



Australian Government

Department of Foreign Affairs and Trade

# Aid Program Performance Report 2013-14

Vanuatu

September 2014

## Key Messages

This Aid Program Performance Report (APPR) summarises the Australian aid program's progress in Vanuatu from July 2013 to June 2014. Key findings include:

- › Overall performance improved on the 2012-13 APPR ratings and the program is helping create the right conditions to reduce poverty and build economic opportunities for ni-Vanuatu. Major investments in skills development and improved economic governance are showing good results. However, performance has been less than expected for some infrastructure projects, basic education and health.
- › Investing in assessing the capacity of Vanuatu Government systems is paying off with improved approaches to risk mitigation. New delivery approaches in key sectors such as education are showing promising signs.
- › Open and frank dialogue with the Vanuatu Government continues to be critical, as does our ability to respond to opportunities as they emerge and manage challenges as they arise.
- › The program is well positioned to deliver against the Australian Government's economic diplomacy and development assistance priorities as articulated in its new aid policy<sup>i</sup>. The Partnership for Development requires updating. More work is required to consolidate the program, engage with the private sector and improve gender ratings.

## Context

Vanuatu has a small population of approximately 266,000. Some 70 per cent of people live in rural areas across 60 of the country's more than 80 islands.

Relative to other countries in the region, Vanuatu's economy is stable and there is potential for growth.<sup>ii</sup> Gross domestic product growth recovered in 2012 to about 2 per cent, and is expected to reach 2.8 per cent in 2013. Growth estimates for 2014 are as high as 3.5 per cent, attributed to continued growth in tourism and a pick-up in construction.<sup>iii</sup> While solid for the region and small island developing states, this level of growth is only marginally higher than population growth of around 2.5 per cent.

Australia's commercial and trade interests in Vanuatu are limited. Australian investment in Vanuatu is estimated at \$177 million for 2013, primarily in services such as tourism and banking. Vanuatu also sources ten per cent of its merchandise imports from Australia and Australians account for two-thirds of all long-stay tourist arrivals.<sup>iv</sup>

Vanuatu has a young, growing and rapidly urbanising population.<sup>v</sup> This creates pressure on already strained social and utilities services and public infrastructure. Activity in the financial aspects of the economy is limited for most people. This is particularly so in rural areas where there is significant poverty of opportunity. *Kastom* institutions are central to Vanuatu life as is access to customary land and subsistence farming. The reach of the state outside urban centres is, at times, limited.

Extreme (or food) poverty halved between 2006 and 2010<sup>vi</sup> and financial inequality measures show that the gap between the least and most well-off shrank over the same time period.<sup>vii</sup> However, neither basic needs poverty nor hardship has been reduced to a commensurate level.<sup>viii</sup> The number of women and men living below the national poverty line decreased only marginally, from 13 per cent of the population in 2006 to 12.7 per cent in 2010. Another 20

per cent are vulnerable to slipping below the poverty line.<sup>ix</sup> Poverty rates are proportionally highest in urban areas.<sup>x</sup>

Vanuatu's progress towards the Millennium Development Goals (MDGs) remains mixed. The country is on track to achieve MDG 4 (child mortality) and MDG 6 (HIV/AIDs, malaria and other diseases).<sup>xi</sup> However, the country has made uneven progress or is off track on all other goals.

Consistent with previous years, the political context in Vanuatu was unpredictable in 2013-14. In May 2014, a vote of no confidence against Prime Minister Carcasses was successful, bringing to power a coalition under Prime Minister Joe Natuman. While in power the Carcasses Government pursued an ambitious growth strategy seeking out major loan financed infrastructure deals with China's EXIM Bank as well as a new international airport project. Since taking office, Prime Minister Natuman has emphasised the importance of fiscal responsibility and improved budget management as well as the importance of Vanuatu's customary and Christian principles in decision making.

Australia remains by far the largest donor to Vanuatu comprising more than 60 per cent of total ODA to Vanuatu (excluding China). The quantum of our aid is equivalent to approximately 35 per cent of total public spending. But this is changing. China's profile, including as a donor, is increasing. At the same time, the Global Fund will decrease available funding for Vanuatu from 2015 because of changes to the way it calculates country allocations.

The focus of Australia's aid program as articulated in the Partnership for Development is: education, health, infrastructure, economic governance and law and justice. Australia also helps Vanuatu prepare for and respond to natural disasters and emergencies. During the reporting period these included a landslide on Paama island, a major dengue outbreak, and Cyclone Lusi.

The Partnership for Development requires updating in light of progress against its objectives and the changing context. In January 2014 Australia's Foreign Minister announced that the Australian Government would reduce the planned growth of the aid program and refocus it on the Indo-Pacific region in accordance with rigorous benchmarks. For Vanuatu, the immediate impact of this was a reduction in planned expenditure this financial year for some programs and decisions not to proceed with some proposed investments. There is an opportunity over the next 12 months to recalibrate the partnership in line with both governments' priorities, including Australia's new aid policy, and put the aid relationship on a stronger setting providing certainty to partners.

## Expenditure

Table 1 shows expenditure from the bilateral program for financial year 2013-14 disaggregated by objective. Total ODA flows to Vanuatu include an estimated \$17.8 million from regional and global sources and \$1.4 million from other government departments. Pacific regional funding is reported on in a separate APPR. Australian Federal Police (AFP) policing activities in Vanuatu (see Objective 5) are funded through DFAT.

Table 1 Expenditure in FY 2013-14

Objective	A\$ million	per cent of bilateral program
Education	12.8	31.4
Health	4.6	11.2
Economic Governance	8.8	21.6
Infrastructure	8.7	21.4
Law and Justice	5.7	14.14
Disaster Response	0.04	0.1
<b>Total bilateral ODA</b>	<b>40.6</b>	<b>100</b>

Source: DFAT (expenditure as at July 2014)

## Progress towards objectives

Table two summarises progress against Australia's five objectives in Vanuatu as articulated in the Partnership for Development.

Table 2 Rating of the program's progress towards Australia's objectives

Objective	Current Rating	Previous Rating
Support increased access to and quality of education for all boys and girls, and equip them with skills and knowledge	Green	Amber
Strengthen health services and accelerate progress towards health MDGs	Amber	Amber
Progress reform on economic governance issues	Green	Green
Develop essential infrastructure to support economic growth and service delivery	Amber	Green
More effective legal institutions and improved police services	Green	Amber

Note:

■ Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.

■ Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

■ Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Reporting period:

### Objective 1: Support increased access to and quality of education for all boys and girls, and equip them with skills and knowledge

The objective is rated green overall. Despite slow progress with the ending of our Vanuatu Education Road Map (VERM) initiative and the commencement of the Vanuatu Education Support Program (VESP), progress with the Technical and Vocational Education and Training (TVET) program and scholarships was better than expected.

Shared development outcome:	<i>Increased access and quality of education for all boys and girls, and equip them with relevant skills and knowledge</i>
Australia's objective:	<i>Accelerating progress towards the MDG goal of universal primary education Improving the quality of education, through reforming the</i>

	<p><i>curriculum, upgrading school facilities and resources, and enhancing teacher training</i></p> <p><i>Ongoing support for the Government of Vanuatu education reform agenda</i></p> <p><i>Increasing training and employment opportunities through support for demand-driven vocational training services</i></p> <p><i>Investing in scholarships to regional and Australian universities</i></p>
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Vanuatu is unlikely to achieve universal completion of primary education by 2015 (MDG 2). Although the net enrolment rate is stable at 87 per cent, education quality is relatively poor. Only 20 per cent of Grade 3 students are able to read fluently or understand most of the text they read.<sup>xii</sup> Vanuatu also has one of the lowest primary survival rates in the Pacific. Twenty-seven per cent of children do not complete the full six years of primary school.<sup>xiii</sup>

The Vanuatu Government’s recurrent budget allocation to education has steadily increased since 2010, with the 2014 budget allocation being 4 per cent above the 2013 level – representing more than 25 per cent of public recurrent expenditure. However, because of ineffective disbursement, these funds were not always available for service delivery. There is also a need to ensure the mix of expenditure across basic, secondary and tertiary is right.

VERM supported the finalisation and approval of a new curriculum for years 1 to 6 as well as continuing successful teacher training – a second cohort of 94 teachers completed their training during the reporting period. New courses directed at improving the quality of teaching were introduced such as student centred learning and multi-class teaching. Curriculum and teacher training work incorporated disability inclusive education perspectives. The quality of teaching is expected to be enhanced further by the new Teacher Service Commission Act, which was passed by Parliament in December 2013 and will become operational in March 2014. VERM supported this significant achievement through technical assistance to review and replace the Teaching Service Act of 1983, which had not been amended since its inception and had become irrelevant to the needs of the Vanuatu education administration.

However, despite these successes, results at the end of VERM, which concluded in March 2014, were disappointing overall and not commensurate with the level of Australian Government investment. As a result, a new approach was developed in consultation with donor partners and the Vanuatu Government building on lessons learned. The new program, VESP, started in September 2013 and is funded jointly with New Zealand. VESP focuses on improving education quality in the early years of schooling (from early childhood to year 3) and has adopted a delivery approach blending use of government systems, contractors and community organisations. Mobilisation of VESP was slower than hoped due to delays with the tender process, staffing issues with the main managing contractor, and a slow Vanuatu Government transition from VERM, meaning that full program implementation will only occur from 2014-15 onwards.

The TVET Sector Strengthening Program (phase 3) seeks to bridge the gap between rural areas and the formal economy through skills development, and continued to achieve impressive results in the reporting period. Increasing the prospects of sustainability, the Vanuatu Government has adopted the TVET centre model and the Ministry has renamed itself the Ministry of Education and Training (MoET). The Ministry now has a dedicated TVET Division, and has committed positions and budget to support the TVET program.

In the tourism sector, the TVET Program received national recognition by the Vanuatu Government for its contribution to improving the quantity and quality of ni-Vanuatu tourism businesses. For example, 28 ni-Vanuatu bungalow businesses in provinces with a TVET Centre now operate above national minimum standards. Previously, none did. The program has also attracted co-financing from other partners, including the private sector (e.g. Carnival Australia).

In addition to accredited technical training courses, TVET centres provide business development services. In 2013, 35 different accredited courses and 50 business development workshops were facilitated for 852 participants (29 per cent women, 4 per cent people with a disability). Monitoring conducted by the program indicates 91 per cent of participants rated their activity as “excellent”. A 2012 study showed an increase in participant household incomes by an average of 26 per cent.<sup>xiv</sup> The impact of TVET program activities during this reporting period is likely to be similar. The Vanuatu Government’s next household survey is planned for 2016.

The Australia-Pacific Technical College (APTC) delivers internationally-recognised qualifications in targeted industry sectors. During the reporting period, 141 ni-Vanuatu (55 per cent women) graduated from APTC’s Port Vila campus with internationally-recognised qualifications, bringing the total number of ni-Vanuatu graduates to 4,919 since 2007.

There are also currently 228 scholarship students on award; 56 in Australia and 172 in the region. All 11 returning 2013 graduates either returned to their jobs or found employment relevant to their field of study. 2013 also saw the first disabled scholarship recipient from Vanuatu graduate.

## **Objective 2: Strengthen health services and accelerate progress towards health MDGs**

The objective is rated amber because while there were some good achievements, we were unable to progress a key element of our program, human resources support, due to an inability to engage with the Vanuatu Government on this sensitive issue.

<p>Shared development outcome:</p>	<p><i>Enhanced access to and quality of rural health care services</i>  <i>Controlling and progressively eliminating malaria</i>  <i>Improved budgeting, financial and expenditure management</i>  <i>Strengthened health information systems</i>  <i>Reduced child mortality</i>  <i>Improved maternal health</i>  <i>Combat HIV/AIDs and other diseases</i></p>
<p>Australia’s objective:</p>	<p><i>Public financial management strengthening including procurement and assets management</i>  <i>Support for costed, evidence-based workforce planning and management</i>  <i>Assistance to strengthen provincial service delivery, effectively bolstering primary care provision</i></p>

Vanuatu has one of the lowest ratios of health workers and doctors per head of population amongst all Pacific countries (2.3 doctors for every 10,000 people). Under-five mortality is estimated by the UN to have increased from 13.2 deaths per 1,000 live births in 2011 to 17.9

deaths in 2012. Up to 26 per cent of children under five are stunted and routine immunisations rates are unacceptably low (only 33 per cent of children are fully immunised at 3 years old).

