Republic of Vanuatu

Republique de Vanuatu

**Governance for Growth Program**

**2009 Annual Report**

**February 2010**

**Executive Summary**

**Summary**

Governance for Growth (GfG) is a partnership between the Vanuatu and Australian governments which aims to address obstacles to broad-based growth and service delivery that can be overcome through effective governance. An important feature of GfG is the management approach. Leadership of the program is firmly vested with the government of Vanuatu, with the program operating on the principles of partnership, flexibility and responsiveness to the government’s priorities. In 2009, GfG has continued to demonstrate the benefits of this approach, helping Vanuatu to strengthen its policy framework, flexibly respond to new priorities and deliver results in a number of key areas.

GfG supported reforms in the telecommunications sector continue to deliver tangible benefits in terms of reduced prices, improved service quality and expanded national coverage. Reforms have also made a direct and substantial contribution to GDP growth. GfG support to help establish the Utilities Regulatory Agency has resulted in improved regulation and oversight of the power sector.

Ongoing GfG support in the areas of economic and financial management has helped the Vanuatu government improve fiscal discipline, increase accountability to Parliament, and strengthen the links between government policy, resource allocations and donor funding. GfG support for sector programs has been instrumental in helping the government deliver some major policy outcomes, such as the introduction of transparent banking arrangements for schools, paving the way for fee-free primary school education by 2012.

New GfG investments in infrastructure (roads, ports), banking and tourism are expected to contribute further to social and economic development, employment and improved service delivery in the years ahead.

This is the third annual report for GfG. The report summarises major program achievements and challenges in 2009, together with forward priorities for the program in 2010. Annex A contains more detailed information on GfG program performance.

**Major achievements**

**Result area 1 – Vanuatu’s policy framework is more supportive of broad-based growth**

***Introduction of competition into telecommunications sector***

The Vanuatu government’s policy to increase competition has continued to deliver substantial price reductions and further increases in both coverage and access throughout Vanuatu. Mobile coverage expanded to reach 85% of the population in 2009, consistent with Digicel’s license requirements (developed with GfG support as part of the telecommunications negotiations in 2008). It is estimated that more than one in every two people now owns a mobile phone (only an estimated 10% of the population had access to mobile coverage prior to competition). The Telecom Regulator funded by GfG has been critical in ensuring access targets were met and that operators abide by their license requirements. Continued strong growth in the telecommunications sector is estimated to have contributed about one percent to national GDP growth (equivalent to around 685m VT in 2009).

GfG has continued to track the social and economic impacts closely with a second impact study undertaken by the Pacific Institute of Public Policy. The study found that “access and use of telecommunications has increased almost universally since the liberalization of the telecommunication sector. Access to telecommunications is helping rural and urban households to offset household vulnerabilities, maintain social relationships, and reduce household costs.” The study also found that rural respondents are lagging behind in adopting innovative uses of mobile telephony to improve household livelihood, but that the gender gap in mobile phone access in both rural and urban areas has narrowed.

The New Telecommunications Act was passed in November 2009, placing the regulatory regime on a secure footing for the long-term and ensuring that licenses have full legislative backing. GfG has provided a grant to finance a long-term program of regulatory capacity support via the World Bank. This program will begin in 2010.

Further work is underway to expand access to some of the more remote areas under the GfG-funded Universal Access Policy Fund, with national coverage expected to reach over 90% by the end of 2010. Internet services are also set to expand, with six new licenses issued. The imminent entrance of new providers into the market has already seen internet prices reduced by around two thirds (66%). Sector liberalisation has also enabled the NBV to launch an internal network to provide electronic banking services throughout its rural branch network.

***Improved power regulation and access***

The Utilities Regulatory Authority (URA) is fully operational and independently regulating power and water, helping to ensure that services are provided at a fair price and are more widely accessible. Core costs of the URA are funded through the budget by the Vanuatu government with these resources supplemented by a World Bank Trust Fund financed by GfG.

In 2009, the URA made significant progress in achieving its work program and planned targets, including ensuring compliance with concession agreements and service standards (eg. enforcement of UNELCO’s obligations to the Sarakata fund resulted in 52 million vatu in revenue for the government). The URA also advanced work on the electricity tariff review (to be completed by March 2010) and re-tender of the Luganville Concession, which is expected to be finalised by the end of 2010.

Work in the area of rural electrification has been slower than hoped, and continues to be constrained by the small market and logistical complexity of providing electricity and associated services in remote areas. Changes were made to GfG’s advisory team in this area with a new power sector coordinator recruited and now working to support the government in developing a forward program of investment. A commitment of funding to implement this program has been secured from the Pacific Regional Infrastructure Facility.

***Expanded support for infrastructure (roads, aviation and ports)***

***Rural roads* -** Recognising the importance of infrastructure investment as an engine of growth, the Vanuatu government is undertaking a major new program of assistance in the transport sector with AusAID support (A$17m over 3 years). The program is managed under GfG and aims to strengthen the connectivity and reliability of the rural road network in order to improve access to essential services and markets. An independent baseline study was completed in 2009 and concluded that the program is likely to deliver substantial social and economic benefits to the target islands, including up to A$2.5m (approximately 200m Vatu) in direct employment benefits. The project team mobilised in December and is working closely with MIPU and PWD. Advance start-up works are scheduled to commence in April 2010, with more substantial contracted works expected to begin in the second half of the year.

***Aviation –*** The Vanuatu government with the support of IFC attempted unsuccessfully to revive the sale of a minority shareholding in Air Vanuatu. No credible bidders were found. The government is now focused on corporate and financial reform to give the airline the best chance of viability. GfG is supporting these efforts and will be helping the government to source technical advice in key areas.

***Ports* –** Prime Minister Natapei requested GfG assistance to help with the design of a new cargo terminal at Star Wharf, recognising that existing facilities are inadequate. An initial feasibility study showed that both the infrastructure and management practices at the wharf need to be improved. Following a further request from the Prime Minister, GfG mobilised a grant of A$1.85 million which is being used to finance the design of the new terminal and the implementation of a series of management reforms, including a new General Manager for the port operator. This work commenced in late 2009 with the design to be completed around March 2010.

GfG has recruited a Transport Sector Coordinator to support the Vanuatu government in implementing its reforms and programs in the transport sector.

***Vanuatu Commodities Marketing Board (VCMB)***

The Vanuatu government remains committed to reform the VCMB although the issues are complex and the means to achieve reform are still being determined. A recent GfG funded review found that the coconut industry is at a crisis point, with forecast declines in production over the coming years unless drastic measures are taken to replace old tree stock. The review also recommended sequencing of reform efforts in an effort to minimise the Vanuatu government’s exposure to potential legal and financial liabilities associated with abolition of the VCMB. AusAID has committed VT150 million per year over a number of years to support new investment in the coconut sector, should the government go ahead with the required institutional reforms. Funding has been made available from AusAID Incentives Program although decisions will need to be taken soon if this funding is to be secured during 2010.

