

**Government of the Republic of Vanuatu**



# **ANNUAL DEVELOPMENT REPORT 2010**

**July 2011**

## FOREWORD

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Hon. Meltek Sato Kilman LIVTUNVANU

Prime Minister, Republic of Vanuatu

I am pleased to present the Annual Development Report (ADR) of the Vanuatu Government for the year 2010. This report provides information on the progress of the implementation of national development priorities and major Government policies as expressed in the seven chapters of the Priorities and Action Agenda (PAA) and the Planning Long and Acting Short (PLAS) matrix:

- Macroeconomic stability and equitable growth;
- Private sector development and employment creation;
- Good governance and public sector reform;
- Primary sector development and the environment;
- Provision of basic services and strengthening social development;
- Education and human resource development;
- Infrastructure and utilities.

The report also looks at the impacts of the implementation of policies supported by the Government, such as the Universal Primary Education policy, and the New Zealand Regional Seasonal Employment scheme.

This year, the office of the prime minister is finalising the mid-term review of the PAA (2006-2015). The review will ensure that all international and regional commitments are integrated into national policy priorities. This will mean that the implementation progress of regional and international initiatives including the Millennium Development Goals (MDG's) will be monitored and reported based on the performance indicators. The review will also assess and improve the linkage of national strategic priorities to ministries' corporate plans and Departments' business plans.

Two years after the establishment of the Monitoring & Evaluation Unit at the Prime Minister's Office, it is still a national challenge to obtain meaningful and reliable data from line ministries and various national institutions. The Ministry of Prime Minister has worked closely with the line ministries in the last 6 months, in an effort to improve the design of meaningful indicators and strengthen the collection of data to give them an appropriate value. The assistance to the line ministries, in this first phase, has consisted in redefining their objectives (desired outcomes) in alignment with the national policy priorities (PAA, PLAS), redefining the expected delivery of services (desired outputs), and redefining performance indicators accordingly. These efforts we believe will contribute to improve the collection of information and the reliability of data to be used by policy makers.

The Annual Development Report serves as a monitoring mechanism that provides information that we believe will inform various stakeholders and donor partners on the reforms undertaken and the progress made to achieve national development objectives.

I would like to emphasize that, during the coming year; the government will maintain its commitment not only to implement the government policies but to also assess the impacts of such policies and programs on the welfare of our people, and report on the achievements and failure. That is the only way to address the issues that are hindering development efforts.

It is my hope that this report will provide valuable information to inform the public, stakeholders and donor partners on the implementation progress of Prioritised Action Agenda (PAA), the Planning Long and Acting Short (PLAS) and other policy initiatives that have been implemented in 2010.

It is my wish that year after year, we improve the format and content of this Annual Development Report to better serve our nation and our development partners.

  
**Hon. Meltek Sato Kilman**  
**Prime Minister**  
**Republic of Vanuatu**



## ACKNOWLEDGEMENTS

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At the outset, it is with great honour that we acknowledge with gratitude the generous support and assistance from my colleagues Director Generals from line ministries and respective Directors of departments who have assisted the Ministry of the Prime Minister in providing information and data for this Annual Development Report.

We also wish to thank the Public Service Commission for providing direction to line ministries on the format of the Annual Reports the content of which has assisted the Prime Minister's office to gather information.

We are also grateful to the heads of government institutions that have their own acts including the Vanuatu National Statistics Office (VNSO), Vanuatu Investment Promotion Authority (VIPA) Reserve Bank of Vanuatu (RBV) and constitutional bodies who have contributed in providing information for the report.

Some valuable reports and surveys from the Non Government Organisations (NGOs), from our donor partners, and from multilateral agencies and institutions have been very useful for this ADR. The European Union (EU) funded a valuable technical assistance to the M&E Unit these last months that helped improve the Annual Development Report.

The French Version of this ADR is made possible due to financial support of the United Nations Development Program (UNDP), which we have been grateful.

Last but not the least I would like to thank the staff of the M&E unit and the Policy Analysts within DSPPAC and the staff of the Treasury unit within MFEM who have worked cooperatively in finalizing this report.

**Simeon Malachi Athy**  
**Director General**  
**Ministry of the Prime Minister**

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## ABBREVIATIONS

<b>ADB</b>	Asian Development Bank
<b>ADR</b>	Annual Development Report
<b>AIDs</b>	Acquired Immune Deficiency Syndrome
<b>API</b>	Annual Parasite Incidence
<b>AFD</b>	Agence Française de Développement (France Development Agency)
<b>ARI</b>	Acute respiratory tract infections
<b>AUF</b>	Agence Universite de la Francophonie
<b>AusAID</b>	Australian Agency for International Development
<b>CEDAW</b>	Convention on the Elimination of All forms of Discrimination Against Women
<b>CRPD</b>	Convention on the right of persons living with Disability
<b>COM</b>	Council of Ministers
<b>BCG</b>	Basille Calmet Guerin (TB Vaccine)
<b>DSPPAC</b>	Department of Strategic Policy, Planning and Aid coordination
<b>DRC</b>	Decentralisation Review Committee
<b>DARD</b>	Department of Agriculture and Rural Development
<b>DTP</b>	Diphtheria Tetanus Pertissus (Vaccine)
<b>DLQ</b>	Department of Livestock and Quarantine
<b>ECE</b>	Early Childhood Education
<b>EIA</b>	Environmental Impact Assessment
<b>FAO</b>	Food and Agriculture Organization
<b>FDI</b>	Foreign Direct Investment
<b>FSM</b>	FSM-Fiji School of Medicine
<b>GDP</b>	Gross Domestic Product
<b>GIP</b>	Government Investment Program
<b>GFATM</b>	Global Fund Assistance Toward Malaria Funding
<b>GPI</b>	Gender Parity Index
<b>GER</b>	Gross Enrolment Rate
<b>HIS</b>	Health Information system
<b>HIES</b>	Household and Income Expenditure Survey
<b>HSS</b>	Health Sector Strategy
<b>HIV</b>	Human immunodeficiency virus
<b>ICCPR</b>	Internal Covenant on Civil and Political Rights
<b>IDA</b>	International Development Assistance
<b>ITN</b>	Insecticide Treated Nets
<b>ILO</b>	International Labour Organization
<b>IMR</b>	Infant Mortality Rate
<b>JICA</b>	Japan International Cooperation Agency
<b>LSF</b>	Land Sector Framework



<b>MBC</b>	Ministerial Budget Committee
<b>MCA</b>	Millennium Challenge Account
<b>MCV</b>	Measles Containing Vaccine (vaccine)
<b>MIPU</b>	Ministry of Infrastructure and Public Utilities
<b>MAQFF</b>	Ministry of Agriculture, Quarantine Forestry and Fisheries
<b>MDG</b>	Millenium Development Goal
<b>MICS</b>	Multiple Indicator Cluster Survey
<b>MFEM</b>	Ministry of Finance and Economic Management
<b>MNVBD</b>	Ministry of Ni Vanuatu Business Development
<b>MOE</b>	Ministry of Education
<b>MOH</b>	Ministry of Health
<b>MLNR</b>	Ministry of Lands and Natural Resources
<b>NCDs</b>	Non-Communicable Disease
<b>NGO's</b>	Non-Government Organizations
<b>NPP's</b>	New Policy Proposal's
<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organization of Economic Corporation Development
<b>PAA</b>	Priorities and Action Agenda
<b>PLAS</b>	Planning Long and Acting Short
<b>PER</b>	Public Expenditure Review
<b>PSC</b>	Public Service Commission
<b>PWD</b>	Public Works Department
<b>PSSC</b>	Pacific Senior Secondary Certificate
<b>RBV</b>	Reserve Bank of Vanuatu
<b>RSE</b>	Regional Seasonal Employment Scheme
<b>RTCs</b>	Rural Training Center
<b>SOEs</b>	State Own Enterprises
<b>STIs</b>	Sexually Transmitted Infections
<b>SPBEA</b>	The South Pacific Board for Educational Assessment
<b>SPFSC</b>	South Pacific Form Seven Certificate
<b>SWAP</b>	Sector Wide Approach
<b>TVL</b>	Telecom Vanuatu Limited
<b>UAP</b>	Utility Authority Pool Fund
<b>UNICEF</b>	United Nations Childrens Fund
<b>USP</b>	University of the South Pacific
<b>UPE</b>	Universal Primary Education
<b>UPR</b>	Universal Access Policy
<b>URA</b>	Utility Regulatory Authority



<b>UNELCO</b>	Union Electrique de Vanuatu Ltd
<b>VANGO</b>	Vanuatu Government
<b>VANWODs</b>	Vanuatu Women Development Scheme
<b>VBMS</b>	Vanuatu Budget Management System
<b>VCNE</b>	Vanuatu Centre for Nurse Education
<b>VERM</b>	Vanuatu Education Road Map
<b>VESS</b>	Vanuatu Education Sector strategy
<b>VESAP</b>	Vanuatu Education Sector Action Plan
<b>VEMIS</b>	Vanuatu Education Management Information System
<b>VNSO</b>	Vanuatu National Statistics Office
<b>VIPA</b>	Vanuatu Investment Promotion Authority
<b>VNPF</b>	Vanuatu National Provident Fund
<b>VPF</b>	Vanuatu Police Force
<b>VRDTCA</b>	Vanuatu Rural Development Training Center Association
<b>VNTC</b>	Vanuatu National Training Council
<b>VTO</b>	Vanuatu Tourism Office
<b>VMS</b>	Vanuatu Meteorological Services
<b>WHO</b>	World Health Organization
<b>WGI</b>	Worldwide Governance Indicators

MAP OF THE REPUBLIC OF VANUATU



2010 AT A GLANCE

**ECONOMIC**

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| <ul style="list-style-type: none"> <li>• Real GDP growth was estimated to be 2.2% in 2010.</li> <li>• GDP per capita was estimated to be VT 242,000.</li> <li>• International visitor arrivals reached 237,648, an increase of 5.4% over 2009. Airborne visitors were only 97,180, a decrease of 3.5%, while cruise-ship visitors numbered 140,468, plus 12.5% increase compared to 2009.</li> <li>• Foreign direct investment in housing only was estimated to be VT 369 million in 2010.</li> <li>• A total of <b>2,228</b> workers recruited in season 3 (<i>1<sup>st</sup> April 2009 – 31 March 2010</i>), and <b>2,202</b> were recruited in season 4 (<i>1<sup>st</sup> April 2010 – 31 March 2011</i>).</li> <li>• An interview conducted by the M&amp;E unit with 101 RSE return workers showed that the <i>net remittances</i> per worker ranged from 235,482 Vatu to 323,362 Vatu. Between April 2007 and March 2011, the estimated mean <i>net remittance per worker over the four seasons</i> was 270,298 vatu. This excludes the deductions made for airfares, food, accommodation, transport, health insurance and also on spending made on goods, services and pleasures while in New Zealand.</li> <li>• RSE inflows was estimated to be VT851 million.</li> <li>• Credit Unions Amendment Act passed in Parliament</li> <li>• Electricity Supply Amendment Act passed in Parliament</li> <li>• Tax Information Exchange Agreement bill passed in Parliament</li> </ul> | <ul style="list-style-type: none"> <li>• The Environment Unit became a fully fledged department in 2010. Also, the Geology and Mines section was moved to Energy Unit, and the Geo-hazard section was transferred to the Meteorological Services.</li> <li>• The estimated contribution to GDP of the primary sector (crop production, animal production, forestry and fishing) is currently 19.2% of which 15% was contributed by crop production. Contribution to GDP of the primary sector in the previous years (2000-2010) has been rather constant at around 20%.</li> <li>• A decrease in copra exports was compensated by a 94% increase in copra oil exports in 2010, reflecting the high price paid to copra farmers by local oil producers.</li> <li>• The Current Account deficit stood at almost VT 1.7 million in 2010.</li> <li>• The total stock of debt at the end of 2010 was equal to 20% of GDP, of which 5% was domestic debt, and 15% was external debt.</li> <li>• Annual inflation as measured by the Consumer Price Index (CPI) was 2.8% in 2010.</li> <li>• Company and Trust Service Provider Act passed in Parliament</li> <li>• Pernix Group a US based company became the new electricity provider for Luganville, succeeding Unelco whose contract expired at the end of 2010.</li> </ul> |
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**SOCIAL**

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| <ul style="list-style-type: none"> <li>• The total population of Vanuatu was 234,023.</li> <li>• The Ministry of Health’s “Health Sector Strategy 2010-2016” was launched in August 2010 outlining key strategies to improve delivery of services including a new MOH structure.</li> <li>• The Corporate Plan 2011-2014 of the Ministry of Health was developed.</li> <li>• The MOH has addressed the shortage of health personnel’s issue in 2010 by recruiting 21 new graduate nurses from VCNE, 5 Vanuatu graduate nurses from the Solomon Islands Nursing School, 16 advance nurse practitioners, 3 Cuban doctors, and 3 intern doctors (FSM) in 2010.</li> <li>• A MOU was signed with the Government of Solomon Islands for Vanuatu’s recruitment of Solomon Islands nurses. Recruitment began in early 2011.</li> <li>• Latest under-five mortality rates from 2009 census estimated to be 24 per 1,000 live births and the Infant Mortality Rate (IMR) was estimated at 20 per 1,000 live births.</li> <li>• In 2010 at least 90% of boys and girls aged one year and under were immunized as per national schedules and at least 80% in all Provinces with a special focus on low-performing Provinces.</li> <li>• It is estimated that measles vaccination increased to 81.7% coverage in 2010 compared to an estimated 37.2 % for children aged 1-4 years in Vanuatu for 2009.</li> <li>• The malaria parasite Incidence (API) in 2010 was estimated at 33.3 per 1,000, a gradual decrease from 73.9 in 2003.</li> <li>• There were no new HIV or AIDS cases diagnosed in 2010 despite voluntary screening of 1,545 persons mainly women through antenatal checkups.</li> </ul> | <ul style="list-style-type: none"> <li>• Work continued in implement the Family Protection Act.</li> <li>• There are 3 Provincial Hospitals, 30 Health Centres, 97 Dispensaries and 231 Aid Posts in Vanuatu in 2010.</li> <li>• The MOH recorded 116 TB cases in 2010.</li> <li>• The Vanuatu government has adopted and is implementing the “Education For All” goals in its policies and plans with a specific focus on access to and quality of education, acquiring life skills from schools and improving on policy, programs and logistics management.</li> <li>• In 2010 the Ministry of Education managed an increased number of schools in all levels including 91 Early Childhood Preschools, 426 Primary Schools and 84 Secondary Schools.</li> <li>• In the Education sector, Vanuatu’s policy on Universal Primary Education came into full effect in 2010 seeing the introduction of Subsidies of VT6,800 that phased out parental contributions. As a result, enrolment in primary school increased to 41,834 from a figure of 38,762 in 2009.</li> <li>• The review of the curriculum and assessment and the integration of the Anglophone and Francophone systems of education delivery continued.</li> <li>• In 2010 the survival rate to Grade 6 in primary schools was 66%.</li> <li>• In primary education, the Gross Enrolment Rate was 101%, and the Net Enrolment Rate increased to 94.3%. The Universal Primary Education policy is successful so far, thanks to the strong financial involvement of Aid donors.</li> <li>• In secondary education, the Gross Enrolment Rate was 41.8%, and the Net Enrolment Rate only 22.6%.</li> <li>• There are more girls than boys in the secondary schools of Vanuatu.</li> <li>• In 2010, 423 scholarships (238 male and 185 female) were awarded for tertiary education, of which 187 were</li> </ul> |
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	<p>new awardees.</p> <ul style="list-style-type: none"><li>• In 2010, there were 39 active Rural Training Centres across the country.</li></ul>
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<b>GOVERNANCE</b>	
<ul style="list-style-type: none"> <li>• The SLO reported 194 new court cases in 2010, an increase of 43% compared to 2009. Only 20 cases were closed, so the backlog of cases increased from 599 to 773.</li> <li>• In 2010, the drain of qualified lawyers leaving the public service was ended, as only one staff did quit.</li> <li>• A total of 32 registered discipline cases were recorded by the Public Service Disciplinary Board (PSDB) in 2010. As at 31 December 2010, there were two (2) outstanding cases that will be dealt with in 2011.</li> <li>• Vanuatu Chamber of Agriculture Act passed in Parliament.</li> <li>• Ozone Layer Protection Act passed in Parliament.</li> <li>• Environmental Management Conservation Act passed in Parliament.</li> </ul>	<ul style="list-style-type: none"> <li>• The Decentralization Act (CAP 230) and the Municipality Act 126 was amended in 2010 to facilitate the smooth implementation of the decentralization policy.</li> <li>• The World Bank governance indicators suggested that in 2010 Vanuatu continued to improve its ranking among nations on voice and accountability, political stability, regulatory quality and control of corruption.</li> <li>• Regionally, it appears that Vanuatu compares favorably to PNG, Fiji and Solomon Islands on all governance indicators, while it lags behind Samoa on Government Effectiveness and the Rule of Law.</li> <li>• VCMB Repeal Act passed in Parliament. A new development framework is being considered.</li> </ul>

# 1 MACROECONOMIC STABILITY AND EQUITABLE GROWTH

## 1.1 GROSS DOMESTIC PRODUCT (GDP)

Vanuatu's economy has shown signs of moderate dynamics and it was estimated to have grown at a rate of 2.2 per cent in 2010 after growing by 3.5 per cent in 2009. The weaker economy in 2010 has been attributed to a decline in the services sector

**Table 1.** Gross Domestic Product (annual growth rates)

	2008	2009	2010(e)		2011		2012	
			Budget	Revised	Budget	Revised	Budget	Revised
<b>Agriculture, fishing &amp; forestry</b>	<b>3.8</b>	<b>1.7</b>	<b>3.0</b>	<b>4.3</b>	<b>2.2</b>	<b>2.1</b>	<b>2.0</b>	<b>2.0</b>
<b>Industry</b>	<b>15.5</b>	<b>9.2</b>	<b>2.0</b>	<b>-2.2</b>	<b>8.8</b>	<b>7.7</b>	<b>12.6</b>	<b>16.0</b>
<b>Services</b>	<b>4.3</b>	<b>6.8</b>	<b>2.6</b>	<b>1.7</b>	<b>3.9</b>	<b>2.3</b>	<b>3.8</b>	<b>2.5</b>
<b>Real GDP</b>	<b>6.3</b>	<b>3.5</b>	<b>3.0</b>	<b>2.2</b>	<b>4.2</b>	<b>3.0</b>	<b>4.5</b>	<b>4.0</b>

Source: Vanuatu National Statistics Office & MFEM

## 1.2 INFLATION

Annual inflation as measured by the Consumer Price Index (CPI) was down from 4.3 per cent in 2009 to 2.8 percent in 2010. The decline in the annual rate reflects the effect of lower fuel prices.

## 1.3 BUDGET OUTCOMES

A significant fiscal deficit worth VT 1,812.0 million (minus 2.7 per cent of GDP) was recorded in 2010; this represented 10 per cent of total expenditure and was a considerably weaker outcome than the Budget forecast for a deficit of only VT 82.6 million (minus 0.1 per cent of GDP). The deficit was also much greater than that recorded a year earlier (VT 470.7 million) and reflected a very poor performance by the recurrent budget, which registered a deficit worth VT 1,576 million.

Overall Government recurrent revenue collections in 2010 came in 16 per cent below target and were down (VT 12,001.6 million) from their 2009 level (VT 12,304.7 million) and their 2008 level (VT 12,659 million). Total recurrent revenues were equivalent to 18 per cent of GDP in 2010. The two largest revenue handles, Value Added Tax (VAT) and import duties, both recorded collections well below their targeted levels (by 11 per cent and 40 per cent respectively). The latter was at least partially offset by a stronger than expected performance by excise taxes that came in 16 per cent above target. There were significant changes to both duty and excise tax regimes on January 1, 2010. The high level of excise collections in 2010 reflected a trade-off with and partially compensated for the relatively low level of import duty receipts.

The MFEM analysis suggests that there are several explanations for why revenues fell below target and in part it can be argued the 2010 target was too high. The economy grew more slowly than was originally forecast due to repercussion from the global economic crisis for Vanuatu's major trading partners. While a high level of donor-sourced investment projects continued to support economic growth in 2010, given exemptions are applied to such activities, this means that there are no immediate increases in the level of fiscal receipts. There were also changes in the tax regime by the Department of Customs. However, it is very difficult to argue that if the economy expands, revenue would decline – so even though the target may have been too high the Government should not have collected less than in previous years. This suggests there is a high degree of "leakage" in the system



from poor compliance; exemptions that are given but without good reasons and that there are unrecorded, inaccurate valuations, theft and a lack of legal action against non-payers.

