



Australian Government
AusAID

Annual program performance report: Vanuatu 2008

February 2010

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For further information about the Australian Government's international development program, contact:

Communications Section
AusAID
GPO Box 887
Canberra ACT 2601

Phone (02) 6206 4000
Facsimile (02) 6206 4880
Internet www.ausaid.gov.au

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Abbreviations

AFP	Australian Federal Police
AIDS	acquired immune deficiency syndrome
AusAID	Australian Agency for International Development
DAC	Development Assistance Committee
GDP	gross domestic product
GfG	Governance for Growth
HIV	human immunodeficiency virus
M&E	monitoring and evaluation
MDG	Millennium Development Goal
MFEM	Ministry of Finance and Economic Management
NZAID	New Zealand Agency for International Development
OECD	Organisation for Economic Co-operation and Development
TVET	technical and vocational education and training
UNICEF	United Nations Children's Fund
VBTC	Vanuatu Broadcasting and Television Corporation
VESAP	Vanuatu Education Support Action Plan
VPF	Vanuatu Police Force
VTSSP	Vanuatu Transport Sector Support Program

Summary

Overview

Vanuatu's economy continued to perform strongly in 2008, with an estimated 6.6 per cent growth in GDP. However, only moderate growth is expected in 2009 as the global recession impacts on tourism and foreign investment inflows. Australia is a large and well-regarded donor partner in Vanuatu, and Australian support contributed to progress towards a number of Millennium Development Goal (MDG) objectives in 2008. Total Australian aid to Vanuatu in 2008-09 was \$53.6 million, an increase of 35 per cent on the previous year. Bilateral assistance accounted for an estimated \$42.5 million of this total, an increase of 38 per cent on 2007-08 levels.

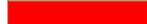
Ratings

Table 1: Ratings of the Vanuatu program in achieving the Australia–Vanuatu Joint Development Cooperation Strategy's objectives

Objective	2008 rating	2007 rating
1. Improved financial management and accountability through continued public sector reform	Green	Green
2(a). More effective legal institutions	Orange	Orange
2(b). Improved police services	Green	Green
3. Stronger links between central, line and provincial systems	Green	Green
4(a). Improved education service delivery to populations in greatest hardship, including rural communities and informal settlements in urban areas	Green	Green
4(b). Improved health service delivery to populations in greatest hardship, including rural communities and informal settlements in urban areas	Orange	Orange
5. Stronger partnerships between non-state actors and government in service delivery in rural communities and informal settlements in urban areas	Green	Green
6. Economic growth—raised productive capacity of ni-Vanuatu, particularly women and young people	Green	Green
7. Greater demand for better governance*	Green	Green

* Objective 7, 'Greater demand for better governance', has been included as an additional objective to reflect its growing importance in the program.

Note:

	The objective will be fully achieved within the timeframe of the strategy.
	The objective will be partly achieved within the timeframe of the strategy.
	The objective is unlikely to be achieved within the timeframe of the strategy.

Major results

The aid program achieved a number of significant results in 2008 in both the implementation of existing programs and the development of new initiatives. Agreement was reached with the Government of Vanuatu on the Australia–Vanuatu Partnership for Development. Through the Partnership, Australia will provide significant new resources to promote economic growth and accelerate Vanuatu’s progress towards achieving the MDGs. Australia and Vanuatu will work towards mutually agreed objectives in the areas of education, health, infrastructure and economic governance. Prime Minister Rudd and Prime Minister Natapei signed a header agreement for the Partnership in May 2009.

Australia worked as a responsive and credible donor partner in 2008. The Governance for Growth program supported reforms to introduce competition in telecommunications. These reforms resulted in an increase from 20 per cent to 75 per cent in the proportion of the population with access to mobile telephony. In addition, the program supported reforms that will promote more transparent and accountable public financial management.

The aid program also supported improvements in service delivery. AusAID and NZAID, under the Vanuatu Education Support Action Plan, are working through government systems to improve education facilities and materials and support curriculum reform. In the health sector, the maternal mortality rate at Vila Central Hospital has continued to fall, and pharmaceutical supply has been strengthened. The Pacific Malaria Program has made strong early progress in contributing to reduced malaria incidence, with a 38 per cent decline in malaria parasite incidence in 2008. AusAID also helped to restore medium-wave radio services across most of rural Vanuatu, as well as improve the quality of Vanuatu Broadcasting and Television Corporation programming.

In the law and justice sector, there were improvements in the capacity of government legal offices to manage their increasing caseload. The Vanuatu Police Force Capacity Building Project made strong progress in supporting workplace renewal and infrastructure improvements in 2008.

A significant milestone was the passing by the Vanuatu Parliament of the Family Protection Act in 2008. The new legislation will provide women and children with significantly stronger protection from domestic violence. Australia has also supported comprehensive research into the incidence of domestic violence in Vanuatu.

The aid program continued to scale up in 2008 with the design and approval of significant new programs in transport infrastructure, land, technical vocation education and community partnerships. The Vanuatu Transport Sector Support Program will work to improve maintenance of transport infrastructure and enhance job opportunities on the islands of Tanna, Ambae and Malekula. Phase 2 of the Technical and Vocational Education and Training program will support employment-orientated training in rural areas. Australia and New Zealand have agreed on a joint program of support to Vanuatu on land issues. New community partnerships with churches and chiefs are expected to build the capacity of civil society to advocate for good governance and accountability.

Major challenges

As the aid program has transitioned to working more through Government of Vanuatu systems, it has become more dependent on the implementation capacity of those systems. It is notable that where the government has shown leadership, such as in telecommunications reform, significant achievements have been possible. In contrast, where there is weak leadership or capacity, for instance in addressing financial management within the Vanuatu Police Force, less progress has been possible.

While the global recession has not had a significant impact on Vanuatu to date, the Government of Vanuatu has limited capacity to respond in the event of a prolonged economic downturn. Most government expenditure goes towards public sector salaries, and there is little scope to increase spending despite the strength of the fiscal position (a balanced budget and low levels of debt are expected for 2009). It is likely that any rapid response to an economic shock would have to be funded by donors working with the government.

Securing appropriate technical assistance resources has been a challenge for the Vanuatu aid program in 2008. Some advisers were recruited at considerable expense who were not able to deliver outputs to the desired level. As successful program implementation relies heavily on the available human resources, this will be an ongoing challenge in 2009.

There is also a challenge in addressing initiative proliferation across the aid program. While there is a clear trend of moving to fewer but larger programs delivered through Vanuatu systems, transitioning existing stand-alone programs to more programmatic approaches can place heavy demands on staff. In the health sector, moving from seven mostly small initiatives to a more strategic program approach is expected to take several years.

Country performance

Vanuatu's strong economic growth continued in 2008. Its estimated GDP growth was 6.6 per cent—one of the highest economic growth rates in the Pacific. The International Monetary Fund attributes this growth to continued increases in tourism and construction activity, as well as higher than expected donor inflows. The global recession has not yet had a significant impact on Vanuatu's economy. While construction is slowing, tourist arrivals continue to be strong (up 24 per cent to the end of April 2009). The Reserve Bank of Vanuatu predicts economic growth of 3 to 4 per cent in 2009, assisted by strong donor inflows, an easing in monetary policy and a more flexible approach to fiscal policy.¹ However, Vanuatu's economy is small and open and therefore vulnerable to the impact of the crisis.

Vanuatu held elections in September 2008, and ahead of the vote there were pressures on fiscal discipline and a widespread hiatus in government decision-making and policy implementation. Following a period of negotiation immediately after the poll, a coalition government was established, led by Prime Minister Natapei. It remains relatively stable despite four no-confidence motions. However, the political system is fragmented. Substantial numbers of parliamentarians are independents or from single-member parties. This fragmentation exacerbates the challenge of maintaining a stable coalition government and can work against potential reforms where they threaten the fragile balance of power. The pursuit of individual members' interests is a major driver of policy and decisions.

Higher revenues in recent years have meant greater expenditure on health and education, but the effectiveness of this expenditure is limited by the high proportion devoted to salaries rather than operational expenses. Vanuatu faces real challenges in meeting the MDGs. While MDG progress since 2007 is difficult to assess due to patchy data, there is little doubt that progress is mixed. There are no trend data on poverty, but the 2007 AusAID-supported household income and expenditure survey showed higher than expected family incomes across much of Vanuatu as a result of sustained economic growth. There are lingering concerns about poverty with 6 per cent of households below the national food poverty line (that is, they are regularly unable to buy or produce the minimum food requirements) and 13 per cent below the higher basic needs line (that is, they are often unable to pay for essentials such as school fees). Proportionally, more urban than rural households face poverty and are dependent on increasingly costly purchased foodstuffs, such as rice, to meet their requirements.

