preparation of the micro-projects was supported by the PMU and the relevant government agencies (for example the Public Works Department for access road investments). The final set of micro-projects were selected and approved using the existing Provincial government and village structures and endorsed by the National Advisory Board acting as the project steering committee. In total, 74 micro-projects were approved, although two were combined into one in late 2018. The majority (41) of the micro-projects support improved water supply (often combined with some use of water for crop growing to improve food security); eighteen (18) support multi-cropping systems including demonstration plots, six (6) are multi-purpose centers and eight (8) aim to improve the condition of steep sections of access roads to remote and vulnerable communities.

The activities carried out under the original Component 3 (Promotion of Improved Technologies for Food Crop Production and Resilience to Climate Change) and Component 4 (Rural Water Security: Increased Access to Secure Water Supply) have been well integrated into micro-projects to help meet the goals of water and food security, particularly on the island of Tanna and Ambrym where water scarcity and food availability are exacerbated by recent droughts and/or cyclones. In addition, improved food crop varieties have been tested and multiplied for distribution to farmers and poor households in various islands.

CURRENT STATUS:
All the work related to seismic stations and early warning systems has been completed. Over the past year, there has been good progress on the implementation of the micro-projects in the 73 communities/villages affected by TC Pam in 2015 in Tanna and the Shepherds and by Tropical Cyclone Hola in 2018 in the island of Ambrym. Overall, 59 of the 73 micro-projects have been completed, eleven are near completion and three are yet to start implementation. The three micro-projects, which are yet to start implementation, are in one of the poorest, cyclone and drought prone parts of the island of Tanna. These three investments involve using poured concrete for steep sections of tracks (200-300 meters) to provide improved access to basic services (e.g. health clinics, markets) and to help enhance the resilience of these communities. The small civil works in these areas have been delayed due to heavy rainfall and due to delays in the procurement process of the works contract.

Recently, some remedial actions were identified for the eleven micro-projects that are still under implementation. These remedial actions are necessary to ensure these micro-projects will be completed satisfactorily. The remedial actions include ensuring connectivity between tanks in one of the gravity-fed system financed by the project so that all households in the community get access to water and finalization of the drainage for all the five access road sections.

The development objective remains achievable within the proposed extension of the closing date. There are no overdue audits, and therefore no exceptional approval for extension are required.

RATIONALE FOR RESTRUCTURING:
In response to a request received from Government of Vanuatu, dated December 11, 2018 (received by the World Bank on December 18, 2018), a project restructuring is proposed to extend the project closing date from December 31, 2018 to June 28, 2019 and to extend the closing date of the only remaining source of financing (TF-13810) to allow sufficient time for completion of the remaining micro-projects.

There will be no change to the scope of activities or the grant financing arrangements. The Bank and the recipient have agreed on a Plan of Actions to be undertaken before the proposed closing date of June 28, 2019 to ensure satisfactory completion of all the micro-projects and address issues identified during the mission in November 2018 (see Agreed Action Plan below). The budget has been reviewed to ensure there are sufficient funds available under the grant to cover the remaining activities and the additional costs associated with the requested extension.

Agreed Action Plan
Action 1: Satisfactory completion of all eleven micro-projects under implementation including instigation of remedial actions for the gravity-fed system micro-projects and five all weather access roads by January 30, 2019.
Action 2: Satisfactory completion of the works for the two multi-purpose centers in the Shepherds by February 25, 2019.
Action 3: Construction of the three planned all-weather access roads in the communities of Envitanna in Tanna; construction to start by late December 2018 and completion by February 25, 2019.
Action 4: Recruit consultants and draw on Government expertise to strengthen financial management capacity. Submit outstanding/overdue financial management documents and withdrawal applications by late December 2018. Provide monthly updates on these actions including the budget until the proposed project closing.
Action 5: Ensure timely management of potential environmental impacts of works related to all weather access roads in Tanna and provide monthly updates.

III. DETAILED CHANGES

<table>
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<tr>
<th>Ln/Cr/Tf</th>
<th>Status</th>
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