



Australian Government
AusAID

**AUSTRALIA-VANUATU JOINT DEVELOPMENT
COOPERATION STRATEGY
2005-2010**

March 2005

Summary

Vanuatu faces problems of hardship, limited economic growth and policy instability. Rapid population growth continues to undermine real growth and development prospects. The Government of Vanuatu is committed to meet these challenges and has developed a Prioritised Action Agenda (PAA) to accelerate its short to medium term development goals.

Australian official development assistance (ODA) to Vanuatu is significant and reflects the two countries' close relationship. Australia's ODA works with Vanuatu to develop Vanuatu's own capacity to manage its development without, in the long run, having to rely on support from donor countries. There has been much achieved through our partnership to-date. The joint development cooperation Strategy was developed by both governments and reflects Vanuatu's own priorities. It builds on Australia's existing development cooperation program and achievements of the past but gives greater priority to input into the productive sectors.

The goal of this joint Strategy, in line with Vanuatu's PAA, is to support long term stability for Vanuatu by accelerating development, including broad-based growth, and improving the welfare of the general population. This will be supported during the Strategy period (2005-2010) through broadening efforts in governance and service delivery; and strengthening the focus on raising productive capacity. The Strategy is reflective of, and consistent with, the Statement of Principles signed by both Governments in December 2004 ([Attachment A](#)).

The Strategy contains a mix of activities to strengthen the enabling environment to support growth in the productive sectors (agriculture and tourism), to build more effective and innovative partnerships with communities and to ensure that Australian assistance continues to actively address key constraints to poverty reduction, development and potential instability. There will also be a continued role during the Strategy period for sustained Australian whole of government engagement in the development partnership, particularly in developing and strengthening institutional relationships and linkages in key governance areas.

1. Introduction

The Australia-Vanuatu Strategy 2005-2010 is guided by Vanuatu's *Prioritised Action Agenda (PAA)*; and Australia's 2005 Ministerial Statement on Aid, which reinforces the policy directions outlined in the 2002 Statement by the Australian Minister for Foreign Affairs, *Australian Aid: Investing in Growth, Stability and Prosperity*. The Strategy also complements AusAID's *Pacific Regional Aid Strategy* and is informed by the *Vanuatu Poverty Analysis (Attachment B)*.

The governments of Vanuatu and Australia have worked closely and consulted widely in developing the framework for the Australia-Vanuatu Strategy. The five-year Strategy period (with objectives of an even longer-term character), reflects the agreement of both governments that the challenges to economic growth, sustainable development and poverty reduction will not be overcome quickly, and will require a sustained commitment on the part of the Vanuatu Government and donors.

2. Vanuatu's development challenges

Key development challenges for Vanuatu include:

- providing income opportunities for young, growing populations and ensuring their access to essential social services.
- translating the Vanuatu Government's Prioritised Action Agenda (PAA) into substantive and sustainable growth; and
- nation-building in the face of continued demographic change and pressure on traditional structures.

3. Responses to development challenges

3.1 Vanuatu's development objectives

Vanuatu is making progress in meeting these challenges. Reform and governance standards at the government institutional level have improved since the government introduced the Comprehensive Reform Program (CRP) in 1997, with a focus on private sector-led growth and redefining the role of government to enhance its delivery of essential services. However, change is a long-term process and there are difficulties translating these reforms into sustained improvements. Accelerated development has been targeted through the Government's Prioritised Action Agenda (PAA) which highlights its short to medium term development priorities.

Vanuatu is also looking increasingly to regional approaches and mechanisms to tackle its economic vulnerability. The well-developed framework for regional consultation in the Pacific - and the Pacific Forum's renewed mandate for regional cooperation and integration to pool regional resources and strengthen national capabilities - will provide Vanuatu with further development opportunities.

3.2 Donors

Vanuatu's commitment to reform presents an opportunity for a small pool of donors to help support the basis for good governance and economic growth into the future. ODA flows from Australia, France, EU, Japan, New Zealand, China, and the ADB totaled US\$30 million in 2001 (UN), and included development programs across all sectors.

In May 2004, Vanuatu was one of 16 countries selected by the US Millennium Challenge Corporation as eligible to apply for assistance through the Millennium Challenge Account (MCA) – and the only Pacific island country. Total funding being made available under the MCA is \$1 billion, with no specific amount being earmarked to eligible countries. Assistance under the MCA will be closely linked to proposals that support economic growth, policy reform, partnerships and widespread ownership.

Australia welcomed the Vanuatu Government's efforts in hosting a Development Partners Meeting in September 2003, at which time the Vanuatu Government presented its PAA and encouraged donors to realign their programs to support the objectives of the PAA. While Australia's aid program was already closely aligned to the PAA's objectives, Australia has worked with the Vanuatu Government to fine tune our approach to emerging priorities, particularly relating to viable productive sectors. This Joint Development Cooperation Strategy (2005-2010) is an outcome of this work.