Weaknesses in data quality also make it difficult to track MDG progress in health. On MDG 4, the United Nations has reported a declining trend since 1990 in Vanuatu's under-five mortality rate, and, at 36 deaths per 1000 live births in 2006, UNICEF has assessed Vanuatu as 'on track' for MDG 4. Progress towards MDG 5 is unclear: while there has been

¹ Statement of an IMF staff mission at the conclusion of the 2009 Article IV discussions with Vanuatu, Press Release 09/56, International Monetary Fund, 4 March 2009.

improvement in recent years, the small sample size makes it difficult to draw definitive conclusions. Strong achievements against MDG 6 are possible: the number of HIV cases remains low (a cumulative total of five) despite substantial evidence of high levels of other sexually transmissible infections. Malaria parasite incidence declined by 38 per cent in 2008, a reflection of the success of the Pacific Malaria Initiative. There is mixed progress in education. Most recent data show that Vanuatu is not making progress towards MDG 2 (universal primary education), although gender equality in education has recently improved (the ratio of girls to boys is 0.97 in primary education and 1.07 in secondary).

The Government of Vanuatu's fiscal position is solid. The budget is expected to either be in balance or show a small surplus in 2008—a considerable achievement in an election year. There is, however, limited scope for the government to provide a fiscal stimulus to the economy in the event of an economic slowdown. Foreign debt levels are stable and there are relatively low levels of external debt (approximately 90 per cent of this debt is held with the Asian Development Bank and the World Bank). Vanuatu does not have access to international capital markets, although the government recently took out a US\$30 million soft loan from China for an 'e-government' project, the terms of which are uncertain.

There are risks to stability from the fact that Vanuatu's population is young and increasingly urban. Sustained economic growth since 2004 has attracted young people to urban centres in search of opportunities. For example, large numbers of people are employed as casual labourers in the construction industry. These people are likely to bear the brunt of a potential slowdown in the economy. There have been serious management issues in the two correctional centres in Port Vila and Luganville, which culminated in the premeditated destruction of the Port Vila high-security prison in December 2008. While the Department of Corrections has been supported by New Zealand, this incident combined with previous high-profile escapes has significantly undermined public confidence and placed considerable strain on the Vanuatu Police Force.

Australian official development assistance to Vanuatu totalled \$53.6 million in 2008-09, a 35 per cent increase on 2007-08. Australia's aid program for Vanuatu is equivalent to 30 per cent of Vanuatu's national recurrent budget. Of this, the bilateral program was \$42.5 million in 2008-09, 38 per cent higher than the previous year. Australia continues to be the largest donor by far in Vanuatu. Other donors include New Zealand, France, the European Union, China, Japan and a small number of other bilateral and multilateral development partners. In 2008, real progress was made in harmonising approaches, but more work is necessary.

What are the results of our aid program?

Objective 1: Improved financial management and accountability

Rating

- The objective is on track to be fully achieved within the timeframe.

Assessment of results and performance

Public financial management in Vanuatu faced real challenges in 2008. The national elections in September put intense pressure on fiscal discipline while also distracting the Government of Vanuatu away from reform efforts. A combination of strengths in the Ministry of Finance and Economic Management (MFEM), strong economic growth (which delivered higher than expected revenue), and sustained and consistent policy dialogue with donor partners (AusAID, NZAID and the European Union), helped keep the budget in surplus.

Some significant results were achieved in 2008:

- > The presence of AusAID-funded advisers in MFEM helped ensure budget development and execution remained largely on track in an election year, delivering a surplus budget.
- > The Government of Vanuatu is implementing a new budget process, which includes introducing a development budget to ensure the national budget better reflects government policy priorities. The new processes and systems will integrate and align donor funds in a way that substantially meets Paris Declaration/Accra Action Agenda aims. The new budget system represents a significant change in the way Vanuatu conducts its budget business, and adds a public budget policy statement early in the process and a mid-year estimates function. Through the Governance for Growth (GfG) program, AusAID will continue to support the rollout of the new budget system during 2009 and 2010.
- > AusAID advisers assisted with the preparation of revisions to the Public Finance and Economic Management Act (passed in late March 2009). These amendments will enhance accountability in the use of public funds.
- > The reliability of economic data was improved: the National Statistics Office re-based the Consumer Price Index and the National Accounts with the support of the AusAID-funded partnership with the Australian Bureau of Statistics.
- > The GfG program assisted with the restructuring of the Prime Minister's Office and MFEM, which is expected to improve the alignment between government policy and resource allocation. This initiative is complemented by the new 'Thinking Long, Acting Short' policy

matrix that was initiated by the government to focus resource allocation towards core priorities.

- > The introduction of provincial Financial Services Bureaus commenced. These bureaus place Department of Finance personnel and functions at the province level, to support and streamline provincial service delivery operations. The first bureau was opened in Sanma province in March 2009.

Weaknesses in accountability reported last year (government not providing audited financial statements, and negligible internal or external audit effort) continue, and other donors (particularly the European Union) are taking the lead in these areas. AusAID has therefore placed less emphasis on advancing accountability to the people and to parliament, although the Public Finance and Economic Management Act amendments will be important in future. The planned annual development report, intended to support public accountability for the results of government and donor spending, is now likely to proceed in 2009.

Making progress on addressing public financial management issues in important public agencies (such as the Vanuatu Police Force) and government business enterprises (such as the Vanuatu Broadcasting and Television Corporation) continues to be challenging. While the GfG program continues to work through and with MFEM, AusAID is also encouraging these agencies to consider outsourcing financial management and administration to private accounting firms, of which there are many in Vanuatu.

Transparency International's Perceptions of Corruption Index for 2008 shows Vanuatu's ranking slipping from 98th of 179 countries in 2007 to 109th of 180. Vanuatu's ranking is equal to that of Argentina, Armenia, Belize, Moldova and Solomon Islands. Other important monitoring data, such as the World Bank Institute Governance Matters ratings and the Country Policies and Institutional Assessment, have not yet been released for 2008. Vanuatu will have an important update on its progress in public financial management and accountability during 2009, when the next multi-donor Public Expenditure and Financial Accountability assessment occurs.

AusAID is providing more technical advisers in public financial management compared to 2007 (up from four to six), but the majority are engaged by and report to the Vanuatu Government. There is also greater use of national advisers, reflecting a concerted effort to shift away from international technical assistance.

AusAID's work in public financial management continues to have an impact across the Vanuatu aid program, demonstrating the value of increasing aid effectiveness and greater integration within the program. For example, under the GfG program, advisers conducted a health expenditure audit as part of an AusAID examination of constraints to health service delivery; continued to contribute to the development of the sector-wide approach to education; and provided advice within AusAID on the strengths and weaknesses of the government finance system—essential in considering opportunities to direct increased funding through the system.

Progress towards this objective sustained a green rating, as valuable achievements continued to be made despite the challenges of an election year.

Estimated expenditure

Approximately 3.9 per cent (\$1.6 million) of the Vanuatu aid program budget was spent on this objective in 2008.

Objective 2: More effective legal institutions and improved police services

Australian assistance to the law and justice sector is delivered primarily through two initiatives: the Legal Sector Strengthening Program (\$10 million over 2006–11) and the Vanuatu Police Force Capacity Building Project (\$28 million over 2006–11). The law and justice sector in Vanuatu faces a range of constraints, and the need to make progress in addressing these issues is a significant challenge for Vanuatu's long-term development. Leadership in the sector has been limited, although the newly appointed Director General for the Ministry of Justice and Social Welfare is keen to lead positive developments. He has prepared a draft law and justice sector strategy, which AusAID sees as central to sector development, and supporting this leadership will be a priority for 2009. The emergence of a more coordinated and clear whole-of-government policy position will provide the opportunity to re-orient Australian (and other donor) assistance in the sector—a timely development given that the two current initiatives will conclude within two years. Cooperation with New Zealand in the law and justice sector is especially important in light of its support to corrections and the judiciary. AusAID is looking to improve coordination in the sector in 2009.

