

PARTNERSHIP FOR DEVELOPMENT

BETWEEN

THE GOVERNMENT OF AUSTRALIA

AND

THE GOVERNMENT OF VANUATU

AUSTRALIA – VANUATU PARTNERSHIP FOR DEVELOPMENT

1. OBJECTIVES AND PRINCIPLES

1.1 This Partnership for Development between the Government of Australia and the Government of Vanuatu establishes our shared vision to work together in close cooperation to meet our common challenges and to achieve improved development outcomes and sustainable improvements in the quality of life of all Vanuatu citizens, as articulated in the Government of Vanuatu's *Priorities Action Agenda 2006 – 2015*. Specifically, this Partnership for Development seeks more rapid progress towards poverty reduction and the other Millennium Development Goals (MDGs) by 2015.

1.2 Reflecting the Government of Australia's *Port Moresby Declaration* on closer cooperation and engagement with the Pacific region, this Partnership for Development is founded on the principles of mutual respect and mutual responsibility for improved development outcomes.

1.3 In the spirit of the *Port Moresby Declaration*, this Partnership for Development recognises the commitment of the Government of Australia to increased and more effective development assistance and the commitment of the Government of Vanuatu to improved governance, sustained macroeconomic stability, public sector capacity development, enhanced private sector development, investment in economic infrastructure and improved access to quality health and education.

1.4 This shared vision and these principles will underpin all aspects of Australia's development relationship with Vanuatu, both the new Australia–Vanuatu Partnership for Development which we are establishing through this framework, as well as our existing and future commitments under the *Australia-Vanuatu Joint Development Cooperation Strategy 2005 – 2010*.

1.5 Reflecting the principles of mutual respect and mutual responsibility, the Governments of Australia and Vanuatu acknowledge:

- Vanuatu's leadership of its own policies for improved governance and economic and social development, including its long term development aspirations;
- the requirements of each government to account to its Parliament and people on the contribution of national resources to economic and social development;
- their mutual responsibility for results, including through joint, regular and evidence-based review of progress against the objectives and commitments of the Partnership for Development and jointly agreed performance measures (notably those reflecting the MDGs), using independent review mechanisms where appropriate; and
- their joint resolve to advance regional integration, growth and development, including through implementation of the *Pacific Plan*.

2. COMMITMENTS

2.1 The commitments made by each government will advance the objectives of the Partnership for Development, including by reinforcing Vanuatu leadership and ensuring good international practice in development approaches.

2.2 The Government of Australia hereby confirms its commitment to the Government of Vanuatu to:

- ensure increased levels of assistance over time which reinforce strong Government of Vanuatu leadership of effective development strategies and programs for all Vanuatu citizens;
- deliver a jointly-determined program of high quality financial, technical and policy support to assist Vanuatu to implement those strategies and programs, including by helping to build effective national institutions;
- provide long term and predictable engagement with scope for increases in Official Development Assistance (ODA) where jointly-determined performance criteria are met, including through performance-linked approaches;
- support Vanuatu's pursuit of sustainable economic growth strategies for all Vanuatu citizens encompassing private sector and infrastructure development, including working closely with the Pacific Region Infrastructure Facility (PRIF);
- continue to provide substantive support for policy implementation and a commitment to increase the use of Government of Vanuatu systems in delivering Australian assistance, including through the Governance for Growth program;
- increasingly align Australia's aid with Vanuatu's decision-making, finance and procurement systems, recognising Vanuatu's significant progress with public finance management reform, and provide support to Vanuatu to monitor and strengthen those systems over time;
- facilitate common approaches and partnerships among donors under Vanuatu's coordination and leadership, including by committing to implement the *Paris Declaration on Aid Effectiveness* and the *Accra Agenda for Action* and transparently report on implementation; and
- support regional economic integration and build Vanuatu's capacity to maximise the benefits flowing from regional trade liberalisation, in particular in the productive sectors.