Total recurrent expenditure came in at VT 13,586.3 million in 2010, below the Government's 2010 recurrent expenditure budget (VT 14,590.4 million) by 7 per cent but 10 per cent up on its equivalent level in 2009 (VT 12,367). Total recurrent expenditure was equivalent to 21 per cent of GDP in 2010. The Government was able to under-spend its 2010 expenditure budget despite the additional pressure of three supplementary budgets that amounted to VT 560 million. These three supplementary budgets approved by Parliament were for the Department of Education (recruitment of primary and secondary school teachers); the Department of Correctional Services (recruitment of additional personnel and goods and services); and an advance to Air Vanuatu.

#### 1.4 PUBLIC DEBT LEVEL

According to the MFEM the total stock of debt at the end of 2010 was VT 13,156.5 million or 20 per cent of GDP. This is well within the 40 per cent of GDP threshold outlined in the 2010 Budget Policy Statement.

The domestic debt at the end of 2010 was VT 3,284.7 million or 5 per cent of GDP. The Government rolled over VT 399.5 million of existing debt and issued VT 800 million of new domestic borrowing in 2010.

The total stock of external debt at the end of 2010 was VT 10,543.9 million or 15 per cent of GDP. The Government engaged in no new external borrowing and retired VT 298 million worth of external debt in 2010. This debt is largely held with ADB (VT 5,149.8 million), Chinese Government (VT 2,278.9 million) and IDA (VT 3,115.2 million).

#### 1.5 EXPENDITURE SHARES ON DEVELOPMENT BUDGET

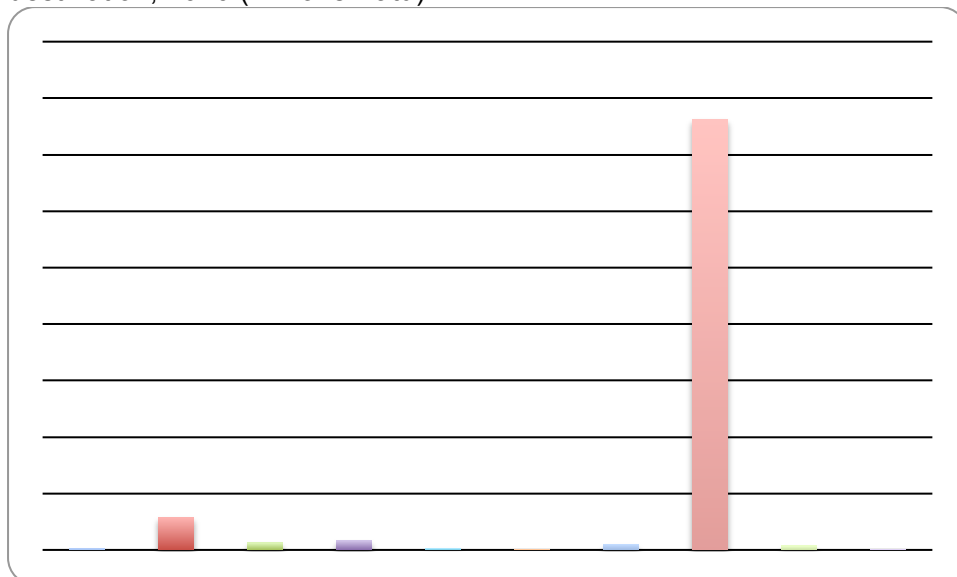
The Vanuatu Government continued to receive substantial financial support from its development partners to assist the nation's national development. The bulk of this assistance is from donor-funded projects and programs implemented by line ministries. The Vanuatu Government through its normal budget process allows for ministries to put forward new programs as new policy proposals (NPPs). The NPPs are submitted together with the recurrent budget to the Ministerial Budget Committee (MBC), which then reviews those submissions and confirms which of these NPPs will be funded through government or donor's resources.

Donors often focus on social sectors like health and education as well as infrastructure. Given the scarcity in government resources donors often come in to fund operational expenses that could not be funded from the recurrent budget.

In 2010 a total of over VT 1 billion was received (VT 1,015,184,866) **through the Government development budget system** from donors. Of the donor receipts, actual expenses committed was approximately VT 783 million (VT 783,895,439) and the remaining balance of VT 231.2 million (VT 231,289,427) was brought forward as opening balance for projects that are ongoing in 2011.

About 78 per cent of donor funds received in 2010 were spent within the Education sector alone under their Vanuatu Education Road Map (VERM) program. The Ministry of Lands spent about 11 per cent of these donor funds with a further 4 per cent spent by the Ministry of Trade. The remaining 6 per cent was spent on projects within other sectors.

**Figure 1:** Aid donor funds received and spent through the Government Budget System, by destination, 2010 (Millions Vatu)



Source: MFEM

**Table 2:** Donor Resources spent through the national budget in 2010

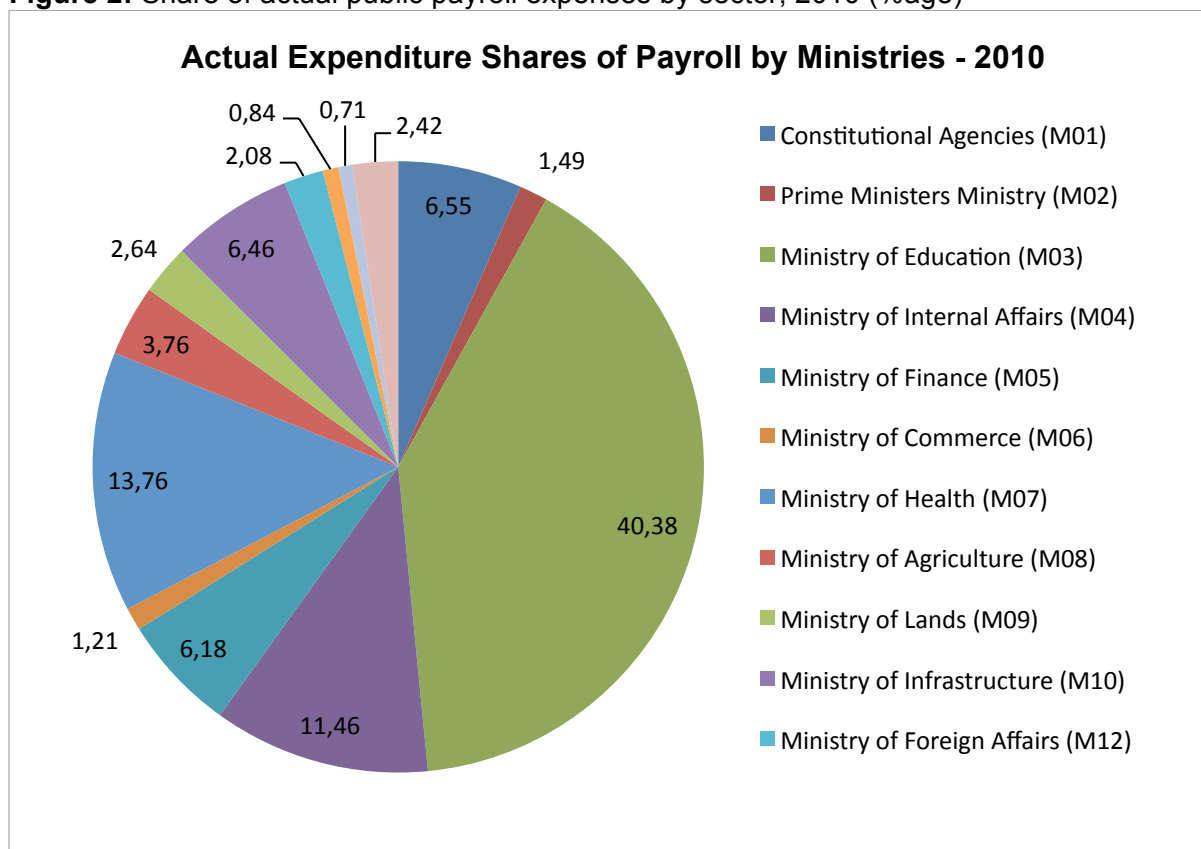
Description	Total for all projects funded by Donors (VT)
<b>Donor contribution</b>	
<b>Revenue</b>	
Budget	969,998,860
Actual	1,015,184,866
Under/(Over)	<b>(45,186,006)</b>
<b>Expenditure</b>	
Budget	969,998,860
Actual	783,895,439
Under/(Over)	<b>186,103,421</b>
<b>Project Balance</b>	<b>231,289,427</b>

Source: MFEM

It is difficult to obtain financial information on projects that are not been captured through the Government financial information system (or the budget process), therefore information on actual donor funds disbursed in the country will not be presented in this report. Some projects were never channelled through the government system and have their own project implementation unit (PIU) that manages and monitors their implementation. This applies particularly to projects implemented by NGOs.

### 1.6 SHARES OF PUBLIC PAYROLL BY SECTOR IN 2010

**Figure 2:** Share of actual public payroll expenses by sector, 2010 (%age)



Source: MFEM

From the total payroll expenses of VT 7,370.5 million in 2010, about 40 per cent went to the Ministry of Education to cater for Ministry’s staff and school teachers’ personal emoluments. And the second largest payroll share of around 14 per cent went to the Ministry of Health to meet personal emolument costs for nurses and doctors. These two ministries alone account for approximately 54 per cent of total actual payroll expenses. This indicates that the Government continues to put more emphasis on its human resource development in the sectors of Education and Health.

## 2 PRIVATE SECTOR DEVELOPMENT AND EMPLOYMENT CREATION

Despite its significance, the role of the private sector in providing employment as well as in driving economic growth is of great importance. In its national policy priorities stated in the national policy framework (Priorities Action Agenda (PAA) of 2006), the government has maintained its strong support to private sector lead growth and will continued to facilitate and provide conducive environment for private sector to grow.

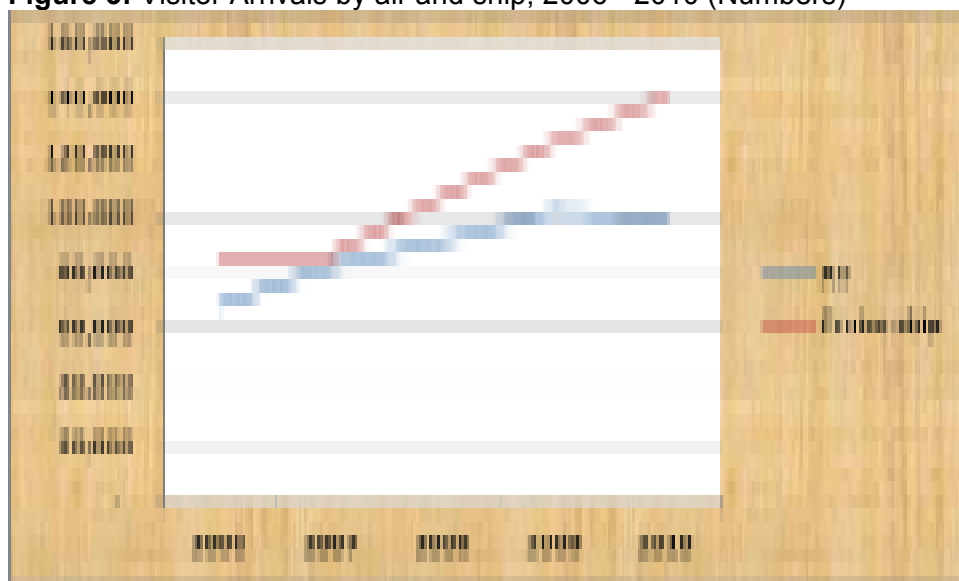
### 2.1 INTERNATIONAL TOURIST ARRIVALS

The tourism data is reported on a monthly and quarterly basis of each year by the National Statistics office of Vanuatu. Data are collected from the visitor arrivals from air and cruise ship visits.

According to figure 3 below tourism arrivals has increased from 225,493 in 2009 to 237,648 in 2010, this is an increase of just over 12,000 more tourist arrivals in 2010 compared to 2009.

In 2010, cruise ship arrivals have continued to increase with just over 15,000 more visitor arrivals compared to 2009. Nonetheless, air arrivals have declined by just over 3,000 compared to the 2009 air arrivals.

**Figure 3:** Visitor Arrivals by air and ship, 2006 - 2010 (Numbers)



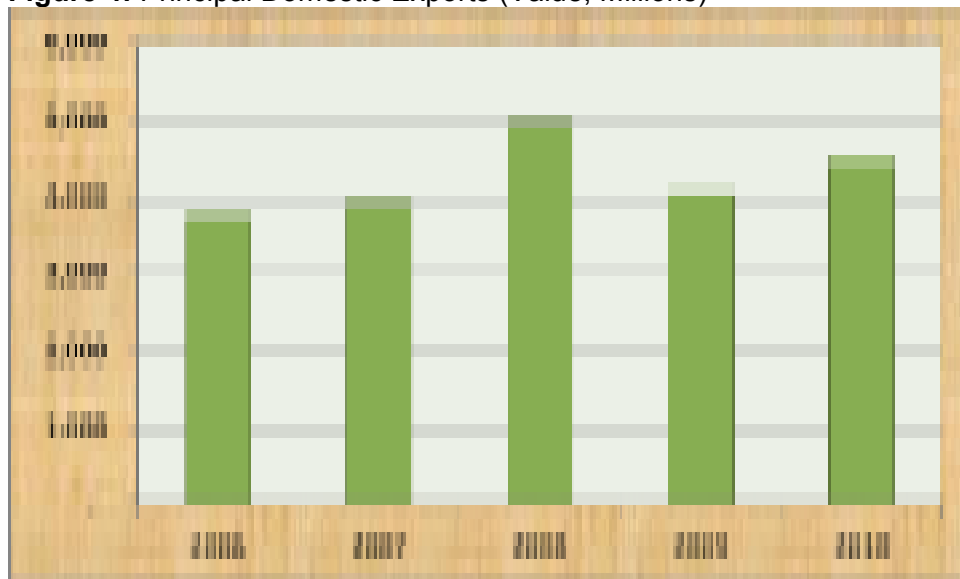
Source: Vanuatu National Statistics office (VNSO)

### 2.2 MANUFACTURED OUTPUT AND EXPORTS:

Figure 4 below depicts the value of all exports commodities for Vanuatu over a 5-year period.

Out of the total value of the domestic exports in 2010, coconut oil exports constitute 21%, copra 13%, cocoa 9% and Kava and beef constitute 11% each, while other products constitute 20% of exports value.

**Figure 4: Principal Domestic Exports (Value, Millions)**



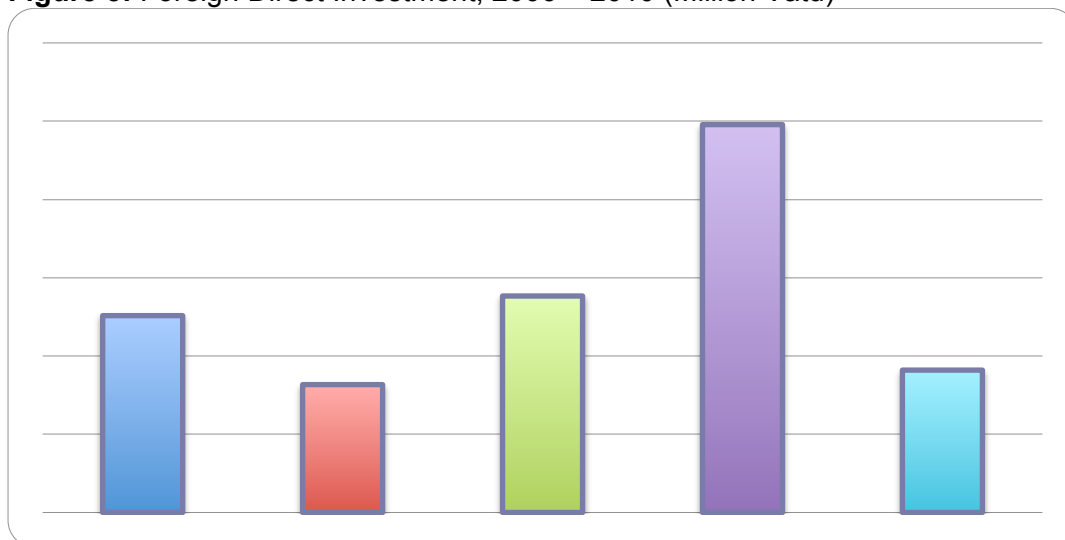
Source: Vanuatu National Statistics Office (VNSO)

Official data from VNSO indicate that the value of coconut oil exports was VT933 million compared to VT271 million in 2009. This is a record increase over a five-year period. The other export commodities including live fish, cocoa and beef also recorded an increase.

### 2.3 LEVELS OF FOREIGN DIRECT INVESTMENT:

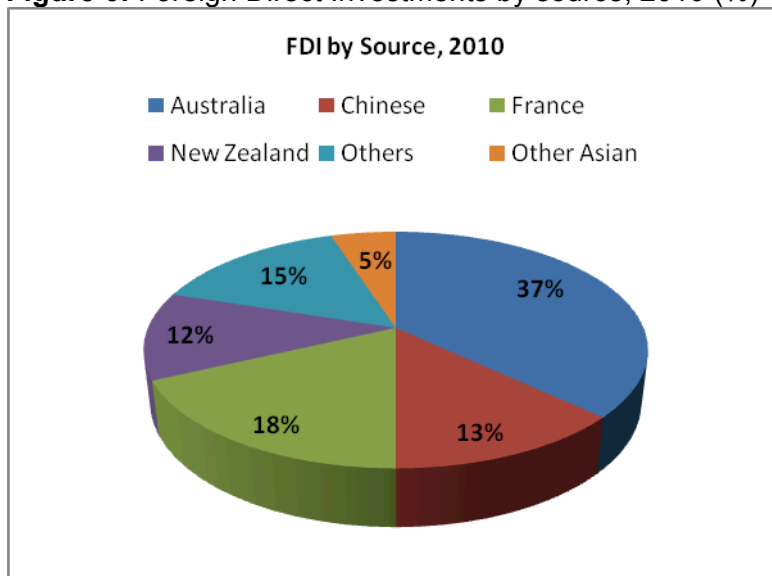
Figure 5 below suggests that the value of Foreign Direct Investment (FDI) in Vanuatu was VT3.8 billion excluding direct investments abroad. After a strong surge in 2009, there was a decline in FDI in 2010.

**Figure 5: Foreign Direct Investment, 2006 – 2010 (Million Vatu)**



Source: Reserve Bank of Vanuatu (4<sup>th</sup> quarterly report 2010)

**Figure 6:** Foreign Direct Investments by source, 2010 (%)



Source: VIPA (2010, Annual report)

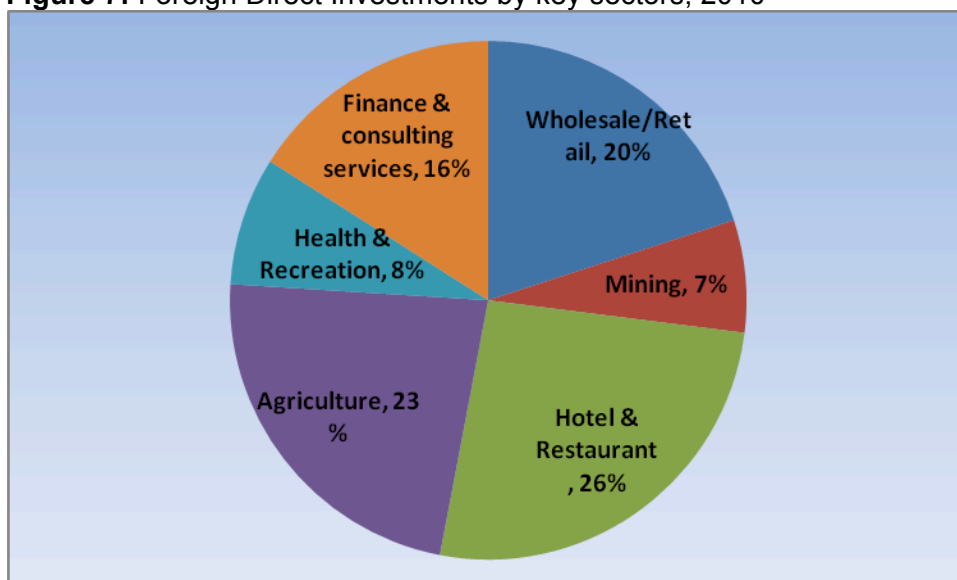
According to Figure 6 above, Australia remains as Vanuatu’s principle source of FDI accounting for 37%, followed by France with 18%.

Other countries (South Africa, USA, Bulgaria, Canada Belgium, and Fiji) account for 15%.

China accounts for 13%, New Zealand 12% and other Asian countries (Korea, Japan, Philippines, and Vietnam and India) 5%.