Australia continues to be the largest and lead donor in the sector and supports malaria control, village health workers, health information systems, some provincial health infrastructure improvements and placing medical specialists in hospitals.

This was the first year implementing a re-focused program, which aimed to shift support towards government-led change in key areas of weakness in health service delivery, to achieve more sustainable long-term impacts on high level targets.

Health service delivery was constrained in 2013 because of uncertainty surrounding the Vanuatu Government's implementation of a decentralised governance structure. Most affected was support to workforce planning and management where there were no appropriate counterparts in the Ministry of Health. This limited the progress of a key element of our investment and is the major reason for the amber rating. The program will need to work with the Vanuatu Government and consider options in this context, while maintaining progress in other key areas.

Malaria incidence was reduced from 7 per cent to 1 per cent between 2003 and 2013<sup>xv</sup>. In Tafea and Torba provinces malaria has almost been eliminated – Tafea is a declared elimination province with less than 1 per cent incidence. There were no deaths from malaria in 2013. A significant reduction in future Global Fund allocations to Vanuatu for malaria control, announced in March 2014, will slow progress towards elimination although maintenance of existing incidence and control levels should be possible.

The Village Health Worker Program supported by Australia enabled delivery and use of improved medical supply kits to over 150 remote villages throughout Vanuatu and renovated or

**Box 1 – More efficient medical supplies procurement**

Australia's strategy in the health sector is to focus on government-led change as the best means to sustainably improve the service delivery outcomes for the Vanuatu people. An area of focus is public financial management including procurement reform. This has leveraged assistance provided by Australia through the Governance for Growth program (see Objective 3) which supported development of standard contract and tender documents for use across the Vanuatu Government.

The use of standard documents saw a dramatic drop in the time taken to procure essential medical supplies from an average of six months to three months. Further assistance is expected to achieve an overall process of eight weeks.

Australia's support for procurement capacity and process improvements in the Ministry of Health has also driven cost savings, for instance, bringing drug expenditure into line with available budget and increasing the range and quality of pharmaceutical suppliers.

constructed seven aid posts.

Support for improved asset management in the Ministry of Health achieved some clear results demonstrating that targeted assistance can leverage much larger impact on revenue generation and service delivery (see Box 1). In 2013-14 Australia supported the Vanuatu Government to construct and install two oxygen plants in main referral hospitals for northern and southern provinces. The plants make the hospitals self-sufficient in the production of medical gases, saving lives and freeing up the costs of purchasing these inputs – around \$200,000 annually.

Cooperation with other donors improved significantly during the reporting period. With the World Bank, Australia supported improved financial planning oversight and budgeting processes. With the assistance of Australia through the World Health Organization (WHO), the Ministry of Health

implemented a new database system that has the potential to improve health information system quality and reporting rates throughout the country. The United Nations Children Fund (UNICEF) will in 2014-15 run an additional immunisation outreach program to boost immunisation rates. A single joint donor audit process was also agreed to replace what had previously been multiple audit processes.

2013/14 also demonstrated the value of working through government systems and developing strong relationships with the Ministry of Health. While there was significant uncertainty on both the Australian and Vanuatu sides during the reporting period, continued dialogue was possible because of our long-standing relationship and commitment. As well as ongoing work to improve budget and management efficiency, Australia disbursed its full allocation to the Ministry for the first time since the program commenced in 2010.

Because of the growing urban needs in Vanuatu, the DFAT partnership with *Wan Smolbag* focuses on delivering primary health services to the peri-urban poor through two reproductive health clinics (Port Vila and Luganville, on the island of Santo). 8,407 patients accessed the clinics in 2013 (79 per cent female and 21 per cent male). In routine monitoring, clients report being very satisfied with the services offered.

### Objective 3: Progress reform on economic governance issues

The objective is rated green because progress met expectations for the reporting period.

Shared development outcome:	<i>Promote economic growth and improved service delivery through good governance</i>
Australia's objective:	<i>Vanuatu's policy framework is more supportive of durable, equitable and broad-based growth The quality of Vanuatu's public expenditure and its management is improved</i>

Recognising the importance of regulatory reform and improved public expenditure management to economic growth and service delivery, the Vanuatu Governance for Growth Program (GfG) was established as an adviser, facilitator and broker of reform. The program's success depends on a mix of informal engagement, flexible results-based funding and formal processes.

Revenue for public services and capital for public investment is a structural challenge for small island developing states such as Vanuatu. GfG works with the Ministry of Finance and Economic Management (MFEM) to strengthen revenue administration and effectively target expenditure. For example, support to VAT collection systems resulted in 105 per cent of the 2013 revenue target being collected, despite lower than forecast GDP growth. The profile of the Department of Customs and Inland Revenue lifted significantly as a result of key targeted technical support, with a number of VAT related crack down operations successfully completed in 2013.

Support to the Central Tenders Board (CTB) as it rolled out standardised procurement documentation and contracting templates increased use of the CTB both through donor partners and government (with increased use by Ministry of Health, Office of the Government Chief Information Officer and the Public Works Department). As a result, government agencies had improved awareness of the requirements under the regulations.



Efficient service delivery relies on a system to ensure funds reach service providers outside urban centres. In 2013, all provincially located Finance Service Bureaus were opened with GfG support and are now operational, with access to the Government of Vanuatu Financial Management Information System over the GfG-supported Government Broadband Network. This

**Box 2 – Financial inclusion and roads support private sector**

GfG works with National Bank of Vanuatu to implement a financial inclusion program. 175 financial literacy workshops were attended by approximately 4,000 women and 5,000 men. In some locations exposure to financial services has stimulated private sector activity. For example, on Tanna 500-600 women who had attended the workshops supported by GfG formed cooperative business groups.

By supporting transport and logistics, GfG enables NBV staff to provide financial services in remote areas and deliver financial literacy training throughout Vanuatu. With GfG support, staff from the bank travel to remote villages to collect deposits, help account holders make transactions and provide advice. In 2013 this resulted in 2 new ATMs on Malekula and Tanna; 600 new micro-loans totalling VT160m; and 15,000 new rural based savings account with a value of VT420m in deposits.

