



# Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 23-Dec-2021 | Report No: PIDA32778

**BASIC INFORMATION****A. Basic Project Data**

Country Vanuatu	Project ID P173278	Project Name Vanuatu Affordable and Resilient Settlements Project	Parent Project ID (if any)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date 12-Jan-2022	Estimated Board Date 17-Mar-2022	Practice Area (Lead) Urban, Resilience and Land
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance and Economic Management	Implementing Agency Ministry of Lands and Natural Resources	

## Proposed Development Objective(s)

The proposed PDO is to: (i) improve access to and resilience of infrastructure and services in selected new and existing settlements, and (ii) strengthen land planning and management for resilient human settlement.

## Components

Affordable and Resilient New Settlement Development  
 Affordable and Resilient Settlement Upgrading  
 Strengthening Institutional Capacity for Implementation and Sustainability  
 Contingent Emergency Response

**PROJECT FINANCING DATA (US\$, Millions)****SUMMARY**

<b>Total Project Cost</b>	25.00
<b>Total Financing</b>	25.00
<b>of which IBRD/IDA</b>	25.00
<b>Financing Gap</b>	0.00

**DETAILS****World Bank Group Financing**

International Development Association (IDA)	25.00
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IDA Grant	25.00
Environmental and Social Risk Classification	
Substantial	
Decision	
The review did authorize the team to appraise and negotiate	

Other Decision (as needed)

## B. Introduction and Context

### Country Context

- Vanuatu is a small island nation located in the South Pacific approximately 2,000 kilometers to the east of Australia.** The archipelago of 83 volcanic islands (72 of them inhabited) comprises approximately 12,200 square kilometers land area, dispersed over an exclusive economic zone of about 827,000 square kilometers. With a population of 300,000 residents,<sup>1</sup> the country is divided into six administrative provinces – Malampa, Penama, Sanma, Shefa, Tafea, and Torba. Shefa Province includes Efate Island on which the capital -- Port Vila – is located. Vanuatu is typical of many other Pacific Island countries, with a small, remote economy and highly vulnerable to climate change, disasters and external shocks.
- Vanuatu’s economy is characterized by a formal sector driven by tourism and agriculture, and informal subsistence activity outside the main urban centers of Port Vila and Luganville.** Based on 2019 estimates, the largely urban-based service sector contributed about 64 percent of GDP (11 percent from tourism), while agriculture, fishing, and forestry contributed 18 percent to total GDP.<sup>2</sup> The small size of the domestic economy and its remoteness from major markets push up the costs of economic activity, as economies of scale cannot be realized in domestic production and transport costs significantly increase the cost of trade. In 2019, the poverty rate (the proportion of people living on less than US\$3.20/day) was 32 percent and an estimated 8.5 percent of the population was living in extreme poverty (less than US\$1.90/day).<sup>3</sup> A further estimated 20-50 percent of the population is concentrated only marginally above the poverty line and is highly vulnerable to falling back into poverty, for instance, when affected by natural disasters. Projections of the impact of COVID-19 on economic growth and poverty are expected to be released in early 2022.
- Average annual per capita GDP growth has been modestly positive over the past decade,** but the closing of international borders and other measures to address the COVID-19 pandemic has come at

<sup>1</sup> World Bank. *World Bank Open Data*. January 2020.

<sup>2</sup> Government of Vanuatu. *Post-Disaster Needs Assessment: TC Harold & Covid-19, Vanuatu*. Port Vila , October 2020.

<sup>3</sup> The most recent poverty estimates for Vanuatu are based on the 2019/20 (NSDP) Baseline Survey, with “hardship”.



a cost to economic growth. Gross domestic product (GDP) declined by almost 10 percent from US\$3,186 per capita in 2019 to an estimated US\$2,879<sup>4</sup> in 2020 due to the combined effects of Tropical Cyclone (TC) Harold and COVID-19. In 2020, national GDP was estimated at US\$864 million, which represents a 7.4 percent decline from 2019 levels (US\$933 million), with TC Harold and COVID-19 causing economic damages estimated at 61 percent of GDP. Economic growth fell in 2020 from 3.8 percent to 0.6 percent. Projections suggest that GDP will have a moderate growth rate of 3.0 percent from 2021-2024, with growth expected to rebound in 2021 and 2022 before settling at between 2.5 and 3.0 percent over the medium term, as large infrastructure projects are completed. The government's substantial public investment and cyclone reconstruction program is expected to help raise the productive capacity of the economy over the medium to long term.<sup>5</sup>