3.3 Australia's National Interest

Pacific nations are some of Australia's most important development partners, and the emerging challenges facing the region have altered the development context. The Melanesia sub-region is particularly challenged with past and ongoing economic, political and civil instability as experienced across PNG, Fiji and the Solomon Islands. Australia's interest in the stability and development of the Pacific is based on greater regional prosperity and reducing the threats from transboundary challenges, increasing urbanization, population growth, increasing HIV/AIDS rates, inadequate health and education systems, environmental vulnerability and unemployment. While many of these issues, in Vanuatu's case, are still some way from being as serious as other Melanesian countries, they remain significant challenges for Vanuatu's development. Given its close proximity to Australia, Vanuatu remains an important regional partner for Australian national interests, and the aid program in particular, has a key role to play in policy engagement.

Australia's objectives for the region can be summarised as follows:

- promoting overall stability, development and prosperity;
- supporting better country and regional level governance and accountability of key institutions i.e. legal systems, police force, economic and financial management;
- reducing trans-national crime, particularly that related to drug trafficking, money laundering, people smuggling and misuse of Vanuatu's offshore banks;
- enhancing regional stability and management of transboundary challenges

- improved regional collaboration in addressing shared challenges; and
- promoting trade and investment.

3.4 Australia's development objectives in Vanuatu

Over the past decade, Australia has remained the largest development cooperation partner to Vanuatu, providing over A\$150 million (or approximately Vt12,000 million) worth of assistance across the sectors of health, education, economic governance, public sector reform, law and justice, rural development and natural resources.

Australia has an ongoing development cooperation program with Vanuatu because (i) poverty, hardship and vulnerability remain substantial problems; (ii) Australia can make a valuable contribution; and (iii) a stable and economically viable Vanuatu is in Vanuatu's and Australia's national interest. The international community and the Australian people expect Australia to play a leadership role in assisting Vanuatu in its development efforts.

Reflecting Vanuatu's importance to Australia, Australian ODA increased by \$8.2 million to approximately \$30.9 million (or Vt 2,480 million) in 2004/05 (a real increase of 33 percent).

3.5 Achievements

Since 1997, Australia's aid program has matched the reform mandate of the Vanuatu Government and has targeted key governance issues including economic, financial and public sector reform and law enforcement, achieving great success in some fields. Areas of particular focus and achievement have been:

- prevention of a severe economic decline and a breakdown in macroeconomic stability in the late 90's, through the Australian funded in-house Ministry of Finance and Economic Management institutional strengthening project. In particular, assisting the Vanuatu Government to reduce government expenditure as a percentage of GDP, reduce the government deficit as a percentage of GDP and reduce inflation;
- economic reform at central and line agency level, including implementation of a modern, transparent financial management system and the development of regional best practice national accounts;
- public sector reform through the Public Service Commission;
- provision of basic health services through strengthening the Ministry of Health and community based health centres;
- enhanced educational opportunities following a concerted Australian effort to strengthen the quality of teaching and facilities at a number of institutions; and
- reform and strengthening of the legal and policing systems, including functioning public legal offices and a wide-ranging police reform program.

Vanuatu citizens and companies are directly involved in the delivery of the aid program and benefit from it. For example:

- ni-Vanuatu are employed on AusAID projects;
- aid program equipment is purchased locally;
- Vanuatu facilities are used for training; and
- local companies are engaged for construction activities and as service providers.

Where capacity building and institutional strengthening projects require personnel with experience and qualifications that are not readily available in Vanuatu, personnel are resourced from within the region, including New Zealand and Australia. The role of these advisers is to provide critical support in technical assistance and skills transfer to ni-Vanuatu counterparts:

- They help train many ni-Vanuatu in important areas of finance and economic management, public sector reform, law and justice, health planning and management, education and media.
- The advisers are based in Vanuatu and directly contribute to the Vanuatu economy. The cost of advisers is only a relatively small proportion of Australia's aid, of which a significant proportion flows directly into the Vanuatu economy (eg, accommodation, utilities and vehicle costs).

Since January 2004, Australia has untied its technical assistance for Least Developed Countries (LDCs) which includes Vanuatu. As a result, Australia's aid can draw on a much wider pool of expertise to assist with Vanuatu's development, including from within Vanuatu itself.

4. The Australian-Vanuatu Strategy

4.1 Goal and Scope

The goal of this Strategy is to closely align Australian ODA to the high-level priorities of the Government of Vanuatu's Prioritised Action Agenda (PAA). The Strategy targets areas where the impact of Australia's assistance will be greatest; and focuses on issues that are not addressed by, or can complement, Government programs or other donors.

The priorities identified in the Australia-Vanuatu Strategy 2005-2010 will build on the ongoing development cooperation program by consolidating key governance and service delivery programs and expanding their impact into the rural areas, and by providing additional support for broad-based and equitable growth through the productive sectors - critical to longer-term stability in Vanuatu.

The three key strategic objectives outlined below are based on the premise that:

- strengthening the enabling environment for private sector development, particularly in the agriculture, tourism and investment industries, will contribute to an increase in employment opportunities in rural and urban areas, critical to support a rapidly growing population;

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- higher levels of domestic income will improve access to health and education;
 - access to health services, education and employment in the rural and urban areas will contribute to economic growth and underpin government legitimacy and stability; and
 - further support to key governance institutions and civil society (such as the Chiefs, Churches, non-government and community-based organisations) through institutional capacity building and mentoring will help maintain stability in Vanuatu and provide the foundations for growth.