Objective 2(a): More effective legal institutions

Rating

- The objective will be partly achieved within the timeframe.

Assessment of results and performance

Phase 3 of the Legal Sector Strengthening Program provides support to the three public legal offices in Vanuatu: the Public Prosecutor, the State Law Office and the Public Solicitor. It provides long-term technical assistance in these offices plus a new adviser to the Police Prosecutor and a team leader. AusAID and the Government of Vanuatu conducted a mid-term review of the program in 2008. The review found that, despite the lack of a baseline or ongoing monitoring data as a strong foundation for establishing impact, it was clear that there has been significant improvement in the capacity of the three legal offices to handle their routine workloads. In other words, one of the core program objectives—contributing to the stability of Vanuatu by ensuring functioning legal offices—has been achieved. However, achievements have been in pockets rather than widespread and higher-order objectives have not been realised.

The program has continued to provide skilled staff to manage complex matters such as drug-related prosecutions and sentencing appeals, and to advise on other complex matters such as the telecommunications reforms.

The 2008 mid-term review of the program identified several significant achievements:

- > Higher staff numbers have led to improvements in the capacity of the Public Solicitor's Office and increased access to legal services for the general public on Efate Island (mainly in Port Vila). The office completed 30 per cent more cases in 2008 than it did in 2007.
- > New financial policies and procedures manuals have helped to improve the capacity of the three public legal offices to manage their finances and prepare their budget submission. As a result of more effective participation in the budget process, the offices secured increased allocations in the 2009 budget.
- > The program has had success with individual staff development. Previous high staff turnover and the predominance of very junior staff have been moderated. Individual mentoring by program advisers has proven most effective in building skills, confidence and professional attitudes among the young lawyers and other staff. Training methodologies are being reconsidered as the Government of Vanuatu has not yet been able to introduce a self-sustaining cycle of continuing legal education.
- > In 2008, the program provided advisory assistance to the Police Prosecutor for the first time, achieving some important outcomes, including cooperation with the Vanuatu Police Force to revise bail procedures (resulting in a substantial decrease in bail periods) and a notable improvement in business planning and reporting.

The mid-term review identified differences in views between the heads of offices—who see the advisers as a valuable resource for complex work—and the staff who are often unclear and concerned about the role of foreign advisers in sensitive government work. Certainly the presence of advisers in the State Law Office has been central to the positive outcomes for Vanuatu in several high-profile and potentially high-cost matters, most notably the telecommunications reforms.

The mid-term review highlights that the main constraint on the program's effectiveness has been the lack of ownership and leadership by the counterpart institutions of the program's capacity development aims and efforts. The three heads are the senior lawyers for their respective offices, and heavy practice commitments leave them little time for management. However, attempts by the program to support additional management and administrative capacity in the offices have been resisted and decision-making remains highly centralised, exacerbated by poor attendance and lack of attention to performance management. Until there is substantial change in the governance and management of the three offices, and in the legal sector more generally, there is little prospect of the gains being sustained.

In the remaining 12 months of program implementation, AusAID will focus on sustaining adviser inputs; providing intensive support to the Director General for the Ministry of Justice and Social Welfare in sector leadership and the development of the sector strategy; and implementing long-planned infrastructure works. As the program draws to a close, and as progress is made in the Ministry of Justice and with the sector strategy, AusAID will continue to work with government agencies across the law and justice sector, with a particular focus on implementing the recommendations of the mid-term review.

Progress towards this objective is rated amber, as it was last year, in light of the considerable challenges across the legal sector.

Estimated expenditure

Approximately 6.2 per cent (\$2.6 million) of the Vanuatu aid program budget was spent on this objective in 2008.

Objective 2(b): Improved police services

Rating

- The objective is on track to be fully achieved within the timeframe.

Assessment of results and performance

The Vanuatu Police Force Capacity Building Project has completed three of its five years. Funded by AusAID, the project is managed and implemented by the Australian Federal Police (AFP), through joint planning and reporting with the Vanuatu Police Force (VPF). The project shares its goal with that of the VPF, namely 'providing a safer and more secure environment for the community by the prevention and detection of crime through strong (close) police/community relations'.

AusAID, the AFP and the Government of Vanuatu conducted a mid-term review of the project in December 2008. The review found that the project is operating satisfactorily in formal training, systems and procedures development, joint planning and reporting, community safety, infrastructure improvements, and the execution of the Workforce Renewal Program.

In 2008, the project worked with the VPF to achieve a number of significant results:

- > There has been substantial progress in workforce renewal with increasing ownership by the VPF and a transition to a younger and more skilled workforce. A third group of new recruits has just commenced basic training, which will bring the total number of new police officers since 2006 to 62, including 24 women (39 per cent). Complementing this renewal, 27 long-serving officers have already left the force through two rounds of managed retirements.
- > The Vanuatu Police Training College was accredited as a registered training provider and the Recruit Course was recognised as part of the Diploma of Policing.
- > With project support, the VPF revised bail procedures. This dramatically reduced bail periods from an average of four months to two weeks. Partly as a result of these reforms, there has been an increase in the number of completed cases, particularly in Southern Command.
- > Several major infrastructure projects were completed, including refurbishment of the Port Vila Police Station, construction of the Santo Police Station, support for the construction of police posts at Saratamata and Maewo, and refurbishment of Tanna Police Station. Further small-scale but important infrastructure works continue to be delayed by land issues and debate about locations for new police posts.

The mid-term review observed that the sustainability of achievements depends on the VPF addressing critical constraints in workplace skills, budget, and financial management capacity. It also found that several significant elements of the project are continuing to be delayed by contextual and political constraints. The most significant is the continuing uncertainty around Government of Vanuatu/VPF policy and organisational frameworks. The government, with

project assistance, has undertaken repeated reviews of the police legislation (CAP 105), a core part of policing reform. However, these reviews have yet to translate into a coherent legislative reform agenda for government. AusAID will encourage the VPF to consider engaging with the Legal Sector Strengthening Program in any further reviews, as it has had valuable experience with other similar legislative review processes. The project will also consider refocusing its efforts in this area to encompass restructuring and human resources issues that do not rely on legislative change.

The VPF is operating in an environment of serious budget constraints and limited financial management capacity. It has not had an increase in budget allocation since 2006, and the project has, on occasion, provided budget supplementation to meet critical operational needs. The VPF continues to experience problems providing funds to operational areas. Northern Command, the second principal police command, does not have a formal system for transferring funds from Port Vila to Luganville (at present, funds are provided through personal bank accounts). Provincial police posts are in a similar circumstance and funds usually take weeks, if not months, to arrive. The project has endeavoured to support improved financial management capacity with little success. However, there may be new opportunities in the coming year with the new Minister for Internal Affairs and the continuing work of the GfG program with the Ministry of Finance and Economic Management, including the introduction of the development budget.

There are pressures on the remaining phase of workforce renewal, due for completion by May 2009. Uncertainties about the legal entitlements of retiring officers run the risk of significantly increasing the cost of redundancies well beyond what is justified, particularly in light of the serious shortfalls in the VPF's operational funding. Other potential problems regarding leadership and redundancies relate to the apparent lack of succession planning for the Police and Mobile Force Commissioners (both of whom are on the current retirement redundancy list). There are also problems in senior leadership in the VPF more broadly that have affected sustainability of some achievements to date and may continue to impact on the project in the future.

There is considerable strain on the correctional services sector in Vanuatu, which is having a negative effect on the VPF. There have been several high-profile prison escapes over the last year, and ongoing management issues culminated in the destruction of the high-security prison in Port Vila by inmates in December 2008. Continuing escapes and the subsequent escalation in crime are causing concern in the community and debate is growing about whether prison services should be returned to VPF management. The project has been disrupted by repeated shifts in focus to providing operational support to recover escapees (especially by the Mobile Force), and the gains made in the Vanuatu Police Training College have been seriously undermined by the transfer of three trained instructors into correctional services.

The representation of women in the VPF remains low. Of the VPF's 548 sworn officers, only 48 are women (9 per cent). While the recent increased proportion of women in recruit intakes is a positive development, it will be many years before the gender balance in the force changes significantly and longer before women reach senior positions in significant numbers. The project is, however, supporting the Women's Advisory Network within the VPF, which discusses issues and priorities for women police officers. Importantly, the Vanuatu Women's Centre reports that the VPF is increasingly referring women who report sexual assault and domestic violence to the centre, reflecting a growing awareness of the needs of victims.

