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New Zealand's International
Aid & Development Agency

NZAID/VANUATU
DEVELOPMENT PROGRAMME STRATEGY
2006-2010

**NZAID/VANUATU DEVELOPMENT PROGRAMME STRATEGY
2006-2010**

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DEVELOPMENT PROGRAMME STRATEGY

REPORT

EXECUTIVE SUMMARY

1. This Country Strategy provides a strategic direction for the NZAID/Vanuatu development cooperation programme, for the 2006-2010 period. It has been developed on the basis of a Desk Study carried out in September 2005 and Country Strategy Review (CSR) in-country consultations held in Vanuatu 10-18 October 2005.

2. The Country Strategy draws directly on Vanuatu's key development plan, the Priorities and Action Agenda (PAA), and NZAID policies and practice. The Strategy focuses on reducing poverty and hardship and on strengthening the capacity of the Vanuatu Government to take the lead in directing development policy priorities and coordinating donor inputs. NZAID addresses poverty elimination as both a development and a human rights issue. It acknowledges that human rights and equitable and sustainable development are interdependent and mutually reinforcing. Development is essential to realising human rights and realising human rights is essential to development.

3. The Strategy's describes the programme aim for 2006-2010, the three priority areas in which NZAID will work, the objectives for those priority areas, and the outcomes sought. It also outlines how NZAID will engage to maximise the impacts of the development assistance. An initial Logical Framework Analysis matrix for the programme is included.

4. The programme aim for the 2006-2010 period is:

To reduce poverty and hardship, particularly in rural areas and to support a more stable and prosperous Vanuatu.

5. This programme aim reflects Vanuatu's national development priorities set out in the PAA, and the outcome of bilateral consultations during 2005, which confirmed the three priority areas for the NZAID programme. Each of these areas faces significant challenges. The three priority areas are:

- **Education**
- **Governance**
- **Economic Development**

Objective One: Education

To support the delivery of quality basic education to all Vanuatu children, particularly in rural communities.

6. Vanuatu is seeking to extend free basic education to Year 8 and to cope with the rapidly growing rolls that reflect high population growth, at the same time as coordinating a complicated array of project-based donor inputs. Support for basic education will be the priority for NZAID's support to the social sector. NZAID will support efforts to strengthen sectoral coordination for education and will work to align its own educational resources more closely to Vanuatu's needs. This is likely to be through a Sector-Wide Approach (SWAp), following endorsement of this approach by the Vanuatu Council of Ministers in early 2006. Specific assistance to the sector may also be maintained under the long-standing Education Assistance programme.

7. NZAID will continue to work with the Vanuatu Government to conclude an agreement on tertiary scholarships and training awards, which will consider the best mix of awards to support Vanuatu's national human resource priorities. Scholarships and training awards will also be drawn on to support the agreed objectives of the bilateral programme.

8. Under this objective, NZAID will seek to contribute to the following high level outcome:

- Improvements in quality and access for all in basic education and particularly rural areas, achieved by 2010.¹

Objective Two: Governance

To build demand for and improve governance, accountability, and community safety.

9. NZAID will be taking forward the **governance** strategy jointly agreed with Vanuatu under the 2000-2005 Country Strategy, with continued support for strengthening institutions of central government shifting to a second phase with a greater focus on provincial government, and increased support for civil society. A conflict analysis will be completed and conflict prevention objectives will be mainstreamed into programmes.

10. Under the Governance objective, NZAID will focus on contributing to the following outcomes:

¹ More specific outcomes at national, provincial and local level will be identified following the decision on whether to proceed with an education SWAp.

- Communities and civil society in Vanuatu are empowered to help strengthen accountability, democratic process and legitimacy in government
- Strengthened local government and improved service delivery in rural areas
- Increased safety and security of the general population
- Reduction in actual and potential conflict associated with disputes over land ownership and user rights

Objective Three: Economic Development

To increase economic growth and strengthen livelihoods, particularly in rural areas.

11. While Vanuatu has recorded some positive economic results in recent years, the vast majority of ni-Vanuatu are not reaping the benefits, either in the form of increased family incomes or improved social services. NZAID is currently working with the Vanuatu Government on how best to guide support for broad-based growth of the Vanuatu economy over the 2006-2010 period, focussing on the productive sectors. This will build on guidance provided by the revised PAA.