***Support for tourism***

Tourism continues to be a major and growing contributor to economic growth. Following a request from the Minister for Trade, GfG provided a grant of $600,000 to support the Vanuatu Tourism Office to develop a new brand and marketing campaign for Vanuatu. The tourism sector underpins the economy and the Vanuatu government was concerned to ensure it withstands the global economic downturn. Matching support is also being provided by the industry via the Tourism Marketing Development Fund and the government. This initiative has taken much longer than expected to reach implementation, with the marketing campaign now expected to be launched in April 2010, targeting major markets in Australia and New Zealand.

***Enabling environment for private sector development***

Following a request from the Minister for Finance, GfG is funding a grant of $500,000 to the National Bank of Vanuatu to help expand access to financial services for people in rural Vanuatu. Funding will enable NBV to purchase IT communication systems that will be supported by renewable power systems. The initiative is expected to make banking more accessible, increase currency circulation, provide more opportunities to start up small business, and enable greater access to loans and micro-financing schemes in rural areas.

***Public Sector Survey***

GfG supported the Public Service Commission to undertake the first ever survey of public servants. Findings are being used to help guide future PSC policy on issues such as workforce planning, HR, budgeting, performance management, training, and pay and conditions. The PSC is planning to conduct a public forum in Feb 2010 to share the findings and proposed forward actions.

**Result area 2 – The quality of Vanuatu’s public expenditure is improved**

***Public financial management and policy analysis***

The Vanuatu government continued to make strong progress in the area of Public Financial Management (PFM) during 2009. GfG continued to support the government throughout the budget process, together with ongoing support to strengthen financial management. Major achievements in this area include:

* passage of a revised PFEM Act by Parliament, with reforms delivering greater transparency and improved accountability to Parliament for public expenditure. Reforms also helped the government secure overall positive PEFA and IMF assessments in 2009.
* helping the Vanuatu government implement stronger fiscal discipline and deliver a second budget surplus.
* helping Vanuatu government to design and implement a new integrated national budget process so that the budget better reflects government’s policy priorities, including integration and alignment of donor funds.
* facilitating a substantial increase in the amount of donor funding being channelled through government systems.
  + Australia has more than tripled the amount of funding which is going through the Development Fund from $2.5m in 2006-07 to $12.9m in 2008-09.
* assisting the Prime Minister’s Office to prepare the ‘Planning Long, Acting Short’ policy matrix to focus effort and resources on the new government’s core priorities.
* strengthening the consideration and integration of public financial management within other donor funded sector programs, particularly in education and health.
* helping the Vanuatu government establish new financial service bureaus (FSBs) in the provinces – an important step towards improving financial flows and service delivery in rural areas. Progress has been slower than expected with the first FSB opened in Santo in February 2009, and two more in advanced planning stages (in Tanna and Malekula).

***Education***

GfG played an integral role in helping the government to develop and establish its initiative to phase out school fees as a means to support the achievement of Universal Primary Education (UPE). The UPE initiative is a high priority for the Vanuatu government and has received very strong political and public support. Financing to implement the program is being provided by AusAID, NZAID and UNICEF. GfG worked closely with the Vanuatu government’s core team to develop the concept and is now focused on supporting implementation with respect to financial management arrangements. More than 330 schools have already set up new bank accounts and a program of training and other support will be delivered in early 2010.

**Challenges**

The establishment of Financial Service Bureaus experienced delays, although it is now progressing with the establishment of one FSB in Santo and two more expected by mid 2010.

The School Grants program which has been an important feature of the GfG work in 2009 will, in the future, increasingly be seen as a sector issue for Education and, possibly, Health. GfG will also look to play an important role in fostering greater public financial management capacity in the major line ministries and in strengthening local and regional capacity to support decentralised administration of resources.

Progress towards increasing access to power in rural areas continues to be hampered by the small market and complexity of providing power in remote communities. Following changes to the GfG advisory team, the new power sector coordinator is working to support the government in addressing access and affordability issues, and in developing a forward investment program.

There is continuing high level political support to reform the VCMB, with GfG supporting a review to identify an implementation plan for the way forward. The review recommended sequencing reforms to help minimise the government’s exposure to potential financial and legal liabilities.

Air Vanuatu’s ability to withstand the increased competition remains uncertain. GfG and IFC are continuing to work with the government to improve efficiency and corporate governance of the national carrier in an effort to make it more competitive. Many of the options would require the government to recognise contingent liabilities associated with restructuring.

The new transport sector support program is starting from a low base. Many of the rural roads to be targeted are in poor condition and existing private sector capacity to engage in road maintenance activities is weak. PWD capacity to manage contracted works is also limited. Sustained support will be required over many years to build up private sector and community engagement in road maintenance activities. This is reflected in the long term nature of Australia’s commitment to the transport sector program.

While generally relations with other development partners have been very positive, GfG’s focus on close alignment with the Vanuatu government’s priorities did lead to tension in the early phases of developing the Universal Primary Education initiative.

**Other issues**

**GfG staffing movements**

* In December 2009 Peter Kelly was appointed as the Transport Sector Coordinator to support the Government in developing and managing GfG-funded programs in the transport sector.
* In December 2009 Mike Francino was appointed as the Public Financial Management Coordinator, replacing Mark Harradine.
* In December 2009 Paul Kaun was appointed as the Government Systems Advisor
* Simon Cramp is scheduled to replace the current GfG Director (Chris Bleakley) in August 2010.

**Mid-term review**

An independent mid-term review of the GfG program is planned for September 2010. The review will take stock of the program’s achievements and outcomes, identify lessons learned, and help guide the forward program.

**External assessments of GfG**

In 2009, an AusAID internal review concluded that “GfG is an effective and highly regarded program which is supporting critical reform issues in Vanuatu… The creativity and flexibility of the design, the leadership from Government, and the skill of the team, have translated these opportunities into a relevant, effective and strongly supported program.” [[1]](#footnote-1) The report also found that “continued AusAID support to MFEM appears to have made donors more comfortable about using Government systems”. The report stressed that the “key to GfG success is **strong Government ownership**, first of the reform agenda, and secondly of GfG as a vehicle for supporting that agenda”.

An external peer review by US Treasury department also provided an overall positive assessment of GfG, noting the high level of engagement and consistency with the Vanuatu government’s strategic objectives. The report concluded that Australia’s commitment to Vanuatu is sufficiently robust and long term to be effective.[[2]](#footnote-2)

**ANNEX A – Review of GfG implementation progress against performance framework**

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# 1 Introduction

This is the GfG’s Program’s third Annual Report. It outlines achievements during 2009 (Jan to Dec 09) and assesses progress towards the work plan and against the program’s Performance Assessment Framework.

# 2 Review of Implementation Progress

The GfG Program commenced in August 2006 and has made strong progress in its first three years of implementation through its support for a number of critical Government of Vanuatu led reforms.

In 2009, the GfG program continued to support the Vanuatu government to deliver a range of positive outcomes, particularly in the areas of telecommunications, utilities reform, and economic and financial management. The program also commenced new areas of support, including support for rural roads and ports reform. The following section outlines major achievements, implementation progress and challenges. Reporting is framed around GfG’s Performance Assessment Framework (Annex C).