According to the VIPA (Annual Report 2010), there are 5 main sectors that have the highest proposed value of investments in 2010. As depicted in Figure 7 below, it includes Hotels and Restaurants with 26%, Agriculture with 23%, Whole sale and Retail with 20%, Finance and consultancy with 16%, Health and Recreation 8% and mining with 7%.

**Figure 7:** Foreign Direct Investments by key sectors, 2010



Source: VIPA (2010 Annual Report)

## 2.4 NUMBER OF ACTIVE EMPLOYEE ACCOUNTS AT VNPF

Both the unemployment rate and employment rate are useful economic indicators of an economy. The lack of timely data on unemployment and informal sector employment makes it very difficult to provide any analysis.

According to the records from the VNSO, the total number of VNPF active employee members has increased from 16,642 in 2009 to 17,190 in 2010. Records show that 60% of active employees are male, while 40% are female employees.

The only reliable information we could use is the VNPF data that is currently reported by the VNSO. The limitation of the VNPF data is that it does not capture all formal employment numbers; therefore it does not reflect an accurate level of formal employment in Vanuatu.

**Table 3: VNPF active contributors**

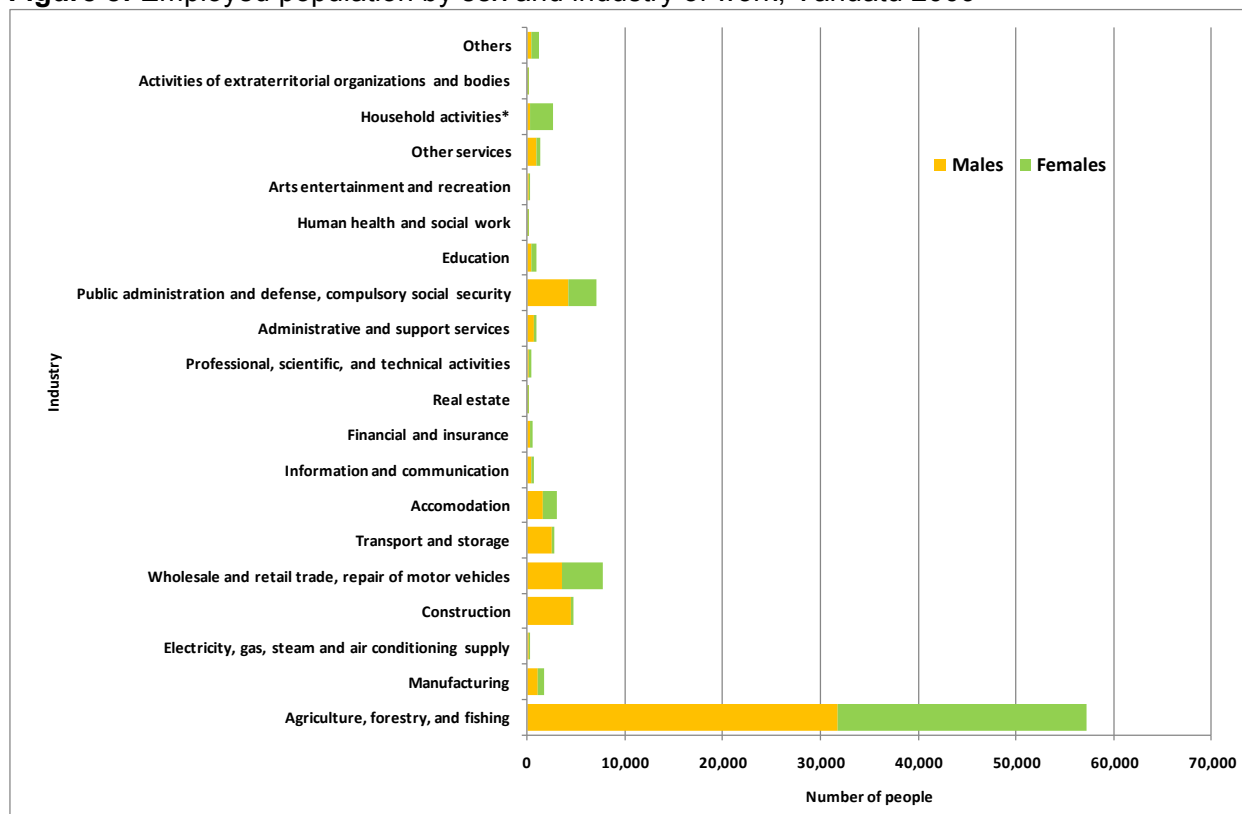
<b>VNPF Active Contributors</b>	<b>2009</b>	<b>2010</b>
<b>Total</b>	16,642	17,190
<b>Male</b>	9,922	10,265
<b>Female</b>	6,720	6,925

Source: VNSO

According to the results of the 2009 Census of Population and Housing the labour force comprised 98,978 people (aged 15 years and over) who were employers (1,369), self employed (own account workers 15,920), employees (25,006), those who did unpaid work (10,288), subsistence work (41,877) and the unemployed (4,518). The Census count of employees differs from the VNPF because it includes all people who said that they were employed regardless of hours worked so their earnings could be below the VNPF membership requirements. However this does highlight a significant number of employees who are not currently covered by the VNPF.



**Figure 8:** Employed population by sex and industry of work, Vanuatu 2009



\*Activities of households as employers, undifferentiated goods-and service-producing activities of household for own use. Source: VNSO

## 2.5 LEVEL OF CREDIT TO PRIVATE SECTOR

At the time of this report the RBV 2010 annual report has not yet been released. However the report for the 4<sup>th</sup> quarter of 2010 suggests an increase of 3.5 % of domestic credit over the 3<sup>rd</sup> quarter. Domestic credit also increases by 5.6% over the year to December 2010. This growth in domestic credit was driven by the private sector.

VANWODS was the only microcredit scheme in Vanuatu in 2010, which targets mostly women and has been operating successfully over the past years. A report released in December 2010 by a team of two consultants assessed the impact of this scheme on the beneficiaries. Table 4 provides VANWODS portfolio as of December 2010.

**Table 4:** Summary of VANWODS portfolio, November 2010 (Vatu)

Funds	Vatu
Total savings	156,000,000
Value of loans outstanding	21,000,000
Total loans released since 1996	810,000,000

Source: Impact Assessment report 2010, VANWODS

(Note: data in table 4 does not include the new office in Tanna, Tafea Province)

The total number of clients registered in VANWODS as of November 2010 was 5,514, while the number of clients taking out loans was 4,085.

## 2.6 TRADE POLICY

In 2010 the Vanuatu Government commissioned two consultants to draft a Trade Policy Framework. The draft Framework was presented in a national workshop which was held on 17 December 2010 at the Melanesian hotel. Comments and guidance received on that occasion will be incorporated in a second round of consultation that will take place in 2011.

## 2.7 PLAS MATRIX IMPLEMENTATION 2010

Policy Priority: To support the productive sectors as an engine for investment, economic growth and employment

Strategy	Performance Indicators	Timeframe	Implementation status 2010
Improved productive sector institutional capacities.	Fully-fledged Department of Trade and Industry established	2009	On-going
Improve farmers' access to markets and information.	Information, market access and facilities especially between and within Provinces improved	2010	Morobe small livestock market established
Improve access to credit facilities through existing commercial and micro credit schemes.	Support to microfinance programs enhanced	2011	NBV micro-finance, Small loans facilities within MNVBD, established
Implement recommendation of the review of copra industry.	Coconut industry rehabilitation program established	2009	On-going
Encourage tourism as an important source of foreign exchange.	Increased arrival of tourists and trickling effects to all communities	On-going	On-going

## 2.8 CASE STUDY 1: THE RECOGNIZED SEASONAL EMPLOYER (RSE) POLICY

The RSE scheme was introduced in April 2007 with an aim to create a sustainable labor supply to address the labor shortage in New Zealand's horticulture and viticulture industries. The policy allows for the temporary entry of offshore workers to work in these industries. Five Pacific states (Kiribati, Samoa, Tonga, Tuvalu and Vanuatu) were selected to have facilitation measures to support the implementation of this policy (known as the Kick Start States).

This case study reports on the impacts of the RSE policy on the livelihood of the Ni-Vanuatu workers and on Vanuatu's socio economy. The study provides summary findings on the workers' net remittances and also focuses on benefits and other consequences for the workers, their families and their communities.

### Approach and Methodology

Information collected for the compilation of this case study comprised:

1. Summary review of an evaluation report: "Evaluation of the Recognised Seasonal Employer Policy", October 2009, by Evaluate Research Ltd.
2. Stakeholders consultations;
3. Interviews with 101 RSE return workers, using a Questionnaire, were conducted by the Monitoring and Evaluation Unit (M&E) staff in March and April 2011.

### Numbers of RSE workers and remittances

The overall implementation of the RSE policy was a success for Vanuatu in terms of the remittances as contributing to the growth of the foreign exchange market and providing employment for the Ni Vanuatu workers. Spill over benefits of this policy can be reflected in the improved standard of living for the workers and their families. Some communities do also experience improved community services (for instance, light and water) as a result of return worker's contribution to the development of their communities.

**Figure 9:** Number of workers under the NZ RSE Scheme, 2007 - 2008

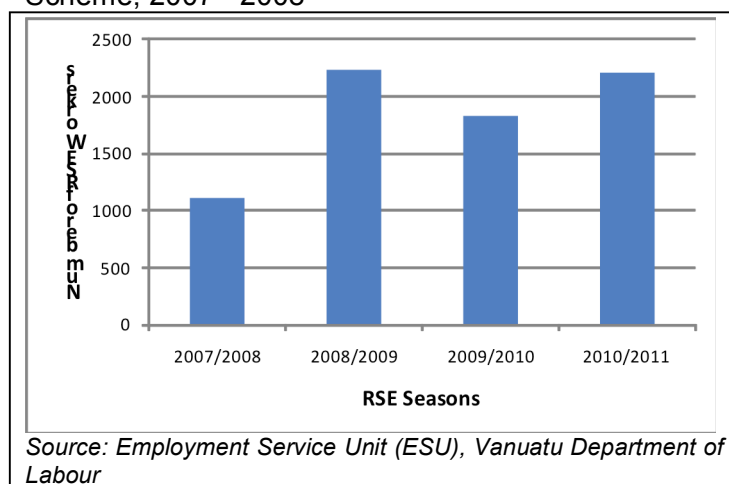


Figure 9 illustrates the trend in the number of workers recruited to work in the RSE scheme in the last four seasons, from 2007 to 2011.

A survey by Evaluate Research Ltd (2009) showed that the average net return per worker (after deductions for airfares, food, accommodation, transport and health insurance) over the September 2007 to July 2008 ranged from 102,704 Vatu to 1,148,910 Vatu. The mean net return was 425,530 Vatu.

In the interview conducted with the 101 return workers, workers were asked how much money they sent home while in New Zealand and how much money they brought home on their return. The results showed that the net remittances per worker ranged from 235,482 Vatu to 323,362 Vatu, between April 2007 and March 2011. The estimated mean net remittance per worker over the four seasons was 270,298 vatu. This excludes the deductions made for airfares, food, accommodation, transport, health insurance and also on spending made on goods, services and pleasures while in New Zealand.

**Figure 10:** Estimate of workers' Net Remittances (sent or brought back to Vanuatu), 2007 – 2011 (Millions Vatu)

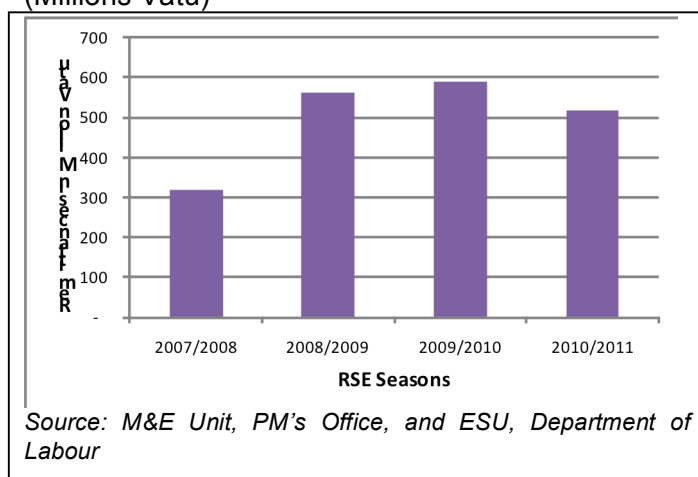


Figure 10 is an estimate of total net remittances, based on the interviews of 101 RSE return workers in March-April 2011, and extended to the actual numbers of workers for each season. The findings also indicated that remittances vary depending on the workers attitude towards spending and saving, the pattern of which could not be explained through the existing data.

### **Benefits from the additional revenue**

Workers use their savings to spend or invest on items and activities that improve their standard of living. The survey by Evalue Research Ltd (2009:12) reported that workers frequently use their savings for school related expenses; constructing or renovating household dwellings; purchase land and cattle; support other relatives; purchase vehicles, boats, equipment (e.g. fishing nets, outboard motor, solar power system), electronic goods (e.g. TVs, cell phones). Some workers used their savings to start or expand business ventures, or for other activities that will generate income. Examples of such ventures include cattle farming, a taxi business, a store, and hiring out of vehicles.

The findings from the 101 interviews conducted in March-April 2011 also demonstrated similar responses to the use of the savings by the workers. Half of the workers spent their money on school related expenses while less than fifty percent of the workers spending money on renovating and building new houses or setting up small businesses. The interviews also showed that workers valued their newly acquired skills which included improved command of the English language, management skills and farming skills.

### **Other unintended consequences**

Despite the many positive benefits of RSE for workers, some unintended consequences have emerged, or have the potential to emerge. It was reported by the Evalue Research Ltd (2009:12) that workers who have not earned sufficient income are tempted to make multiple visits to New Zealand if they are to accumulate the finance required to achieve their goals.

The fact that workers may return regularly to New Zealand raises questions about possible long term impacts on communities from spouses, parents and able bodied men and women being absent from home for periods of four to nine months each year. This results in loss of labour for food production and the pressures of absentee parents for children to be placed with other family members for childcare. To some extent it creates marital problems within families.

Finally, the number of RSE workers (around 2,000) going to New Zealand every year is quite important compared with the number of Ni-Vanuatu workers employed under the VNPF (less than 20,000). That proportion of over 10% is a significant share of the workforce, and should be monitored carefully in the years to come, in the best interest of the country.

### 3 PRIMARY SECTOR DEVELOPMENT AND THE ENVIRONMENT

In Vanuatu, the major industries in the primary sector include agriculture, forestry, fishing with some minor activities taking place in the quarrying and mining industries. The primary sector plays a vital role in the lives of the people and the Vanuatu economy. The 2009 National Population Census indicates 76 per cent of Vanuatu's populations are rural dwellers depending largely on the natural resources for their subsistence and income.

Although Vanuatu's primary sector is more subsistence in nature, trade in agricultural commodities contributes positively to our foreign exchange balance and remains one of the important industries in terms of employment and income for the rural population. However, the limited capacity of Vanuatu to produce on a large scale, and the difficulty to comply with quality standards and quarantine regulations have contributed to sluggish progress in production and exports.

#### 3.1 INCOME GROWTH AS MEASURED BY 5 YEARLY HIES:

A Household Income and Expenditure Survey (HIES) was conducted by the Vanuatu National Statistics Office in 2010, which could help measure income growth for rural households as a result of the primary sector earnings. At the time of this report, the data was not available, as the processing at the VNSO was on-going.

#### 3.2 OUTPUT GROWTH IN AGRICULTURE, LIVESTOCK, FISHERIES INCLUDING SUBSISTENCE:

As depicted in table 5, the output growth in agriculture production was driven by animal and crop production in 2010. A huge increase in cattle slaughter for export and local consumption contributed to the growth in animal production; with the concern that short term gains in export earnings are at the expense of a significant reduction in the herd size which will eventually result in decreased production if action is not taken. Crop production was driven by increased sale of copra and cocoa production in 2010. An increase in the international and domestic prices of copra and cocoa in the second half of 2010 contributed largely to the higher production.

**Table 5:** Annual Growth Rates in the Primary sector, 2009-2010(%)

% age Growth Rates	2009	2010(P)*
<b>Agricultural Crop Production</b>	0.7	3.9
<b>Animal Production</b>	7.2	8.0
<b>Forestry</b>	6.2	3.6
<b>Fishing</b>	3.1	3.1

Source: MFEM. \*The 2010 figures are preliminary estimates.

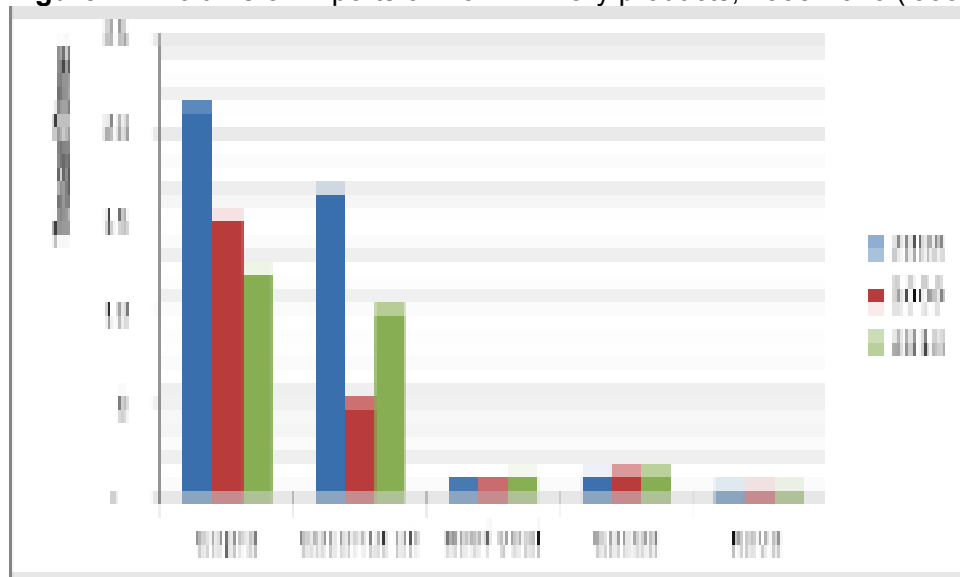
#### 3.3 SHARE OF THE SECTOR AND SUB-SECTORS IN GDP:

According to VNSO estimates, the primary sector (crop production, animal production, forestry and fishing) contributed 19.2% to the GDP in 2010, of which 15% was contributed by crop production. Contribution to GDP by the primary sector in the previous years (2000-2010) has been rather constant at around 20%. The largely informal character of the agricultural sector (root crops, livestock, forestry products consumed domestically are not recorded) makes it difficult to acquire accurate information on the value of these productions.

### 3.4 EXPORT OF PRIMARY PRODUCTION PRODUCTS:

Growth in export production for primary products benefits the country in various ways such as income and foreign exchange. Figure 11 below illustrates a decline trend in export production in the period 2008-2010.

**Figure 11:** Volume of Exports of main Primary products, 2008-2010 ('000 tons)



Source: VNSO

The figure 11 above shows data on 5 major primary export commodities. Export production for copra recorded a huge increase in 2008 because of the high price of copra. The copra subsidy in 2008 has also impacted heavily on the level of copra production. However, there was a fall of copra and copra oil exports in 2009, reflecting a low price of copra in the international and domestic market. In 2010, the decrease in copra exports was compensated by a 94% increase in copra oil exports, as a result of the high price paid to copra farmers by local oil producers. Most of this oil was exported, as shown in the following table.

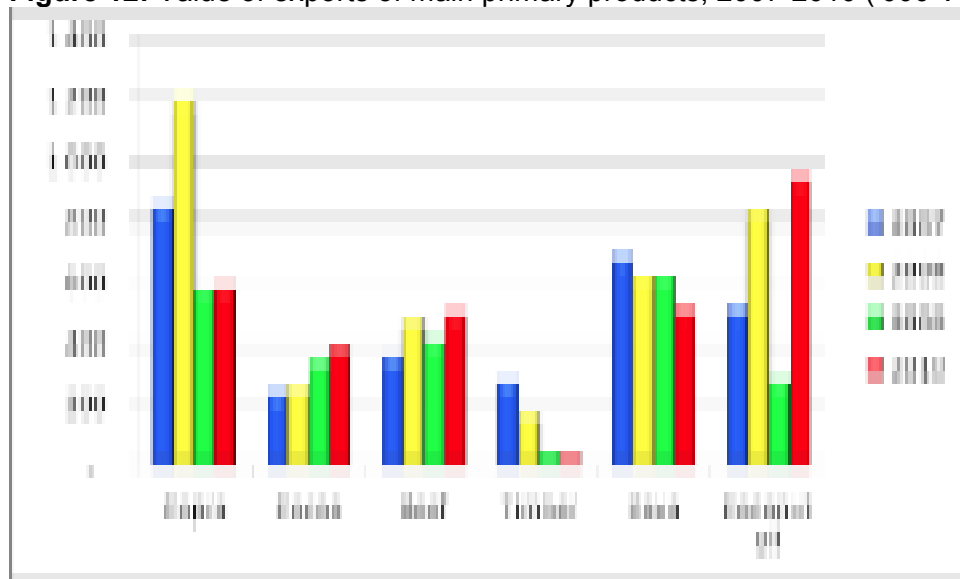
**Table 6:** Value of Copra and Coconut Oil Export (Million Vatu), and prices paid to copra producers (Vatu), 2008-2010

	Copra	Coconut Oil	Total	Average price paid to copra producers (Vatu/ Tonne)
<b>2008</b>	<b>1,194</b>	<b>828</b>	<b>2,022</b>	<b>43,706</b>
<b>2009</b>	<b>569</b>	<b>275</b>	<b>844</b>	<b>22,675</b>
<b>2010</b>	<b>579</b>	<b>933</b>	<b>1,512</b>	<b>37,290</b>

Source: VNSO

Table 6 above depicts the value of copra and coconut oil exported in 2008 to 2010. These figures show the strong correlation between the price and the production of copra. It also shows that a much bigger proportion of the copra produced was transformed into oil domestically in 2010 compared to 2008.

