

Republic of Vanuatu  
Republique de Vanua



**Australian Government**  
**AusAID**

# **Governance for Growth Program**

## **2010 Annual Report**



Women on Tanna Island employed under VTSSP to lay water over concrete road pavement as part of curing process

# Executive Summary

## Summary

Governance for Growth (GfG) is a partnership between the Vanuatu and Australian governments which aims to address obstacles to broad-based growth and service delivery that can be overcome through effective governance. An important feature of GfG is the management approach. Leadership of the program is vested with the Government of Vanuatu, with the program operating on the principles of partnership, flexibility and responsiveness to the Vanuatu government's priorities. In 2010, GfG has continued to demonstrate the benefits of this approach helping the Vanuatu government deliver results in a number of key areas.

## Key achievements in 2010

GfG supported reforms in the energy sector are helping to bring down the cost of electricity and improve service standards. Recent legislative reforms are also expected to increase the attractiveness of the Vanuatu electricity sector to private investment in the years ahead.

The Utilities Regulatory Agency continues to play an effective regulatory role. Major achievements in 2010 include the successful conclusion of Electricity Tariff Review, which will deliver across the board price reductions of 4.7% and savings of up to 49% for low income consumers in 2011. The Vanuatu government also effectively concluded the tender for the Luganville concession, which will see the entry of a new player (VUI) into the electricity market for the first time. The effective end of the sector monopoly is expected to improve performance, drive efficiency, improve connections/access to consumer and ultimately put further downward pressure on prices.

Good progress has also been made to expand access to power in rural areas. GfG, in partnership with the World Bank, is helping the Vanuatu government develop a new Energy Road Map and forward investment program. GfG support for the new "Lighting Vanuatu" initiative will distribute over 24,000 low cost solar lighting products to families across Vanuatu (with at least 6,000 products to be distributed by the end of 2010). These products will not only provide families with low cost lighting, but can also be used to charge mobile phones, helping to further expand mobile access and affordability of ownership. The initiative has received strong interest from the private sector, with both TVL and Digicel planning to distribute the solar products with their mobile phones.

GfG supported reforms in the telecommunications sector continue to deliver substantial dividends in terms of reduced prices, improved service quality and expanded coverage. National mobile coverage is estimated to have reached around 85% of the population in 2010. Internet services have also expanded, with increased market competition expected to deliver faster internet at lower prices. The first permanent

Telecommunications Regulator has been appointed (previously an interim arrangement) and continues to provide effective regulation and oversight of the sector. The Regulator recently released a three year work plan which identifies improved internet access as a key priority.

Major new investments in the transport sector (in design or early implementation) are helping to improve road maintenance, increase efficiency of port operations, and strengthen planning and management within the transport sector. Increased GfG investment in the transport sector is expected to make a major contribution to social and economic development in the years ahead. Highlights in 2010 include:

**Roads** - Phase 1 of VTSSP commenced and is supporting road maintenance on target roads in Malekula, Tanna and Ambae. Demonstration projects showcasing new road maintenance technologies have been completed in Tanna and Malekula, and emergency road maintenance is being undertaken on all three target islands. Early institutional reforms within MIPU have improved opportunities for the private sector to engage in road maintenance. Identification and training of island-based contractors has also commenced, with positive feedback from participants.

**Ports** - GfG supported the design of a proposed new US\$80 million international cargo terminal for Port Vila. GfG funding is also helping to support a number of management improvements which have already delivered increased efficiency of stevedoring operations (eg. substantial increases in labour productivity and a doubling in shipping container handling rate). Vanuatu's Ministry of Finance estimated the new wharf facility (construction commencement expected in late 2011) could contribute up to 3 per cent to GDP in the years ahead.

**Aviation** – Following a request from the Vanuatu government, GfG supported for two studies on Air Vanuatu's operations (including a review of business operations and a financial audit). The findings are currently being considered by the government.

### **Public Financial Management**

GfG support in the areas of economic and financial management has continued to help the Vanuatu government maintain fiscal discipline, accountability to Parliament, and strengthen the links between government policy, resource allocations and donor funding. GfG advisers also continue to play an important role in supporting the national budget process and maintaining the government's financial management systems.

GfG support to help the government introduce transparent banking arrangements for the school grants program has contributed to a substantial increase in primary school enrolments in 2010 - a major step towards achieving the Millennium Development Goal of Universal Primary Education.

**Other initiatives supporting growth** – Creating a better investment climate is a key priority for the Vanuatu government. In 2010, GfG helped the government develop a

new tourism campaign, which is currently being launched in major markets in Australia and New Zealand. Rural banking operations have also been significantly improved with the National Bank of Vanuatu's installation of new high speed satellite communication network across eight islands.

## **Challenges**

**Transport sector** - Further deterioration in target road conditions and excessive tender prices have reduced the length of road that can be targeted under Phase 1 of VTSSP (down to 140km from 190km). There has also been an associated reduction in overall employment benefits expected to be generated under the program.

**Other initiatives** - Progress on some other initiatives continues to be slower than hoped, including reform of state owned enterprises (eg. VCMB, Air Vanuatu), and establishing Financial Service Bureaus in the provinces.

# 1 Introduction

This is the fourth annual report for GfG. The report summarises major program achievements and challenges in 2010.

The Vanuatu-Australia Partnership for Development (signed by former Prime Minister Natapei and former Prime Minister Rudd in Canberra on 27 May 2009), establishes the shared vision of the Governments of Australia and Vanuatu to work together to meet common challenges and to improve development outcomes and sustainable improvements in the quality of life of all Vanuatu citizens. Overarching objectives of the partnership include:

- increase access and quality of schooling for all children
- accelerate progress towards health MDGs
- improve infrastructure
- improve economic governance

GfG is the main vehicle through which Australia is helping the Vanuatu government achieve the latter two objectives of improved infrastructure and economic governance.

## Reporting structure

GfG's reporting structure has been modified to better reflect the new Vanuatu-Australian partnership agreement.<sup>1</sup> Reporting is now structured around the two mutually agreed Partnership result areas, as follows:

**Result Area 1: Improve infrastructure** - This new objective recognises the growing priority and importance of infrastructure as an engine for growth. GfG is supporting investment and reforms across the three main modes of transport, including ports, aviation and roads. GfG is also supporting ongoing reforms in the telecommunications and energy sectors.

**Result Area 2: Improve economic governance** - This result area largely encompasses both of GfG's existing objectives, including:

*Objective 1 - Vanuatu's policy framework is more supportive of broad-based growth and*

*Objective 2 - The quality of Vanuatu's public expenditure is improved*

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<sup>1</sup> GfG's outcomes, priorities and reporting structure is to be reviewed as part of the proposed joint mid-term review of the program (originally planned for late 2010, but now scheduled for 2011).

