

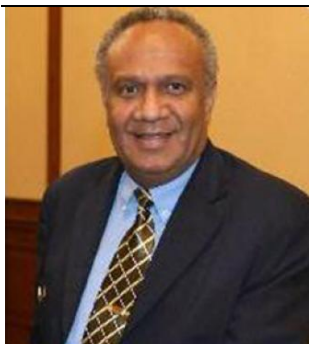
Government of the Republic of Vanuatu



**ANNUAL DEVELOPMENT REPORT (ADR)
2011**

July 2012

FOREWORD



Hon. Meltek Sato Kilman L^IV^TU^NV^AN^U
Prime Minister, Republic of Vanuatu

The Government is committed to the implementation of policy priorities spelled out in the “Priorities and Action Agenda 2006-2015” (PAA). The 2011 PAA review incorporated new priorities such as Gender and women, and climate change and disaster risk reduction. The following priorities remain as government policy objectives:

- 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;
- Ensure provision of adequate and Improved Infrastructure and utilities.

This Annual Development Report (ADR) 2011 is the fourth of the annual series of reporting. The report provides an annual assessment on progress made on the implementation of national development priority within the seven broad policy objectives of the government. This report, among other things, also summarises policies, programs and activities which contributed significantly to achieving Government objectives or the monitoring and evaluation of these. This year’s report focuses on the impact of the Malaria Intensified Program on Annual Parasitic Incidence in Vanuatu.

Since the first ADR in 2008 (ADR 2008), steady progress has been made towards achieving development objectives and goals across all priority development areas including the MDGs. The 2011 ADR highlights several significant achievements. In the economy macroeconomic stability has been achieved through a sound policy framework designed to promote fiscal stability while promoting private sector led economic growth despite a depressed world economy. Vanuatu’s export position has improved due to increased exports of services, especially tourism related and commodity exports. The level of Foreign Direction Investment (FDI) increased in 2011 compared to 2010, and formal sector employment continued to increase. Training opportunities for ni-Vanuatu entrepreneurs have expanded through the training programs provided by the Department of Cooperatives. The National Micro, Small and Medium Term Enterprise Policy framework was developed by the Department of Cooperatives.

The primary sectors continued to grow with value added processing and diversification of products in the coconut sector, notably the increase in export of coconut oil. Key primary sector strategies have been finalised with the energy road map launched in 2011. The national biodiversity strategy and action plan was reviewed and new initiatives and strategies adopted based on a climate change framework. In the governance sector progress has been made with decreased turnover of Government legal experts compared to past years, while PSC disciplinary action was more effective and efficient. Senior positions within the national Government, provinces and the municipalities are now administered under PSC rules and regulations. The World Bank governance indicators continued to show improvements for Vanuatu in voice and accountability and political stability. In the social sectors, the gender analysis of the 2009 Census of Population and Housing was published by the VNSO. The under-five mortality rate continued to decline, measles immunisation for children reached 92%, while full immunisation coverage now stands at a high of 80%. The annual Malaria Parasite Incidence declined and is recorded at 9 per 1,000 people in 2011. School enrolment at primary level continues to increase with more children now attending primary school because of the introduction of fee free primary schooling. The number of tertiary scholarships granted increased and in 2011, 593 scholarships were awarded.

The Public Works Department's made a number of improvements in its core business including restructuring which was approved by the PSC to improve performance in road maintenance, implementing participatory output budgeting processes and moving to outsourcing and contracting infrastructure development and maintenance to island based entrepreneurs and communities. Cruise ships and cargo boats increased the number of visits to Vila and Luganville compared to previous years. In late 2010 the electricity concession for Luganville was granted to VUI, the new entrant to the Vanuatu electricity market, and rebuilt two-thirds of the hydro generation in 2011. Vanuatu is on track to achieve the 84% target of access to safe drinking water by 2015.

These major accomplishments, and the many other outputs included in this report, reflect the commitment across government, with support from stakeholders and development partners, towards achieving the objectives outlined in the PAA as well as the increased emphasis on the monitoring and evaluation of the outcome of government programs. The Government through the Prime Minister's office is continuing to provide support to line ministries in strengthening their planning and monitoring processes.

Progress has been made to improve the linkages with the PAA and sector strategies with stronger emphasis in improving the performance indicators used by the ministries for monitoring and evaluation. Work is also under way to improve the linkages between sector strategies and the budget narratives with the objective of strengthening the budget processes and aligning budget cost centres with sector strategies.

It is the Government's vision and obligation to improve the welfare of the people of Vanuatu as entailed in the PAA. It is therefore important that the Government continues to report on the progress of its plans. I believe this report will provide invaluable information to the public, stakeholders and donor partners on the achievements made, and challenges faced, for the year 2011.

I would like to take this opportunity to thank all Government Ministers and public service staff for their continued effort and support in 2011. The development outcomes would not be achieved without them. Last but not least, I would like to extend my sincere gratitude to all

development partners, civil society and private sector for all development achievements in 2011.

Hon. Meltek Sato Kilman LITUNVANU

Prime Minister

Republic of Vanuatu

ACKNOWLEDGEMENTS

At the outset, it is with great honour that we acknowledged the generous support and assistance from my colleague 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.

My appreciation is extended to the Public Service Commission, the executive officers and planners of all line ministries who have provided information, including data, to the Prime Minister's Office.

We are also grateful to the heads of Government departments and statutory bodies such as the Vanuatu National Statistics Office (VNSO), Vanuatu Investment Promotion Authority (VIPA) Reserve Bank of Vanuatu (RBV), and also constitutional bodies who have contributed in providing information for this report. My sincere gratitude also extends to international organisations such as International Finance Corporation (IFC) for their invaluable support to complete this 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 invaluable technical support from the VNSO has been very helpful in improving the Annual Development Report. This report was reviewed and proofed by the Governor of the Reserve Bank, and is the better for his insight and changes.

Last but not the least I would like to thank the Policy Analysts within Department of Strategic Policy, Planning and Aid Coordination and the staff of the Treasury unit within MFEM who have assisted and provided support to the Monitoring and Evaluation Unit to finalise this report.

Director General

Ministry of the Prime Minister

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ABBREVIATIONS

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

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

VBMS	Vanuatu Budget Management System
VCH	Vila Central Hospital
VCNE	Vanuatu Centre for Nurse Education
VEMIS	Vanuatu Education Management Information System
VERM	Vanuatu Education Road Map
VESAP	Vanuatu Education Sector Action Plan
VESS	Vanuatu Education Sector Strategy
VIPA	Vanuatu Investment Promotion Authority
VMS	Vanuatu Meteorological Services
VMIS	Vanuatu Malaria Indicator Survey 2011
VNPF	Vanuatu National Provident Fund
VNSO	Vanuatu National Statistics Office
VNTC	Vanuatu National Training Council
VPF	Vanuatu Police Force
VRDTCA	Vanuatu Rural Development Training Center Association
VTO	Vanuatu Tourism Office
WGIs	Worldwide Governance Indicators
WHO	World Health Organization

MAP OF THE REPUBLIC OF VANUATU



ECONOMIC GROWTH

- | | |
|---|---|
| <ul style="list-style-type: none"> • Vanuatu’s economy was estimated to have grown by 2.5% in 2011. • Annual inflation as measured by the Consumer Price Index (CPI) declined from 2.8% in 2010 to 2.7% in 2011. • The net operating balance for government operations, excluding donor funds, at the end of 2011 was a deficit of Vt 483.0 million. • The net operating balance for government operations, including donor funds, at the end of 2011 was a surplus of Vt 298.9 million. • Government collected VT 12,850.0 million in revenue (excluding donor grants) at the end of December 2011, representing 98% of the budget target (VT13,131.0 million), an improvement on meeting revenue collection targets compared to 2010. • PFEM Act has been changed in 2011 to provide greater control on the issue of deeds settlement. • MOE accounted for 40% of payroll expenses, while MOH accounted for 14% and 11% to the ministry of Internal Affairs in 2011. • Overall fiscal deficit was 2.3% of GDP in 2011. • Overall deficit excluding donor funds in 2011 was 1.3% of GDP. • Total stock of debt at the end of 2011 was 21% of GDP. • Total domestic debt at the end of 2011 was 6% of GDP. • Total stock of external debt at the end of 2011 was 15% of GDP. • Domestic credit expanded by 11% in 2011. • Months of import cover was 6.8 in 2011. | <ul style="list-style-type: none"> • Net Reserves in 2011 was VT 15,687 million. • The Trade Policy Framework (TPF) was finalized in late 2011. • Export of services increased by 115% during the period 2002-2011 (from VT 13 billion to VT 26 billion). • Services imports grew by a more modest 71% during the period 2002-2011 (from VT 7 billion to VT 13 billion). • The Trade deficit decreased by 7% in 2011 compared with 2010. • Export of tourist services averaged 70% of total services exports between 2002-2011. • In 2011 there was a 5% increase in the total number of visitors to Vanuatu, mostly from the buoyant cruise ship industry. • Tourism arrivals increased from 237,648 in 2010 to 248,898 in 2011. In 2011 there was a 3% drop in visitors arriving by air; offset by a 10% increase in cruise ship arrivals. • Total tourism expenditure was estimated to be approximately VT 20.66 billion (USD 222 million) of which approximately VT 17.65 billion (USD 189 million) was by international visitors in 2010. • In 2011 domestic exports increased by 34% in value, mostly driven by increased exports of coconut products, beef, kava, coffee and fish • In 2011 copra, coconut oil and coconut meal made up almost half of domestic exports, 46%. • The value of copra exports was VT 1,065 million, compared with Vt 579 million in 2010. |
|---|---|

- Kava exports increased by 50% between 2010 and 2011, with a value of VT 762 million recorded in 2011.
- In 2011 FDI was VT 5.1 billion (excluding direct investments abroad).
- Level of FDI was strong between 2010 and 2011 reaching Vt 5 billion in 2011.
- Majority of FDI, 87%, was in the services sector, with 9% in industry and 4% in agriculture, forestry and fisheries.
- 39% of the services projects were tourism related in 2011.

- The number of people employed has increased steadily since 2009 and the majority of employees included in the VNPF are males (60%).
- Domestic credit expanded by 11% in 2011.
- There were 316 active cooperative societies registered in Vanuatu. The Department of Cooperatives has audited 170 cooperatives.
- 50% of active cooperatives were in TAFEA and MALAMPA as of December 2011.

SOCIAL DEVELOPMENT

- Vanuatu's population was estimated to have reached 251,784 in 2011 and is estimated to double by 2030.
- Each year population grows by 2.6% and just over half of the population is male.
- 33 new health facilities were built across Vanuatu in 2011.
- Immunization coverage was 98% in 2011.
- Vanuatu adopted the regional initiative of WHO to eliminate measles in 2012. A review of the immunization program in 2011 indicated increased coverage to 92% compared to 81.7% in 2010.
- The malaria parasite incidence was reduced significantly in 2011 to 9 per 1,000 from a 33.3 per 1,000 in 2010.
- In 2011 the MOH recorded 2,858 new NCD cases and 7,289 revisits many of which in urban and peri-urban areas. There was an alarming increase of over 40% in both Torba and Sanma province.
- Total number of TB cases recorded in 2011 was 101; a reduction from 116 in 2010. An increase is expected in 2012 with increased case detection facilities in Vanuatu.
- The MOH has 10.4% of the total government recurrent budget in 2011 compared to 24.4% for the MOE.

- The MOH is under staffed and needs at least 400 new nurses.
- 3% of children age between 4-14 years had a disability (2009 population census results).
- In 2011 on average people live 10 years longer than in 1989 and woman live longer than men.
- In 2011 total enrolment was 72,017, an increase of 14% since 2007.
- In 2011 for every 100 students who started Year 1 of primary school, it is estimated that 70 will survive through five years of primary schooling.
- The NER for the primary school age group 6 to 11 years old was 88% in 2011.
- The overall GER for secondary level in 2011 was 41%.
- The GER in primary education increased to 119% in 2011.
- 365 primary schools received school grants. This grant was initially Vt. 6,800 per child which increased to Vt. 8,900 per child in 2011.
- The GER and NER at ECE level was 59% and 41% respectively. This means over half of children entering Year 1 have not been through ECE and will find difficulty in Year 1.

- Drop outs between 2009 and 2011 in both primary and secondary generally increased; an undesired trend especially when Vanuatu aims to have a zero drop out in Primary by 2015 and further to Years 7-8 in 2020.
- 593 tertiary scholarships were awarded in 2011. Degree courses made up 89% of these and Government provided 55% of total awards.
- In 2011 26% of the 524 French students sitting Year 13 examinations passed compared with 56% of the English students passing PSSC.

- Textbook student ratio increased from 2.5 in 2010 to 2.7 in 2011.
- The proportion of teachers certified in Government schools was 66% in 2011 for Primary and 63% for Secondary as compared to 57% and 68% in 2007 for both levels.
- Classroom student ratio continues to improve from 23.0 in 2010 to 22.9 in 2011.
- The MOE receives 24.4% (almost one quarter) of the Government recurrent budget: the highest proportion of any Ministry.

GOOD GOVERNANCE

- 166 new court cases were registered in 2011, 7 cases were closed in 2011, and the remaining 159 cases were ongoing and added to the backlog of cases that is now at 694 court cases.
- The average length of service for legal officers ranges between two and three years and the average turnover rate is still one staff member per year.
- A total of 41 discipline matters were registered with the Public Service Disciplinary Board (PSDB) in 2011 and only five cases had outstanding matters which carried over to 2012.
- There are 22 SOE's currently operating in Vanuatu of which 15 are corporatized and structured to operate along commercial principles. The remaining 7 SOEs are Government entities performing various non-commercial functions for the government.
- The amendments of the Decentralisation Act and Municipalities Act in 2011 brought key senior positions in provincial and municipal government under the Public Service Commission regulations.
- The Annual Local Authority forum held at Saratamata, PENAMA province adopted 10 resolutions to improve and strengthen the work of the Provinces and Municipalities.

- 13% of the population have some disability (2009 census results)
- 3% of children age between 4-14 years had a disability, 83% were in rural areas (2009 census results)
- In 2011 the DWA and the Vanuatu National Statistics Office published the Gender Monograph; a detailed gender analysis of the 2009 Census results highlighted a number of areas for evidence based policy development.
- The World Bank indicators released for 2010 show Vanuatu's improved standing in political stability with no real change in government effectiveness, control of corruption and the rule of law.
- There has been a slight deterioration in performance against the regulatory quality, voice and accountability indicators of the World Bank; but this could be because the rankings of other countries improved and 'pushed down' the ranking for Vanuatu.
- When compared to some Pacific countries, Vanuatu ranks highest in voice and accountability, political stability and control of corruption. However it is behind Samoa on government effectiveness and rule of law; and ranks second to last in regulatory quality.

PRIMARY SECTOR

- The 2011 total appropriated budget for the MAQFF was Vt 441 million.
 - The Overarching Productive Sector Policy has been finalised and at its final stages of COM endorsement. This policy framework will provide directions for agriculture development for the next 10-20 years.
 - The National Forest Policy (NFP) was finalised, incorporating sector wide approaches for climate change with partner agencies. The policy is yet to be endorsed by the Council of Ministers.
 - Total net monthly income from sale of agriculture and other commodities produced by households was estimated to be Vt 906 million (HIES 2010), with an estimated average household monthly income of Vt 29,800.
 - The primary sector (crop production, animal production, forestry and fishing) contributed 19.4% to the overall GDP in 2011.
 - A total of over Vt 48 million from donor funding was spent on MAQFF projects in 2011.
 - The National Energy Roadmap (NERM) was launched in October 2011.
 - In September 2011, the Energy Unit was amalgamated with the Geology, Mines and Minerals section which were previously under the Department of Water Resources.
 - The Vanuatu Government signed a contract with the governments of Australia and New Zealand to assist with the funding of the Mama Graon project in 2011.
 - To improve the customary governance of land, the Malvatumauri organised a strategic workshop where 19 resolutions was approved.
 - 5 community conservation areas were legally registered in 2011. This gives a total conservation area of 4,120 hectares of land that has been registered.
- For the first time in 2011 an application fee to conduct a Preliminary Environmental Assessments (PEA) was introduced.
 - 50 Preliminary Environmental Assessments (PEA) reports were produced in 2011.
 - 6 Environmental Impact Assessment (EIA) reports were produced in 2011. Only 5 EIA reports were approved and one rejected as it did not met the Environmental Protection and Conservation Act (CAP 283) and related laws and policies of Vanuatu relating to the environment.
 - 5 year National Strategies on proper waste management was developed in 2011.
 - Pollution Control Act was developed in 2011.
 - Ozone Layer & Protection (OLP) Act and the Beijing and Montreal Amendment Acts gazetted by State Law Office.

1 MACROECONOMIC STABILITY AND EQUITABLE GROWTH

1.1 GROSS DOMESTIC PRODUCT (GDP)

Vanuatu's economy is estimated to have grown by 1.5% in 2010 and by 2.5% in 2011. This growth, while modest, means that Vanuatu is one of the few countries in the region with an expanding economy. The effects of ongoing problems faced by the global economy are evident in the slowed growth of the service sector and decreased investment in public and privately funded construction activity.

Table 1-1: Gross Domestic Product (annual growth rates)

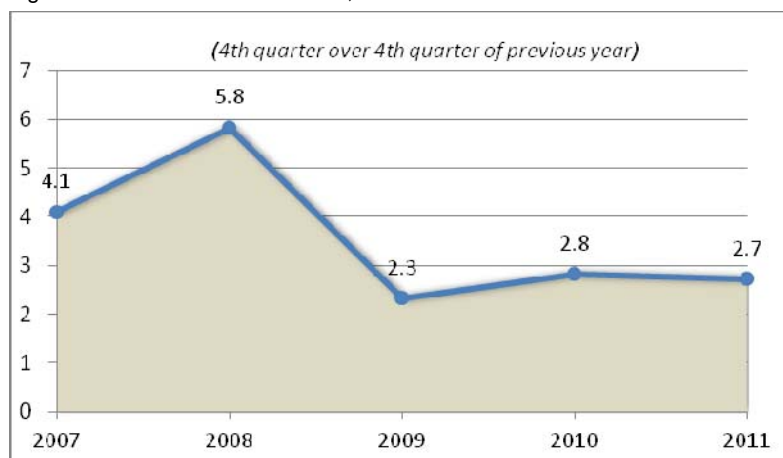
Real GDP growth by major sector	Actual			Estimates				Projections			
	'07	'08	'09	2010		2011		2012		2013	
				Budget	October	Budget	October	Budget	October	Budget	October
Agriculture, fishing and forestry	2	3.8	1.7	3	4.3	2.2	2.9	2	2.1	2	2.1
Industry	7.7	15.5	9.2	2	-0.3	8.8	10.3	12.6	13.8	7	17.7
Services	5.2	4.3	6.8	2.6	1.4	3.9	3.6	3.8	3.7	3.7	3.8
Real GDP	6.8	6.3	3.5	3	2.2	4.2	4.3	4.5	4.6	4	5.1

Source: VNSO & Macroeconomic Committee

1.2 INFLATION

Annual inflation as measured by the Consumer Price Index (CPI) declined from 2.8% in 2010 to 2.7% in 2011, reflecting weak external inflation as changing prices in consumer goods are mostly affected by the price of imported goods.

Figure 1-1: Consumer Price Index, annual inflation 2007 – 2011



Source: VNSO

1.3 BUDGET OUTCOMES

The net operating balance for Government operations, excluding donor funds, at the end of 2011 was a deficit of Vt 483.0 million. This deficit came as the result of higher expenses against lower revenue collection. The deficit should have been higher but expenses were tightly controlled and were in line with budget. The net operating balance for government operations, including donor funds, at the end of 2011 was a surplus of Vt 298.9 million, the surplus reflecting unspent donor receipts.

The Government collected VT 12,850.0 million in revenue (excluding donor grants) at the end of December 2011, representing 98% of the budget target (VT13,131.0 million), an improvement on meeting revenue collection targets in 2010. This was the result of improved compliance, enforcement, and a pick up in economic activity. The two main revenue streams, Value Added Tax (VAT) and import duties resulted in revenue of VT 4,710.9 million and VT 2,870.1 million, respectively in 2011.

In 2011, Government expenses were tightly controlled and in line with budget at VT 13,333 million, representing 98% of the budget target. However, there were some expenditures associated with legal claims, poor procurement management by line agencies and also the elimination of arrears from previous years. As a result, the PFEM Act has now been changed to provide greater control on the issue of deeds settlement.

Spending on unbudgeted activities and over spending on budgeted activities put pressure on the Government's fiscal position resulted from these main expenses:

- Additional vehicles, expense Vt 71.4 million against zero budget;
- Replacement vehicles, expense Vt 41.1 million against zero budget;
- Vehicle hire, expense Vt 147.5 million against a budget of Vt 6.5 million ;
- Scholarships fees and allowances, expense Vt 310.4 million against a budget of Vt 208.0 million;
- Court costs, expense VT 27.9 million against a budget of VT 13.7 million; and
- Land compensation; expense VT 203.4 million against a budget of VT 175.0 million.

The list of supplementary appropriations passed and approved by Parliament totalled Vt 548.9 million and also had a significant impact on Government finances.