- 4. Notwithstanding the COVID-19 shock, one of the most significant development challenges the country continues to face is its exposure to hydrometeorological and geophysical disasters.** Hydrometeorological hazards include tropical cyclones, floods, and droughts, whereas geophysical hazards include volcanic hazards, earthquake-related hazards, and tsunamis. During the period 2000 to 2021, Vanuatu experienced 21 natural disaster events that affected a total of 429,655 people.<sup>6</sup> In March 2015, Category 5 TC Pam struck 22 islands of Vanuatu, causing estimated economic impacts in the amount of US\$450 million, equivalent to 64 percent of GDP.<sup>7</sup> Catastrophe modeling conducted in 2010 estimated that, on a very long-term annual average, the country faces US\$48 million per year in risk to assets from earthquakes and tropical cyclones alone. In any given 50-year period, Vanuatu has a 50 percent chance of experiencing a loss exceeding US\$330 million, and a 10 percent chance of experiencing a loss exceeding US\$540 million. While the average annual risk to assets in Vanuatu is estimated at 7 percent of GDP, well-being risk<sup>8</sup> (accounting for the disproportionate impact of asset loss on the poor) is about 10 percent of GDP.<sup>9</sup> Even though the poor suffer only a small share of the dollar value of physical 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.

#### Sectoral and Institutional Context

- 5. The capital city Port Vila is the seat of government and the country's main economic hub, accounting for an estimated 65 percent of GDP.** The city has an estimated population of 66,000 people<sup>10</sup> living within the municipal boundaries, while Greater Port Vila (the municipal area plus surrounding peri-urban settlements with strong economic and social connectivity to the city center) is home to closer to 114,000 people, almost 40 percent of the nation's population.<sup>11</sup> In-migration from other islands accounts for a majority of urban growth (60 percent), with the remaining (40 percent) from natural

<sup>4</sup> IMF. *World Economic Outlook Database*, October 2020.

<sup>5</sup> World Bank. *World Bank East Asia and Pacific Economic Update, April 2020 : East Asia and Pacific in the Time of COVID-19*. Washington, DC: World Bank, 2020. p. 200

<sup>6</sup> EM-DAT, CRED/ UC Louvain, Brussels, Belgium

<sup>7</sup> Government of Vanuatu. *Vanuatu Post-Disaster Needs Assessment*. Port Vila: Government of Vanuatu, 2015.

<sup>8</sup> Well-being risk is defined so that US\$1 of well-being risk indicates the same impact on poor people as on the wealthy, even when their asset losses differ.

<sup>9</sup> Hallegatte, Stephane, et al. *Unbreakable : Building the Resilience of the Poor in the Face of Natural Disasters. Climate Change and Development*. Washington, DC: World Bank, 2017.

<sup>10</sup> Projection from 2009 Population and Housing Census.

<sup>11</sup> Trundle, Alexei et al provided an estimate of the peri-urban population within a 10 km radius of the city boundary using the 2009 Census (53-75); extrapolated by the task team to 2018 using the Census growth rate.



growth of the working age urban population. Urban-rural income differentials and rural underemployment are key drivers for people moving to Port Vila and smaller towns such as Luganville, in search of employment, better wages, health services, and education opportunities.

