



Australian Government

Department of Foreign Affairs and Trade

Aid Investment Plan

Vanuatu

2015-16 to 2018-19

Strategic priorities and rationale

This Aid Investment Plan (AIP) sets out a proposed strategic framework for the provision of Official Development Assistance (ODA) administered by the Department of Foreign Affairs and Trade (DFAT) to Vanuatu over the next four years. It focuses on bilateral aid directly allocated to Vanuatu, as well as a proportion of Australia's aid to Pacific regional organisations and initiatives that benefit Vanuatu. Other Australian Government agencies will provide strategic input to policy development and oversight programs in particular sectors in consultation with DFAT.

This AIP will provide a basis for discussion between the Vanuatu and Australian Governments to develop a bilateral Aid Partnership between Australia and Vanuatu. This AIP will be updated to reflect the finalisation and the signing of the Aid Partnership.

Australia has a direct interest in a prosperous and stable Vanuatu. Australia is an important economic partner for Vanuatu, providing the country with the majority of its tourists, foreign direct investment and aid. Australia implements an integrated set of foreign, trade, security and development policies in Vanuatu.

Australian aid promotes Australia's national interests by supporting economic growth, stability and poverty reduction in Vanuatu. In recent years, Australian aid has helped lift school enrolment rates to 87 per cent; reduce malaria incidence from seven per cent to one per cent; and increase access to counselling and support services for thousands of women and children affected by family and sexual violence. Australian aid has also helped maintain priority rural roads; increase government revenue, reduce electricity costs for low-income consumers; and deregulate the telecommunications sector, lifting mobile subscriptions from 4.8 per cent of the population in 2004 to more than 71 per cent in 2011.

Australia's proposed aid objectives are guided by areas of shared priority with the Vanuatu Government, and an assessment of key constraints to economic growth and poverty reduction. They reflect an understanding of where our aid can be most effective.

Context

Vanuatu has a population of around 263 000. Seventy per cent of people live in rural areas across 65 of the country's more than 80 islands. Over the last decade Vanuatu maintained strong economic growth, compared with other countries in the region, at an average of 4 per cent GDP per annum (in real terms). Stable macro-economic management, key microeconomic reforms and social stability have helped attract investment and tourists. Over the medium term, GDP growth will continue to rely on the expansion of services, especially tourism, and industry. Increasing rural ni-Vanuatu participation in economic activity will continue to be a major challenge. The number of school (and university) leavers entering the job market far outstrips the average number of jobs created in the formal economy.

One-third of Vanuatu's population lacks access to basic services and more than 12 per cent live below the national basic needs poverty line. Key human development indicators such as literacy and numeracy, immunisation and nutrition are stagnating and, in some cases, declining. The Vanuatu Government has insufficient revenue to adequately fund education and health services. System inefficiencies and constraints on service delivery capacity mean that schools and health clinics often lack basic resources. Efficient use of resources and a focus on the most cost-effective interventions are therefore priorities.

A number of challenges exist that have potential to undermine Vanuatu's economic and social stability. Vanuatu has a widely dispersed population and limited investment in provincial areas. Violence against women and children is the most common crime, with 72 per cent of women experiencing physical and sexual violence in their life time. Other issues include access to justice more broadly, population growth, a youth bulge, urbanisation leading to increased land pressures, poverty and insecurity, climate change and frequent natural disasters. A recent global risk analysis study¹ found that Port Vila is the world's most exposed city to natural disasters. Similarly, Vanuatu has been ranked as the world's most vulnerable country to an extreme natural event².

Between 12 and 14 March 2015, Tropical Cyclone Pam struck Vanuatu, causing widespread and severe damage to housing, health centres, schools and other critical infrastructure in affected areas, and to Vanuatu's key industries of tourism and agriculture. The cyclone affected the livelihoods of around 195,000 people across four disaster-affected provinces, with Shefa (where the capital Port Vila is located) and Tafea provinces the worst hit. The World Bank's Post Disaster Needs Assessment, which was endorsed by the Vanuatu Government, estimated total damage and loss from Tropical Cyclone Pam at around \$600 million or 64 per cent of GDP. Recovery costs are assessed as \$426 million.

Tropical Cyclone Pam will have a negative impact on the Vanuatu economy, government finances and the community. It is also likely to delay progress in addressing social and economic challenges. On 22 June 2015, Vanuatu's Council of Ministers endorsed a recovery plan, *Strengthening ni-Vanuatu Resilience – National Recovery and Economic Strengthening Program Plan*. The plan outlines the Government's priorities for recovery and reconstruction over the next two years. Development partner assistance to implement this plan will be crucial. Australia was the first and largest contributor to the cyclone response, providing more than \$50 million in assistance. This assistance was developed in consultation with the Vanuatu Government and aligns closely with the critical needs identified in the recovery plan (see fourth objective below). It also complements proposed recovery support by other donors.