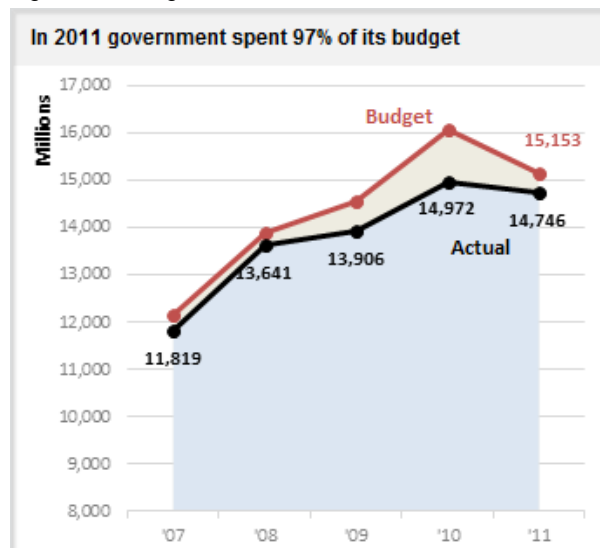
At the end of December 2011, the Government had borrowed Vt 589.6 million externally (from China) for the "i-Government" project, and amortised Vt 307.2 million worth of outstanding external debts. The Government also borrowed Vt 1,250.2 million domestically in 2011, of which Vt 300 million was used to rollover existing bonds.

1.4 BUDGET DEFICIT AS PERCENTAGE OF THE OVERALL BUDGET

The net operating balance for Government operations (including donor funds) at the end of 2011 was a surplus of Vt 298.9 million or 0.4% of GDP; and the overall fiscal deficit of the Government was Vt 1,581.7 million or 2.3% of GDP.

The net operating balance for Government operations (excluding donor funds) at the end of 2011 was a (structural) deficit of Vt 483 million or 0.6% of GDP; and the overall deficit of the Government excluding donor funds was VtT 909.1 million or 1.3% of GDP.

Figure 1-2: Budget and Actual, 2011



Source: MFEM

1.5 PUBLIC DEBT LEVEL

According to the MFEM the total stock of debt at the end of 2011 was Vt 14,676 million or 21% of GDP. This is well within the 40% of GDP threshold outlined in the 2011 Budget Policy Statement.

Total domestic debt at the end of 2011 was Vt 4,234.9 million or 6% of GDP. The Government rolled over Vt 300 million worth of existing debt and undertook Vt 950.2 million of new domestic borrowing in 2011.

The total stock of external debt at the end of 2011 was Vt 10,441.1 million or 15% of GDP. The government borrowed Vt 589.6 million from China for the “i-Government” project and retired Vt 307.2 million worth of external debt in 2011. This debt is largely held with the Asian Development Bank (Vt 5,133.6 million), Chinese Government (Vt 3,846.6 million) and the World Bank IDA (Vt 1,036.7 million).

1.6 EXPENDITURE SHARES ON DEVELOPMENT BUDGET

The 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 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.

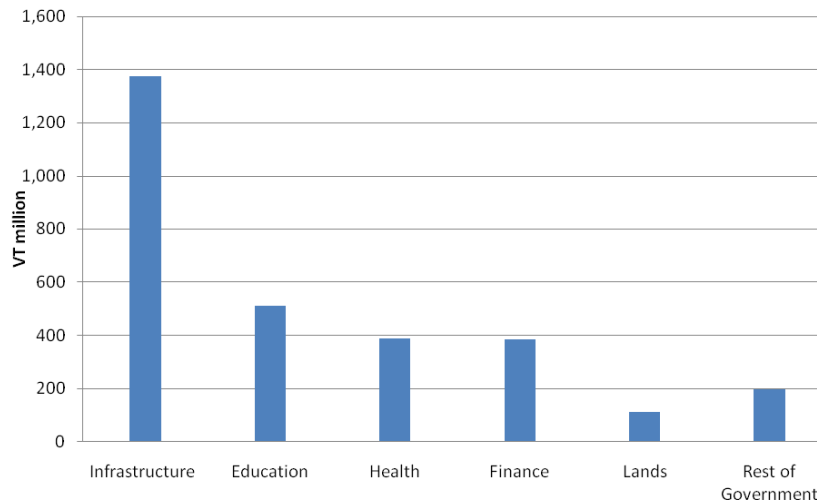
Donors often focus on social sectors like health and education as well as infrastructure. Given the scarcity in government resources, donors often fund operational expenses that could not be funded from the recurrent budget.

In 2011, a total of over Vt 1.21 billion was received through the Government development budget system from donors. Of the donor receipts, actual

expenses committed were approximately Vt1.15 billion and the remaining balance of Vt 0.5 billion was brought forward as opening balance for projects that are ongoing in 2012.

Almost half, or 46% of donor funds received in 2011 were for expenditure by the Ministry of Infrastructure and Public Utilities, notably Vt 600 million on a new tug boat and Vt 595 million on physical works associated with the Vanuatu Transport Sector Support Program (VTSSP). The second largest recipient of donor funds was the Ministry of Education (17%) and this was mainly for primary school grants and the Vanuatu Education Road Map (VERM)

Figure 1-3: Aid donor funds received and spent through the Government Budget System, by destination, 2011



Source: MFEM

Table 1-2: Donor Resources spent through the national budget in 2011

	Vatu
Revenue	
Budget	1,814,232,326
Actual	3,020,079,335
Under/(Over)	-1,205,847,009
Expenses	
Actual	2,967,480,151
Budget	1,814,232,326
Under/(Over)	-1,153,247,825
Project Balance	52,599,184

Source: MFEM

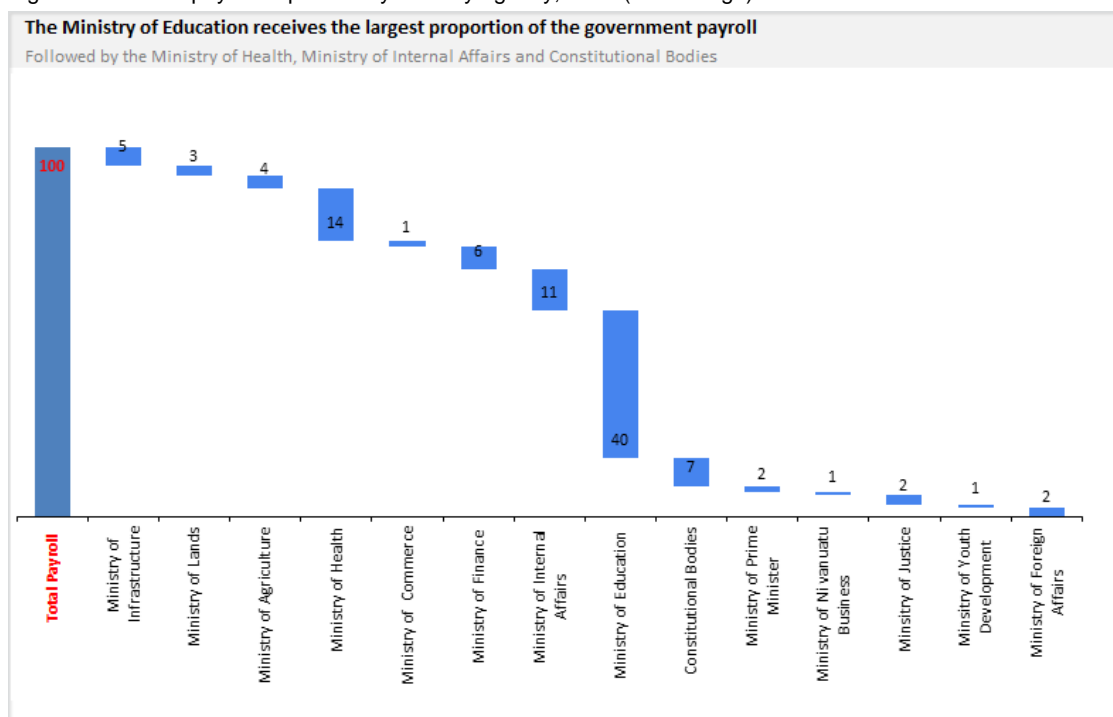
program. The Ministry of Health and Ministry of Finance and Economic Management received 13% each of donor funds.

It is difficult to obtain accurate financial information on the projects that are not managed through the government financial information system (or the budget process), therefore information on actual donor funds disbursed in the country is not 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 that are implemented by Non-Government Organisations (NGOs) .

1.7 SHARE OF PUBLIC PAYROLL BY SECTOR IN 2011

Figure 1-4: Public payroll expenses by ministry/agency, 2011 (Percentage)



Source: MFEM

From the total payroll expenses of Vt 7,466.7 million in 2011, about 40% went to the Ministry of Education to cater for Ministry's staff and school teachers' personal emoluments. The second largest payroll share, 14%, went to the Ministry of Health to also meet personal emolument costs for nurses and doctors. These two ministries alone account for just over half or 54% of total actual payroll expenses. This indicates that the government continues to put greater emphasis on education and health sectors.

1.8 MONTHS OF IMPORT COVER

The Reserve Bank of Vanuatu (RBV) aims at maintaining official reserves at adequate levels above a minimum level of four months of import cover. In 2009, the International Monetary Fund (IMF) disbursed the equivalent of around US\$25 million to all its members as part of its financing during the financial crisis. These inflows and some from other donors and private sector have increased the months of import cover to 6.8 months.

Official reserves have been heavily utilised by demand from banks to finance imports for domestic consumption and external debt servicing of the Government. Months of import cover (as shown in table below) has increased over the past three years due to increases in net reserves and declines in imports, respectively. The current level of reserves is considered to be satisfactory. .

Table 1-3: Months of import cover, 2008 – 2011

	2008	2009	2010	2011
Net Reserves (VT millions)	12,319	13,928	14,452	15,687
Months of Import Cover	5.2	5.6	6.0	6.8
Total Imports (VT millions)	31,641	31,083	27,511	27,254

Source: RBV

2 PRIVATE SECTOR DEVELOPMENT AND EMPLOYMENT CREATION

The expansion of the private sector, notably micro-, small- and medium-sized enterprises (SMEs) is a powerful engine of economic growth and the main source of job creation.

One of the main challenges for the Vanuatu Government is to design institutional, organizational and regulatory frameworks which are conducive to private sector development throughout Vanuatu. Governments alone cannot create a private sector with an enterprise culture but their actions can either hinder or facilitate it. This often requires far-reaching economic reforms.

The revised Priorities Action Agenda (PAA) has maintained strong support to private sector led growth and will continue to facilitate and provide a policy and legislative framework to promote private sector growth.

The Trade Policy Framework (TPF) was finalized in late in 2011. The objective of the TPF are to: Mainstream trade into Vanuatu's national development strategy; enhanced development through increased exports of goods and services; guides and informs the working of Vanuatu National Trade and Development Committee; inform Trade negotiations; and facilitates increased inflows of Aid for Trade (AfT)

2.1 TRADE IN SERVICES

Table 2-1 shows that export of services has increased by 115% during the period 2002-2011 (from VT 13 billion to VT 26 billion), services import grew by a more modest 71% (from VT 7 billion to VT 13 billion). During this period, export of tourist services averaged 70% of total services export. Telecommunications, financial, and business services also recorded positive, although less significant growth rates.

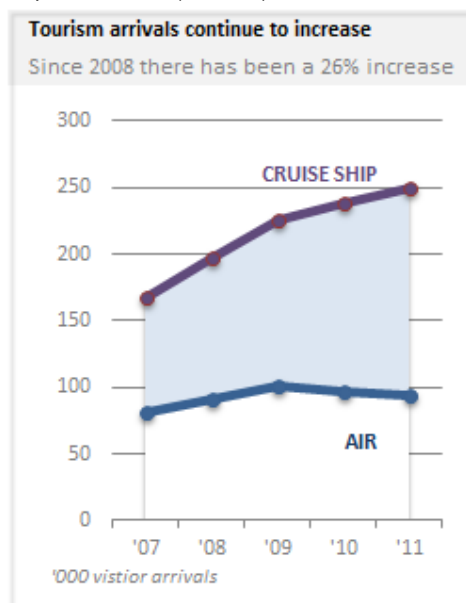
Table 2-1: Vanuatu's Trade Performance (Million Vatu)

	2002	2003	2004	2005	2006	2007	2008	2009	2010r	2011
Balance on Trade in Goods	-8,117	-7,949	-8,398	10,215	11,459	14,993	22,641	20,482	18,583	17,272
Exports	2,793	3,249	4,264	4,166	4,166	3,040	4,230	5,887	4,947	6,018
Imports	10,910	11,198	12,662	14,381	15,625	18,033	26,871	26,369	23,530	23,290
Balance on Trade in Services	5,342	5,741	6,282	6,941	8,055	11,633	12,342	14,622	14,693	12,622
Services credit	12,707	13,664	14,226	16,094	17,435	20,910	23,594	26,094	26,732	25,600
Services debit	7,365	7,923	7,944	9,152	9,400	9,052	11,252	11,472	12,040	12,978

Source: RBV

2.2 INTERNATIONAL TOURIST ARRIVALS

Figure 2-1: Visitor arrivals by air and cruise ship, 2007-2011 (Number)



Source: VNSO

The Vanuatu National Statistics Office compiles monthly statistics on international visitor arrivals including day visitors or visitors from cruise ships. Figure 2-1 shows tourism arrival statistics for the past five years and since 2007 there has been a 49% increase in the total number of visitors to Vanuatu.

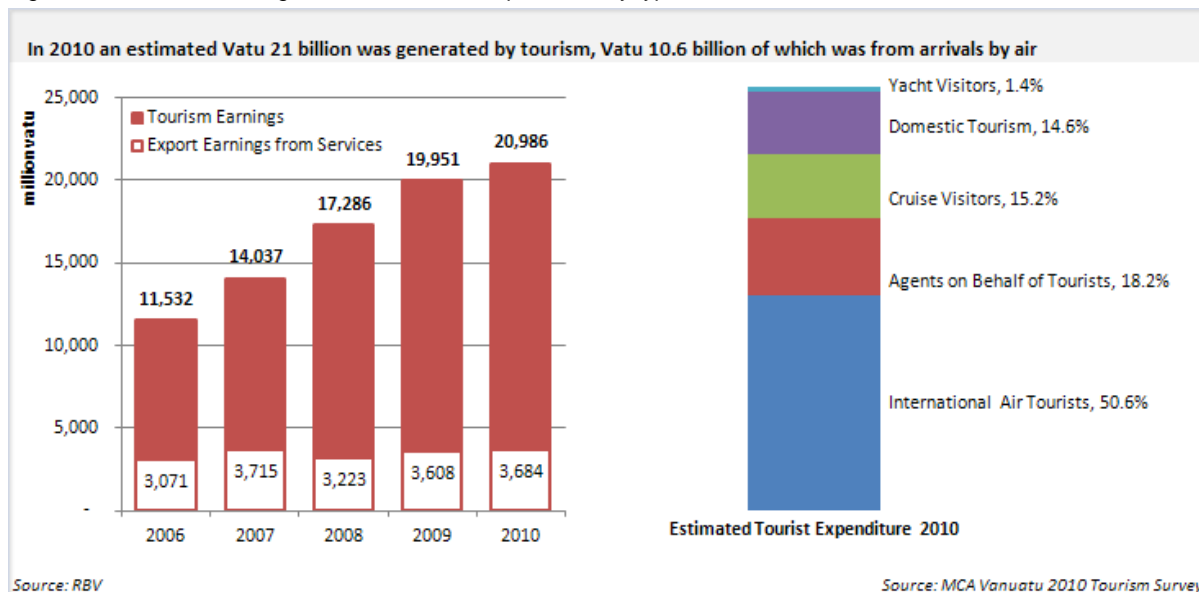
In 2011 there was a 5% increase in the total number of visitors to Vanuatu, mostly from the buoyant cruise ship industry. In 2011 tourism arrivals has increased from 237,648 in 2010 to 248,898, an increase of just over 11,000 more tourist arrivals in 2011 compared to 2010. In 2011 there was a 3% drop in visitors arriving by air which was offset by a 10% increase in cruise ship arrivals.

The visitor arrival statistics indicate that the overall policy direction of promoting tourism as one of the drivers of economic growth has been successful, but the decline in tourist arrivals by air since 2009 was due to aggressive marketing by other Pacific Island countries and the impact of global financial crisis. This also indicates that in the future more aggressive marketing and promotion is needed in existing and emerging markets if the number of air arrivals is to increase.

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2.2.1 Tourism Expenditure

Figure 2-2: Tourism Earnings 2006 – 2010 and expenditure by type of visitor, 2010



Source: RBV

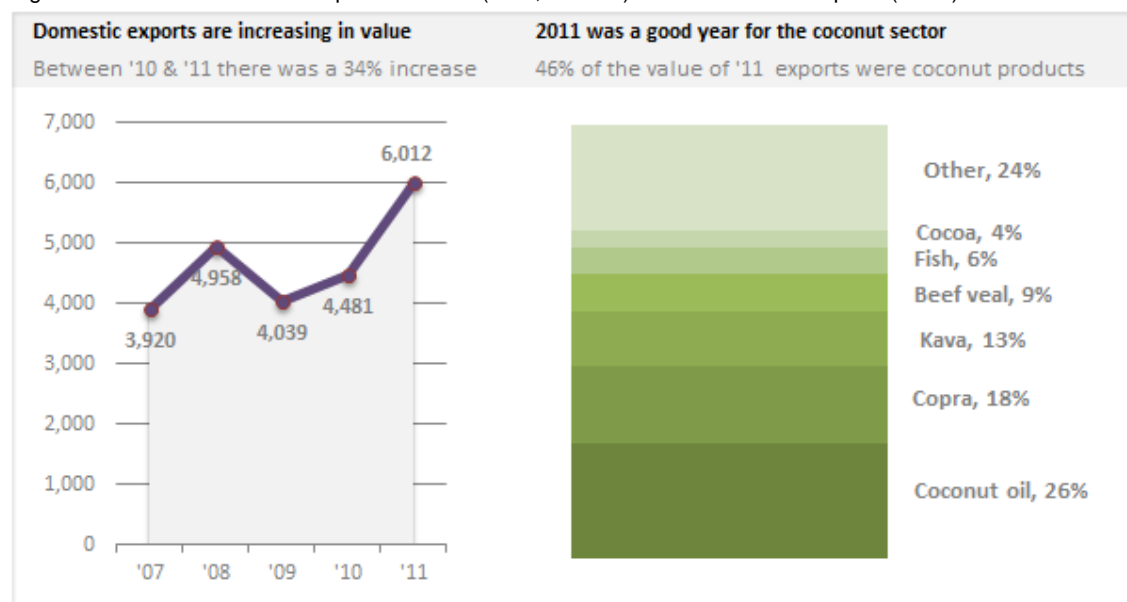
Source: MCA Vanuatu 2010 Tourism Survey

The export of tourism services is a main contributor to Vanuatu's exports. Data on estimated tourism earnings for 2011 was not available at the time of finalizing this report. The latest data available is from 2010 statistics from the RBV and a survey conducted for MCA (Vanuatu) in 2010. From the tourism expenditure survey in 2010 total tourism expenditure was estimated to be approximately Vatu 20.66 billion (USD 222 million) of which approximately Vatu 17.65 billion (USD 189 million) is by international visitors as illustrated in figure 2-2 below. This matches very closely with the RBV estimate of Vatu 21 billion for 2010.

2.3 MANUFACTURED OUTPUT AND EXPORTS:

Figure 2-3 below depicts the value of domestic exports from Vanuatu since 2007 and the main export products in 2011. In 2011 there was a 34% increase in the value of domestic exports, mostly driven by increased exports of coconut products, along with increased value of exports of beef, kava, coffee and fish.

Figure 2-3: Value of domestic exports 2007-11 (Vatu, Millions) & main domestic exports (value) 2011



Source: VNSO

In 2011 46% of domestic exports came mainly from copra, coconut oil and coconut meal. Coconut oil alone made up 26%, just over one quarter, of the value of domestic exports in 2011 and copra another 18%. The VNSO trade statistics for 2011 showed that copra exports recorded a value of Vt 1,065 million, compared with Vt 579 million in 2010. This is a record increase over a two-year period.

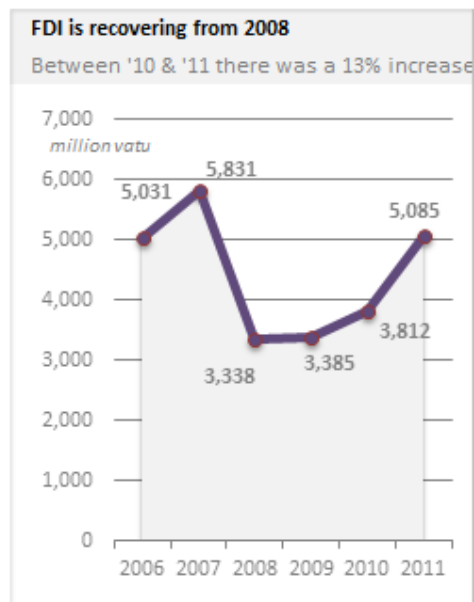
The value of kava exports increased by 50% between 2010 and 2011, with a value of Vt 762 million recorded in 2011. Beef exports increased slightly from Vt 494 million in 2010 to Vt 516 million in 2011.

While agricultural exporters are at the mercy of international commodity markets, it is important that the commodities are able to meet the highest quality standards and import requirements so that the best returns possible are gained by exporters.