12. Under this objective, NZAID will seek the following outcomes:

- Improved family livelihoods and employment opportunities for rural communities²
- Increased private sector investment

Other Social Sector Outcomes – Water and Health

Water

13. NZAID will support Vanuatu to strengthen water service delivery, including help in coordinating the heavily donor-dependent water resources sector, as Vanuatu works toward the Millennium Development Goal (MDG) of halving the number of people without access to clean water by 2015. Civil society organisations play a significant role in this sector providing opportunities for strengthened partnership.

14. NZAID will seek the following outcome:

- Improved access to clean drinking water in rural areas.

² More specific short and medium term outcomes will be identified in consultation with the Vanuatu Government after completion of the MTSF and the NZAID EDS Strategy.

Health

15. NZAID recognises that Vanuatu also faces challenges in the health sector including: maintaining the fight against malaria and tuberculosis; improving maternal and child health indicators and vaccination rates; and addressing the growing incidence of lifestyle diseases and the increasing threat of HIV/AIDS. Due to the need to focus NZAID's bilateral efforts, assistance through regional health initiatives is likely to continue to be the primary delivery mechanism for assistance in the health sector.

Implementation

16. Subject to NZAID and the Vanuatu Government being able to develop and agree appropriate activities aligned to this strategy, NZAID hopes to progressively increase the bilateral programme to Vt 1.2 billion/NZ\$16.5 million per annum by 2007/08, more than double its 2005 level. Assistance from regional programmes and through multi-lateral agencies supported by NZAID will be in addition to this. In order to support the expanded programme, NZAID will strengthen its human resources within the New Zealand High Commission in Port Vila from 2006.

17. Implementation of the programme will reflect principles of partnership and aid effectiveness, and will draw on and complement regional initiatives. Cross cutting policies (gender, conflict prevention and human rights, HIV/AIDS, emergency/disaster mitigation and the environment) will be mainstreamed into all programmes. Lessons learned from the 2000-2005 period will be factored into project design and evaluation during 2006-2010. There will be an important role for NGOs and civil society groups in implementing the programme, and NGO input will be crucial to the second phase of governance assistance.

18. The Country Strategy will undergo a full review in 2010. Specific interventions may also be reviewed during the course of the Country Strategy. Progress in its implementation and the discussion of any related policy issues will be standing items on the agenda of bilateral consultations between New Zealand and Vanuatu.

COUNTRY ANALYSIS

19. The Country Analysis, Issues, Lessons Learned and Rationale papers developed during the Desk Study, which preceded the drafting of this Country Strategy are provided in a separate annex.

STRATEGY

INTRODUCTION

20. The New Zealand Agency for International Development *Nga Hoe Tuputupu-mai-tawhiti* (NZAID) is committed to building a long-term and effective development partnership with Vanuatu. NZAID's aim is to strengthen the Vanuatu Government's own ability to deliver development benefits and reduce the poverty and hardship faced by the people of Vanuatu, particularly those living in rural areas.

21. NZAID's 2006-2010 programme is being developed jointly, drawing directly on Vanuatu's national development priorities as well as NZAID policies and practice. A key tool in this process is the joint Country Strategy that provides a strategic direction for the bilateral NZAID/Vanuatu programme and takes full account of Vanuatu's strategic policies and priorities, NZAID policies and guidelines and activities supported by other donors.

22. Both countries have agreed that there was no need for a radical change of direction from the 2000-2005 Country Strategy³. However there was a need to revalidate priority areas and agree on a framework for progressively increasing the bilateral aid programme to Vanuatu over the 2006-2010 period. Subject to NZAID and the Vanuatu Government being able to develop appropriate strategies and programmes, NZAID hopes to progressively increase the bilateral programme to NZ\$16.5 million (Vt 1.2 billion) per annum by 2007/08, more than double its current level. To this end, Country Strategy Review consultations were held in Vanuatu from 10-18 October 2005.

23. Currently, Vanuatu's key national development priorities are contained in the Vanuatu Government's *Priorities and Action Agenda – Supporting and Sustaining Development* (the PAA). The PAA provides broad guidance for the NZAID programme, however expansion of this programme requires:

- A more specific, time-bound description of Vanuatu's national development priorities;
- A clear picture of Vanuatu Government funding available to support these and other ongoing activities;
- Clarification of the funding gaps with which donors will be requested to assist; and

³ MFAT/DEV, 2000. *New Zealand Official Development Assistance Vanuatu Programme – 5-year Strategy, October 2000-September 2005*

- Identification of specific performance indicators or results Vanuatu wants to obtain.

