



## PACIFIC COVID-19 RESPONSE PACKAGE – VANUATU ANNEX

As announced in the October 2020 budget, Australia will provide new funding of [\\$304.7 million for a COVID-19 Response Package](#) (the Package) in the Pacific and Timor-Leste. The two-year package (FY2020-21 and 2021-22) will be a temporary and time-bound addition to Australia's existing and ongoing \$4 billion Official Development Assistance budget.

In addition to support provided to maintain Pacific aviation, the Package has two funding windows: a Vulnerability and Economic Recovery Window; and a Fiscal Crisis Window for countries facing severe fiscal impacts. The Australian Government will provide \$10 million in funding to Vanuatu under the Vulnerability and Economic Recovery Window.

This annex outlines Australia's implementation of the Package in Vanuatu. It also serves as an annex to the [Vanuatu COVID-19 Development Response Plan](#) that forms part of Australia's [Partnerships for Recovery](#) development policy.

### **ECONOMIC, FISCAL AND SOCIAL SITUATION**

A halt in tourism revenues (estimated at up to 46 per cent of GDP), reduced remittances and rising unemployment have weakened Vanuatu's growth and undermined development gains. These impacts were further compounded by Tropical Cyclone (TC) Harold – a Category 5 storm that struck Vanuatu in April 2020, affecting over 130,000 people (approximately 43 per cent of the population) and causing widespread damage. The Government of Vanuatu estimates the combined economic cost of COVID-19 and TC Harold at \$850 million. While no formal unemployment figures are available, there is evidence that both unemployment and rates of extreme poverty are rising.

The Asian Development Bank (ADB) has predicted that extreme poverty could rise from 14 per cent of Vanuatu's population to 25 per cent, whilst the share of the population living at or below the medium national poverty line could rise from 40 per cent to 60 per cent. Women are at particular risk due to high rates of employment within the informal sector and in tourism and hospitality. It can be expected that already-high rates of violence against women and girls will have

increased due to the additional pressures created by the pandemic and TC Harold.

COVID-19 and TC Harold have critically undermined Vanuatu's domestic tax base, with the primary form of taxation, VAT, falling by more than 20% in 2020. Despite this, non-traditional revenue, mostly from citizenship schemes, have held up and shielded Vanuatu from the full fiscal impacts of COVID-19 felt elsewhere in the Pacific. Actual budget figures up to August 2020 show an operating surplus of 3.5 per cent of GDP in 2020, although the 2020 fiscal outcome was revised to a small deficit in the 2021 Vanuatu budget. Vanuatu is forecasting a small surplus in 2021.

### **ACTIVITIES**

Activities to be funded through the Package include:

**Vulnerability and Economic Recovery Window:** \$10 million in 2020-21 for the following:

1. \$5 million for school fee relief, provided as a grant to the Vanuatu Ministry of Education and Training to provide partial school fee relief to families of high school students in years 7-14. These funds will ease economic pressure for families, ensuring children, particularly girls, can stay in school.
2. \$3.8 million for cash transfers to vulnerable households via the Australian and New Zealand funded Unblocked Cash program. These funds will contribute to monthly e-cash transfers to vulnerable households. E-cash payments can be spent by households through local vendors on various goods and services including food, water, hardware, agriculture supplies, medicines and utility payments. While directly supporting vulnerable households with a monthly predictable income, the investment also promotes broader economic activity within communities.
3. \$1.2 million for tourism recovery, provided as a grant to the Vanuatu Tourism Office to fund the development and implementation of a Vanuatu tourism recovery plan.

**Fiscal Crisis Window:** Vanuatu is not currently under consideration for funding under this window.



## POLICY AND PROGRAM ALIGNMENT

Australia's Vanuatu COVID-19 Development Response Plan focusses on health security, stability and economic recovery and aligns with the Government of *Vanuatu's COVID-19 and TC Harold Recovery Strategy 2020-2023* and *National Sustainable Development Plan 2016-2030*.

Activities funded through the Package are situated within Australia's existing partnerships, networks and programs in Vanuatu, including:

- The Vanuatu Education Support Program, which has provided technical assistance to the Ministry of Education and Training since 1980.
- An existing cash transfers investment that utilises Australia's partnerships with Oxfam and other Australian NGOs in Vanuatu to deliver cash to vulnerable people. The cash transfers investment will also benefit from additional COVID-19 business resilience funding that Australia provided to the Vanuatu Chamber of Commerce and Industry.
- Australia's Governance for Growth program, which will support the Vanuatu Tourism Office with technical assistance, including through a partnership with Vanuatu's Ministry of Tourism and Trade, under which the Tourism Office is a statutory body.

The funding through the Package builds on an initial \$13 million provided to Vanuatu in 2020 to support the immediate response to the economic and health impacts of COVID-19.

## GENDER EQUALITY AND WOMEN'S EMPOWERMENT

The Package will respond to the impact of COVID-19 on women and girls in Vanuatu, including loss of livelihoods and likely increased rates of gender-based violence.

The cash transfer investment is directly focused on supporting vulnerable households including single mothers, widows and women with a disability. Overall, 53 per cent of the program beneficiaries are women, and approximately 20 per cent are women and girls with a disability. The program also directly supports women's economic empowerment by facilitating many women-owned businesses to accept payments from cash transfer recipients.

Approximately 51.5 per cent of Vanuatu's secondary school students are girls and are at particular risk of dropping out of secondary school due to the high cost of tuition, boarding and exam fees. Australia's school fee

relief investment will help reduce pressure on family budgets, supporting girls to continue their education.

Vanuatu's tourism sector is a major employer of women and Australia's grant to the Vanuatu Tourism Office to develop a tourism recovery marketing plan will support Vanuatu's future economic recovery as well as offering employment opportunities.

## PROGRAM AND PERFORMANCE MANAGEMENT

The progress of each investment under the Package will be tracked through country-specific monitoring and evaluation frameworks. Monitoring will be undertaken by DFAT with delivery partners and reported through DFAT's regular reporting processes.

Results under the package will contribute to reporting against indicators including the following:

From the Vanuatu COVID-19 Development Response Plan Performance Framework:

- Number of people reached with new or improved social protection programs, including remote communities
- Policy and technical advice on sustainable stimulus measures and support for longer term economic recovery
- Australian budget support as a percentage of supplementary budget expenditure in response to COVID-19.

From the Pacific COVID-19 Response Package Design Framework:

- Number of entrepreneurs (M/F) provided with financial and/or business development support services
- Public expenditure allocation to institutions with functions relevant to economic recovery and support for vulnerable groups.