2.4 LEVELS OF FOREIGN DIRECT INVESTMENT:

Foreign Direct Investment (FDI) as recorded by the Reserve Bank of Vanuatu estimated that in 2011 FDI was Vt 5.1 billion (excluding direct investments abroad). After a strong surge in 2007, there was a decline in FDI in 2008 and levels are now similar to what they were before the 2008 high. The FDI statistics from the RBV showed a similar trend to the projects under the mandate of the Vanuatu Investment Promotion Authority (VIPA). Provisional FDI figures from the RBV showed that the level of FDI was strong between 2010 and 2011 reaching Vt 5 billion in 2011.

Figure 2-4: Foreign Direct Investment, 2006 – 2011 (Million Vatu)



Source: RBV (Note FDI statistics revised in 2012 by RBV)

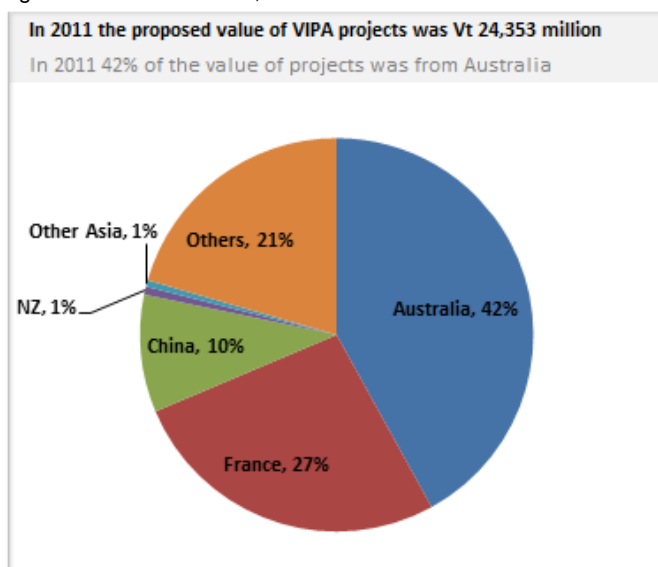
VIPA is mandated to promote, regulate and facilitate foreign direct investment in Vanuatu. VIPA statistics showed that the number of FDI projects peaked in 2007 at 142 new projects. However following the global economic crisis, the number of new project applications declined to 117 in 2010 and decreased further to 108 in 2011. While the number of new project applications has decreased, existing investors are continuing to reinvest in Vanuatu with the renewal of projects increasing by 12% in 2011.

The VIPA 2011 proposed value of investments showed that the most significant investment projects comes from investors from Australia, followed by France and China. Joint venture investments involving local partners in Vanuatu were also significant.

The VIPA investment data for all projects in 2011 shows that 87% of FDI, was in the services sector, while 9% in industry and 4% in agriculture, forestry and fisheries respectively.

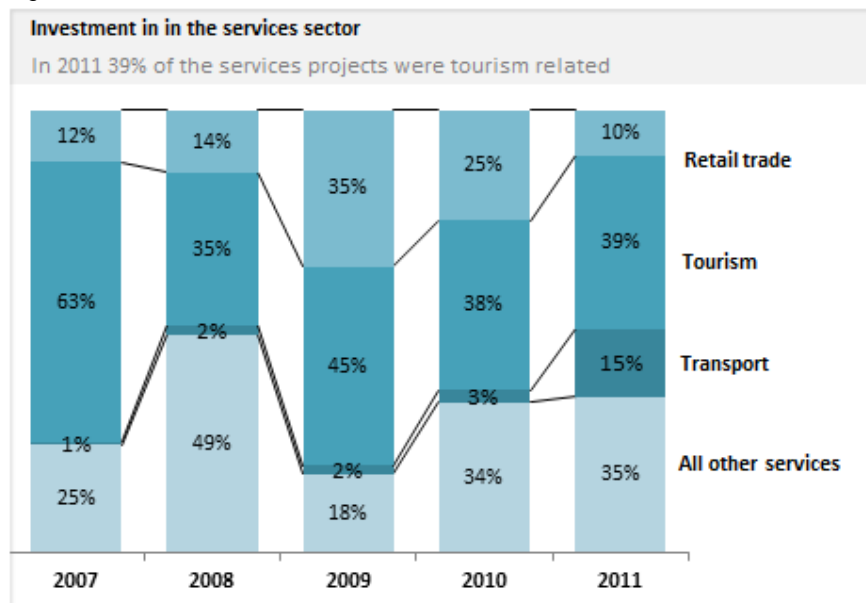
Figure 2-6 shows the types of investment within the broader services sector, and it is clearly evident that tourism investment has been a major component since 2007.

Figure 2-5: Source of FDI, 2011



Source: VIPA (2011 Annual Report)

Figure 2-6: FDI investment in the services sector, 2007 – 2011

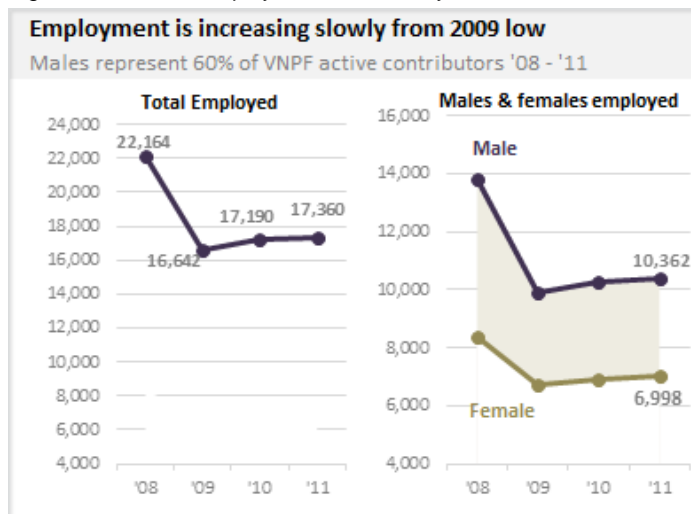


Source: VIPA (2011 Annual Report)

Foreign investment continues to be an important part of the Vanuatu economy, particularly in the tourism sector but also in other service activities and transport sector. Despite a tight international investment market, foreign investment in Vanuatu is reasonably stable and new projects are being developed, although not at the same rate compared to 2008. The statistics showed that government policy environment conducive to international investment in the economy is successful, with external economic shocks such as the global financial crisis being the main driver of change in FDI.

2.5 NUMBER OF ACTIVE EMPLOYEE ACCOUNTS AT VNPF

Figure 2-7: Formal employment numbers by sex



Source: VNPF (VNSO QSI)

employed has increased steadily since 2009 and the majority of employees included in the VNPF are males (60%). However, when interpreting this data, caution is needed when

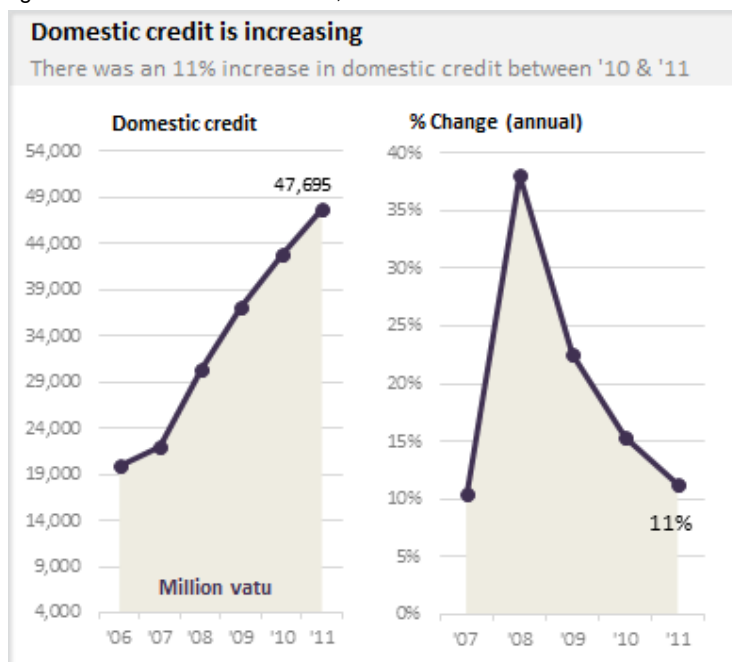
Government policies place considerable emphasis in creating more employment opportunities. However, there is no annual monitoring of statistics on the extent of employment and unemployment, as these statistics need to be collected from household surveys which are not run every year. As a proxy for measure for formal employment, the Vanuatu National Provident Fund (VNPF) data is used instead. This is shown in Figure 2-7. The number of people

relying on VNPF data as some employees may not be registered and thus not depicting the accurate picture of formal employment in Vanuatu.

2.6 LEVEL OF CREDIT TO PRIVATE SECTOR

Ensuring that the private sector has sufficient access to credit is an important policy for the government. Figure 2-8 shows recent trends in domestic credit of monetary institutions.

Figure 2-8: Domestic credit levels, 2006 – 2011



Source: RBV (4th quarterly report 2011)

Domestic credit expanded by 11% in 2011. The growth in the quarter was due primarily to an increase in loans to the private sector, loans to non-financial public enterprises, claims on municipalities and claims on government. The RBV closely monitors trends in domestic credit and adjusts its monetary policy accordingly.

According to Figure 2-8 the largest increase in domestic credit was 38% between 2007 and 2008. Subsequently the RBV tightened its monetary policy and since then domestic credit declined to

a manageable level.

2.7 NI VANUATU BUSINESS DEVELOPMENT

The Government policy over the years has placed emphasised on assisting Ni Vanuatu to find employment and facilitate Ni Vanuatu involvement in businesses. The Department of Cooperative and Ni Vanuatu Business has been set up to deliver these roles with the vision

"to be the leader in rural economic development by being responsive to society's business aspirations. The department will help to create, improve and sustain Ni-Vanuatu Businesses so that they are able to compete effectively domestically and internationally".

According to the Departments (Cooperative) Annual Report of 2011, there were 316 active cooperative societies which are registered in Vanuatu. The Department has audit 170 cooperatives and reported that these cooperatives have a significant potential to increase economic activities in the rural areas.

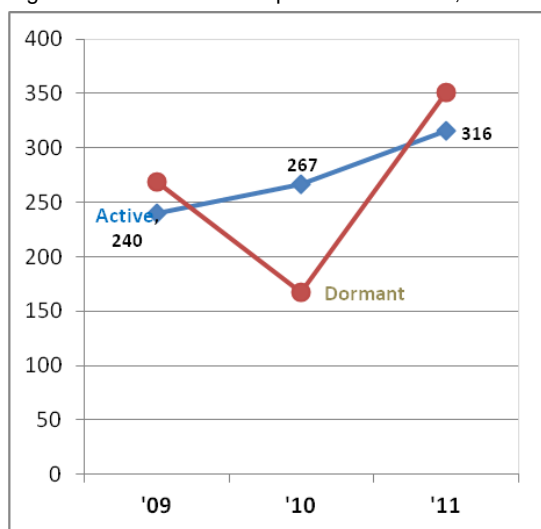
Table 2-2: Cooperative employee numbers

	2009	2010	2011
Number of employees	218	298	386

Source: Department of Cooperative Annual Report 2011

The number of people employed by the cooperative societies has increased over the year. In 2011, a total of 386 employees were registered.

Figure 2-9: Number of Cooperative Societies, 2009 – 2011



Source: Cooperative Department, Annual Report 2011

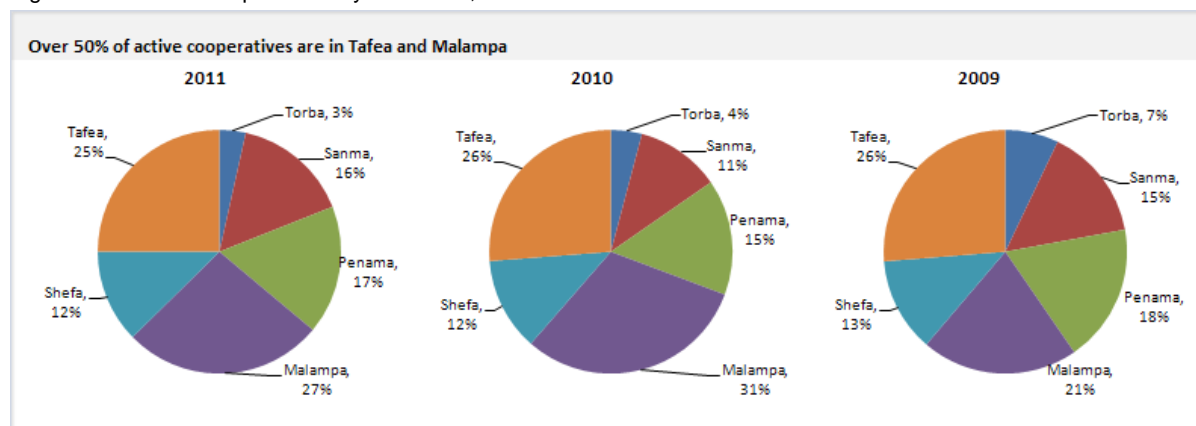
The Department has also conducted 24 business trainings in 2011, the training were funded by donor agencies. Most of the training was conducted in SHEFA, MALAMPA and SANMA Province. According to the Department’s annual report, the number of clients assisted by the business development services were 159.

As depicted in figure 9 over 50 % of active cooperatives were in TAFEA and MALAMPA as of December 2011.

The department has also developed a National Micro, Small and Medium Enterprise Policy (MSME). This is an

achievement since the implementation of the CRP. Work is also underway to develop the policy on Small Business to assist the development of the private sector.

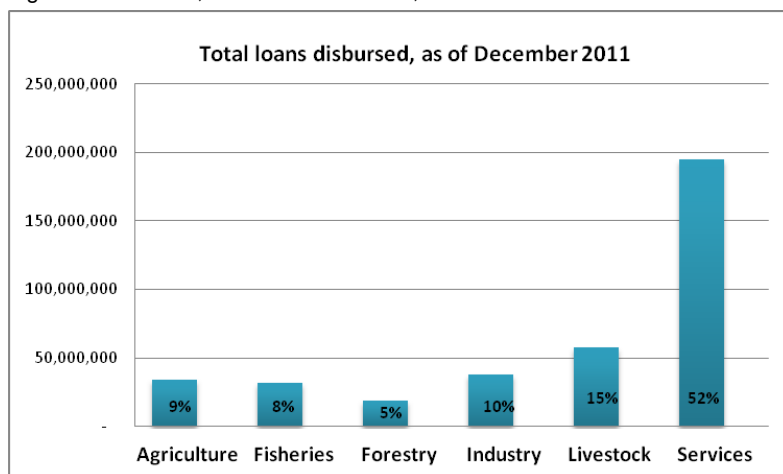
Figure 2-10: Active cooperatives by Provinces, 2011



Source: Cooperative Department, Annual Report

To fulfil the government's policy objective to provide access to credit to Ni Vanuatu, the Vanuatu Agriculture Development Bank (VADB) was set up in 2009 to assist farmers and facilitate access to credit for rural development.

Figure 2-11: VADB, Total loan disbursed, 2011



Source: VADB, Annual Report 2011

In 2011, just over Vt 375 million was disbursed by the VADB. Figure 2-11 shows the total loan disbursed in 2011 by agricultural sector. It shows that 52% of loans disbursed in 2011 were for services (industries and home improvement services). The remaining 48% comprised of loans to the Agriculture, Fisheries, Forestry, and live stock services. Loans approved to women accounted for only 23% of all approvals.

There are a number of success stories from agribusinesses supported by the VADB. One such notable example is Mr. Eric Wasab of Teouma in Efate, SHEFA Province who successfully obtained VADB finance to expand his pineapple farm. His business is very successful and he is now the major commercial supplier of pineapples in Port Vila.

Mr. Wasab in his Pineapple Farm



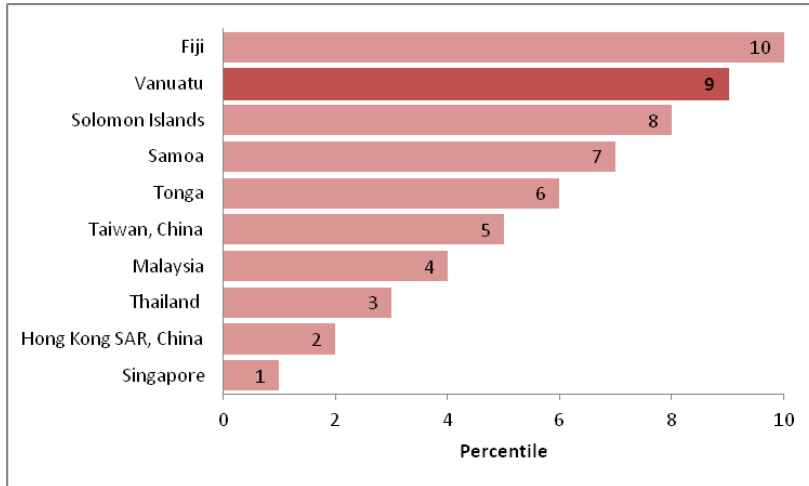
VADB, Annual Report 2011

2.8 EASE OF DOING BUSINESS RANKING

The PAA has placed considerable policy emphasis in improving the business environment, such as reducing administrative barriers to Foreign Direct Investment (FDI) and lowering the cost of doing business in Vanuatu.

The World Bank releases the ease of doing business index on an annual basis. The ease of doing business index ranks economies from 1-183. For each economy, the ranking is calculated as the simple average of the percentile rankings on each of the ten topics (dealing with constructions permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency, getting electricity)

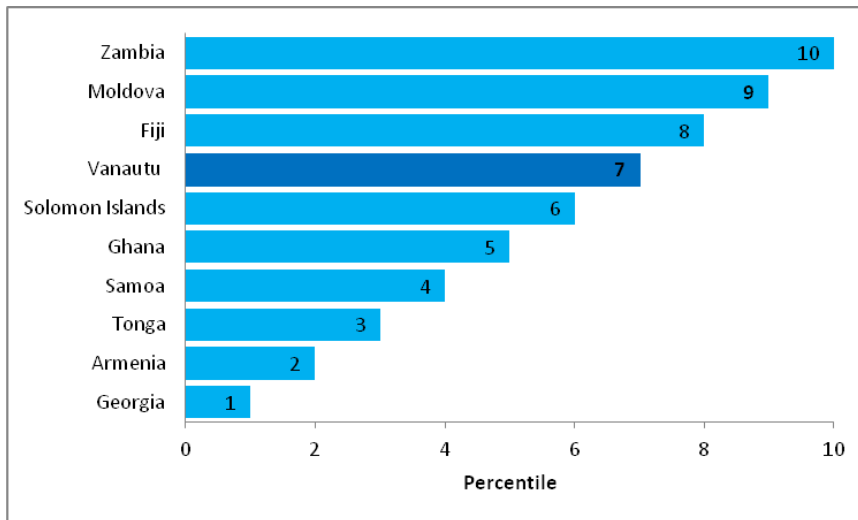
Figure 2-11: Ease of doing Business ranking, East Asia and the Pacific, 2010



Source: IFC 2011

Figure 2-11 depicts the ease of doing business ranking for the 10 countries in the East Asia & Pacific region. The data suggest that in 2011, Singapore was rank 1st while Vanuatu was at the 9th position behind the Solomon Islands which is at the 8th position.

Figure 2-12: Ease of doing Business ranking low Middle income countries, 2010



Source: IFC, 2011

Figure 2-12 shows the ranking of the top 10 low middle income countries. The data suggest that Georgia is rank 1st, while Vanuatu is placed in the 7th position ahead of Fiji who is placed at number 8th position

3 PRIMARY SECTOR DEVELOPMENT AND THE ENVIRONMENT

Primary sector has been identified as an important sector for economic development, since it plays a vital role in the Vanuatu economy. About 76% of Vanuatu's population are living in rural areas and depend entirely on these sectors for their livelihood.

Primary sector also contributes positively to Vanuatu's foreign trade balance and continues to provide employment and income opportunities particularly for the rural population. However, the growth of primary sector over the past years has been minimal due largely to a lack of coherent policy framework which inhibits strategic direction in this sector. Realising this situation, the Ministry of Agriculture began to work collaboratively with Department of Strategic, Policy, Planning and Aid Coordination (DSPPAC) in 2011 to develop an overarching Productive Sector Policy. This policy framework will provide directions for agriculture development for the next 5 years.

Managing and maintaining the environmental resources is also crucial for the primary sector and economic development of this country. The department of environment aims to maintain and improve the state of environmental resource affected by human activities in Vanuatu. It has been proactive in carrying out its functions to ensure that ecosystem services are protected and maintained for equitable use by future human generations.

3.1 INCOME GROWTH AS MEASURED BY 5 YEARLY HIES

Primary sector earnings received by rural and urban households can be measured using the growth of income from the sale and production of agriculture products. This is also a good indicator to measure the economic benefits of primary sector to the economy. This information has been collected and recorded by the VNSO in its 5 yearly survey (Household Income and Expenditure Survey (HIES)).

The 2010 HIES data (Table 3-1 below) estimated a total net monthly income from sale of agriculture and other commodities produced by households to be Vt906 million , with an estimated average household monthly income of Vt29,800 . Just over three quarters of rural households reported cash income from sale of agriculture products. In 2010, cash from agricultural activities (crops, livestock, fish and seafood) made up almost 30% of rural households reported cash income.