24. This work is already underway as the Vanuatu Government, with the support of the Asian Development Bank (ADB), is developing a Medium Term Strategic Framework (MTSF). Completion of the MTSF, along with a medium-term expenditure framework (MTEF), will be critical for aligning and expanding donor support to Vanuatu. High priority should be attached, by all partners to completing the MTSF and MTEF.

25. The development of this joint Country Strategy has taken account of the following principles agreed at the close of the Country Strategy Review (CSR) in-country consultations in October 2005⁴.

- A high priority is to be given to improving aid effectiveness, including through adoption of more programme- and sector-based approaches;
- Bilateral discussions need therefore to focus on policy priorities and overall development impact, not on the detail of project implementation;
- New forms of partnership for aid delivery will be considered, including earmarked budget support and partnerships through other donors;
- A high priority is to be given to partnerships with civil society and to drawing to the maximum extent possible on in-country expertise in supporting programme implementation;
- Increased integration with regional programmes (including but not limited to those supported by NZAID), with the NZAID Pacific strategy and with regional initiatives such as the Pacific Plan; and
- NZAID's policy requires human rights, gender equality, conflict analysis and environmental issues to be incorporated into all programme design.

26. Some of Vanuatu's development challenges are best met at the country level, whereas others would benefit from a regional approach. Specific activities under this Country Strategy may therefore be carried out or supported by a regional organisation, or form part of a regional programme.

⁴ VANUATU/NEW ZEALAND AID CONSULTATIONS, 10-18 October 2005, *Aide Memoire*, attached at annex.

PROGRAMME AIM

To reduce poverty and hardship, particularly in rural areas, and to support a more stable and prosperous Vanuatu.

27. This programme aim is derived from the key development priorities set out in the PAA.

PRIORITY AREAS

28. Bilateral consultations between NZAID and the Vanuatu Government in March 2005 reaffirmed the validity of the 2000-2005 priority areas, with the caveat that more resources needed to be directed to economic development. These priority areas were further reconfirmed by the CSR in-country consultations in October 2005

29. NZAID recognises that a successful development cooperation programme must be grounded in the priority needs and rights of those facing poverty and hardship and must be fully supported by the consistent commitment of the government to address those needs and to meet their responsibilities to protect and realise these rights, in cooperation with civil society and donors.

30. The Country Strategy's programme aim and three priority areas all draw directly on Vanuatu's key development planning document, the PAA. The programme aim has strong links to the *Developmental Objective* set out in the Introduction to the PAA.

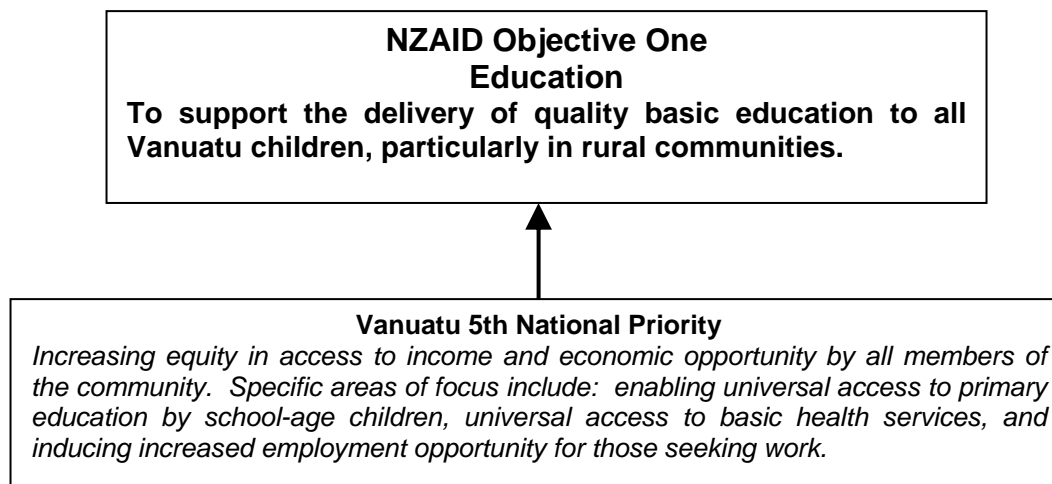
31. The NZAID programme will concentrate on the following priority areas:

- **Education**
- **Governance**
- **Economic Development**

32. In addition NZAID will support Vanuatu to **improve access to clean drinking water** and the coordination of the heavily donor-dependent water resources sector. **Health** and a range of other issues will continue to be addressed primarily through the efforts of other donors and through the support NZAID and others provide for a wide range of regional programmes.