## 2 Review of Implementation Progress

The following section outlines major achievements, implementation progress and challenges over 2010. Reporting is aligned with the new Vanuatu Australian Partnership for Development, although continues to draw on GfG's Performance Assessment Framework.

### Result area 1 – Improve infrastructure

The Vanuatu Government has an ambitious agenda which identifies “rehabilitation and maintenance of existing infrastructure, creation of new infrastructure and strengthening institutional capacity for infrastructure development” as priority areas for action. The GoV's Priorities and Action Agenda also “recognises that investment in economic infrastructure needs to be complemented by investment and maintenance of transport, communications and energy infrastructure”.<sup>2</sup> In support of these aims, GfG has significantly expanded its investment in infrastructure with support now spanning all major infrastructure including roads, ports, aviation, telecommunications and power.

### Key achievements and challenges in 2010

#### Improved power regulation and access

The Utilities Regulatory Authority (URA) is fully operational and independently regulating power and water, helping to ensure that services are provided at a fair price and are more widely accessible. Core costs of the URA are funded through the budget by the Vanuatu government with these resources supplemented by a World Bank Trust Fund financed by GfG. The Vanuatu government achieved some excellent outcomes in 2010, including:

- **Cost of electricity will be reduced for all consumers** – URA completed the Tariff Review (March 2010) which will deliver a substantial 49% reduction in electricity tariffs for low income consumers and a 4.7% reduction in electricity costs across the board.<sup>3</sup> Reduced prices are expected to encourage new consumers and increase access to electricity in rural areas.
- **Effective end of the monopoly in the power sector** – the GoV's successful conclusion of the tender for the Luganville Concession will see entry of new player (VUI) into the electricity market in 2011.

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<sup>2</sup> Vanuatu government, 2009 Annual Development Report (Sept 2010), pg 49

<sup>3</sup> Tariff reductions will come into effect in Luganville from 1 January 2010. UNELCO and GoV are currently engaging in arbitration regarding proposed tariff reductions, with arbitration expected to be completed by March 2010.

- First time a new provider has been engaged to provide electricity services in nearly 70 years.
  - Expected to improve service standards and put competitive pressure on both providers to perform. Introduction of the two operators in Vanuatu also now allows for full competition to provide access to electricity in the rural areas outside of the concessions held by either UNELCO or VUI.
  - GfG's support for a Transaction Advisory Service was critical to help develop the tender documents, conduct due diligence checks and ensure compliance with government procurement laws. GfG support also critical in ensuring senior government officials kept fully informed throughout process.
  - URA is supporting the GoV with the transition of the old to the new operator, and will now regulate two separate utilities from 1 Jan 2011.
- **Stronger regulatory framework** - Recent revisions to the Electricity Act and URA Act aim to increase private sector investment in the electricity sector, and encourage investment in renewable energy and rural electrification. Reforms are expected to:
    - provide added incentive to provide electricity outside existing concession areas.<sup>4</sup>
    - bring regulation of electricity and water in line with international best practice by striking a better balance between the interests of providers and consumers; clarifying the rights of the URA to obtain information from utilities providers; and updating fines and penalties to act as a greater deterrent.<sup>5</sup>
    - Allows for other generators to sell power into the grid for the first time, which opens the way for feed in tariffs for small to medium generators, including household solar systems.
      - **Supporting future investment** - URA has also been working with the World Bank and GfG on introducing Output Based Aid approaches to Vanuatu. It is the 20-30% of potential consumers inside the two largest grid areas still not connected to power that this approach will initially target.
  - **Effective regulation of power and water** - URA has continued to effectively perform a range of regulatory functions, including: effective monitoring service standards (eg. issued UNELCO with fines for unjustified interruptions to power service; issued notice of breach of concession with 60 days to comply; conducting audit and valuation of UNELCO's assets to ensure they are properly costed for tariff calculations).

## Expanded rural access to power

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<sup>4</sup> For example, by allowing third parties to generate electricity whether inside or outside concession areas and sell it to concessionaires or customers outside concession areas; by making it easier for concessionaires to extend the network outside their concession area by extending their rights to install infrastructure on private land.

Good progress has been made to expand access to rural populations in 2010. Key achievements include:

- Developing new Vanuatu Energy for Rural Development (VERD) investment program which will introduce the concept of private sector delivery of safe, reliable and affordable modern energy services to those not able to access grid based electricity (around 75% of the population).
- Working closely with the government, private sector and donor partners to develop an Energy Roadmap for Vanuatu.<sup>6</sup> The roadmap will be the first time policy outcomes and targets will be articulated for the sector in Vanuatu and will cover access, quality and affordability. The roadmap will assist restructuring of the relevant government departments to drive implementation of the roadmap.
- Support locally based NGO's to sell over 6,000 low-cost solar powered lighting products to families throughout Vanuatu by the end of 2010 under the 'Lighting Vanuatu' initiative (24,000 products to be distributed in total).
  - These products can also be used to charge mobile phones, which is significant as charging a phone represents around 40% of the cost of phone ownership in areas where grid power is not available. TVL and Digicel planning to distribute solar products with mobile phones, which is expected to further expand telecommunications access.
- Building GIS database capacity of the National Statistics Office to assist the Energy Unit to provide important data on electricity access, including GIS maps, which will be used to inform the future investment program and the Energy Roadmap.

## Challenges

The URA is currently engaged in arbitration with UNELCO (the current holder of 3 or the 4 concession areas, including Port Vila) over implementation of the Tariff Review (expected to be resolved by March 2011). GfG is providing financial support to help the URA cover arbitration costs.

The GfG design aimed to expand access to electricity to 40% of the population by 2011, however the low policy priority given to the issue (until recently) has been a major hindrance. There has however been a major recent increase in the profile of the energy sector, which coupled with tangible program implementation on Lighting Vanuatu and the design of the VERD should see this target met, but not by the 2011 date.

GfG is working with the government and other donors to develop an Energy Roadmap and forward investment program for the sector which aim to address access and affordability issues. A commitment of funding to implement this program has been secured from the Pacific Regional Infrastructure Facility.

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<sup>6</sup> VERD program concept note has been submitted to AusAID's Peer Review process and accepted to proceed to design stage. Government and private sector stakeholders have been closely consulted in developing the program concept note.

## Introduction of competition into telecommunications sector

The Vanuatu government's policy to increase competition in the telecommunications sector has continued to deliver major dividends, with sustained price reductions and further increases in both coverage and access across Vanuatu.