1 The Natural Hazards Risk Atlas, 2015, Verisk Maplecroft, identifies the threat posed to more than 1,300 cities. <https://maplecroft.com/themes/nh/>

2 World Risk Report, 2014, United Nations University – Institute for Environment and Human Security <http://ehs.unu.edu/news/news/world-risk-report-2014.html#info>

Australia's aid objectives

Australia can make an important contribution to Vanuatu's development and long-term cyclone recovery. Our aid and economic diplomacy can strengthen the conditions for sustainable and inclusive economic growth and stability, and help reduce poverty. Australia proposes four strategic objectives for the aid program in Vanuatu, in line with the Australian Government development policy *Australian aid program: Promoting prosperity, reducing poverty, enhancing stability*.

Objective 1: Building resilient infrastructure and an environment for economic opportunity by:

- supporting the Vanuatu Government to provide the right conditions for business and investment. We can support Vanuatu's reform agenda and further improve economic management through policy dialogue and technical assistance;
- partnering with the private sector to facilitate growth and identify income and employment opportunities – particularly for women – in key sectors such as tourism and agriculture;
- revitalising key infrastructure (focusing on rural roads and Port Vila's urban infrastructure) improving the movement of people, goods and services;
- supporting Vanuatu to better align skills development with priority economic areas through technical vocational and education and training (TVET) and university scholarships. TVET can increase opportunities in the informal sector, particularly at the provincial level, and assist the transition to the formal sector where possible; and
- supporting an improvement in ni-Vanuatu participation in seasonal labour opportunities in Australia, including through the Seasonal Worker Programme.

Objective 2: Improving early education and essential health services by:

- working with the Vanuatu Government and provincial communities to increase the quality and accessibility of early education (the first four years of schooling), including by improving literacy and numeracy, for a productive population and economy;
- improving access to resilient, quality essential health services, with a focus on workforce development and primary care; and
- supporting the Vanuatu Government to improve systems and management in both sectors.

Objective 3: Improving community safety and resilience by:

- strengthening key legal and justice institutions (informal and formal) including the police, with a focus on access to justice for women, children and youth;
- working through a range of partners to reduce the prevalence of violence against women and children and to increase access to counselling support and legal services; and
- supporting Vanuatu to be more resilient to the impacts of natural disasters and helping Vanuatu respond to natural disasters.

Objective 4: Supporting cyclone recovery and reconstruction by addressing critical needs in the worst-hit areas and sectors, building on our long-standing programs and partnerships where possible. Reflecting priorities in the Vanuatu Government's *Strengthening ni-Vanuatu Resilience – National Recovery and Economic Strengthening Program Plan*, we will focus on:

- restoring livelihoods and supporting economic and private sector recovery;
- repairing and rebuilding damaged critical public infrastructure; and
- restoring damaged health and education facilities.

Across our portfolio of investments we propose to address the cross-cutting issues of climate change and disaster resilience, gender equality and disability inclusion. These issues are critical to addressing the barriers to economic growth and poverty reduction in Vanuatu.

In line with Australia's broad priorities of expanding women's economic empowerment, leadership and eliminating violence against women, we propose to:

- expand women's income-earning opportunities through technical and vocational education and training and encourage increased women's leadership (Objective 1);
- increase women's involvement in school management committees and prioritise improvements in maternal and reproductive health (Objective 2);
- provide counselling and legal services to women and children survivors of violence as part of an integrated response (Objective 3); and
- provide additional support for outreach focused on gender-based violence, child protection and improved access to disability services to meet cyclone-related needs (Objective 4).

Tropical Cyclone Pam highlighted Vanuatu's extreme vulnerability to natural disasters and climate change. Australia will continue to ensure that our aid investments in infrastructure (e.g. roads, school buildings) are climate and disaster resilient to safeguard their longevity and ensure value for money. We will also help build disaster resilience in government and communities.

Implementation approaches

Australian aid in Vanuatu will be guided by a new Aid Partnership with the Vanuatu Government. Our aid programs will involve a range of partners, including regional organisations, the private sector, other donors, non-government organisations and civil society. Australia and Vanuatu will review progress in delivering mutual commitments and program performances through regular dialogue, including at annual partnership talks and joint reviews at the project, sector and country level.

