

Australia – Vanuatu Partnership Report 2010

August 2011

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This is the second report on the Australia – Vanuatu Partnership for Development, which was signed in May 2009. The partnership is designed to accelerate Vanuatu’s progress towards achieving the Millennium Development Goals (MDGs). Under the partnership, the Australian Government—primarily through the Australian Agency for International Development (AusAID)—will also help the Vanuatu Government respond to the social, environmental and economic challenges it faces.

This report covers the 2010 calendar year.

Summary

2010 saw Vanuatu continuing its run of seven years of consecutive economic growth—commendable for a low-income country without mineral wealth. Tourism numbers remained strong, the law and order climate benevolent and policy reforms saw progress on utilities deregulation and primary school enrolments.

The stand-out achievements under the partnership were utilities deregulation and (near) universal primary education. The focus of efforts in these sectors was in negotiating and bedding down new ways of working, especially in health and education. Support for Radio Vanuatu, *Wan Smolbag* (youth services) and the Vanuatu Women’s Centre extended the reach of services in 2010.

A portfolio of activities has been developed that relies on the leadership of the Government of Vanuatu and robust systems. In 2010 the underlying fundamentals of the system did not mature as quickly as hoped. Particularly disappointing was the slow progress on rural road maintenance and rehabilitations.

Table 1: Ratings of progress towards the objectives of the partnership in 2010

Objective	Rating in 2010	Relative to previous rating
1. Improved education	■	Declined
2. Improved health	■	Unchanged
3. Improved infrastructure	■	Declined
4. Economic governance	■	Declined
5. Law and justice	■	Improved

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.

Vanuatu context

2010 was a challenging year for Vanuatu, as the government experienced a fiscal deficit of 2.7 per cent of gross domestic product and real gross domestic product growth dropped to 3.0 per cent (from a high of 6.3 per cent in 2008, then 3.6 per cent in 2009). Growth was projected to rise to 3.75 per cent in 2011, driven primarily by tourism, but was constrained by the impact of global economic uncertainty.

Sound policy choices over the past decade have led to significant poverty reduction, but Vanuatu remains 'slightly off-track' on most poverty indicators, and 'off track' to reduce basic needs poverty by 2015 (although food poverty remains low). Many of Vanuatu's rural majority (around 170 000 people, or 35 000 households) lacks access to basic services. While the cash economy is expanding, income-earning opportunities are still limited, especially for women. At least one-third of those living in greater Port Vila (59 000 people) continue to live under the poverty line, compared to 9 per cent in rural areas.

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The national budget of 2010 recorded total government revenue of around US\$161 million¹, matched by an estimated US\$112 million from donor partners. With total Australian aid at around US\$62 million in 2010, the aid partnership accounts for a major portion of Vanuatu's official development assistance and total revenue. The government made concerted efforts to lead donor coordination in 2010. It convened a workshop of all development partners in 2010, and worked with donor partners to pool funding and align with government priorities in the education and health sectors.

Results

Objective 1: Improved education

Joint commitments

¹ Excluding donor flows (although in fact donor spending was recorded on budget for the first time in 2010).

The partnership will support increased access and quality of education for boys and girls and equip them with relevant skills and knowledge, through:

- > accelerating progress towards the 2015 goal of universal primary education (MDG 2)
- > improving the quality of education, through reforming the curriculum, upgrading school facilities and resources, and enhancing teacher training
- > providing ongoing support for the Government of Vanuatu's education reform agenda, in line with the Vanuatu Education Sector Strategy, co-financed with New Zealand and other donors
- > providing increased training and employment opportunities by supporting demand-driven vocational training services.

Target results

- > achieve the Vanuatu Education Road Map goal of increasing net primary enrolment rate to 100 per cent by 2015, reaching 85 per cent by 2011
- > improve literacy and numeracy skills of school age children, tracked through national assessments
- > strengthen financial management and accountability, including primary schools adopting government-approved bank accounts by the end of 2009
- > increase proportion of certified primary school teachers
- > ensure higher numbers of technical and vocational trainees increase their incomes through skill development.

Rating



The objective will be partly achieved within the timeframe of the strategy.

Assessment of results and performance

Access to primary schooling increased by 7 per cent in 2010. This meant 3000 more students were able to go to school, and families received substantial financial relief. Parental fees were replaced by grants paid direct to schools—jointly financed by Vanuatu, Australia, New Zealand and United Nations Children's Fund. Government's contribution to the school grants increased by 25 per cent in the 2011 budget, in line with this partnership commitment.