**Figure 12:** Value of exports of main primary products, 2007-2010 ('000 Vatu)



Source: VNSO

Figure 12 above shows a positive trend in the export of cocoa, beef and coconut oil, and a declining trend for timber and kava exports over the four-year period.

About 40% of the total EU grant in 2010 went to MAQFF to facilitate the establishment of systems within the Quarantine and Agriculture Departments to help facilitate exports of Vanuatu products (certification of beef, etc).

### 3.5 LIVESTOCK AND QUARANTINE

Also in 2010, the Department of Livestock and Quarantine was very successful in developing sales of small live animals (poultry, pigs and goats) in Port-Vila, organizing collection and transport from remote islands, and sales at the Morobe Market in Port Vila every month. This activity generated more than 15 million vatu to the producers of small animals in the rural areas.

### 3.6 FISHERIES

The Department of Fisheries has been facilitating the export of tuna to overseas market. A total of 1,750 metric tons of frozen tuna and tuna-like species were transhipped in Port Vila. In 2010, fresh tuna valuing approximately 62,442,310 Vatu was exported to the sashimi market in Japan by Tuna Fishing Processing Plant.

Construction of a large scale tuna processing plant funded by the Chinese Government has also been completed and handed over to the Government of Vanuatu in 2009. The plant to date is still not operating, awaiting the Environment Impact Assessment (EIA) report to be released by the consultants and a site to be allocated for constructing a wharf. Currently negotiations are underway with the landowners. The Chinese Government has pledged 100,000,000 Vatu to build the wharf.

### 3.7 FORESTRY

The department of forestry provides training and extension services to farmers and loggers in forestry activities. In 2010, NZAID provided financial support in facilitating re-forestation programs (particularly the establishment and maintenance of nurseries in rural areas) and capacity building.

### 3.8 NATURAL RESOURCES MANAGEMENT:

In 2010, the Ministry of Lands made restructuring to some of its departments as according to the Council of Ministers decisions made in 2009.



The sections of Geology and Mines joined the Energy Unit to become the new Department of Energy, Geology and Mines (which includes petroleum research and geothermal activities as well). The Water Department is now in charge of managing water resources in the whole country, and installing and maintaining water supply systems in the rural areas. As part of this restructuring, the Geo-hazard section was transferred to the Meteorological Department in 2010 for better coordination with the disaster management office, also in the Meteorological Services.

### 3.9 ENVIRONMENT

The Environment Unit became a fully-fledged department in 2010 after the Environment Management and Conservation Act 2002 was reviewed in 2009. One of the roles of the department is to undertake Environmental Impact Assessments of major development proposals and make the results of the EIAs available to public scrutiny.

In November 2010, Environment Department was able to submit to the Parliament four environment bills: an Amendment to the Environmental Management and Conservation (EMC) Act, the Ratification Bill for the **Montreal Protocol on Substances That Deplete the Ozone Layer**, with its various amendments and associated legislation.

### 3.10 LAND RIGHTS AND ACCESS:

Following the National Land Summit that was held in 2006, the government decided to address the land issues through the Land Sector Framework (LSF) that was endorsed by the Council of Ministers in 2009. The government recognized the need to address the insecurity of customary tenure that continues to exist in Vanuatu.

In response to this initiative, the Government of Australia, through AusAID agreed to provide assistance to the land sector through a Vanuatu Land reform program called 'Mama Graon' program. The overall goal of this Program is for all Vanuatu people to benefit from the equitable and sustainable development of their land, while securing the heritage of future generations. The goal will be delivered through three main objectives:

- Informed Collective Decisions by Customary Landholders;
- Participatory Land Governance;
- Effective and Enabling Services.

In 2010, the government established a Vanuatu Land Governance Committee (VLGC) to oversee the implementation of the LSF activities. Work has been done to review the national land legislations as part of this program. Amendments to these legislations should be tabled in parliament in 2011. Furthermore, the Department of Land has also put its position on Strata Title policy. This position paper is also at its final stages with one particular recommendation for the Strata to be carried out on buildings in the urban areas only.

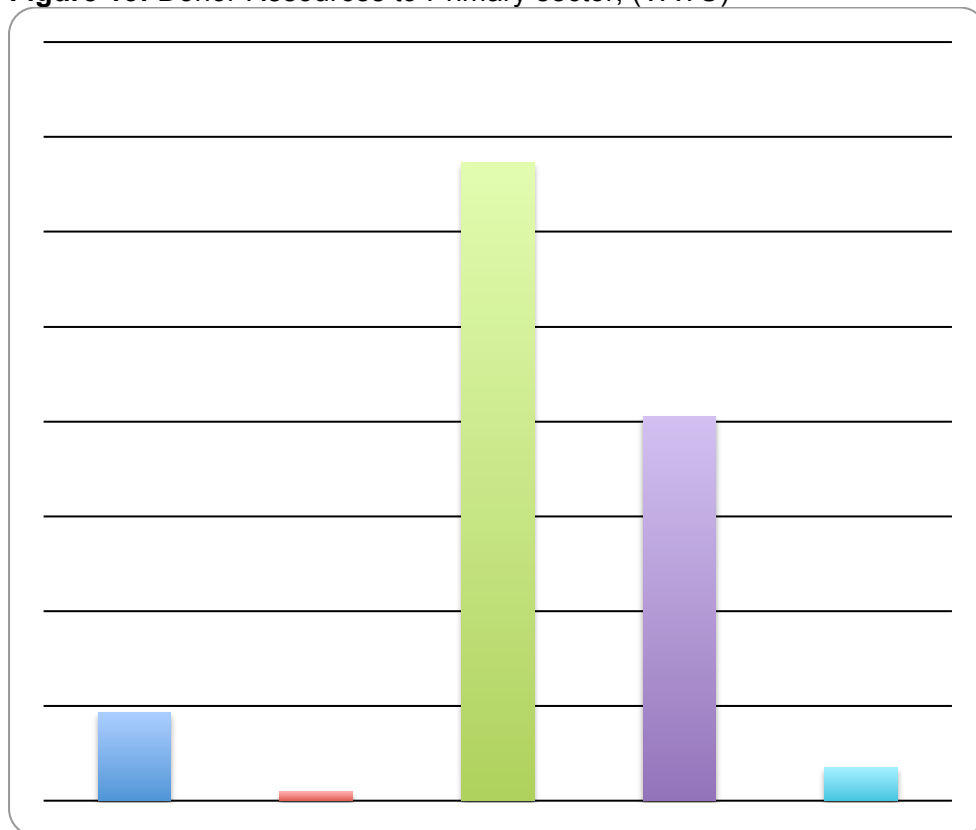
Other activities under the "Mama Graon" program that commenced in 2010 include providing funding support to the Zoning Thematic Working Group. The working group will review the 1979 Port Vila Development Control and also develop the Efate Strategic Plan. The strategic plan is to cater for the spill over effect of Port Vila (urban) to rural communities of Efate. Further, Mama Graon program has also provided a land registry expert to assist the Land Registration Unit of the Department of Lands purposely to look at the internal process and how it could be improved as well as reduce the current backlog.

Also as part of the reform, the Lands Tribunal Unit under the Department of Lands was transferred to the Malvatumauri National Council of Chiefs under the Ministry of Justice and Social Welfare. The reviewing of the Land Tribunal Act has been formulated and will be tabled in Parliament in 2011. This activity falls in line with the LSF.

### 3.11 DONOR RESOURCES TO PRIMARY SECTOR

The difficulty in obtaining financial information on projects that do not pass through the government system or the GIP process makes it impossible to present an accurate information that capture the total donor resources that goes towards assisting the primary sector over a period of time.

**Figure 13:** Donor Resources to Primary sector, (VATU)



Source: MFEM

Figure 13 above shows estimated financial resources that were funded by the Aid Donors into the projects that were implemented by the MAQFF in 2010. Over 50% of the total financial resources went to the Fisheries and Marine Biology and 33% went to Quarantine and inspection services in 2010.

### 3.12 PLAS MATRIX IMPLEMENTATION FOR 2010

**Support the productive sectors as an engine for investment, economic growth and employment**

Strategy	Performance Indicators	Time-frame	Implementation status 2010
Improved productive sector institutional capacities	Fully-fledged Department of Trade and Industry established	2009	Achieved 2011
Institutional Strengthening of DARD, Fisheries, and Forestry Extension Services	Capacity building program in place for DARD, Forestry and Fisheries extension services	2011	On-going 2011
Restructure and strengthen Quarantine Services to facilitate export growth	Capacity building program in place to ensure compliance with sanitary and phytosanitary requirements Organic certification program enhanced	2010	On-going  On-going
Provide institutional strengthening for livestock services.	Cattle industry strategy and investment program developed	2010	Yet to be implemented
Implement recommendation of the review of copra industry.	Coconut industry rehabilitation program established	2010	Yet to be implemented

**Equitable and sustainable development of land while ensuring the heritage of future generations**

Strategy	Performance Indicators	Time-frame	Implementation status 2010
Implement key recommendations of the national land summit especially sustainable utilisation of land by Ni-Vanuatu.	Land reform program implemented to ensure: <ul style="list-style-type: none"> <li>• Better-informed collective customary decision-making</li> <li>• Participatory land governance</li> <li>• More effective and efficient enabling services</li> <li>• o More efficient utilisation of land resources</li> </ul>	2012	On-going (Mama Graon Program)
Strengthen Land laws Act to increase transparency in land lease decisions.	Law amended to increase transparency and reduce opportunities for corruption in the use of ministerial powers in land disputes  Government capacity to acquire land for public interest enhanced	2009-2010	Yet to be carried out  Yet to be carried out
Strengthen the capacity of the MLNR to formulate and implement land policies and laws.	MLNR restructured to better cope with workload; increase resource allocation to MLNR	2012	On-going
Promote sustainable environment.	EIAs carried out in all development projects  National Disaster management Plan implemented	2009  On-going	On-going  On-going

## 4 GOOD GOVERNANCE AND PUBLIC SECTOR REFORM

Good governance principles of the rule of law, accountability and transparency are critical to a country's development progress. They ensure that corruption is minimized, that the views of minorities are taken into account, and that the voices of the most vulnerable in society are heard in decision-making. They allow economic growth to transform into equitable social benefits for the people of Vanuatu.

Equally important is the continued reform in the public sector. The benefits of reform include:

- an innovative public sector that is responsive to the increasing demands of its citizens;
- a highly motivated public sector that demonstrates its efficiency through continuous performance improvements;
- improved relationship between the general public and the public sector as a consequence of enhanced quality of service delivery and improved financial management systems with a view to greater accountability, transparency, flexibility and efficiency in the use of public funds.

### 4.1 MONITORING AND EVALUATION IN THE GOVERNMENT:

The need for Monitoring and Evaluation as advocated by the international community through various initiatives (including the MDGs) has been recognized by the government. A Monitoring & Evaluation Unit has been established within the office of the Prime Minister. The core role of the unit is to monitor programs and projects, evaluate the impact of government policies and programs, evaluate ministries' performances, and provide feedback to the Council of Ministers through the office of the Prime Minister.

The monitoring and evaluation framework involves all ministries through an M&E focal point officer, and M&E working groups in each ministry. The M&E framework also asks for the Government to release:

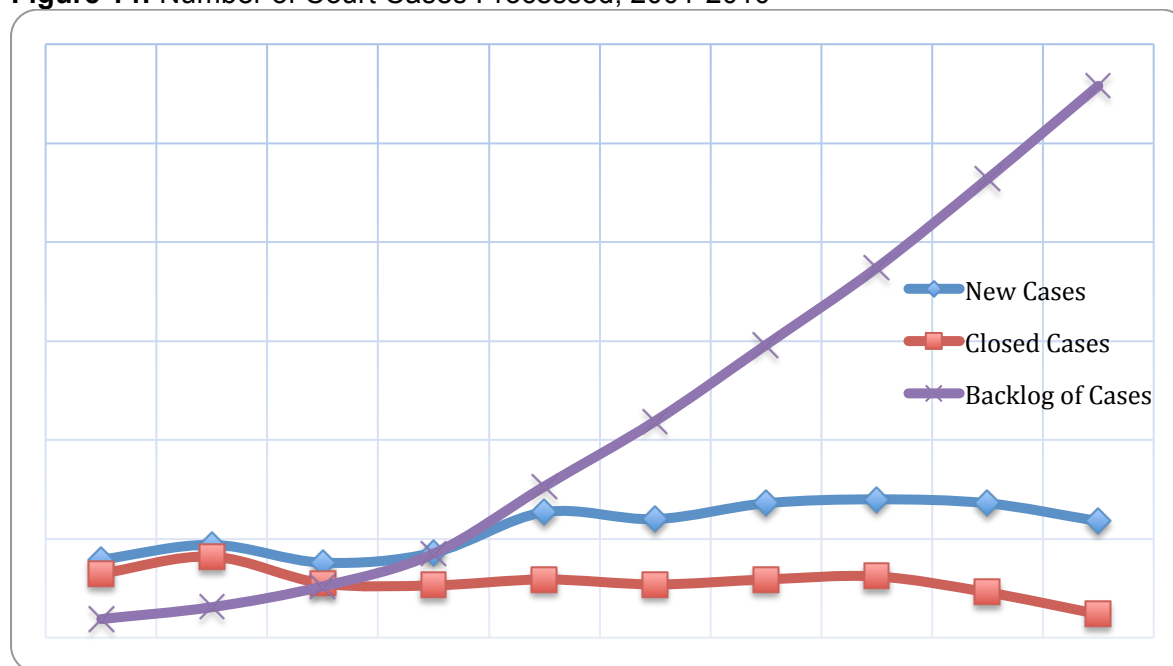
- an Annual Development Report each year, which reports against the government policies implementation and impact;
- a six-monthly report that monitors the implementation of the PLAS matrix, the Council of Ministers' decisions and the major development projects (50 million Vatu and over).

The M&E Unit also released the Performance Improvement Plan that shows the specific efforts of the Government to improve on the eligibility criteria of the US's Millennium Challenge Corporation.

### 4.2 BACKLOG OF COURT CASES

Figure 14 depicts the number of court cases recorded by the State Law Office (SLO) between 2001 and 2010. The graph indicates a steep increase of backlog cases during this period while the new cases and closed cases showed a steady but a declining trend. This reflects the fact that the number of court cases dealt with every year is declining compared to the number of new cases registered thus adding to the increased number of backlog cases.

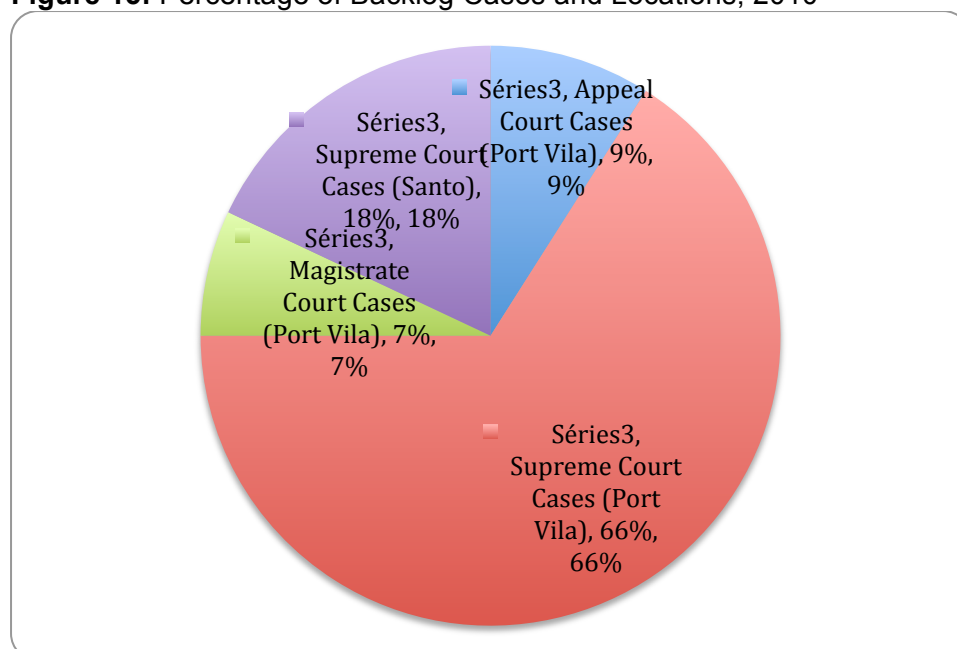
**Figure 14:** Number of Court Cases Processed, 2001-2010



Source: State Law Office

The SLO reported 118 new court cases in 2010. Of this only 20% were closed in 2010 while 80% were backlog cases. When analysing the backlog cases against their locations, figure 15 below shows that 66% of the backlogs were from the Supreme Court in Vila and 18% were from the Supreme Court in Santo. The other 9% and 7% were from Port Vila Appeal Court and Port Vila Magistrate Court, respectively. Appeal Court and Magistrate Court in Santo incurred no backlogs in 2010.

**Figure 15:** Percentage of Backlog Cases and Locations, 2010



Source: State Law Office

The steep increase in the backlog cases and the decline in the closed cases is a concern and require more commitment from the court system to deal with the backlog cases. According to the SLO, few of the backlog cases were old going cases awaiting costs to be

paid. Based on their procedures, a case is considered closed when all outstanding costs have been paid in full by the parties. Unfortunately data on the number of cases pending outstanding costs to be paid were not available.

#### **4.3 AVERAGE LENGTH OF SERVICE OF LEGAL OFFICERS:**

The issue of the high turnover among government legal officers has been dealt with successfully, as only one such officer left the State Law Office in 2010. This follows the important actions taken by the Vanuatu government such as reviewing and offering a better remuneration for lawyers entering government legal office. There are currently 34 staff in the State Law Office of whom 19 are lawyers including the Attorney General. The Financial intelligence Unit with 4 staff and 12 support staff complements well the State Law Office tasks.

Recent undertakings within the State Law Office include:

- The Vanuatu Legal Sector Strengthening Program (VLSSP) funded under the Australian Government – AG’s Department New South Wales (NSW) was expected to end in 30 June 2011;
- SLO has newly established an Advisory Unit to specifically deal with all received request for advice. This was done with the financial provisions of the MBC in 2009;
- Contract for the Attorney General was renewed for a second term in September 2010.

#### **4.4 REMUNERATION LEVELS OF KEY SKILLED PERSONNEL IN THE PUBLIC SERVICE:**

The remuneration of key public skilled personnel in the public service has been an ongoing concern at Ministry level with continued support from PSC. This had resulted in new job descriptions analysis and job audits with equivalent salary adjustments in some ministries. This task was being carried forward in 2010. Further review will be conducted with Remuneration Tribunal rulings expected in 2012.

#### **4.5 TIMELY DISCIPLINARY ACTION WITHIN THE PUBLIC SERVICE:**

A total of 32 registered discipline cases were recorded by the Public Service Disciplinary Board (PSDB) in 2010. As at 31 December 2010, there were two (2) outstanding cases that will be dealt with in 2011. The reason being due to the unavailability of staff who were on sick leave and study leave.

#### **4.6 SOEs PERFORMANCE AND PRIVATIZATION:**

There are 20 SOE’s currently operating in Vanuatu of which 14 are corporatized and structured to operate along commercial principles. The remaining six SOEs are government entities performing various non-commercial functions for the government. Of the 14 corporatized entities 5 are minority shareholdings, while 9 are majority owned by the Vanuatu government.

The government has taken steps through a council decision in 2009 and appointed a Ministerial taskforce to oversee reforms in all SOE’s. The government is developing a Public Enterprise Act to regulate all SOEs so that they are more transparent and accountable.