In anticipation of the project's expiration in February 2011, work will commence on defining ongoing support requirements for Vanuatu Policing as part of a wider dialogue about future Australian assistance in the law and justice sector from 2011 onwards. Future support to the law and justice sector has been identified as a priority for the Australia–Vanuatu Partnership for Development.

Overall, while the project is working in a number of areas and is facing considerable challenges, real progress has been made in addressing the crucial long-term issue of changing the culture of the VPF to meet the needs of a modern police force. Through project support, the VPF is making the transition to a more skilled workforce with clear structures in place for career development that did not exist previously. In view of these achievements, progress towards this objective is rated green, commensurate with the 2007 rating.

Estimated expenditure

Approximately 13 per cent (\$5.3 million) of the Vanuatu aid program budget was spent on this objective in 2008.

Objective 3: Stronger links between central, line and provincial systems

Rating

■ The objective is on track to be fully achieved within the timeframe.

Assessment of results and performance

AusAID's efforts towards this objective have focused on the links between central, line and provincial systems in finance and budgeting. The financial management capacity of government service delivery agencies remains a major constraint. A central focus of efforts is supporting the Ministry of Finance and Economic Management to establish Finance Service Bureaus in each province. These bureaus will improve the flow of money to essential services (overcoming blockages in the systems) and improve accountability. They will also serve as a 'one-stop shop' for some central government functions, including access to the government IT network, which currently has limited presence in the provinces.

Two Finance Service Bureaus were intended to be established by the end of 2008, but the initiative has experienced a number of delays. Initially, the delays were due to the pressures and distractions of the election period and the need to redirect advisory and government resources to maintaining the budget position. Recent delays are associated with difficulties in formally establishing the staff positions. Despite these delays, the first bureau was established in early 2009 on Santo. The locations of further bureaus are still being debated within government. AusAID anticipates that up to two more will be established by the end of 2009.

Technical assistance provided through the GfG program is making a significant contribution to improving the links between line agencies and central agencies in finance and budget matters. This is evidenced by the increased roles MFEM is playing in managing the Vanuatu Education Support Action Plan (VESAP), overseeing the rationalisation of school bank accounts and its support of the malaria initiative.

AusAID's support has resulted in notable improvements in links between the provinces and the centre in technical and vocational education and training (TVET). The TVET program (discussed in detail below under objective 4(a)) is centred on provincial governments and provincial training boards, which are beginning to build more effective links with the Ministry of Education, the Ministry of Youth Development and Training, and the Vanuatu National Training Council. The expansion of mobile telephone coverage that is resulting from telecommunications reform (supported by AusAID) is also playing a role in enabling increased contact between Port Vila and the provinces.

Progress towards this objective is a necessary element for all aspects of the aid program in Vanuatu, especially in light of the Australia–Vanuatu Partnership for Development. Because there continue to be good advances in this area, progress is rated green.

Estimated expenditure

Approximately 4.0 per cent (\$1.6 million) of the Vanuatu aid program budget was spent on this objective in 2008.

Objective 4: Improved service delivery to populations in greatest hardship, including rural communities and informal settlements in urban areas

AusAID has a strong emphasis on improving access to basic service delivery, primarily health and education, across Vanuatu. In both health and education, AusAID is working to move towards more program-based support, based on agreed priorities developed with the Government of Vanuatu and other donor partners. This support is focused on improving the access to and quality of service delivery across Vanuatu to achieve the MDGs. Progress towards achieving the MDGs in health and education is positive overall, although more needs to be done to improve the quality of data and accelerate improvement in certain key areas (including primary school enrolment). Overall, more progress has been made in improving donor coordination in education than in health.

Objective 4(a): Improved education

Rating

■ The objective is on track to be fully achieved within the timeframe.

Assessment of results and performance

AusAID's goal in the education sector is to improve the functioning of the Vanuatu education system so it can make more rapid and sustainable progress towards its own goals—including the MDGs and Education for All goals, and especially the goal that by 2015 all children complete a full course of good-quality primary education. Data are improving with the institutionalisation of the Vanuatu Education Management Information System, although there are still some weaknesses (such as tracking student achievement). Data show a decline in primary net enrolment rate from 2007 to 2008. Notwithstanding the uncertainties in the data, it is clear that, despite a third of total government recurrent spending going towards education

(among the highest ratios in the world), Vanuatu's education outcomes are poor. Data suggest that between one in three and one in four students who start primary school do not reach year 6 (this is referred to as the 'survival rate', the second MDG 2 indicator). One in 10 children who start school do not progress to year 2, and dropout rates beyond year 6 are high. Indicators of gender equity have shown some improvement in recent years, but again more needs to be done to improve the quality of data collection and analysis within the Ministry of Education.

AusAID assistance in education takes two forms: VESAP and phase 2 of the TVET program.

VESAP (\$4 million from AusAID over two years to mid-2010) is a tripartite funding agreement between Vanuatu, AusAID and NZAID. It focuses on four areas: improving access, improving quality, improving Ministry of Education capacity, and instituting a national human resources development plan. VESAP is the platform for a genuine shift to a more Vanuatu-led process, and development of a more comprehensive program-based approach in the sector. This is a major achievement in providing more coordinated donor assistance for basic service delivery.

Despite some challenges, VESAP has delivered important results, reported through Ministry of Education data and VESAP joint management mechanisms:

- > VESAP is supporting work to improve the quality of education through curriculum reform, including capacity building of curriculum writers. The Ministry of Education has appointed 36 teachers as writers and the new materials they are developing are already being tested in schools.
- > There has also been progress with improving teacher training. Trainers are ensuring consistency between the French and English language courses at the Vanuatu Institute of Teachers' Education, including harmonising entry criteria, structure, content and assessment, with the support of an international specialist in teacher education.
- > Beginning in early 2009, VESAP is financing large-scale procurement and distribution of books and stationery. This will result in 100 books per class for years 3 to 6 for 139 anglophone schools and 150 francophone schools. This 'book flood' is combined with training for the teachers in using these texts to promote literacy. Sufficient stationery for all primary school students' learning needs has also been distributed to the 435 primary schools of the archipelago.
- > Over the next year, 25 major existing primary schools will be upgraded or refurbished, resulting in improved learning environments for students and improved access to primary education. The Ministry of Education has completed planning and site surveys, and a phased program of renovations and construction is now under way.

Initial progress on implementation of VESAP has been slower than expected. Implementation capacity in the Ministry of Education is limited, and it is a major shift for ministry staff to be involved in managing donor resources rather than working with stand-alone projects. Despite these initial challenges, this use of government systems has already contributed to closer and more influential policy dialogue between donor partners and the government. AusAID and NZAID are working with staff from the Ministry of Education and the Ministry of Finance and Economic Management to develop proposals for Vanuatu's 2010 budget to improve access to and quality of basic education. This work is a key component of the Australia–Vanuatu Partnership for Development. The reforms will look to make better use of donor and government resources to accelerate progress towards universal primary education. Donor

support for increased school grants could potentially ease the impact of the global recession on families' ability to pay school fees.

Public interest in this issue highlights the demand for tangible improvements. While education reform is a long-term endeavour, AusAID will continue to support early visible change as well—such as the primary school refurbishments commencing in 2009.

Important elements of an effective TVET system are being put in place in Vanuatu. In 2008, AusAID commenced phase 2 of the TVET program (following two years of support in phase 1), marking a significant shift in emphasis. Phase 2 focuses on employment-oriented TVET services in the provinces, based on the assumption that this is a crucial factor in increasing employment outcomes for men and women, and ultimately in improving standards of living in the provinces.

A centrepiece of the program is the establishment of TVET Service Centres. These will be rolled out in two pilot provinces (Malampa and Sanma) during 2009, providing business services as well as education and training. A significant achievement during 2008 was the selection of the pilot provinces: a cross-sectoral panel of senior ni-Vanuatu representatives ran a competitive process, assessing formal proposals from provinces to establish TVET Service Centres. All six provinces submitted quality applications. The process, and the level of provincial interest, demonstrates a high degree of ownership and commitment—an important marker of AusAID's shift towards more widely applying Accra Action Agenda principles and the Port Moresby Declaration.