6. **The pace of urbanization, limited institutional capacity, and resource constraints have impacted the quality and resilience of urban settlements in Greater Port Vila.** Development over the past decades has largely been unplanned and unregulated, resulting in the emergence of 23 informal settlements within the municipality and adjacent peri-urban areas of Shefa Province.<sup>12</sup> Due to the high cost of rents and formal land, most of the urban poor access land for housing through kinship ties and unrecorded informal occupancy arrangements on *kastom* (customary) land outside of the municipal boundary. During the last census period (1999-2009), 74 percent of the Greater Port Vila (GPV) growth was in peri-urban unplanned settlements outside municipal boundaries. The resulting model of low-density urban form is prohibitively costly to service and has led to the proliferation of low-density slums.
7. **People and assets are increasingly locating in marginalized and hazard-prone areas, including floodplains, steep hillsides susceptible to landslides, and coastal areas exposed to tsunamis and inundation.** Households living in unplanned settlements with insecure tenure are reluctant to invest in resilient structures, increasing their vulnerability. This was evident in 2015 when TC Pam caused widespread damage on Efate island. Only 10 percent of housing within the Port Vila municipal area was destroyed, while the toll was 23 percent in the informal settlements.<sup>13</sup> Exposure to regular flooding is a problem impacting 20 percent of the Greater Port Vila population – a key issue is the lack of investment in trunk storm drains.
8. **Urban planning and land administration institutions and systems are poorly functioning.** There is no clearly mandated public agency responsible for land development.<sup>14</sup> Urban plans are outdated and largely unenforced. Land administration and geo-spatial data systems are antiquated and not integrated. Land approval and certification processes are costly and lengthy – limiting security of tenure, and incentivizing informality. These challenges, left unaddressed, will preclude city officials from carrying out basic planning responsibilities to manage urbanization, deliver services, and protect citizens from the impacts of natural hazards.
9. **Serviced land with titled plots for residential development are scarce – and the private sector is unable to meet the growing demands for the poor and middle class.** In ten years, GPV will need to plan for and make space for an estimated 11,000 new dwelling units based on current urban growth projections.<sup>15</sup> This will require an estimated 1,170 hectares of new serviced land in suitable low-hazard locations. While sufficient tracts of suitable land<sup>16</sup> have been identified – the key challenges to accommodating future growth are the (i) lack of existing plans, (ii) an inadequate institutional and

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<sup>12</sup> National Advisory Board on Climate Change and Disaster Risk Reduction Government of Vanuatu. "Vanuatu Urban Growth Trends Report – Port Villa and Luganville." 2015.

<sup>13</sup> Government of Vanuatu. *Vanuatu Post Disaster Needs Assessment: Tropical Cyclone PAM*. Port Vila: Government of Vanuatu, 2015.

<sup>14</sup> Vanuatu's six provincial and three municipal councils may "acquire any interest in or over land whether within or outside the municipality" and for "control of roads" strictly for public purposes. However, they have not developed capability or undertaken land development initiatives on public or *kastom* land, or in greenfield or informal settlement upgrading and regularization.

<sup>15</sup> Awaiting results of the November 2020 Population and Housing Census.

<sup>16</sup> The 2009 Census projects 171,000 people will reside in Greater Port Vila by 2030, requiring 11,000 new dwelling units. This will require an estimated 1,170 ha of new serviced land in low-hazard areas, of which 900 ha will be needed for low and middle-income residential land use. Almost 1,000 ha of suitable land, near water and power supply networks have been identified.



regulatory framework, and (iii) limited ‘tools’ (land administration systems, planning enforcement, etc) and the lack of pre-existing models to guide development. Private sector developers currently lack the financing, technical capacity, and incentives to offer products at scale supporting the middle and lower-income markets.

10. **With limited public and private sector resources – a key challenge is to curb the current trajectory of costly sprawl and encourage more economic and compact urban development.** In addition to strengthening planning practices, this will require the strategic use of investment resources to better guide future development. Two priority approaches have been identified. The first, retrofitting existing settlements through upgrading to improve services and resilience. The second, to develop new models for planned and serviced urban expansion. Both can help increase density to improve economies of scale and affordability.

### C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The proposed PDO is to: (i) improve access to and resilience of infrastructure and services in selected new and existing settlements, and (ii) strengthen land planning and management for resilient human settlement.

#### Key Results

The following are proposed as PDO-level indicators:

- People in existing settlements provided with improved urban living conditions (disaggregated by gender) [percentage] [CRI]
- People with leases signed for the new residential development, disaggregated by gender and income [number]
- New subdivision lots approved according to disaster- and climate-risk informed urban and land management procedures as per the National Subdivision Policy [percentage of applications]

### D. Project Description

#### Component 1: Affordable and Resilient New Settlement Development

This component will develop a new urban expansion area on 10 ha of public land in Etas, able to accommodate 171 households. The site is in a low-hazard area and connected to existing trunk infrastructure. The objective is to develop a replicable model for future urban expansion that is planned; has basic public infrastructure (roads, drainage, streetlights, sanitation) and amenities (schools, community centers, and public green space); and introduces new standards and practices for affordability through higher-density development, urban resilience to disaster and climate risks, on-site communal sanitation treatment, and cost-recovery models. Project financing will cover upstream preparation (planning, survey, design); investments in basic public infrastructure, construction supervision; technical assistance to develop transparent cost recovery regulations for plot sub-leases; and update regulations for practical implementation of minimum standards of the National Land Subdivision Policy.