DFAT investment in Roads for Development and Women's Economic Empowerment, complemented by GfG investments in better connectivity and financial literacy training, led to increased economic activity on Tanna and Malekula. This was made possible in part because the National Bank of Vanuatu now has 27 branches nation-wide, of which 14 are on-line. This enabling environment has resulted from several years of effort, diverse but complementary investments and a partnership between GfG and the private sector.

means that commitment of purchase orders and some payments to suppliers can be made at provincial centres, and public sector salaries can be processed outside the central hub. Changes to the CTB and Finance Service Bureau have resulted in more private sector engagement in public tenders during 2013 – as payment is quicker and more transparent.

Accountability of public expenditure is supported through the Office of the Auditor-General, which has now cleared the backlog of government audits (allowing cross year comparisons of government budgets back from 2011). From 2011 to

2012, 28 audits were completed, with an additional six government audits plus audits of three DFAT grants completed in 2013. This compares with one completed audit between 2007 and 2010.

GfG contributes to strengthening the business environment in Vanuatu – supporting telecommunications competition, utilities regulation and access to financial services (see Box 2). Support for regulatory reforms in energy and telecommunications has seen continued improvement in the affordability and reliability in these two sectors. A tariff review conducted by the Utilities Regulatory Authority, supported by GfG, resulted in a 15 per cent reduction in average energy costs in Luganville, the second largest economic centre in Vanuatu. Australia's support extended to improving policy making in these sectors, for example with feed-in tariffs for off-grid generation and use of pre-paid meters for poor households in peri-urban areas.

Land is a complex factor in the Vanuatu economy. Australia supported dialogue and engagement between the Minister and Department of Land officers across Vanuatu, which helped the Minister to negotiate changes to the constitution (November 2013), introduce new laws (December 2013) and appoint six Provincial Customary Land Officers to facilitate negotiations to resolve land disputes. These reforms are complemented by Australian support to land administration, with more than 10,500 leases registered, a digital cadastral database 90 per cent complete and 3,859 new strata titles issued.

DFAT also helped *Wan Smolbag* engage with peri-urban youth to enable them to be active in the formal economy. In 2013 *Wan Smolbag's* Youth Centre services reached 1,804 registered youth (45 per cent female, 55 per cent male) and included training in literacy, computing, agriculture, ceramics, mechanics and nutrition. Partnerships with Vanuatu Government departments, APTC and various schools supported service delivery.

Through its economic diplomacy, Australia focused on promoting a positive business, investment and jobs environment. Supporting the completion of PACER Plus trade negotiations and Vanuatu's participation in the Seasonal Worker Program (SWP) will generate economic opportunities for ni-Vanuatu. In 2013-14, 205 ni-Vanuatu participated in SWP. The Pacific Horticultural and Agricultural Market Access Program also worked with the Vanuatu Government to maintain the country's export accreditation for its beef industry, which represents more than half of Vanuatu agricultural exports.

#### **Objective 4: Develop essential infrastructure to support economic growth and service delivery**

The objective was rated amber because progress in some areas was slower than expected for the reporting period.

Shared development outcome:	<i>Rehabilitation and improved maintenance of high priority rural roads Contribute to sustainable urban development in Port Vila through improved road, drainage and sanitation infrastructure and services</i>
Australia's objective:	<i>Support the Vanuatu Government build the skills, systems and resources to manage its core national road network Support the Provincial Works Department maintain key road infrastructure on Ambae, Malekula, Tanna and Pentecost Improved road network and drainage system in greater Port Vila; improved treatment of septic waste; provision of multipurpose sanitation areas in target areas</i>

In December 2013 Australia's Foreign Minister launched the second phase of the Roads for Development Program in Port Vila, which over the life of the program aims to help the Government rehabilitate and maintain priority roads in good condition, and fix black spots on other main roads to keep them open year round. In total, Australia's investment will cover 350km (16 per cent) of the rural road network.

The second phase mobilised in July 2013 with the first tranche payment delivered to Government in January 2014. The delays mobilising the program and delivering the first tranche slowed program progress. Despite this, the program was able to help the Public Works Department (PWD) deliver 128km of routine maintenance across the network. The efficient management by PWD and the responsiveness of the private sector through island-based contractors demonstrate the success of the first phase of the program in building a sustainable contractor base. It also demonstrates the success of the complementary business development support provided by the Australian-funded TVET program (see Objective 1). The maintenance involved 2,616 days of work for women and 8,301 days of work for men. These

hard investments will provide the opportunity for ongoing policy dialogue on PWD capacity and Vanuatu Government infrastructure management.

The program successfully supported some PWD capacity improvements in 2013-14. Personnel vacancies in PWD were reduced from 26 per cent in November 2012 to 13 per cent in May 2014, a significant impact on a major capacity constraint. Efficiencies are also expected in procurement. A new comprehensive procurement manual with improved standard forms and processes will support improved value for money-based decision making. Increased use by PWD of the new Financial Services Bureaus (supported by GfG) in each province will reduce fiduciary risk and streamline financial management.

The program has actively worked to consider and address disability issues. The program has assisted the Ministry of Infrastructure and Public Utilities to: develop an inclusivity policy; recruit a female disabled person as its front desk officer; ensure the Ministry's buildings have disability access; and promote social inclusion through its media releases.

The roads program has developed a comprehensive performance management approach which is supporting improved data collection and evidence-based decision making. The preliminary results of a 2013 socioeconomic impact study, conducted over the course of phase one of the roads program, showed: an increase in the number of vehicles on the islands targeted; reduced vehicle maintenance costs; reduced transport repair and operational costs; and increased accessibility and reliability of transport. However, the study also highlighted the need for an improved regulatory and policy framework to mitigate potential negative impacts of road improvement such as safety issues.

With Australian support, the Vanuatu Government has taken steps to address some of these issues, successfully updating and legislating the Public Roads Act and Building Act. Australia supported the inclusion of disability access considerations in this new legislation. A Road Traffic Bill is also well developed and expected to be tabled in Parliament in the near future. This legislation places much clearer accountability on Government agencies and provides a stronger framework to implement design standards and safety measures. The work on improved design and construction standards has also been supported through a climate change resilience activity funded through the Australian Department of Environment.