Complementing the TVET program is the Port Vila campus of the Australia-Pacific Technical College. A major regional initiative, the hospitality and tourism campus is hosted at the Vanuatu Institute of Technology through a cooperative arrangement between the institute and its European Union key donor partner. Vanuatu has more than 150 students enrolled at the college, with most in hospitality and 56 studying trades in other campuses. Twenty-three students (all female) have enrolled in the new Children's Services program. This is an important complement to the work being undertaken through VESAP, as it supports a key policy priority of the Government of Vanuatu to improve the quality of pre-school education.

Progress towards this objective continues to be rated green, reflecting ongoing positive advances.

Estimated expenditure

Approximately 13.0 per cent (\$5.3 million) of the Vanuatu aid program budget was spent on this objective in 2008.

Objective 4(b): Improved health

Rating

■ The objective will be partly achieved within the timeframe.

Assessment of results and performance

AusAID's assistance to the health sector in 2008 comprised seven separate initiatives totalling \$4.0 million—equivalent to around 24 per cent of the Government of Vanuatu's health budget

and 14 per cent of total government and donor spending on health. Over the last year, AusAID assistance has led to a number of important achievements:

- > The Chair of the Malaria Reference Group reported in a February 2009 monitoring visit that excellent progress has been made in Vanuatu in reducing malaria incidence and preparing for the major scale-up in control and elimination interventions. Specific achievements include:
 - Vanuatu’s annual parasite incidence has fallen by 38 per cent since 2007, with the estimated result that some 2000 fewer ni-Vanuatu suffered from malaria in 2008.
 - There is now a platform for eliminating malaria from Tafea Province (in southern Vanuatu). A major baseline survey, conducted among 5300 schoolchildren, found a prevalence of around 3 per cent and identified likely transmission hot-spots. Key assets to support the elimination effort are in place and procurement of consumables is under way, although human resources remain a challenge.
 - AusAID’s flexibility and continuity of support was central to sustaining crucial malaria control activities despite a long (12-month) delay in grant signing for the new Global Fund Rolling Continuation Channel funding.
- > Continued provision of four specialist medical personnel at Vila Central Hospital led to some encouraging results:
 - Prenatal mortality fell from 40 per 1000 in November 2008 to 14 per 1000 in February 2009. If this trend is sustained it represents a significant improvement in women’s health.
 - A transition of responsibility from the expatriate to ni-Vanuatu senior physician is now under way, working towards a clear exit strategy for expatriate support to this position over the next two to three years. Success of the strategy depends on retaining the ni-Vanuatu physician.
 - There have been increased visits from specialised surgical staff through the regional Pacific Islands Project.
- > The Ministry of Health is now managing the contract with Save the Children Australia to support the Village Health Workers Project—a successful transition from AusAID to Ministry of Health management. As a result of the advocacy by the project, provincial governments are now directing increased resources to support it: Malampa has doubled its allocation for equipment for village health workers, and Sanma and Shefa provide allowances to certain village health workers in remote areas.

AusAID conducted an evaluation of service delivery in fragile states in 2009,² which included an extensive field visit to Vanuatu. The evaluation found that, individually, AusAID activities in health in Vanuatu are making positive contributions (such as those reported above). In aggregate, however, this fragmented support is not achieving its full potential impact in improving the overall performance of the health system. Individual project-based support is more complex for both the Ministry of Health and AusAID to administer, and in some cases sits outside government planning and budgeting processes. This coordination challenge is compounded with inputs from a significant number of AusAID regional activities (including for non-communicable diseases, HIV and AIDS, pandemic influenza, and medical specialist

² M Foster, R Condon, K Janovsky, B Slatyer & A Whyatt, *Vanuatu Country Report: Evaluation of Australian aid to the health service delivery in Papua New Guinea, Solomon Islands and Vanuatu*, AusAID, June 2009.

visits). The 2009 OECD Development Assistance Committee (DAC) Peer Review of Australia³ also noted that regional projects, particularly in health, are generally perceived by Vanuatu authorities as being imposed without connection to other national programs.

In response, AusAID intends to move to a more coordinated and coherent program for support to the health sector. This is expected to involve joint allocation of existing resources, with the Ministry of Health able to recognise the opportunity cost of AusAID assistance, as well as achieve a better balance between support for the hospital sector and support for primary care, particularly in rural areas.

An Office of Development Effectiveness evaluation, covering the health sector in Papua New Guinea, Solomon Islands and Vanuatu, identified a number of urgent priorities for the health objective of the Australia–Vanuatu Partnership for Development:

- > A nurse shortage is now inevitable. How deep and how prolonged it is depends on how quickly training can be scaled up. Many nurses are reaching retirement age, but the graduation rate of trained nurses is below replacement level. Nurses are the backbone of the system, particularly in providing primary care in rural areas. The main hospitals in Port Vila and Luganville take up 42 per cent of the workforce. At 0.14 doctors and 1.45 nurses per 1000 people, Vanuatu has the third lowest health workforce density in the Pacific.
- > The health information system has significant weaknesses. While the evaluation found that rural facilities are recording useful health information, it is not being effectively collected, analysed and used by the Ministry of Health. Although facilities collect gender-disaggregated data, the gender disaggregation is lost once the information reaches the national level. Despite earlier AusAID support and recent World Health Organization efforts, the system has low coverage, is overly complex, and does not report to management on key performance indicators. These failings are hampering Vanuatu's ability to track progress towards the health MDGs.
- > Immunisation levels are worryingly low. Only 40 per cent of children between one and two years old are fully vaccinated, according to provisional results from a 2007 nationwide cluster survey conducted by UNICEF. Measles vaccine coverage fell below 50 per cent in 2006. Though partly addressed by a subsequent campaign, immunisation levels are still too low in some areas to prevent epidemic measles transmission. The mission found that vaccines are not always kept in good conditions—the cold chain is inconsistently monitored, with failing logistics and hardware.

However, transitioning to a more coherent sector program through the Partnership will take time, will require considerable effort and expertise from AusAID, and will rely on the Ministry of Health taking an effective lead. So too will tackling the specific health system challenges that need to be addressed, including improving the reliability of funding for rural health facilities, human resource management and management of key health indicators.

Although a number of donors are active in the health sector in Vanuatu, AusAID is the only donor aiming to address system-level issues. Service delivery in the health sector requires the government to effectively manage a high degree of complexity relative to other sectors—in the range of services and interventions, workforce scale and structure, and coverage. A more

³ OECD Development Assistance Committee Peer Review: Australia, Organisation for Economic Co-operation and Development, 2009.

comprehensive system-level focus will be essential to achieving lasting improvements in service delivery and health outcomes.

Stakeholders in the malaria initiative, including the AusAID-supported Malaria Reference Group, are also recognising that health systems weaknesses may impede the initiative's ambitious agenda, as noted in the outcomes of the fourth Malaria Reference Group meeting. These system weaknesses are also critical bottlenecks to progress in other areas of the health sector.

AusAID will need to move to a systems-focused program in concert with other partners, particularly UNICEF and the World Health Organization. Given AusAID's five-year program with UNICEF to support Pacific immunisation coverage, AusAID offices in Port Vila and Suva are working closely with UNICEF to address systems issues underpinning weak immunisation performance. In 2009 AusAID will invest greater effort in transforming its assistance in health in light of the opportunities available, but notes that this will place additional demands on already thinly spread resources in Port Vila.

While there have been improvements, particularly in reducing the prevalence of malaria, there remain weaknesses in key service delivery such as immunisation. This objective continues to be rated amber.

Estimated expenditure

Approximately 10.0 per cent (\$4.0 million) of the Vanuatu aid program budget was spent on this objective in 2008.

Objective 5: Stronger partnerships between non-state actors and government in service delivery in rural communities and informal settlements in urban areas

Rating

■ The objective is on track to be fully achieved within the timeframe.

Assessment of results and performance

Organisations outside government—non-state actors—play an important role in providing many services in Vanuatu, including health, education, counselling, training and community education. In many cases there are few, if any, links between these services and the government system. This creates inefficiencies and reduces effectiveness. Building bridges between government and non-government service providers is an important option in expanding services throughout Vanuatu, and AusAID has continued to provide support towards meeting this objective.

The transition of management responsibility for the Village Health Workers Project from AusAID to the Ministry of Health in 2008 is a concrete realisation of the possibilities arising from formal links in service delivery. AusAID had contracted Save the Children Australia to support village health workers—a critical element in rural health care—since 1994. The contract has now been assumed by the Ministry of Health, with AusAID providing the funding

through government. The management change was effected successfully and the project continues to perform well, providing training and support to volunteer health workers at village aid posts throughout Vanuatu.