4.2 Objectives

The Australia-Vanuatu Strategy will support the Vanuatu Government's short to medium term development goal (through the PAA) of:

“Long term stability for Vanuatu resulting from accelerated development, including broad-based growth, and improved welfare of the general population.”

In pursuing this goal, the Strategy will focus on three objectives:

- **Improved governance through strengthening the stability and reach of key institutions.** Consistent with the Statement of Principles signed in December 2004 (Attachment A), the Strategy will build on the progress over recent years in supporting governance improvements, particularly in meeting the challenge of developing more accountable police and legal systems, public sector reform and financial accountability. The governance focus will also shift to help the Government of Vanuatu extend the benefits of capacity building to people in rural areas, through support for stronger links between central, line and provincial systems. Key areas of assistance will include:
 - continued reform in central agencies with enhanced outreach programs to support line agencies to improve management of assets, finance and budgets, human resource management and corporate planning;
 - stronger links between line agencies and provincial systems of service delivery, particularly in the health and education sectors;
 - expanding current assistance to achieve a more professional, accountable and community-oriented police force (building links with other Australian government programs, and in coordination with New Zealand and France) and stronger legal systems, supporting the rule of law;
 - enhanced support for transparency, accountability and reducing corruption, through support for accountability mechanisms of government and machinery of government processes; and
 - related to the above, increased engagement with civil society to promote demand-led governance.
- **Raising Productive Capacity of ni-Vanuatu, particularly young people and women.** Australia will explore options to assist the Government in its aim to accelerate development by expanding agricultural productivity and strengthening the tourism

sector. The focus will be on providing income-generation and employment opportunities for ni-Vanuatu, particularly young people. As this area is a new focus of Australian assistance in Vanuatu, activities will be further defined to address both broader issues of strengthening the enabling environment for private sector development, and targeted assistance to improve productivity. Areas for further consideration include: legislative reform to improve the investment and trade environment; improving market access; business management and small-medium enterprise development.

- *Improving Service Delivery to populations in greatest hardship particularly in isolated rural communities and informal settlements in urban areas, underpinning broad based growth and government legitimacy.* The Strategy will focus on providing support for key service delivery agencies to target services more effectively in rural communities and informal settlements in urban areas. Health and education (including health and education infrastructure) will be the two main priorities. A new focus under the Strategy will be community partnerships, particularly in addressing the problems of disaffected young people. This objective will contribute to growth and stability by addressing issues of:
 - public confidence in the government by increasing access to health and education services, particularly in the rural areas and informal urban settlements;
 - targeting technical and vocational education (in coordination with donor support for other parts of the education system) ensuring positive links between the education system and the job market;
 - targeting assistance to line agencies in support of the delivery of rural and urban services;
 - stronger partnerships between NGOs, Council of Chiefs, Council of Churches, women's and other civil society groups and Government; and
 - targeting the needs of unemployed young people in urban centres.

5. Making the Strategy work

5.1 Development cooperation implementation

This Strategy marks a shift in the Australian development cooperation program to a greater focus on the productive sectors. While governance and service delivery are continuing priorities in Vanuatu's PAA and for Australian ODA, the urgent need to improve productivity, especially in the key sectors of agriculture and tourism, is clear. Creative ways of expanding current activities in governance and service delivery will be developed to allow resources to be directed to the new focus on the productive sectors.

The objectives of the Strategy will be pursued through a mix of options that will be developed early in the Strategy period but will retain ongoing flexibility:

- policy dialogue with the Government of Vanuatu, drawing on whole of government approaches in Australia;
- aligning, where possible, Australia's aid delivery with GoV systems and frameworks;
- programs/activities managed and funded through AusAID (bilateral, regional, humanitarian assistance, NGO programs, etc) and other Australian Government departments;
- looking at opportunities to maximize the use of local expertise and local contractors
- increased engagement with civil society to promote demand for good governance, including government accountability;
- facilitating partnership approaches that bring together Government of Vanuatu, private sector partners and relevant donors, particularly in relation to supporting Vanuatu's productive sectors;
- coordination/dialogue with other donors, including increasing harmonisation with New Zealand and France; and
- further analytical work.

The Strategy, therefore, will further shift from the standard 'project model' for delivery to flexible initiatives to be developed at the level of the three strategic objectives. Programs and activities will draw on a range of options such as Australian, local and regional expertise; scholarships in Australia and the region; incentives; and targeted grant support.

5.2 *Strengthening partnerships*

The Strategy is a more robust approach to aid delivery in its consistency with the priorities established by the GoV. It will also include joint monitoring and evaluation of programs and regular consultation with Ministers and Senior Officials on programming and policy decisions.

Greater focus will be given to improving linkages with key development stakeholders in Vanuatu during the Strategy period.

Australian whole of government approach

In acknowledging the challenges facing Vanuatu (and the Pacific more generally), Australia is expanding its practical support to address sustainable reform. This means a wider Australian Government engagement. Further potential exists for the development and consolidation of ongoing institutional linkages and relationships between Australian and Vanuatu government departments. For example, the Pacific Governance Support Program (PGSP) supports emerging governance activities, linking Australian Government agencies directly with Pacific counterparts and supporting shared regional governance approaches.