Vanuatu is close to **gender parity in primary and secondary education**. The Ministry of Education is in the final stages of developing an inclusive education policy, which commits to including children with disability and other special needs in the education system.

Challenges remain in the **quality of schooling**. An in-service unit was established within the Teacher's College and modules were being developed for introduction in 2012. Rising enrolments have increased pressure on the education system, particularly in urban areas. Data in this sector is limited, although newly introduced literacy tests will provide a welcome baseline. In 2011 selected high-performing schools will be studied to determine what delivers better reading results. The findings will be used to inform better teacher training in basic literacy.

Progress on school facilities has been disappointing. Capacity constraints in the Ministry and a costly classroom design have meant that of the 20 planned double classrooms, none were constructed in the planned timeframe

The **technical and vocational education and training** sector has shown improvement, with an AusAID commissioned independent review of the joint TVET program pointing to outcomes in system strengthening, training quality and access. There are now 40 registered

training providers compared to none in 2008. In 2010, 1080 participants attended accredited training courses and more than 900 people accessed business development services. Sixty-five per cent of graduates reported increased income and 72 per cent reported increased production from their farms and businesses as a result of their training. Women comprised 43 per cent of trainees from April to September 2010 and 39 per cent of business development service users.

Table 2: Estimated education expenditure in 2010

Objective	\$ million	% of bilateral program
Improved education: support increased access and quality of education for all boys and girls, and equip them with relevant skills and knowledge	6.9	14
Australian Awards (scholarships)	3.6	7

Objective 2: Improved health

Joint commitments

The partnership will strengthen health services and accelerate progress towards health MDGs, through:

- > enhancing access to, and quality of, health care services, particularly for rural communities, including a strengthened health supply chain, strengthened community nursing, and upgraded facilities
- > controlling and progressively eliminating malaria
- > improving budgeting, financial and expenditure management
- > strengthening health information system to track MDG progress and support evidence-based decision making.

Target results

- > under-five mortality rate reduced from 34.1 per 1000 in 2007 to the MDG target of 20.7 per 1000 by 2015, and maternal care improved with an increased percentage of deliveries supervised by skilled staff
- > increased routine measles and triple antigen vaccination coverage of one-year-old children, to 80 per cent by 2012 and 90 per cent by 2015
- > reduced malaria incidence nationwide by 70 per cent and elimination in Tafea Province
- > increased proportion of health sector expenditures that reach provincial and rural facilities.

Rating

 The objective will be partly achieved within the timeframe of the strategy.

Assessment of results and performance

As was the case in 2009, it is difficult to adequately assess progress against the target results listed above because there is not enough reliable data coming out of the health information system. Available data suggests, however, that **under-five mortality** is decreasing in line with the MDG and partnership target. Infant and under-five mortality rates are higher in rural

areas, as well as among less wealthy households. **Maternal health** services vary greatly by province: for example, skilled birth attendance varies from 94 per cent in Port Vila to only 32 per cent in remote Torba province.

Measles immunisation coverage reportedly increased by 82 per cent in 2010 primarily due to a supplementary campaign carried out in 2009, but remains a serious concern. The long-running **Village Health Workers** program, supported by Australia, enabled 200 village health workers to operate throughout Vanuatu's six provinces. Funding of four trainers at the Vanuatu College of Nursing Education helped 30 **nurses** to complete their studies in 2010—the first cohort to graduate since 2004.

Continuing support to tackle **malaria** under the partnership has directly contributed to 100 per cent national coverage with bed nets, and indoor residual insecticide spraying has been completed in 94 per cent of target households in Tafea Province (which is targeted for malaria elimination).

Quality of services at the **Vila Central Hospital** (VCH) was maintained with Australia funding five senior medical specialists. There were no maternal deaths at VCH in 2010 (no data is available for the rest of the country) and it maintained its status as a teaching hospital with two masters-level graduating doctors, both of whom remain employed at VCH.

Preparations were completed for the signing of the first **Joint Partnership Agreement** between the Government of Vanuatu and donors to formalise a new coordinated approach in the sector (was subsequently signed in early 2011). The new **Health Partners Group** is proving a useful forum for information sharing. Australian funded advisory support assisted the Ministry of Health to develop a business plan aligned with a budget that includes government and donor funds for the first time.