# Result 1: Vanuatu’s policy framework is more supportive of broad-based growth

## **Summary**

Vanuatu continues to be one of the best performing countries in the Pacific, due in large part to the range of positive policy reforms implemented by the government. Vanuatu has weathered the global economic crisis relatively well. Latest government estimates indicate that the domestic economy grew by around 3.8% in 2009, driven by activities in the construction, tourism and service sectors.[[3]](#footnote-3) While this is down last year’s growth figure of 6.8%, it is an impressive outcome given the crisis that gripped the global economy. GDP per capita is estimated at US$2330 in 2008, with Vanuatu ranked 139 out of 210 countries.[[4]](#footnote-4) Effective fiscal and macro-economic management, telecommunications liberalisation, political stability, and reform of key governance institutions have all contributed to the government’s success in achieving these positive outcomes.

Going forward, the government’s 2010 ‘Budget for Growth’ is expected to contribute to social and economic development, with significant investments aimed at broadening access to health and education commencing in 2010. Ongoing work to support reform of State Owned Enterprises (Air Vanuatu, VCMB) as well as planned GfG investments in infrastructure (roads, ports) are also expected to further contribute to growth in coming years.

## **Outcome 1 - Government develops and implements policy decisions to remove constraints to broad-based growth**

The Vanuatu government has made strong progress in tackling long-standing obstacles to economic growth, particularly in the areas of telecommunications and power. New GfG supported investments in rural roads, port reform and tourism are expected to further contribute to social and economic development in the coming years. The following section outlines major achievements, challenges and forward priorities for the GfG program.

### ***Competition in telecommunications***

Competition in the telecommunications sector commenced in the second half of 2008 with the entrance of Digicel into the market. Major achievements supported by GfG in 2009 include:

* Mobile coverage now extended to 85% of the population (only an estimated 10% of the population had access prior to competition).
  + Telecom Regulator (funded by GfG) has been instrumental in ensuring and verifying target was met.
* Booming growth in the sector is estimated to have contributed around 1% per annum to GDP, equivalent to around 685m vatu in 2009.
* Vanuatu now has approximately 58 mobile telephones per 100 people - up from 11-12 mobiles per 100 prior to competition and representing a 35% increase from last year’s figure of 43 per 100
* Ongoing price specials are being offered by both major operators (eg. Digicel’s “Talk for 3 minutes and get the next 27 minutes free”)
* Latest telecoms impact study was completed by the Pacific Institute of Public Policy and found:
  + “telecommunication liberalisation and the advent of competition in the market is leading to almost universal access to mobile telephony… and is helping rural and urban households to offset household vulnerabilities, maintain social relationships, reduce household costs, narrow gender gaps in ownership and access, reduce costs and increase the profitability of small and medium enterprises, and expand rural productivity”.[[5]](#footnote-5)
  + access to mobile telephony amongst rural respondents has increased by an estimated 23% in 2009
  + use of mobile telephony has increased from an average of once a month in 2008 to weekly in 2009
* Internet coverage is also set to boom, with licenses issued to six new providers. Prices have already come down by around 66%.
* New Telecommunications Act (drafted with GfG assistance) was passed by Parliament in November 2009
* Full powers now handed over from the Minister to the Telecoms Regulator ensuring greater independence.
* Regulator has established new website providing the public and business community with better information ([www.telecomregulator.gov.vu](http://www.telecomregulator.gov.vu/))
* A long-term assistance program has been developed with the World Bank and GfG funding.

*Challenges*

The most recent telecommunications study found that men are still more likely than women to own mobile phones, but that the gender gap in terms of access is narrowing. GfG supported research in this area will continue to monitor access and identify potential challenges and possible policy solutions.

*Forward priorities*

* Progress tender to extend access to even more rural and remote areas through the Universal Access Policy Fund (AusAID is contributing 250m vatu). Expected to lift national mobile coverage to over 90% in 2010.

### ***Establishment of the Utilities Regulatory Authority (URA)***

The Utilities Regulatory Authority has established itself as a credible agency which enjoys the confidence of the government, the main utilities services provider and consumers. During the second year of operations, URA focused its efforts on the development of the regulatory tools, establishment of baseline information, recruitment and capacity building of staff and mobilisation of financial and non financial resources required to effectively conduct its regulatory functions.

The URA continued to promote good governance in the regulated sectors by persistently observing the principles of transparency, accountability, predictability of results and stakeholder involvement in its decision-making process. In the second year, the Authority continued with the task of establishing regulatory processes that are both universally accepted and capable of implementation in our country environment. Such processes included the establishment of rules and methodology for undertaking a tariff review on the one hand and implementation of policies and guidelines so far developed on the other.

The URA has continued enjoying much support from various stakeholders and this has helped the Authority to ensure that the interests of all stakeholder groups are effectively balanced. The key stakeholders include the Government and its institutions, development partners, regulated utilities, investors, consumers and the general public.

Major achievements in 2009 include:

* URA is now fully staffed and operational. URA Commission also established with three commissioners appointed.
* URA published it first Annual Report 2008 and audited Financial Statement issued to the Minister of Lands, Geology, Mines and Water Resources for presentation to Parliament
* Tender documentation currently being developed for the Luganville concession, with tender to be finalised before end 2010.
* URA approved a number of electricity projects under Article 6 Investment Fund, which is administered by the Authority
* URA is effectively performing a range of regulatory functions, including:
  + enforcement of UNELCO’s obligations to Sarakata fund, which resulted in 52 million vatu in revenue for the government.
  + conducting financial audit and review of the management and operation of the Sarakata Hydro electric power station, with final report due in March 2010
  + current review of electricity tariffs, with results to be made available for public consultation in March and finalised by April 2010.
  + effective monitoring of service standards (eg. URA issued UNELCO with fines for unjustified interruptions to power service).
  + ensuring UNELCO compliance with reporting, safety and reliability obligations
  + providing greater transparency through oversight of the investment program.

*Challenges*

URA also saw various challenges during the period, many of which resulted from public awareness of the rights and obligations of the consumers and service providers. Key challenges that it faced included:

* high public expectations from the URA as a multi-sector regulator, given the geographical layout of the country. The challenge is how to ensure the URA services reach the wider population at an acceptable speed and standard
* the unfolding regulatory challenges across all sectors under URA’s jurisdiction calling for specific knowledge that addresses specific sectoral challenges
* further development of effective regulatory tools to cover all regulated sectors
* maximising access to regulated services throughout Vanuatu. Vanuatu is an exceptionally difficult country to serve with electricity and water infrastructure
* obtaining correct and timely information from all regulated sectors in order for URA to attain effective regulation. Enforcement and compliance by regulated suppliers in water has not progressed at an acceptable level; and
* need for further collaboration with other key stakeholders such as Vanuatu Customs and Inland Revenue, Department of Finance and Ministry of Lands Geology, Mines and Water Resources - Sarakata hydroelectric scheme Technical Committee in sharing important information on real time basis.