Table 3-1: Income Growth from Sale of Agricultural Products

HIES Survey	Total Monthly Income (million Vatu)	Average Household Income (thousand VT)	% of Rural households with Agriculture Income
2006	688	23,990	46%
2010	906	29,800	76%

Source: VNSO HIES 2010 (Provisional)

3.2 OUTPUT GROWTH IN AGRICULTURE, LIVESTOCK, FISHERIES INCLUDING SUBSISTENCE

Table 3-2 below shows that the growth in agriculture production was driven largely by animal production and forestry activities in 2011. The decrease in the growth rate of animal production corresponded to the drop in the number of cattle head slaughtered especially in Santo abattoirs in 2011. The increased in the growth rate of forestry on the other hand was due to the resumption of certain forestry activities that took place in 2011, in particular the Melcoffee Saw Mill in Santo.

Table 3-2: Annual Growth Rates in the Primary sector, 2010-2011(%)

% age Growth Rates	2010 (P)*	2011(P)*
Total Primary Sector Growth Rate	3.7	3.6
Crop Production	3.2	3.1
Animal Production	8.0	6.1
Forestry	3.6	5.3
Fisheries	3.1	3.6

Source: MEC. *The 2010 and 2011 figures are preliminary estimates.

3.3 SHARE OF THE SECTOR AND SUB-SECTORS IN GDP

Table 3-3: Share of Primary Sector and Sub-Sectors in GDP, 2007-2011(%)

Year	2007	2008	2009	2010	2011 (p)
Total Primary Sector Share	19.7	19.2	18.8	19.2	19.4
Crop Production	15.9	15.5	15.1	15.3	15.4
Animal Production	1.9	1.8	1.9	2.0	2.1
Forestry	1.1	1.1	1.2	1.2	1.2
Fisheries	0.8	0.7	0.7	0.7	0.8

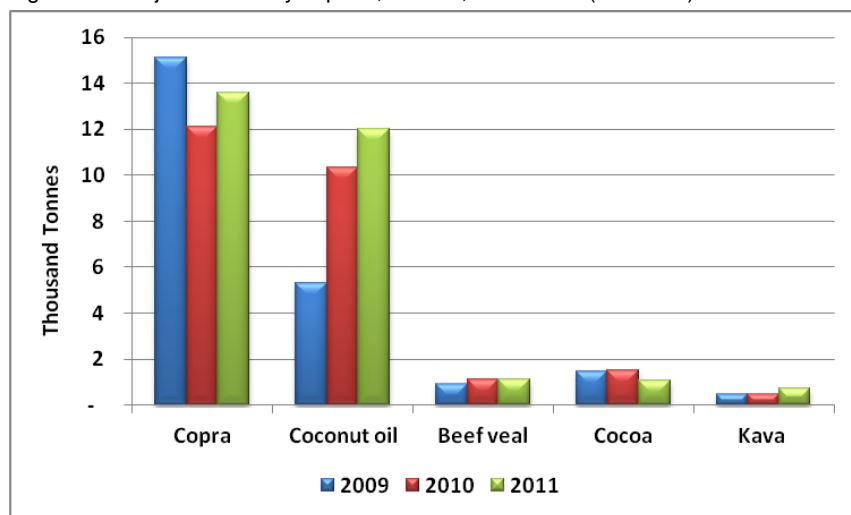
Source: VNSO. *The 2011 figures are preliminary estimates.

The primary sector (crop production, animal production, forestry and fishing) according to VNSO estimates (above table) contributed 19.4% to the overall GDP in 2011. As in the previous years, crop production made up about 15% of this share while the rests contributed only 4% . Contribution to GDP by the primary sector over the years 2000-2011 has been constant at around 20%. The largely informal character of the agricultural economy (root crops, livestock, forestry products consumed domestically are not recorded) makes it difficult to acquire accurate information on the value of production.

3.4 EXPORT OF PRIMARY PRODUCTION PRODUCTS

Growth in export production for primary products benefits the country in various ways such as providing income and foreign exchange earnings. Figure 3-1 below illustrates a positive trend in export production in the period 2009-2011.

Figure 3-1: Major commodity exports, volume, 2009-2011 ('000 tons)



Source: VNSO

Figure 3-1 shows data on 5 major primary export commodities. Copra and coconut oil exports increased considerably in 2011, as a result of high price of copra. The average price of copra paid to copra producers in 2011 was Vt56,633 per tonne, an increase of 52% over 2010. The increased in copra price prompted a market response in increased production and export of coconut oil by over 70% when compared to 2010.

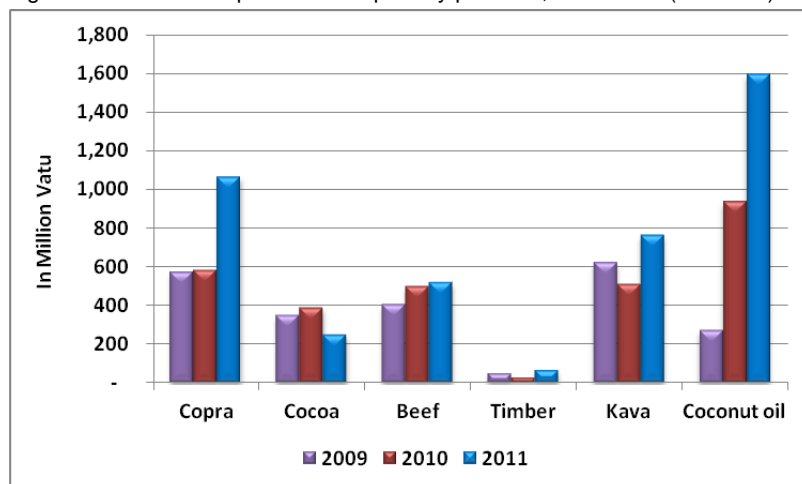
Table 3-4: Value of Copra and Coconut Oil Export (Million Vatu), and prices paid to copra producers (Vatu), 2008-2011

	Copra	Coconut Oil	Total	Average price paid to copra producers (Vatu/Tonne)
2008	1,194	828	2,022	33,768
2009	569	275	844	55,844
2010	579	933	1,512	37,645
2011	1,065	1,592	2,657	47,698

Source: VNSO

Table 3-4 shows the value of copra and coconut oil exported in 2008 to 2011. These figures showed the strong correlation between the price and the production of copra. The table also showed that coconut oil made up of over half of the value of copra products exported.

Figure 3-2: Value of exports of main primary products, 2009-2011 ('000 vatu)



Source: VNSO

There is a positive trend in the export value of almost all the primary products with the exception of cocoa over the three-year period. The value of exports of copra and coconut oil almost doubled in 2011 compared to the previous year. Beef also increased in value while the value of cocoa decreased by over 30%.

3.5 DEVELOPMENT OF PRIMARY SECTOR STRATEGIES

Development of Primary Sector Policies and Strategies are very important in providing clear directions for the future development of the sector. Below are significant achievements made by the Ministry of Agriculture in terms of developing policies/strategies in 2011;

- The Overarching Productive Sector Policy has been finalised and at its final stages of COM endorsement. This umbrella policy framework will provide directions for agriculture development for the next 10-20 years. It will also help to shape the sub-sector policy strategies as they will be align to this framework.
- The “National Livestock Framework” (NLF) was drafted. The document outlined the constraints to the development of the livestock sector in Vanuatu and policy measures were proposed for addressing the constraints.
- The Quarantine and Livestock Department had planned to implement the COM decision to separate the two sections of Bio-security and Livestock in 2012.
- The National Forest Policy (NFP was finalised, incorporating sector wide approaches for climate change with partner agencies). The policy is yet to be endorsed by the Council of Ministers.
- The Sea Cucumber Project Agreement was signed in 2011 between the Ministry of Agriculture and the South Pacific Agriculture Group Limited.
- Two international conventions were approved by the government but yet to be ratified by the parliament. They are the International Fund for Agriculture Development (IFAD) and International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGRFA). The State-Law Office has prepared the submission for ratification by parliament in 2012.
- The Fisheries Department reviewed the Fisheries Act Cap 315 No. 55 of 2005 and Fisheries Regulation Order No. 28 of 2009.

3.6 NATURAL RESOURCES MANAGEMENT

The Ministry of Lands through the Department of Energy, Mines and Mineral Resources is in charge of the management of natural resources in Vanuatu, particularly in the areas of energy, mines and mineral resources. The Department of Water Resources also plays an important role in managing the water resources.

In 2011 the Energy Unit was restructured and amalgamated with the Sections of Geology, Mines and Mineral to form the new Department of Energy, Mines and Mineral Resources. This means the Sections of Geology, Mines and Minerals are no longer part of the Department of Geology, Mines and Minerals; it is a 'stand-alone' department. For the first time since the CRP was implemented, the Energy Department has developed a National Energy Roadmap (NERM). The road map was launched in October 2011. The Vanuatu Energy for Rural Development (VERD) has also been implemented in 2011.

The Department of Water Resources, according to their 2011 Annual Report, did not complete most planned activities in 2011 mainly due to limited finances, either because anticipated projects were not approved through the NPP or other funding sources have not been materialised. An implementation plan and costing was completed for the National Water Strategy but activities are on-hold waiting for available funding.

The overall objective of the National Water Strategy 2008-2018 is to improve policy and working practices within various agencies responsible for water supply. To date the strategy has not been implemented because of lack of coordination mechanisms between the different agencies involved.

3.7 ENVIRONMENT MANAGEMENT

Sustainable management and conservation of the environmental resources is very important to ensure that ecosystems are protected and maintained for equitable use by future human generations. The Department of Environment, Protection and Conservation (DEPC) is charged with ensuring the integrity of the various unique ecosystems in Vanuatu are sustainably managed.

In 2011 DEPC made considerable achievements, including:

- Being a signatory to the Nagoya Protocol on Access to Genetic Resources and Benefit Sharing in November, 2011.
- The signing of the Bio-safety Cartagena Protocol.
- The review of the Vanuatu National Biodiversity Strategy and Action Plan. This is an environmental policy developed in year 2000.

For the first time in 2011 an application fee to conduct a Preliminary Environmental Assessments (PEA) was introduced. The department has undertaken 50 Preliminary Environmental Assessments (PEA) and produced reports. A further 6 Environmental Impact Assessment (EIA) was produced and submitted to the department for assessment. The department approved 5 EIA reports in 2011 but rejected one as it did not meet the environmental protection and conservation Act (CAP 283) and other related laws and policies of Vanuatu.

The development of conservation areas is a priority in the PAA. DEPC has assisted several communities and private investors in facilitating their conservation area initiatives. In 2011, five community conservation areas were legally registered. This gives a total conservation

area of 4,120 hectares of land that have been registered. By the end of 2012, two more areas will become legally recognised as the nation's conservation areas.

3.8 CLIMATE CHANGE

The revised PAA 2011 has emphasised the need to fully implement the Environmental Management and Conservation Act 2002 through the development of related regulations and to establish the EIA Trust fund and to fully resource the DEPC. The EPC (state in full) Act makes legal provisions to set one up an EIA trust fund, but to date no Trust fund has set up. However, funds are still managed by the Department of Finance and Treasury (The picture below shows co-ordinated efforts from the Mines and Minerals section within the Geology Department on compliance and monitoring of sand extractions). Apart from organising and attending local and regional trainings on climate change, the DEPC has also



Source: Department of Environment, Annual Report 2011

achieved the following outputs in 2011;

- 5 year National Strategies on proper waste management developed
- Development of Pollution Control Bill (Act)
- Ozone layer & Protection (OLP) Act and the Beijing and Montreal Amendment Acts gazetted by State Law Office

The Mangroves Ecosystem for Climate Change Adaptation and livelihood (MESCAL) is a new Climate Change Adaptation Program implemented by the DEPC in 2010. The project involves research and development and receives funding from the Federal Republic of Germany under their International Climate Initiative administered by the Federal Ministry of Environment, Nature Conservation and Nuclear Safety (BMU). In Vanuatu the project piloted its first phase with two communities (Crab Bay in Malekula & Eratap Lagoon on Efate Island) for 3 years (2011-2013).

3.9 LAND RIGHTS AND ACCESS

The Land Sector Framework (LSF) which covers 2009-2018, provides the Ministry of Lands strategic direction for the development and management of land resources in Vanuatu. LSF builds upon the 2006 National Land Summit resolutions and recent donor initiatives in the sector. In December 2011, the Vanuatu Government through the Ministry of Lands signed a contract with the governments of Australia and New Zealand to assist with the funding of a Mama Graon – Vanuatu Land Program. The strategic priorities highlighted in the LSF have been implemented by the Mama Graon Program. The program commenced in January 2011, and began with the formation of Vanuatu Land Program Management (PMC) committee tasked to provide technical and managerial direction as well as implementation oversight for the Mama Graon Program. An Inception Plan was prepared to cover program activities that were implemented in 2011.

As part of Mama Graon program activities to improve the customary Governance of Land by the Malvatumauri, a strategic workshop was held in September 2011 at the Chief's Nakamal in Port Vila. The workshop brought together members of the national council of chiefs plus

other chiefs from six provinces and stakeholders including women, youth and customary land lessors. The workshop presented the following 19 resolutions to the Minister of Justice;

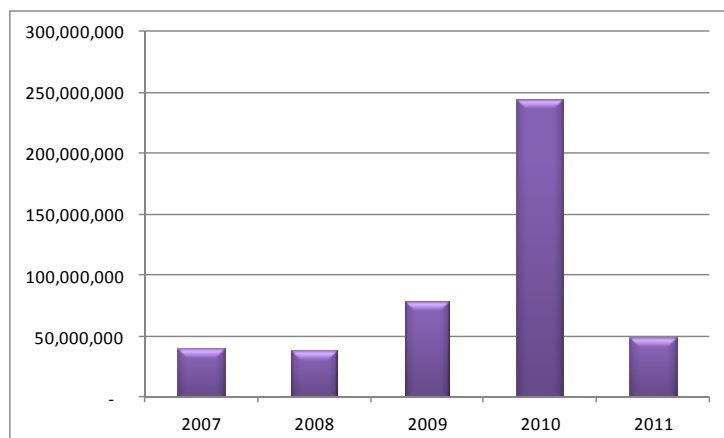
1. *Identify Custom Boundaries*
2. *Identify Custom authorities*
3. *Undertake Land Use Planning and Zoning for Custom Lands*
4. *Promote and Strengthen custom ways of managing and maintaining resources on custom land*
5. *Conduct communications and awareness programmes*
6. *Transcribe custom Rules and Laws*
7. *Ensure land leasing processes are approved by the relevant custom authority*
8. *Request the Government through the National Council of Chiefs to remove the power of the Lands Minister to sign land leases for customary land on which there is a dispute*
9. *Strengthen the custom governance system of tribes and clans*
10. *Establish and clarify the chiefly titles in every area*
11. *Custom land disputes should remain with the custom chief or Customary Lands Tribunal*
12. *Secure and protect custom landmarks and historical sites*
13. *Review existing land related laws and Malvatumauri National Council of Chiefs (MNCC) Act*
14. *Conduct more training*
15. *Establish and strengthen the consultative processes from national to village level*
16. *Strengthen the consultative processes from national to village level*
17. *Revive and organise the Vanuatu National Conference of custom chiefs (VNKKJ)*
18. *Recognise the custom system of recording custom land and its transactions*
19. *Put on hold any new claims of custom land to the Tribunals until such time when the council of chiefs and Lands Tribunals are appropriately set up. This does not apply to cases already in the Tribunals.*

The Mama Graon program has also assisted the Ministry of Lands in reducing the backlog of outstanding land applications and also in reviewing land registration procedures. Work is also underway to address the number of cautions that were not registered and also the large number of unregistered leases and mortgages.

The program also engaged in other activities such as developing a zoning and development control plan for Port Vila and a strategic plan for Efate Island. It also delivers awareness programs to the stakeholders and communities. Furthermore, the program was assigned to compile a report on Customary Land Tribunal which was completed in February 2011, which resulted in the draft amendment to the Customary Land Tribunal Act. Mama Graon program also assisted in other areas such as capacity development of customary Land Unit, development of Information System Strategic Plan, review of survey legislation and procedures including preparation of a Valuation Interim Status Report.

3.10 DONOR RESOURCES TO PRIMARY SECTOR

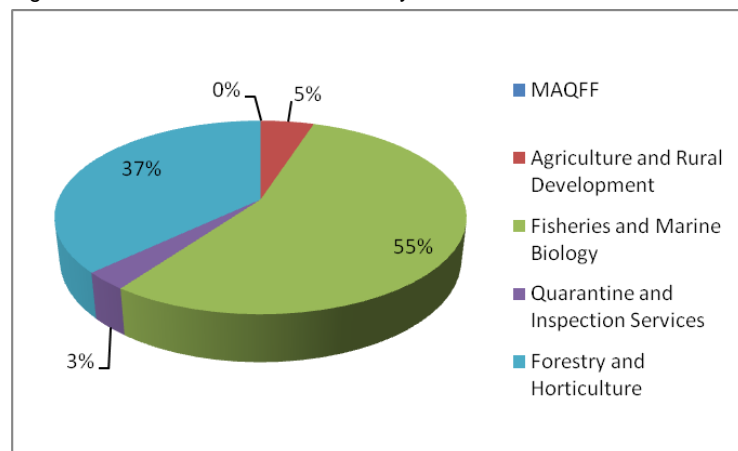
Figure 3-3: Donor Resources to Primary Sector, 2007-2011



Source: MFEM

Figure 3-3 shows the estimated total donor funding acquitted during the implementation of projects by the Ministry of Agriculture, Quarantine, Forestry and Fisheries (MAQFF) over a five year period of 2007 - 2011. Total funding in 2010 was five times higher than the other years, and half of this funding was for projects implemented by Fisheries and Marine Biology (Figure 3-3).

Figure 3-4: Donor Resources to Primary Sector in 2011



Source: MFEM

A total of over 48 million vatu was spent on MAQFF projects in 2011. Figure 3-4 illustrates that the Department of Fisheries and Marine Biology implemented projects worth 55% of that amount, 37% went to the projects implemented by Forestry and Horticulture Department, while the department of Agriculture and Quarantine only receives 5% and 3% respectively for their implemented projects in 2011.

The 2011 appropriated budget for MAQFF was 441,232,220 Vatu. MAQFF utilised only Vt433,811,918 of the total budget. Of this amount, 68% was allocated to payroll cost while only 32% goes to the operational costs.

4 GOOD GOVERNANCE AND PUBLIC SECTOR REFORM

Keeping the PAA and sector policies updated is also important for policy relevance and stability. This has been achieved in the review of the PAA 2011. But there is a need to place more emphasis on monitoring and evaluation and in preparing the Annual Development Report in order to track performance in policy implementation.

The revised PAA 2011 outlines four strategic policy objectives for the Vanuatu Government covering a variety of governance issues including:

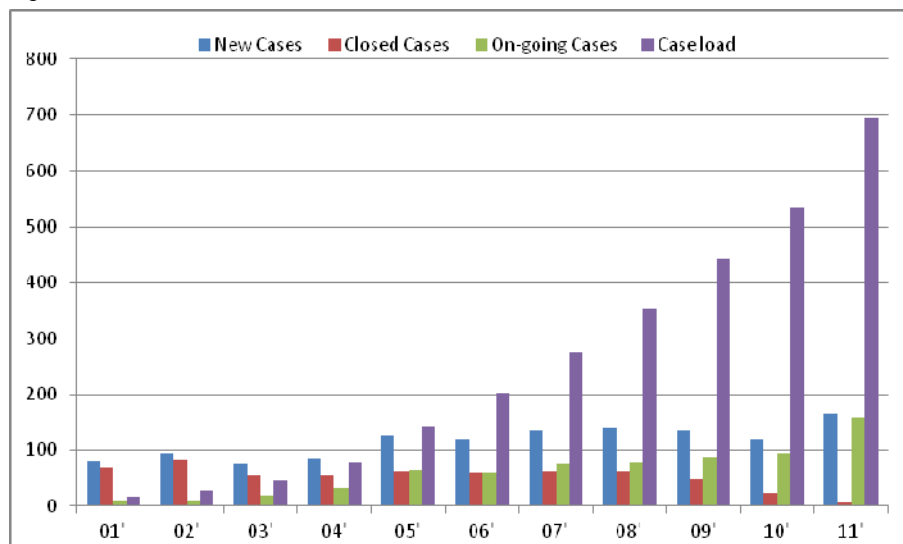
- Policy stability: Having a broader policy direction with sector policy continuously updated to maintain focus on important development priorities
- Provision of stable institutions particularly in the areas of law and justice, and constitutional bodies
- Development of a productive public sector and recommitting to improve accountability, incentives and performance and ;
- Gender equality and the empowerment of women.

In 2005, the Government through the Government Remuneration Tribunal (GRT) office conducted a review of the Public Service Remuneration. The review was done to address the anomalies in the salary structure of Public Service and other issues affecting service delivery. To date, there was no other review of the GRT. The GRT office is currently functioning with only one junior staff who is employed on contractual basis. The office structure which was approved by PSC in 2000 includes a Director, Principal Tribunal Officer, Remuneration Tribunal Officer and a Secretary/Clerk/Typist. Currently none of these positions were filled. As a result, the office is not proactive in carrying out its functions. Lack of budget is also another contributing factor to the poor performance of this office.

