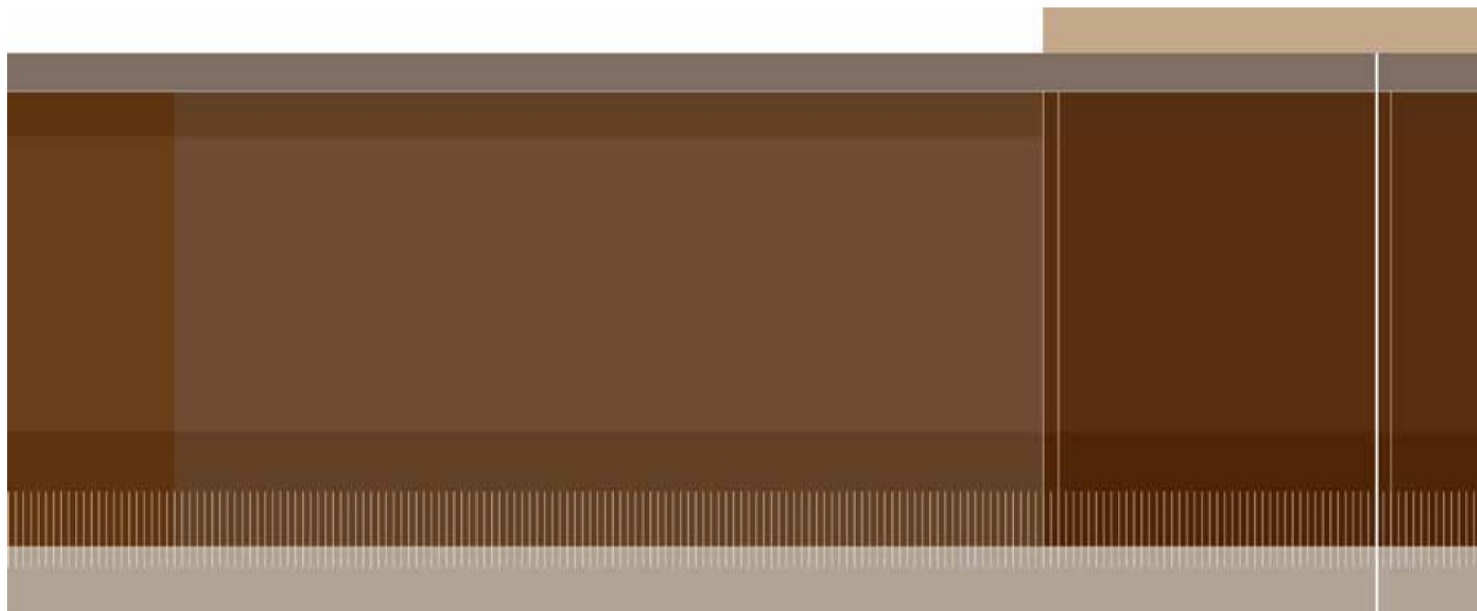

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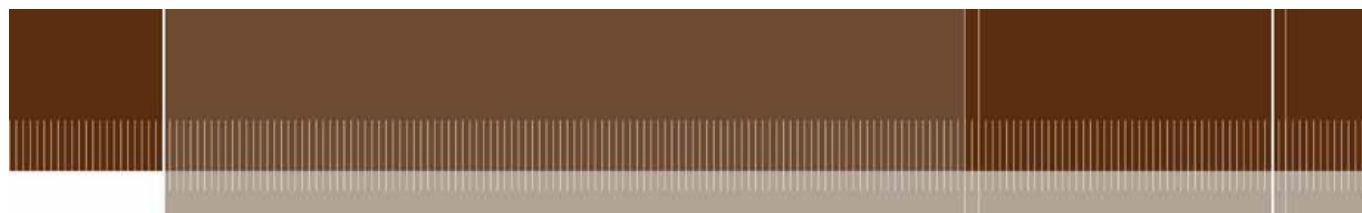
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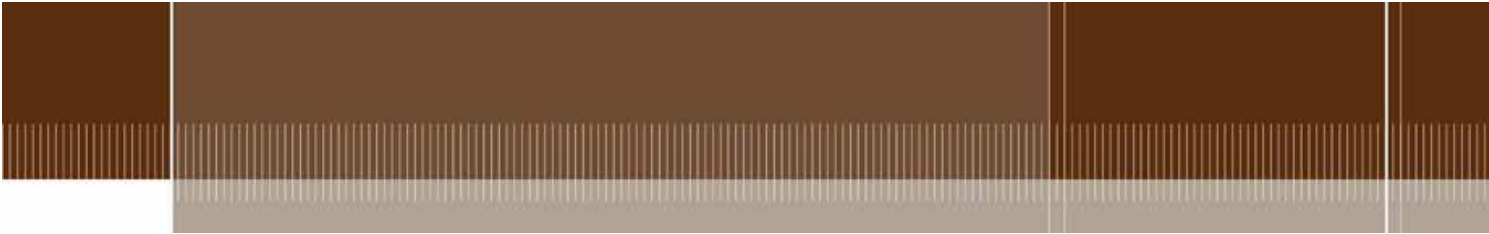
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Office of Development Effectiveness



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Preface

This annual program performance update (APPU) reports on the performance of the Australian aid program to Vanuatu in 2006.