Australia has continued its long-standing funding for the Vanuatu Women's Centre (since 1994), which provides counselling, community education and legal advocacy services for survivors of domestic violence. The centre increased its service delivery substantially in 2008 with 269 women using counselling services (up from 114 in the previous year). It has established more Committees Against Violence Against Women, bringing the total number to 35, including in Vanuatu's most remote islands (Torres) for the first time. AusAID's 2008 evaluation report, *Violence against women in Melanesia and East Timor: building on global and regional promising approaches*, found that the committees were a strong model for community education and outreach. It also praised the Vanuatu Women's Centre's training of male advocates against violence—now numbering more than 300 and including men from the Vanuatu Police Force and the public sector. The centre's advocacy contributed to the long-sought passage of the Family Protection Bill in 2008.

With AusAID (and other donor) funding, Wan Smolbag Theatre continued to provide services to young people in 2008. It offers a youth drop-in centre, sports facilities and clubs, and community education through theatre in health and governance, nutrition and reproductive health services. Youth participation increased dramatically in 2008, with more than 2000 young men and women joining, compared to 880 in 2007. The regional HIV-AIDS program has given important support to the health clinic services provided by Wan Smolbag targeting urban youth.

While Wan Smolbag offers vital youth services not found elsewhere, its links with government are sometimes tenuous. AusAID is encouraging the organisation to seek formal training registration through the Vanuatu National Training Council, although the strong support for Wan Smolbag in some areas in government and the widespread support in the community are independent of any formal links to government.

AusAID jointly funds Wan Smolbag with NZAID through a single work plan and a joint project coordinating committee. AusAID and NZAID will conduct a review in 2009 that will give a deeper understanding of Wan Smolbag's results. The review will also provide an opportunity to examine emerging issues such as indications that more women than men move into employment and business after their involvement with Wan Smolbag. During the review AusAID and NZAID will also design a further joint program of support for 2009 and beyond.

In view of the successful achievements, including the transition of management of village health worker training, the passage of the Family Protection Act and the continued good work of Wan Smolbag, this objective continues to be rated green.

Estimated expenditure

Approximately 1.9 per cent (\$0.77 million) of the Vanuatu aid program budget was spent on this objective in 2008.

Objective 6: Economic growth—raised productive capacity of ni-Vanuatu, particularly women and young people

Rating

- The objective is on track to be fully achieved within the timeframe.

Assessment of results and performance

In 2008 AusAID continued to help Vanuatu strengthen its economic policy environment, which has made a direct contribution to economic growth. AusAID assistance has been primarily through the GfG program (\$34 million over 2006–11). One of the main objectives of the program is to promote economic growth by supporting high-impact economic reforms that have a material impact on people in rural areas in services such as telecommunications, infrastructure, energy and tourism.

The most substantial achievement towards this objective has been the introduction of competition in telecommunications in Vanuatu with the entry of the Digicel network in June 2008. AusAID provided support, through the GfG program, for the negotiated end to the Telecom Vanuatu monopoly, which has resulted in massive gains in many sectors. As evidenced by sector data and an AusAID-funded social and economic impact study,⁴ competition has led to some impressive results:

- > More than 75 per cent of Vanuatu's population now has access to mobile telephone coverage, representing approximately 88 000 mobile subscribers, compared to 23 000 in 2007. There are now 43 mobiles per 100 people, up from 30 per 100 less than a year ago. Digicel is expected to reach its licence-mandated coverage of 85 per cent of the population by the end of 2009.
- > SIM card prices have fallen from an additional \$60 to zero when buying a phone. Entry-level handsets have fallen from \$100 to \$25, international call rates have been cut by half and mobile rates have shifted to per-second billing, leading to lower average call costs.
- > Broadband internet prices have also reduced substantially, from \$200 to \$60 per month, in anticipation of competition in this market segment in 2009.
- > The digital divide between rural and urban communities is lessening as mobile phones fast become the preferred mode of communication. They are allowing people easier access to personal and business information, enabling growing social and economic networks and making some aspects of life simpler and some tasks easier.
- > There have been reductions in the cost of doing business (incremental benefits) as well as expansion of business opportunities (transformational benefits).

More broadly, preliminary estimates by MFEM suggest that telecommunications reform has contributed approximately 1 per cent to GDP growth, equating to around 200 million vatu.

The impact study also identified some areas of concern that AusAID will encourage Vanuatu to watch closely. Gender inequity is evident in the sector, with men more likely than women to own mobile phones in both rural and urban areas. Both men and women also expressed

⁴ B Sijapati-Basnett, *Social and economic impact of introducing telecommunications throughout Vanuatu: research findings report*, Pacific Institute of Public Policy, November 2008

anxiety about the added financial burden of having a phone. AusAID will support a follow-up social and economic impact study in June 2009, which will enable a closer examination of the impact of a full year of competition. The study will also investigate emerging anecdotal information that mobile phone use may be contributing to increased family tension as women gain a new measure of independence in communication.

The Utilities Regulatory Authority, established in early 2008, is now operational and is commencing a tariff review in the power sector. It is also reviewing concession contracts for electricity and will re-tender the concession contract for Luganville (Vanuatu's second-largest concession) in 2009. While there is not yet any impact in terms of changed power tariffs, the foundations are being laid and the results will begin to emerge in late 2010.

The commencement of the second phase of the TVET program in 2008, with its focus on rural productivity, is expected to create valuable business and employment growth in the two project provinces, Sanma and Malampa, in 2009 and beyond. With a strong monitoring and evaluation system, AusAID expects a good flow of data for monitoring the impact.

Vanuatu applicants did well in accessing the Asia Pacific-wide Enterprise Challenge Fund. Three out of 13 awards from the fund were to Vanuatu-based project proposals, supporting inter-island shipping, wharf development to enable new cruise ship visits to outer islands and a women-owned cosmetics business in Malekula. AusAID will monitor the impact of these awards over the coming year.

Some planned activities towards this objective have not proceeded or have met with little success. The planned study into the gender aspects of growth, focusing on the role of women in the formal and informal economies, has been delayed, and may need to be amended to reflect the impact of the global recession. Instead, the program's focus on gender analysis has been taken forward through sector-specific research such as the telecommunications impact study. Reforms to commodities marketing following a GfG-supported review of the Vanuatu Commodities Marketing Board remain stalled and dependent on political negotiations, and the part-sale of Air Vanuatu did not proceed when mutually agreeable terms could not be negotiated with Pacific Blue. However, the attempted sale did demonstrate the benefits of government making an informed policy choice and avoiding entering into an unfavourable deal.

The GfG program has made limited headway with its support for rural electrification. A feasibility study to identify pilot activities for renewable energy investments in rural areas was completed with AusAID funding, but potential projects require additional development before investments can be made. The market for energy products and services in Vanuatu is in its infancy, and this continues to pose a challenge for expanding access to power. AusAID will turn additional attention to this sector in 2009, through its power sector adviser in the Energy Unit in the Ministry of Lands, who was appointed in late 2008. However, it may be that, in light of the difficult context and the weaknesses in the Energy Unit, AusAID should consider redirecting its efforts to areas that are more likely to be successful.

Recent estimates by the Australian Treasury adviser in MFEM suggest that a 1 per cent increase in cruise ship and air arrivals in Vanuatu contributes 0.5 per cent to GDP. Complementing the efforts of the Australia Pacific Technical College in training hospitality workers to Australian Certificate III and IV standards, AusAID is therefore considering reinvigorating its support in the tourism sector in 2009. This support will likely focus on

destination marketing, particularly in Australia. The expected impact of the global recession makes this support all the more necessary.

Infrastructure constraints in Vanuatu limit opportunities for economic growth and the expansion of major industries, including tourism, outside Port Vila. Poor roads and unreliable shipping services increase unit transport costs and times, and inefficiency at the wharves increases the costs of importing and exporting. Rural roads are inadequately maintained and in need of rehabilitation. Current budget provision for maintenance is about a quarter of what is required. Therefore, a major focus for the coming year is the tendering and commencement of the Vanuatu Transport Sector Support Program (VTSSP). The program will be managed by the GfG program and supported by a contracted service provider. VTSSP will commence up to 15 years of support with a three-year first phase, starting in late 2009.