4.1 GOVERNMENT'S COURT CASES

The State Law Office (SLO) deals only with the Government's civil litigation; it does not deal with any criminal matters nor with any civil matters that the government or the state are not party to. Figure 4-1 shows the number of court cases processed by the SLO over the period 2001 to 2011. Figure 4-1 shows a gradual increase in the number of new and ongoing cases for each year and a decrease in the number of cases closed each year. The overall result is an increase in the total number of cases dealt with by the SLO over time.

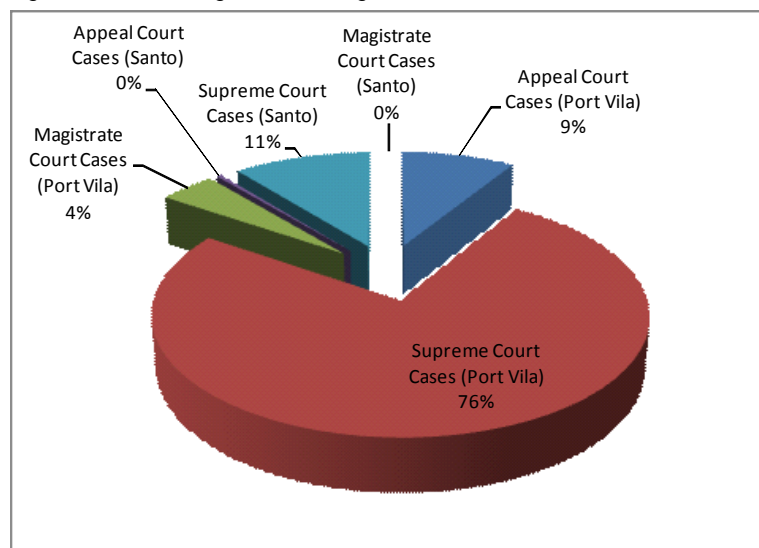
Figure 4-1: Number of Court Cases Processed, 2001-2011



Source: State Law Office

The SLO reported 166 new court cases registered in 2011 but closed only 7 cases in 2011, and the remaining 159 cases were ongoing and added to SLO's total number of cases accumulated from previous years. As of June 2012, SLO's total caseload consisted of 694 cases

Figure 4-2: Percentage of On-Going Cases and Locations, 2011



Source: State Law Office

Figure 4-2 depicts the percentage of the SLO on-going cases in 2011 by location of the courts in the main urban centres of Luganville in Santo and Port Vila. Just over three quarters of the on-going cases (76%) were from the Port Vila Supreme Court. Both the Court of Appeal and the Magistrates Court in Santo had no on-going cases as of December 2011.

The SLO noted that a proportion of its cases were cases which had been dealt with in the courts and judgments delivered but the costs awarded had not been paid. Such cases will not be closed by the SLO until all outstanding costs have been paid in full by the parties.

Unfortunately the SLO was not able to provide the number of its cases in which costs remain unpaid but notes that it is a considerable proportion of its caseload.

4.2 AVERAGE LENGTH OF SERVICE OF LEGAL OFFICERS

The average length of service for legal officers ranges between two and three years and the average turnover rate is still one staff per year. In 2011, only one person left the SLO. This indicates that the issue of the high turnover among Government legal officers is appropriately dealt with and stability is now achieved. The Vanuatu Government strategy was to review the salary structure in the SLO in comparison with the market rates and implemented a higher salary scale for lawyers entering Government legal office.

4.3 TIMELY DISCIPLINARY ACTION WITHIN THE PUBLIC SERVICE

Table 4-1: Disciplinary Matters within the Public Service

	2008	2009	2010	2011
Total new Registered Discipline Matters	16	35	32	41
Number determined	10	30	28	36
Out-standing	6	3	4	5

Source: PSC

A total of 41 discipline matters were registered with the Public Service Disciplinary Board (PSDB) in 2011. As of December 2011, 36 of these were resolved, dismissed or otherwise dealt with. The remaining five outstanding cases will be resolved in 2012.

Over the last five years there has been an increase in the number of both new and resolved discipline matters under the PSDB and the PSDB seems to be performing its function well.

Discipline matters referred to PSDB are delayed for the following reasons;

- PSDB members are not employed by the PSDB and the PSDB only meets when all have time available to attend.
- The legislation allows for lawyers to be involved in PSDB procedures, which can cause delays. It is the norm for officers under investigation to be represented by legal counsel to argue their case on their behalf.
- Delays in appointing PSDB members contribute to the delay in dealing with disciplinary matters.
- There will always be matters outstanding from previous years where complaints are filed with PSC towards end of the year so that the investigation and hearings occur early in the following year.

4.4 SOE'S PERFORMANCE AND PRIVATIZATION

The Vanuatu government has SOE's involved in commercial activities on behalf of the government. Most are performing well and have met their corporate objectives. Table 4-2 shows the list of SOE's and their status.

Table 4-2: Vanuatu SOE's

State Own Enterprises	Government Shareholdings (%)	Operation Status in 2011
Commercial SOE's Under the Companies ACT		
Vanuatu Post	100	Active
Air Vanuatu	100	Active
Vanuatu Livestock Development	100	Inactive
Airports Vanuatu	100	Active
Global Trading and Manufacturing	31	Active
Metenesel Estate	99	Inactive
Northern Island Stevedoring	10	Commissioned
Ifira Wharf and Stevedoring	34	Active
Vanuatu Abattoires	34	Active
Members Financial Services Limited (VNPF)	100	Active
Non-commercial SOE's under their own Acts		
Reserve Bank of Vanuatu	100	Active
Vanuatu Commodities Marketing Board	100	Commissioned
Asset Management Unit	100	Operations completed
Vanuatu Tourism Office	100	Active
Utility Regulatory Authority	100	Active
Vanuatu Financial Service Commission	100	Active
Vanuatu Telecommunications Regulator	100	Active
Commercial SOE's under their own Acts		
National Housing Corporation	100	Active
Vanuatu National Provident Fund	100	Active
National Bank of Vanuatu	100	Active
Vanuatu Agriculture Development Bank	100	Active
Vanuatu Broadcasting and Television	100	Active

Source: GBEU

There are 22 SOE's currently operating in Vanuatu of which 15 are corporatized and structured to operate along the lines of commercial principles. The remaining seven SOEs are government entities performing various non-commercial functions for the government. Of the 15 corporatized entities 5 are minority shareholdings, while 10 are majority owned by the Vanuatu government.

The Northern Islands Stevedoring Company (NISCOL) was commissioned in 2011 and an enquiry report was delivered to the government. As a result, the government appointed a new executive to run the company's affairs.

4.5 DECENTRALIZATION

The primary functions to be completed under the Decentralisation Policy as mandated by Decentralisation Act of 2011 and Municipal Act (2011) are the following:

- Devolution of government central power to the Provinces and Municipal Governments;
- Improvement of service delivery to the municipal and provincial level;
- Empowering the traditional authorities such as Chiefs, Churches, Women and Youth in managing the natural resources and service delivery;
- Building capacities of the provincial and municipal governments and enabling them to have proper infrastructures;
- To provide some form of autonomies to the provinces in order for them to make future decisions on their development destinies.

The amendments of the Decentralisation Act and Municipalities Act in 2011 brought key senior positions in local government under the Public Service Commission regulations. This resulted in the PSC appointments of the Secretary Generals of the provinces which includes the Town Clerk and accountant positions in the two municipalities of Port Vila and Luganville. Other senior positions within the provinces and municipalities remain vacant due to lack of financial resources.

An important part of the amendment of the Decentralisation Act was to legislate the role of the Technical Advisory Group (TAG) in each province. The TAGs consist of representatives of various government departments located in the province and this group provides specialist technical knowledge and input to issues raised by the Secretary Generals and the ongoing activities of the provinces.

The Department of Local Authorities hosted the Annual Local Authorities Forum in Saratamata in Ambae in 2011. The Forum delegates included Presidents Secretary Generals and Planners from the six provinces as well as the Mayors and town Clerks of the three Municipalities (Port Vila, Luganville and Isangel). The forum adopted 10 resolutions:

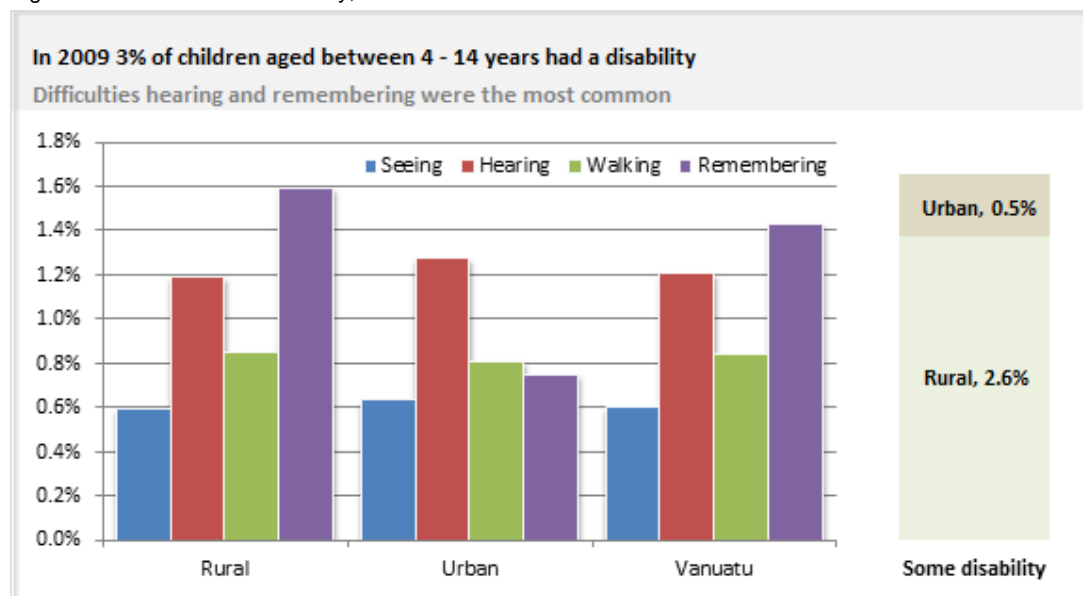
1. Division of Area Councils and Wards into smaller manageable areas
2. The creation of sub areas within Area Councils within a big land mass
3. Provincial Governments and Municipal Councils shall take the lead to build one Area Council HQ /Ward Council per year
4. Urgently acquire lands in Provincial Centers
5. .Urgently acquire lands in Area Councils
6. Installation of Smart Stream (financial software) in all Councils
7. Resolve that the SG, Presidents & Planners Forum will now be called the Local Authorities Forum
8. All LAs to develop skills development plan
9. Forum to meet every 2 years
10. Improve financial oversight of all local authorities by DLA

These resolutions were endorsed with implementation scheduled over two years with clear implementation plans of priorities activities to be developed along with the identification of the monitoring mechanism required to track the progress towards achieving the resolution

4.6 CHILDREN AND DISABILITY

Official statistics on disability are not collected annually; WHO estimates that globally 10% of the population has some form of disability which would mean that about 4% of disabled people in Vanuatu are children aged less than 15 years. The results of the 2009 Census of Population and Housing indicate that the rate is slightly higher in Vanuatu with 13% of the population reporting a disability; however only 3% of children aged between four and 14 years of age reported having one or more kinds of disability and 83% of these were in rural areas. Figure 4-3 shows the prevalence of the types of disability reported, bearing in mind that a person could have more than one type of disability (one or more difficulty seeing, hearing, walking and remembering or concentrating).

Figure 4-3: Children with disability, 2009



Source: VNSO

Vanuatu has developed an inclusive education policy but this has not been implemented because of the need for facilities, appropriately skilled teachers and assistants and teaching materials and resources for these children.

The Disability Society Vila is the only active organization providing services to disabled people living in rural areas who do not have enough access to education and health services. However it has very limited funds and only one rural field officer was active in 2011. There are some privately funded centres for children with disabilities and some schools have disabled children enrolled but access to education for disabled children remains very limited.

4.7 GENDER AND WOMEN’S DEVELOPMENT

Since the implementation of CRP, Vanuatu has made progress in achieving gender equality in the economic and social development of the country. The Department of Women’s Affairs (DWA) was created to develop, coordinate and review policies for gender equality in close

partnership with NGOs. A major achievement for DWA in 2011 was providing the National CEDAW (Convention on the Elimination of Discrimination Against Women) Committee with the material required to endorse the Vanuatu State's Party Report on the CEDAW to be submitted to the United Nations in 2012.

In 2011 the DWA and partners conducted a number of awareness raising workshops and re-established gender focal points in all ministries. The DWA provides other ministries assistance in mainstreaming gender into sectoral policies, projects and activities. Recent examples include the National Gender and Education Policy and National Gender and Lands Program. The department is currently working on incorporating gender issues into Lands Policy.

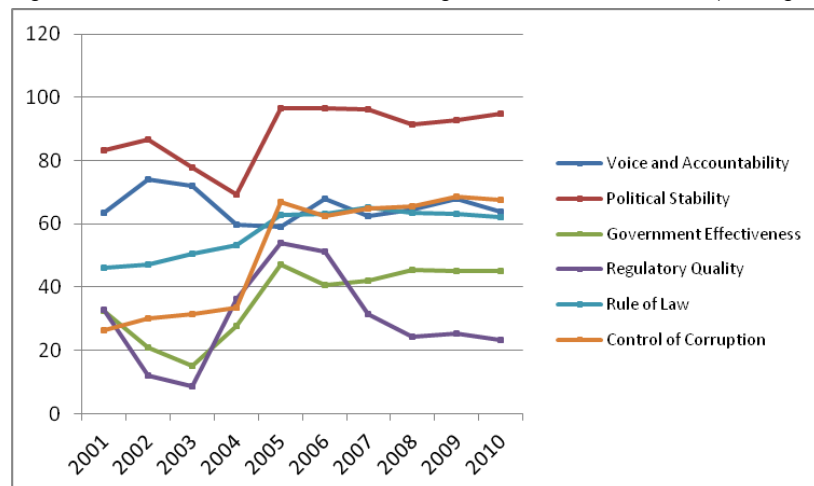
A review of the broader mechanisms for achieving gender equality including DWA and NGOs and other stakeholders in 2011. The objective was to identify ways to strengthen the role of DWA in coordination, planning, evaluation and monitoring the policy and program activities of Gender Equality and Women's Empowerment in Vanuatu.

In 2011, the DWA joined with the Vanuatu National Statistics Office in the publication of the Gender Monograph, a detailed gender analysis of the 2009 Census results which highlight a number of areas for evidence based policy development.

4.8 WORLD BANK GOVERNANCE INDICATORS

The impact of improvements in Good Governance and Public Sector Reform are difficult to define, measure and evaluate so the PAA recommends that the World Bank governance indicators were to be used instead. The World Bank governance indicators are updated annually using six dimensions of governance: Voice and Accountability, Political Stability, Government effectiveness, Regulatory Quality, Rule of Law and Control of Corruption and each country's performance is scored against these dimensions. The data for the governance indicators are gathered and analysed from aggregating views on the quality of governance from a number of sources.

Figure 4-4: World Bank Governance rankings for Vanuatu, 2001-2010 (ranking out of 100)



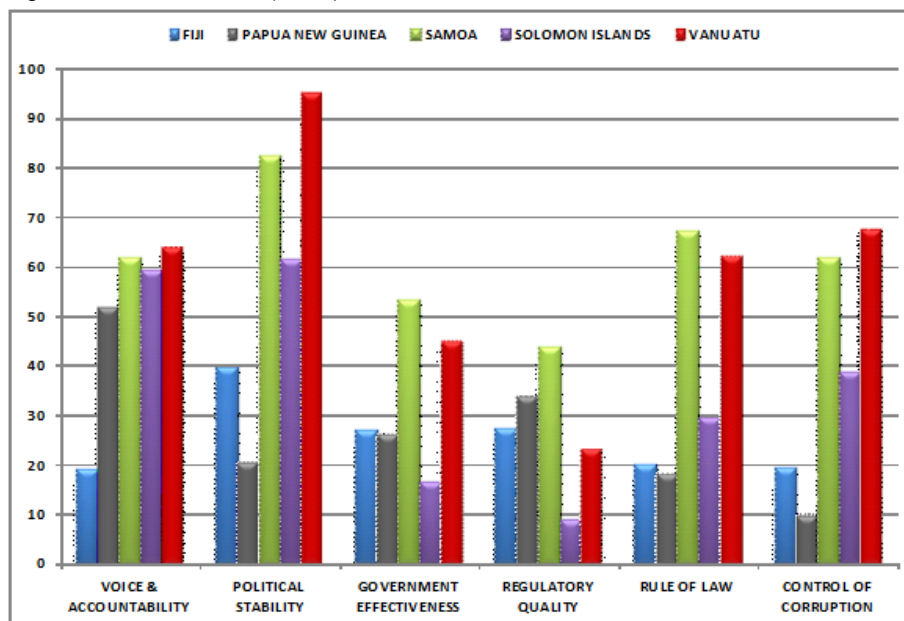
Source: World Bank

The World Bank has released its 2010 rankings which showed improved standing in political stability with no real change in government effectiveness, control of corruption and the rule of law. There has been a slight deterioration in regulatory quality and voice and

accountability; but this could be because the rankings of other countries improved and ‘pushed down’ the ranking for Vanuatu.

Government effectiveness refers to quality of public service, the quality of the civil service, and the degree of its independence from political pressure, the quality of policy formulation and implementation, and the credibility of the government commitments to such policies. When comparing all 5 countries in the region (Chart 4-5) Samoa is leading in terms of government effectiveness.

Figure 4-5: Percent ranks (0-100) of selected Pacific countries for the World Bank Governance indicators, 2010



Source: World Bank

Another perspective on the ranking is to look at Vanuatu in relation to other Pacific island countries, where Vanuatu ranks highest in voice and accountability and political stability. However it is behind Samoa on government effectiveness and rule of law; and ranks second to last in regulatory quality.

The 2011 ranking has not yet being published during the time this report went to printing.

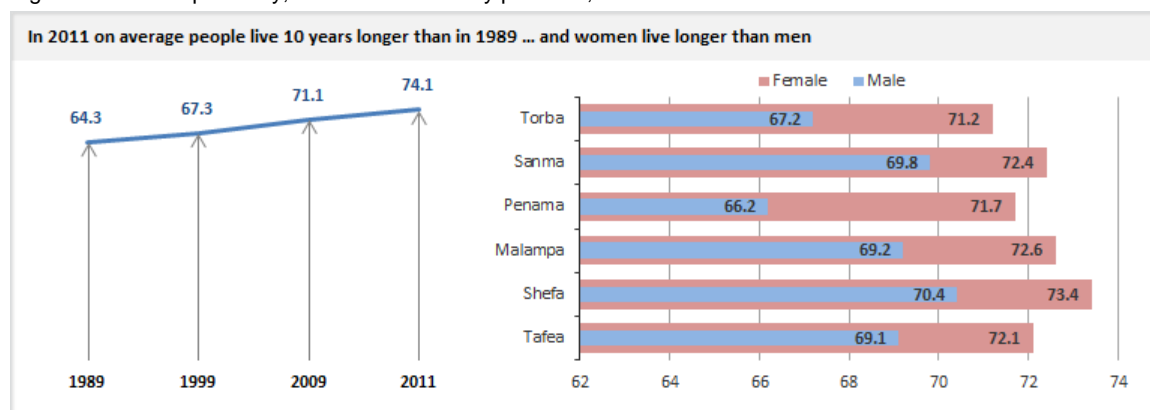
5 PROVISION OF BASIC SERVICES AND STRENGTHENING SOCIAL DEVELOPMENT

5.1 POPULATION AND HEALTH STATUS

The overall policy of the Government is to raise the welfare of the people of Vanuatu thus the PAA recognises that good health is a key determinant of long-term economic performance and development. The PAA 2006-2015 and the Ministry of Health Sector Strategy 2010—2016 identified four broad policy objectives that now guide health service delivery in Vanuatu;

- 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.

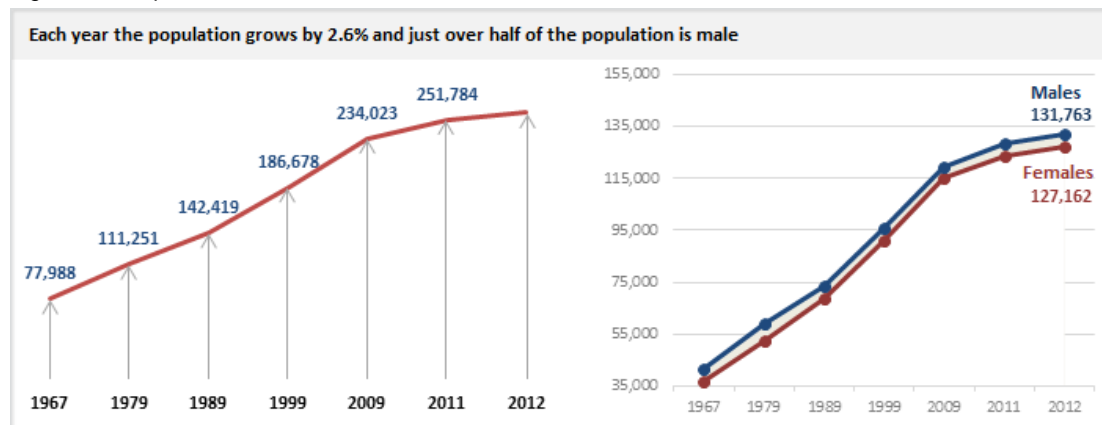
Figure 5-1: Life expectancy, 1989 – 2011 and by province, 2009



Source: VNSO

Vanuatu has a young population with 45% under the age 15 while the proportion of older persons while still low is increasing as shown in increasing life expectancy. This means that the Ministry of health is faced with both childhood and elderly health challenges and both communicable and non-communicable diseases being prominent; will become more expensive to deal with.