The 2007 APPU draws on an internal Vanuatu country program performance assessment of progress on the implementation of the Australia–Vanuatu Joint Development Cooperation Strategy 2005–2010. That assessment (included in this document as Appendix 1) was prepared by staff in AusAID’s Vanuatu Program team. Responsibility for data collection, assessments of Australia’s contributions and drafting was shared between the field office and Canberra.

The APPU and the earlier performance assessment fall at the mid-point of the country strategy. The performance indicators in the current strategy have been used as a basis for performance measurement, although the APPU is presented in a broader narrative and organised around the objectives of the Country Strategy (roughly stated as ‘Improved Governance’; ‘Better Service Delivery’, including stronger partnerships with key community groups; and ‘Raised Productive Capacity’). The analysis and assertions contained in this assessment were tested with Vanuatu Government and non-government organisation partners. The performance assessment was then contested in a management meeting led by Assistant Director General, Pacific Branch involving AusAID’s Principal Health Adviser, AusAID Vanuatu Program staff (Canberra and Port Vila) and Australian Federal Police personnel in Vanuatu in May 2007.

Looking ahead, we plan to build on this year’s assessment process and enhance performance reporting by moving towards a contribution analysis approach that assesses the contribution that Australia makes to Vanuatu’s progress against Vanuatu’s own objectives). Assessments of the performance of Australia’s aid program should link, as closely as possible, with Vanuatu’s own monitoring its 10-year development plan, the Priorities and Action Agenda 2006–2015. In 2008, we hope to draw on the first products of Vanuatu’s monitoring system to provide contextual and impact information on Australia’s aid.

Rob Tranter

Counsellor, Port Vila

Chapter 1: Results

1.1 Country performance

The Australia–Vanuatu Joint Development Cooperation Strategy 2005–2010 aims to advance the development objectives articulated in Vanuatu’s national development plan, the Priorities and Action Agenda 2006–2015 (PAA). The PAA emphasises private sector development and employment creation to meet the needs of a young, rapidly growing population.

Total Australian aid to Vanuatu in 2006–07 is estimated at \$33 million. Donor funds make up 50 per cent and Australian aid around 30 per cent of the national budget. The value of the Australia–Vanuatu bilateral aid program in 2006–07 is estimated to be \$23 million, an increase of 60 per cent over the past three years (in 2007–08, bilateral support will grow to \$32 million and total official development assistance to \$44.5 million). Australia is the largest donor to Vanuatu, followed by the US Millennium Challenge Corporation (MCC), New Zealand, the European Union (EU), China and France. Most major donors are increasing their support, partly in acknowledgment of the positive environment for reform in recent years. Australian aid is focused on improving governance and service delivery and generating broad-based growth.

Over the past year, Vanuatu’s macroeconomic performance has continued to improve, building on positive growth since 2003–04. Growth in real gross domestic product reached 6.5 per cent per year in 2005 and 7.2 per cent in 2006, keeping well ahead of estimated population growth (2.7 per cent per year). This growth is due to a boom in the services sector from increased tourism, construction and land sales, and influenced by macroeconomic stability. Increased capital inflows, business registrations and tourist numbers suggest an improving climate for investment. Jobs growth is apparent through a 60 per cent increase in provident fund registrations between 2003 and 2006.

Reform and political stability are closely linked. The current economic climate provides a sound backdrop for reform. If the political instability of 2004 distracted the government from policy priorities, the Lini government can now be characterised as providing stable leadership. The environment for reform is therefore relatively benign, but this remains contingent on stable, positive political leadership – 11 changes of government since 1990 (compared with six changes over the same period in Papua New Guinea) have been a major obstacle to reforms in the past. The next election period (due in July 2008) will test this stability.

There are continuing risks to growth and stability. The property boom that is pushing economic growth along at record levels is also contributing to alienation of communities from prime coastal land, often in disputed transactions. The narrow base of economic growth is inadequate to support employment opportunities. Ethnic related unrest in Vila in March 2007 demonstrated the risks to stability from an increasingly young and urbanising population. The Vanuatu Police Force (VPF) continues to face challenges in responding to such instability.

Progress against the Millennium Development Goals (MDGs) is difficult to gauge, but available data suggest that Vanuatu may achieve universal primary education by 2015. However, the poor quality and fragmentation of the education system continue to be major concerns, with high dropout rates beyond Year 6. Vanuatu is progressing well against MDGs on infant and under-5 mortality, but progress against HIV/AIDS, malaria and other diseases (notably tuberculosis) has been slow. Twenty per cent of Vanuatu’s population is without access to health services.