2.3 The Government of Vanuatu hereby confirms its commitment to the Government of Australia to:

- implement Vanuatu's national development strategies which emphasise sustainable and broad-based economic growth;
- improve civil and economic governance arrangements, including the rule of law, sound macroeconomic policy and management of public resources, including strengthened public sector capacity and maintenance of strong public financial management systems with strengthened links to frontline service delivery and improved transparency and accountability;
- consistently pursue sustainable and broad-based economic growth strategies which advance the welfare of all Vanuatu citizens, encompassing enhanced

private sector development, increased investment in infrastructure and economic reform;

- support regional economic integration and maximise the benefits flowing from regional trade liberalisation, in particular in the productive sectors;
- advance key policy or investment actions to implement Partnership for Development priorities;
- improve transparency and accountability to ensure the resources of both Vanuatu and Australia are used effectively and for their intended purpose;
- lead effectively the coordination of development programs of national and of development partners, including by committing to implement the *Paris Declaration on Aid Effectiveness* and the *Accra Agenda for Action* and transparently report on their implementation; and
- optimise the use of aid to achieve improved development outcomes which are consistent with Vanuatu's development priorities.

2.4 Consistent with the Partners' commitment to the principle of joint, regular and evidence-based review of progress against the objectives and commitments of the Partnership for Development, both governments commit to measuring performance and progress using performance measures drawn from development and governance indicators from the MDGs, Vanuatu's *Priorities Action Agenda 2006 – 2015*, Vanuatu's new '*Planning long, Acting short*' 2009 – 2012 policy implementation agenda and other internationally accepted measures of performance. Australia will commit to supporting improved performance measurement, including support for national statistics collection and analysis if requested.

3. PARTNERSHIP FOR DEVELOPMENT PRIORITIES

3.1 The Governments of Vanuatu and Australia will pursue mutual commitments to achieve specific Priority Outcomes and targets which meet the objectives of this Partnership for Development.

3.2 In addressing Priority Outcomes, Vanuatu and Australia agree that the Partnership for Development should:

- support increased access and quality of education for boys and girls and equip them with relevant skills and knowledge;
- strengthen health services and accelerate progress towards health MDGs;
- develop essential infrastructure to support economic growth and service delivery;
- progress reform on economic governance; and
- address equality of opportunity for all men and women and include the needs and priorities of people with disability in development activities.

3.3 Implementation strategies for each Priority Outcome will be outlined in schedules to the Partnership for Development, which will describe the nature of the Partners' mutual commitments towards each agreed outcome, how progress towards intended results will be measured, financing and other contributions from both Governments and a timeframe for action. These strategies will build on existing development programs and promote coordinated action with all of Vanuatu's development partners.

3.4 Both Governments intend that the scope of the Partnership for Development will develop incrementally over time to address a wider range of Priority Outcomes and encompass other elements of Vanuatu's longer term development challenges and Australia's broader contribution to Vanuatu's development, such as in policing and the law and justice sector, land administration and the productive sectors. As further Priority Outcomes are jointly decided they will be included in the schedules to the Partnership for Development.

4. GOVERNANCE AND REVIEW

4.1 Annual Partnership Talks between senior officials of the two Governments, reporting to Ministers, will ensure joint, regular and evidence-based review of progress against the objectives and joint commitments of the Partnership for Development and the jointly determined Priority Outcomes as set out in Attachment A.

4.2 Attachments and schedules to the Partnership for Development will be reviewed and changes or additions will be jointly determined at these Annual Partnership Talks, or as mutually determined by designated senior officials of both Governments.

4.3 The Priority Outcomes and targets detailed in Attachment A provide the basis for the review of progress to be completed at the Annual Partnership Talks. The review process will also utilise existing and emerging independent sector review processes.

4.4 In addition to the joint review of progress, the performance of Australia's contribution through the development cooperation program to our joint development objectives, implementation strategies, outcomes and targets will be reported and reviewed through the production of an *Annual Program Performance Report*.