#### Component 2: Affordable and Resilient Settlement Upgrading

This component will improve access to infrastructure and urban resilience through upgrading tertiary infrastructure in informal settlements and delivery of trunk drainage in priority flood affected areas in Port Vila. The component will finance in situ upgrading and regularization (official recognition) of four existing settlements, based on the following selection criteria of the settlements: (i) comparatively less exposed to natural (including climatological) hazards, where



risk reduction and climate adaptation measures would be feasible and affordable; (ii) located relatively close to employment centers, existing main roads and trunk water and power supplies (improving preparedness for emergencies such as extreme weather events); (iii) the majority of the residents have lived in the area for many years and local leaders have provided written expressions of interest in upgrading to MoLNR; and (iv) each settlement has a different underlying tenure arrangement, allowing for a range of secure tenure options to be practically demonstrated.

**Component 3: Strengthening Institutional Capacity for Implementation and Sustainability**

This component will finance technical assistance to improve urban management, service delivery, resilience, and project management.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

The project will finance physical investments and technical assistance (TA) activities associated with implementation of the National Subdivision Policy, including advisory services, preparation of designs and guidelines and capacity building. The project will lead to environmental and social (E&S) benefits by increasing affordable housing, improving tenure security for informal settlements and increasing resilience of new and existing settlements to climate change and natural disasters. TA activities will improve management and regularization of existing and future settlements and strengthen institutions in overseeing activities that have E&S inclusion implications.

*Environmental risks* associated with the construction of the proposed infrastructure (roads, drainage, services, etc.) may include:

- temporary erosion and soil slips, floods, polluted storm water entering water bodies (streams or sea), sedimentation of water bodies, dust, pollution from inappropriate construction materials use or waste management, noise, ground instability, waste disposal, community and workers’ health and safety;
- vegetation clearing related to greenfield works, causing habitat loss and fragmentation;
- poor infrastructure design or construction, which may cause damage to natural drainage channels, floods and soil erosion.

During operation, new and existing settlements may cause pollution impacts from inappropriate solid waste and sewerage storage, collection, and treatment or disposal. Unless appropriate wastewater treatment infrastructure, engineered landfills for solid waste disposal and / or recycling facilities are present in Port Vila, the infrastructure upgrades will not provide intended environmental benefits. The proposed stormwater drainage systems may become a conduit for litter and sediment transport downstream, ultimately ending up in streams or the sea.

*Social risks* relate to the lack of Borrower capacity and experience with the ESF. This raises the risk that project preparation and implementation will not comprehensively map and address stakeholder needs, nor manage stakeholder expectations. Poorly conceived design activities could inadvertently exacerbate or generate inequalities where project benefits - such as settlement design or upgrades - disregard, overlook or privilege some groups over



others. Poorly communicated and ill-conceived land formalization activities may lead to reputational harm for the project, cause social tension, enable elite capture of newly developed plots and marginalize rightful land users and rights holders. While the use of labor-intensive approaches will generate employment opportunity for local laborers, opportunities must ensure social inclusivity, provide a safe work environment and address the risk of non-transparent application processes, as well as mitigate the GBV and SEAH incidents between construction workers or by workers against settlement residents.

*Technical assistance activities* largely support capacity building and implementation of the National Land Subdivision Policy. Implementation activities include: (i) design of settlements and associated infrastructure, (ii) design of sustainable urban drainage solutions, (iii) preparation of guidelines and advisory services on plot sales, land tenure and the land registration system, and (iv) guidelines for improving disaster resilience of settlements and individual houses. The TA activities present minimal direct environmental and social risks. Implementation of the National Land Subdivision Policy has potential downstream E&S impacts, which will be addressed and mitigated through the project.