Initially complementing the Millennium Challenge Account infrastructure projects, VTSSP will complete selected roads projects (mainly on Tanna, Ambae and Malekula) and begin working with the Public Works Department on building maintenance and management capacity. The first phase is intended to lay the foundations for an eventual move to a sector approach in subsequent phases. The development of the VTSSP has reflected Accra Action Agenda principles and expectations of sustainability are high, with generally strong government support. Representing a 50 per cent increase in the budget managed through the GfG program, VTSSP will also create approximately 160 000 additional workdays in selected provinces, and will provide a major spur for private sector development outside the main centres.

In light of the substantial achievements in 2008, progress towards this objective continues to be rated green.

Estimated expenditure

Approximately 36.4 per cent (\$15 million) of the Vanuatu aid program budget was spent on this objective in 2008.

Objective 7: Greater demand for better governance

Rating

■ The objective is on track to be fully achieved within the timeframe.

Assessment of results and performance

Since the preparation of the Vanuatu country strategy, AusAID has developed a growing program of work that aims to build demand for improved governance in Vanuatu. It responds to the reality that community demand plays a crucial role in strengthening governance and addressing corruption. Work towards this objective directly complements the efforts made through GfG and other programs in governance.

AusAID support to radio in Vanuatu is intended to increase access to independent quality information and thereby raise the level of awareness of issues of importance. There have been some important successes in 2008, as evidenced by the early 2009 review of the Vois Blong

Yumi partnership between Radio Vanuatu and the Australian Broadcasting Corporation (\$2.6 million over two years). As a result of this partnership, plus additional donor funding, 70 per cent of the Vanuatu population now receives a radio signal, up from 15 per cent early in 2008. Importantly, this expansion was achieved before the national elections. Radio Vanuatu made substantial improvements in its programming and content, informed by a national audience survey. Programming changes were supported by a new editorial policy that provides a foundation for improved accuracy, impartiality and objectivity and which has proven a valuable tool for staff to manage political influence. AusAID also financed studio refurbishments, equipment upgrades and electronic programming equipment, which have improved the technical quality and reliability of broadcasts.

Success has been more elusive in other aspects of support for Radio Vanuatu. The review of the Vois Blong Yumi partnership found that the main barrier to addressing the considerable governance and management challenges is limited engagement or support from current Vanuatu Broadcasting and Television Corporation (VBTC) management. Further, the financial insolvency of VBTC threatens all the gains made so far. There is an urgent need for a financial controller; however, recruitment attempts have failed because of the low salary offered and the perceived political challenges of the role. AusAID is encouraging VBTC to consider outsourcing the role to a private accounting firm.

AusAID will decide in mid-2009 whether to implement the review's recommendation of a one-year extension to Vois Blong Yumi, to allow continuing program improvements and new work on commercial development. An extension would also provide the new government time to demonstrate its commitment to governance and management reform in VBTC. Early signs are that the new chair of the board is committed to positive change, and the GfG program may increasingly work during the year with the Government Business Enterprises Unit—which has oversight responsibility for VBTC—providing a further opportunity to advance governance reform.

Press monitoring by the GfG program, and anecdotal evidence about media coverage more broadly, suggest that public debate about policy and government issues is increasing. The combination of expanded radio coverage and expanded mobile phone coverage has led to the re-introduction of a vigorous and growing talkback radio culture that, for the first time, includes voices from the provinces and rural areas outside the main centres. The increased public debate was especially important in the lead-up to the September 2008 national elections. A wide range of topics were covered, including the importance of voting, aid dependence, the policies of political parties, and corruption and governance.

The GfG program has thus far directed limited effort towards its objective of promoting greater accountability to parliament and the people for the results of public expenditure, although preparatory work has commenced and will be implemented in 2009. However, AusAID's dissemination of the 2007 *Drivers of Change* analysis continued, including with community forums throughout the islands and the production of short issues papers.

There has been good progress with the Vanuatu component of the Pacific Leadership Program. The program is working with the Pacific Youth Council to support the development of a national youth council in Vanuatu in partnership with the Vanuatu Department of Youth and Sports. The partnership with the department will bring financial and technical support to the process, and will also link the department with work being done in Samoa, and with other national youth councils across the region. This work complements other youth programming

being undertaken by AusAID's Vanuatu post, and the Government of Vanuatu has made strengthening the Department of Youth and Sports a priority in its latest strategic plan.

In 2009 new phases of two innovative partnerships will commence, after a process of reflection and review in 2008. The Vanuatu Churches Partnership (\$4 million over 2009-12) will strengthen the capacity of churches and the Vanuatu Christian Council to engage with government on service delivery and governance matters, through partnerships with Australian church organisations. The Kastom Governance Partnership (\$2.7 million over 2009-12) will support the Malvatumauri National Council of Chiefs and kastom leaders to manage change and participate in conflict resolution and prevention. Both the churches and chiefs were identified in the Drivers of Change study as being key institutions in the lives of communities in rural areas (where the presence of government is often limited). AusAID's support is expected to strengthen the ability of communities to interact with formal institutions such as parliament and government.

The growing program of initiatives towards achieving this objective is complex and highly dependent on maintaining positive relationships with a diverse group of partners and stakeholders. Therefore, it is essential that AusAID commit sufficient and appropriate attention to these relationships over the coming year.

Because of the substantial achievements in media and the promising signs in other areas, progress towards this objective is rated green.

Estimated expenditure

Approximately 3.8 per cent (\$1.6 million) of the Vanuatu aid program budget was spent on this objective in 2008.

What is the quality of AusAID activities in Vanuatu?

The Vanuatu aid program monitored 89 per cent of the bilateral portfolio for quality in 2009, an increase in coverage from 2008. The quality at implementation results are shown in Table 2. As 2009 is the third year of AusAID's enhanced quality reporting system, the ratings of initiatives are considered sufficiently robust to enable meaningful comparisons with the previous year.

Of the 13 initiatives rated for quality at implementation, all were satisfactory in their implementation progress and 92 per cent were satisfactory in their progress towards achieving objectives.

The program built on improvements in monitoring and evaluation (M&E) made in 2007, and the proportion of initiatives judged to be 'satisfactory' in M&E increased to 92 per cent in 2009. Intensive effort by the AusAID Vanuatu post has led to improved monitoring of scholarships, enabled by strengthened coordination mechanisms with NZAID and the Government of Vanuatu.

Nevertheless, there continues to be room for improvement. M&E in many initiatives could be stronger: 69 per cent of initiatives continue to require some work to improve M&E. Planned improvements in 2009 for evaluations of scholarships are a key opportunity to further improve M&E. An M&E framework for Australian Regional Development Scholarships has been drafted and is expected to be operational in 2009. VESAP is supporting a tracer study of scholarship awardees, to be undertaken towards the end of 2009 and coordinated by the government's scholarship unit. This will provide significantly improved data for evaluation.

Limited data are available on the legal sector to inform M&E in the Legal Sector Strengthening Program; however, an M&E specialist will be engaged to assist stakeholders in reviewing the M&E approach in 2009. The Australia–Vanuatu Partnership for Development includes a substantial focus on improving MDG data, which will further strengthen M&E. The Partnership's priority outcome for health includes a focus on improving the health information system, which over the medium term should also improve the ability to generate reliable findings on results.

The proportion of activities rated as satisfactory with respect to sustainability was 77 per cent, a small decrease from the 80 per cent rated satisfactory in 2008. This reflects the changing, and at times challenging, environment in which the aid program is being delivered, such as engaging with the current Vanuatu Broadcasting and Television Corporation management to deliver the elements of the Demand for Better Governance Initiative. In other situations, assessments of sustainability are improving, reflecting the government-led nature of a lot of

the work, such as in the education sector with Ministry of Education leadership of VESAP and strong ownership of the provincial-focus to the TVET strengthening initiative.

Quality at Entry reports were also completed for a number of new initiatives, including the VTSSP and the new land program. These initiatives received relatively high ratings, reflecting the intensive design processes of both programs over the past 18 months. Also, the findings of the Independent Completion Report for Phase 2 of the Vanuatu Secondary Schools program will be used to inform the development of new infrastructure works in both health and education through the Partnership.