Figure 5-2: Population, 1967 – 2012



Source: VNSO

5.2 QUALITY OF CARE AND HEALTH ACCESS

The Ministry of Health delivers its health care services using the Primary health care approach. This is relevant mainly to rural communities across Vanuatu where Infrastructure is poor and preventable diseases prominent. Health services are delivered through two regional referral hospitals, three provincial hospitals, 29 operating health centers, 105 dispensaries and 256 aid posts. An increase of 33 health facilities operated in 2011 compared to 2010. A new hospital for the TORBA Province in its final stages of construction and will increase the number of hospitals to six in 2012. This health services network theoretically makes access of the population to health facilities in Vanuatu very high amongst developing countries at 1 facility per 618 people; however the staffing levels of facilities is a major concern, thus access to services in remote areas is still weak. Among other things, access is also limited by access difficulties in remote inland or island communities, poor road network, and irregular shipping . This also makes the cost of providing health services high.

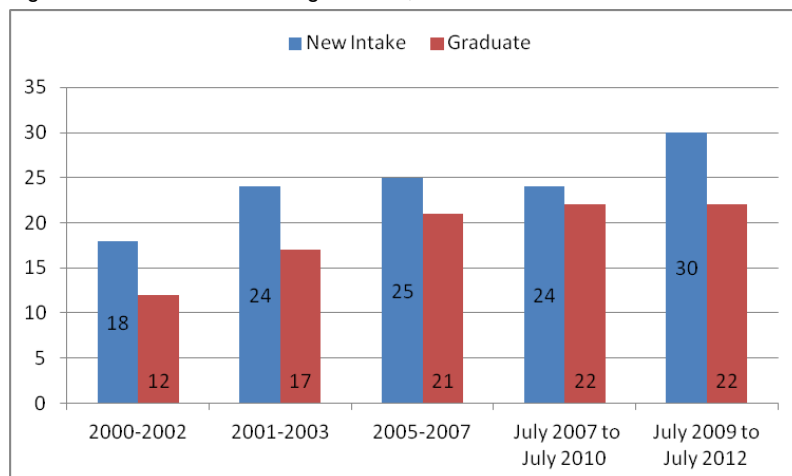
Table 5-1: Health facilities in operation in 2011 by Province

Province	No. of Hospitals	No. of Health centers	No. of Dispensaries	No. of Aid post	No. of MCH Clinics	Total Health facilities
Torba**	0	3	7	25	1	36
Sanma	1	6	22	51	2	82
Penama	1	6	23	51	2	83
Malampa	1	9	19	44	2	75
Shefa	1	4	19	37	3	64
Tafea	1	1	15	48	2	67
Total	5	29	105	256	12	407

**Torba Province opened a Hospital facility in 2012 that is yet to be fully functional. Source: MOH

In 2011 the MOH employed 30 doctors working in public hospitals around Vanuatu with a further nine doctors completing post graduate studies in PNG, Fiji, New Zealand and Australia. The challenge in Vanuatu is the concentration of doctors in the two regional referral hospitals of VCH in Port Vila and NRH in Luganville Santo. Vanuatu's population per doctor still remains one of the lowest amongst the Pacific Island states and is improving modestly.

Figure 5-3: Student intakes & graduates, 2000 – 2012



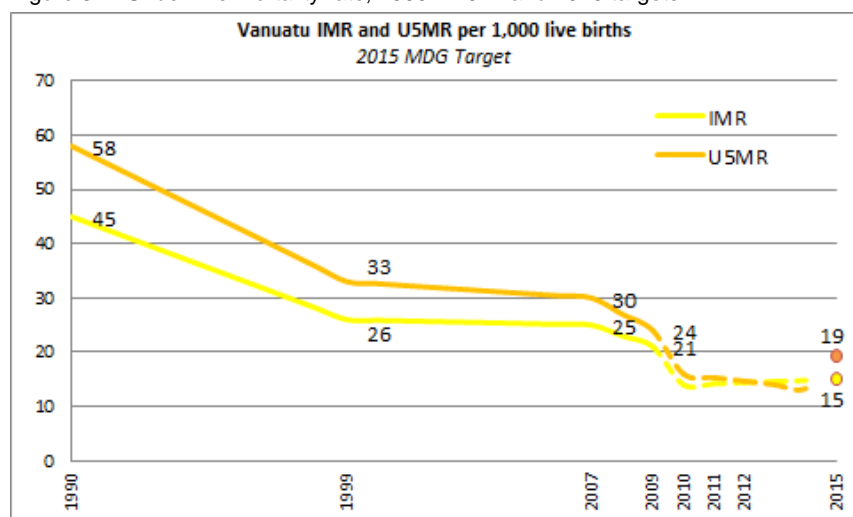
Source: MOH, VCNE

There are four main groups of health professionals delivering health care services in Vanuatu: doctors, allied health professionals, nurses, and public health officers. With limited doctors and the Primary Health Care approach, nurses provide outpatient services (immediate care) to patients as well as providing assistance to doctors in hospitals. The availability of nurses is therefore very important to health care access and quality of care especially in the rural communities. It is estimated that Vanuatu needs the services of a further 400 nurses while only 17 and 22 nurses graduate from the nursing college each year.

Increasingly public health programs are receiving additional funding from development partners; many of which relate to the achievement of the health related MDGs. The Government needs to increase funding at the periphery of these programs to accelerate achievements against targets. Systematic monitoring and reporting of these programs remain weak although periodic surveys are carried out to provide information for monitoring and evaluation. These include 2011 household based surveys for non-communicable diseases and malaria. Information on immunization has improved significantly with the WHO/UNICEF monthly joint reporting form; the monitoring and reporting system of TB and Malaria is a routine part of the program under Global fund.

5.3 UNDER FIVE MORTALITY RATE

Figure 5-4: Under five mortality rate, 1990 – 2012 and 2015 targets



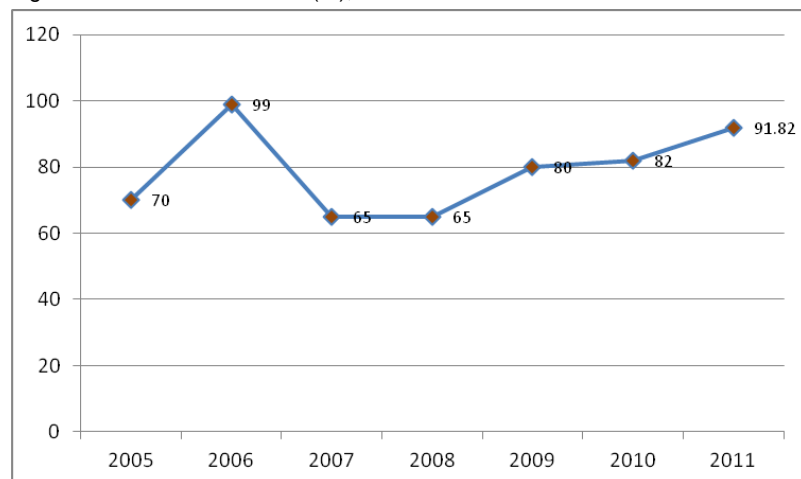
Source: VNSO compiled from national and international sources.

Decreasing under-five mortality rate has been attributed to rigorous public health interventions that improved antenatal care, increased proportion of deliveries attended by skilled birth attendants, and better referral system to access emergency obstetric care. The main component of under-five mortality is deaths of new born babies and infants aged under one year. Acute Respiratory Infections (ARI) are the main cause of ill health in infants aged under two years, with infants aged under two years accounting for 50% of all hospital admissions for ARI in 2011. The MOH has a number of strategies to reduce the rates of ARI, diarrhoea and neo-natal complications which are the main causes of infant mortality. The MOH is working to improve the health of , infants and children through its Integrated Management of Childhood Illness (IMCI) strategy; with improvements in reducing infant and child mortality expected to continue gradually if existing programs remain in place.

Low birth weight is often an indicator of not only the mother's health and nutritional status, but also the chances of the child to survive to its first birthday or first 12 months. In 2011, 8% of births recorded in the MOH information system were Low Birth Weight (LBW) babies; with high proportions of LBW babies recorded in TORBA and Malampa provinces with 70 and 53 percent respectively.

5.4 PROPORTION OF 1 YEAR OLD CHILDREN IMMUNIZED AGAINST MEASLES

Figure 5-5: Immunization rate (%), 2005 – 2011



Source MOH, VNSO

Vanuatu adopted the regional initiative of WHO to eliminate measles in 2012. A review of the immunization program in 2010 by UNICEF and MOH indicated coverage at 80% and an increase to 92% in 2011. Possible factors contributing to non completion of vaccination schedules include logistics difficulties for children in remote rural areas, population mobility, and parents' and caregiver's misconceptions in vaccines.

Teouma Bush Immunization Program, 2011



Source: MOH

5.5 CONTRACEPTIVE PREVALENCE

Family planning is not only programmed to control birth but is also carried out to address the health of the mothers and the children through the following three methods:

- Preventing early and/or late pregnancies
- Extending the period between multiple births and
- Limiting the number of children

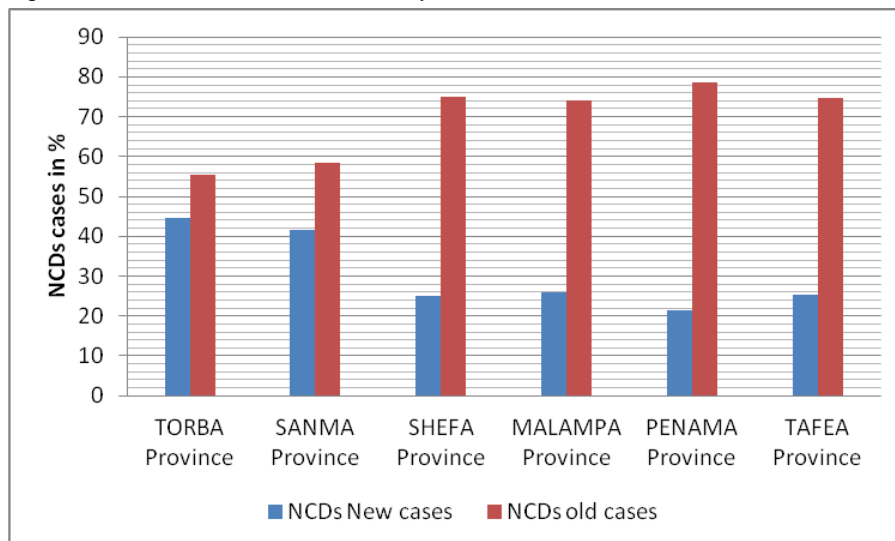
The MOH recorded 17,909 users of family planning products in 2011; 4,590 males (condoms and sterilization) and 13,319 females. The users of the common modern methods of contraception used in Vanuatu are namely; female sterilization, male sterilization, the pill (Micro lut and Micro gynon), IUCD, Deprovera and Condom (both male and female).

5.6 NON COMMUNICABLE DISEASES

Non communicable disease is a major health problem in Vanuatu. It is among the top 10 leading cause of death. In 2011 the MoH recorded 2,858 new NCD cases and 7,289 revisits many of which in urban and per-urban areas were related to the risk factors of low rates of

physical activity, high fat content in diets and obesity. Figure 5-6 below shows an alarming increase in the number of new NCD cases in Torba and Sanma provinces; where over 40% of NCD cases were new in 2011. In all other provinces between 20 – 25% of NCD cases were new with the majority of cases reported prior to 2011 with patients under long term care of medical staff and dependent on medications.

Figure 5-6: Non communicable disease by Province

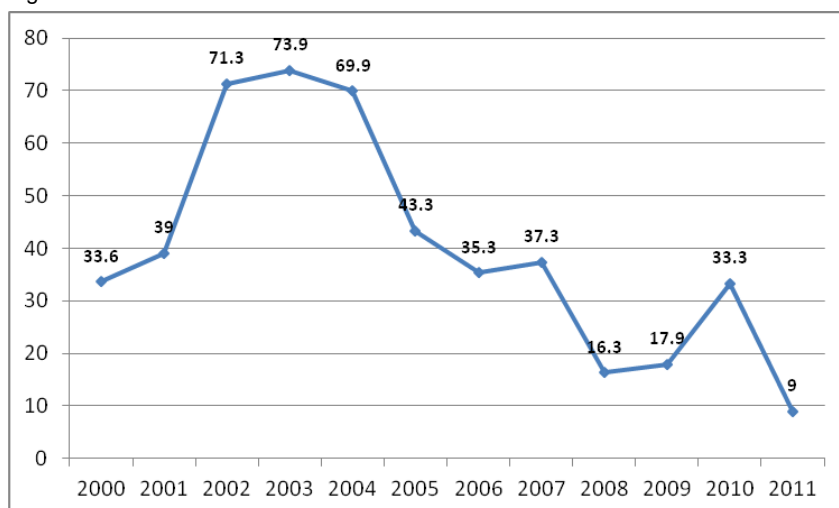


Source: MOH Annual Report 2011

5.7 MALARIA AND TUBERCULOSIS (TB)

Amongst infectious diseases malaria and Tuberculosis (TB) are major public health concerns; however the incidence of Sexually Transmitted Infections, Acute Respiratory Tract Infections, Diarrhoea and Viral Hepatitis is significant.

Figure 5-7: Malaria Annual Parasite Incidence

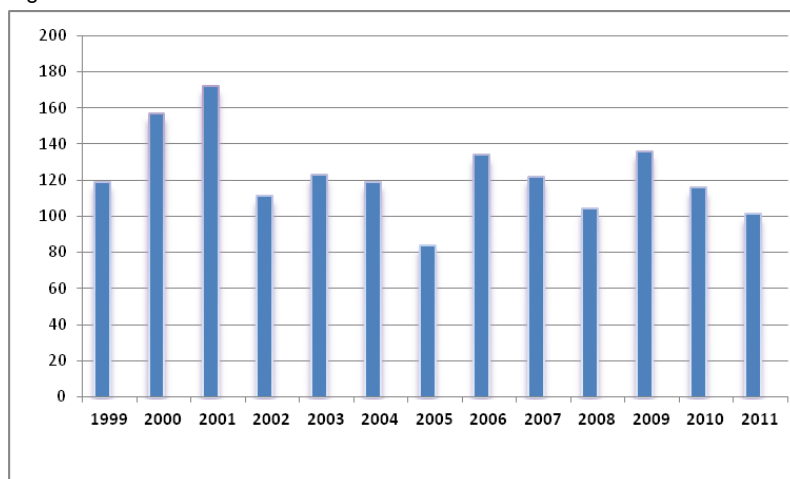


Source MOH

The Annual Malaria Parasite Incidence (API) decreased from a 2003 baseline of 73.9 positive cases per 1,000 inhabitants to 9 per 1,000 in 2011. This remarkable decline purports possible elimination of Malaria from Vanuatu by 2030, beginning in Tafea Province by 2014. This proves the effectiveness of the intensified malaria elimination program on increased

staff recruitment into the program, increased use of bed nets, where MIS (state in full) 2011 identified 71.6% of households having at least one bed net. According to the MIS low coverage is found amongst urban households and the rich.

Figure 5-8: TB cases 1999-2011



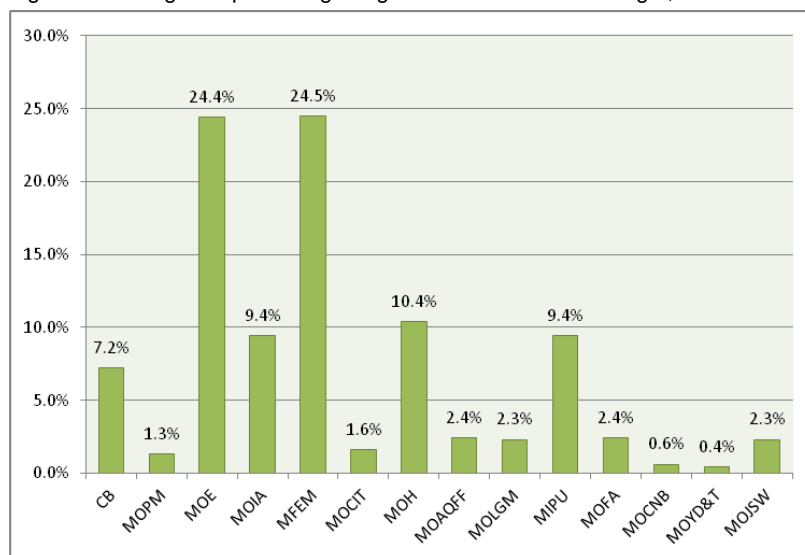
Source: MOH

There are on-going problems in tuberculosis case management with clients not maintaining the DOTs (Directly Observed Short Course Treatment) program resulting in the development of drug resistance and this imposes a further challenge to manage. This also means that the number of confirmed TB cases fluctuates annually by as much as 50 cases. The social behaviour and living conditions in villages and squatter settlements are major factors related to high TB incidence. With increased case detection facilities in 2012 (Lamap, Melsisi, Malao, Saramauri, Vaimali & Gaua), it is expected that the confirmed cases by end of 2012 will increase reflecting the increased capacity to test for TB and to date already eighth new cases have been identified in Malekula alone.

5.8 GOVERNMENT EXPENDITURE ON HEALTH (MILLION VATU)

The MOH is under-resourced both in terms of its human resources as well as its financial resources. Access to health care is the right of all of the people of Vanuatu; however the resources available to the MOH do not reflect this. In addition health service delivery requires highly skilled and qualified people which push up the MOH personnel bill, expensive technical equipment and drugs, not to mention the need for clean and safe health facilities and the expense of operating a referral system. Despite this, only 10% of

Figure 5-9: Budget as percentage of government recurrent budget, 2011



Source: MFEM
CB-Constitutional Bodies

the national budget in 2011 was allocated to health, compared to 24% for education.

CASE STUDY: THE IMPACT OF THE INTENSIFIED MALARIA CONTROL PROGRAM

Malaria is a major contributor to the overall burden of disease in Vanuatu and is therefore a public health concern, especially in rural areas. Since 2004, the government and donor partners (AusAID and GFATM) with support from the World Health Organization (WHO), Pacific Malaria Initiative Support Centre (PacMISC), and South Pacific Community (SPC) have implemented policies to control and eliminate malaria. Major milestones include scaling up activities for the national wide vector control program with the distribution of long-lasting insecticidal nets (LLINs) and the selective indoor residual spraying (IRS) program piloted in TAFEA Province. The second major milestone was the deployment of rapid diagnosis testing kits for malaria and the use of *artemether-lumefantrine* to improve case management.

In 2011 the Vanuatu Malaria Indicator Survey (VMIS) was conducted. It was a major national household survey was conducted to measure the outcomes of the malaria control program. The survey collected information to derive malaria prevalence, IRS coverage, access to malaria diagnosis, LLIN availability and usage, and treatment seeking behavior and malaria knowledge. The survey provides information for Tafea Province (elimination area) and the five other provinces combined (intensified control area). The MICS of 2007 provides the baseline malaria indicators.

Results

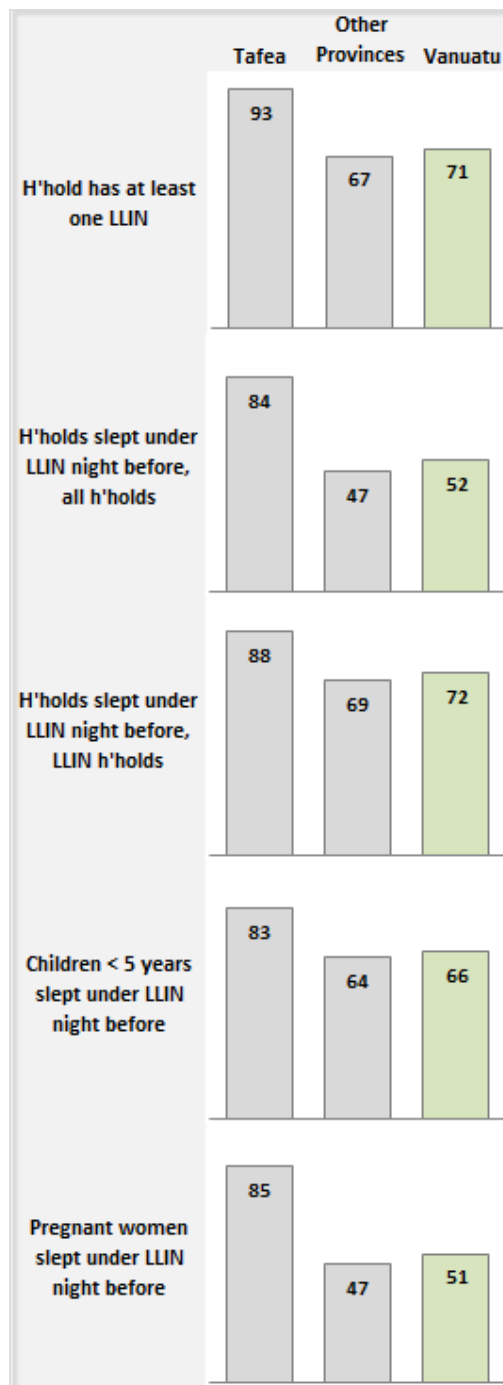
Malaria prevalence was 0 in Tafea and 1% in the other provinces

By microscopy, overall parasite prevalence was 0.6% (29/4,741), with 17.2% (5/29) of *P. falciparum*, 79% (23/29) of *P. vivax*, and 3.4% (1/29) of *P. malarea*. None of blood slides collected from Tafea province was positive; so malaria prevalence in Tafea was zero based on microscopy examination. The malaria prevalence in other combined five provinces was 1% (29/2,946).