Table 3: Estimated health expenditure in 2010

Objective	\$ million	% of bilateral program
Improved health: strengthen health services and accelerate progress towards health MDGs	4.1	8

Objective 3: Improved infrastructure

Joint commitments

The partnership will develop essential infrastructure to support economic growth and service delivery, through:

- > rehabilitation and improved maintenance of high-priority rural roads, drawing on the private sector and local communities as key providers of road maintenance services
- > expanded access, and reduced costs of, telecommunications and power services through greater competition and strengthened regulation
- > progress on reforms to improve maritime and aviation transport, including operational improvements to key wharf facilities and Air Vanuatu.

Target results

- > national roads better maintained and in good condition, including rehabilitation of national roads in Tanna, Malekula and Ambae by 2012

- > expanded local employment and private sector development through road maintenance activities
- > further improvements in telecommunications and power services:
 - 90 per cent mobile phone population coverage by 2015
 - expanded coverage and reduced cost of Internet services
 - improved score on World Bank Institute Regulatory Quality indicator
 - 25 per cent expansion in access to electricity in rural areas by 2015.

Rating

■ The objective will be partly achieved within the timeframe of the strategy.

Assessment of results and performance

The re-tender of the Luganville electricity concession, with Australian support, resulted in a new provider and competition in **power** for the first time in 70 years. The Utilities Regulatory Authority (supported with AusAID funds and co-managed by the World Bank) completed its tariff review which has the potential to halve the cost of power for low-income consumers.

2010 saw good progress on **rural electrification** with the Vanuatu Government committing to develop a National Energy Roadmap and an Energy for Rural Development program, both of which Australia will support under the partnership. The energy roadmap, along with the larger investment programs, will develop disaggregated baseline information on access and impact.

Australia funded the distribution of some 6000 low-cost **solar lighting** products, mostly in rural areas. If this pilot is successful, this program could be expanded to 24 000 products by 2012. Many of these small solar products also charge mobile phones; up to 40 per cent of the cost of mobile ownership in rural Vanuatu is associated with charging mobile batteries.

Vanuatu achieved more than 90 per cent **mobile coverage** in 2010 (based on population with access), meeting a key target under the partnership. Intensive Australian support to telecommunications in Vanuatu reduced somewhat in 2010, as the World Bank took up management of the AusAID trust fund to support the sector. The other achievement in 2010 was the establishment of a permanent Telecom Regulator's Office, regulating competition in the sector.

Rural roads infrastructure was a new area of investment under the partnership in 2010. Solid progress was made on institutional reform in the Department of Public Works, but less on the delivery of physical works. An independent, mid-term review in 2010 led to a reduction in the planned scope of works (down from 191 km to 140 km of road maintained) and the scale of employment generation (105 000 labour days, down from 160 000)—given higher-than-anticipated tender costs and low labour productivity levels.

Support for **ports** reform in 2010 led to the international recruitment of a General Manager (part-funded by Australia), resulting in improved efficiency at the international Port Vila port. For example, the number of containers handled per hour doubled from 5 units to 10, and container delivery times dropped from several weeks to 2 to 5 days. While this support is valuable in and of itself, it is a precursor to larger reforms to both the physical infrastructure and management at the port.

Table 4: Estimated infrastructure expenditure in 2010

Objective	\$ million	% of bilateral program
Improved infrastructure: develop essential infrastructure to support economic growth and service delivery	12.9	26

Objective 4: Economic governance

Joint commitments

The partnership will progress reform on economic governance issues, through:

- > **strengthened budget processes** to better reflect national priorities for service delivery and public investment
- > **improved public financial management systems**, including strengthening the budget process to combine donor and government resources and improving financial management in line ministries to ensure more resources are available to deliver services
- > **stronger transparency and accountability** to Parliament and the people for the results of public expenditure
- > **improved management of government business enterprises**, to improve effectiveness of their operations and manage fiscal risks
- > **enhanced collection and management of statistics** to track progress against the MDGs.

Subject to performance against these objectives Australia will provide additional funding on an incentive basis, to be agreed annually with the Vanuatu Government.

Target results

- > improved public expenditure and financial accountability scores on:
 - Government of Vanuatu resources received by service delivery units
 - proportion of aid provided by donors managed through Vanuatu systems
 - comprehensiveness and transparency of public financial management, including oversight of fiscal risk from government business enterprises
 - external scrutiny and audit
- > fiscal risks strategy in place for the 2010 Budget and updated annually
- > Vanuatu's Population Census, Household Income and Expenditure Survey and national accounts completed as scheduled and published.

Rating



The objective will be partly achieved within the timeframe of the strategy.