Strengthening regional responses

The demands on Vanuatu to meet the requirements of effective governance are onerous. It is becoming increasingly difficult to maintain the sophisticated arms of modern government on a purely national basis without contributing to: high levels of public debt; resultant negative impacts on the economy; draining resources away from funding basic services such as health, education, law and order; and income-generating activity by the private sector.

The 2004 Forum Secretariat review and resultant recommendations, through the development of the Pacific Plan, confirm the scope for the region to investigate more vigorously the pooling of resources and to adopt regional approaches to overcome these problems.

Australia is already supporting regional approaches and programs benefiting Vanuatu in key areas including: building the capacity of national police forces on a regional basis, through the Pacific Regional Policing Initiative (PRPI); helping define more rational arrangements for regional transport services; promotion of a viable and responsible regional media sector through the Pacific Media and Communications Facility (PMCF); and in the health and environment sectors. Opportunities will be explored during this Strategy period (2005-2010) to add further regional dimensions, where sensible, to bilateral approaches.

Working with civil society

Supporting the development of a vibrant civil society in Vanuatu and building on its current strengths are important to enable communities to participate actively in fulfilling their needs and aspirations and to build community resilience and social inclusion. During the Strategy period, targeted capacity building of civil society groups - particularly those working with women, young people and vulnerable groups - will aim to strengthen their effectiveness to provide an avenue for community concerns, create demand for good governance and deliver crucial services. A new community partnerships program will be developed to strengthen relationships between civil society (such as non-government organisations, Council of Chiefs and Churches) and Government, improving the impact of service delivery and promoting economic opportunities. The private sector will be an important partner, particularly in the development of a strategy for improving productivity in the key sectors of agriculture and tourism.

Working with other donors

Donors play a critical role in providing ideas and knowledge, as well as resources, to support and accelerate development in Vanuatu. To this end, Australia is actively promoting policy dialogue between donors and key stakeholders in Vanuatu to encourage reform, minimise duplication and strengthen coordination in key areas.

There are particular needs for stronger Vanuatu-led coordination in the productive sectors, particularly agriculture and tourism, and in governance reform. As the major donor to Vanuatu, Australia will work hard to promote the Government of Vanuatu in its role as the coordinator of all external assistance. Australia will play a lead role in

encouraging all donors to work together to support the Government of Vanuatu's Prioritised Action Agenda (PAA).

Harmonisation of development cooperation programs with New Zealand is an ongoing priority with the development of joint scholarship selection procedures and program coordination. Australia also cooperates closely with donors working in priority sectors for Australian ODA. Tripartite Australian, New Zealand and French cooperation is under development in supporting law and justice sector reform and building on the existing partnership in disaster relief under the FRANZ agreement. Under this agreement, donors are helping the Government reduce the country's vulnerability to disasters by strengthening its capacity to plan and coordinate responses that minimise the impact on communities.

5.3 Learning from experience

Australia's ODA over the last decade has been highly responsive to the changing development and political context in Vanuatu. But the benefits of Australian activities were too often lost in the years following activity completion. A major challenge for this Strategy is to learn the lessons from the successes and failures of the past to ensure that Australian ODA has a long-term positive impact on the lives of people facing hardship in Vanuatu. Some key lessons to emerge from program reviews include:

- increased involvement of government officials in development cooperation planning and programming can substantially contribute to better outcomes and sustainability;
- maintaining in-built flexibility in the development cooperation program enables Australia to respond rapidly and effectively to high priority and emerging needs;
- capacity building and mentoring of teams (not individuals), using Australian, local and regional expertise, must remain at the centre of technical assistance;
- commencing key governance reforms with central agencies is critical in embedding reform programs in the bureaucracy, as a platform for further reform in line agencies;
- the need to give more focus to support for service delivery and rural and provincial development;
- need for conflict and instability analysis and responses.

5.4 Analytical work

Highly-focused and practical research and analytical work to support program sustainability will be maintained through the Strategy period. Beginning with diagnostic and feasibility studies early in the Strategy period - in key programming areas such as the productive sector, governance, and service delivery – will provide a sound knowledge-based approach to program development that will improve quality and enhance development impact.

Research and analytical priorities identified in the Pacific Regional Aid Strategy that are relevant to Vanuatu include governance, economic growth, urbanisation and the youth

'bulge', corruption, capacity building, labour mobility, reducing the vulnerability of the poor and land tenure.

Analytical work already identified includes:

- examining basic institutions to better understand levers of change in Vanuatu;
- further researching instability triggers and possible responses;
- identifying causes and manifestations of corruption ;
- analyzing empirical research on connections between labour mobility and poverty reduction;
- analyzing, with the ADB, the cost of providing social services and financing growing demands in Vanuatu to assist the mobilisation of government and non-government resources.

5.5 *Managing risk and measuring performance*

Both governments agree that effective and quality implementation of the Strategy will be the priority of the Vanuatu-Australia development cooperation relationship over the next five years. This Strategy is premised around managing identified risks, as much as is practical, that may undermine the achievement of the Strategy's objectives. These include:

- limited capacity of Vanuatu Government institutions;
- weak civil society institutions;
- political instability, which undermines commitment to necessary long-term reforms;
- corruption; and
- competing development challenges in the region for Australian development assistance.