### ***Improved access to electricity***

Challenges

The GfG program aimed to expand access to electricity to 40% of the population by 2011, although given the small market for provision of energy products in Vanuatu, this target is unlikely to be met. A recent ADB assessment suggests that only around 27% of the population has access to power.[[6]](#footnote-6) A new Power Sector coordinator has been recruited and is working to support government in developing and implementing a forward investment program to address access and affordability. Other Technical Advisors needed as inputs into designing a cohesive program have also now been recruited and will commence work in February and March 2010. A commitment of funding to implement this program has been secured from the Pacific Regional Infrastructure Facility.

*Forward actions*

* Development of a forward investment program with practical initiatives that can be supported during 2010.

### ***Support for infrastructure***

***Rural roads***

Following a request from former Prime Minister Ham Lini, GfG worked closely with the Vanuatu government to develop a proposed long-term program of support for infrastructure in Vanuatu.[[7]](#footnote-7) Design and tendering of the program was finalised in 2009. The first phase of the program recently commenced and has a strong focus on improving rural road maintenance and access.[[8]](#footnote-8) The baseline study found that:

* The program is likely to deliver significant social and economic benefits for target populations in Ambae, Malekula and Tanna. These include better access to health, education and markets, support for agricultural production and tourism, and the creation of direct local employment and income opportunities in road maintenance activities.
* Direct income benefits from employment are estimated at up to $2.5 million in Phase 1. The program could generate a further $1.2 – $4.5 million in indirect economic benefits.
* Improved management of the road network by PWD is expected to lead to the more efficient allocation of limited budget resources and better standards of maintenance, which should help to reduce overall costs in the long run.

*Challenges*

* Developing private sector capacity to deliver road maintenance is a long term endeavour and will require consistent support over many years.

*Forward actions*

* Commence start-up demonstration works by April 2010
* Develop tender documentation for medium to large scale works (scheduled for second half of 2010)

### ***Aviation reform - Air Vanuatu***

Opening of the aviation market to other international operators has resulted in a more competitive aviation market and cheaper fares, which has in turn provided a major boost to tourism and a substantial increase in visitor numbers.[[9]](#footnote-9) However, Air Vanuatu continues to struggle to compete against Virgin and its low cost model. In 2009 the Vanuatu government tried again to sell a part-share in the airline but no credible bids were forthcoming. IFC continued to provide support throughout this process.

The government is now looking at options to support corporate and governance reform and has approached GfG for assistance in sourcing potential advisers.

### ***Ports reform***

Prime Minister Natapei requested GfG assistance to help with the design of a new cargo terminal at Star Wharf, recognising that existing facilities are inadequate. An initial feasibility study showed that both the infrastructure and management practices at the wharf need to be improved. Following a further request from the Prime Minister, GfG mobilised a grant of A$1.85 million which is being used to finance the design of the new terminal and the implementation of a series of management reforms, including a new General Manager for the port operator. This work commenced in late 2009 with the design to be completed around March 2010.

***Support for tourism***

Tourism is a major source of employment and income for Vanuatu and accounts for around 20 percent of GDP.[[10]](#footnote-10) It is also the leading earner of foreign exchange accounting for over 50% of the total.[[11]](#footnote-11) Given that tourism is major contributor to growth, GfG supported a scoping study to determine the best way to support the tourism sector through the global economic downturn, with the aim of protecting Vanuatu from severe impacts in this crucial sector. A grant of $600,000 was provided to the VTO in 2009 to develop a new brand and marketing campaign for Vanuatu. However, implementation of the program has been delayed by protracted contract negotiations and the program is not expected to start until April 2010.

*Forward actions*

The marketing campaign is expected to be launched in April 2010, targeting markets in Australia and New Zealand.

### ***Reform of commodities marketing arrangements***

Copra is the most significant crop for Vanuatu, accounting for around 35% of total agricultural exports and contributing around 7% to GDP. A review of the copra sector was completed in 2007 with support from GfG. The government expressed strong support to push ahead with reform of the sector. In 2009, GfG funded a second review to develop an implementation plan for the way forward.

*Challenges*

Reform of the copra sector remains challenging. The most recent review recommended sequencing reform efforts in an effort to minimise the Vanuatu government’s exposure to potential legal and financial liabilities associated with abolition of the VCMB. The review also found that the coconut industry is at a crisis point, with forecast declines in production over the coming years unless drastic measures are taken to replace old tree stock.

*Forward actions*

AusAID has committed VT150 million per year over a number of years to support new investment in the coconut sector.

## **Outcome 2 - There is greater dissemination of information, and public debate, about economic growth and the role of government**

The local media continues to provide a platform for debate on key issues and reforms being supported by the Vanuatu government and GfG.[[12]](#footnote-12)

*Achievements*

In 2009, the media has proved a useful forum for the new URA and Telecoms regulators to keep the public informed about their work. There were over 100 news paper articles on issues of relevance to GfG, covering subjects such as telecoms, power, growth, infrastructure etc. There has also been extensive radio and television coverage on the government’s new fee-free education initiative.

Further expansion of the telecommunications network in 2010, with coverage expected to reach 90% of the population, will further improve access to information.

The first ever publication of the 2010 Budget Policy Statement has improved public information about the budget and government policy priorities. A short booklet on the budget process (published in Bislama) was also made available to the public.

In 2009, the government produced the first ever Annual Development Report (2008). The ADR provides the people of Vanuatu with information about the outputs and performance of the Government. It is hoped that the ADR will contribute to increased civil engagement and ownership in the long-term development of Vanuatu. It should also be a useful means to track overall development progress over time.[[13]](#footnote-13)

*Forward actions*

* Possible assistance with publication of 2009 ADR

## **Outcome 3 - Policy decisions are increasingly informed by sound research, evidence and analysis**

The GfG program has been able to demonstrate that a well-informed and analytical policy development and implementation process can deliver results for the government, as evidenced by the success in the telecommunications and power sectors, and the support being provided around public financial management and sector initiatives, such as “fee-free education”.

***Public Sector Survey***

GfG supported the PSC to undertake a survey of public servants. There was a strong response to the survey, with over 500 public servants participating. The survey identified a number of priority areas for future improvement, particularly around human resource management, performance management, training, and equity issues.

In terms of government policy development, the survey found that a reasonable degree of analysis and consultation was undertaken in developing new policies, but that the bulk of consultation tends to take place within departments. Consultation with the provinces and general public was less consistent, although was still undertaken to some extent in the majority of cases. Survey findings are being used to help guide future PSC support and to strengthen management and performance across the public service.

***Public Financial Management***

The government and GfG have continued to support strengthened research and analysis which contributes to effective financial management. Key achievements in this area include:

* Assisting with essential economic analysis and forecasting, including production of the Mid-year, End of Year and Budget Economic and Fiscal Updates, and analysis of expenditure submissions for 2009 budget.
* The realignment of the budget process and the move away from two parallel systems towards an integrated budget has strengthened the linkages between Government’s policy priorities and resource allocations.

***National Statistics***

* With support from the Australian Bureau of Statistics, the National Statistics Office has released the re-based Consumer Price Index (CPI) and Gross Domestic Product (GDP) data series. More accurate data is expected to enhance empirical analysis and lead to better policy outcomes.