PROGRAMME OBJECTIVES

Objective One - Education



The Challenge for Education

33. A quality education provides the foundation for participation in economic, social, civil and political life. The Vanuatu Government's principal objective for this sector is the expansion of free primary education from Year 6 to Year 8, in conformity with international Education For All (EFA) targets.⁵

34. The sector faces challenges in meeting its EFA targets and Millennium Development Goals (MDGs).⁶ Currently less than 3% of new entrants make it through to Year 13, with secondary enrolment consequently low by Pacific standards (as are adult literacy figures).⁷

35. The high population growth rate puts the sector at full stretch simply in coping with growing rolls, leaving limited resources available for addressing other challenges, including the dual (English/French) systems, rural/urban disparities, declining literacy and numeracy levels, and capability and quality issues. Improving the efficient use of existing government resources and addressing access, delivery and quality issues are key challenges for the government

⁵ UNESCO, 2000. *The Dakar Framework for Action, Education for All: Meeting our Collective Commitments*. Paris: UNESCO.

⁶ UNITED NATIONS, 2000. *Millennium Declaration*, 8 September 2000. UN A/RES/55/2.

⁷ ADB 2003. *Vanuatu Country Strategy & Program Update*, para 6

36. The expansion of free primary education and other education policies remain dependant on donor funding and technical assistance. While Government funding for education remains high, most is absorbed by personnel costs. Donor resources dedicated to the sector are highly 'projectised', resulting in major transaction costs and coordination challenges for the Ministry of Education. The Ministry has limited reporting, monitoring and evaluation resources, meaning the effectiveness and impact of many donor projects and of the Government's own activities are unable to be thoroughly assessed, nor are lessons learned incorporated within a government-led process.

The NZAID response

37. SUMMARY: During 2006-2010, NZAID's focus will be on improving access and quality particularly in rural primary schools. This is aligned with Vanuatu's own strategy and consistent with NZAID's education policy. An emphasis will also be placed on a whole of sector approach to planning and coordination and achieving better alignment of all NZAID education resources with Vanuatu's priorities for the sector. NZAID will progressively increase resources for basic education.

38. The development needs and complexity of the education sector points to the need for a new and more strategic approach led by the Government, and actively involving all donors contributing to various parts of the sector. This will need to cover the pre-school, primary, secondary, technical vocational education and training, and tertiary sectors, and include the services provided by non-state actors.

39. NZAID has therefore been engaged in discussions with the Vanuatu Government and interested donors on a possible Sector-Wide Approach (SWAp) for education. A SWAp would facilitate broad financial aid to the sector as a whole, within the framework of a comprehensive sector strategy, strong local leadership and strengthened accountability relationships within the sector. The Vanuatu Government decided to commence planning for a SWAp in April 2006. NZAID will provide support for the establishment phase. The focus of such support would be in the area of capacity building in policy development and the strengthening of local monitoring and evaluation and other systems capabilities. NZAID will support ongoing dialogue and coordination to improve sectoral policy planning for Vanuatu education.

40. NZAID has been providing project-based support to Vanuatu's education sector for over twenty years. For the last 16 years, this has been in the form of the Education Assistance Programme (EAP), which is being implemented with the Ministry of Education and is aimed at improving quality basic education.

41. The future shape of New Zealand's support to the education sector will be dependent on the outcome the SWAp planning phase. The EAP will continue to

address specific education needs for a transitional period. Should the SWAp proceed, NZAID will discuss alternative means of packaging its support to the sector, including earmarked budgetary support, rather than project-based cash grants

42. With respect to scholarships, NZAID will seek to conclude a bilateral agreement on scholarships policy following agreement on the joint Country Strategy. It will be important to align the bilateral agreement both with the Country Strategy and with the Vanuatu Government's evolving policy with respect to a National Human Resource Development Plan. NZAID strongly supports Vanuatu's efforts to strengthen HRD planning.