Strategy progress will be tracked through the jointly prepared Strategy Performance Framework ([Attachment C](#)) and supported by monitoring and evaluation of separate activities. The Strategy Performance Framework will evolve over the life of the Strategy to ensure that it continues to support joint decision-making and responds to changing priorities and needs. The Strategy Performance Framework complements the objectives of the Government's PAA and can therefore provide the basis for a stronger monitoring and evaluation approach in Vanuatu by the Vanuatu Government and other stakeholders.

5.6 *Resource implications*

Australia is the largest aid donor to Vanuatu. Estimated ODA in 2004-05 is \$30.9m (including \$20 million through the bilateral development cooperation program). It is anticipated that these annual funding levels will be maintained during the life of the strategy, subject to budgetary constraints, the broader relationship and other competing development priorities. As with all Australian Government programs, it will be important to ensure results are achieved. Smart choices on activity selection and sequencing will be crucial, as will be the Government of Vanuatu's own efforts to enhance its accountability and effectiveness.

Starting in the first half of 2005, consultation will commence on longer-term programs to address the objectives of the Strategy more specifically.

5.7 *Promoting the program's achievements*

Open and ongoing dialogue on the development cooperation program will be promoted during the Strategy period with key stakeholders within Vanuatu, Australia and the region. To underpin the annual review of the Strategy, both formal and informal discussion and feedback will be actively pursued through meetings, media, greater use of networks and effective use of information technology.

ATTACHMENT A

**Statement of Principles
Issued by the Governments of Vanuatu and Australia**

We, the Governments of Vanuatu and Australia, are pleased to reaffirm our commitment to the development of Vanuatu which can only be achieved through adherence to the core principles of good governance, transparency and democracy, as enshrined in the Constitution and laws of the Republic of Vanuatu.

We, the Governments of Vanuatu and Australia, recognise that the principles of good governance, transparency and democracy are crucial to the future security and prosperity of the sovereign Republic of Vanuatu and constitute the indispensable basis for cooperation between both countries. Cooperation between our two countries shall be on a basis of mutual respect.

The Government of Vanuatu stands united in its pledge to uphold democracy and the rule of law and hereby announces that it is firmly committed to:

- Maintaining a professional and independent police, judiciary and public service;
- Ensuring a transparent and free trade and investment climate, and recognising the crucial role of foreign direct investment in building a prosperous Vanuatu;
- Maintaining a free, independent and responsible media; that is appropriately sensitive to Vanuatu's traditional values; and
- Combating transnational crime.

The Government of Vanuatu pledges to maintain this commitment to good governance, transparency and democracy within the context of Vanuatu's traditional values. It reiterates its commitment to the following:

- Assisting the valuable work of Vanuatu Financial Intelligence Unit;
- Implementing Vanuatu's existing legislation to safeguard the integrity and image of the Vanuatu financial system against fraudulent transactions,
- Strengthening Vanuatu's anti-money laundering institutions; and

- Establishing an Agreement between the two Governments on how Australian technical and advisory support can best contribute to Vanuatu's development and security requirements.

The Government of Australia pledges to assist Vanuatu in its economic development; public service, legal and police programs; and other sectors, on the basis of priorities established by the Government of Vanuatu.

We, Prime Minister Ham Lini of the Republic of Vanuatu and on behalf of the Government of Vanuatu, and Foreign Minister Alexander Downer, on behalf of the Australian Government, hereby sign this declaration of our commitment to good governance and the development of Vanuatu, on this day of _____ 2004.

Ham Lini
Prime Minister of the
Republic of Vanuatu

Alexander Downer
Minister for Foreign Affairs
Commonwealth of Australia

ATTACHMENT B

POVERTY IN VANUATU

**Compiled by: Henry Vira, Consultant
Port Vila, Republic of Vanuatu
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Overview:

Poverty is a multi-dimensional concept and it means different things to different people, across time and place. Although Poverty is most widely associated with hunger, starvation and destitution, in effect having insufficient income with which to feed and clothe oneself and one's family, this is just one of poverty's manifestations – the most extreme perhaps – but there are many other ways in which people can be poor or suffering hardship. People can still be reasonably well-fed and healthy but they can still suffer hardship. They may lack access, freedom of choice, or opportunity.

The Poverty of Opportunity, e.g. lack of access to basic health and education services, employment opportunities, standards of good governance and equal opportunities across gender and age, is now regarded as just as important in defining the extent of poverty and hardship in a society as is the lack of income. Often the conditions and circumstances giving rise to the poverty of opportunity are the causes of income poverty. Alleviating poverty of opportunity will help to increase incomes and wealth, and thus a better standard of living.

Having said this, it should be noted also that about 2% of Vanuatu's population, particularly in very traditionally-oriented communities choose to rely on their own means and ideologies rather than engage in what they perceive as "foreign" and thus intrusive in their lives. This is particularly true in the context of education.