The Port Vila Urban Development Project (PVUDP) suffered some significant delays in the reporting period. However there has also been some good progress, with the implementing contractor mobilised, an inception mission completed and key foundation pieces of legislation delivered by the Vanuatu Government. The program, which is predominantly Australian funded and Asian Development Bank executed, is complex and involves risks in relation to the budget, community awareness, environmental factors and gender and socio-cultural issues. It also provides opportunities to focus on improving accessibility for people with disability. The increasing effectiveness of the Vanuatu Project Management Unit (VPMU), the establishment of which was supported by GfG, is another important milestone this year. The VPMU Steering Committee meets more frequently, and is being used as an effective decision making body by stakeholder agencies.

Vanuatu Government funding for basic maintenance remains significantly less than needed. This continues to present a fungibility risk for Australia. Only 16.8 per cent of the Vanuatu Government's infrastructure budget is directed towards maintenance, and of this only half is directed towards road maintenance. Additional capital is coming into the sector, funded through loans from China's EXIM Bank, which will add to the Government's maintenance

obligations and will further stretch the implementation capacity of PWD. This year has shown that through mechanisms such as the VPMU it is possible to support whole of sector consideration of these challenges, which will be essential in future years.

The reporting period saw the completion of construction and the opening of the National Library and Archives Building. The building is a dedicated archive to protecting and displaying the cultural and historical records of Vanuatu and was a gift to Vanuatu from Australia, celebrating Vanuatu's 30<sup>th</sup> Anniversary of Independence. Since opening in late 2013 over 2500 people have signed the visitor's book.

### **Objective 5: More effective legal institutions and improved police services**

The objective was rated green because progress met expectations for the reporting period.

Shared development outcome:	<i>For all justice services to promote and provide fair and equitable services to meet the needs of the community, the rule of law and the protection of human rights</i>
Australia's objective:	<i>Improved law and justice sector coordination, capacity development and evidence-based policy development Contribute to the provision of excellent policing services and strong police/community relations Improved prevention and response to violence against women and children</i>

Equitable access to law and justice is a human right and also critical to developing an enabling environment for private sector led growth. The major crime issue in Vanuatu is violence against women and children.<sup>xvi</sup> Australia's law and justice support comprises: policing assistance in partnership with the Australian Federal Police (AFP); strengthening key legal institutions, including support provided by the Federal Court of Australia; and core funding to the Vanuatu Women's Centre.

Recently, there has been major political and bureaucratic change in the law and justice sector. These shifts have had inevitable impacts on the effectiveness of service delivery and progress in some key areas. Despite the challenging context, Australia's support has achieved results.

The Vanuatu-Australia Police Project operated under an interim phase following its re-establishment in early 2013. The program had a clearly defined set of output-level objectives, which were for the most part achieved. Key results include: opening of three remote police stations/posts; retirement of 11 police officers to free salary for a new round of police recruitment with reserved places for female officers – recruitment of 20 men and 13 women; training for Provincial Firearms Licensing Officers; putting the RVS Turroa police vessel into operation with increased visibility of police in the northern islands; and a new professional standards policy to tackle lack of internal discipline in the force.

Under the *Stretem Rod Blong Justis* Program assistance is provided through the Ministry of Justice and Community Services, with advisory support to the Ministry, the Public Solicitor's Office, the State Prosecutor's Office, and the Supreme Court, in partnership with the Federal Court of Australia. Key achievements over the last year include: a reduction of case backlog in the Courts and prosecution offices; improvements in police criminal record management (see

Box 3); 16 law students placed with public legal offices and agencies as part of an internship program with University of the South Pacific; the Vanuatu Law Commission's production of its first three reference documents on Public Health, Dangerous Drugs and Water Supply; development of the State Prosecutor's Handbook and an update to the Public Solicitor's Lawyers Manual; and piloting of a community-based child protection program in 43 rural communities. The program also provided support to the disability desk of the Ministry of Justice and Community Services.

Australia continued its long-running support for the Vanuatu Women's Centre. The centre provides counselling, support and legal services to survivors of violence. It is the only organisation of its kind in Vanuatu and is responding to the urgent and severe challenge of

**Box 3 – Investments in Government IT benefit the law and justice sector**

Through a grant administered by the Governance for Growth program, Australia has provided support to the Vanuatu Office of the Government Chief Information Officer (OGCIO). Australia's law and justice program has leveraged this support to improve the case and data management systems used by Vanuatu justice agencies.

For instance, the Vanuatu Police Force (VPF) criminal records information management system (CRIMS) was not working effectively or efficiently. VPF was using a system that operated primarily as data repository. Provincial centres had no access to the system nor were they sending in accurate reports to Port Vila. In addition the software was running on a stand-alone server in Port Vila.

OGCIO assisted VPF to install CRIMS onto the eGovernment network and then assisted the six provincial headquarters access the database. Staff in the provincial centres were then trained in the use of the database and real time input of data is now possible, improving data management and assessment of crime trends.

family and sexual violence. In 2012–13, the Vanuatu Women's Centre provided 4267 people with counselling and support services across all six provinces – 46 per cent of clients were in rural locations outside of Port Vila and Luganville. Follow-on surveys (limited to Port Vila at this stage) suggest 95 per cent of clients were satisfied with the counselling received. 280 at-risk women were also assisted to obtain Family Protection (restraining) Orders. A significant achievement for the reporting period was the establishment of a partnership

between the Port Vila Central Hospital and Ministry of Health. The partnership provides counselling training for nursing staff, a designated treatment area for victims of sexual violence and streamlined referral processes to either the Vanuatu Women's Centre or the police.

While each program met expectations there is a need to adjust Australia's strategy to better align assistance towards the core challenges of limited access and equity of justice, particularly for women, youth and children. During the reporting period the design of an integrated program that draws together the efforts of the justice and policing aspects of Australia's support was completed to achieve this.