A review of the Vanuatu Commodities Marketing Board (VCMB) was commissioned in 2009, which concluded that the VCMB did not bring substantive benefits to the farmers in Vanuatu, while the financial drain incurred by its poor management weighed heavily on the public financial resources.

As a result of the review the VCMB Act was repealed by Parliament in July 2010.

The gazetting of this decision is pending the implementation of a plan to devolve some of the essential functions of the VCMB to existing Government institutions. That new framework should be put in place in 2011.

#### 4.7 DECENTRALIZATION

Following the Provincial Secretary Generals and Presidents Forum held on Maskelyne Island in 2009, the government committed itself to implementing the 20 resolutions. The Decentralization Review Committee (DRC) is working on a proposed amendment to the Decentralization Act to facilitate the smooth implementation of the decentralization policy.

#### 4.8 REGULATION OF FINANCIAL INSTITUTIONS

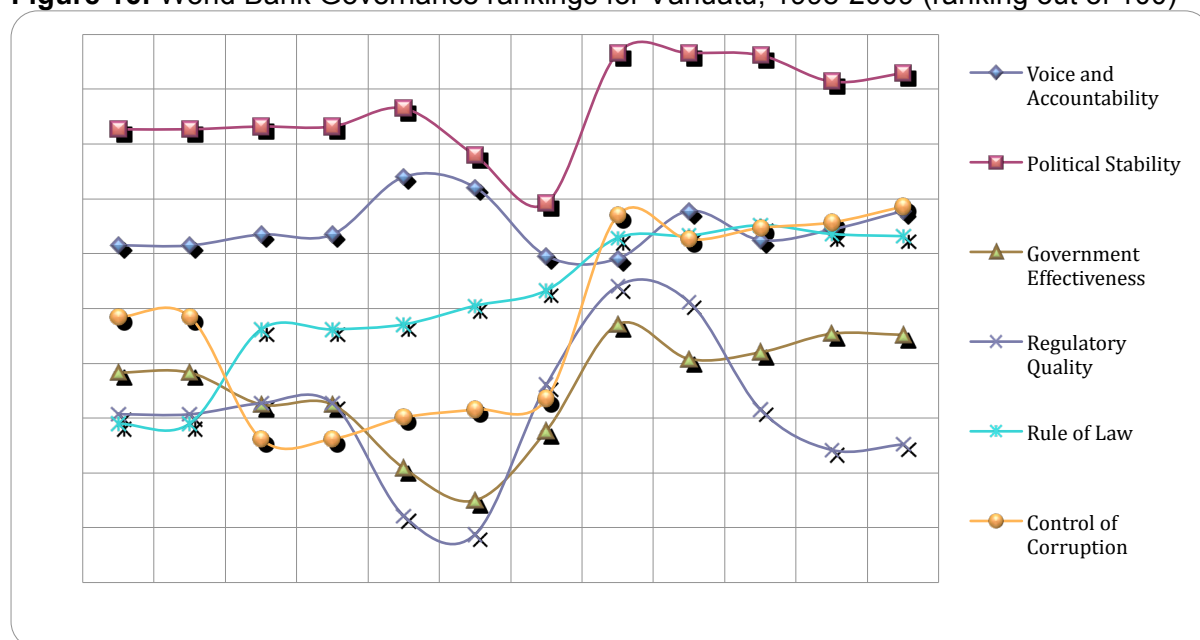
The government has delegated the responsibility of regulating the insurance companies and provident funds to the Reserve Bank of Vanuatu (RBV). This resulted in the amendment to the Vanuatu Financial Service Commission Act and the Reserve Bank of Vanuatu Act to allow the Reserve Bank to supervise the financial institutions. This also covers various microfinance institutions and the newly established Agriculture Development Bank.

#### 4.9 WORLD BANK GOVERNANCE INDICATORS

The World Bank provides annual updates on six dimensions of governance (absolute scores and rankings). The set of indicators are known as the Worldwide Governance Indicators (WGIs). To measure the progress of how each country is performing in terms of the six dimensions, absolute score values are used. The WGIs are gathered and analysed from aggregating views on the quality of governance from a number of surveys by think tanks, multilateral institutions and non-governmental organizations.

The 2010 data are yet to be released by the World Bank. However, the figures hereafter show Vanuatu world rankings (Percent cent 0-100) on the five criteria, and the ranks of Vanuatu compared with five countries from the Pacific Region.

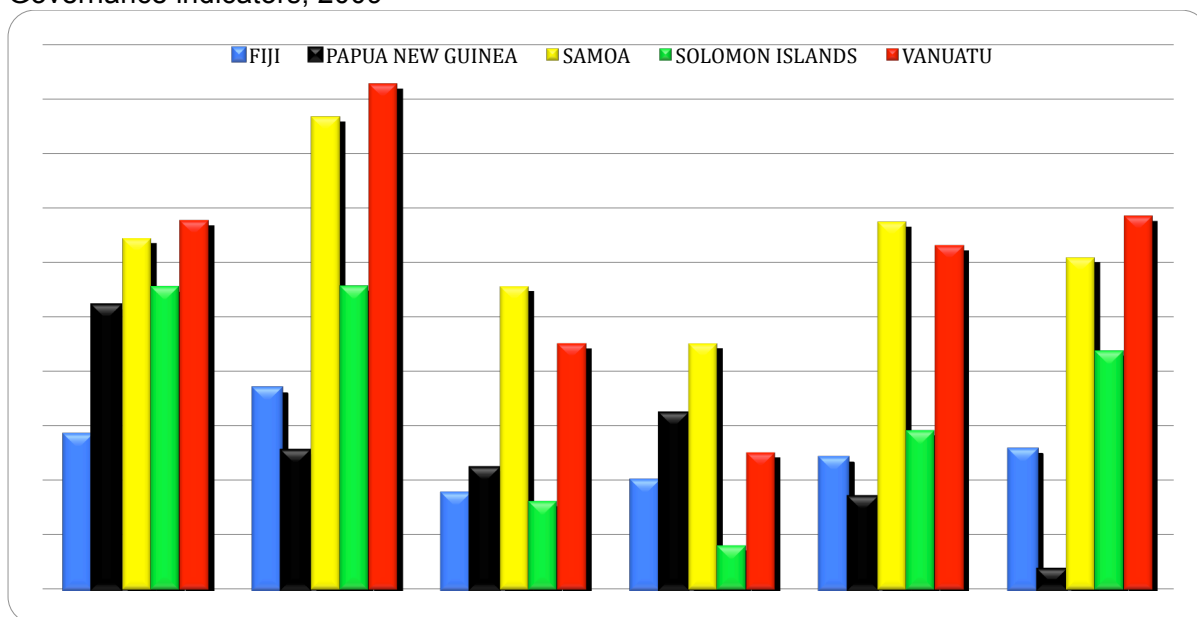
**Figure 16:** World Bank Governance rankings for Vanuatu, 1998-2009 (ranking out of 100)



Source: World Bank



**Figure 17:** Percent ranks (0-100) of selected Pacific countries for the World Bank Governance indicators, 2009



Source: World Bank

Regionally, it appears that Vanuatu compares favorably to PNG, Fiji and Solomon Islands on all governance indicators, while it lags behind Samoa on Government effectiveness and the Rule of Law.

#### 4.10 PLAS MATRIX IMPLEMENTATION FOR 2010

##### To strengthen accountability and transparency in public offices and institutions

Strategy	Performance Indicators	Time-frame	Implementation status 2010
Revive the public accounts committee.	Public accounts committee convened on a regular basis	2009	Ongoing, one PAC convened in 2010
Implement recommendations of the Ombudsman Review Report. Develop or amend relevant laws to hold Political Leaders and bureaucrats accountable to their decision.	Ombudsman Act amended to ensure Ombudsman reports can be used as evidence	2009	Not implemented yet
	Capacity building program in place Leadership Tribunal established	2010	Ongoing Not implemented yet
	Laws enacted or amended	2011	Not implemented yet
Revisit government ability to pursue legal recourse for financial loss	Government recovered at least 30% of outstanding financial losses	ongoing	Ongoing
Strengthen the capacity of the Auditor General's Office.	Auditor General appointed Technical support program in place Active audit work program developed and implemented	2009	Auditor General was appointed in 2010
Review the performance of state owned entities (SOEs) and where necessary abolish or institute reforms as required. Abolish or Privatize non-performing SOEs.	Targeted SOEs reviewed and reformed Government's financial exposure to SOEs reduced	2009-2011	Ongoing
	SOEs Act Passed by Parliament	2009	Ongoing
	Government shares in SOEs sold	2010	Ongoing

##### Decentralization through more effective utilisation of human resources

Strategy	Performance Indicators	Time-frame	Implementation status 2010
Review Governance Structure and status of the six Provinces. Develop Urbanization Policy to improve urban management.	Role of the Secretary General strengthened	2010	Ongoing
	Coordination and Planning improved	2012	Ongoing
	Decentralization Act improved Minister declaration made on potential urban areas subject to physical planning Act	2009/10	Ongoing Done in 2010
	Key positions in Province/Municipal be made permanent		SGs and Clerks now Government Officers managed by the PSC

##### Stability of government

Strategy	Performance Indicators	Time-frame	Implementation status 2010
Promote political stability. Review Government Ministerial structure.	Relevant Constitutional Review committee recommendations implemented Political parties legislation passed by parliament Government Act Amended	2009	Not implemented yet
	People's Representation Acts Reviewed	2010	Not implemented yet
	Government's Ministry structure reviewed and rationalized	2012	Ongoing

### Strengthening of a Professional and Robust Foreign Services

Strategy	Performance Indicators	Time-frame	Implementation status 2010
Institutional Strengthening of Foreign Services in line with Foreign Service Act. Explore opportunities to expand bilateral relations. Review Vanuatu's membership to regional and international organizations. Facilitate appointment of Ni-Vanuatu to foreign missions.	Appointment of heads of missions made in accordance with the foreign service Act Technical cooperation agreement with non-traditional donors established	2010	Ongoing
	Contribution to regional/international organizations rationalized in line with ESCAP review recommendations	2009	Ongoing
	Legislations to accommodate career diplomatic services amended	2010	Not implemented yet

## 5 PROVISION OF BASIC SERVICES AND STRENGTHENING SOCIAL DEVELOPMENT

### 5.1 POPULATION AND HEALTH STATUS

Vanuatu has a population of 234,023 people (2009 National Census). The population is young with around 45% at the age of 15 years old or younger. The growth rate is 2.3% a year and the population is expected to double by 2030. Life expectancy at birth is 70 for males and 73 females (2009 census.) and is lower in rural than in Urban. The infant mortality rate is relatively low (20 per 1000 live births). With a large young population and a growing ageing population it will yield a high demand on health services for infectious diseases; an ailment characteristic of developing country as well as life style related diseases of the developed world. This means that the MOH services must cater for the diseases of childhood as well as for diseases of the elderly. Infectious disease is prominent in the country and rapid change in lifestyles has lead to the escalating non-communicable diseases. The mortality pattern in 2010 is no different to previous years, which is showing increases in non-communicable diseases and is currently the leading causes of death. It is anticipated that this change in mortality trend will continue to accentuate.

### 5.2 MINISTRY OF HEALTH'S OBJECTIVES AND PRIORITIES

The Ministry of Health (MOH) launched its Health Sector Strategy (HSS) 2010—2016 on August 2010. The four broad objectives of the health sector under the Health Sector Strategy are to:

- Improve the health status of the population;
- Ensure equitable access to health services at all levels of services;
- Improve the quality of services delivered at all levels;
- Promote good management and the effective and efficient use of resources.

In 2010 the Ministry completed an assessment of its workforce needs, and submitted a draft new structure to the Public Service Commission. At the end 2010, the restructuring of the Ministry of Health was still in discussion with the PSC.

Primary health care and health access are paramount priorities for the Ministry. Health services are delivered through 2 regional referral hospitals, 3 provincial hospitals, 30 health centers, 97 dispensaries and 231 aid posts.

The Ministry of Health is planning to have all 30 health centres electrified in 2012 for a robust Health Information System at community level and in ensuring an effective cold chain management. The cost is estimated at Vt.230 million.

This infrastructure theoretically makes access to health facilities in Vanuatu very high amongst developing countries; however the staffing levels of facilities is yet a concern, and finally the access to services in remote areas is still weak. There is an acute shortage of trained medical personnel combined with an ageing workforce at all levels of health services in Vanuatu.

In addressing this challenge the ministry with support from development partners, in 2010 trained and recruited 21 new graduate nurses, 16 advance nurse practitioners, In addition, the Ministry recruited 3 Cuban doctors, 5 Ni-Vanuatu nurses graduated in the Solomon Islands, 3 intern doctors (FSM).Further, an MOU was signed with the government of the Solomon Islands for Nurses recruitment, expected to be implemented in 2011.

Vanuatu continues to experience a 'double burden' of disease with the prominence of both communicable and non-communicable disease. Communicable diseases of note include malaria, tuberculosis, STIs, acute respiratory tract infections, diarrhoea and viral hepatitis. 61,358\* cases of ARI were recorded in 2010, 1,011\* cases of diarrhoea and 111\* TB cases.

\*No. of Cases may not be accurate due to incomplete coverage of records.

### 5.3 MAJOR HEALTH INDICATORS

The Ministry of Health normally monitors progress in the health sector through a list of major indicators, of which most are also Millennium Development Goals indicators. The Health Information System has been without an officer for most of 2010, so most of the indicators are not updated.

**Table 7:** Major health indicators, last update

Indicator	Value	Year
Vanuatu Population	234,023	2009 Census
Infant Mortality Rate (IMR)	21/1000	2009 Census
Child Mortality Rate (under 5)	24 per 1,000	2009
Maternal Mortality Rate (MMR)	68/100,000	2006
Crude Birth Rate (CBR)	31.3/1000	2009 Census
Crude Death Rate (CDR)	5.4/1000	2009 Census
Malaria Annual Parasite Incidence(API)	33/1000	2010
%age of pregnant women cared for by skilled birth attendants (SBA)	91%	2007
Measles (routine)	86%	2010
Access to improved water sources	81%	2009 Census
Access to improved sanitation facilities	52%	2009 Census

Source: Ministry of Health (2010 Annual report)

### 5.4 MORBIDITY AND MORTALITY

The Ministry of Health keeps records of morbidity and mortality annually:

- Infant & Child mortality;
- Births attended by skilled health personnel;
- Maternal Mortality;
- Contraceptive prevalence.

The latest records captured below are from years 2007, 2008, & 2009.

#### Infant (aged under 1 year) and child (aged under 5 years) mortality

By definition the Infant Mortality Rate (IMR) is part of the Child Mortality Rate (U5MR), which includes all deaths up to the age of 5 years. In Vanuatu infant mortality is the major component of U5MR. The IMR itself can be further broken down as to whether the death occurred immediately after birth in what is called the 'neonatal' period, which is the number of deaths during the first 28 completed days of life.

The under-five mortality rate is estimated to be 24 per 1,000 live births and the Infant Mortality Rate (IMR) was estimated at 21 per 1,000 live births according to the 2009 census as shown in table 7 above.

Infant Mortality Rate (IMR) could be easily reduced if Acute Respiratory Infections (ARI) and diarrheal diseases were consistently tackled by neonatal care. Children under two years of age were accounted for about 50% of all hospital admissions for ARI. If proper medical care was given and if these conditions were treated successfully, both infant and under-five mortality could be significantly reduced. In 2008 20% of all ARI admissions were infants aged less than one year and 26% were aged one to five years: 46% of all ARI cases were aged less than five years.

**Table 8:** Child Mortality Indicators, 1989 – 2009

Indicator	1989	1999		2009			
	Total	Total	Male	Female	Total	Male	Female
Infant mortality rate(IMR)	45	27	27	26	21	22	19
1 to 5 mortality rate	13	6	6	5	4	4	3
Under 5 mortality rate (U5MR)	58	32	33	31	24	26	22

Source: Ministry of Health (2010 Annual report)

### Births attended by skilled health personnel

The Ministry of Health currently estimates that 80% births occur in a health facility. The 2007 MICS estimated 74% of births being attended to by skilled personnel.

### Maternal mortality

Timely and accurate data for maternal mortality are lacking, so it is not possible to obtain a precise estimate of maternal mortality in Vanuatu. From 2006-2009 actual maternal deaths were estimated at around 6 maternal deaths a year.

### Immunization coverage

In 2010, it was estimated that at least 90% of boys and girls aged one year and under were immunized with potent childhood vaccines as per national schedules and at least 80% in all Provinces with a special focus on low-performing Provinces. Since measles elimination by 2012 is a goal for Vanuatu as part of a WHO regional initiative, measles vaccines coverage increased to 81.7% coverage compared to an estimated 37.2 % for children ages 1-4 years in Vanuatu for 2009. [See table 9 below].

**Table 9:** National Immunization coverage, 2010

Vaccine/Supplement	Denominator used in coverage calculation	Number in target group (Denominator)	Number of Doses administered (Numerator)	% coverage (=N/D*100)
BCG	Live births	7003	6812	97.27
HepB, birth dose (within 24hrs of birth)	Live births	7003	4402	62.86
HepB, birth dose (total, within & after 24hrs birth)	Live births	7003	7227	103.20
DTP1	Surviving infants	6828	6747	96.34
DTP3	Surviving infants	6828	6501	92.83
Polio3 (OPV/IPV)	Surviving infants	6828	5534	79.02
HepB3	Surviving infants	6828	6123	87.43
MCV1 (measles, containing vaccine 1 <sup>st</sup> dose)	Surviving infants	6828	5580	81.72
Tetanus Toxoid-Containing Vaccine(TT2+)	Pregnant women	6828	5981	87.60

Source: Ministry of Health(2010 Annual Report)

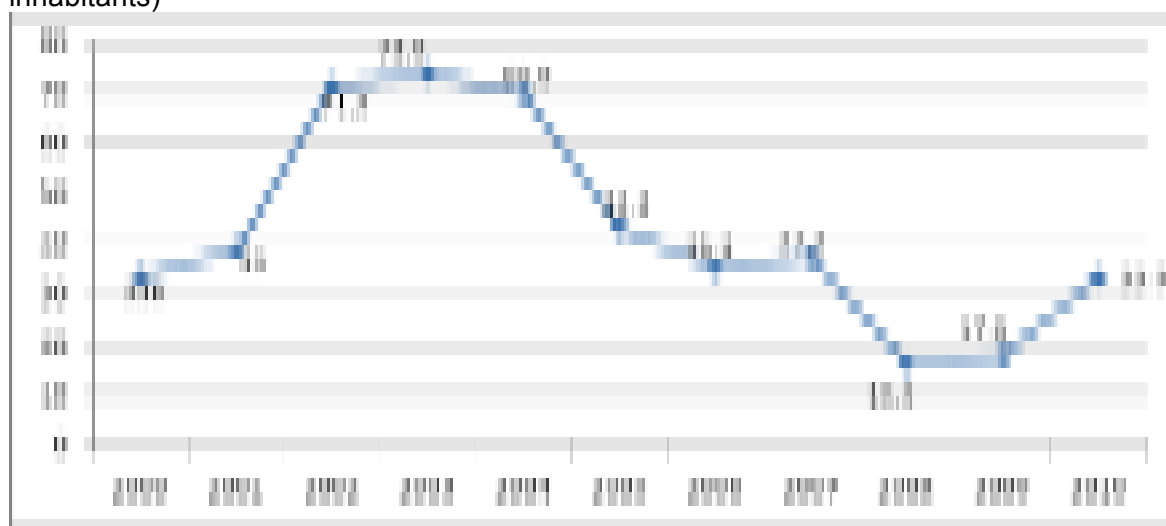
## 5.5 PUBLIC HEALTH INTERVENTIONS & EPIDEMIOLOGICAL PROFILE

Malaria and Tuberculosis (TB) are still major public health concerns along with Sexually Transmitted Infections, Acute Respiratory Tract Infections, Diarrhoea and Viral Hepatitis. Dengue Fever and Measles are other major concerns among communicable diseases.

### Malaria, Dengue and Lymphatic Filariasis

To combat Malaria the MOH introduced Insecticide Treated Nets (ITN) with funding assistance from Global Fund Assistance Toward Malaria Funding (GFATM) funding. The Annual Malaria Parasite Incidence (API) decreased from a 2003 baseline of 73.9 positive cases per 1,000 inhabitants to 33.3 per 1,000 in 2010. This remarkable decline opened the prospect of further reduction and eventual elimination of Malaria from Vanuatu by 2030, beginning in Tafea Province by 2014. To implement this policy, the MOH recruited 23 additional staff in 2010. The use of bed nets seems to be widespread, with 85% of children sleeping under net and 95% of households having at least one long lasting treated nets according to the 2009 census. [Source: MOH Annual Report 2010, 2009 census, Malaria Unit Annual Report]

**Figure 18:** National Malaria Annual Parasite Incidence (positive Cases per 1,000 inhabitants)



Source: Ministry of Health

The malaria API (figure 18 above) indicates a decline since 2003 from 73.9 per 1,000 people to only 16.3 per 1,000 in 2008.