***Research***

GfG has supported a number of key research activities in 2009 to help inform the government and support effective policy.

* Second impact study on the Social and Economic Impacts of Telecommunications in Vanuatu
* Research and analysis to support the introduction of transparent banking arrangements in primary schools.
* Baseline study to inform the new transport sector support program
* Research on rural electrification options
* Scoping study on port reform
* Tourism research
* Public Sector Survey
* Economic surveys in the outer islands (Tanna, Melekula, and Santo) providing a better understanding of economic conditions, particularly in the rural areas.

# Result 2: The quality of Vanuatu’s public expenditure is improved

**Summary**

GfG activities which contribute to this result broadly aim to: improve national budget formulation and execution processes; make public expenditure support service delivery and economic growth; support and build financial management capacity especially in line ministries; and strengthen accountability to Parliament and the people of Vanuatu.

The 2009 budget is expected to deliver a second surplus, which is an important achievement and testament to the government’s prudent economic and fiscal management. Independent assessments under PEFA and the IMF Article IV consultations also point to steady improvement. GfG funded activities, such as advisory support for the amended PFEM Act and integrated budget process, have made an important contribution to these positive assessments by helping to improve the transparency, accountability and management of public funds.

**PEFA and IMF Assessments**

Preliminary feedback from the 2009 PEFA assessment indicates that the Government of Vanuatu is showing steady progress in several areas of PFM and is generally maintaining its existing strengths in areas such as credibility of the national budget, budget processes and reporting systems, although notes that more needs to be done in areas such as audit. Overall, Vanuatu has shown improvement against 15 of the 31 indicators tracked under the PEFA assessment (although has slipped back in two areas).[[14]](#footnote-14)

The draft PEFA report also commends the efforts of Australia and other donors to increase their use of Government systems, noting that the “amount of funds reported through GoV’s Development Fund has increased significantly since 2005.” [[15]](#footnote-15) Australia has increased its overall assistance since 2006 by 75% and more than tripled the amount of this which is going through the Development Fund from $2.5m in 2006-07 to $12.9m in 2008-09, which is strongly in keeping with the Paris Declaration and Cairns Agreement.

The IMF assessment also commends Vanuatu for its strong economic performance and progress on structural reforms, but notes that more remains to be done. The report suggests that “fiscal structural reforms should be further advanced to reorient expenditure and widen the tax base, while policies to support private sector development are also needed… Structural reforms that reduce the cost of doing business are critical to ensure sustained growth. In particular, improvements in infrastructure, including road transport, port and wharf facilities and enhanced flexibility of the labor market are needed.”[[16]](#footnote-16) GfG is helping the government to progress many of these issues in its forward program.

## **Outcome 4 - The budget increasingly reflects national priorities for service delivery and investment**

Substantial progress was made in further strengthening the national budget as the government’s primary tool for implementing its policy priorities in service delivery and investment. The development of the government’s “Planning Long, Acting Short” policy document and Budget Policy Statement have helped to forge a stronger link between government policy priorities and the national budget, including donor assistance.

Other key achievements in 2009 which contribute to this outcome include:

* Helping government to implement the first integrated national budget for 2010, bringing donor and government resources together under one budget and ensuring better alignment of donor programs with government priorities. The new education NPP was the first be developed in an approach which integrated government and donor funding.
* Establishing transparent banking arrangements for schools which is expected to help the government meet its policy goal of fee-free primary school education by 2012 (discussed in more detail under outcome 5)
* Production of Budget Policy Statement to guide the formulation of sector level budget submissions, together with GfG advisers helping their counterparts in MFEM to assess line ministry budget submissions.
* Establishing baseline data on issues such as budget alignment, planning and extent of community engagement in policy development through the Public Sector Survey

*Challenges*

* Improving the alignment of departmental budgets with government and sector priorities (eg. only around 36% of respondents from the recent Public Sector Survey thought their departmental budget was well aligned with priorities in their sector).[[17]](#footnote-17)

## **Outcome 5 - Public financial management in line ministries and provinces is improved**

Weak financial management capacity in line ministries and at a provincial level remains a big challenge for the Vanuatu government. GfG activities intended to achieve this outcome include helping MFEM to establish Finance Service Bureaus (FSBs) in each of the provinces (GfG support of $1.87 million over four years). It is hoped that FSBs will improve the flow of money to essential services, such as schools and health centres, by overcoming critical blockages and improving accountability. The establishment of FSBs is also an important step towards greater deconcentration of government service delivery.

Key achievements in 2009 include:

* The first FSB was established in Santo and two more are expected to open in 2010 (Tanna and Malekula)
* Assistance has been provided in both the health and education sectors to strengthen financial management within line ministries, and to facilitate provision of grants through government systems (eg. School grants, Malaria Fund
* Assistance to the Internal Audit Unit of DoF to review the financial management arrangements in the Ministry of Health (MoH) which resulted in several key recommendations for improving financial management in the Ministry.

*Challenges*

The recent Public Sector Survey indicates that fewer than one quarter of public servants (23.9%) are aware of their responsibilities under the PFEM Act, while less than half (47%) are aware of their departmental budget. This suggests there is substantial room for improvement in terms of disseminating information about the budget as well as improved training in financial management across the public sector.

Audit remains an area of weakness, as identified in the recent PEFA assessment. The EU is the lead donor in this area.

***Achievements in Education sector***

GfG is playing an integral role in helping the government to achieve its vision for Universal Primary Education.

* The introduction of transparent banking arrangements for schools is expected to lead to fee-free primary school education by 2012, benefiting families and children throughout Vanuatu.
* Initiative is expected to reduce the financial burden on families and lead to an increase primary school enrolment and lower drop out rates.
* Is first new policy proposal successfully delivered through the new integrated national budget process, and showcases the benefits of directly aligning donor support with government priorities
* Of the 353 primary schools required to open accounts, 334 have done so (remainder in remote areas are still to be reached).
* The initiative has received very positive feedback, being identified as “the most tangible and useful thing the government has done since independence”.
* National Bank of Vanuatu has also been very cooperative and supportive. GfG’s support to NBV to expand rural banking services will also strongly complement this initiative.

*Challenges*

Huge challenges remain in implementing the school grants initiative. Finance officers and schools need to be trained in how the grants scheme will operate, and there is also a need to raise public awareness. The scheme will require ongoing monitoring to ensure school compliance with the grants program and to track any changes in school enrolment levels. GfG will continue to play a supporting role in these areas.

*Forward actions*

* Ongoing support to the newly established FSBs (Treasury Advisor)
* Ongoing support for school grants program

## **Outcome 6 - Budget resources are increasingly used for their intended purpose**

The year again highlighted that the financial systems and legal framework are relatively strong.