## Mutual Obligations

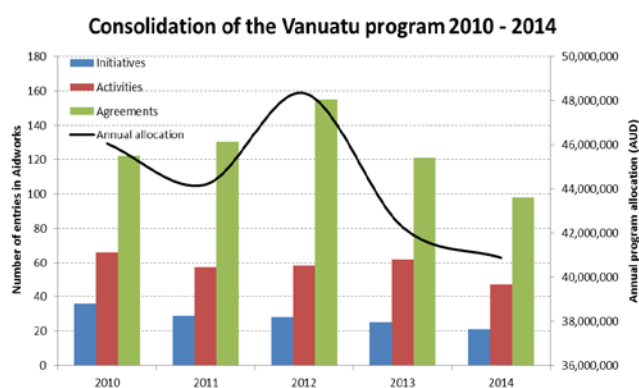
In February 2013, the Vanuatu Government updated its national development plan, the Priorities and Action Agenda (PAA). This update confirmed Vanuatu's core development priority as sustaining and broadening economic growth through continued reform. This aligns well with Australia's interests and priorities. Implementation of the PAA at the sector level has been varied. Some sectors, such as law and justice, have been afflicted by political and bureaucratic instability. Other sectors, for example health, have been grappling with contested reform proposals. The resulting uncertainty has hindered implementation.

Where specific obligations were set for the reporting period, the Vanuatu Government met them. For instance, in the education sector the Vanuatu Government met its target expenditure for school grants. However, there is a need to re-set Australian and Vanuatu Government commitments as those in the Partnership for Development have now for the most part been superseded through program or sector changes. Australia and Vanuatu will need to negotiate mutual obligations that catalyse and facilitate Vanuatu's reform objectives in support of economic growth.

## Program Quality and Management

The Vanuatu program is making effective use of performance information. For example, performance monitoring of the Vanuatu Education Road Map (VERM) and an independent evaluation of the Village Health Worker (VHW) Program informed changes in the choice of modality and strategic focus.

The aid program has also continued to address fragmentation (see chart) in an effort to better



target resources and limit transaction costs for the Vanuatu Government.

The Vanuatu program currently uses the priority outcomes and targets in the Partnership for Development to frame performance assessment. During the coming year, a performance assessment framework will be prepared as part of agreeing a new Aid Investment Plan with Vanuatu.

A table of completed and planned evaluations is included in Annex C

## Analysis of Quality at Implementation (QAI) Reports

QAI ratings across the Vanuatu portfolio show relatively high quality for relevance and effectiveness and adequate quality for other criteria. Performance and quality management is rated adequate because program managers are now more critical than they were previously when assessing the quality of progress reports and evaluation outputs. Gender performance is mixed across the program and is a theme that requires further work in 2014/15. A table of QAI ratings is included in Annex B. There are no Investments Requiring Improvement.

## Performance of key delivery partners

Depending on the context, the Vanuatu program works through government systems (e.g. in health and education), through managing contractors (e.g. in law and justice, TVET and infrastructure) and through civil society partners (e.g. in health and governance).

Australia has invested heavily with the Vanuatu Government in understanding the strengths and weaknesses of the government's public financial management systems and shaped its approaches and risk mitigation strategies accordingly. An assessment of national systems was completed in 2013 and fiduciary risk assessments have been completed for all sectors receiving funding through government systems.

The Asian Development Bank (ADB) continues to be the program's major multilateral partner (implementing PVUDP). Detailed design and engineering is several months behind schedule and, as noted under Objective 4, PVUDP carries significant construction risks. The ADB has agreed to more intense project supervision in close partnership with DFAT. The Vanuatu Program also engages with multilateral partners through initiatives financed by DFAT's Pacific regional program and targeted trust fund activities. An effective relationship with the World Bank assisted the Vanuatu National Statistics Office to produce updated poverty maps for Vanuatu. DFAT continues to work with multiple partners in the health sector. The joint partner working group is evolving into a useful forum for coordination.

## Risks

Key risks managed by the Vanuatu Program are presented in Table 3. A rating of the risk management monitoring maturity in the Vanuatu program is presented in Table 4.

Table 3 Management of key risks to achieving objectives

Key risks	What actions were taken to manage the risks over the past year	What further actions will be taken to manage the risks in the coming year
Political and bureaucratic instability delays program implementation or changes policy priorities	Close monitoring in Port Vila; regular high-level meetings to assess ongoing relevance and performance of aid program	Close monitoring in Port Vila; regular high-level meetings to assess ongoing relevance and performance of aid program; negotiate a new mutually agreed aid arrangement
Quality of Vanuatu public expenditure diminishes returns on Australian funds (if they substitute for Vanuatu Government funds for key health and education services, and road maintenance, or are inefficiently disbursed)	Ongoing assessment of risks, together with support to strengthen public financial management in key line ministries. Ongoing policy dialogue through both sector programs and the GFG program	Updated aid arrangement will provide clearly agreed targets and incentives for funding of shared recurrent costs. Negotiate output-based aid approaches for new investments
Effectiveness of Australian aid is compromised by its fragmentation and administrative burden on all partners	Continued transition to a more manageable portfolio; continue to strengthen and resource performance management	Maintain focused and consolidated portfolio; continue use of transparent standards to monitor performance management and quality

Table 4 Rating of the program's risk management monitoring maturity

Risk Accountability Level	Current Rating
Overall rating for the program	Mature
Objective 1: Education	Mature
Objective 2: Health	Mature
Objective 3: Infrastructure	Mature
Objective 4: Economic Governance	Mature
Objective 5: Law and Justice	Mature

Note:

■ **Mature.** Overall program: country/regional senior managers have discussions about risk at least monthly and update country risk register at least quarterly. Sectors: sector management team has discussions about risk at least monthly and update risk register at least quarterly.

■ **Intermediate.** Overall program: country/regional senior managers have discussions about risk at least annually and update country risk register at least annually. Sectors: sector management team has discussions about risk at least monthly and update risk register at least annually.

■ **Basic.** Overall program: country/regional senior managers have discussions about risk less than annually and update country risk register less than annually. Sectors: sector management team has discussions about risk less than annually and update risk register less than annually.

## Management Responses

### **New aid partnership**

The current Partnership for Development was signed in 2009. Although the document and its underlying principles remain broadly relevant, there are many aspects requiring updating. Some targets have been met or superseded and in some sectors the implementation context has changed significantly.