However there is an ascending trend again from 16.3 per 1000 in 2008 up to 33.3 cases per 1000 in 2010. The Ministry of Health indicated that this increase in 2010 is a result of expanded coverage across the country, and the use of Rapid Test Diagnosis in more communities in Vanuatu, increasing the rate of detection.

The Vector Borne Disease Control Unit has implemented an extensive program over the past 20 years to fight dengue fever, dengue hemorrhagic fever, and lymphatic filariasis. To date only 5% of the population has Lymphatic filariasis. Mass Drug Administration against filariasis has been introduced and followed up. There were 3 confirmed dengue cases recorded in 2010.

### Diarrhoea & Helminthes

To combat diarrhoea and helminthes, the Vanuatu government with assistance from UNICEF has implemented the Rural Sanitation Project (RSP). This project has seen 64% of household and some schools in Vanuatu equipped with proper ventilated pit latrines (VIP). The Project ceased in 1999, though diarrheal diseases and helminthes incidence are still a concern, especially amongst children. The de-worming program in schools, using



Albendazole against worm infections, administered 50,197 treatments in 2008, 23,651 in 2009, and only 12,124 in 2010, due to staff being re-directed to malaria activities.

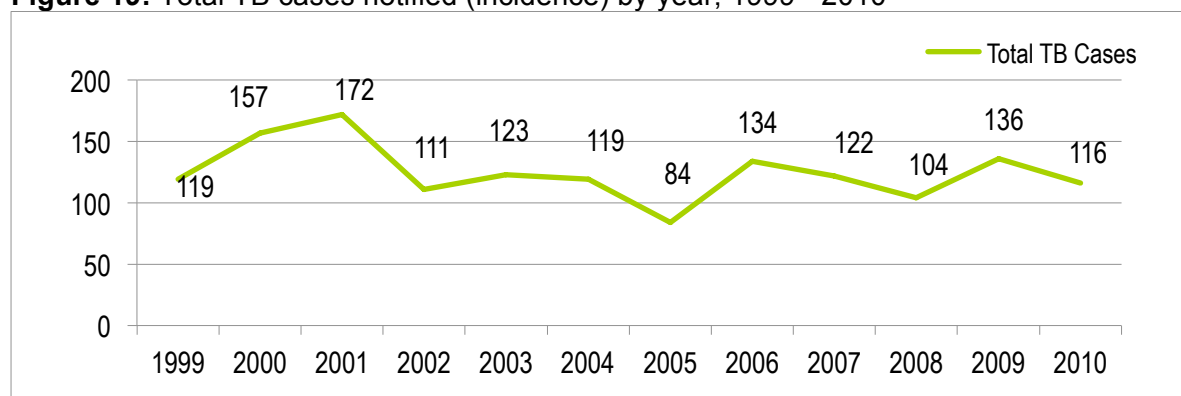
The incidence of diarrhoea recorded in 2010 at all health facilities was 1,011 cases in 2010, compared with 2,650 in 2009, and 7,113 in 2008. However, incidence refers to 36% reporting coverage in 2010, 64% in 2009 and 89% in 2008. Extrapolating these figures to the whole population would show 7,992 cases in 2008, 4,140 in 2009, then down to 2,808 cases in 2010.

The H2s test is used in 2010 to identify water contamination, a suspected major cause of diarrhoea in Vanuatu among rural communities and urban slums. According to the 2009 census only 82% of the rural population has access to improved water supply compared to 95% in the urban. The implementation of the Food Safety Act to combat diarrhoea and helminthes from unhygienic preparation of food is a major concern to Public Health however no data is available on this issue.

### Tuberculosis (TB)

There are on-going problems in tuberculosis sufferers maintaining the DOTs (Directly Observed Short Course Treatment) program making drugs resistance an additional issue. Data for 2010 as depicted in figure 19 shows 116 cases, a slight drop from the estimated 136 cases in 2009. The social behaviour and living conditions in villages and squatter settlements are major factors to this continued high TB incidence.

**Figure 19:** Total TB cases notified (incidence) by year, 1999 - 2010



Source: Ministry of Health

### Non-Communicable Diseases

In 2008, 586 cases of NCDs were recorded through the hospital system (outpatients and admissions); 25% of which were for hypertension, and 23% were for cancer and diabetes respectively. Of the 136 diabetes cases 15 were for amputations.

### Re-Occurrence of Diseases ('Yaws': A forgotten Disease)

Yaws was thought to have been eradicated in Vanuatu and over the past decade few cases has been found amongst some communities in Vanuatu and were treated. In 2010, some Yaws cases presented on Tanna Island. A further assessment of prevalence has been undertaken as part of the Malaria Indicator Survey (MIS) that is currently being finalised. Further action to address this disease as a primary health care issue, will be taken by MOH with support from WHO, once prevalence has been assessed.

### Contraceptive prevalence

The contraceptive prevalence rate has shown a steady increase over the years from an estimated 28% in 1999, 30% in 2005 and more recently in 2007 the Multiple Indicator Cluster



Survey (MICS) found a prevalence rate of 38%. The MICS also found that 41% of urban married women and 38% of rural married women use contraceptive techniques.

### HIV/AIDS

The first case of HIV in Vanuatu was diagnosed in 2002. Since then there have been 2 AIDS-related deaths out of a total of five cases of HIV with the 3 who are HIV positive receiving antiretroviral medicine. The 3 seropositive persons include two adults and a child, all female.

In 2010, 1,545 people (Mainly through antenatal checkups) gave their consent to be checked for HIV/AIDS and were tested but none came out to be seropositive.

## 5.6 HEALTH FACILITIES UPGRADE

The development partners agreed to a major project to upgrade and refurbish health facilities in a number of remote rural locations and work begun in 2010.

Projects recorded in 2010 include:

- Aute Dispensary - North East Pentecost (micro project Ambassade de France).
- Northern Provincial Hospital (AFD, France)
- Vanuatu Health Training Institute: "Training facility" part of the Santo Hospital Project (AFD, France);
- Extension of the Office of the Director of Public Health, including conference room + reception + toilets (VanGoV);
- Extension of Health Promotion Unit -Public Health Department (VanGoV);
- Georges Pompidou EPI Unit Cold room (JICA / UNICEF).

## 5.7 HUMAN RESOURCE DEVELOPMENT IN THE HEALTH SECTOR

In 2010, the Ministry of Health (MOH) was employing over 800 staff, of which 423 were nurses. Apart from doctors and nurses the MOH also employs other medical professionals such as dentists, pharmacists, physiotherapists, laboratory technicians, radiologists, environmental health specialists and other categories of medical professionals.

By 2015/2016, 24 new graduate doctors should be returning from Cuba. There are currently 29 doctors working in the country and 3 additional graduates arrived in 2010 from the Fiji School of Medicine.

The MOH continues its effort to train more nurses through the Vanuatu Centre of Nursing Education programs. In 2010 the ministry of health asked 17 ex-student nurses to come back and complete a six-month refresher program at the Vanuatu Centre for Nursing Education. Following that program, the 17 new graduates were hired by the MOH.

In 2010, 62 new Nurse Aids graduated from the VCNE, and were consequently integrated into the Health Services workforce.

Some 16 Advanced Nurse Practitioners (basically adding the skills of nursing with those of mid-wife) were trained and graduated, then employed in the MOH.

Table 10 below shows the 2010 situation for training nurses and other medical professionals.

**Table 10:** Medical professionals trained / hired in 2010

Category	Number of Graduates In 2010	Existing workforce by profession in 2010
Nurse "bridging" training completed	17 graduates	N/A
Nurse Aids	62	96
Registered nurses (RN)	21 (VCNE) + 5 Solomon Island graduates	423
Advance Nurse Practitioner	16	0
Nurse Practitioner	0	37
Mid Wives	0	52
Village health worker	0	210

Source: Ministry of Health (2010 Annual Report)

## 5.8 FOOD SAFETY ACT ENFORCEMENT

In 2010, after the regional food summit was staged, the MOH employed two compliance officers to join the municipal inspectors and enforce the Food Safety Act (2 additional officers are earmarked for 2011).

## 5.9 PLAS MATRIX IMPLEMENTATION FOR 2010

### Policy Priority implementing agency

Strategy	Performance Indicators	Time-frame	Implementation Status 2010
Strengthen the capacity of the Ministry of Health.	New National Health Policy and structure finalised and implemented.	2009-2012	Ongoing, new structure still in discussion with the PSC
Strengthen the delivery of basic health services to all, in remote, rural and urban areas.	Achieve the following Millennium Development Goals: <ul style="list-style-type: none"> <li>• Reduced Child Mortality</li> <li>• Improved Maternal Health</li> <li>• Combat HIV/AIDS and Malaria</li> </ul> Resource allocation to favour community health (away from central hospitals and administration) rebalanced. Health Infrastructure improved. Reach of essential health services to remote areas increased. Immunisation levels increased, supply of essential medications to health facilities maintained.	2009-2012  2009-2012	Ongoing  Ongoing  Ongoing Northern Hospital, etc Ongoing Ongoing (the disruption in medical supplies in 2010 has been addressed)
Vigorously control and progressively eliminate malaria from Vanuatu.	By 2014, eliminate malaria from TAFEA, stop all deaths and decrease nation-wide incidence to 7/1000 from 23.3/1000 in 2007.	2009-2012	Ongoing. The malaria parasite incidence was 33.3 per 1,000 in 2010 due to use of RTDs.
Invest in training and supporting the health workforce, particularly nurses to staff rural facilities.	Numbers of nurses trained and engaged increased.  Staffing shortfalls at rural facilities reduced	2009-2012	26 trained nurses were engaged in 2010



## 6 EDUCATION AND HUMAN RESOURCE DEVELOPMENT

The PAA recognizes education and human resource development as essential to not only the achievement of individual own potentials and aspirations but central to the nation's ability to achieve sustainable development. Four policy objectives in the PAA were developed to achieve the above and includes:

- Improved access to education and ensure gender balance;
- Raise the quality and relevance of education;
- Improve planning, fiscal and financial management in the sector;
- Develop and implement a national HRD Plan.

The above policy objectives are reflected on the Vanuatu Education Road Map (VERM 2010-2012), and annual work plans at all levels and facets of education that include:

- Early Childhood Education;
- Primary education;
- Secondary education;
- Tertiary education;
- Technical and vocational training institutions.

Further to that, Vanuatu has made a commitment to ensure that by 2015, children everywhere, boys and girls alike will be able to complete a full course of primary education. The partnership agreement with development partners towards the Universal Primary Education (UPE) policy has seen the full implementation of school grants in 2010.

### 6.1 EARLY CHILDHOOD EDUCATION

Early Childhood Education (ECE) is considered a key strategy in reducing the high repetition rates of primary grade-1 (22% in 2010) through improved school-readiness, particularly for those children whose mother tongue is not Bislama. The Ministry of Education has focused on improving the quality of ECE through an accreditation programme. This program involves the teaching of the approved national curriculum as well as providing training on a new "model kindies" to train teachers.

With the continued focus of government in improving early childhood education (ECE), the Ministry of Education (MOE) developed an ECE policy in 2010 that was launched early 2011. The objective of the Policy is to, provide access, sound management and set appropriate standards for ECE schools.

Recorded early childhood education enrolment shows a constant number of pupils despite a changing number of ECE schools, and a fast increasing school-aged population (Table 11 below). These numbers reflect the Government-sponsored ECE schools.

The Sector expenditure and per pupil expenditure increased steadily over the years 2006-2010 showing government commitments to the ECE schools.

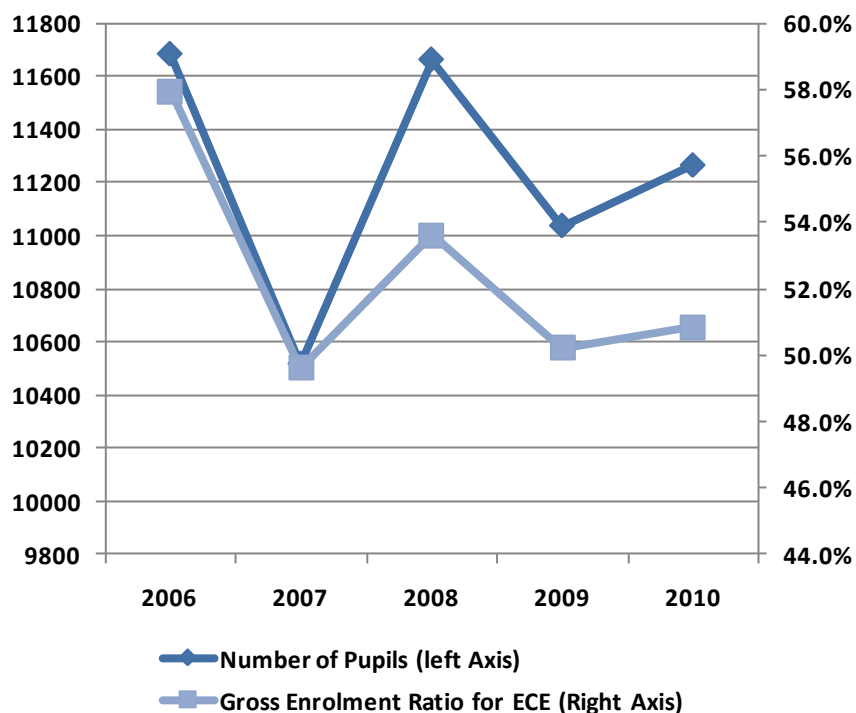
**Table 11:** Early Childhood Education schools and enrolment, 2006-2010

	Number of ECE schools	Enrolment
2006	715	11,684
2007	679	10,515
2008	627	11,663
2009	606	11,036
2010	563	11,264

Source: Ministry of Education (VEMIS)

There were an estimated 563 government ECE schools in Vanuatu in 2010. In 2008, the MOE reported that 64 ECEs have to be closed. This was attributed in the increase of “model kindies”, particularly in the rural areas.

**Figure 20:** Gross Enrolment in Early Childhood Education, 2006 – 2010 (Numbers, %)



Source: Ministry of Education (VEMIS)

As shown in figure 20 above, the GER for Early childhood education has decreased sharply between 2006 (58%) and 2007 (49%), then remains stable but low until 2010 at 50%.

The early childhood policy (August 2010) noted the following reasons for low enrolment rates;

- Communities finding difficulties supporting the running and management of ECE schools that include taking care of teachers’ salaries and facility maintenance;
- Lack of parental support to the children’s learning;
- Lack of available and sufficient learning resources;
- Drop outs of students due to high fees.

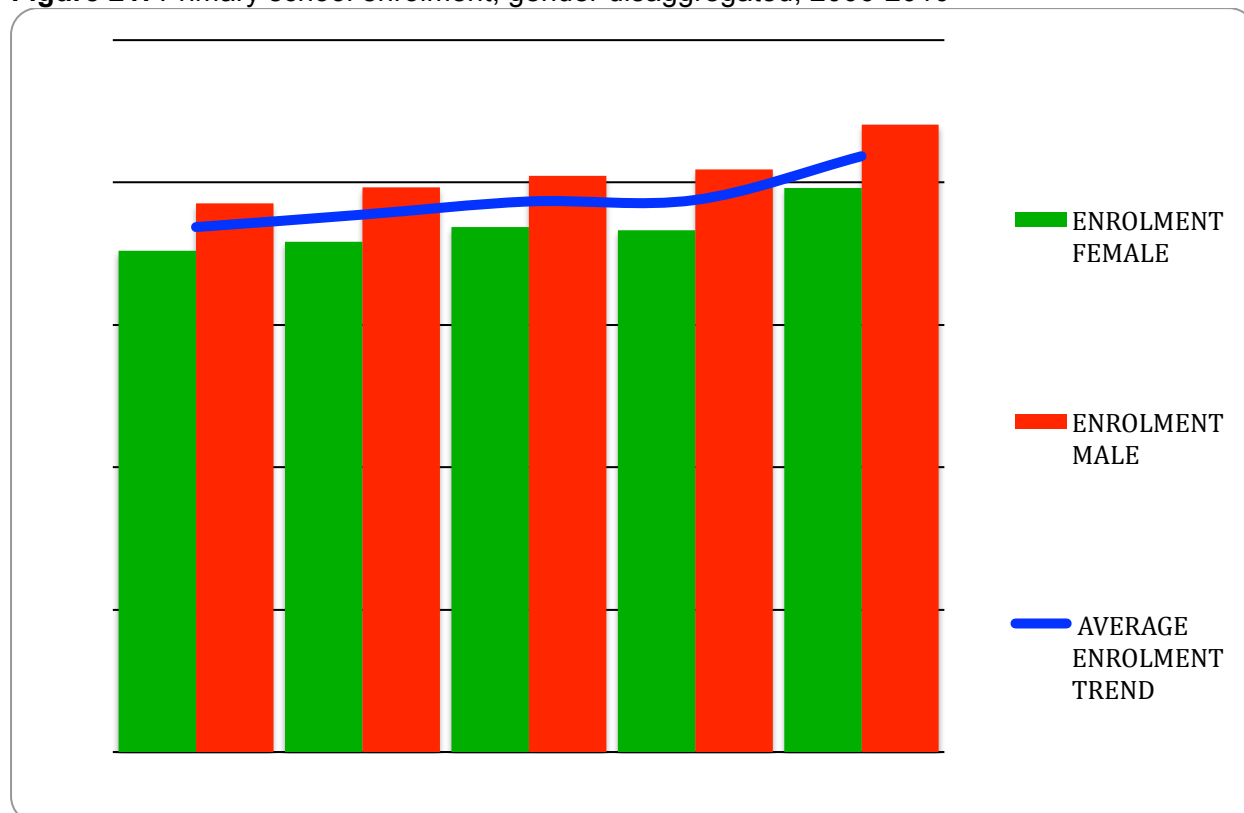
## 6.2 PRIMARY EDUCATION

The Vanuatu government's policy on UPE aims to increase enrolments in primary schools, until all children of 6 to 11 years old are enrolled in Classes 1 to 6 by 2015. The policy was introduced in 2009, and then it came into full effect in 2010. A school grants scheme was introduced with the ultimate goal to phase out parental contributions making primary education free. A level of VT6,800 per pupil was provided across all schools by the scheme in 2010.

The UPE policy has positively impacted on primary school enrolment in 2010 with an increase of over 3,000 children attending primary schools. While the country is experiencing an increase on the primary school enrolment in 2010, the number of spaces has not changed much over the last 5 years.

Although there have been improvements in enrolments, persistent internal efficiency disparities in terms of repeaters and dropouts still occur in the primary school. The persistent trend of overage enrolment at the primary level is an issue which the school system needs to address. In many of the remote areas, demographics will mean that some classes will always include a broad age range. Appropriate modifications to classrooms and pedagogy may be necessary to address the overage issue.

**Figure 21:** Primary school enrolment, gender disaggregated, 2006-2010

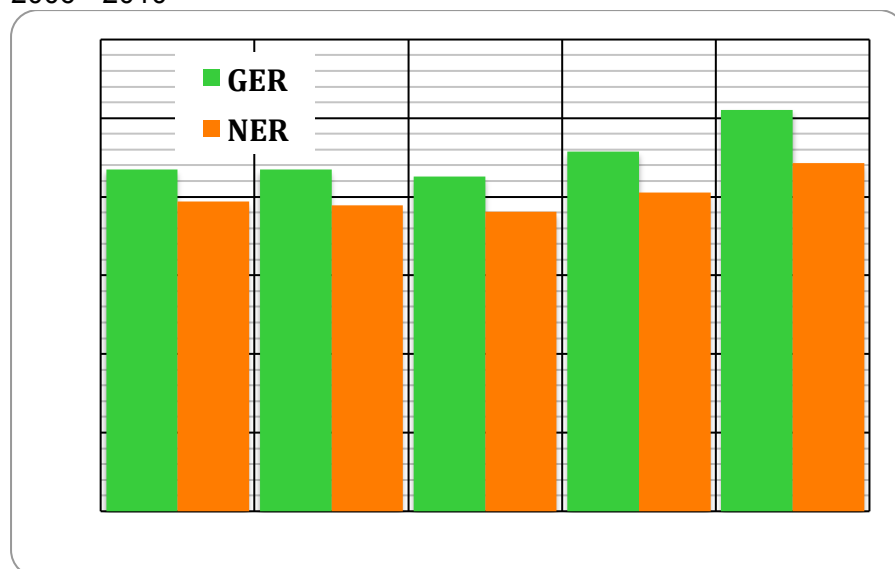


Source: Ministry of Education (VEMIS)

The above trend analysis illustrates the primary school enrolment from 2006 to 2010. A total of 41,834 children enrolled in primary schools in 2010 compared to 38,762 in the previous year 2009. The significant increase in primary school enrolment between 2009 and 2010, compared with increases in the previous years, reflects the success of the Universal Primary Education policy.