43. NZAID is developing long-term strategic partnerships with the region's key educational agencies, the University of the South Pacific and the South Pacific Board for Educational Assessment (SPBEA). In implementing the bilateral Country Strategy, NZAID will have regard for the regional expertise available in these agencies and the opportunities for complementary activities under the relevant regional projects which receive NZAID funding, such as through the Pacific Regional Initiative for the Delivery of Basic Education (PRIDE).

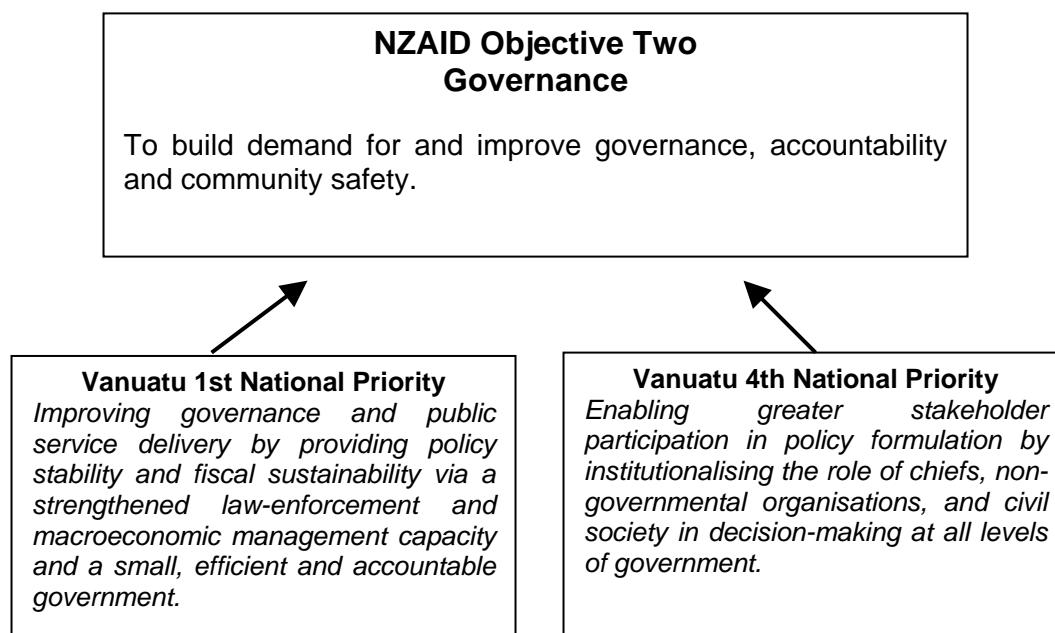
Outcomes

44. Under the education objective, NZAID will seek the following high level outcomes:

- Improvements in quality and access for all in basic education, and particularly rural areas, achieved by 2010.⁸

⁸ More specific outcomes at national, provincial and local level will be identified identified following the decision on whether to proceed with an education SWAp.

Objective Two – Governance



The Challenge for Governance⁹

45 Effective governance is an essential requirement for sustainable development and poverty reduction. Instability and weak governance reduces a country's ability to tackle poverty and hardship in a sustainable way, and manifests itself in poor service delivery and an absence of economic opportunities. Strengthened governance was identified as a critical prerequisite for accelerating Vanuatu's development in almost every discussion held during the CSR in-country consultations. The need for increased participation by civil society in policy formulation and decision-making was also identified.

46 There are a number of external and internal risks to good governance in Vanuatu. Key internal risks include limited direction and leadership on national issues, including development priorities; weakness in parliamentary oversight of the executive and in accountability of Members of Parliament to their constituents; complex, multiple policy planning frameworks which are neither

⁹ For working definition of Governance refer to **NZAID Pacific Programme for Strengthening Governance Strategic Framework 2006-2008** "Good governance is the exercise of economic, political and administrative authority to manage a country's affairs at all levels in a manner that is participatory, transparent and accountable. It is also effective and equitable and promotes the rule of law. Good governance ensures that political, social and economic priorities are based on broad consensus in society and the voices of the poorest and most vulnerable are heard in decision-making over the allocation of development resources. It includes essential elements such as political accountability, reliable and equitable legal frameworks, respect for the rule of law and judicial independence, bureaucratic transparency, effective and efficient public sector management, participatory development and the promotion and protection of human rights."

aligned to each other nor offering clear guidance to donors; weaknesses in public service accountability mechanisms; and a range of capacity and other institutional constraints in the public service. These all contribute to poor service delivery outcomes, particularly in rural areas.