- Growth in the sector is estimated to have contributed around 1.5% per annum to GDP
- 85% of the population now has mobile coverage (only an estimated 20% of the population had access prior to GfG assistance)
- 76% of households has a mobile phone
- Investments under Universal Access Policy fund (AusAID contributed 250m vatu) expected to further increase mobile coverage to even more rural and remote areas
- complementary GfG investments in under 'Lighting Vanuatu' initiative expected to further contribute to access
- Internet access also set to expand with six new licenses issued. Four internet service providers now operating, ending TVL's monopoly:
  - increased competition in the sector expected to deliver faster internet at lower prices
  - third telecoms study (planned for 2011) to assess impact of expanded internet competition and access
- Telecommunications reforms creating catalyst for further private sector investment, eg. proposed investment in submarine cable, which is expected to dramatically improve internet connectivity and contribute to economic growth and tourism in the years ahead
- New Regulator appointed and continuing to provide effective regulation and oversight of the telecommunications sector. Achievements in 2010 include:
  - Successfully resolved interconnection disputes, ensuring new internet service providers able to access market (eg. Regulator ordered TVL to provide interconnect link with new internet service provider Can'I)
  - released final version of the national Radio Frequency Plan (Nov 2010)
  - better regulation of the radio spectrum, with total of 656 radio licences to 163 users by end 2009
  - draft three year work plan for Regulator developed for public consultation
  - draft ICT, Broadband and UAP policies being developed
- Capacity of Regulator's Office staff has been strengthened through comprehensive training program, development of job descriptions and introduction of a new performance management system. The Regulator's Office is also transitioning accounts to the government SMARTSTREAM FMIS (Financial Management Information System).

## Challenges

The last telecoms study found that access to electricity represented a major constraint to increasing mobile usage in rural areas, with the cost to charge mobile phones accounting for up to 40% of total usage costs. GfG is helping to address this challenge through power sector reforms and support for the 'Lighting Vanuatu' initiative which aim to improve access to power by rural and remote populations.

The Telecoms Regulator noted that up to date data on national mobile coverage and internet usage is not currently available, but will be assessed as part of an audit planned for the first quarter of 2011.

## Transport infrastructure (roads, ports, aviation)

GfG is supporting a long term program of support in the transport sector which recognises the critical role the entire transport network plays in terms of economic growth and service delivery. The Vanuatu Transport Sector Support Program (VTSSP) is expected to extend over a 15 to 20 year timeframe, to be implemented in three phases:

- Phase 1 of VTSSP (\$17m over 2009-2011) is supporting rehabilitation and maintenance of 140kms of priority roads in three islands (Malekula, Tanna, Ambae) utilising local contractors.
- Phase 2 of VTSSP will be expanded to include all major modes of transport (roads, maritime, aviation), with an emphasis on interconnectivity of the transport network as a whole. The program will also support the GoV to plan, prioritise and prepare the foundations of a sustainable capital investment program. Design of Phase 2 has been informed by extensive consultations with relevant government stakeholders and development partners.<sup>7</sup>

### Road infrastructure (VTSSP Phase 1)

Phase 1 of VTSSP commenced in January 2010. Early achievements include:

- **Road improvements** – Initial demonstration projects showcasing new road maintenance technologies completed on two islands (Malekula and Tanna) and emergency road maintenance work undertaken on the three target islands. These works have highlighted the benefits of improved drainage for road sustainability.<sup>8</sup>

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<sup>7</sup> Including the Prime Minister's Office and relevant transport sector agencies, including MIPU/PWD, Airports Vanuatu (AVL), Air Vanuatu (AVOL), and Civil Aviation Authority (CAA); and development partners, including NZAid, MCA, World Bank, ADB and JICA.

<sup>8</sup> The Tanna demonstration site, currently under extension as part of practical training for the 30 selected trainees representing 10 Island Based Contractors, has clearly shown the benefits of proper drainage. Locals are commenting on how the trial section remains undamaged by recently heavy rain in comparison to adjacent road sections.

- **Employment** – Over 20,500 person days of employment were generated through initial demonstration road works. Women’s employment participation rate in the trial demonstration works currently stands at around 15%. In Tanna, around 30% of the island based contractor businesses are led by women. This rate is expected to increase as cultural constraints are progressively identified and addressed as the works program rolls out.
- **Institutional reforms** – Recent reforms within PWD are helping to facilitate outsourcing to the private sector, including:
  - extension of outsourcing to include technical services in addition to road maintenance works
  - introduction of standardised systems for road condition assessment, road designs, technical specifications, tender documentation and quality control processes.
- **Developing capacity of small scale island based contractors** – Competitive selection and training of small Island Based Contractors (IBC) has commenced with positive feedback received from participants. Of the current 30 trainees on Tanna over 30% are women. A key feature of the IBC approach is employment of community groups in areas adjacent to the road works (eg. engaging unskilled labour to undertake routine road maintenance works such as drain clearing and grass cutting). Road maintenance works using island based contractors are scheduled to commence March 2011. In the interim, the project is supporting emergency road maintenance work through the traditional PWD force account process.

Other key VTSSP achievements in 2010 include:

- supported PWD to develop Corporate Business Plans and HRD strategies
- helped establish new imprest accounts system which has contributed to the more timely payment of suppliers and invoices (addressing a key stumbling block to increased private sector engagement)
- supported PWD to deliver on its work program through engagement of a local Infrastructure Corporate Policy Consultant
- supported PWD to scope out priority transport needs for urban road renewal
- Supported MIPU’s successful application for \$3m in climate change funding as well as development of a forward work program adaptation measures for VTSSP Phase 1 roads.<sup>9</sup>

## Challenges

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<sup>9</sup> Funding secured from the International Climate Change Adaptation Initiative (ICCAI). Australia invested \$150 million over three years from 2008–09 to meet high priority climate change adaptation needs in vulnerable countries in our region under the ICCAI fund, which is jointly managed by AusAID and the Department of Climate Change and Energy Efficiency.

Further deterioration in VTSSP target roads has increased the need for more intensive rehabilitation works and reduced the length of road coverage under Phase 1 from 191km down to 140kms. There has also been an associated reduction in work days of employment expected to be generated under the program (from an original 160,000 to 105,000 person work days). While this will somewhat diminish the overall economic and social impacts expected under Phase 1, valuable lessons have been learnt which will better inform future activity planning.

Outsourcing proposed packages of heavier road rehabilitation works has experienced a number of delays and setbacks. Tender bids came in three times over engineering estimates, placing added pressure on the VTSSP budget and raising concerns over the adopted procurement strategy. A range of options are being considered to address these challenges, including re-packaging and re-tendering of works to attract broader market interest.