Our delivery partners and mechanisms will reflect assessments of the most effective way to achieve our strategic objectives and the past performance of partners. Australia's long-term support for cyclone recovery will, where possible, build on existing bilateral programs and relationships, which involve a range of implementation, delivery approaches and partners. This will help to deliver appropriate outcomes and efficiencies in implementation.

We will deliver aid, including our recovery assistance, through Vanuatu Government systems where possible, based on national and sector assessments of these systems prior to investment, and annual monitoring of progress in these systems. Through our aid, we will seek to encourage increased and improved Vanuatu Government spending on early education, provincial healthcare, rural roads and policing.

Our investments in infrastructure, skills and governance have a strong aid-for-trade focus to help boost Vanuatu's capacity to trade and therefore to grow its economy and reduce poverty. Australia will look for opportunities for Vanuatu to fully benefit from the Pacific Agreement on Closer Economic Relations (PACER) Plus, when it enters into force. We will seek to expand our partnerships with the private sector, including by building on our innovative partnership with Carnival, a major player in the Pacific cruise industry, to promote greater development and employment opportunities in Vanuatu. Through the Australian Centre for International Agricultural Research (ACIAR), we will support research partnerships that increase productivity and sustainability in agriculture, fisheries and water.

We will also look for opportunities to partner with civil society organisations, given their critical role in achieving economic growth and poverty reduction. For example, in health and education, we will aim to work more with communities to advocate for better services, addressing demand as well as supply.

As the lead development partner in Vanuatu, Australia will seek to improve coordination among all partners. We will encourage others to invest in, and seek greater coordination of, development programs with the Vanuatu Government. We will continue to work closely with multilateral partners.

Australian bilateral aid will be complemented by regional and global aid programs or development-related programs which are aligned to the strategic objectives in the AIP. These include programs delivered and/or funded by other Australian government departments and agencies such as the Department of Defence, the Australian Federal Police, ACIAR, the Attorney-General's Department and the Department of Employment.

Performance management

Performance benchmarks

Australia proposes the following performance benchmarks be used to assess progress towards the strategic objectives of the AIP. Australia will report on progress against these benchmarks through annual Aid Program Performance Reports (APPRs). This will include an assessment of the implementation of safeguards measures in all investments. Future year performance benchmarks will be determined following the review and analysis of the APPRs.

Target	2015-16
Objective 1 Performance benchmarks (Build better infrastructure and an environment for economic opportunity)	
1.1 Increase in Vanuatu's rural access index (RAI)*	77% (baseline)
1.2 Increase in bank accounts opened in rural areas	3,000
1.3 Self-employed TVET trainees report higher incomes following training	80% (of 800 participants)
Objective 2 Performance benchmarks (Improve early education and essential health services)	
2.1 Increase in literacy and numeracy rates in Year 4 students	Baseline conducted by Vanuatu Education Support Program
2.2 Increase in number of fully-immunized children, using routine immunisation systems	33% (baseline)
Objective 3 Performance benchmark (Improve community safety and resilience)	
3.1 Increase in number of women survivors of violence provided counselling, support and legal services	3,000
Objective 4 Performance benchmark (Support cyclone recovery and reconstruction)	
4.1 Australia's \$35m long-term recovery support is allocated to recovery projects	50% allocated

*The RAI is the percentage of a local population that lives within 2 kilometres (20 minute walk) of an all-weather road connecting with that area's economic and services hub. The latest World Bank estimate for Vanuatu is 77%, currently being re-estimated by the Australian-funded Roads for Development program.

Mutual obligations

Australia will deliver development assistance in support of the proposed aid objectives and performance benchmarks identified in this AIP and consistent with the priorities set out in the Vanuatu Government's *National Sustainable Development Plan* and its Tropical Cyclone Pam recovery plan, *Strengthening ni-Vanuatu Resilience – National Recovery and Economic Strengthening Program Plan*. We propose that Australia and Vanuatu negotiate a set of mutual obligations for the aid program, to be confirmed through discussions on a future Aid Partnership which will be reviewed annually and through regular dialogue.

Australia will seek Vanuatu's commitment to achieving progress on agreed priorities and reforms which will advance development outcomes. They include: developing and implementing a National Rural Road Accessibility Policy which identifies service standards for road access; implementing the revised Human Resources Manual for recruitment and promotions in the Vanuatu Police Force; developing and implementing a national school rationalisation policy; and implementing the new National Gender Equality Policy 2015-2019. We will also seek the Vanuatu Government's commitment to ensuring that its Tropical Cyclone Pam Recovery Committee decides in a timely and effective manner on priority projects involving Australian recovery funding.