On 18 June 2014, the Australian Government released a new aid policy and a framework for performance management. This policy and the establishment of a new Vanuatu Government provide an opportunity for Australia and Vanuatu to revisit their aid arrangement and agree a new set of objectives.

The new aid arrangement will need to articulate clear focus areas, performance benchmarks and mutual obligations. It will also need to better consider the role of the private sector and civil society.

### **Consolidation and efficiency improvements**

Although there has been some progress in consolidating the program, there remains a need to further consider options to improve the efficiency of agreement management and modality choice. The program needs to continue ongoing assessment of the value for money of its investments and look at approaches that ensure effective implementation with reduced human resources and that will support better overall budget management. This will also help ensure we are better positioned to manage delays in our infrastructure investments.

### **A partnership approach to managing financial risks through public sector reform**

The program has completed fiduciary risk assessments across all sectors. This has led to improved risk-mitigation approaches for using government systems and the development of new grant arrangements with key government partners. There is an opportunity to build on this understanding and move beyond just protection of Australian funds to supporting the Vanuatu government to implement system wide improvements that will improve the effectiveness of overall public spending. These improvements would help Vanuatu address, for instance, workforce planning challenges in the health sector and ensuring the right mix of expenditure across education sub-sectors.

### **Ensure effective implementation following Department of Foreign Affairs and Trade integration**

Following the integration of AusAID and the Department of Foreign Affairs and Trade, there will be a need to continue to ensure there is adequate management oversight of the program at Port Vila post and in Canberra. We will need to monitor whether current staffing structures and roles are placing resources where they most need to be.

### **Program improvements on gender and private sector engagement**

Based on results from QAI reporting and in response to the new aid policy, we need to examine pragmatic ways to improve the treatment of gender issues and expand engagement with the private sector.



## Annex A

### Progress in addressing 2012-13 management responses

Management consequences identified in 2012-13 APPR	Rating	Progress made in 2013-14
Update the Partnership for Development	Not achieved	Work was deferred owing to the change of government in Australia, integration of DFAT and AusAID and the need to reconsider program priorities pending the release of the Australian Government's aid policy
Manage financial risks	Partially Achieved	The program implemented stringent controls to manage Australian funding following a series of fiduciary risk assessments, updating grant agreements where necessary. The program, with the Vanuatu Government, also commenced a new reporting regime to ensure better shared understanding of the expenditure. There was limited progress investigating alternative financing options to incentivise better quality expenditure.
Ensure the program benefits the most vulnerable	Partially Achieved	The program invested in assessing the impact of investments on the most vulnerable. New designs in law and justice will also trial innovative approaches at the community level to ensure assistance reaches those who need it most. More work is required to ensure the results of the poverty mapping exercise are translated into a monitoring framework for assessing program impact and influencing program decision-making.
Consolidate the program	Partially achieved	While there has been progress consolidating the program, as demonstrated by the reduction in initiatives over the last four years, the efficiency of agreement management remains a challenge and more work is required.
Continue to strengthen and resource performance management	Achieved	Performance management was strengthened and well-resourced during the reporting period (see Program Quality and Management section above). A program performance assessment framework will need to be developed once a new aid arrangement with Vanuatu is finalised.

Note:

- Achieved. Significant progress has been made in addressing the issue
- Partly achieved. Some progress has been made in addressing the issue, but the issue has not been resolved
- Not achieved. Progress in addressing the issue has been significantly below expectations

## Annex B

### Quality at Implementation ratings

Investment name	Approved budget and duration	Qal year	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality
Governance for Growth Program	\$23,043,696 2012-2016	2013	5	4	4	3	4	3
		2012	5	4	4	3	3	4
Australia Awards	\$10,056,300 2007-2017	2013	5	5	4	4	4	5
		2012	5	5	4	3	4	5
Vanuatu Church Partnership Program	\$5,794,519 2009-2014	2013	4	4	4	4	4	3
		2012	4	4	3	4	4	3
Vanuatu Land Program	\$12,027,233 2009-2015	2013	4	4	4	4	4	3
		2012	4	4	4	4	2	4
Wan Smolbag	\$8,941,555 2010-2014	2013	5	5	4	4	4	5
		2012	5	5	4	4	4	6
Vanuatu Health Sector	\$25,960,524 2010-2016	2013	5	4	4	4	4	4
		2012	5	4	3	4	4	4
Vanuatu Law and Justice Program	\$21,763,453 2011-2017	2013	5	5	4	4	4	4
		2012	4	4	4	4	4	5
Vanuatu Australia Police Project	\$14,130,239 2011-2014	2013	5	5	4	4	4	4
		2012	E	E	E	E	E	E
Vanuatu National Library and Archives	\$3,365,211 2011-2014	2013	5	5	5	4	4	4
		2012	4	5	5	5	3	4
Vanuatu TVET Program	\$10,831,820 2011-2016	2013	6	5	5	5	5	4
		2012	E	E	E	E	E	E
Vanuatu Education Support Program	\$39,319,927 2012-2016	2013	E	E	E	E	E	E
		2012	N/A	N/A	N/A	N/A	N/A	N/A
Pacific Women Initiative (Vanuatu)	\$6,787,144	2013	6	5	4	5	4	6
		2012	6	5	4	5	4	6
Port Vila Urban Development Project	\$26,500,000 2012-2017	2013	5	4	3	4	3	3
		2012	E	E	E	E	E	E
Vanuatu Transport Sector Support Program	\$27,279,706 2012-2016	2013	5	4	4	4	4	4
		2012	E	E	E	E	E	E

Definitions of rating scale:

Satisfactory (4, 5 and 6)

■ = 6 = Very high quality

■ = 5 = Good quality

■ = 4 = Adequate quality, needs some work

Less than satisfactory (1, 2 and 3)

■ = 3 = Less than adequate quality; needs significant work

■ = 2 = Poor quality; needs major work to improve

■ = 1 = Very poor quality; needs major overhaul

E = Exempt

N/A = Program did not exist

## Annex C

### Evaluation and Review Pipeline Planning

List of evaluations completed in the reporting period

Name of Investment	Aidworks number	Name of evaluation	Date finalised	Date Evaluation report Uploaded into Aidworks	Date Management response uploaded into Aidworks	Published on website
Vanuatu National Library and Archives	INJ898	Rapid appraisal report	May 2014	May 2014	July 2014	not yet
Governance for Growth	INH523	Review of the Lighting Vanuatu project	July 2014	not yet	not yet	not yet
Vanuatu Law and Justice Partnership Program	INJ603	Partner-led review of the Save the Children (Australia) Child Protection Program	Part 1: March 2014 Part 2: July 2014	July 2014	not yet	not yet