Assessment of results and performance

Support to the Department of Finance and Treasury (within the Ministry of Finance and Economic Management) continued to provide important resources for the management of the government's **budget and accounting processes**. Vanuatu's 2010 budget was the first to integrate government and donor resources in a 'Development Budget'.

The Ministry of Finance and Economic Management continues to outperform expectations, and ongoing support will be critical. AusAID funding supports the Ministry to recruit its own advisers.

The rollout of ministry's the initiative to establish public **Financial Services Bureaus** in the provinces continues. A review of progress in April 2010 concluded that, despite delays in rollout, the concept was sound and should proceed. It found that line ministries were using the Santo bureau to access the government finance system (previously impossible). There were also signs that the private sector was becoming more confident in the system, with more businesses accepting purchase orders in Santo. The remaining three bureaus are slated for establishment in 2011. This will represent an important step towards more efficient public administration in the outer islands.

Ongoing support to the **National Statistics Office** saw the **Population Census** completed in 2010. The census will provide crucial information to inform government and donor decision-making. The office now has strong technical staff and sound institutional foundations. AusAID moved over the year to put in place a grant arrangement for the distribution of, and demand for, statistical products.


Table 5: Estimated economic governance expenditure in 2010

Objective	\$ million	% of bilateral program
Economic governance: progress reform on economic governance issues	3.8	8

Objective 5: Law and justice: more effective legal institutions and improved police services

* Specific targets will be developed based on sector planning in 2011.

Rating

 The objective was fully achieved within the timeframe of the strategy.

Assessment of results and performance

At the 2010 Australia – Vanuatu Partnership for Development talks, it was agreed to add the law and justice sector as a fifth priority objective. The agreement to elevate law and justice as a partnership priority indicates engagement on the performance of this sector at senior levels.

Both the legal and police projects were on track to meet their objectives as they near the end of their current phases. Support to the **Vanuatu Police Force** saw 33 new recruits trained and 57 constables (the first in the Pacific) attaining a Diploma of Policing. Police capacity to respond to crimes expanded with the provision of new police posts, communications systems, vehicles, 10 specially-equipped small boats and a larger patrol vessel. Crime reporting and corporate support remain areas in need of ongoing development.

An independent review of the **legal** project found it highly effective, with particular success in office and case management and the professional performance of junior staff in the public legal offices. **State Law Office** advisers provided high-quality advice to public sector agencies and ministers on complex legal issues (for example about utilities deregulation), and successfully defended litigation cases against the state.

The **Vanuatu Women’s Centre** (co-funded with New Zealand) expanded its work in Port Vila and three provincial centres, providing counselling, community education and legal advocacy for victims of domestic violence. There was a further increase in client numbers, with 1619 women accessing counselling in 2010, compared to 345 in the six months from July to December 2009. The centre has been pivotal in the implementation of the new Family Protection Act. A total of 105 Family Protection Orders have been facilitated by the centre and its branches. In addition, provincial community awareness activities reached 3944 women and 3668 men.

Table 6: Estimated law and justice expenditure in 2010

Objective	\$ million	% of bilateral program
Law and justice: more effective legal institutions and improved police services	12	24

Other priority areas: civil society and land

Cooperation in media, community partnerships, leadership and the land sector are not explicit priorities in the Vanuatu – Australia Partnership for Development, but collectively, this assistance amounted to 10 per cent of Australian bilateral assistance in 2010.

Australia’s support to the public broadcaster, **Radio Vanuatu**, helped improve its quality and reach (AusAID and the Australian Broadcasting Corporation as implementing partner). Major achievements in 2010 included: 100 per cent radio transmission across Vanuatu, active talkback sessions, seven public media forums about independence and proactive dissemination of cyclone and tsunami warnings. Improved internal governance saw revenue increase by 22 per cent and net losses drop by 42 per cent—but financial management remains an area in need of further improvement.

Local non-government organisation *Wan Smolbag* delivered on its role as the main provider of a range of public education, health and **youth services** in disadvantaged urban areas, with core funding from AusAID and New Zealand. This non-government organisation’s reproductive and sexual health clinics in Port Vila and Luganville service more than 10 000 clients, fee-free, each year, and more than 2000 young people joined *Wan Smolbag* youth centres in 2010. Management reforms in 2010 are beginning to bring benefits and strengthen the organisation’s sustainability.