1.2 Progress, achievements and lessons from evaluations

Australian aid is currently supporting the Vanuatu Government to undertake reforms in law and justice, and in health and education as those sectors move towards sector programs. This process will improve national ownership and establish coordinated frameworks for strengthening the national health and education systems. Australia is supporting country capacity to manage this process. The reforms will also greatly improve the quality of performance management information available in the future.

Early in the life of the current strategy, disruption caused by political instability brought delays to the implementation of several key initiatives, particularly in the governance, police and legal sector programs. Two years on, Vanuatu is a far more positive environment for Australian aid. Ties between the governments of Australia and Vanuatu are positive and constructive. The following sections describe significant achievements and challenges in implementing the Strategy to date, in line with the Strategic Objectives and Program Outcomes agreed to in the Strategy.

1.2.1 Governance, law and justice

Assessments in 2006 confirmed very good progress in capacity building through Australia's support for financial management and civil service reforms through the Public Service Reform Project and the Ministry of Finance and Economic Management Institutional Strengthening Project, representing an investment of more than \$40 million over seven years. An AusAID independent completion report (ICR) which examined the contribution of these programs in 2006 found that, without Australia's assistance, the country's financial management would be worse and its civil service would be more politicised and corrupt as a result. The ICR endorsed the contribution of Australia's aid in building greater capacity, particularly in the Ministry of Finance. The *Drivers of Change* analysis found that AusAID project assistance was the most successful capacity-building program in Vanuatu in recent times.

Australia's support has directly stabilised fiscal management: in 2006 Vanuatu achieved its fourth consecutive year of surplus or neutral budgets. A Public Expenditure and Financial Accountability (PEFA) assessment, conducted by an EU team with AusAID participation, highlighted the impact of the Institutional Strengthening Project, especially on the budget function. The PEFA assessment scored Vanuatu's financial management strongly, including A's for credibility and comprehensiveness of the Budget. Australia's assistance has helped to strengthen systems, with the result that the EU and the MCC execute budget support programs in Vanuatu. Vanuatu is one of only two countries where the government finance system is used to execute MCC grants, and is the only country in the Pacific where the EU works in this way.

Vanuatu's financial statements are at an international standard, but weaknesses remain in the accounts, especially on reporting of government business entities' subsidies and debts, and the Auditor-General has not presented audited accounts to parliament for six years.

The ICR noted that civil service hiring is still beset by difficulties. Many question whether expenditure quality has improved as a result of the financial management reforms. There are also risks to the sustainability of the achievements, particularly in the financial management information system and computer network. Links between line and central agencies remain weak. The ICR also found that Australian assistance for central agency reforms had not translated into better services or economic growth.

Police reform is advancing with Australian assistance from the Vanuatu Police Force Capacity Building Project, which is jointly managed by AusAID and the Australian Federal Police (AFP). The project began in early 2006 and, at \$28 million over five years, is one of Australia's largest single initiatives in Vanuatu. Some very positive early outcomes have been achieved:

- There is a more visible police presence and greater operational reach in Port Vila, Luganville and some islands, facilitated by Australian support for VPF patrols and vehicles, advice on public communications and community engagement.
- New recruits have joined the 500-strong VPF for the first time since 1997. Thirty new officers were recruited from 927 applicants after a recruitment drive, complemented by redundancy of long-serving staff. Australian assistance resulted in a robust and transparent selection process, where the merit principle was seen to be applied. Eight of the recruits (27 per cent) were young women, compared to the 2 per cent current representation of women in the force.

While the program has achieved some good early progress and established good partnerships with the

VPF, police reform in Vanuatu will continue to be difficult. The force has seen mutinies, pressures to separate along civilian and paramilitary lines, and enduring financial problems. Its workforce has atrophied over the past decade in the absence of recruitment. Current community perceptions of the police are poor, so rebuilding community confidence in the force is a key objective of the capacity-building program. In 2006, a survey supported by the AusAID-funded Pacific Regional Policing Initiative found that 56 per cent of respondents believed that the police fail to attend crimes; 61 per cent thought the police took too long to attend; 65 per cent felt that crime was getting worse; and only 10 per cent felt that crime was decreasing.

AusAID and the AFP are trialling a more operational focus through a pilot program of direct financing of operational costs to ensure more police patrols, more active community engagement and better responsiveness to reported incidents.

A priority at the management level is to clarify responsibility for project delivery between the AFP and AusAID. The AFP's expertise is in policing; AusAID's contribution lies more naturally in broader law and justice sector, civil service and finance reforms. The agreement between the agencies should be reviewed to consider the agencies' comparative advantages and contributions to the relationship. This is planned for August 2007, after which AusAID's role in managing the project will be reviewed.

A third phase of support for Vanuatu's government legal institutions commenced in mid-2006, through the Legal Sector Strengthening Project (\$12 million, 2006–2010). The Chief Justice of the Supreme Court has observed that, as a consequence of Australian support, government lawyers are more confident and better skilled, and perform better in court than previously. Australian advisers have contributed to improved case management by the State Law Office, resulting in a significant drop in default judgments (as a result of no-shows in court, or losing track of a case) against the government legal service. However, these changes have not been firmly established and rely on project support to sustain them. Australian support also helped establish an office of the Public Solicitor in Santo, extending access to legal representation for the poor.