As a result of procurement delays, heavier maintenance works are now not expected to commence until mid 2011.<sup>10</sup> In response, PWD have increased the allocation of Phase 1 funding for emergency maintenance on 150kms of priority roads to ensure they remain trafficable whilst procurement issues are resolved. GfG's Management Committee has also provided in-principle approval to reallocate Phase 1 funding towards other high priority activities within the transport sector. To this end, preliminary scoping of aviation infrastructure needs (aimed at addressing operational safety and maintenance issues) will commence early in 2011.

Significant additional effort has been required from the GfG Program Team to manage poor performance of the Managing Contractor. An Independent Mid Term Review, commissioned in October, identified strengths and weaknesses of project design and the MC's implementation team. Adjustments will be made to the composition of the Technical Assistance team and discussions are ongoing with the Managing Contractor to improve performance. A key lesson is that the Managing Contractor model employed under Phase 1 of VTSSP does not fit comfortably with the philosophy and approach of the GfG Program where quality of technical inputs and responsiveness to Vanuatu Government's priorities are paramount to success.

## **Support for Port Reform**

Port performance is critical to Vanuatu's economic development, yet Vanuatu's ports are amongst the slowest and most expensive in the Pacific.<sup>11</sup> Following a request for assistance from former Prime Minister Natapei in 2009, GfG funded an initial feasibility study which found that both the infrastructure and management practices at the main port would benefit from improvement. GfG subsequently provided a grant of A\$1.85

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<sup>10</sup> This has resulted in slower disbursement of project funding and a 12 month delay in completion of Phase 1 road works.

<sup>11</sup> According to the GoV's latest Annual Development Report, an estimated 90% of domestic and international freight is handled by maritime transportation. pg 50

million which has successfully supported a range of positive outcomes in 2010, including:

- Completion of a detailed feasibility and engineering design study for a new wharf and international container terminal facility, together with associated studies on environmental, economic and financial aspects of the development. The study is being used to secure financing from the Japanese government.
- International recruitment of a General Manager for the Port in Feb 2010, which has led to demonstrable improvements at the wharf, including:

***Faster handling of shipping containers*** – there has been a significant improvement in handling times for shipping containers which is helping to reduce costs and speed up delivery (100% increase in container movements from 4 to 10 moves per hour).<sup>12</sup>

***Improvements in labour productivity*** – there has been a 25% reduction in the total average labour hours to unload ships. The new General Manager has also negotiated an agreement with the labour force to remove past restrictive work hours.

***New shipping container hygiene practices*** – new practices have reduced risk of transmitting harmful pests and other quarantine threats between countries, and associated economic penalties.

***Improved management practices*** – including the introduction of incentive based pay scales, more robust gate control (improving both cargo security and public safety), increased scrutiny of accounts, computer literacy training for supervisors, and clearer procurement procedures.

Other key GFG Program achievements in 2010 include:

- Supported preparation of an Action Plan for the Port Reform and Development Program (endorsed by GoV)
- Facilitated in-principle agreement from the Australian government to provide targeted assistance of up to AUD\$15m to support delivery of proposed new port infrastructure
- Supported various expert studies to:
  - scope requirements for strengthening the existing 50 year Stevedoring Concession Agreement
  - develop a concept plan for the establishment of an independent port regulator
  - scope requirements and demand for a container terminal computerised management system aimed at improving integration with customs, quarantine and immigration processes

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<sup>12</sup> The Stevedores' container handling rate of about 4 twenty foot equivalent units (TEU) per hour per gang has improved from May through November to an average rate of around 10 per hour.

- prepare a cost benefit analysis on the potential use of a mobile harbour crane for proposed new wharf facility
- assist government with preparation and application for all statutory development approvals necessary for project commencement.

Australia's possible continued support through the GfG Program (subject to confirmation of project financing from Japan) has the potential to ensure that critical institutional, regulatory and management reforms, which are now agreed in principle between Government and the Stevedore, are tightly integrated with the proposed infrastructure development.

### **Challenges**

The port project represents a unique opportunity for Australia and Japan to partner with the Vanuatu government to deliver a major infrastructure project, however, the partnership will need to be properly structured and monitored to ensure effective coordination.

### **Aviation Sector Support**

Following requests for support from the Vanuatu government, GfG funded two assessments of Air Vanuatu in 2010. The first looked at the potential viability of airline operations and concluded that by implementing a number of key reforms the airline could realize significant savings on operations and continue as the national carrier. The second, undertaken by PricewaterhouseCoopers, is bringing the accounts of the airline up to date and makes recommendations for improved financial controls. The findings from these reports are currently being considered by the government.

## **Result area 2 – Improve economic governance**

### **Key Objective: Vanuatu’s policy framework is more supportive of broad-based growth**

The most recent budget statement (2011) indicates that Vanuatu’s economic growth is expected to moderate from 4.0 per cent in 2009 down to 3.0 per cent in 2010. The slowdown in 2010 reflects slower growth in both the services and industrial sectors, although this is expected to be partly offset by growth in the agriculture, forestry and fisheries sectors. Growth is expected to bounce back in 2011, underpinned by the commencement of a number of public and private funded infrastructure projects. Once implemented, these projects are expected to continue to build on the policy reforms the Government has implemented over the last ten years which have resulted in a marked rise in Vanuatu’s GDP per capita.<sup>13</sup>

According to a recent economic report, Vanuatu has outperformed most other Pacific island countries in terms of growth and economic reform.<sup>14</sup> The 2011 Vanuatu Government Budget notes that “much of the improved economic performance since 2002 can be attributed to a number of factors, such as political stability, improved public financial management, and deregulation of the national airline (2005) and telecommunications industries (2007-2008).”<sup>15</sup> GfG support has been instrumental in backing many of these reforms.

While Vanuatu’s recent progress is a major success story, the country remains vulnerable, “not just from natural disasters or economic shocks from abroad, but also to a reversal of progress toward political stability and governance”.<sup>16</sup> The recent change in Vanuatu’s political leadership, coupled with upcoming elections in 2012, represent key tests for the new government. The fiscal environment is also more challenging, with lingering effects of the global financial crisis continuing to impact on tourism and growth. The government budget has slipped into deficit in 2010 for the first time in many years – primarily due to revenue being lower than forecast. “Recurrent expenditure is [also] higher due in part to the decision to make primary education free and to raise appropriations for health”<sup>17</sup>. Major new donor investments in infrastructure (eg. MCA roads) have added to pressures on the recurrent budget. Strong fiscal discipline and leadership will be needed to ensure Vanuatu continues to build on its past success.