The figure 21 above seems to show a lower enrolment of girls compared to boys in the primary schools. In reality, in 2010, the Gender Parity Index in primary schools was 90%, while the ratio of girls to boys was 91.3% in the population aged 6 to 11. The real GPI in primary schools is very close to 100%.

**Figure 22:** Gross Enrolment Ratio (%) and Net Enrolment Ratio (%) in Primary Education, 2006 - 2010



Source: Ministry of Education (VEMIS)

It is important to note that GER and NER in primary have changed since previous years. Previous primary education was defined as years 1-8 or ages 6-13. This has been changed to years 1-6 or ages 6-11. As a result the historical figures vary from previously reported primary GERs and NERs.

The figure 22 above reflects the age disparities in children enrolled at primary school: while the total number of children enrolled in 2010 is 101% of the number of children of 6 to 11 years old, only 94% of these pupils have the relevant age for schooling in primary schools. From one year to the next, this indicator has not been improving. The reason for that situation is mainly the lack of awareness of some parents about the “right” age for children to go to school.

### 6.3 REPETITION AND SURVIVAL RATES

The high repetition rate in primary schools could indicate problems in the internal efficiency of the education system and possibly a poor level of instruction. It does not reflect the Education policies or practices of automatic promotion.

The repetition rate is rather high, reflecting probably the lack of preparedness of the children when they go to school, the low rate of enrolment in Pre-schools, the weak level of training of pre-school teachers, and probably the increased number of pupils per teacher that affects the quality of education. In addition, some parents for traditional reasons have asked their kids to stay home for a year and then allow them to go to school the following year.

The survival rate to grade 5 indicates the proportion of a pupil cohort that completes grade 4 and reaches grade 5. Table 12 on survival rates below indicates that between 2007-2009 there was a general increase on the number of students in a given cohort that reaches Grade five from 78% to 90% although an estimate suggests a further decline in 2010.

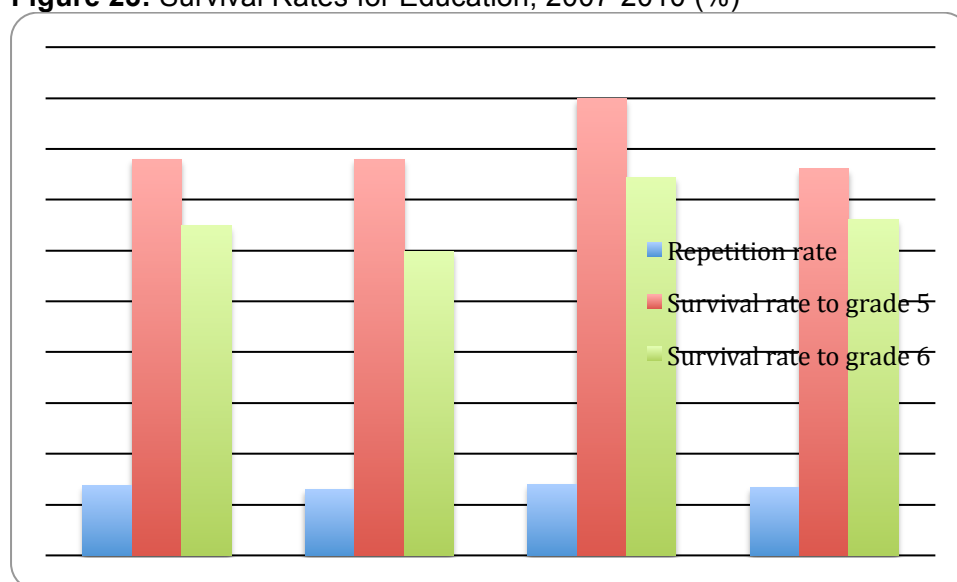
**Table 12:** Repetition, Survival rates in Primary Education, 2006 – 2010 (%)

	2007	2008	2009	2010 (estimate)
<b>Repetition rate</b>	13.8	13.0	14.0	13.4
<b>Survival rate to grade 5</b>	78	78	90	76.1
<b>Survival rate to grade 6</b>	<b>64.9</b>	<b>59.9</b>	<b>74.4</b>	<b>66.1</b>

Source: Ministry of Education (VEMIS)

Survival rate to grade 5 of primary education is of particular interest because the completion of at least four years of schooling is commonly considered a pre-requisite for a sustainable level of literacy and purports level of retention and efficiency. Figure 23 below shows a positive growth trend in the survival rate to Grade five between 2007-2010, but there is more variation in the rate to Grade 6 with a minimal or no improvement trend between the same periods on survival rate to Grade 6.

**Figure 23:** Survival Rates for Education, 2007-2010 (%)



Source: Ministry of Education (VEMIS)

## 6.4 SECONDARY EDUCATION

Enrolment numbers for students in secondary education has been increasing from over 4000 students across Vanuatu in 2001, to more than 10,000 students in 2010.



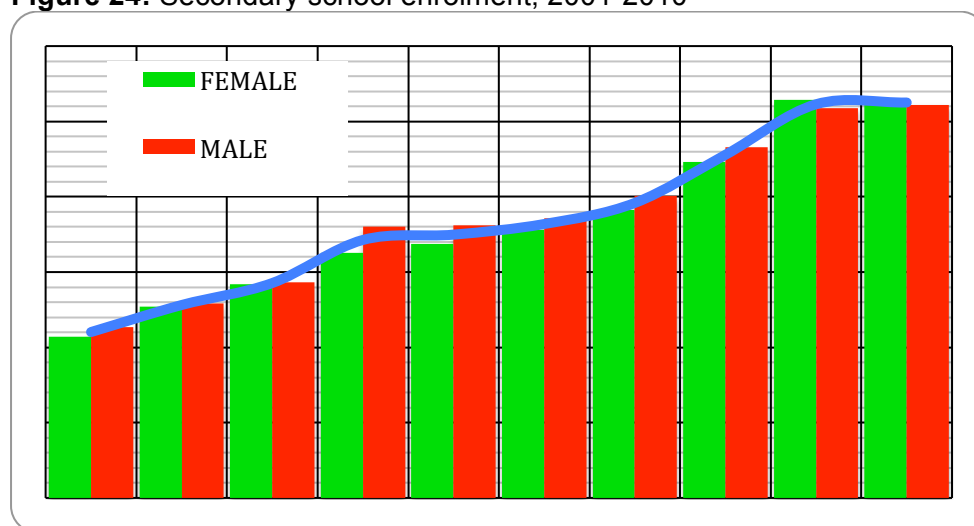
**Table 13:** Secondary school enrolment and sex ratio, 2006-2010

Year	Male	Female	Ratio Females / Males	
2006	3,717	3,559	96	Females per 100 males
2007	4,009	3,827	95	Females per 100 males
2008	4,655	4,460	96	Females per 100 males
2009	5,175	5,283	102	Females per 100 males
2010	5,222	5,282	101	Females per 100 males

Source: Ministry of Education (VMIS)

The ratio of female students in the secondary schools largely exceeds their weight in the population aged 12 to 18 years old, and it seems that this trend is strengthening in the last three years.

**Figure 24:** Secondary school enrolment, 2001-2010

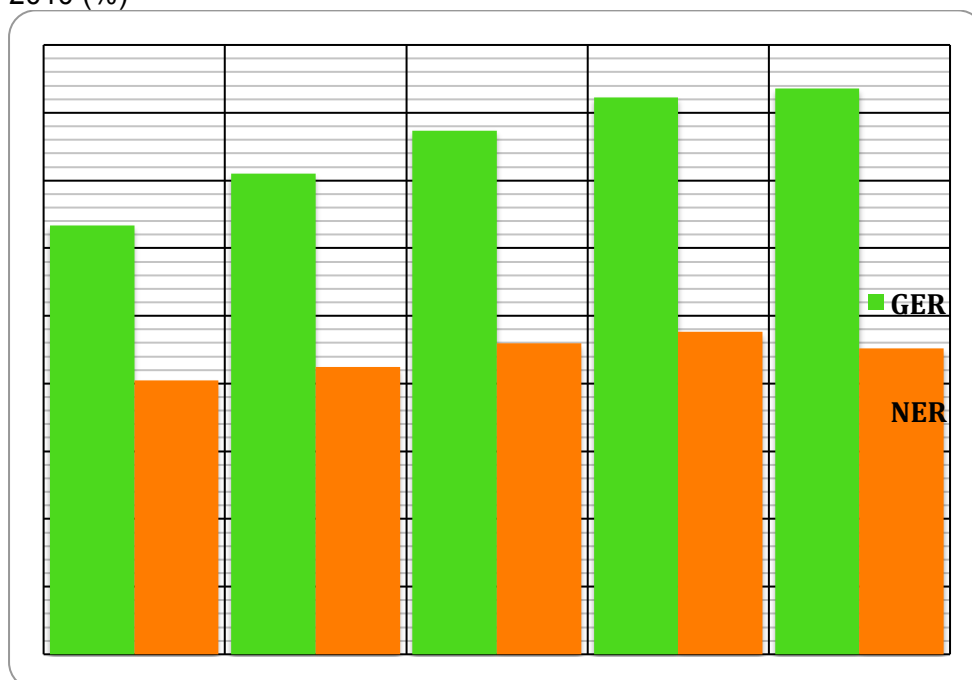


Source: Ministry of Education (VMIS)

As can be observed on figure 24 above, the growth in enrolments for Secondary Education has been sustained from 2006 to 2009, but in 2010 there has been a stop to that growth. According to the MOE, student enrolment in the secondary level is limited by the number of available classrooms, places in secondary schools and specialised facilities and equipment for example science laboratories.

There were 44 secondary schools in 2001, growing up to 85 in 2008. In 2010, there are 84 secondary schools in Vanuatu.

**Figure 25:** Gross Enrolment Rate and Net Enrolment Rate in Secondary Education, 2006-2010 (%)



Source: Ministry of Education (VEMIS)

The Gross Enrolment Rate (GER) in the secondary education is much more important than the Net Enrolment Rate (NER), reflecting a large number of students who are over the “normal” age in secondary schools and the high number of secondary school age students who no longer attend school.

This is partly due to the late ages of enrolment in grade 1 of primary school, and also to the burden imposed to families by the high cost of secondary education. Thus the delay in enrolment that poor parents may impose on their children.

**Table 14:** Completion and transition rates in secondary education, 2006 – 2010 (%)

	2006	2007	2008	2009	2010
Secondary Completion rate, Year 7-13	9.4	9.5	11.7	12.6	12.6
Secondary Completion rate, Year 7-10	35.5	36.6	37.2	49.6	48.6
Transition rate from year 10 to 11	79.6	74.0	76.6	69.6	80.4
Transition rate from year 12 to 13	8.7	13.7	17.2	21.1	28.3

Source: Ministry of Education (VEMIS)

Completion rates for secondary are considered extremely low although there is a general increase over the years 2006-2010. It is noted by the MOE that student placements depend largely on availability of spaces in secondary schools. However there are some signs of improvements as evidenced by the increase in the transition rate from Year 10 to Year 11 and Years 12 to 13.

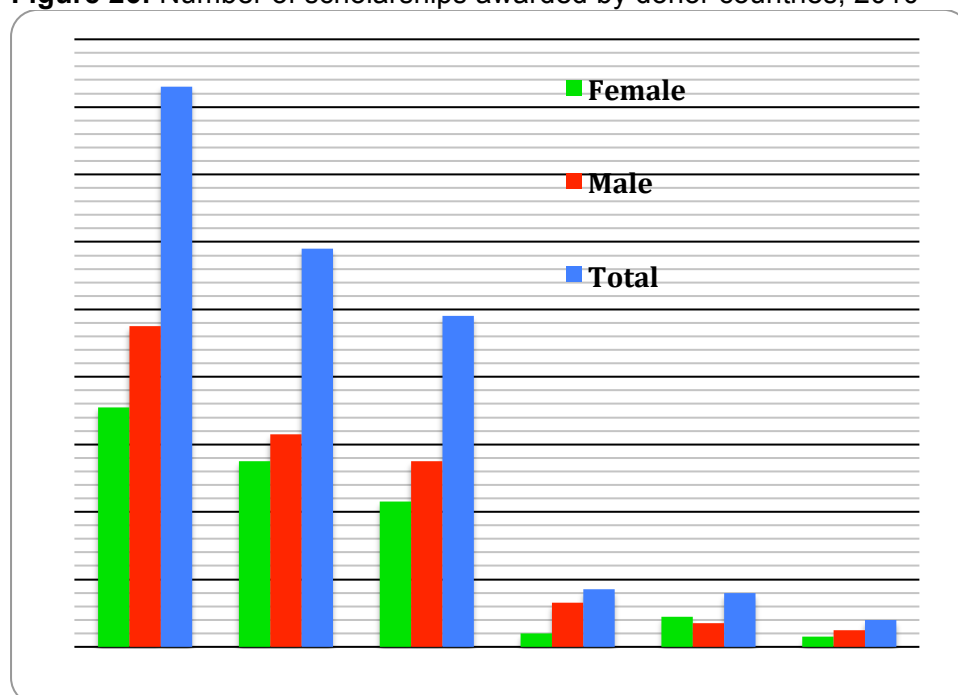
## 6.5 TERTIARY EDUCATION

The Scholarships Office's mission is to ensure that Vanuatu is built up with qualified and skilled citizens. One of its roles is to facilitate the award of scholarships to all successful students who meet the requirements for scholarship application for tertiary education. There were 423 scholarships awarded in 2010, of which 236 students were on-going students and 187 were new awardees of 2010. In 2010 there were 238 male awardees and 185 female awardees.

This weak proportion of female students may be surprising given that the gender parity in secondary schools is strongly in favour of females. However, the gender parity in scholarships awarded reflects the gender parity of the applicants, suggesting that young women at the end of their secondary studies are not encouraged enough or that there are other barriers to their application for scholarships in tertiary institutions.

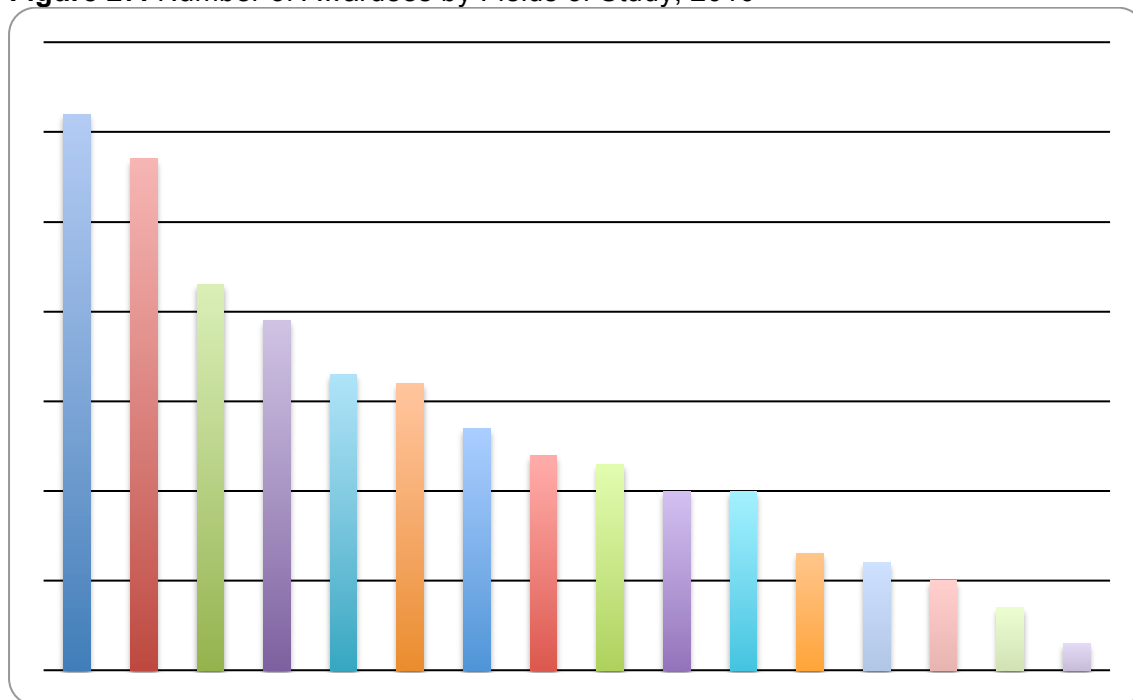
Figure 26 shows that in 2010, 27.8% of scholarship awards have been funded by AUSAID and 23.1% by NZAID. Vanuatu is also fortunate to have the sustained support of other donor countries such as China, France, Morocco and others that have kindly contributed in funding the scholarships for 41 Ni-Vanuatu students.

**Figure 26:** Number of scholarships awarded by donor countries, 2010



Source: Ministry of Education (Scholarships Office)

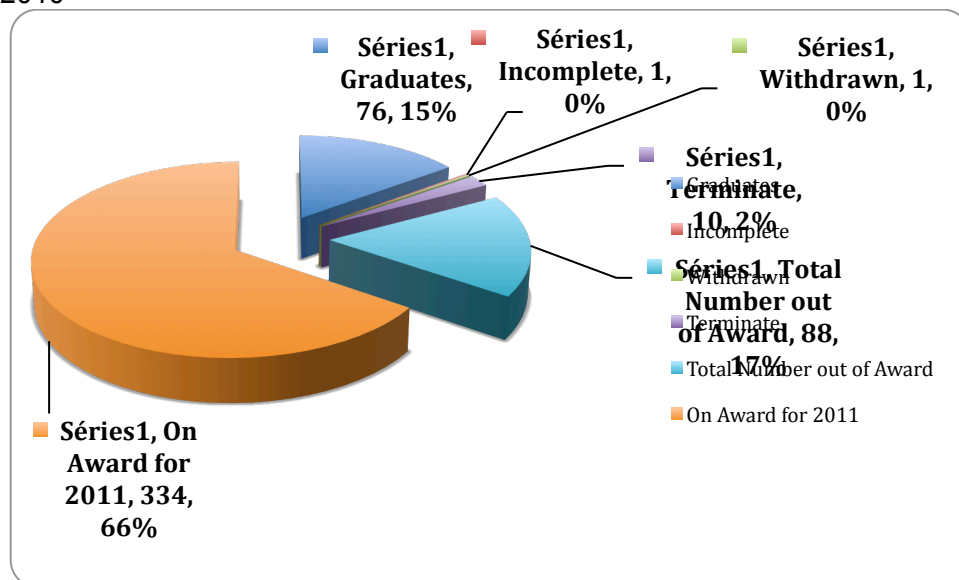
**Figure 27:** Number of Awardees by Fields of Study, 2010



Source: Ministry of Education (Scholarship Office)

Figure 27 shows the number of scholarships awards by field of study in 2010. The figure suggests that the field of Law has the highest number of awardees (62) with Accountancy, Business and Communication 57 awardees and Engineering 43 awardees in 2010.

**Figure 28:** Number of graduates, ongoing and interrupted students under scholarships, 2010



Source: Ministry of Education

## 6.6 EDUCATION QUALITY INDICATORS

**Table 15:** Quality indicators in ECE, primary and secondary education, 2006 - 2010

<b>Number of Teachers</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>ECE – NUMBER OF TEACHERS</b>		721	779	810	822
Male		62	65	69	53
Female		659	714	741	769
Pupil-Teacher <b>Certified</b> ratio for ECE (Number of Pupils / Teacher)		<b>31.5</b>	<b>32.4</b>	<b>28.2</b>	<b>29.6</b>
<b>PRIMARY – NUMBER OF TEACHERS</b>	1,372	1,701	1,846	1,985	2,140
Male	674	774	831	906	1,008
Female	698	927	1,015	1,079	1,132
Pupil-Teacher <b>Certified</b> ratio for Primary (Number of Pupils / Teacher)		<b>47.8</b>	<b>47.6</b>	<b>41.8</b>	<b>41.2</b>
Pupil-Government Teacher ratio in Primary (Number of Pupils / Teacher)		40.2	39.7	38.8	39.4
<b>SECONDARY – NUMBER OF TEACHERS</b>	664	947	732	655	549
Male	426	572	454	409	334
Female	238	375	278	246	215
Pupil-Teacher <b>Certified</b> ratio for Secondary (Number of Pupils / Teacher)		<b>17.2</b>	<b>23.1</b>	<b>26.7</b>	<b>30.4</b>
Pupil-Government Teacher ratio in Secondary (Number of Pupils / Teacher)		14.6	17.9	20.8	24.9

### 6.6.1 Teachers and teachers' qualifications

The Ministry of Education distinguishes between teachers with qualifications, teachers with teaching certificates (or diplomas or other such 'professional teaching' qualification) and teachers who are both qualified and certified to teach.