The project implementer is the New South Wales Attorney-General's Department, which began a twinning arrangement with Vanuatu's legal services in 2000 at AusAID's request. The project has maintained a functioning government legal service through providing expatriate lawyers who have worked in advisory and in-line roles. However, capacity-building achievements are limited.

Performance reporting on the impact of Australian assistance to public legal institutions has been difficult due to poor local data and inadequate attention to performance reporting since the project commenced in 2000. AusAID is planning an independent review of Australian assistance to legal institutions in early 2008 as part of a process for expanding support to the new Ministry of Justice and Social Welfare, the judiciary and informal institutions in a sector-based approach. The review will consider whether the capacity-development objectives of this project should be reviewed to recognise the more realistic ambition of supplementing the capacity of weak institutions (balanced with a long-term approach to capacity development and incentives to retain ni-Vanuatu lawyers).

1.2.2 Health

Donor funds are a significant contribution to overall spending in the Vanuatu health sector, and Australia is by far the largest donor, contributing around 16 per cent of the total spend in health. According to a 2006 health expenditure review, in 2005 most of the funding went to Shefa and Sanma provinces – 85 per cent of funding goes to one-third of the population, focusing on urban areas. This points to continuing inequity in resource allocation. Through support for the development of a medium term expenditure framework and greater alignment of our funding to national priorities, these inequalities will be addressed over time.

Australian assistance has made some progress against this strategy objective:

- AusAID contributed to reduced infant and maternal mortality by supporting hospital and village health services focusing on women and children. Through a supplementary campaign

of immunisation against measles, AusAID helped to produce 90 per cent coverage for measles in 2006, an achievement endorsed by WHO and UNICEF.

- The Village Health Worker Program increased the coverage of rural health care in two provinces (Malampa and Tafea), with all aid posts in those areas receiving training and supervision of post workers. The program is a successful example of a Pacific government subcontracting a non-government organisation (NGO), Save the Children, to oversee service delivery.
- All dispensaries received at least one delivery of drug supplies in 2006 and most received multiple deliveries as a consequence of Australian support for a principal pharmacist. With changes initiated in the tendering process, drug purchasing came in under budget for the first time in 2005.

While Vanuatu has made some progress against the MDGs, more can be done. Most of Australia's assistance is in tertiary health services. This should be adjusted over time to have a greater emphasis on primary health.

1.2.3 Education

Vanuatu invests heavily in education. At 28 per cent of government expenditure, the government's investment in education is one of the highest in the world in proportion to total funding.

From 2000 to 2007, 56 extra schools were created in Vanuatu. In 2006 the government extended its policy of free basic education from Year 6 to Year 8. The 2006 UNESCO Education for all report considered that Vanuatu had a 'high chance of achieving the goal of universal primary education by 2015'. However, Vanuatu's high level of investment has low returns. While the dropout rate from Year 1 to Year 5 is low at 12 per cent, only 46 per cent of children finish Year 7 education and only 16 per cent of students make it all the way through to complete Year 12. Literacy levels are low, with only 34 per cent of youth aged 15 to 24 considered literate. This reflects a poor-quality and fragmented education system, burdened by a high-cost dual language structure and a system that streams secondary students on the basis of academic performance, resulting in most students boarding and higher costs for families. Australia is supporting the implementation of a sector-wide approach (SWAp) in education to address these issues.

AusAID has made progress in meeting the strategy objective of increasing access to secondary education and vocational and technical education (VTE):

- The Secondary Schools Extension Project (\$8.4 million, 2004–2007) resulted in an expansion of Year 11–13 tuition and a 20 per cent increase in enrolments in these areas through 350 additional secondary school places created in 2006 for secondary students in five outer island locations. This result was validated by a mid-term review at the end of 2005 which noted that the project had exceeded its original objectives.
- TVET enrolments increased by more than 20 per cent in 2007, with increasing participation by women (from 38 per cent to 43 per cent). With Australia's support, Vanuatu's TVET system has developed as an effective alternative education pathway. A 2006 survey found that 64 per cent of high school students (68 per cent of females and 58 per cent of males) would consider TVET after finishing school.
- Seventy-four per cent of Vanuatu Institute of Technology graduates find jobs. A new AusAID TVET program, (\$12 million, 2005–2011), builds on previous Australian support for the institute by extending access to better quality TVET in rural areas through curriculum development and support for informal training organisations. In 2006 the program trained 160 accredited instructors in rural areas and supported a 67 per cent increase in graduates from rural training centres recognised by the Vanuatu Rural Development Training Centre Association.

- Over 200 ni-Vanuatu are studying in Australia and the region on AusAID scholarships. This investment in people greatly enhances the capacity of the workforce available in Vanuatu. Over 90 per cent of returnees find employment, and most senior public servants are Australian Development Scholarship program graduates.

However, recent evaluations question the appropriateness of the focus of Australia's assistance. The Secondary Schools Extension Project mid-term review found that the aid program has not adequately recognised the costs of schooling for families and the current poor quality of basic education.