#### ***Support for tourism***

Tourism continues to be a major contributor to economic growth, although visitor numbers were weaker in 2010 after several years of strong growth. The downturn in visitor arrivals is attributed to lower airfares and accommodation in travel destinations

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<sup>13</sup> Vanuatu Government 2011 Budget Statement

<sup>14</sup> <http://devpolicy.org/vanuatu-the-pacifics-success-story/>

<sup>15</sup> Vanuatu Government 2011 Budget Statement, pg 9

<sup>16</sup> <http://devpolicy.org/vanuatu-the-pacifics-success-story/>

<sup>17</sup> Ibid

that are in competition with Vanuatu (eg. Fiji), as well as Australian tourists taking advantage of the strong Aussie dollar and opting to travel to long haul destinations, like the United States.

In 2010, GfG provided a grant of \$600,000 which helped the Vanuatu Tourism Office develop:

- a new brand for Vanuatu, “*Discover what matters*”
- marketing materials, including a new in-flight video, bill boards, media advertising
- a new Visitor’s Bureau at the main wharf, and
- a new website for the Vanuatu Tourism Office.<sup>18</sup>

The new tourism campaign was recently launched in major markets in Australia and New Zealand and is expected to provide a much needed boost to the tourism sector.

### ***Strengthening the enabling environment for private sector development***

GfG support has helped improve banking services across Vanuatu through the installation of a new high speed satellite network connecting eight islands (GfG provided grant funding of \$500,000).<sup>19</sup> The new network has already delivered major improvements in efficiency. Before the installation of new communications, staff needed to leave the building, find a location with GSM coverage and spend the next hour passing on updates to passbook accounts over the phone. Now data can be transmitted quickly via the high speed satellite network. In the longer term, the initiative is expected to make banking more accessible, increase currency circulation, provide more opportunities to start up small business, and enable greater access to loans and micro-financing schemes in rural areas.

**Key objective: The quality of Vanuatu’s public expenditure is improved**

**Outcome: The budget increasingly reflects national priorities for service delivery and investment**

GfG has continued to support the government in a number of critical areas including:

- helping the Vanuatu government maintain fiscal discipline and manage the first budget deficit in several years.

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<sup>18</sup> Matching support was provided by the industry via the Tourism Marketing Development Fund and the government.

<sup>19</sup> A total of ten satellite dishes have been installed across the country (including Aneitym, Tanna, Efate, Epi, Ambrym, Malekula x 2, Pentecost x 2, and Banks). These are supported by renewable power sources (solar panels and wind).

- supporting the Vanuatu government to implement the integrated national budget which is helping to ensure the budget better reflects government’s policy priorities, including integration and alignment of donor funds.
- facilitating an increase in the amount of donor funding being channelled through government systems. Australia has significantly increased the amount of funding which is going through the Vanuatu government’s Development Budget Fund over the last few years (refer to Table 1).

**Table 1. Australian financial contribution to Vanuatu government development budget (Vatu)**

	2007	2008	2009	2010
Australian contribution	247,252,294	620,105,239	1,088,325,761	1,586,366,767

Source: Vanuatu Government FMIS

- supporting the Prime Minister’s Office to improve planning, coordination and better link line ministry outcomes with the Government’s core policy priorities, including the ‘Priorities and Action Agenda’ and ‘Planning Long, Acting Short’ policies.<sup>20</sup>
- supporting ongoing maintenance of the government’s Financial Management Information System (eg. coordinating upgrades of SmartStream and Vision).
- GfG also supported the Public Service Commission to undertake the first ever survey of public servants in 2009. In February 2010, the PSC held a successful public forum in to share findings and proposed forward actions (funded by GfG). Findings will be used to help guide future PSC policy on issues such as workforce planning, HR, budgeting, performance management, training, and pay and conditions.

## **Outcome: Public Financial Management in line Ministries and provinces is improved**

GfG is contributing to this objective by supporting the GoV to establish Financial Service Bureaus in the provinces and helping to strengthen PFM in sector based programs, such as education, health and infrastructure.

### ***Education***

GfG played a key enabling role in helping the Vanuatu government implement its policy objective to phase out some school fees and achieve Universal Primary Education (UPE). The Vanuatu government’s school grants program (supported with funding from Australia, New Zealand and UNICEF) has led to a substantial increase in school enrolments from around 38,762 in 2009 to 41,834 in 2010 – and increase of around 8% (refer to Table 2).<sup>21</sup> This represents a major step towards achieving the Millennium Development Goal of universal primary education.

<sup>20</sup> GfG helped fund a series of workshops in 2010. The PLAS policy framework was also developed with GfG assistance in 2009.

<sup>21</sup> Source: Vanuatu Education Management Information System (VEMIS).

GfG support was critical to the MFEM in setting up transparent banking arrangements for schools compliant with the provisions of the revised PFEM Act. More than 351 out of a target 355 schools have set up new bank accounts and received the first two tranches of grant funding totalling 6,800 vatu per student in years 1-6 in 2010. All schools have received the incentive grant averaging Vt.100 000 to establish a school account, with grants typically being used to fund repairs to classrooms, purchase of furniture, materials and books.

A program of training and other support was also delivered in three separate phases starting in early 2010. An independent review concluding that “participants generally regarded the financial management training workshops as helpful in giving them a better understanding of the different aspects of financial management as required by the MoE and MFEM, although there will be a need for ongoing training and support.”<sup>22</sup>

It is estimated that 70 per cent of schools in Vanuatu will be fee-free by the end of 2010. According to the Vanuatu government, the UPE initiative is also expected to “see domestic disposable incomes increase and provide a further boost to wholesale and retail trade, and other components of the services sector in 2010.”<sup>23</sup>

**Table 2. Enrolment changes in Years 1 to 6 (2009 to 2010)**

Category	2009	2010	Increase	% change
Government and Government Assisted Schools	36,852	39,888	3,036	8.2%
Non-Government Assisted	1,910	1,946	36	1.9%
All schools	38,762	41,834	3,072	7.9%

Source: Vanuatu Education Management Information System (VEMIS)

## Challenges

An independent review of the school grants program found that the significant increase in enrolment, while a major achievement, had put pressure on resources. AusAID’s bilateral program will continue to monitor developments in the sector, and will work closely with the Ministry of Education to help respond to any adverse impacts on education quality that may result from the increase in enrolment.

## Financial Service Bureaus

<sup>22</sup> Houston, J et al, *Independent Review of the School Grants Scheme Established Under the Government of Vanuatu’s Universal Primary Education Policy*, Interim Report (29 March- 2 May 2010)

<sup>23</sup> 2010 Budget Speech, Minister for Finance, December 2009, [www.governmentofvanuatu.gov.vu/.../19-budget-speech-2010.html](http://www.governmentofvanuatu.gov.vu/.../19-budget-speech-2010.html)

GfG is supporting the Vanuatu government to establish new financial service bureaus (FSBs) – a key strategy to strengthen financial management and service delivery in the provinces. FSBs are intended to be a source of advice both to ministry offices and government suppliers. For example, the bureaus can tell a supplier what is happening to their invoice after it is sent to Port Vila for payment or a government employee the details of their salary paid into their bank account. They also offer expertise in financial management and access, via secure telecommunication links, to the government Financial Management Information System.