Australia’s interim assistance to the **land** sector concluded in June 2010, anticipating a new joint program in 2011. Having helped the Government of Vanuatu implement key reforms, such as new strata title legislation, a zoning system for Port Vila and the formation of the Vanuatu Land Governance Committee. Vanuatu leadership at the executive and political level was instrumental to this success.

The AusAID-funded World Bank program, *Justice blong Evriwan*, established itself as a valuable niche component of land sector work. Research, such as land lease case studies on Tanna and Epi, fed directly into government policy decisions that will be taken forward through the new land program.

Table 7: Estimated 'other' expenditure in 2010

Other assistance (outside the partnership priorities)	\$ million	% of bilateral program
Civil society (media, youth, chiefs and churches) and land	4.7	10

Attachment A:

Australia – Vanuatu Partnership for Development Talks

12 August 2011

Agreed Outcomes

1. The Prime Minister of Vanuatu, the Hon. Meltek Sato Kilman Livtuvanu, hosted the annual Vanuatu – Australia Partnership for Development talks on 11–12 August 2011. AusAID Deputy Director General, James Batley, led the Australian delegation.
2. The two sides reaffirmed:
 - their commitment to the long-term development partnership, and its underlying principles of mutual respect, mutual accountability and genuine friendship
 - the five priority areas under the partnership: education, health, infrastructure, economic governance and law and justice—in line with the Vanuatu Government’s policy priorities.
3. They noted the Australian Government’s response to the *Independent Review of Aid Effectiveness* and agreed:
 - to ensure every vatu spent makes a real difference to the lives of ni-Vanuatu people
 - that Vanuatu’s development partners should continue to work together closely so that assistance is coordinated and effective, in accordance with our joint commitments under the Cairns Compact for Strengthening Development Cooperation.
4. In briefing the Vanuatu Government on the Australian Government’s response to the Independent Review of Aid Effectiveness, Mr Batley noted that Australian aid to Pacific island countries will increase where assessments show that it will make the most difference.
5. Mr Batley welcomed the Government of Vanuatu’s proposed Joint Declaration on Aid Effectiveness and agreed to support its formal endorsement.
6. The two sides welcomed progress from joint efforts over the past year, in particular: 3000 more children attending primary schools than in 2009; a sharp reduction in the incidence of malaria in Tafea Province; and the introduction of competition to the electricity sector in Luganville.
7. They agreed on the importance of renewed momentum on our existing joint programs where progress has not been as fast as expected especially in education, infrastructure and health. The two sides also agreed:
 - to examine practical steps to accelerate implementation of joint programs
 - on the need to continue to strengthen Vanuatu Government systems, such as procurement and audit, so as to ensure that they are robust and enforced
 - on the significance of Vanuatu’s sustained economic growth over the past seven years and acknowledge that continued growth is essential to generate employment, increase living standards, and reduce poverty

- to continue to work together on improving the enabling environment for local and foreign businesses alike
 - to cooperate to improve government revenue collection
 - on the risk posed to Vanuatu's budgetary bottom line by unreported liabilities from government business enterprises, and the need to enforce the Government of Vanuatu's mandatory annual reporting requirements
 - to note steps already taken towards sector budget support in education and health, and to assess such support in the future on a case-by-case basis.
8. In the education sector, the two sides were concerned with the low literacy rates in early grades of primary school, and agreed to address this through renewed emphasis on teacher training, as well as outsourcing school construction and helping schools get value for money from the new school grants scheme.
 9. In line with commitments under the partnership, they agreed on the importance of increasing the proportion of total funding spent at provincial level on maternal and child health services in the next year.
 10. Anticipating the possibility of future investments in infrastructure, the two sides agreed to work together to improve the management and accountability of the Public Works Department, to restore confidence in its performance.
 11. Both sides welcomed the opening up of the electricity sector to competition and agreed to support Vanuatu's proposed National Energy Roadmap, due for launch in October 2011.
 12. The two sides agreed to continue assistance under the Partnership to the law and justice sector with details of joint commitments to be finalised over the coming year.
 13. Both sides acknowledged the importance of cooperation in key areas outside the explicit mandate of the Partnership to achieving the MDG, specifically land, media and civil society.
 14. Recognising the important contribution of development assistance to Vanuatu's future prosperity, the two sides resolved that senior officials meet quarterly under the framework of the Partnership to monitor progress against agreed results and commitments, and share budget plans and expenditure reporting.
 15. The two sides noted the importance of ongoing political support to long-term commitments under the Partnership. Both sides anticipate sustained momentum and similar frank and constructive discussion at the 2012 Partnership talks, to be held in Australia.