These factors are contributing to high attrition rates by the end of Year 8 and poorly equipping those students that do progress through the system to succeed at secondary level. Only 10 per cent of donor financing flows to primary education, while 90 per cent of donor resources support secondary and post-secondary education. To achieve basic universal education, this trend needs to be reversed. AusAID is taking a leading role in advancing a SWAp in education. Through this process, we hope to bring a new focus on primary education in our program.

We also have concerns about the implementation of the TVET Project, particularly about delays to the establishment of a national accreditation framework. The program will be reviewed in August 2007.

1.2.4 Urbanisation and service delivery

The significant demographic trend to a 'youth bulge' presents major risks for service delivery and future stability, particularly when combined with rapid urbanisation.

While some analysis of the demographic dimensions of urbanisation was included in the 2006 *Drivers of Change* analysis, no specific program development has been undertaken against this element of the Joint Country Strategy. In 2007–08 we will commission further analysis of the impacts of urbanisation on municipal and national health and education services.

1.2.5 Partnerships for service delivery

The Vanuatu Program has advanced the strategy objective of new partnerships with key organisations involved in service delivery, advocacy and representation of important constituencies, through long-term and in some cases core funding grant agreements. These include partnerships with the Malvatumauri (National Council of Chiefs); the umbrella non-government organisation, VANGO; women's organisations, such as the Vanuatu Women's Centre; and the youth-oriented Wan Smol Bag.

A review of the Small Grants Scheme in 2006 found it to be an ad hoc NGO-funding mechanism inappropriately disconnected from the rest of the Vanuatu Program. The review recommended closing the scheme and pursuing more substantive and meaningful partnerships with non-state actors to advance the objectives of the strategy. We have implemented this recommendation and expanded NGO partnerships with the organisations above. In 2007–08 we will design a new partnership with leading church groups (also involving Australia church development organisations) under AusAID's 'Building demand for better governance' initiative.

1.2.6 Raising productivity

At a results level, fiscal reform supported by Australia has been recognised by the International Monetary Fund as contributing indirectly to Vanuatu's current economic growth performance (6.8 per cent real GDP growth 2005; 5.5 per cent estimated in 2006). The *Drivers of Change* analysis noted that fiscal discipline has contributed to a virtuous circle of low debt, low inflation and sound macroeconomic management. This new stability in government finances has been a positive influence on the investment climate. During the recent Vanuatu Program performance assessment, one Australian-domiciled retail bank noted that its sovereign risk limits (limits on exposure to government debt) had recently been increased to allow further growth in its lending business – a positive sign of confidence in policy and government. This impact can be attributed partly to Australia's support for the fiscal prudence of the Vanuatu Government.

'Productive sectors' is a new area of program development for the Australian aid program. AusAID's approach in 2006 was to begin modest support in agriculture and tourism, contribute to more robust analysis of economic opportunities with government and other Vanuatu partners, and seek better economic and industry statistics to better inform policy. While this new program is in its early stages, we can point to some early results:

- New tourism businesses have been attracted to the Vanuatu market as a consequence of the support of an Australian-funded marketing manager for the Vanuatu Tourism Office. Tourism marketing has improved, and has included upgraded branding of Vanuatu as a destination, larger trade events and more tourism media visits.
- Telecommunications monopoly TVL has lowered its prices for international calls and ADSL internet and modestly extended its GSM mobile coverage in rural areas, in response to the prospect of increased regulatory pressure and competition. AusAID, with the World Bank, has provided assistance to the government to manage its costly utility monopolies better by preparing for the establishment of a new utilities regulator and introducing competition in the telecommunications sector.
- Better economic data became available in 2006 through support to the National Statistics Office to advance a household income and expenditure survey and an agricultural census. AusAID also supported a review of the national accounts. This technical assistance has helped the Vanuatu Government get a much better understanding of the performance of the economy. The results of the surveys helped to confirm the buoyancy in the formal economy.
- The government has moved to address problems in the management of land. With AusAID's backing, the National Land Reform Program was commenced in 2006 under the leadership of a steering committee vested with responsibility for developing a land reform strategy. The committee has representation from government, industry and traditional authority.

The Governance for Growth Program began in September 2006. Drawing on the economic opportunities analysis (see '1.3 Other evaluations' below), the program will emphasise support for reforms that back growth and improved service delivery through better quality expenditure and public investment in growth. A design for the implementation phase of Governance for Growth (initially \$20 million over four years) is being prepared. The program will continue support for better public financial management and statistics (including drawing on technical inputs from the Australian Treasury and the Australian Bureau of Statistics). The program will also be a vehicle for policy engagement with government and aid investments by AusAID, the World Bank and the ADB in key economic reforms, such as telecommunications competition, rural electrification, commodities marketing and airline reform. Governance for Growth is led jointly by AusAID staff co-located with Vanuatu Government colleagues at the Prime Minister's Office.