Progress to establish FSBs continues to be slower than planned. The first FSB opened in Santo in February 2009. Two more offices (Tanna and Malekula) are in the final stages of fit-out, and recruitment for vacant positions is underway. The new offices are now expected to open in early 2011. Notwithstanding protracted start up delays, an evaluation of the FSB initiative (completed in May 2010) “concluded that the FSB concept is sound and sustainable”. The review also found that:

- the Santo office is well equipped and located; and line ministries are using the FSB to gain access to the government’s finance system and are appreciative of the support being provided.
- the FSB concept appears to be sustainable provided MFEM can continue to train and deploy qualified personnel. None of the current activities seem to be critically dependent on donor support continuing indefinitely.
- there are encouraging signs of private sector confidence in the FSB initiative with an increase in the number of private enterprises accepting Government purchase orders. Timeliness of payments to suppliers has also reportedly improved.

## **Challenges**

Several challenges were identified by the review, including:

- FSBs are not responsible for internal line Ministry issues on delegation. This means that there is little more that the FSB can provide by way of support unless and until line ministries are ready to devolve greater responsibilities to their provincial managers.
- there is room for the FSB to achieve greater outreach to actual and potential clients, and more should be done by government to raise awareness of activities and potential services to client groups as well as the limitations on what the FSB is empowered to do.
- there is a need for a focal point for FSB work within MFEM, particularly once additional FSB offices are opened.

## **Outcome: Government revenue policy supports national economic objectives**

Following a request for assistance from the former Minister for Finance, GfG began exploring options to help the Vanuatu government address weaknesses in its tax base, boost revenue, and provide greater transparency and accountability in revenue raising.

The new Minister for Finance, Hon. Moana Carcasses, recently identified taxation as a high priority “stating that his ministry will be tougher on the collection of Value Added Tax (VAT) next year to ensure the Government reaches its revenue target.”<sup>24</sup> An assessment conducted in June 2010 by the Pacific Financial Technical Assistance Centre (PFTAC) also concluded work was needed to strengthen VAT administration.

A forward program of support in this area is yet to be finalised and agreed with the new Government. The PFM advisor has developed an issues paper on Tax Policy Development & Tax Administration to help stimulate discussion.

### **Outcome: Government implements policy decisions to remove constraints to broad-based growth**

GfG’s support in this area includes support for utilities reform (which is now captured under Result Area 1 – Improve infrastructure) and improving the management of government business enterprises.

#### ***Air Vanuatu***

Following requests for support from the Vanuatu government, GfG funded two major assessments of Air Vanuatu in 2010. The first looked at the potential viability of airline operations and concluded that the airline could realize significant savings on operations and should continue as the national carrier. The second, undertaken by PricewaterhouseCoopers, is bringing the accounts of the airline up to date and making recommendations for improved financial controls. The findings from these reports are being considered by the government.

#### ***Vanuatu Commodities Marketing Board (VCMB)***

The Vanuatu government remains committed to reforming the VCMB. The VCMB Repeal Act was passed by Parliament in July 2010, although is yet to come into effect. Following a request from GoV for further assistance, GfG funded a study to assess the likely impact of proposed VCMB reforms on the other two major commodities (cocoa and kava), and to identify actions needed to support future growth in these commodities.<sup>25</sup>

The study found there is scope to increase yields and take advantage of existing institutions and market opportunities through:

- better organization of farmers into cooperatives (helping to reduce transport costs, negotiate better outcomes with buyers);

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<sup>24</sup> Vanuatu Daily Post, Friday 10 December 2010, pg 1

<sup>25</sup> GfG funded a similar study exploring the likely impact of VCMB reform on the coconut (copra) sector in 2009.

- improved farming practices (eg. replanting programs, better control of pests and diseases);
- establishing a community based nursery system; and
- standardising export license requirements in order to improve quality control and transparency.

GfG also supported a “pre-liquidation” assessment of the assets and liabilities of the VCMB Board which is ongoing.

### ***Vanuatu National Provident Fund***

GfG, through the PFM advisor, has been requested to provide some advice to the chairperson of the Board. To date this has included supporting a joint session with IFC on possible future support, and a planning session to develop a vision for the fund.

### **Future areas of support**

Possible future areas of GfG support still need to be discussed and confirmed with the new government, but could include:

***Public Service Commission*** – helping the Public Service Commission redesign and implement new structures for the public service, with the aim of reducing wage pressures on the national budget.

***Development budget*** – exploring options to strengthen forward estimates, including better analysis of the impact of major infrastructure investment on the recurrent budget). It is possible that there is a larger role for GfG in supporting development of a more robust model for assessing ongoing costs today’s New Policy Initiatives not all of which take the form of physical infrastructure.

***Auditor General*** – TORS have been developed for possible future support to the Auditor General’s office, with the aim of helping to clear the backlog of outstanding audits.

***Procurement*** – GfG supported a scoping mission in April 2010 to develop a work plan for procurement reform based on a diagnostic study undertaken by GfG in 2009. Identified priorities include developing new legislation, new regulations and templates for standard procurement procedures. A proposed future program of support will be drawn from the findings of the study.

## **5. Program Management Performance**

### **External assessments of GfG**

A recent economic report in the Pacific Economic Bulletin found that “the main donors notably, Australia, New Zealand and the ADB, have made major contributions through financial and technical assistance to economic development and poverty reduction in Vanuatu. Aid flows almost doubled between 2006 and 2007 to VT7.6 billion and increased further in 2008–09. Coordination between donors and between donors and the government has remained close. Vanuatu appears to have entered a ‘virtuous circle’, with improvements in governance and reform encouraging donors to scale up their assistance, which in turn reinforces the government’s commitment to reform. A case in point has been the selection of Vanuatu by the MCC as the only country in the South Pacific to gain access to its resources.”

The report also specifically highlights support from GfG, noting that the “Governance for Growth program gave a new impetus to [Government led] reforms. The introduction of competition in the air transport and telecommunication sectors was an important step that reduced costs and provided greater availability of services. It made a major contribution to the strong expansion of tourism.” The report also notes that GfG’s support for public financial management has played an important role in helping the government to maintain financial discipline and a balanced budget.<sup>26</sup>

The recent AusAID TA review strongly affirmed GfG’s use of technical advisers, with no advisory positions recommended for phase out. This is a strong reflection of the program’s operating modality - the Vanuatu government is firmly in the driving seat when it comes to identifying the need for and selecting technical advisors.