5. LEVELS OF DEVELOPMENT ASSISTANCE

5.1 The Governments of Vanuatu and Australia note the intention by Australia to make long term, predictable and increased commitments of development assistance, affirmed on an annual basis, taking into account progress against Partnership for Development commitments, targets and progress indicators.

5.2 Specific financing agreements will be stated in the schedules to the Partnership for Development, and will reflect multi-year financial agreements from both Governments.

6. OTHER DEVELOPMENT PARTNERS

6.1 Consistent with commitments under the *Paris Declaration on Aid Effectiveness* and the *Accra Agenda for Action*, Australia will emphasise alignment of development assistance with Vanuatu's strategy, policy, planning, and finance processes, and will encourage other donors to work in common ways.

6.2 The Partnership for Development acknowledges the existing development relationships and coordination arrangements within the Government of Vanuatu. Both Australia and Vanuatu commit to an effective dialogue with partners using appropriate mechanisms for engaging domestic stakeholders, including business and civil society.

7. OTHER

7.1 This Partnership for Development recognises the *Memorandum of Understanding between the Government of Australia and the Government of Vanuatu on Development Cooperation* as a separate and related arrangement between both Governments on protocol and facilitation of Australia's development assistance to Vanuatu. This Partnership for Development is supported by related schedules which describe implementation strategies, performance measurement and donor coordination arrangements.

8. CONCLUSION


Through this Partnership for Development, the Governments of Australia and Vanuatu establish their commitment to beginning a new era of cooperation, to work closely together to meet our common challenges and to improve the quality of life for all people of Vanuatu.

Signed at: Canberra

on 27 May 2009

For the Government of Australia

For the Government of Vanuatu



Prime Minister

Prime Minister

ATTACHMENT A: PARTNERSHIP PRIORITY OUTCOMES

The targets in this Attachment will draw heavily on Vanuatu's reporting of progress against national Millennium Development Goals (MDGs), the *Priorities Action Agenda 2006 – 2015* and the '*Planning long, Acting short*' 2009 – 2012 policy implementation agenda.

PARTNERSHIP PRIORITY OUTCOME 1: IMPROVED EDUCATION

Joint Commitments: The Partnership will support increased access and quality of education for all 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
- 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
- **Increasing training and employment opportunities** through support for demand-driven vocational training services

Target Results:

- Achieve the *Vanuatu Education Sector Strategy* goal of increasing the net primary enrolment rate to 100 per cent by 2015, reaching 85 per cent by 2011
- Improved literacy and numeracy skills of school age children, tracked through national assessments
- Strengthened financial management and accountability, including primary schools adopting government-approved bank accounts by the end of 2009
- Increased proportion of certified primary school teachers
- Higher numbers of technical and vocational trainees increase their incomes through skill development

PARTNERSHIP PRIORITY OUTCOME 2: IMPROVED HEALTH

Joint Commitments: The Partnership will strengthen health services and accelerate progress towards health MDGs, through:

- **Enhanced 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**
- **Improved budgeting, financial and expenditure management**
- **Strengthened 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

PARTNERSHIP PRIORITY OUTCOME 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

The Partnership will work closely with the Pacific Region Infrastructure Facility in fulfilling these joint commitments.

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 percent 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

PARTNERSHIP PRIORITY OUTCOME 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 improved financial management in line ministries to ensure more resources flow 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 Financial Accountability (PEFA) 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 are completed as scheduled and published

FUTURE PARTNERSHIP PRIORITY OUTCOMES

Further **Priority Outcomes** which may be included in the Partnership for Development in future include, but are not limited to:

- future Australian support to policing and law and justice sector reform with the conclusion of existing programs at the end of 2010
- improved land administration
- support for access to finance and agriculture to enable Vanuatu to take advantage of opportunities arising out of PACER Plus talks

SCHEDULE 1: IMPLEMENTATION STRATEGIES

PARTNERSHIP PRIORITY OUTCOME 3 – INFRASTRUCTURE

JOINT COMMITMENTS

The Partnership will support the development of Vanuatu's infrastructure, recognising its fundamental role in the provision of economic opportunities and in the delivery of services.