- From the environmental risk perspective, the sustainable urban drainage solutions and guidelines for disaster resilience/climate adaptation of settlements must consider the following downstream environmental risks: resource efficiency (water, energy), pollution (drainage, stormwater, sewerage, solid waste), climate change adaptation and natural disaster resilience (ESS3), natural habitat conservation (ESS6), and cultural heritage conservation (ESS8).
- From the social risk perspective, TA activities will mitigate the downstream risks associated with: (i) social conflicts over competing land claims, (ii) affordability of land registration and associated costs for poor and extreme poor, (iii) the potential for elite capture, land grabbing, exclusion of the vulnerable in land tenure, (iv) affordability of tenure and housing arrangements, and (v) inclusion of women and seniors as right holders of land and assets (ESS5). The corresponding mitigation measures will include: (i) ensuring informed participation and meaningful engagement of vulnerable and marginalized people in planning and design activities, including space and facility allocation for disabled people, creation or protection of cultural sites, play areas for children, among other aspects (ESS8, ESS10), and (ii) maximizing the opportunity for safe and inclusive employment opportunity in construction (ESS2, ESS4).

These E&S impacts and risks, as well as benefits, have been assessed and mitigated / optimized as appropriate through the ESF instruments. A Draft Environmental and Social Management Framework (ESMF) was prepared to cover the project components. Site designs for Components 1 and 2, including details of the works and locations for the urban drainage systems will be drafted during the implementation stage. The terms of reference for the various TA activities have not been prepared. The ESMF therefore provides guidance on the E&S screening of sub-projects and TA activities and the subsequent assessment of risks and impacts and mitigation measures through the appropriate instrument(s). The ESMF includes: (i) a Code of Environmental Practice (CoEP) for minor works associated with road upgrades, foot paths and minor road drains, installation of lighting, and utility connections, (ii) a generic Construction Waste Management Plan, (iii) Labor Management Procedures (LMP) for PMU, contracted and community workers to ensure proper working conditions and management of worker relationships, (iv) a project Grievance Mechanism (GM), and (v) guidelines for occupational health and safety (including COVID19), and to prevent GBV/SEA-SH. For the TA activities, the ESMF summarizes the screening process for the proposed activity (design, advisory service, guideline development), and the process for providing inputs on relevant ESS requirements to the activity-specific TOR, as well as the review of the TA output for compliance with the ESS requirements. The ESMF contains a Vanuatu Land Law and Administration Assessment in view of land regularization activities. A Project Stakeholder Engagement Framework (SEF) was developed as part of the ESMF. The project commitment to meet the ESF and country system have been captured in the ESCP.





## E. Implementation

### Institutional and Implementation Arrangements

11. The project will be implemented by the Ministry of Lands and Natural Resources, through a professional and well-resourced PMU (supported under Component 3), with Terms of Reference for consultants requiring past relevant experience. The institutional and systems strengthening activities to be financed under Components 1-3 will build MoLNR's capacities for project implementation. It also will support GoV to comprehensively review options and prepare appropriate policies and governance arrangements regarding the roles and responsibilities of public and private sectors in land development, cost-sharing mechanisms, and for development of public (government) land. MoLNR manages all land-related issues in Vanuatu, with its main operational areas including the administration of laws governing land rights (public, *kastom*, leases) and land transactions (registration of land leases). Other priorities are the removal of constraints on registration of leases and subdivisions, the development of an enabling framework of policy, law, and regulation, bringing together organizational capability in the private and public sectors, and creation of better access to credit and capital, to support effective urbanization in general and for low and low-middle income households in particular.
12. The project Steering Committee will provide strategic oversight and coordination of the project. The MoLNR and the Ministry of Internal Affairs will jointly chair the Steering Committee, which will comprise representatives from relevant line ministries (for example, the Ministry of Finance and Economic Management (MFEM), Ministry of Climate Change Adaptation, Meteorology & Geohazards (MoCC), Ministry of Infrastructure & Public Utilities (MIPU)), and the local authorities (Port Vila City Council and Shefa Provincial Council). A Technical Working Group will be established under the project Steering Committee, with designated officers from participating Ministries and local authorities to coordinate and guide project implementation and provide quality reviews.

### CONTACT POINT

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**APPROVAL**

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