Australia will help Vanuatu implement agreed priorities by providing technical assistance and support for project development and implementation where required.

Monitoring, review and evaluation

Results from our aid investments will be monitored through regular reviews, evaluations and joint discussions with partners about program and sector progress. The core elements of our M&E will be:

- Annual review of progress conducted by the Australian High Commission in Vanuatu with partners at the initiative and country level, summarised in the Aid Program Performance Report; and
- Independent evaluations conducted periodically, including mid-term evaluations at the investment level and strategic evaluations across investments.

Program management

Governance and resource management

Australia's aid to Vanuatu will be principally managed by the Department of Foreign Affairs and Trade (DFAT) staff in the Australian High Commission in Vanuatu and Canberra. Overall responsibility for the strategy and the Pacific aid budget will lie with DFAT's First Assistant Secretary, Pacific Division. Australia's High Commissioner to Vanuatu will have responsibility for in-country leadership and delivery of the bilateral aid program against the objectives of this AIP.

DFAT in Canberra is responsible for policy development and guidance, drawing on the expertise of thematic specialists, as well as the High Commission. Other agencies, including the Australian Centre for International Agricultural Research, the Australian Federal Police and Department of Defence, will provide strategic input to policy development and oversee programs in particular sectors in consultation with DFAT.

Designing, implementing and evaluating aid investments requires highly skilled staff. We will maximise our capability through innovative and flexible use of resources and by investing in staff training and development. Where appropriate, we will procure specialist expertise to assist with our changing program.

Risk management

DFAT staff in Vanuatu and Canberra will monitor and manage risks at the implementing country level. DFAT staff in Vanuatu and Canberra will be responsible for identifying and managing risks and elevating risks to the attention of senior management when appropriate. The governments of Vanuatu and Australia will maintain a zero-tolerance approach to fraudulent and corrupt actions against Australia's development program with Vanuatu. Key risks over the period 2015-2019 are outlined below.

The Vanuatu aid program operates within a dynamic political context and **political and bureaucratic shifts** may lead to change in Vanuatu Government policy priorities. We will mitigate the impact of these risks by agreeing on priorities through a jointly-signed aid partnership and through regular high-level meetings to assess implementation progress, relevance and the performance of the aid program.

Recovery from Tropical Cyclone Pam will create significant additional pressures on Vanuatu Government resources and capabilities. This may **slow down implementation of Australia's long-term recovery assistance as well as delivery of broader aid program activities**. The Australian High Commission will monitor progress of aid activities and, where possible, will work with the Vanuatu Government to review priorities and to keep implementation on track, including through the provision of technical assistance.

The effectiveness of Australian aid may be compromised by **fragmentation and administrative burden**. Guided by this AIP and in close consultation with the Vanuatu Government, we propose to transition to a more focused and consolidated portfolio. We will adopt transparent standards to monitor performance and quality to ensure resources are directed as appropriately as possible.

Australia maintains a ‘zero-tolerance’ approach to corruption and fraud in its aid programs. We will regularly monitor our own systems and processes to reduce opportunities for corruption in line with DFAT’s Fraud and Anti-Corruption Strategies. All partners will be required to adopt appropriate fraud control and risk management frameworks. Australia will ensure its use of Vanuatu Government systems continues to reflect relevant fiduciary risk assessments. Through the aid program, we will support the Vanuatu Government to implement systems-wide improvements that will also improve the effectiveness of overall public spending.

A humanitarian or natural disaster affecting Vanuatu could occur. According to the 2015 World Risk Report, Vanuatu is the world’s most vulnerable country to an extreme natural event. Notwithstanding the severe damage caused by Tropical Cyclone Pam, Australia’s contribution through the aid program to Vanuatu’s disaster preparedness helped reduce Pam’s impact on Vanuatu communities and infrastructure. This included funding early warning communication tools and the establishment of community disaster committees. Australia also provides ongoing expertise, through the Australian Civilian Corps, to the Vanuatu National Disaster Management Office. Embedding disaster resilience throughout the Australian aid program in Vanuatu will mitigate, but not eliminate, the impacts of natural shocks in the future.

We will regularly assess, monitor and manage these risks in accordance with the table below.

Risk monitoring and communication

Process	Frequency
Update of program-level risk register	Quarterly
Update of sector-level risk registers	Quarterly
Mission senior management team discussion on progress of risk treatments, escalation of country aid risks and any new risks	Monthly
Country program senior management team discussion on progress of risk treatments, escalation of sector risks and any new risks	Monthly