For **road transport infrastructure**, under Phase 1 (2009-2012) of the Vanuatu Transport Sector Support Program (VTSSP), Vanuatu and Australia will:

- Rehabilitate and maintain 191 km of priority rural roads on Tanna, Malekula and Ambae to improve access to markets and services
- Generate up to 160,000 work-days of employment by ensuring that the private sector and local communities become key providers of road maintenance services creating jobs and income in rural areas
- Establish sustainable and affordable institutional arrangements for road maintenance
- Strengthen the management of public finances within the transport sector to ensure that funding is used efficiently and effectively
- Complete the design for Phase 2 of the VTSSP which will set in place a long-term program of Australian support for transport infrastructure.

For **maritime transport infrastructure**, Vanuatu and Australia will prepare a feasibility study on the investment and management improvements needed to enhance the capacity and operating efficiency of Port Vila wharf.

For **aviation**, Vanuatu and Australia will assess reform and restructuring options to ensure that Air Vanuatu is able to operate on a sustainable basis over the long-term.

For **telecommunications** and **power**, the existing reforms and investments being implemented through the Governance for Growth (GfG) program will remain a priority for Vanuatu and Australia. The aim of these activities is to improve the access to and affordability of telecommunications and power throughout Vanuatu, including:

- Achieving at least 90 percent mobile phone population coverage by 2010.
- Introducing competition for internet services by 2009.
- Completing a review of the power tariff by 2009.
- Increasing access to off-grid power by 25 percent by 2012.

TARGETS

Vanuatu and Australia will adopt the following targets with respect to activities in support of infrastructure development.

Activity	Targets	Timeframe
1. Road Maintenance	<ul style="list-style-type: none"> • VTSSP Phase 1 Implemented Effectively • VTSSP Phase 2 Design Completed 	<p>Jun. 2012 Dec. 2011</p>
a. Rehabilitate and maintain priority rural roads.	<ul style="list-style-type: none"> • 191 km of rural roads rehabilitated and maintained on Tanna, Malekula and Ambae 	Jun. 2012
b. Generate local employment and income.	<ul style="list-style-type: none"> • Up to 160,000 work-days generated for local communities and the private sector through road maintenance activities on Tanna, Malekula and Ambae • Community groups and small-scale contractors have the required skills and equipment to undertake maintenance work 	<p>Jun. 2012 Jun. 2010</p>
c. Establish sustainable and affordable institutional arrangements.	<ul style="list-style-type: none"> • Capacity building program in place and is strengthening the skills of the Public Works Department (PWD) • Strengthened planning and supervision of road maintenance programs by PWD • Local communities and the private sector become a key means to deliver road maintenance services in provinces targeted by VTSSP 	<p>Nov. 2009 Jun. 2012 Jun. 2012</p>
d. Strengthen the management of public finances.	<ul style="list-style-type: none"> • Funding delivered effectively and efficiently using Vanuatu Government systems • Financial management systems, procedures and skills within the Ministry of Infrastructure and Public Utilities strengthened • Community-groups and small-scale contractors paid in a timely manner 	<p>Nov. 2009 Jun. 2010 Jun. 2010</p>
2. Maritime	<ul style="list-style-type: none"> • Feasibility study completed outlining options to improve the efficiency of Port Vila wharf 	Sep. 2009
3. Aviation	<ul style="list-style-type: none"> • Assess Air Vanuatu's financial position and identify possible reform and restructuring options 	Sep. 2009
4. Telecomms	<ul style="list-style-type: none"> • Universal Access Policy finalised to extend priority telecommunication services to areas which are not commercially viable • New telecommunications legislation adopted. • Competition for internet services • Permanent independent and well-qualified telecommunications regulator appointed 	<p>Jun. 2009 Jul. 2009 Sep. 2009 Sep. 2009</p>
5. Power	<ul style="list-style-type: none"> • Utilities Regulatory Authority completes review of Vanuatu's power tariff • Luganville Concession re-tendered • Rural electrification priorities identified and implementation programs established 	<p>Dec. 2009 Dec. 2010 Jul. 2009</p>