Local Context:

Although absolute poverty in terms of starvation and destitution is not a problem in Vanuatu, many people have incomes below the international poverty line of US\$1 per day. Recent estimates suggest that 40% of all Ni-Vanuatu and 51% of those living in rural areas have incomes below this level. Population has increased at an average rate of 2.6% from 142,400 in 1989 to 186,678 at the 1999 census. Nearly 80% of the population is rural with the remaining 20% living in the urban areas of Port Vila or Luganville. The 2002 UNDP HDR ranks Vanuatu 131 out of 173; 12% of people not expected to survive to age 40; 66% illiteracy; underweight children under 5 (23%); without access to safe water 13%; without access to health services (20%). Life expectancy at birth is 68 years. Infant mortality is 26 per 1000 births. Population with access to safe water (piped) is 44%.

The existence of hardship in Vanuatu is difficult for some to understand and accept. Communities have always taken care of all their members, sharing food and goods between the richer and poorer people. But this traditional system is strained by modernisation, especially the growing need for cash, the shift away from subsistence farming, a growing population, and movement of people to towns. There has been considerable debate about the presence of poverty in Vanuatu and the increasing number of out-of-school youth, youth unemployment, and lack of access to training and job opportunities, especially on the remote islands.

To understand and address poverty effectively in Vanuatu, it is necessary to address the experiences of both urban and rural dwellers. Rural households have less access to safe water supplies and hygienic sanitation, poorer access to transport and communications services and have a lower level of household asset ownership. Rural households have lower educational achievement, fewer opportunities for employment and non-agricultural economic activity and consequently are more dependent on agriculture, both for subsistence living and as a source of income. Rural people are more vulnerable, on the margins of the cash economy and reliant on subsistence production to supplement small cash incomes from agriculture. They also remain largely unskilled, and hence disadvantaged in terms of access to the job market.

Vanuatu has a youthful, fast growing population. With fast social change, this population is becoming more mobile within the country, from rural to urban areas. In 1999, the urban population was 40,100, 21% of the national population. According to the 1999 national census, over 21% of Vanuatu's population live in the urban centres of Port Vila and Luganville. The difficult living conditions and lack of opportunity in the rural areas have resulted in an increasing rate of urban population growth. In the 1989-1999, urban population growth was 4.2%, reflecting high internal migration from rural to urban areas. A large proportion of urban dwellers are forced to live in sub-standard, unhealthy conditions, particularly in the informal settlements around the two main towns – difficulties include: inadequate access to clean water and sanitation, low income, poor housing, access to education, health care and other basic services. Many of the households in informal settlements also experience difficulties in meeting their basic needs for food, clothing and money because of insufficient incomes or jobs. Uncertain land tenure contributes to the insecurity and other difficulties of squatters – some traditional land owners also are unwilling to allow construction of permanent houses or provisions of water or electricity services because they fear they may thereby lose control over their land.

Experiences of Provinces:

Provincially, TORBA and SANMA fared worse with less than 25% of households having access to piped water. 80.1% of households in TORBA have no access to either a shower or other washing facilities in the house. More than 90% of households in Malampa, Penama and TORBA use kerosene as their primary lighting fuel – there is no electricity in TORBA province. Households in TORBA (2.7%), Tafea (6.5%), and SANMA (7.0%), have least access to transport facilities. Over three quarters of rural households and over 90% in Torba and Tafea do not have access to communications services.

Of the rural provinces Shefa has the highest rate of paid employment, 19.3% benefiting from its proximity to Port Vila. At the other extreme in Tafea and Torba the rate is only 6.5%. Subsistence economy are most important for households in Torba (86.9%) and Malampa (84.1%).

Dependence on coconuts as a source of income reaches over 90% in Torba and Malampa provinces. Cocoa is a cash crop for an average of 28.5% of all rural households but only 8.1% of those in the urban centres – it is most important in Malampa where it provides 61.1% of households with a source of income.

Kava is the second most important crop after coconuts providing 59.3% of rural and 12.3% of urban households with a source of income. Kava is most important in Penama (80.4% of households) and Torba (72.5%).

Hardship among different groups:

- **Youths:** Inability to continue schooling especially to the secondary level, and poor trade skills for youths who have dropped out or been “pushed out” are main causes of hardship among the youth. Rural training centres have helped in providing skills but there is not enough of them to meet the increasing demand. Many youths in rural areas end up heading into the urban centres looking for jobs and in search of what they perceive as a “better life”. The 0-14 age group makes up 41.5% of the total with Youth (15-25 years) comprising a further 17.8% of the population. Almost 60% of the population are therefore under age 25 years of age. Population dynamics and the generally slow rate at which fertility rates change mean that a high population growth rate will be inevitable over the medium term. At current

population growth rates the national population will double within about 30-35 years and that of Port Vila within 20 years. There are pressures on young males to be future heads of families and community leaders – without jobs and perceived bleak future in rural communities, these young men are disappearing into the urban centres to escape these pressures.