AusAID also intends to examine more closely the quality and equity of participation in the benefits of economic growth over 2007–08. An analysis of the gender dimensions of growth is planned under the Governance for Growth Program. AusAID will also broaden the analysis of the *Drivers of Change* study over the next year by supporting local NGOs (the Foundation of the People of the South Pacific and the newly established Pacific Institute of Public Policy) to disseminate the study and promote debate.

1.3 Other evaluations

In addition to the 2006 evaluations discussed in this chapter, two other key analyses were commissioned by AusAID. The first, a collaborative analysis of economic growth opportunities with NZAID and the Vanuatu Government (July 2006), highlighted inefficiencies that hinder growth:

- *public good and private sector inefficiencies*: unreliable transport, asymmetric markets (monopoly services/buyers), weak marketing, variable quality of produce
- *policy inefficiencies*: poorly informed policy, fractured institutions, weak oversight of

performance with resources, limited consultation with the community

- *donor inefficiencies*: supply-driven, project-oriented aid that leads to fragmented development, undermines Vanuatu leadership and overstretches limited capacities.

The analysis emphasised the need for stronger, evidence-based, policy-making that targets broad-based growth; a focus on better quality public expenditure oriented to growth; and direct AusAID investments that provide an incentive for sound growth policy.

The second analysis, *Drivers of Change* (November 2006 to April 2007), highlighted the challenges of reform and transformation in an unstable and fragmented political system characterised by short-term decision-making. The analysis endorsed a strategy which recognises that change will be incremental, and that donors should continue efforts to build core state functions and work in alliance with reform-minded individuals. This requires AusAID to focus on alliances and relationships with reformers both in the state and in civil society and to be flexible in supporting reform efforts across the strategy objectives. The analysis recommended that donors be opportunistic and take an issues-based approach to reform: that is, donors should identify priorities with a degree of political mobilisation (as we are currently seeing in utilities and land reform) and use them as entry points to strengthen demand for better governance. Decentralisation, the role of traditional authority and the role of women are issues of this type.

Drivers of Change highlighted options for channelling public discontent into effective demand for improved governance. This work might include civic education campaigns to address the inappropriate expectations that many ni-Vanuatu have about the political process, and working with bodies such as the National Council of Chiefs and the Vanuatu Christian Council to develop their capacity to represent community interests in the national policy arena. *Drivers of Change* strongly endorsed the recommendations of the July 2006 economic opportunities analysis to build the capacity of NGOs in research, analysis and policy advocacy.

Evaluations planned for 2007 include reviews of AusAID's investments in TVET and our support for the public legal institutions, and an ICR of the Secondary Schools Extension Project. We will also consider impact assessments of much earlier aid programs in land use planning and forestry reform (two projects that concluded in 2000), given new program development in Vanuatu associated with new budget initiatives (the Pacific Land Program and the Global Initiative on Forests and Climate).

1.4 Should the objectives of the Vanuatu country strategy be changed?

The internal 2007 Vanuatu Program assessment found that the strategy was largely appropriate and on track. However, the assessment identified areas where the strategy should be strengthened and updated:

- The orientation of Australia's assistance to secondary and tertiary services in education and health should be refocused to recognise the importance of strengthening basic education and primary health care in Vanuatu. In the case of education, new indicators need to be found to reflect this focus on primary education. We expect this adjustment in our focus and resources to advance through preparation of sector program mechanisms (Australia takes leadership of the education SWAp donor group from late June 2007).
- The focus on community partnerships should not be an objective in its own right. It is a principle for implementation, leading to better outcomes.
- White Paper initiatives need to be incorporated into the Joint Country Strategy. For Vanuatu, several initiatives commence in 2007–08: Australia–Pacific Technical College; Pacific Malaria Initiative; A Whole of Government Anti-Corruption Strategy; Demand for Better Governance; Better Education and Better Health initiatives; and Incentives initiative. We will be working closely with the Vanuatu Government to incorporate new budget initiatives into the strategy.
- The focus on building demand for better governance and economic growth needs to be more clearly identified in the Joint Country Strategy, reflecting program development since

its signing in 2005, in particular the Vois Blong Vanuatu public broadcasting partnership between the Australian Broadcasting Corporation and VBTC, the new \$5–10 million a year Governance for Growth initiative and the new focus on land reform.

- The performance assessment framework needs to be updated to reflect these changes. The current selection of indicators is also problematic. Some are appropriate, but some are impossible to measure, some are really principles or objectives and not indicators, and for others data will never exist. In 2008, we expect to use a contributions analysis approach, which will bring a more flexible assertions based approach, built on identifying Australia's contribution to Vanuatu's progress against Vanuatu's own PAA performance framework.

These changes will be progressed through a mid-term review of the Joint Country Strategy planned for the second half of 2007 and reporting to the AusAID Program Committee in early 2008, after finalisation of data from Vanuatu's 2007 Budget.

Chapter 2: Program Quality

2.1 Quality ratings at entry, implementation and completion

The Vanuatu Program participated in AusAID's quality performance reporting trial in March 2007, using the Quality at Implementation tool.