## **Governance and management arrangements**

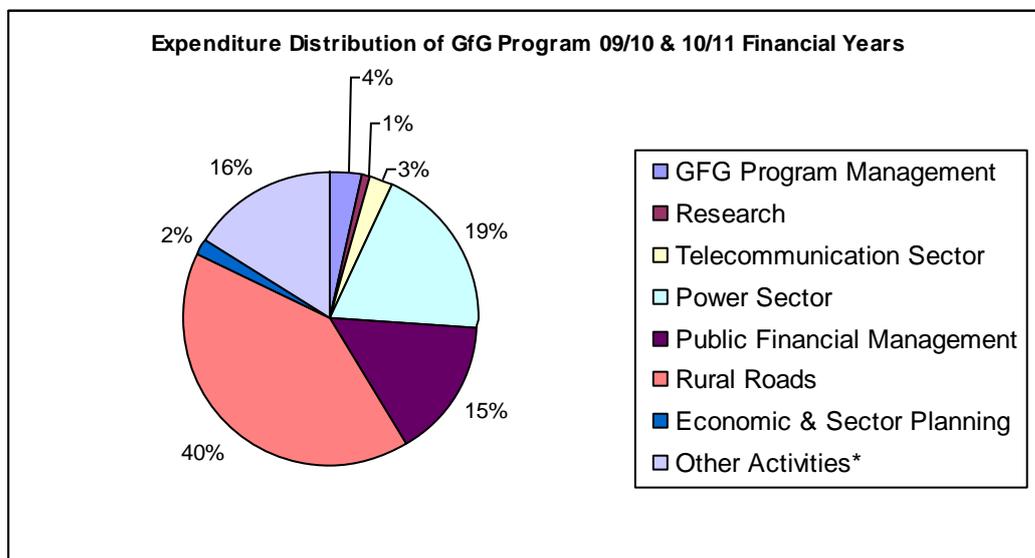
The program is overseen by a management committee which meets regularly to discuss program progress and approve program work plans. The most recent management committee meeting was held in December 2010. The next management committee meeting is likely to be held in the first half of 2011 to review 2010 progress, and to discuss forward work priorities and the upcoming independent evaluation of GfG.

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<sup>26</sup> Patrick de Fontenay, *Pacific Economic Bulletin* Volume 25 Number 2, 2010 The Australian National University, Economic surveys, An educated, healthy and wealthy Vanuatu, pg 25

## Program expenditure

Below is the expenditure breakdown for GfG program over 2009/2010 (A\$18,397,427) and 2010/2011 (A\$14,063,665) financial years. Expenditure on rural roads shares the majority of the program expenditure (40 per cent) followed by assistance to the power sector. Other activities comprise of technical studies related to infrastructure components of the program and assistance to the tourism sector and statistics office.



## Donor coordination

GfG continues to work effectively with a number of donors to support the government's reform efforts. Examples of assistance include:

- work with the World Bank in telecommunications and to establish the URA
- cooperation with the World Bank and ADB to support the government to develop a future road map and investment program for the energy sector
- working with IFC on aviation reform
- supporting GoV to establish regular contact with all donors on PFM issues to improve aid effectiveness.
- collaboration on PFM issues and processes within AusAID and with the EU and NZAID.
- coordination with other potential donors on ports reform (eg. JICA)
- cooperation with ADB on SOE reform

## Gender

The Governance for Growth program supports gender issues through assistance in collecting and analysing of gender disaggregated data in all program areas including Telecommunications impact studies; Public Sector Survey; Transport Sector Support Program Baseline Study; Support to the Vanuatu National Statistics Office. The

program then uses this analysis to influence economic growth policies to better reflect gender issues impacting on achievement of economic policy objectives. A briefing paper summarising the various gender elements of the program was produced in early 2010.

## **Other issues**

### **GfG staffing movements**

- Simon Cramp was appointed as the new Director of GfG in August 2010, replacing Chris Bleakley.

### **Mid-term review of GfG**

The independent mid-term review of the GfG program (originally planned for Sept 2010) has been rescheduled for early 2011. The review will take stock of the program's achievements and outcomes, identify lessons learned, and help guide the forward program.

## Supplementary Performance Information

The indicators below are being tracked under the GfG Performance Framework.

### PEFA Assessment

The following table compares overall scores for PEFA indicators between 2006 with 2009. There has been improvement in a total of 15 indicators, although Vanuatu has slipped back in a couple of areas. GfG support has helped the government achieve improvements in many areas. The next PEFA report is scheduled for 2012.

PEFA Performance Indicators (2006 and 2009 Comparison)		Overall ratings		
		2006	2009	Change
<b>A. PFM-OUT-TURNS: Credibility of the budget</b>				
PI-1	Aggregate expenditure out-turn compared to original approved budget	A	B	Regression
PI-2	Composition of expenditure out-turn compared to original approved budget	A	A	Maintained
PI-3	Aggregate revenue out-turn compared to original approved budget	A	A	Maintained
PI-4	Stock and monitoring of expenditure payment arrears	A	A	Maintained
<b>B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency</b>				
PI-5	Classification of the budget	B	B	Maintained
PI-6	Comprehensiveness of information included in budget documentation	A	B	Regression
PI-7	Extent of unreported government operations	D+	C+	Improvement
PI-8	Transparency of inter-governmental fiscal relations	B	B	Maintained
PI-9	Oversight of aggregate fiscal risk from other public sector entities	D	D+	Improvement
PI-10	Public access to key fiscal information	C	C+	Improvement
<b>C. BUDGET CYCLE</b>				
<b>C(i) Policy-Based Budgeting</b>				
PI-11	Orderliness and participation in the annual budget process	B+	B+ ↑	Improvement
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+	C+	Improvement
<b>C(ii) Predictability and Control in Budget Execution</b>				
PI-13	Transparency of taxpayer obligations and liabilities	C+	B	Improvement
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	B	B ↑	Improvement
PI-15	Effectiveness in collection of tax payments	D+	D+	Maintained