Key achievements in 2009 include:

* Passage of the amended Public Finance and Economic Management (PFEM) Act, which has strengthened the management of public funds and improved accountability to Parliament. GfG played a major supporting role in this area.
  + Requests for additional budget funding must now go to Parliament for approval, which has strengthened scrutiny of the budget and effectively ended the practice of supplementary appropriations.
  + Separation of budgets for Ministers’ Offices from those of Ministries has reduced the pressure to use program funds for Ministerial Office expenses.
  + Changes have also strengthened fiscal discipline, helping the government deliver a second budget surplus.
* Positive PEFA assessment, with Vanuatu maintaining a PEFA rating of ‘A’ for budget out-turns showing increasing compliance of expenditure with original allocations.

*Constraints*

The Public Sector Survey suggests that reallocation of budget funding during the year (due to political or other pressures) is a challenge, though it is not possible to quantify the extent of the challenge.

There is a need for better GfG analysis around some budget indicators, such as whether virements are decreasing.

## **Outcome 7 - There is stronger accountability to Parliament and the people for the results of public expenditure**

GfG is continuing to support efforts to help MFEM meet accountability obligations legislated under the PFEM Act, in particular the annual financial statements of government. The government also strengthened its accountability through publication of the first ever Annual Development Report (2008) reporting on government performance.

Key achievements in 2009 include:

* Key amendments to the PFEM Act require that requests for additional funding be approved by Parliament, leading to improved oversight and accountability for public expenditure.
* Related to the above, there has been a slight improvement in PEFA rating for “legislative scrutiny of the annual budget law”.
* The government has met its fiscal and reporting obligations in 2009, with the assistance of the two GfG advisers in MFEM
* Improved approach to forecasting revenue, which is providing more reliable revenue estimates and thus contributing to better management and use of the resource envelope.

*Challenges*

There are a number of other constraints which, if addressed, would significantly improve outcomes from GfG assistance. Areas which would benefit from further improvement include

* Reporting on fixed assets and Government Business Enterprises.
* External audit of the statements
* Production of the Finance Regulation 2.2 report – an annual statement by the Director-General of MFEM on breaches of the PFEM Act
* Reactivating the Public Accounts Committee

# 5. Program Management Performance

**Governance and management arrangements**

The program is overseen by a management committee which meets regularly to discuss program progress and approve program work plans. The last management committee meeting was held in May 2008 to discuss the previous annual report and forward work plan (July 08 – Dec 09). The next management committee meeting is likely to be held towards the end of 2010 to discuss findings from the independent evaluation of GfG and forward work plan.

**Program expenditure**

An assessment of program expenditure to date shows that the GfG program provided more than half (54%) of budget funding as direct grants to support key Vanuatu government reforms. This represents a substantial increase in the proportion of funding provided as grants when compared to last year. Around 41% of the expenditure was provided in the form of technical assistance. Management costs have been maintained at a low level (4%), which compares favourably with other forms of aid. Estimated expenditure is shown in the following table:

**GfG Program Expenditure (2008-09)**

|  |  |  |
| --- | --- | --- |
| ***Total expenditure 2008-09:*** | **2008-09**  **Expenditure**  **($AUD ‘000)** | **% of total** |
| ***Grants:*** | 8,977.91 | 54.7% |
| ***International Technical Assistance and other:*** | 6,771.30 | 41.3% |
| ***Portion utilised for Operational management costs:*** | 652.4 | 3.98% |
| ***Total expenditure 2008-09 (estimate):*** | **16401.6** |  |

**Donor coordination**

GfG continues to work effectively with a number of donors to support the government’s reform efforts. Examples of assistance include:

* working with IFC on aviation reform
* work with the World Bank in telecommunications and to establish the URA
* supporting GoV to establish regular contact with all donors on PFM issues to improve aid effectiveness.
* collaboration on PFM issues and processes within AusAID and with the EU and NZAID.
* coordination with other potential donors on ports reform (eg. JICA)
* cooperation with ADB on SOE reform

**Gender**

Gender has been mainstreamed into all of GfG’s activities and research. A briefing paper has also been developed summarising the various gender elements of the program.

Gender analysis is an explicit focus of ongoing research into the Social and Economic Impact of expanded telecommunications coverage in Vanuatu. The most recent study found that men are still more likely to own mobile phone than women in both rural and urban areas, but that the gender gap in terms of access is narrowing.

Gender disaggregated data was also collected and analysed as part of the 2009 Public Sector Survey. The survey found that men account for around 60% of all public servants and tend to occupy a higher proportion of senior management positions than women. Female respondents were also more likely to identify concerns around equity and transparency in recruitment processes than their male counterparts. The PSC will use the findings to help guide forward support.

# ANNEX C - Supplementary Performance Information

The indicators below are being tracked under the GfG Performance Framework.

**PEFA Assessment**

The following table compares overall scores for PEFA indicators between 2006 with 2009. There has been improvement in a total of 15 indicators, although Vanuatu has slipped back in a couple of areas. GfG support has helped the government achieve improvements in many areas.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PEFA Performance Indicators (2006 and 2009 Comparison)** | | **Overall ratings** | |  |
| **2006** | **2009** | **Change** |
| **A. PFM-OUT-TURNS: Credibility of the budget** | |  |  |  |
| PI-1 | Aggregate expenditure out-turn compared to original approved budget | A | B | Regression |
| PI-2 | Composition of expenditure out-turn compared to original approved budget | A | A | Maintained |
| PI-3 | Aggregate revenue out-turn compared to original approved budget | A | A | Maintained |
| PI-4 | Stock and monitoring of expenditure payment arrears | A | A | Maintained |
| **B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency** | |  |  |  |
| PI-5 | Classification of the budget | B | B | Maintained |
| PI-6 | Comprehensiveness of information included in budget documentation | A | B | Regression |
| PI-7 | Extent of unreported government operations | D+ | C+ | Improvement |
| PI-8 | Transparency of inter-governmental fiscal relations | B | B | Maintained |
| PI-9 | Oversight of aggregate fiscal risk from other public sector entities | D | D+ | Improvement |
| PI-10 | Public access to key fiscal information | C | C+ | Improvement |
| **C. BUDGET CYCLE** | |  |  |  |
| **C(i) Policy-Based Budgeting** | |  |  |  |
| PI-11 | Orderliness and participation in the annual budget process | B+ | B+↑ | Improvement |
| PI-12 | Multi-year perspective in fiscal planning, expenditure policy and budgeting | D+ | C+ | Improvement |
| **C(ii) Predictability and Control in Budget Execution** | |  |  |  |
| PI-13 | Transparency of taxpayer obligations and liabilities | C+ | B | Improvement |
| PI-14 | Effectiveness of measures for taxpayer registration and tax assessment | B | B↑ | Improvement |
| PI-15 | Effectiveness in collection of tax payments | D+ | D+ | Maintained |
| PI-16 | Predictability in the availability of funds for commitment of expenditures | C+ | B+ | Improvement |
| PI-17 | Recording and management of cash balances, debt and guarantees | C+ | C+ | Maintained |
| PI-18 | Effectiveness of payroll controls | C+ | C+ | Maintained |
| PI-19 | Competition, value for money and controls in procurement | D+ | D+ | Maintained |
| PI-20 | Effectiveness of internal controls for non-salary expenditure | C+ | C+↑ | Improvement |
| PI-21 | Effectiveness of internal audit | D+ | C | Improvement |
| **C (iii) Accounting, Recording and Reporting** | |  |  |  |
| PI-22 | Timeliness and regularity of accounts reconciliation | B | B | Maintained |
| PI-23 | Availability of information on resources received by service delivery units | C | C | Maintained |
| PI-24 | Quality and timeliness of in-year budget reports | B+ | B+ | Maintained |
| PI-25 | Quality and timeliness of annual financial statements | B+ | A | Improvement |
| **C(iv) External Scrutiny and Audit** | |  |  |  |
| PI-26 | Scope, nature and follow-up of external audit | D | D | Maintained |
| PI-27 | Legislative scrutiny of the annual budget law | C+ | C+↑ | Improvement |
| PI-28 | Legislative scrutiny of external audit reports | D | D | Maintained |
| **D. DONOR PRACTICES** | |  |  |  |
| D1 | Predictability of Direct Budget Support | D | C | Improvement |
| D2 | Financial information provided by donors for budgeting and reporting on project and program aid | D | D+ | Improvement |
| D3 | Proportion of aid that is managed by use of national procedures | D | D↑ | Improvement |