In general, implementation was assessed to be proceeding well, although sometimes hampered by lack of engagement of partners. Key risks needing attention include:

- lack of engagement of the Vanuatu Mobile Force in the police program, and leadership responsibilities for the police capacity-building project that need to be clarified between AusAID and the AFP
- failure to ensure and maximise value from twinning relationships with Australian organisations such as the NSW Attorney-General's Department, the Australian Bureau of Statistics and the Australian Broadcasting Corporation
- the high failure rate of scholarship awardees at the University of South Pacific.

2.2 Main issues

Several issues prevented initiatives from recording higher quality at implementation.

- *Sustainability.* Three initiatives reported that there was little prospect of the Vanuatu Government taking control of financing for the initiative. This is considered a problem for financial sustainability and raises concerns about Vanuatu ownership and participation in initiatives.
- *Monitoring and evaluation.* Two initiatives were assessed as needing further improvement to their M&E frameworks, but most were found wanting in 'Substantially contributing to answering questions about achieving objectives'. In a third of initiatives, the stated purpose or objectives were too broad or vague to provide a useful basis for assessment.
- *Implementation.* Other factors identified by initiative managers as problems were delays to the commencement of initiatives (leading to a low rating for 'Implementation'); staffing shortfalls or reliance on technical assistance; problems experienced in skills transfer or training of local counterparts; and an overreliance on individual leaders of initiatives (a key-personnel/sustainability risk).

Chapter 3: White Paper implementation

3.1 Gender equality

Consideration of gender equality in the Joint Country Strategy needs to be strengthened. While some initiatives attempt to address gender issues, gender analysis needs to be elevated to a more strategic level. A comprehensive gender analysis, which has never been done for the aid program, will be a key priority in 2007–08 to set a clear framework for gender equality priorities, against which results can be measured. That analysis will be part of the mid-term review of the strategy planned for the second half of 2007. An important issue for AusAID is to ensure that our policy dialogue with government, across the whole program, takes a strong and informed position on gender issues, so that government develops and implements policy that appropriately meets the needs of women and men.

A key result of AusAID support in Vanuatu is in addressing violence against women and children – a major challenge to gender equality. Through a program of long-term support to the Vanuatu Women's Centre, the centre is now seen as a champion of gender equality and has placed violence against women and children on the national agenda as a major social and economic problem.

The Vanuatu Women's Centre provides counselling and legal advice, particularly to rural communities where the reach of the formal law and justice system is minimal. The centre has driven changes in government policy, is included in all major human rights dialogues, including the Convention on the Elimination of all Forms of Discrimination against Women, and works closely with provincial authorities and the police. However, evidence of changes in attitude and behaviour remains elusive and data are inconclusive. The passage of the Family Protection Bill has been pending for nine years because of opposition from chiefs, churches and political parties.

Starting in September 2007, the Vanuatu Program will work closely with the Office of Development Effectiveness to evaluate gender violence prevention in Melanesia and to assess whether international experience is relevant to Vanuatu.

Other AusAID efforts to promote gender equality include the following:

- *Vanuatu Police Project.* This project has increased the proportion of women in the police service. Thirty new recruits in 2006 included eight women (27 per cent). HIV/AIDS and violence against women are being mainstreamed into refresher courses delivered by local trainers.
- *Secondary Schools Extension Project.* Both women and men have been trained and employed in community construction, which is perceived as a male domain.
- *TVET Program.* Gender equity has been applied in the selection of trainees and the types of courses offered.
- *Wan Smol Bag Partnership.* The partnership provides reproductive health services and is the leading provider of media content on such topics as domestic violence, substance abuse, relationships and reproductive health.

3.2 Anti-corruption

In line with the White Paper and the recently launched Anti-Corruption for Development Policy, the Vanuatu Program will develop an anti-corruption action plan in 2007–08. The plan will build on the *Drivers of Change* analysis of the nature and causes of corruption.

Starting in July 2007, development of the action plan will include a review of the current program to identify gaps and entry points, and further analysis of the drivers, costs and impacts of corruption in Vanuatu. The plan will be finalised in late 2007, and will be the basis for whole-of-government consultations. All anti-corruption initiatives will be integrated into the overall Vanuatu Program

performance framework. Development of appropriate objectives, targets and practical measures will accompany formulation of the action plan.

3.3 Expenditure by sector and subsector and by form of aid

Tables 1 and 2 show Australian aid expenditure in Vanuatu in 2006–07 by sector and form of aid, respectively.