PI-16	Predictability in the availability of funds for commitment of expenditures	C+	B+	Improvement
PI-17	Recording and management of cash balances, debt and guarantees	C+	C+	Maintained
PI-18	Effectiveness of payroll controls	C+	C+	Maintained
PI-19	Competition, value for money and controls in procurement	D+	D+	Maintained
PI-20	Effectiveness of internal controls for non-salary expenditure	C+	C+ ↑	Improvement
PI-21	Effectiveness of internal audit	D+	C	Improvement
<b>C (iii) Accounting, Recording and Reporting</b>				
PI-22	Timeliness and regularity of accounts reconciliation	B	B	Maintained
PI-23	Availability of information on resources received by service delivery units	C	C	Maintained
PI-24	Quality and timeliness of in-year budget reports	B+	B+	Maintained
PI-25	Quality and timeliness of annual financial statements	B+	A	Improvement
<b>C(iv) External Scrutiny and Audit</b>				
PI-26	Scope, nature and follow-up of external audit	D	D	Maintained
PI-27	Legislative scrutiny of the annual budget law	C+	C+ ↑	Improvement
PI-28	Legislative scrutiny of external audit reports	D	D	Maintained
<b>D. DONOR PRACTICES</b>				
D1	Predictability of Direct Budget Support	D	C	Improvement
D2	Financial information provided by donors for budgeting and reporting on project and program aid	D	D+	Improvement
D3	Proportion of aid that is managed by use of national procedures	D	D ↑	Improvement

### **GfG Performance Indicator: Majority of vision level indicators as reported in the ADR are improving**

In Sept 2010, the GoV released its second Annual Development Report outlining performance in 2009. The report assesses progress against key government policy priorities, including the Priorities and Action Agenda and the Planning Long Acting Short policy framework. The report also records Vanuatu's progress against the MDGs (where data is available).

According to the latest ADR, Vanuatu is on track to meet most of the Millennium Development Goals (MDGs). The report indicates that the overall proportion of the population living on less than \$1 a day has decreased from 26% to only 4%; net enrolment rates have increased; rates of literacy have more than doubled; the under-five mortality rate has continued to decline steadily; and the incidence rates for malaria have also decreased. Vanuatu's first Household Income and Expenditure Survey (2006) also provided important poverty data. It found a poverty gap ratio of 5.6 (3.8 in

rural areas and a high of 10.4 in Port Vila - indicating relatively severe poverty in the capital and the important role of subsistence production in rural areas.

**Education** – “In the past three decades progress has been made towards increasing access to primary and secondary education. Enrolments in primary school continue to increase, although female enrolments are consistently lower than that for males... In 2009, the primary completion rate was 65.8%... which is an improvement over 2008 when the completion rate was 62%.”<sup>27</sup>

**Health** – Vanuatu remains on track to meet key MDG targets related to health (including child mortality, maternal health, combating HIV/AIDS and malaria). Immunisation levels have been increased and the supply of essential medications to health facilities maintained.

**Utilities** – The 2006 HIES confirms that access to, and uptake of, basic services, utilities and infrastructure in Vanuatu is generally poor. For example, only 54 per cent of households in Vanuatu use improved water supply (44 per cent in rural areas) and only 64 per cent use an improved sanitation facility (56 per cent in rural areas).<sup>28</sup> Only around 26% of all households are using electricity as their means of lighting their homes (with remaining household relying on other sources of light such as gas, kerosene and wood).<sup>29</sup>

**Other external data sources**

**Transparency International – Perceptions of Corruption**

Vanuatu is now rated 73<sup>rd</sup> out of 178 countries surveyed in the Transparency International Report in its most recent Corruption Perceptions Index 2010.<sup>30</sup> Vanuatu has shown two consecutive years of improvement in rankings (as shown in table below).

Year	2007	2008	2009	2010
Vanuatu Transparency International Perceptions of Corruption ranking	98 <sup>th</sup> out of 179 countries	109 <sup>th</sup> out of 180 countries	95 <sup>th</sup> out of 180 countries	73 <sup>rd</sup> out of 178 countries

Source: Transparency International, Corruption Perceptions Index

<sup>27</sup> Government of Vanuatu Annual Development Report 2009, Sept 2010, pg 39

<sup>28</sup> Government of Vanuatu Annual Development Report 2008

<sup>29</sup> Government of Vanuatu Annual Development Report 2009, Sept 2010, pg 52

<sup>30</sup> <http://www.transparency.org>

### ***World Bank Ease of Doing Business***

The World Bank 2010 Ease of Doing Business Report ranks Vanuatu 60 out of 178 countries in terms of Ease of Doing Business (maintaining it's ranking from 2009). Vanuatu is now ranked ahead of all other Pacific Island countries (representing an improvement in ranking from 3rd place in 2009).<sup>31</sup>

### ***World Bank Governance Indicators***<sup>32</sup>

The governance indicators aggregate the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, and international organisations. The latest available data shows that over the period 1998 to 2009 (see Table 1). Over the last decade Vanuatu has improved against most of the governance indicators (with the exception of Regulatory Quality). Indicators for Political stability, Rule of law, and Control of Corruption have all shown marked improvement.

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<sup>31</sup> The Doing Business Report provides objective measures of business regulations and their enforcement across 178 countries and selected cities at the sub-national and regional level.

<http://www.doingbusiness.org/>

<sup>32</sup> <http://info.worldbank.org/governance/wgi2007/pdf/c237.pdf>

**Table 1 - World Bank Governance Indicators – Vanuatu<sup>33</sup>**

Governance Indicator	Sources	Year	Percentile Rank (0-100)	Governance Score (-2.5 to +2.5)	Standard Error
Voice and Accountability	4	2009	67.8	+0.58	0.21
	4	2008	64.4	+0.56	0.20
	3	2004	59.6	+0.35	0.28
	2	2003	72.1	+0.86	0.30
	1	1998	61.5	+0.44	0.42
Political Stability	3	2009	92.9	+1.27	0.33
	2	2008	91.4	+1.16	0.38
	2	2004	69.2	+0.75	0.42
	1	2003	77.9	+0.94	0.56
	1	1998	82.7	+1.05	0.54
Government Effectiveness	3	2009	45.2	-0.27	0.29
	3	2008	45.4	-0.24	0.28
	3	2004	27.7	-0.66	0.24
	2	2003	15.0	-0.93	0.26
	1	1998	38.3	-0.41	0.57
Regulatory Quality	4	2009	25.2	-0.71	0.25
	4	2008	24.2	-0.73	0.25
	3	2004	36.1	-0.46	0.28
	2	2003	8.8	-1.31	0.41
	1	1998	30.7	-0.46	0.60
Rule of Law	6	2009	63.2	+0.40	0.21
	6	2008	63.6	+0.48	0.21
	4	2004	53.3	+0.02	0.23
	3	2003	50.5	-0.04	0.44
	1	1998	29.0	-0.68	0.60
Control of Corruption	4	2009	68.6	+0.40	0.31
	4	2008	65.7	+0.35	0.30
	3	2004	33.5	-0.56	0.28
	2	2003	31.6	-0.65	0.35
	1	1998	48.5	-0.23	0.52

	90th-100th Percentile		50th-75th Percentile		10th-25th Percentile
	75th-90th Percentile		25th-50th Percentile		0th-10th Percentile

<sup>33</sup> <http://info.worldbank.org/governance/wgi>, World Bank Governance Indicators