**GfG Performance Indicator: Majority of vision level indicators as reported in the ADR are improving**

The GoV produced the first ever Annual Development Report for 2008. Relevant baseline data from this report is extracted below.

“Vanuatu’s progress against the Millennium Development Goals (MDGs) is mixed,

although difficult to gauge due to significant gaps in data and the lack of a baseline.

There were, however, some major improvements in data collection and analysis relevant to selected MDGs in 2007. Vanuatu’s first Household Income and Expenditure Survey (HIES) provided important poverty data. It found a poverty gap ratio of 5.6 (3.8 in rural areas and a high of 10.4 in Port Vila - indicating relatively severe poverty in the capital and emphasising the role of subsistence production in rural areas).”

**Health**

“Vanuatu is likely to achieve improved maternal health, but the picture on child mortality is not clear and there are insufficient data on HIV. Meanwhile, progress on TB and malaria is slow.”

***Education***

According to the government’s 2008 Annual Development Report, “the primary net intake rate is 32 per cent (i.e. the proportion of children who start school at school age) and UNICEF Multiple Indicator Cluster Survey 2007 data suggest a net attendance ratio of 72 per cent. Literacy rates remain low (38 per cent in 2007). Gender parity in primary education is relatively good (0.97), but other indicators suggest progress towards workforce equality is slow. In 2007, net enrolment percentage in primary education (6-12 yrs) was 85.4 per cent, but completion rates were low at only 46.2 per cent.

**Utilities**

The HIES confirms that access to, and uptake of, basic services, utilities and infrastructure in Vanuatu is generally poor. For example, only 54 per cent of households in Vanuatu use improved water supply (44 per cent in rural areas) and only 64 per cent use an improved sanitation facility (56 per cent in rural areas).”[[18]](#footnote-18)

***Other external data sources***

***Transparency International – Perceptions of Corruption***

Vanuatu was rated 95th out of 180 countries surveyed in the Transparency International Report in its most recent Corruption Perceptions Index 2009.[[19]](#footnote-19) This represents an improvement from last year (2008 when Vanuatu was ranked 109th out of 180 countries.

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **2007** | **2008** | **2009** |
| Vanuatu Transparency International Perceptions of Corruption ranking | 98th out of 179 countries | 109th out of 180 countries | 95th out of 180 countries |

***World Bank Ease of Doing Business***

The World Bank 2009 Ease of Doing Business Report ranks Vanuatu 60 out of 178 countries in terms of Ease of Doing Business (an improvement over the 2008 ranking of 62). Amongst Pacific Islands, Vanuatu is currently ranked third behind Fiji and Tonga (also representing an improvement in ranking from 4th place in 2008).[[20]](#footnote-20)

***World Bank Governance Indicators[[21]](#footnote-21)***

The governance indicators aggregate the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, and international organisations. The latest available data shows that over the period 1998 to 2008 (see Table 1). Over the last decade Vanuatu has improved against most of the governance indicators (with the exception of Regulatory Quality). Indicators for Political stability, Rule of law, and Control of Corruption have all shown marked improvement.

***World Bank Governance Indicators – Vanuatu[[22]](#footnote-22)***

***Table 1***

|  |
| --- |
| **VANUATU** |
| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **Governance Indicator** | **Sources** | **Year** | **Percentile Rank (0-100)** | **Governance Score (-2.5 to +2.5)** | **Standard Error** | | [**Voice and Accountability**](http://info.worldbank.org/governance/wgi/pdf/va.pdf) | |  |  | | --- | --- | | **4** | [green_arrow_right](javascript:showSources(1)) | | **2008** | **66.8** | **+0.62** | **0.20** | | |  |  | | --- | --- | | **4** | [green_arrow_right](javascript:showSources(2)) | | **2007** | **62.5** | **+0.51** | **0.19** | | |  |  | | --- | --- | | **2** | [green_arrow_right](javascript:showSources(3)) | | **2003** | **72.1** | **+0.86** | **0.30** | | |  |  | | --- | --- | | **1** | [green_arrow_right](javascript:showSources(4)) | | **1998** | **61.5** | **+0.44** | **0.42** | | [**Political Stability**](http://info.worldbank.org/governance/wgi/pdf/pv.pdf) | |  |  | | --- | --- | | **2** | [green_arrow_right](javascript:showSources(5)) | | **2008** | **94.7** | **+1.30** | **0.37** | | |  |  | | --- | --- | | **2** | [green_arrow_right](javascript:showSources(6)) | | **2007** | **94.7** | **+1.27** | **0.38** | | |  |  | | --- | --- | | **1** | [green_arrow_right](javascript:showSources(7)) | | **2003** | **79.3** | **+0.94** | **0.55** | | |  |  | | --- | --- | | **1** | [green_arrow_right](javascript:showSources(8)) | | **1998** | **83.2** | **+1.04** | **0.55** | | [**Government Effectiveness**](http://info.worldbank.org/governance/wgi/pdf/ge.pdf) | |  |  | | --- | --- | | **4** | [green_arrow_right](javascript:showSources(9)) | | **2008** | **43.6** | **-0.36** | **0.26** | | |  |  | | --- | --- | | **4** | [green_arrow_right](javascript:showSources(10)) | | **2007** | **46.0** | **-0.31** | **0.31** | | |  |  | | --- | --- | | **3** | [green_arrow_right](javascript:showSources(11)) | | **2003** | **16.6** | **-0.89** | **0.36** | | |  |  | | --- | --- | | **1** | [green_arrow_right](javascript:showSources(12)) | | **1998** | **38.4** | **-0.43** | **0.56** | | [**Regulatory Quality**](http://info.worldbank.org/governance/wgi/pdf/rq.pdf) | |  |  | | --- | --- | | **4** | [green_arrow_right](javascript:showSources(13)) | | **2008** | **21.7** | **-0.76** | **0.24** | | |  |  | | --- | --- | | **3** | [green_arrow_right](javascript:showSources(14)) | | **2007** | **32.0** | **-0.48** | **0.28** | | |  |  | | --- | --- | | **2** | [green_arrow_right](javascript:showSources(15)) | | **2003** | **8.8** | **-1.31** | **0.42** | | |  |  | | --- | --- | | **1** | [green_arrow_right](javascript:showSources(16)) | | **1998** | **30.7** | **-0.46** | **0.60** | | [**Rule of Law**](http://info.worldbank.org/governance/wgi/pdf/rl.pdf) | |  |  | | --- | --- | | **6** | [green_arrow_right](javascript:showSources(17)) | | **2008** | **63.6** | **+0.46** | **0.22** | | |  |  | | --- | --- | | **5** | [green_arrow_right](javascript:showSources(18)) | | **2007** | **66.2** | **+0.59** | **0.27** | | |  |  | | --- | --- | | **3** | [green_arrow_right](javascript:showSources(19)) | | **2003** | **51.0** | **-0.05** | **0.43** | | |  |  | | --- | --- | | **1** | [green_arrow_right](javascript:showSources(20)) | | **1998** | **27.1** | **-0.69** | **0.58** | | [**Control of Corruption**](http://info.worldbank.org/governance/wgi/pdf/cc.pdf) | |  |  | | --- | --- | | **4** | [green_arrow_right](javascript:showSources(21)) | | **2008** | **65.7** | **+0.33** | **0.29** | | |  |  | | --- | --- | | **4** | [green_arrow_right](javascript:showSources(22)) | | **2007** | **64.7** | **+0.24** | **0.31** | | |  |  | | --- | --- | | **2** | [green_arrow_right](javascript:showSources(23)) | | **2003** | **32.5** | **-0.64** | **0.33** | | |  |  | | --- | --- | | **1** | [green_arrow_right](javascript:showSources(24)) | | **1998** | **49.5** | **-0.24** | **0.51** | |  | | | | | | |
| |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | |  | green_px | **90th-100th Percentile** | yellow_px | **50th-75th Percentile** | pink_px | **10th-25th Percentile** |  | |  | lgreen_px | **75th-90th Percentile** | orange_px | **25th-50th Percentile** | red_px | **0th-10th Percentile** |  | |