Table 1 Australian aid expenditure, 2006–07, by sector and subsector

Sector	Subsector	Total	%
Program planning and support		\$1 094 624	5%
Broad-based growth		\$947 000	4%
Governance	Economic governance	\$2 640 924	11%
	Strengthening civil society	\$2 965 311	14%
	Law and justice	\$7 100 246	30%
Health		\$2 515 934	11%
Education		\$5 845 255	25%
Bilateral – all objectives		\$23 109 294	100%
Other – official development assistance		\$10 000 000	

Table 2 Australian aid expenditure, 2006–07, by form of aid

Form of aid	Total	%
Projects – Australian Government	\$7 100 246	31%
Projects – Australian managing contractor	\$2 552 224	11%
Projects – Non-government organisations	\$2 957 777	13%
Flexible mechanisms	\$4 794 911	21%
Scholarships	\$2 861 859	12%
In line advisers	\$981 554	4%
Support to other donors/NGOs	\$691 319	3%
Program management and support	\$1 094 624	5%
Bilateral – all objectives	\$23 034 514	100%
Other – official development assistance	\$10 000 000	

3.4 Joint donor missions and analyses

This is an important time for donor coordination in Vanuatu, given increasing aid flows from Australia, New Zealand and the EU. The entry of the MCC also introduces a significant new player to the donor field. Coordination among this small donor group with disparate interests remains weak (donor coordination scored a ‘D’ in the PEFA assessment), bringing high transaction costs to Vanuatu’s already overloaded institutions. For example, the existence of 109 projects in the education sector over the past five years suggests that donors could come together much more effectively. AusAID efforts to coordinate joint design work have had mixed success: in the TVET Project (Australia, France, New Zealand) and the police capacity-building project (Australia, New Zealand) other donors pulled out before implementation.

In 2006 of the 10 significant analytical, evaluation or design missions, the following were undertaken with other donors:

- PEFA assessment – EU, AusAID

- economic opportunities analysis – NZAID, AusAID
- Justice for the Poor joint scoping mission – AusAID, World Bank
- education advisers SWAp mission – AusAID, NZAID, World Bank, EU, France.

The commencement of a SWAp in education and the development of coordination arrangements in public expenditure reform will be guided by the PEFA assessment. Collaboration begun in or planned for 2007 includes work on rural electrification with the World Bank and on the productive sectors with the EU.

3.5 Proportion of spending on technical assistance

About 40 per cent of Vanuatu Program funding is spent on technical assistance (see Table 3). The Joint Country Strategy emphasises the principle of maximising opportunities for local, particularly ni-Vanuatu, technical expertise in the Australian aid program. Unfortunately, our systems do not produce data that allow a ready distinction between local and international technical assistance.

Increasingly, local consultants are engaged in the aid program; for example, the Drivers of Change analysis team of seven included four ni-Vanuatu, including a former president and a former opposition leader.

Table 3 Technical assistance in the Vanuatu Program

Initiative	Technical assistance %	\$ million
Vanuatu Police Force Capacity Building Program	39%	2.10
Governance for Growth Program	90%	2.40
Rural Economic Development Initiative	42%	0.25
Health Sector Program	50%	1.00
Technical Vocational Education and Training Project	80%	1.70
Legal Sector Strengthening Program	47%	0.75
Productive Sectors	38%	0.22
Land Reform Program	90%	0.24
Demand for Better Governance	70%	0.70
Other Pacific Technical Advisory Facility, reviews and design)	100%	1.00
Total	10.36	

3.6 Use of national systems

The PEFA assessment and the confidence shown by other donors in Vanuatu Government systems suggest that AusAID should move to work through those systems on a broader scale. We are currently doing this through project grant funding for key government-led initiatives, such as the household income and expenditure survey and the agricultural census, and small health grants and maintenance. This amounts to around \$2 million per year or 10 per cent of the bilateral aid program.

All significant projects already emphasise joint planning with government on key initiatives, such as the combined business planning process with the VPF.

Over the past year, we have committed to using a sector program approach in education and health, leading to direct funding through the Budget in 2007–08. For example, \$1–2 million in finance will go through the Budget as part of the education SWAp, with the balance in project-based assistance for the priorities agreed as part of the SWAp (New Zealand intends to finance entirely through targeted budget support of NZ\$30 million over the next five years).

Appendix 1: Joint Country Strategy performance framework March 2005

Goal: Long-term stability resulting from accelerated development, including broad-based growth, and improved welfare of the general population.

Level	Objectives	Performance indicators
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 Ministry of Finance and Economic Management /Public Service Commission Institutional strengthening/capacity building in key government institutions Acceptable national accounting systems in place
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 in and appropriateness of police responses Public perceptions of police Improved law and justice policy coordination
Program Outcome 1.3	Stronger links between central, line and provincial systems	<ul style="list-style-type: none"> Planning, budgeting and human resource management systems operating in line agencies and provincial authorities Systems coordination between national and provincial levels
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
Program Outcome 2.2	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

Level	Objectives	Performance indicators
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 in rural areas
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
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

Acronyms and abbreviations

AFP	Australian Federal Police
EU	European Union
ICR	independent completion report
M&E	monitoring and evaluation
MCC	Millennium Challenge Corporation (United States)
MDGs	Millennium Development Goals
NGO	non-government organisation
PAA	Priorities and Action Agenda 2006–2015
PEFA	Public Expenditure and Financial Accountability
SWAp	sector-wide approach
TVET	Technical and Vocational Education and Training
VPF	Vanuatu Police Force
WHO	World Health Organization