At primary level in government assisted schools 41% of teachers had post-secondary teaching certificates and 59% had a qualification. In early childhood education 30% of teachers were certified and 49% had a qualification. There were 2,140 teachers in Primary schools in 2010, an increase of 8% on the year before

In 2008 67% of secondary school teachers paid by the Government, Education Authorities or communities were qualified, and 30% were certified.

At primary level from 2006 there has been a steady decrease in the student-teacher ratio for certified teachers, reflecting the MOE's commitment to increase the quality of education at primary level. At secondary level analysis is more problematic because of the considerable annual variation in the number of certified teaching staff.

## 6.7 CLASSROOMS AND TEXTBOOKS

In terms of the provision of appropriate text books per core subject area at primary school level it is only in the language area that there is more than one text book per child: all other subjects require that students share text books.

**Table 16:** Pupil-Classroom and Textbook-Pupil Ratios, 2007 – 2010

	2007	2008	2009	2010
Pupil-Classroom ratio ECE	14.7	16.8	16.3	16.6
Pupil-classroom ratio Primary	20.6	21.9	22.3	22.8
Pupil-classroom ratio Secondary	25.7	24.2	26.0	26.2
Pupil-Government schools Classroom ratio - Primary	21.0	22.3	22.6	23.1
Pupil-Government schools Classroom ratio - Secondary	27.7	26.1	28.8	29.7
Textbook-Pupil ratio, Primary Government schools	3.45	2.92	3.29	3.13

Source: Ministry of Education (VEMIS)

The Pupil-Classroom ratios have been deteriorating in the last 4 years, slowly in the primary, and becoming more acute in the secondary schools. The average textbook-pupil ratio did not change much. It is expected that a new committee established by the Ministry of Education in 2011 will help improve this ratio.

## 6.8 LITERACY AND NUMERACY: VANUATU'S STANDARDISED TESTS OF ACHIEVEMENT (VANSTA)

Pupils' achievements in literacy and numeracy are measured through standardised tests (VANSTA) that are administered every two years at the end of Grade 4 and at the end of Grade 6, in all primary schools of Vanuatu by the South Pacific Board for Educational Assessment (SPBEA).

The national and provincial baselines for VANSTA were set for Literacy and Numeracy in 2007, following the norming trials carried out in 2004 and 2005. There are two VANSTA reports, reporting separately on the Anglophone and Francophone achievements in Literacy and Numeracy at the end of Years 4 and 6.

VANSTA measures pupil's achievements in literacy and numeracy. In 2009 results at Year 4 were of concern for boys in both English and French schools where only 17% were able to read and write satisfactorily. Year 4 English boys scored only slightly better in numeracy with 17% showing proficiency compared to 31% of French language schools. The rates for Year 4 girls were generally higher than boys, but still not about 33% demonstrating satisfactory numeracy and literacy.

At Year 6 literacy and numeracy rates were higher; with for example 46% of Year 6 girls in English schools and 29% in French schools demonstrating satisfactory literacy.

Clearly these results are of concern for the quality of education and the learning gain of students in both language streams of primary education. VANSTA is due to be carried out again in 2011.

The detailed VANSTA results (available from the Ministry of Education) show a consistent trend of poor performances in the primary education of Vanuatu, both in the Anglophone and Francophone schools. The only literacy performances in the Francophone schools at Grade 4 seem to be on a positive trend, but at very low levels (only 17% of assessments on boys were awarded note of 3, 4 or 5).

## 6.9 STUDENT ACHIEVEMENTS IN SECONDARY EDUCATION

The South Pacific Board for Educational Assessment (SPBEA) administers educational assessments in Secondary schools to improve the quality of education in the Pacific region.

For the Pacific Senior Secondary Certificate (PSSC) in 2010 Vanuatu students performed well in most subjects (measured by country compared to regional scaled means) as well as in the last five years. There were particularly good performances in Biology, Chemistry, English, Geography, Design Technology and Physics. Students who enrolled in the three Science subjects tended to do better compared to the regional performance in the last four or five years.

In fact only three fields of study—Accounting, Mathematics and Agriculture—were highlighted by SPBEA where Vanuatu student's performance were below regional averages; the first two being quite a concern as performances seemed to be consistently poor in the last four years.

## 6.10 RURAL TRAINING CENTRES

In 2010 there were 50 known community-run Rural Training Centres (RTCs) in Vanuatu, of which only 39 were considered "active". Most of the active RTCs are members of their umbrella organisation the Vanuatu Rural Development Training Centres' Association (VRDTCA). In 2010, of the 39 RTCs, 24 had full membership, 15 were associate.

Enrolment figures in the RTCs are not reliable, but there are between 1,000 and 2,000 young people currently registered in RTCs.

Along the framework that is promoted by the Vanuatu National Training Council (VNTC), there is on-going reform in the vocational training centres to improve the quality of training and RTC management. RTCs now must meet accreditation standards for their courses, and quality standards for their trainers.

### 6.11 PLAS MATRIX IMPLEMENTATION, 2010

Strategy	Performance Indicators	Time-frame	Implementation Status 2010
Improve the quality of education	Vanuatu education sector strategy implemented through SWAP	2009	Done
	Review completed with the view to establish an education assessment and quality authority	2009/10	Ongoing
Phase out compulsory primary school contributions and replace with increased grants direct to schools.	System of approved school bank accounts established; supporting audit, training and public awareness programs are in place	2010	Done
	Compulsory school contributions replaced by increased grants direct to schools	2010	Done
Increase human resource capacity in critical areas for Vanuatu's development	National Human Resource Development Plan developed	2010	Will start in 2011
	Scholarship priorities and selection management reviewed	2009	Ongoing
	Government and donors contributions to scholarship increased	2009-2012	Done in 2010



## 6.12 CASE STUDY 2. THE UNIVERSAL PRIMARY EDUCATION POLICY

The Vanuatu government's policy on Universal Primary Education came into effect in 2010. The intention was to achieve universal primary education, with all children enrolled in primary school by 2015. The school grants scheme was developed to achieve this policy and a schools' grant level of Vt. 6,800 per pupil in Grades 1 to 6 was introduced in 2010 for all the primary schools of Vanuatu.

This case study provides summary findings on the implementation of the Small Grant scheme and its impact on:

- Enrolment rate for classes 1-6 (based on a sample of 91 schools);
- How the main stakeholders (teachers, parents, managers) look at the resulting situation.

This summary review is derived from two reports;

1. Independent Review report on the School Grants Scheme established under the Universal Primary Education Policy (J. Houston, B. Reeves, J.Yiu Hing, May 2010), which review provided an appraisal of the implementation of the School grants scheme, to assist the government on future policy formulation.
2. Monitoring report on the Universal Primary Education Policy (Division of Policy & Planning, MOE, May 2010, which aimed to find out the views of Primary school heads and the parents about the UPE policy.

### *Implementation of the Policy (School Grants) and enrolment rates*

Overall implementation of the school grants scheme was a success according to consultations with 90 head teachers and 351 schools being assisted out of the total 355 at time of review. The first tranche of 60% of their total grant for the years 1-6 in 2010 was transferred through the National Bank of Vanuatu. By May 2010, 95% has being received by each school as confirmed by receipts.

The representative sample of schools assessed indicates an overall increase in enrolments for Grades 1 to 6 as a direct result of the introduction of the school grant to replace school

**Table 17: Enrolments increase in selected schools, 2009-2010**

Island	No. of head teachers consulted	Total enrolments 2009	Total enrolments 2010	Total Increase	Average increase per school
Malekula	10	1,407	1,534	127	13
Santo (all)	6	1,608	1,801	133	23
Santo (Urban)	2	971	1,052	81	40
Tanna	7	1,023	1,153	130	19
Pentecost	3	391	423	32	11
Efate (all)	4	1,707	1,825	20	5
Efate (Urban)	3	1,384	1,528	144	48

*Source: Ministry of Education*

fees. The scale varies and is influenced whether it is a rural or urban school. The consensus of the 90 school headmasters, 4 Provincial Education Officers, Education Officers and 6 ZCAs interviewed confirmed that the removal of school fees has increased enrolments in 2010 as the table below demonstrate (with comparative figures for 31 schools sampled in five different islands).

Payment of fees was the main barrier to enrolment in rural areas with small incomes and a number of children to be supported. When communities learned that year 1-6 is free, they return their children to school. From the sampled data, only a few schools now charge any

direct fees such as caution or insurance. Normally average rural school fees were Vt.4,000-4500, and urban school fees Vt.4,000-40,000 per year.

With school fees zeroed or reduced, parents also send their kids to closer schools where they have been previously withdrawn in favor of other schools with lower fees.

#### ***Challenges to or factors affecting enrolment rate and barriers to Access***

The field level sampling also found that there are non-cost barriers that still deter access and enrolment, especially in rural and remote areas that include:

- Remoteness (distance) of school to catchment area or communities;
- Perceived quality of the local schools;
- Parental attitude placing a negative value on education; esp those with little or no education. Children retained to help with work
- Where community prefers 'KASTOM' education rather than formal education.
- No place available in government assisted schools and fees in private schools in urban areas too high;
- Outstanding fees from previous years;
- Teacher discipline to children in school and their absenteeism affects their interest to attending school.

#### ***Qualitative impact of increased enrolments on a school***

The impact from increased enrolments was felt in the following areas as follows;

- An average increase of 10-15% rise in the number of children in 2010 meant an increase in demand on schools for more classroom, space and furniture for each child;
- Teacher / pupils ratios are generally in excess of MOE standard of 1/30 with class sizes of 1/40+
- Increased enrolment accentuates demands on teachers, increases the practice of multi-class teaching and affects quality;
- Another impact of increased enrolment is that it highlighted underlying problems of a shortage of qualified and trained teachers and the need to employ temporary unqualified teachers;
- Classroom renovation and payment of temporary teachers (ineligible for support from school grant) featured prominently in the annual school budgets for 2010;
- Increased responsibility for school heads and many finding difficulty managing large funds awarded to their schools from the scheme;
- Monitoring the implementation and management of the School grants by Provincial Education Officers with limited staff and capacity.

#### ***Views of Teachers and Parents on the Policy and the School grant scheme***

Monitoring of the implementation of the scheme has taken into account also the views and experiences of teachers, parents and stake holders and were as follows:

- Most teachers and parents are well aware of the policy and scheme;
- That the scheme has a positive impact especially on schools in rural areas with increased enrolments;
- Most schools were not charging fees, so policy intention is being realized;
- Prohibition on payments of temporary teachers from school grant is seen as a major issue;
- School grants do not help with renovations and construction of building projects normally raised by school committees.

#### ***Financial implications of Universal Primary Education policy***

The increase in enrolments will trigger increases in expenditures for additional classes and additional teachers. A challenge for the future is to face the increasing costs of education at a national level.

## 7 ECONOMIC INFRASTRUCTURE AND SUPPORT SERVICES.

Road, marine and airport infrastructure are important sectors of the economy that the government has always considered as important priorities of development. The Priorities and Action Agenda (PAA) recognizes that investment in the infrastructure sector would have positive impacts on the economic sectors and on the social services.

The Ministry of Infrastructure and Public Utilities (MIPU) has authority on the Departments of Public Works, Ports and Marine, Civil Aviation, and the Meteorological Services of Vanuatu. Also under the MIPU's portfolio are the Utilities Regulatory Authority (URA), which regulates water and electricity supply where concessions are awarded to private companies, and the Telecommunication and Radio telecommunication Regulator (TRR).

The following paragraphs provide information on the achievements of each department that the MIPU reported on.

### 7.1 NEW ROADS CONSTRUCTED AND ROADS MAINTAINED:

The MIPU has developed its program of road development and road maintenance in line with the policy priority identified in the PAA and the alignment with the ministry's priority to its corporate plan and business plans.

The government has maintained the additional recurrent budget for road maintenance of VT500m, while donors have assisted in the form of cash grants and technical assistance.

**Table 18:** PWD major activity on road maintenance by KM

Activity	Area/Province	KM
Main road side clearance, reshaping and spot regravelling (Private contractor, managed by PWD)	Litzlitz wharf to Lamap landing, MALAMPA Province	91
Roadside clearance, reshaping, spot regravelling and compaction. (Private contractor, managed by PWD)	Melsisi to Ranwas in South Pentecost	50.35
Complete reshape, regravell and compact	North and Central Pentecost	4
Road clearance, reshape, formation and sport gravelling	South Pentecost	20.5
New road construction	North Tanna coastal road	13
Regravelled roads	Tanna	9.9
Road clearance, reshape, formation and sport gravelling	Efate feeder roads	34.9
Survey for maintenance on full road network	Tongoa Island	36.7
Road clearance, reshape, formation and sport gravelling	Santo Feeder roads	36.5
Road maintenance by MCA-Vanuatu	Santo	14.4

Source: Ministry of Infrastructure and Public Utilities - 2010 Annual Report

Table 18 depicts some major road maintenance undertaken by the PWD in 2010 as reported by the MIPU Annual Report.

Road maintenance was also undertaken in some other remote areas where economic activities are present, including in the islands of PENAMA, SHEFA, and TAFEA.

The sealing of the ring road around Efate, and of the East Coast Santo road to Port-Olry village, a 5-year project funded by the US's Millennium Challenge Corporation, with additional financial assistance from the New Zealand Government has been completed ahead of schedule, at the end of 2010.

## 7.2 PORT-VILA DRAINAGE AND SANITATION

The Public Works Department with the financial assistance from the ADB and AusAID have jointly implemented the first phase of the Port Vila Drainage and Sanitation Master Plan. The outcome of the first phase is a survey report produced on the Port Vila Drainage and Sanitation Master Plan. The final presentation of the findings of the report was expected to be presented to stakeholders in early 2011.

## 7.3 NIL AIR TRAFFIC ACCIDENTS CAUSING LOSS OF LIFE; AIRSTRIP CLOSURES

Vanuatu air service requirements and standards are guided by the Civil Aviation Authority Act of 1999. The Act specifies the specific safety requirements for all aircraft that operate throughout Vanuatu airspace. In 2010, there were no air traffic accidents, however poor conditions of a few of the domestic airports resulted in temporary closures of some of the airports.

According to the PWD Annual report for 2010, there are a total of 29 airports in Vanuatu. Three airports are declared as ports of entry and are categorized as International Airports; they remain under the jurisdiction of Airports Vanuatu Limited. The other 26 airports are managed and maintained by the PWD.

Major upgrade work has been done in 2010 on the following airports, largely funded by the Agence Française de Développement (AFD): Southwest Bay (Malekula), Longana Airport (Ambae) with a new terminal building and the expansion of the runway, and Lonorore airport (Pentecost). The PWD has also maintained regular maintenance including grass cutting on other airports.

## 7.4 PORTS AND HARBOURS

The main projects implemented by the Ports and Harbours were the improvement of the Port Vila main wharf and the purchase of the Pilot boat and the Tugboat, with the financial assistance from the Japan International Cooperation Agency (JICA). Work is still on-going at the Port Vila main wharf with the construction of new administration building. The Pango lighthouse is now completed, with the installation of the Port Vila navigational aids to enhance safety for ship entry. At Santo the light tower has been replaced. This will improve the accessibility and safety for ships entering Luganville harbour.

## 7.5 METEOROLOGICAL SERVICES

Vanuatu is regarded as a most vulnerable country to natural disasters, and the role of the Meteorological Services is prominent in this regard.

The new building for the Meteorological Services accommodates the National Disaster Management Office (NDMO), the Geo-hazard division and the Climate Change projects.

With the assistance of AusAID, 15 new computers were purchased and installed for the Forecasting Section in 2010. The Low Resolution Satellite Receiving System (LRIT) has been installed. This will facilitate direct access to meteorological data from the satellite.

In 2010, the Meteorological Services have undertaken 9 awareness campaigns in different communities around the six Provinces. The objectives of the awareness campaign were to educate local communities on the risk, mitigation and evacuation plans in the events of natural disasters such as earthquakes, tropical cyclones, tsunamis.

Instruments upgrade, repair and maintenance were also done on winds system, radiation sensors, and solar power systems at Pekoa station in Santo, Lamap station in Malekula and Saratamata in Ambae.

In 2010 the Meteorological Department has provided timely weather updates to the public, Marine and the Aviation sector.

## 7.6 PROVISION OF ELECTRICITY

**Table 19:** Average Electricity Price, 2009-2010 (Vatu / KWH)

	2009	2010
Average Electricity Price	45.16	51.09

Source: UNELCO 2010 Annual Technical Report

The increase of the international price of fuel has had a direct impact on the price of electricity in Vanuatu.

**Table 20:** Electricity consumption, 2009 – 2010 (KWH sold)

	2009	2010
Electricity Consumption	56,924,078	61,639,602

Source: UNELCO 2010 Annual Technical Report

Consumption of electricity in 2010 has increased by 8.3% on 2009, more than the estimated GDP, reflecting an energy-inefficient consumption pattern.

**Table 21:** Access of population to Electricity, 2010 (number of customers)

2010	Port Vila	Luganville	Malekula	Tanna	Total
Number of Customers	9,395	2,313	538	653	12,899

Source: UNELCO 2010 Annual Technical Report

The information provided in the above table covers the four Electricity Supply Concession Areas of Port Vila, Malekula, Luganville and Tanna

Access to electricity at a reasonable and affordable price is an important development goal for the government.

In the 2010, the Utility Regulatory Authority of Vanuatu had conducted an extensive consultation with stakeholders and reviewed the electricity tariffs for Vanuatu.

## 7.7 PROVISION OF WATER

The table below depicts the 2009 population census results. The results suggest that 85.2% of people living in Vanuatu have access to improved water systems, while 14.8% have access to unimproved water systems

**Table 22:** Access of population to improved water supply, 2009 (%age)

	Vanuatu	Urban	Rural
Improved <sup>1</sup>	85.2	94.7	82.1
Not improved	14.8	5.3	17.9

Source: VNSO

Access to water is an important priority for the Vanuatu government. It is also one of the MDGs that the government is pursuing. The National water strategy was developed in 2008 and launched in 2010. The strategy has a vision as follows: *Sustainable and equitable access to safe water and sanitation for the people of Vanuatu.*

The Department of Water in the Ministry of Lands is providing water supply and sanitation in rural areas. It has an aim to installing 4 new water supply systems in village communities in each Province per year. NGOs also provide support to communities for installing water supply systems and technical support to manage and run water systems. The unavailability

<sup>1</sup> Defined by the National Statistics Office as pipe water, village standpipe, protected well and household water tanks.

and outdated data makes it very difficult to provide a good analysis on the impact of government efforts in this area.

## 7.8 PLAS MATRIX OUTCOME FOR 2010

Strategy	Performance Indicators	Time-frame	Implementation status 2010
Strengthening the institutional capacity of MIPU.	Capacity building program in place Better infrastructure policies and implementation plans	2009	Ongoing in 2010
Rehabilitate and maintain the national road network to facilitate economic growth and service delivery.	Resources committed to road maintenance expanded Use of private sector and local communities for road works and employment creation in rural areas increased	Ongoing 2009-2012	Yes, was increased to 0,5 billion Vatu in 2010 Yes, the scheme is still expanding
Ensure vigorous telecommunications competition continues to drive lower prices and greater access.	Permanent independent regulator established UAP Fund used to extend subsidised telecoms services to remote areas  New telecommunications legislation presented to Parliament SPIN and E-Government programs successfully completed Competition in the telecommunications industry sustained	2009 2009 2010 Ongoing	Done in 2010 TRR cash-flow in 2010 is put aside for subsidies Ongoing Ongoing Sustained in 2010
Ensure that power is more widely available at a fair price. Explore/expand and invest on potential renewable energy sources.	Utilities Regulatory Authority (URA) maintains effective regulatory oversight Power tariff reviewed Luganville concession re-tendered  Access and rural electrification programs increased	ongoing 2009 2009 2009	Sustained in 2010 Done in 2010 Done in 2010 Lack of data on new installations
Improve shipping, wharf and storage facilities.	Policy, legal, institutional and governance of the domestic shipping industry strengthened Management and oversight of current stevedoring concession agreements improved Strategy for long-term wharf and stevedoring services developed and embarked on Feasibility study on the need to establish an inland ports completed	2011 2011 2010 2010	On-going On-going On-going On-going
Expansion/Construction of new international airport.	Feasibility study completed	2010	On-going
Upgrading of domestic airstrips.	Airstrip identified and funding secured	2010	Upgrading done on 3 airstrips (AFD funding)
Review the Air Services/Upper Space Agreements.	New agreements signed	2010	Agreement signed with Australia



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