# ANNEX B - Vanuatu GfG Performance Framework Summary

The overarching goal of the program is taken directly from the vision articulated in Vanuatu’s own *Priorities and Action Agenda 2006-2015*: **“an educated, healthy and wealthy Vanuatu”**

The Purpose of GfG is **to generate economic growth and improve service delivery through good governance.**

Underpinning the Goal and Purpose, GfG targets two key Results; the logic of the program then identifies a set of *four-year* *Outcomes* which contribute to the two Results.

**Result 1: Vanuatu’s policy framework is more supportive of broad-based growth**

Outcome 1: Government develops and implements policy decisions to remove constraints to broad-based growth

Outcome 2: There is greater dissemination of information, and public debate, about economic growth and the role of government

Outcome 3: Policy decisions are increasingly informed by sound research, evidence and analysis

**Result 2: The quality of Vanuatu’s public expenditure is improved**

Outcome 4: The budget increasingly reflects national priorities for service delivery and investment

Outcome 5: Public financial management in line ministries and provinces is improved

Outcome 6: Budget resources are increasingly used for their intended purpose

Outcome 7: There is stronger accountability to Parliament and the people for the results of public expenditure

1. # AusAID Pacific Public Sector Strengthening Review. Vanuatu Case Study: Governance for Growth, June 2009

   [↑](#footnote-ref-1)
2. US Treasury Department, Sept 2009, The International Capacity Development Programs of Australian Treasury and Department of Finance and Deregulation: A Peer Review [↑](#footnote-ref-2)
3. Reserve Bank of Vanuatu, Half-yearly monetary policy statement, September 2009 <http://www.rbv.gov.vu/Publications/Monetary%20Policy%20Statements/Monetary%20Policy%20Statement%20September%202009.pdf> [↑](#footnote-ref-3)
4. World Development Indicators database, World Bank, 7 October 2009, <http://siteresources.worldbank.org/DATASTATISTICS/Resources/GNIPC.pdf> [↑](#footnote-ref-4)
5. Second Telecommunications Impact Study (draft report) [↑](#footnote-ref-5)
6. Vanuatu: Country Partnership Strategy (2010-2014), ADB Power Sector Assessment <http://www.adb.org/Documents/CPSs/VAN/2010-2014/VAN-Power-Sector-Assessment.pdf>, 2009 [↑](#footnote-ref-6)
7. The design was developed jointly with the Ministry of Infrastructure and Public Utilities (MIPU) and the Department of Public Works (PWD) [↑](#footnote-ref-7)
8. Key features of the new program include strengthening government systems to finance and manage infrastructure works; developing a more reliable and adequately maintained transport system that supports service delivery and economic growth; and enhancing local employment opportunities through the use of labour-based appropriate technology works delivered by community groups and the private sector. [↑](#footnote-ref-8)
9. Visitor numbers in 2009 were 12.5 % higher compared to the same period in the previous year. Source: Government of the Republic of Vanuatu, Budget 2010 Volume 1 and 2, pg 12 [↑](#footnote-ref-9)
10. Figures provided by the National Tourism Development Office. [↑](#footnote-ref-10)
11. Vanuatu Daily Post, Thursday 4June 2008. Issue No. 2642, pg 6. [↑](#footnote-ref-11)
12. Daily newspaper articles are being used by GfG as a means of monitoring information, and promotion of public debate on issues surrounding economic growth and development. Articles were collected and categorised into specific topic areas to better identify which areas were being focused on in the media, and whether they were general news articles, editorials or public letters indicating public concern and debate. [↑](#footnote-ref-12)
13. The ADR was developed with technical advisory assistance from ODI (Peter Wallace). Reporting from the ADR is intended to inform GfG performance assessment framework. [↑](#footnote-ref-13)
14. These include PI-1 Aggregate expenditure out-turn compared to original approved budget; and PI-6 comprehensiveness of information included in budget documentation). [↑](#footnote-ref-14)
15. Draft PEFA Assessment, Public Financial Management - Performance Report, pg 18 [↑](#footnote-ref-15)
16. IMF Article IV Consultations, <http://www.imf.org/external/pubs/ft/scr/2009/cr09166.pdf> [↑](#footnote-ref-16)
17. 2009 Vanuatu Public Sector Survey, pg 37 [↑](#footnote-ref-17)
18. Government of Vanuatu Annual Development Report 2008 [↑](#footnote-ref-18)
19. <http://www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table> [↑](#footnote-ref-19)
20. The Doing Business Report provides objective measures of business regulations and their enforcement across 178 countries and selected cities at the sub-national and regional level. http://www.doingbusiness.org/ [↑](#footnote-ref-20)
21. http://info.worldbank.org/governance/wgi2007/pdf/c237.pdf [↑](#footnote-ref-21)
22. <http://info.worldbank.org/governance/wgi/sc_chart.asp>, World Bank Governance Indicators [↑](#footnote-ref-22)