47 While central fiscal management remains relatively strong, financial management at departmental and provincial levels requires strengthening. During the CSR process capacity constraints were highlighted within the offices of the Auditor-General and Public Prosecutor, alongside risks associated with a number of Vanuatu's State Owned Enterprises (SOEs).¹⁰

48 While serious challenges to good governance exist at the provincial level, past experience suggests that provincial governments need direct support in order to improve service delivery to rural communities. Addressing governance risks and strengthening financial management and accountability systems, to the provincial level and below, is critical for sustainable development in Vanuatu. Expanding assistance programmes through programme/sector-based approaches will not be possible unless these and other management and accountability systems are sound.

49 While Vanuatu has largely been free from civil unrest, conflict still exists and grievances, while generally expressed non-violently, have the potential to worsen. Risk factors include growing economic disparities, urban drift and youth unemployment and land disputes. Domestic violence against women and children remains a problem. Preliminary conflict analysis during the Desk Study prior to the CSR consultations stressed the critical role a lack of good governance can play in contributing to conflict in Vanuatu. International experience suggests that where sound, clear government policy and strong and fair law and justice system exists, countries are better able to resolve conflict peacefully.

The NZAID response

50 SUMMARY: NZAID will be taking forward the existing jointly agreed governance strategy during the period 2006-2010. This includes ongoing support for strengthening central government institutions evolving towards a second phase focussing on provincial government and increased support for civil society.

51 Support for strengthened governance already forms an important part of the NZAID programme, notably commitments in the areas of law and justice and support for civil society organisations. NZAID has also given significant support for the implementation of legislation providing a means to help resolve land disputes (which is both a governance and economic issue).

¹⁰ VANUATU/NEW ZEALAND AID CONSULTATIONS, op cit.

52 In 2002, NZAID and the Vanuatu Government undertook the Good Governance Scoping Study (GGSS) to elaborate a strategy for New Zealand support in the governance area. The Study recommended a two-phase strategy, with the emphasis in the first phase on law and justice and financial accountability shifting over time to an increased emphasis on strengthening the voice of civil society, particularly women and youth, and strengthening local governance. Support for local governance will initially involve technical assistance to enable the Government to formulate a response to the lengthy recommendations of the Decentralisation Review Commission (DRC), should this be requested.

53 The CSR consultations confirmed the validity of the GGSS strategy. Accordingly, NZAID will maintain its support for strengthening key institutions of central government during the initial years of the 2006-2010 programme, but in a context which aligns with the Vanuatu Government priorities and coordinated with other donor-funded programmes. Over time, the focus of bilateral NZAID support will shift to the provincial level and civil society work, although ongoing support to central government would continue to be considered as needed.

54 At an early stage in the strategy period, NZAID will commission further conflict analysis to identify risks and trends as a basis for mainstreaming conflict prevention and peace building into the Country Programme. Areas of coverage will include political, economic, security, social issues and trends. The findings will provide additional information for the development of the Logframe and for integration into activity design.

55 Funds will also be earmarked for Vanuatu and NZAID to do ongoing policy research in the governance and other related areas.

CENTRAL GOVERNMENT & PROGRAMME APPROACH

56 NZAID's support for an institutional strengthening project in the corrections and probation area will continue under the 2006-2010 Country Strategy. This will involve the creation of a new Department of Corrections, covering both correctional facilities and probation services, and entails both cash grant and technical assistance (including from the New Zealand Department of Corrections).

Corrections Programme

57 A major corrections project is underway. Close coordination will be important between the corrections project and police institutional strengthening project supported by AusAID. NZAID's support for policing will be through the Pacific Regional Policing Initiative (PRPI), which is a regional programme jointly funded by AusAID and NZAID, and through support for the Pacific Islands Chiefs

of Police Secretariat and its programmes. New Zealand also provides support to the Vanuatu Mobile Force under the Mutual Assistance Programme.

Governance Partnership

58 Vanuatu and Australia are currently working on a “Governance for Growth Partnership”, which will set out a major coordinated programme of assistance for the sector. New Zealand and other donors have been invited to collaborate and participate in a governing body. Participation in a governing body will enable New Zealand to align its support with the priorities of the Vanuatu Government and improve donor coordination.