Availability of LLIN increased from 68% in 2007 to 71%; in Tafea from 47% to 93%

Nationally, 72% of households owned at least one net, with 71% of households owning at least one LLIN and an average of 2 LLIN's per household. In Tafea province, 93% of households owned at least one nets or at least one LLIN and the average number of LLINs per household was 3.

Figure 5-10: Household characteristics, 2011



On the night before the survey 52% of respondents reported sleeping under a LLIN, with the proportion increasing to 72% within households owning at least one LLIN.

Among the high risk groups, 66% of children aged under age five years were reported sleeping under LLIN on the night before the survey; increasing to 81% in households owning at least one LLIN. For pregnant women, 51% were sleeping under an LLIN, increasing to 73% in households owning at least

one LLIN.

Knowledge on preventive measures was 99% for eligible women in 2011

99% of eligible women identified mosquito bites as the main cause malaria and 84% reported the use of mosquito nets as the malaria preventive method, while 21% reported indoor residual spray as an effective prevention measure.

A key result was that 93% of these women recognized fever as a symptom of malaria, and believed that malaria can kill. In addition, 40% had seen or heard about the current first line recommended malaria treatment (Coartem). There were no differences in knowledge between urban and rural areas, except that rural respondents had slightly better knowledge of the current first line recommended malaria treatment (45% versus 33%); perhaps because rural communities have received awareness programs or had a malaria episode and accessed treatment as malaria is more prevalent in rural areas.

95% would seek treatment within 48 hours of fever onset

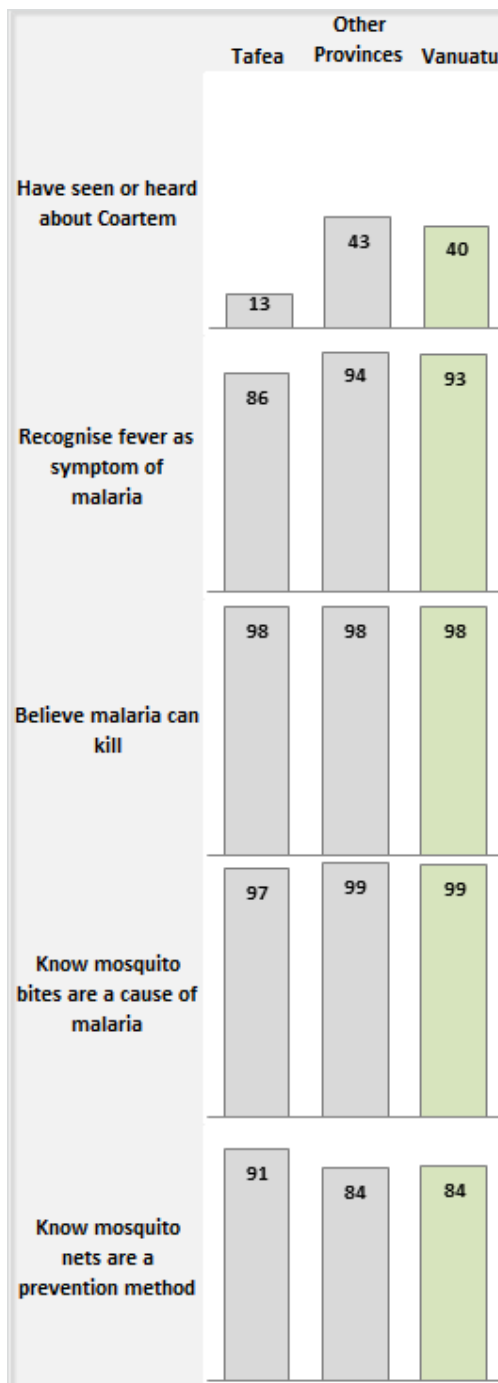
Nationally 75% children aged under five years reporting a fever in the two weeks before the survey sought medical attention from a health facility, with 64% of these children having blood tests for malaria. Of the children being tested, the 44% testing positive for malaria were all treated, almost 9 out-of-ten of whom took an antimalarial drug on the same day of fever onset. Rates of treatment seeking were slightly higher in Tafea, with 79% of children seeking medical attention and 23% having malaria blood tests with no positive results.

Overall 49% of respondents said they would seek for treatment within 24 hours after the onset of fever or symptoms, and 46% would seek treatment on second day after the onset of fever or symptoms. That means 95% of respondents would decide to seek treatment within 48 hours after the onset of fever or symptoms.

Nationally 84% of community aid posts had malaria medicine and tests

Generally people in the community use different levels of health facilities depending on accessibility and reason for seeking medical care. The survey estimated that 45% of communities in Tafea had an aid post and 49% of communities in other provinces had access. Of the communities with access, 89% of communities in Tafea and 84% nationally reported that malaria medicines and tests were available.

Figure 5-11: Eligible women aged 15-49 years knowledge about malaria



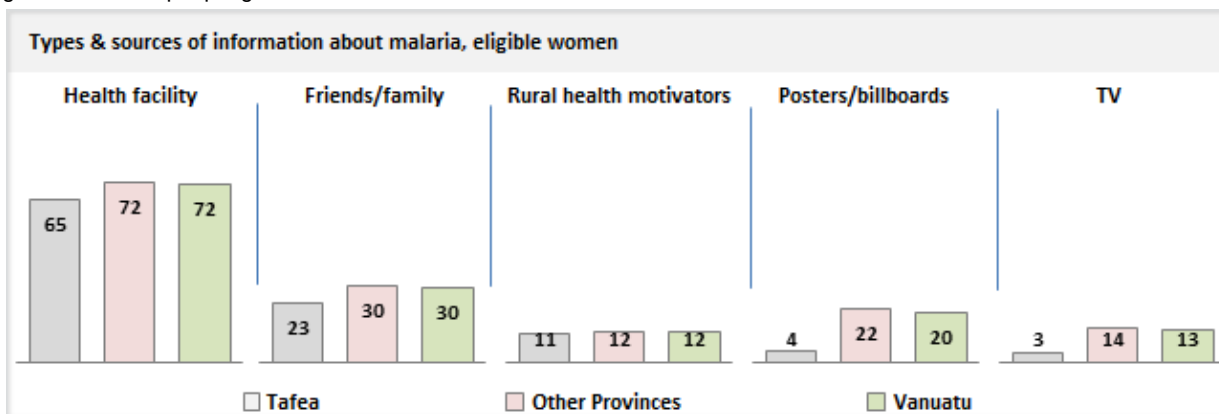
Future policy directions

The VMIS results show that Vanuatu has achieved low malaria prevalence and transmission even with limited coverage of malaria control interventions and integrated vector management activities. These should be maintained and scaled up in other areas. The VMIS identified several gaps in current strategies to improve to intensify control and achieve elimination. These include:

- (1) maintaining high coverage of LLINs and enhancing community knowledge about malaria prevention and safe behavioral practices; and
- (2) increasing community knowledge on the importance of seeking early diagnosis and treatment after the onset of fever.

By addressing gaps identified from the VMIS and continuing to strengthen key intervention areas, Vanuatu should reach its goal of malaria elimination by 2020.

Figure 5-12: Most people get malaria information from health facilities

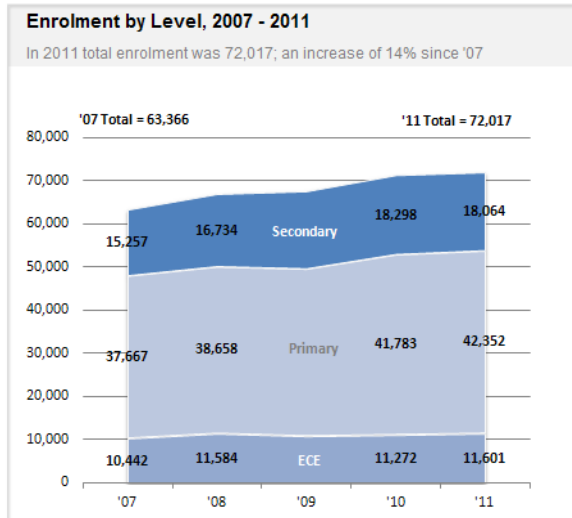


Source of all statistics Preliminary Summary Report on Vanuatu Malaria Survey 2011 (Ministry of Health) and MICS 2007.

6 EDUCATION AND HUMAN RESOURCE DEVELOPMENT

6.1 PRIMARY SCHOOL ENROLMENT

Figure 6-1: School enrolment and level, 2007 - 2011



Source: Ministry of Education (VEMIS)

education (year 1 – 6) is evident in the gross and net enrolment rates for this level. The Gross Enrolment Rate (GER) of 119% in 2011 shows that children both younger and older than 6 – 11 years are enrolled in Year 1 – 6. A closer examination of the age and enrolment data shows that the GER is high because of children older than 11 years enrolled in Year 1 – 6. The Net Enrolment Rate in primary education for the age group 6 to 11 years old was 88% in both 2010 and 2011. This means that the MOE estimates that 12% of children aged 6 – 11 years of age are not enrolled in school.

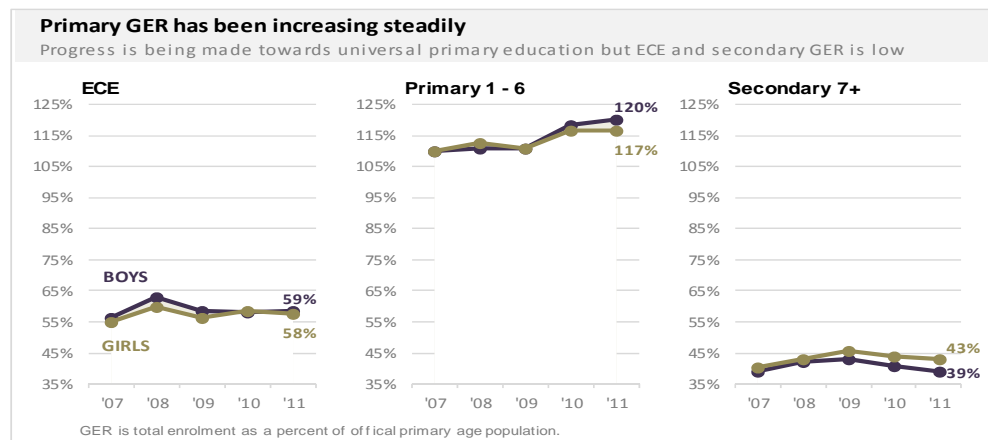
At ECE level the GER is 59% and the NER is 41% which means that just over half of the children entering Year 1 at primary level have not been through an ECE programme and will find the school environment in Year 1 challenging. The overall GER for secondary level in 2011 was 41% with the NER decreasing to 30%.

Increasing access to primary education is a priority goal for the Vanuatu Government under the Primary Education Policy that aims to enrol 100% of all children 6-11 years in classes 1-6 by 2015. In 2010 the Ministry of Education with its development partners implemented a school grants scheme subsidizing 365 primary schools parental contributions at 6,800 Vatu per pupil to ultimately make primary education free. There was a growth of over 3,000 children enrolled in primary schools class 1 to 6 in 2010 as a result and a total enrolment growth of 14% in 2011 since 2007.

6.2 PRIMARY SCHOOL ENROLMENT

The success of the Universal Primary Education (UPE) policy on primary

Figure 6-2: Gross Enrolment Rate (GER), girls and boys and level, 2007 - 2011

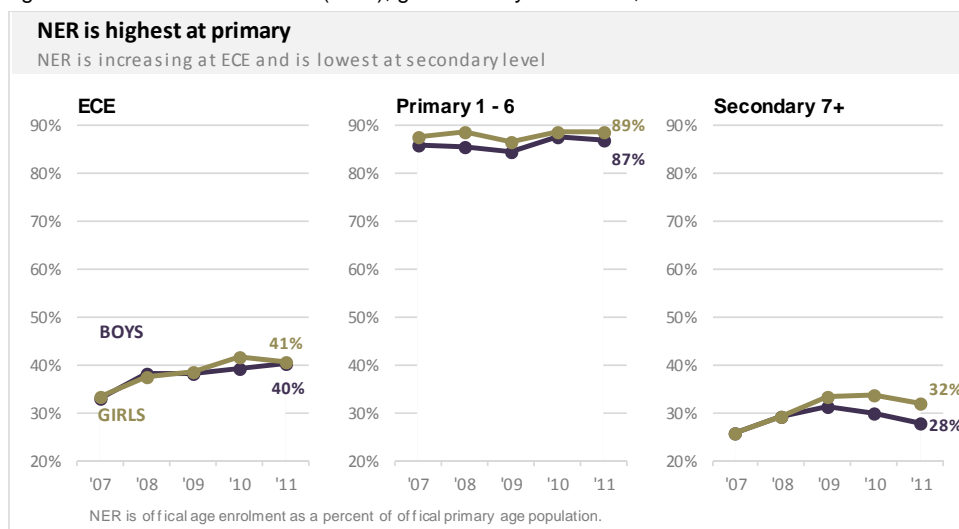


Source: Ministry of Education (VEMIS)

estimates that 12% of children aged 6 – 11 years of age are not enrolled in school.

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Figure 6-3: Net Enrolment Rate (NER), girls and boys and level, 2007 - 2011



Source: Ministry of Education (VEMIS)

The MOE needs to maximize the effectiveness of its primary policy to increase access to primary education through parallel policies to improve enrolment rates in ECE and providing alternative learning pathways to students completing the fee free primary cycle at Year 6 as the data shows that these children are not continuing on to secondary level education. There is still lack of resources devoted to monitoring and evaluating how the school grant is utilised". The government provides funding for 59% of all primary and secondary schools in Vanuatu, and provides financial assistance for another 22% of schools operated by religious denominations. The remaining 19% of ECE centres and schools are self-funding.

Primary School pupils in Class (Grade 4)-Vila East Primary school



Source: M&E unit

6.3 DROP-OUT, REPEATER AND PROMOTION RATE

Table 6-1: Drop-out, repeater and promotion rates, 2009 – 2011

Year	Primary Year 1 – 6			Secondary Year 7+		
	Drop-out rate	Repeater Rate	Promotion Rate	Drop-out rate	Repeater Rate	Promotion Rate
2009	2.1%	14.4%	83.9%	37.9%	1.9%	60.1%
2010	6.0%	15.1%	78.8%	39.9%	2.8%	57.2%
2011	8.0%	12.1%	79.9%	44.2%	3.0%	52.9%

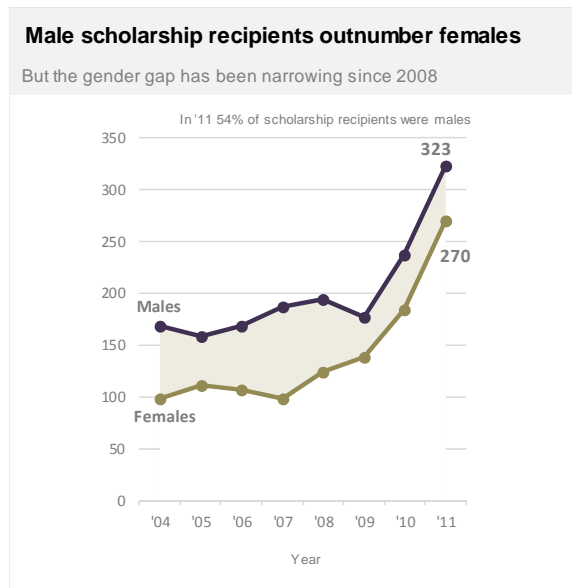
Source: Ministry of Education (VEMIS)

The Promotion Rate for Primary Year 1 – 6 has been around 80% since 2010. This means that 80 out of every 100 students advance through six years of schooling. Most of the students who do not advance repeat a year of schooling and a relatively low proportion (8% in 2011) drop out of school. At secondary level the dropout rate is much higher, with 44% not

completing secondary and dropping out and only 3% repeating a school year. Just over half, or 53%, of secondary students proceed through secondary school.

6.4 TERTIARY EDUCATION

Figure 6-4: Scholarship recipients, males and females, 2004 - 2011



Source: Ministry of Education (VEMIS)

The policy to increase the number of scholarships awarded continued in 2010 and 2011 with 593 scholarships awarded in 2011. The vast majority of scholarships were for degree courses making up 89% of scholarships awarded in 2011. Over half or 55% of the scholarships awarded in 2011 were funded by the government of Vanuatu, followed by 22% awarded by Australia and 17% by New Zealand. Students progress well through their scholarship courses, with 20% expecting to graduate in 2011 and only 3% failing to meet the requirements. In 2011 just over one in five or 22% of scholarship students were

studying commerce courses (including economics), compared with 18% studying arts, 12% science and 11% law. In 2011 4% of scholarship students were enrolled in education studies. The actual number of graduates could not be ascertained accurately but it is estimated that by the end of 2011, 119 students were expected to graduate from different universities in the region.

6.5 IMPROVED QUALITY OF EDUCATION

Quality education reflected in learning and teaching is a primary focus on education priorities in Vanuatu. It can be assessed by the outstanding student achievements, such as examination pass rates or other assessments of student's learning outcomes

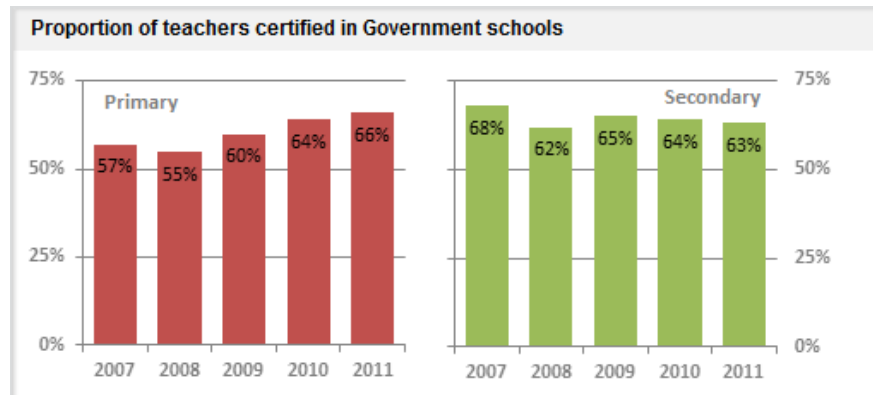
In 2010, the Vanuatu Early Grade Reading Assessment (VANEGRA) was carried in selected schools across the country. In the English schools most students developed some basic skills in Years 1, 2 and 3, however by the end of Year 3 only about 1 in 4 students were at the fluency level where they were able to understand most of the text they read. Results were similar in French schools. These results are similar to the standard test of achievement results for 2009. These consistently poor results from assessments at primary level in both language streams are of concern.

In 2010, 100% of children who sat the Year 8 exam passed to Year 9 while the proportion of students who passed the Year 10 exam was 38% in English schools and 100% in French junior secondary schools. This is a significant difference between the two languages and raises questions about whether the Year 10 selection criteria are consistent or whether there are other issues to address such as the number of places available in Year 11 classes in English schools compared to French ones.

There are two exams at the end of the twelfth year of schooling – the Year 12 English school stream and Année 12 French school stream. The twelfth year examination results for 2010 show better achievement in Year 12 English results; although the overall pass rates were not high. In 2010 there were 736 Year 12 English candidates and 461 Année 12 French students sitting exams. In English schools about 50% passed to Year 13 while only 25% advanced in French schools. In 2011 26% of the 524 French students sitting Année 12 passed compared with 56% of the Year 12 students passing.

The mediocrity of the examination results at various levels of schooling, particularly at the younger ages could reflect the high proportion of unqualified teachers along with other factors such as the rate of teacher absenteeism from the classroom, poor preparation of school lesson plans, inadequate in-service training and a lack of teaching resources.

Figure 6-5: Teachers certified in Government primary and secondary schools, 2007 - 2011



Source: Ministry of Education (VEMIS)

The MOE is working to improve the qualifications of teachers and established the Vanuatu In-Service Unit at the Vanuatu Institute of Teacher Education (VITE) in 2010 which offers Year 1-13 classroom teachers training with a curriculum designed specifically for their needs. Teachers learn how to incorporate lessons and to provide appropriate resources and learning materials into their teaching. They are also trained how to design assessment tools and align lesson plans with learning outcomes. The goal is to prepare today's teachers for tomorrow's demands in teaching. However, it is a large challenge for this program to deliver this one-year in-service course for all untrained teachers. The process of identifying the untrained teachers is ongoing; presenting the MOE with additional challenges about taking teachers out of the classroom and making sure replacement teachers are qualified. In 2011, 66% of primary school teachers were certified to teach and 48% had academic qualifications but not the specific certification for teaching. In secondary level, 61% of teachers had teaching certification while 39% had some academic qualification but not formal teacher certification.