Table 2: Ratings of quality at implementation for initiatives in the Vanuatu aid program

Initiative	2007				2008			
	Implementation progress	Achieving objectives	Monitoring & evaluation	Sustainability	Implementation progress	Achieving objectives	Monitoring & evaluation	Sustainability
INH523: Governance for Growth Program 2008-11	6	6	6	6	6	6	6	6
IND294: Legal Sector Strengthening Program	6	6	6	6	6	6	6	6
INF359: Vanuatu Police Force Capacity Building Project	6	6	6	6	6	6	6	6
INH937: Education Sector Engagement Strategy 2008-11	6	6	6	6	6	6	6	6
ING012: Technical and Vocational Education and Training Program	6	6	6	6	6	6	6	6
NH499: Vanuatu Malaria Program	6	6	6	6	6	6	6	6
ING742: Health Sector Support-Workforce Capacity	6	6	6	6	6	6	6	6
ING836: Health Sector Planning Support	6	6	6	6	6	6	6	6
INB420: Australian Development Scholarships	6	6	6	6	6	6	6	6
INH654: Australian Regional Development Scholarships	6	6	6	6	6	6	6	6
INH074: Demand for Better Governance (VBTC and Wan Smolbag)	6	6	6	6	6	6	6	6
INH199: Vanuatu Women's Centre-Phase 5	6	6	6	6	6	6	6	6
INH253: Pacific Technical Assistance Mechanism	6	6	6	6	6	6	6	6

Definitions of rating scale

Satisfactory (4, 5 and 6)

6	Very high quality; needs ongoing management and monitoring only
5	Good quality; needs minor work to improve in some areas
4	Adequate quality; needs some work to improve

Less than satisfactory (1, 2 and 3)

3	Less than adequate quality; needs work to improve in core areas
2	Poor quality; needs major work to improve
1	Very poor quality; needs major overhaul

Australian scholarships

Australia spent \$3.3 million (8.1 per cent of the bilateral program) on scholarships in Vanuatu in 2008, including the Australian Development Scholarships and the Regional Development Scholarships. The advances in harmonisation and cooperation with New Zealand were sustained in 2008. The 2009 selection process was carried out jointly with government and awarded 43 Regional Development Scholarships and 15 Australian Development Scholarships in disciplines such as health and public health management, public sector/finance management, tourism, rural development, town planning, land and resource use management, agriculture, utilities, ports/marine, aviation and law. The joint selection process contributed to improved transparency in the selection of eligible candidates from both the private and public sector.

Success rates in 2008 improved for both scholarships. In 2008, 100 per cent of Australian Development Scholarships recipients scheduled to graduate were successful, and all have

returned to employment in Vanuatu. The success rate for Regional Development Scholarships increased to 78 per cent in 2008 (from 63 per cent in 2007). This reflects strengthened arrangements for monitoring students at the University of the South Pacific and improvements in the quality of scholar selection through the new joint processes. Concerns remain about the quality of the University of the South Pacific's graduates. Further, AusAID is concerned that student learning difficulties in medicine and other science-based disciplines reflect the weakness of mathematics and science education in Vanuatu's education system—a problem that has been acknowledged in broader analyses of Vanuatu's education sector. While improvements in these areas will take some time, in the interim AusAID will explore options to provide greater support or additional bridging courses to scholars enrolling in critical science-based studies.

Plans to substantially upgrade monitoring and evaluation of scholarships in 2008 were not fully implemented. With the development of the Vanuatu Education Sector Annual Plan, AusAID agreed with government that the long-overdue Tracer Study would be more effectively implemented by the government's Training and Scholarships Coordination Unit. As a result, the Tracer Study will include multiple donor scholarship programs, and will be carried out later in 2009. AusAID's monitoring of the scholarship programs continues to be challenged by the complexities of four separate AusAID databases, incomplete data from Australian institutions and ongoing delays in finalising and resourcing new M&E systems. Resolving these issues depends on AusAID-wide action.

Until the Tracer Study is completed it will be impossible to make categorical statements about the impact of scholarships for Vanuatu. However, monitoring by the AusAID Vanuatu post indicates that completion and return rates continue to be high for Vanuatu scholars, and Training and Scholarships Coordination Unit data show consistently strong employment outcomes.

In 2008, Vanuatu's first Australian Leadership Award PhD scholar was selected, and for the first time a member of parliament was on a (part-time) Regional Development Scholarship.

Land reform

AusAID began providing support in Vanuatu's land sector in 2006. Land issues are central to almost every aspect of life in Vanuatu, including government and private sector operations. Rapid leasing and development of coastal land on the main islands of Efate and Santo (90 per cent of coastal land on Efate is leased, up from 20 per cent in 2002) have been key drivers of Vanuatu's recent economic growth. But because of weaknesses in Vanuatu's land administration, land dealings have often been inequitable, creating and exacerbating conflict and depriving kastom owners. Vanuatu's future development is dependent on successfully reforming the sector for the benefit of ni-Vanuatu.

Working in close partnership with the National Land Steering Committee, AusAID funded a series of short-term reform initiatives in 2008 that achieved some important results:

- > The Government of Vanuatu has taken concrete steps to address its main weakness in land management: enforcement. Demonstrating its commitment to reform, the Department of Land has made temporary, project-employed Land Lease Compliance Officers into permanent government staff, resulting in a 200 per cent increase in enforcement capacity. Improved enforcement has the potential to increase revenue significantly.

- > For the first time there is better understanding in the Department of Lands of land lease compliance. AusAID-funded investigations show that compliance is approximately 70 per cent; non-payment of rent is the main reason leaseholders are in breach of their leases.
- > Luganville (Vanuatu's second city) now has a zoning plan.
- > Vanuatu now has a draft National Land Sector Framework which will guide sector reform.

A long-term Vanuatu Land Program will start in 2009. In a major advance in donor cooperation in Vanuatu, AusAID and NZAID will jointly engage a single managing contractor to implement their respective program designs under the leadership of the National Land Steering Committee. There are sensitivities associated with donor involvement in the land sector in Vanuatu. AusAID will therefore need to undertake ongoing public communication activities, maintain a close dialogue with government, and carefully manage the operations of the contractor and the contractor's advisers. This will require appropriate resources.

Forms of aid

The aid program's experience over the past year continued to highlight the connection between the quality of Vanuatu's leadership in a sector and the depth and sophistication of the dialogue AusAID can have in that sector. By extension, this also fundamentally influences the effectiveness of Australia's assistance in a sector. Where leadership is strong, Australian assistance is proving far more effective—such as in telecommunications, education and public financial management. In response to the differences between sectors, the Vanuatu program continued to use a wide range of delivery mechanisms for implementation. The DAC Peer Review commented: 'AusAID Vanuatu also selects the best way to implement the programme from a wide range of approaches, taking account of the needs and capacity of its partners. This pragmatic approach is highly appreciated by all government and donor partners and is appropriate in Vanuatu's evolving situation'.

The aid program in Vanuatu strives to minimise the use of international technical assistance. However, with many elements of the program in the development, pilot and establishment stages, there is a continuing place for such assistance in the mix. This also means there is a sizeable technical assistance procurement and contracting load. AusAID anticipates that for the next two years this will continue to be the case, as education and health sector programs develop, and as the GfG program continues to support new and continuing reform efforts and new initiatives in infrastructure.

The move away from using contractors to procure and manage technical assistance has given AusAID valuable increased engagement in the application of these resources. However, the GfG program's experience over the past year has highlighted the importance of ensuring that advisers engaged through diverse mechanisms still form a coherent team. This lesson is valuable for other sectors of the program as they also increasingly select advisers individually. AusAID is also enlarging the proportion of technical assistance that is contracted and managed directly by government, furthering the realisation of Paris Declaration goals. In 2008, 21 per cent of the technical assistance in the GfG program was managed in this way.

Donor coordination in Vanuatu continues to be largely dependent on donors taking the initiative to change, although this varies considerably between sectors. AusAID dialogue with its partners was noted by the DAC Peer Review as 'open and direct', making AusAID 'an active and constructive partner in the donor community'. This is paying dividends in terms of

increased cooperation in the land sector (with NZAID) and in the productive sectors (with NZAID and the European Union). In education the government is increasingly taking a lead, assisted by the Education Partners Group and the focus of major partners on the move towards a program-based approach. However, there are no formal mechanisms in other sectors, and government-wide coordination mechanisms remain nascent. The recent restructuring of aid coordination mechanisms in government, assisted by AusAID, may enable more coordinated government leadership of its development partners, but this is likely to take some time to substantially change the operating environment for donors.