List of evaluations planned in the next 12 months

Name of Investment	Aidworks number	Type of evaluation	Purpose of evaluation	Expected completion date
TVET Sector Strengthening Program (phase 3)	INK210	Independent progress review	To explore dimensions of TVETs impact over time and to inform future program	June 2015
Australia Awards	INH654; INI677; INK573	Independent tracer study review	To inform future program	May 2015
Roads for Development	INK771	Independent progress review	To assess progress and improve existing program design	March 2015
Governance for Growth (phase 2)	INK455	Independent review of provincial public financial management, including financial services bureaus	To inform existing programming	October 2014
Health Sector Program	INJ438	Independent progress review	To assess overall delivery strategy progress & inform future program planning	February 2015
Vanuatu Land Program	INI501	DFAT-led (internal) progress review	To assess progress and inform current program	December 2014
Governance for Growth (phase 2)	INK455	Independent progress review	To assess progress and inform future investment (to include Land Program as an element of the review)	June 2015

## Annex D

### Performance Benchmarks 2014 -15

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<b>Program strategic objective</b>	<b>2014-15 benchmark</b>	<b>Rationale for selecting this performance benchmark</b>
Develop essential infrastructure	100kms of maintenance and rehabilitation works completed on target rural roads	Infrastructure represents 20 per cent of Australian investment in Vanuatu. The benchmark is aligned with the Vanuatu Government infrastructure planning. Evaluation has shown that improved roads has a direct impact on the livelihoods of Vanuatu's rural majority and provides job opportunities.
Progress reform on economic governance	3,000 bank accounts opened	Increasing access to capital is key factor in increasing income-earning opportunities for ni-Vanuatu, including transition from the informal to formal economy and building small business activities. The benchmark provides an indicator both for the numbers of people utilising new banking opportunities and the demand for new banking in response to complementary investments in access to markets and technical and vocational training.
Support increased access to skills and knowledge	80 per cent (of 800 participants) report higher income	Australia's TVET support is aimed at supporting increased job and business opportunities for rural ni-Vanuatu. A key marker of the success and quality of the training provided is the impact it has on people's or businesses' incomes.
Support improved quality of education	Monitoring tool for literacy and numeracy developed and trialled	The quality of Vanuatu education is a major challenge in the sector that Australia's basic education investments are seeking to address. While education access has improved since 2007, education quality as measured by literacy and numeracy standards has declined.
Strengthen health services	30 nurses and midwives trained	Vanuatu has one of the worst health worker per head of population ratios in the Pacific. Addressing this is a key pillar of Australia's response and strategy in the health sector.
More effective legal institutions and improved police services	4,000 women provided counselling and legal support	A key feature of Australia's newly designed integrated policing and justice program is addressing the significant challenge of reducing family and sexual violence. An indicator for performance in this area is access to the counselling and legal support provided by the Vanuatu Women's centre.

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- <sup>i</sup> DFAT, Australian aid: promoting prosperity, reducing poverty, enhancing stability. June 2014
- <sup>ii</sup> International Monetary Fund, press release, 'IMF concludes Vanuatu Article IV consultations', 10 April 2013.
- <sup>iii</sup> Growth estimates source: International Monetary Fund, World Economic Outlook Data Bases April 2014, accessed 13 June 2014
- <sup>iv</sup> Department of Foreign Affairs and Trade, [http://dfat.gov.au/geo/vanuatu/vanuatu\\_brief.html](http://dfat.gov.au/geo/vanuatu/vanuatu_brief.html), accessed 13 June 2014
- <sup>v</sup> Since 2006, the populations of Port Vila and Luganville have increased by an estimated 49 and 39 per cent respectively. Government of Vanuatu, Bureau of Statistics and United Nations Development Programme (UNDP) Pacific Centre, Analysis of the 2010 Households Income and Expenditure Survey, December 2012
- <sup>vi</sup> Government of Vanuatu, Bureau of Statistics and UNDP Pacific Centre, Analysis of the 2010 Households Income and Expenditure Survey, December 2012.
- <sup>vii</sup> Vanuatu's Gini coefficient declined from 0.41 in 2006 to 0.31 in 2010 signifying a reduction in inequality. See analysis of the 2010 Households Income and Expenditure Survey.
- <sup>viii</sup> Around one-third of ni-Vanuatu lack access to multiple services, including quality education, basic health, regular and safe water supply, and affordable transport and utilities. Government of Vanuatu, Bureau of Statistics and UNDP Pacific Centre, Analysis of the 2010 Households Income and Expenditure Survey, December 2012.
- <sup>ix</sup> op.cit.
- <sup>x</sup> Ibid.
- <sup>xi</sup> Pacific Islands Forum Secretariat, 2012 Pacific Regional MDGs Tracking Report, October 2012. Data is based on a 2007 Multiple Indicator Cluster Survey.
- <sup>xii</sup> EGRA 2011
- <sup>xiii</sup> Vanuatu Ministry of Education, Vanuatu Education Management Information System, 2013
- <sup>xiv</sup> Vanuatu TVET Strengthening Program Final Evaluation Report, September 2012
- <sup>xv</sup> Previous reporting showed malaria prevalence reduced by 80 per cent between 2007 and 2013 (from 18 per cent to 3 per cent). This year's APPR has reported incidence rather than prevalence as this is more reliable and better aligned with global practice.
- <sup>xvi</sup> According to a study of detainees in Vanuatu correctional centres (Government of Vanuatu Department of Corrections, 2006, 2008 and 2012), and data from the *Vanuatu National Survey on Women's Lives and Family Relationships* (2011, Vanuatu Women's Centre with the Vanuatu National Statistics Office), seventy-two per cent of women experience physical and/or sexual violence in their lifetime and up to 30 per cent of children are subjected to sexual abuse.