6.6 SURVIVAL RATES

In 2011 for every 100 students who started Year 1 of primary 70 survive through five years of primary school to Year 6 compared with 97 in 2009. This means that based on 2011 statistics 30% of students do not complete five years of primary schooling. Within the three years 2009 to 2011, the survival rate to Year 5 decreased by 37%. At the same time as the survival rate decreased the proportion of drop outs in Year 1 – 6 increased from 2% in 2009 to 8% in 2011 and the 2011 repeater rate was 12%. The MOE is implementing 15 minimum quality standards to improve the quality of education and achieve the VERM strategic goals.

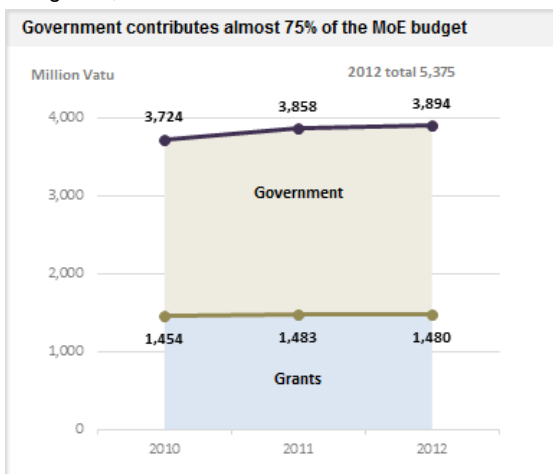
6.7 IMPROVE PLANNING, FISCAL AND FINANCIAL MANAGEMENT

The Vanuatu Education Sector Strategy (VESS) for 2007-16 focuses on better educational outcomes and education as a right achieved through achieving long-term strategies by implementing annual initiatives to achieve short-term results. The Vanuatu Educational Road Map (VERM) sets out the agenda for the development of education sector over the medium term. The MOE receives about 25% or one quarter of the Government recurrent budget. In 2010 and 2011, the Government increased its funds to the MOE by 16% showing its financial commitment to the free primary education policy and increased scholarships for tertiary study.

As of 2009 about just one say 23% of total government spending was allocated to education, which represents about 6% of the GDP. About 55% of these resources were allocated to primary education and 30% to secondary.

6.8 GOVERNMENT AND DONOR FUNDS TO THE MOE

Figure 6-6: Ministry of education budget from government and grants, 2010 - 2012



Source: MoE, Government Finance System Budget Appropriation 2012.

In 2011 the MOE received Vt. 3,857,879,096 from Government and a further Vt. 470,192,769 from major development partners (Australia, New Zealand and the United Nations). The combined Government and donor funds for education was almost 9% of the value of all of the goods and services produced in Vanuatu as measured by the Gross Domestic Product (GDP).

7 ECONOMIC INFRASTRUCTURE AND SUPPORT SERVICES.

The Ministry of Infrastructure and Public Utilities (MIPU) contributes to Vanuatu's social and economic development through the provision of professional and efficient transport infrastructure and services related to roads, wharves, airfields, ports, meteorology and geo-hazards, civil aviation water and telecommunication.

The MIPU is divided into five Departments:

- Corporate Services Unit (CSU);
- Public Works Department (PWD);
- Vanuatu Meteorology and Geo-Hazards Department (VMGD);
- Ports and Marine Department (P&M); and
- Civil Aviation Authority, Vanuatu (CAAV).

The 2011 MIPU Annual Report states that all five Departments are undergoing restructuring to facilitate delivery of new donor and government funded projects and programs such as the Vanuatu Transport Sector Support Program, Star Wharf Extension, Climate Change initiatives, increased telecommunications and ICT coverage nationally and Disaster Risk Management (DRM).

7.1 NEW ROADS CONSTRUCTED AND ROADS MAINTAINED

The PWD is responsible for maintaining the following infrastructure:

- 1,560 kilometres of roads (urban and rural);
- 26 outer islands airstrips;
- Urban and peri-urban water supply network (Luganville in Santo, Lakatoro and Norsup in Malekula and Isangel in Tanna); and
- PWD vehicle fleet and the MIPU buildings.

Table 7-1: PWD major activity on road maintenance, kilometres, 2010 – 2011

Year	Province					Total
	Sanma	Penama	Malampa	Shefa	Tafea	
2011	115.9	26.3	67.7	19.9	60.1	289.9
2010	50.9	74.9	91.0	71.6	22.9	311.3

Source: Ministry of Infrastructure and Public Utilities - Annual Report, 2010 – 2011

Table 7-1 contains the estimated kilometres of major road maintenance in the provinces undertaken by the PWD in 2010 and 2011. PWD notes that maintenance work did not meet 2011 targets and is lower than 2010 because of:

- Insufficient budget
- Old poorly maintained equipment (some 20 years old)
- Limited staff in the provinces (30% vacancies)
- Poor weather conditions
- The completion of major road projects in 2010 in Penama, Malampa and Shefa.

As part of its response to these challenges, in 2011 the PWD submitted a revised organisational structure to redress human resource capacity needs which was approved by the PSC. The 2012 budget submission is based on this new structure and providing adequate resources (including equipment) to meet road maintenance targets. The road

maintenance implementation plan was drafted and is being implemented to better manage the maintenance programme.

For the first time in 2011 the PWD adopted a participatory approach to budget and Business Plan preparation. The Department prioritised its activities and work program in consultation with stakeholders including the Provincial Governments, communities, the government and private sector contractors. These stakeholders all have different needs, roles and interests which the PWD attempts to accommodate within its resources.

The Government allocates Vt 500 million to the PWD for road maintenance. This was part of an agreement between the Vanuatu Government and the US government to construct the two major roads in Efate and Santo. The 2011 budget allocation by location as shown in Table 7-2.

Table 7-2: PWD road maintenance budget allocation, location, 2011

Location	Share of Budget allocation (%)
Head Office	16
Torba	5
Sanma	18
Penama	12
Malampa	13
Shefa	19
Tafea	16

There is a need to analyse the detailed budget according to the proportions of budget allocated for wages and salaries, building new roads and maintaining existing road networks by provinces. This should help the MIPU to identify and manage priority tasks and resource allocation.

Source: MIPU, 2011

According to the report from VBMS viewed on the 16th of May 2012, the PWD has overspent its 2011 road maintenance budget by just over 11%.

7.2 ROLE OF LOCAL COMMUNITIES AND ISLAND BASED CONTRACTORS IN ROAD MAINTENANCE

In 2011 the PWD implemented a new outsourcing business model and this has been very successful. The outsourcing business model was introduced with support from the Vanuatu Transport Sector Support Project which is in line with PAA and PLAS planning priorities to encourage Public Private Partnerships (PPPs) and economic development in the provinces. The PWD contracted 28 Island Based Contractors (IBCs). These contractors are supervised by qualified site inspectors from the PWD. This new Public Private Partnership model and contracting system have improved the delivery of appropriate road maintenance, stimulating the island economies and speeding up road maintenance work around the provinces

7.3 CIVIL AVIATION SERVICES

The Civil Aviation Authority of Vanuatu (CAAV) was established through an Act of Parliament in 1999 and is the regulator to the airline industry.

In 2011, there were two air traffic accidents in Vanuatu. The first one involved a forced landing at a hotel golf course in Port Vila by YJ-FLY, causing no deaths. The second accident involved a helicopter crash in Malekula resulting in the death of the pilot. Both accidents occurred in the month of August 2011.

Personnel licensing (PEL) is an important activity that concerns flight safety in all domestic and international flights. Table 7-3 depicts the number of Pilot and engineering licenses issued and renewed in 2011 with a total of 127 pilot and 17 engineering licences issued.

Table 7-3: Pilot and engineering licenses issued and renewed 2011

Licence type	Issued	Renewed
Pilot	44	83
Engineering	9	8

Source: MIPU Annual Report 2011

The MIPU Annual Report for 2011 did not contain any information about air strip closure. Disagreements about land leases for airstrips continue, which affected the operations of a number of air strips including Craig Cove in Ambrym.

7.4 UPPER AIRSPACE AGREEMENT

The Upper Air Space Agreement between the Government of Fiji and Vanuatu remains an outstanding issue. According to the MIPU Annual Report, Vanuatu does not have the required technical equipment to control its own sovereign air space. This is done by Fiji which collects the money and pays a dividend to the Vanuatu government based upon an agreed formula that takes into account services provided by Vanuatu’s ground based navigational equipment.

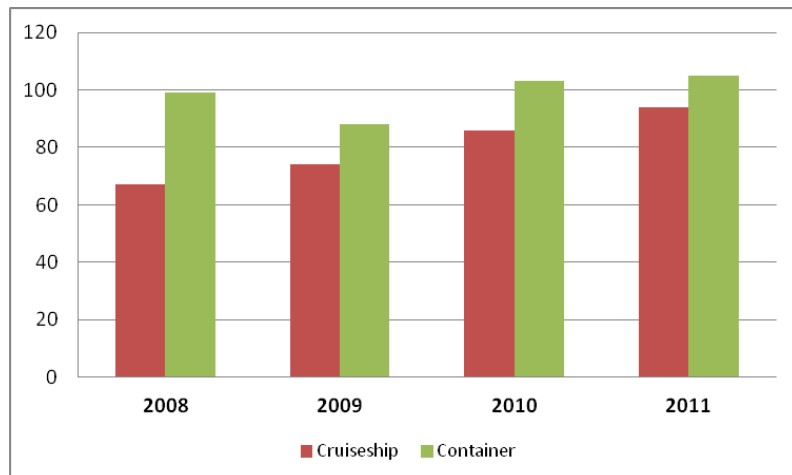
CAAV confirms plans to conduct feasibility study into this matter before formal renegotiation with Fiji, but financial constraints has delayed this important priority.

7.5 PORTS AND HARBOURS

Government policy for marine transport has concentrated on developing and maintaining Vanuatu’s shipping infrastructure so that people, communities and business can effectively participate in national and international trade. Priorities are to:

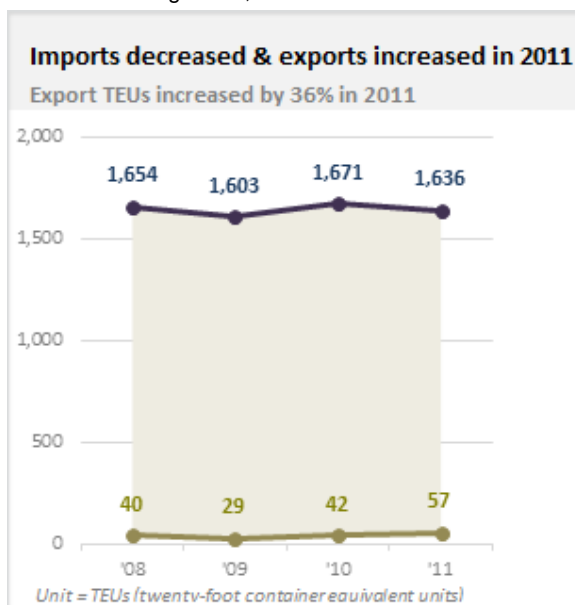
- Maintain and upgrade existing wharf infrastructure;
- Improve management of the sector through improved consultation with ship owners and other stakeholders;
- Improve operational efficiency in the ports and eliminate subsidies;
- Improve and maintain safety standards through regulatory measures and seafarers training.

Figure 7-1: Ship calls to Port Vila and Luganville, 2008 – 2011



Source: MIPU 2011 Annual Report.

Figure 7-2: Container TEUs imported and exported at Port Vila and Luganville, 2008 – 2011



Source: MIPU 2011 Annual Report

Figure 7-1 shows the past four year's activity at the two main wharfs of Port Vila and Luganville. Accurate records are not maintained for ports in other parts of Vanuatu. For the two main urban centres, it shows the steady annual increase in cruise ships and a reasonably stable number of calls by container ships. There were 94 cruise ship calls and 105 container ship calls in 2011. There was an increase in the number of visits by container ships in 2011 compared to 2010 with an associated increase in the volume of cargo exported consistent with the increased export activity in 2011 discussed

in Chapter 2.

In 2011 the Ports and Marine Department initiated a review of the two laws governing ports and shipping. The first part of the review involved a needs assessment, along with the resources and governance structure required to operate and manage the ports and shipping in Vanuatu to international standards. The study was funded by the ADB.

The Ports and Marine Department established a new section to enforce compliance with the Shipping Act. A feasibility study was completed for the restructuring of the maritime sector with funding support from donor partners. The program of improving shipping infrastructure continued with work progressing on the extension to the Star Wharf, maintenance of provincial wharves and plans finalised to further lengthen Star Wharf and build new domestic wharf facilities.

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7.6 METEOROLOGICAL SERVICES

The Vanuatu Meteorology and Geo-Hazards Department (VMGD) provide vital timely and accurate meteorological forecasting and reports. Government policy emphasises upgrading the VMGD's forecasting and monitoring equipment with

the long term goal of improving the VMGD's operations and to provide timely and accurate weather and climate forecasting and wider dissemination of warnings.

Tug MV Roimata II departing for maintenance in Fiji



Source: Ports & Marine Department

In 2011 the PSC approved the merger of the Meteorological Department and the Geo-Hazards in the Ministry of Lands to position the combined department to better coordinate emergency and climate change preparedness and response. Geo-Hazards were moved into the meteorological building while the merger was reviewed by PSC with its operational budget remaining under the Ministry of Lands, making financial operations challenging.

In 2011 the VDMG launched 24/7 reporting (24 hours a day, 7 days a week), remote sensing and real time hazard reporting –immediate forecasts and warnings to the public and clients were issued. This expansion in service increased staffing and salary costs.

The Meteorology Department has improved the reliability, accuracy and frequency of reporting of weather forecasting and warnings for the following audiences:

- Public (updates every four hours for local radio stations and daily for newspapers)
- Marine sector (daily on local radio stations including high and low tide forecasts)
- Aviation sector (four hourly weather forecasts for the main air terminals and routine forecasts for the national airline).

In addition all daily weather forecasts and updates are available online via www.meteo.gov.vu.

7.7 GEO-HAZARDS

The Geo-Hazard Unit informs and educates the general public on various disaster risks. Government policy aims to upgrade monitoring systems for better responses to volcanic, seismic and tsunami events in Vanuatu.

According to the MIPU 2011 Annual Report, there were three seismic monitoring stations for the national tsunami warning system installed in Efate. The Department installed six seismic monitoring stations for research since 2008. In 2011 there were seven volcano monitoring alert systems operating.

Table 7-4: Summary of major outputs of the seismic monitoring network in 2011

Activity	Outputs and results
Improving scientific data for geo-hazard monitoring	<i>The Vanuatu National Data Centre was launched. It means that Vanuatu can now access the Comprehensive Nuclear Test Ban Treaty Organisation (CTBTO) database centered in Vienna, Austria to retrieve data on seismic, hydro-acoustic, infra-sound and radionuclide from the international CTBTO monitoring network.</i>
Improving scientific data for earthquake monitoring	<i>SEISCOMP3 earthquake determination systems have been installed and operating to locate the position of earthquakes.</i>
Vanuatu Seismic Network upgrade	<ol style="list-style-type: none"> 1. <i>There was a major upgrade with the Efate system to improve data transmission to main office in Port Vila.</i> 2. <i>There was also a major upgrade on the SANVU station for earthquake detection and integrated into Vanuatu tsunami warning system.</i>
Reinforcement of Ambrym volcano monitoring station	<i>Ambrym station now transmitting data on level of volcanic activity through the e-government ICT network to the main office in Port Vila.</i>

Source: MIPU 2011 Annual Report

7.8 PROVISION OF ELECTRICITY

The Government is committed to increase access to electricity at a reasonable and affordable price throughout Vanuatu. The Utilities Regulatory Authority (URA) continued its review of electricity tariffs and undertook arbitration proceedings on behalf of the government that concluded in May 2011, and achieved an overall 4.7% percent reduction in electricity prices throughout Vanuatu. The new tariff and tariff structure were implemented by the utilities across all areas managed under concessions (Efate, Luganville, Malekula, Tanna and Espiritu Santo).

At the end of 2010, the Pernix Group took over the electricity concession for Luganville and surrounding areas operating as Vanuatu Utilities and Infrastructure Limited (VUI). During 2011 VUI rebuilt two-thirds of the hydro generation and brought back on line deteriorated backup diesel assets while extending the network into previously un-served communities and lowering the power cost to its customers.

Vanuatu has two private electricity utility operators, serving approximately 12,900 customers. UNELCO has a long history in the previously franchised market while VUI entered the market on 1 January 2011. The network is small, both in terms of capacity and distance covered.

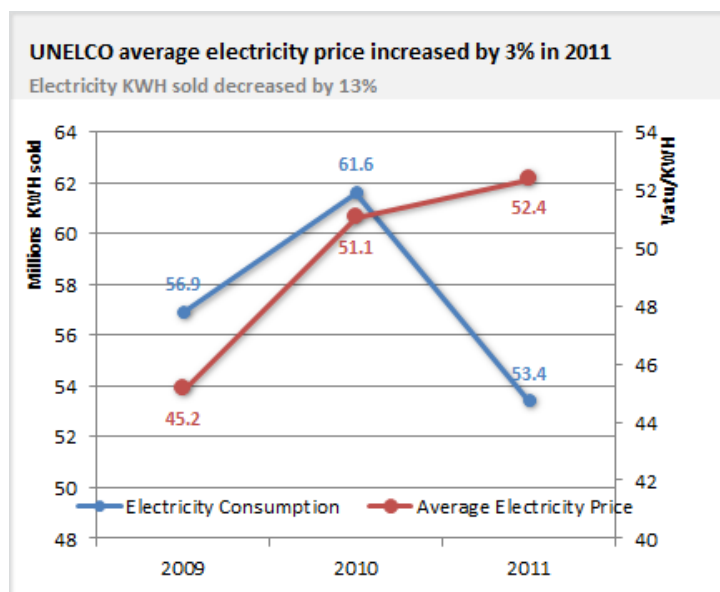
Table 7-5: Vanuatu commercial electricity network, 2011

Utility	Customers	Installed Capacity (MW)	High Voltage Network (km)	Low Voltage Network (km)
VUI	2,339	4.1	67	61
UNELCO	10,580	26.6	234	267

Source: URA, Vanuatu Utilities and Infrastructure Ltd (VUI) Performance Report, July 2011

In 2011 electricity sold by UNELCO decreased by 13% compared to 2010; most of this was a result of the loss of the Luganville concessionary agreement. Between 2010 and 2011 there was a 3% increase in the average electricity price linked to increase costs of fuel (both diesel and coconut oil).

Figure 7-3: UNELCO electricity sold (KWH) and average price (Vatu/KWH), 2009 – 2011

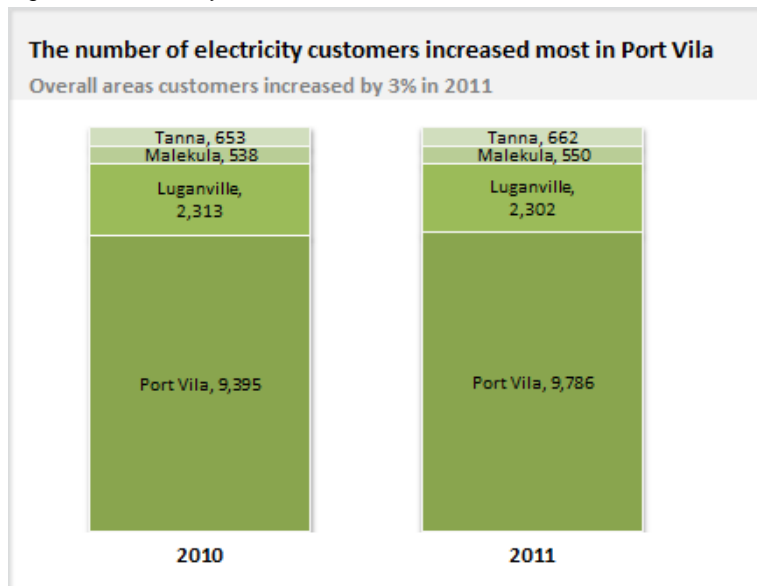


Source: UNELCO Annual Technical Report 2010, 2011

There was a 3% increase in the average electricity price linked to increase costs of fuel (both diesel and coconut oil).

The URA publishes information about the number of customers in the four concessionary areas. In 2011 there was a 4% increase in the number of customers in Port Vila compared with 2010; with an overall 3% in customers.

Figure 7-4: Electricity customers, 2010 – 2011



Source: URA, Annual Report 2011

7.9 PROVISION OF WATER

Providing sustainable access to improved drinking water is an important priority of the Government. Government policy is to expand the coverage of improved water supplies in rural areas. The current management of rural water supply systems is fragmented with the Department of Geology Mines and Water Resources (DGMWR) and communities managing their water supplies. UNELCO manages Port Vila water supply, and the PWD manage the water supply systems for Luganville and three Provincial government headquarters (Lakatoro, Isangel & Luganville).

There is no statistical information on the existing and new water systems installed every year so it is difficult to report the proportion of population with access to improved drinking water on an annual basis. The most reliable and recent data on access to water was recorded during the 2009 census which showed that about eight out of every ten households were using an improved drinking water source.

Vanuatu is on track to achieve the target of 84% of the population with access to safe drinking water by 2015. But meeting this target will not be easy. Challenges include:

- Limited institutional capacity of Water Supply Department to meet targets;
- Unclear governance arrangements of institutions and agencies having responsibility over water resources.
-

The overall objective of the National Water Strategy 2008-2018 is to improve policy and working practices within various agencies responsible for water supply. To date the strategy has not been implemented because of lack of coordination mechanisms between the different agencies involved.

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