- **Women:** Women particularly in rural areas are highly under-represented within the education system. In 1999, 56.3% of rural females had either not been to school or had no qualifications. Out of this group only 9.7% of rural females had progressed beyond primary school level. Women have less access to education, paid employment and other services. The lesser opportunities available to women flow through into the opportunities available to their children and can result in children being caught in a poverty trap. Women also suffer from single parenthood, unplanned pregnancies, and domestic violence
- **People with Disability:** The National Listing of the 1999 National Census showed that there were over 2,749 people with disabilities in Vanuatu. Women with disabilities are multiply disadvantaged through their status as women, as persons with disabilities, and majority numbers as persons living in poverty. It is not clear how many children and youth in Vanuatu receive primary education or are currently enrolled. In the Asian and Pacific region, less than 10 per cent of children and youth with disabilities have access to any form of education. Inaccessibility to the built environment including public transport systems is still the major barrier for persons with disabilities.
- **Children:** Limited and decreasing access to education facilities is the most common hardship affecting children, particularly those who live in rural areas. Most children walk long distances (5km or two hours daily) to the nearest school. Poor access to health services is another concern for children, particularly in rural areas and outer islands. Most common illnesses are treated by local village healers due to lack of transport to reach the nearest dispensary or hospital. In some areas, people had to walk at least 4 hours to get to the nearest health centre, which may not have the medicines needed to treat their children.

Limitations to a better life:

- **High Inflation Rate:** In 1999, the inflation rate was an increase of 4.1%. The impacting changes over the year were attributed to increase in transport and communication (6.8%), housing and utilities (7.2%) and drinks and tobacco (8.7%). Relative increases in the overall CPI (Consumer Price Index) in Housing and Utilities were attributed to increases in electricity (5.7%) and housing rents (0.7%). Price developments in Vanuatu have in most instances been shaped by changes in government policies, particularly fiscal policies, as well as imported inflation by way of oil price increases and other exogenous factors.
- **Water Supplies:** Whilst 76.3% of urban households have access to piped water this available to only 34.7% of those in the rural parts of the country
- **Fuel and Electricity:** Fuel and Electricity costs in Vanuatu are among the highest in the Pacific. This translates to high production costs and high priced commodities. 60% of households in urban centres use electricity while over 95% of rural households use wood/coconuts as fuel for cooking purposes.
- **Communications:** Only about 10% of households have access to a phone
- **Economic Activity:** 50% of the urban labour force are in paid employment compared to an average of 10.4% in the rural areas.
- **Education:** The 1999 National Census data indicated that 17.7% of the economically active labour force had received no education and whilst a further 29.2% had been to school they had received no qualification. Just over 35% had only completed primary school. Thus about

82% of the economically active population had received no more than basic primary schooling.

- **High Cost Structure of the Economy:** Vanuatu has a comparatively high cost of doing business. Electricity, telecommunications, and transport costs are all high compared to other countries in the region. Nominal wages are not high, but because of low productivity and dispersion of in-land activity, the achievement of economies of scale is very limited. Thus, growth and development is constrained by the high cost structure.¹
- **Land Tenure System:** Custom Land Tenure remains a major constraint to development as most of the land areas are owned by custom landowners thus making land acquisition quite complex, especially with procedures. Another important issue is that land issues are quite hard to resolve when many people claim a certain piece of land, therefore the slow process of the courts to find the real landowners could prolong the process of development.²

Recommendations to minimise hardship in Vanuatu: The following are recommendations that could benefit the people of Vanuatu minimise hardships.

1. Service Delivery (Improve access and increase opportunities)

- Improve access to education (primary and secondary level as well as increased vocational training opportunities)
- Increase investment in rural education at all levels to improve access and opportunity
- Better roads, shipping services and air strips
- Increased water supply connections and improve quality of water for drinking
- Increase Telecommunication facilities
- Devolve more responsibility for health service delivery and support to the provinces
- Support for road maintenance
- Support NGOs and Civil Society in their efforts to provide shelter for women and youth who are at risk
- Support policy enactment that would dismantle barriers and improve access and coordinator for people with disabilities. Also continue to provide support for further research on disabilities

2. Raise Productive Capacity

- Credit services particularly for development in rural areas
- Improve access to agriculture improvement skills
- Improve Business management skills
- Targeted production and planting of agricultural products
- Better targeted and delivered training for improved agriculture practices
- More effective Quarantine support service
- Improve market access and facilitation of markets for local produce (both local and international)
- Expand support for targeted agricultural productivity for Ni-Vanuatu in business, particularly focusing on youth employment
- Explore possibilities of reducing production costs, particularly fuel costs and electricity.

¹ This represents the view of the Vanuatu Government, as reflected in comments provided through the Department of Economic and Sector Planning (March 2005).

² As above.

3. Governance

A prerequisite for increased and for future development in Vanuatu will depend very much on government commitment to address governance issues – there must be national stability, and the rule of ‘law and order’ must prevail at all times. The Government should strive to create better working relationships with the private sector, Chiefs and Church leaders, and other members of Civil Society. In addition, national policies must be consistent and there must always be commitment from all levels of Government.