More detailed indicators for the targets above are contained within the VTSSP and GfG performance frameworks and will be jointly assessed by Vanuatu and Australia each year. Means of verification will include Vanuatu Government budget documents, annual workplans and budgets, annual road condition surveys, baselines and impact studies, site visits, financial reporting including external audit reports and contract and procurement documentation.

RESOURCES

Road Transport. Through the VTSSP, Vanuatu and Australia will commit the following resources to support activities to develop road transport infrastructure.

Year	Vanuatu VUV million	Australia (VTSSP) AUD million
2009	500	4.0
2010	500	4.4
2011	500	5.8
2012	500	3.1
Total	2,000	17.3

Vanuatu's contribution represents a continuation of its existing commitment under the Millennium Challenge Account (MCA) project and that their resources will be used solely for the purpose of road maintenance activities.

Australia's commitment represents a contribution made under the Pacific Region Infrastructure Facility (PRIF) to the VTSSP.

Other Infrastructure Activities. Through the GfG program, Australia will provide financing for analytical and design activities to develop reform and investment programs for maritime and aviation transport. Existing programs in telecommunications and power will continue. Available funding for these activities is as follows.

Year	Australia through GfG AUD million
2009	9.9
2010	5.0
2011	4.6
2012	TBA
Preliminary Total	19.5

Where additional priority activities are agreed by Vanuatu and Australia under this Partnership and additional financing is required – such as for the possible implementation of reforms in maritime and aviation transport – Australia will consider the scope to make additional funding available under the PRIF and other mechanisms. The next phase of the GfG program will be designed during 2011 and will result in funding decisions for 2012 and beyond.

USE OF VANUATU GOVERNMENT SYSTEMS

Consistent with the *Paris Declaration on Aid Effectiveness* and the *Accra Agenda for Action*, strengthening the effectiveness of Vanuatu Government systems is a key objective of Australia's aid program to Vanuatu. Australia will seek to use and strengthen Vanuatu Government systems in delivering support in the infrastructure sector. Australia's contribution to road maintenance will be delivered through the budget of the Ministry of Infrastructure and Public Utilities (MIPU) and will include a component of capacity building for public financial management.

To support these activities the Vanuatu Government will maintain its commitment to achieve a high standard of public administration, including compliance with relevant legal obligations under its Public Finance and Economic Management (PFEM) and Government Contracts and Tenders (GCT) legislation.

IMPLEMENTING ARRANGEMENTS

Activities in support of infrastructure development will be undertaken through the GfG program which is a joint initiative of the Vanuatu and Australian Governments. The aim of GfG is to identify and remove obstacles to economic growth and service delivery in Vanuatu.

Within the Vanuatu Government the key implementing agencies are the Prime Minister's Office, Ministry of Finance and Economic Management and Ministry of Infrastructure and Public Utilities.

Within the Australian Government the key implementing agency is AusAID.

DONOR COORDINATION

Vanuatu and Australia will promote coordination between development partners working on infrastructure development. The main agencies currently involved in the relevant sectors are:

- Road transport: United States (Millennium Challenge Corporation), New Zealand (NZAID)
- Maritime: Japan (JICA), New Zealand (NZAID), Asian Development Bank (ADB)
- Aviation: International Finance Corporation (IFC)

It is noted that the ADB, New Zealand (NZAID) and the World Bank are partners in the PRIF and are working collaboratively to promote infrastructure development in the Pacific.