Sources:

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**AUSTRALIA-VANUATU DEVELOPMENT COOPERATION STRATEGY 2005-2010
PERFORMANCE FRAMEWORK**

GOAL: LONG TERM STABILITY RESULTING FROM ACCELERATED DEVELOPMENT, INCLUDING BROAD BASED GROWTH, AND IMPROVED WELFARE OF THE GENERAL POPULATION

LEVEL	OBJECTIVES	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	RISKS
Strategic Objective 1	Improved governance through strengthening the stability and reach of key institutions			
Program Outcome 1.1	Improved financial management and accountability through continued public sector reform	<ul style="list-style-type: none"> • Sustained institutional strengthening/capacity building in MFEM/PSC • Institutional strengthening/capacity building in key government institutions • Acceptable national accounting systems in place 	<ul style="list-style-type: none"> • Extent of objectives met under CRP/PAA matrix/National Summit • PSC/MFEM reporting • DSM reporting • National accounts/budget papers 	<ul style="list-style-type: none"> • Lapse of political commitment to reform • Lack of government policy development, coordination and implementation • Lack of progress in institutional strengthening and human capacity building • Corruption
Program Outcome 1.2	More effective legal institutions / improved police services	<ul style="list-style-type: none"> • Increased access to legal services by the public • Better provision of legal services to the Government • Increase and appropriateness of police responses • Public perceptions of police • Improved law and justice policy coordination 	<ul style="list-style-type: none"> • Consultation with key central agencies • Reporting from Sate Law Office, Public Prosecutor, Public Solicitor • Decrease in court cases and Ombudsman's reports against the Police • VPF statistics • DCP reports • Stakeholder surveys 	<ul style="list-style-type: none"> • Lack of government policy development, coordination and implementation • Lack of progress in institutional strengthening and human capacity building • Corruption • Social instability
Program Outcome 1.3	Stronger links between central, line and provincial systems	<ul style="list-style-type: none"> • Planning, budgeting and HRM systems operating in line agencies and 	<ul style="list-style-type: none"> • Outreach strategies prepared and implemented by central 	<ul style="list-style-type: none"> • Lack of government policy development, coordination and implementation

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		<ul style="list-style-type: none"> provincial authorities Systems coordination between national and provincial levels 	<ul style="list-style-type: none"> agencies MFEM/PSC reporting DSM, Local Authorities reporting 	<ul style="list-style-type: none"> Lack of progress in institutional strengthening and human capacity building Geographic constraints
Strategic Objective 2	Improved service delivery to populations in greatest hardship			
Program Outcome 2.1	Greater targeting by key service delivery agencies in rural communities and informal settlements in urban areas	<ul style="list-style-type: none"> % increase in equitable distribution of primary health (including reproductive health) services; aid posts and dispensaries support; and rural water supply systems to targeted communities % increase in access to secondary and vocational education services to targeted communities Improved management in urban and social planning 	<ul style="list-style-type: none"> Targeting equity/access strategies prepared and implemented by MOE, MOH, RWS Positive stakeholder surveys Education service delivery policy linked to job market UNESCAP reports 	<ul style="list-style-type: none"> Lack of government policy development, coordination and implementation Lack of progress in institutional strengthening and human capacity building Lack of bureaucratic commitment Lack of adequate/recurrent resourcing for service provision and infrastructure Failure to link jobs to the market
Program Outcome 2.2	Stronger partnerships between NGOs, Council of Chiefs, Council of Churches, women's and other civil society groups and Government in service delivery in rural communities and informal settlements in urban areas	<ul style="list-style-type: none"> Evidence of working linkages between stakeholders Enhanced impact and sustainability of services in targeted areas 	<ul style="list-style-type: none"> MOH, MOE, RWS reporting Feedback on consultation rates from civil society groups Stakeholder surveys National Summit; CRP Matrix 	<ul style="list-style-type: none"> Lack of government policy development, coordination and implementation Lack of progress in institutional strengthening and human capacity building Failure to effectively operationalise agreements
Strategic Objective 3	Raised productive capacity of ni-Vanuatu, particularly women and young people			
Program Outcome 3.1	Expanded rural (farm and off-farm) productivity providing income generation, particularly for women and young people	<ul style="list-style-type: none"> % increase in private sector activity by targeted groups % increase in rural production activities % increase in incomes for women and young people 	<ul style="list-style-type: none"> Government/ADB statistics REDI reporting Household income and expenditure surveys Labour Market surveys NSO statistics 	<ul style="list-style-type: none"> Externalities impacting on agricultural production Lack of government policy development, coordination and implementation Failure to adequately develop participatory pro-poor rural

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		in rural areas		strategies
Program Outcome 3.2	Strengthened tourism sector providing employment opportunities, particularly for young people	<ul style="list-style-type: none"> • % increase in tourism arrivals • % increase in jobs in tourism/ service industry 	<ul style="list-style-type: none"> • NTO reporting • Labour market surveys • VIPA 	<ul style="list-style-type: none"> • Externalities impacting on tourism industry • Lack of government policy development, coordination and implementation • Failure to adequately target women and young people for employment
Program Outcome 3.3	Stronger enabling environment for private sector development	<ul style="list-style-type: none"> • Legislative review • Increase in business registrations • Increase in domestic and foreign investment 	<ul style="list-style-type: none"> • New legislation supporting private sector development • MAFF reporting • VIPA report • Chamber of Commerce 	<ul style="list-style-type: none"> • Externalities impacting on private sector development in Vanuatu • Lack of political commitment to enact enabling legislation • Lack of government policy development, coordination and implementation