59 In considering further support to strengthening central government, New Zealand will have regard both to current and previous activities supported by NZAID (including technical advice on revenue and Value Added Tax), and to the areas of need raised during CSR in-country consultations. These areas of need included: support for the revenue, customs, audit and financial management functions of central government; monitoring and evaluation and statistical work; strengthening public service capabilities; and support for civil society and the Malvatumauri.

60 NZAID is currently funding the secondment of a New Zealand District Court Judge to the Vanuatu Supreme Court which will continue for a further term. Additional assistance to the judiciary will be available under the regional, Pacific Judicial Development Programme (PJDP). The PJDP will provide judicial training, court processes and systems support and respond to emerging priority needs.

Customary Land Issues

61. New Zealand has supported the development by the Vanuatu Parliament of legislation providing for disputes over customary land to be dealt with by community-based tribunals rather than the courts (where there remains a considerable backlog of cases). Following enactment of this legislation in December 2001, NZAID also supported its initial implementation. Implementation has been slow, in part because of inadequate recurrent budget funding and human resources. More recently legal issues have arisen questioning certain aspects of the legislation. The Government is planning further consultations on customary land issues in the form of a national summit tentatively scheduled for late 2006. In the meantime, the lack of a clear and efficient process for resolving land disputes continues to hinder broader development efforts and such disputes remain a common cause of conflict. NZAID will discuss further assistance to this area with the Vanuatu Government, with a view to developing a programme that will attempt to address both economic impact and conflict prevention objectives.

Regional Assistance

62 Additional assistance for central government's economic governance-related responsibilities is available from Pacific regional institutions such as the Pacific Financial Technical Assistance Centre (PFTAC), the Foreign Investment Advisory Service (FIAS) and the Pacific Enterprise Development Facility (PEDF). Policy dialogue also takes place at the annual Forum Leaders' Meetings and annual Foreign Economic Ministers' Meetings (FEMM). Additionally the Pacific Islands Trade and Investment Commission (PITIC) based in Auckland, promotes trade with, tourism to, and investment in the Pacific region by New Zealand. Additional assistance may well also become available through Pacific Plan regional initiatives. NZAID's support for these organisations and activities has a key role to play in helping provide an environment that will help promote increased investment and private sector development, provide increased employment opportunities and help raise the local revenues needed to improve key social development outcomes.

PROVINCIAL GOVERNMENT

63 The CSR consultations confirmed that support for good governance at the provincial level and below should eventually form a significant part of the NZAID programme. Consultations emphasised the importance of strengthening existing systems and coordination at the provincial level, rather than pressing for further reforms in provincial government. The offer of technical advisory support with respect to the DRC work remains in place. In 2006, however, NZAID will undertake further design work on a programme that will be designed to directly assist provincial governments to support Vanuatu's national development priorities. This design work will take account of the resources offered by the Commonwealth Local Government Forum (CLGF) Pacific programme, including the Suva resource centre operated by CLGF and funded by NZAID.

CIVIL SOCIETY

64 A three-year project supporting Wan Smolbag's (WSB) Good Governance, Education, Training and Awareness project has been the starting point for increased NZAID assistance to civil society work on governance, following the 2002 Good Governance Scoping Study. The CSR consultations confirmed that NZAID's assistance to civil society in the governance area should continue to increase. NZAID will move to strategic partnerships/core funding arrangements with selected NGOs such as Wan Smolbag and will expand the scope of its assistance in support of other civil society governance-related work at all levels including support for the Vanuatu Government to establish partnerships with civil society.

65 NZAID also plans to expand its decade-long support to the Sanma Counselling Centre which provides domestic violence awareness training and counselling services. The final design for SCC support is to take account of NZAID's Strategic Relationship with the Regional Rights and Resources Trust (RRRT), which can provide technical support, including with respect to the Family Protection Bill. The Pacific Prevention of Domestic Violence programme supported by NZAID and implemented by the New Zealand Police with Pacific Police agencies, may also offer opportunities for assistance.

66 New Zealand civil society organisations (CSOs), such as Volunteer Service Abroad (VSA), have built longstanding partnerships with Vanuatu CSOs to improve governance, accountability and community safety. New Zealand VSA volunteers have made long-term contributions to building the capacity of Vanuatu NGOs. VSA volunteers are also working with Ministry of Women's Affairs staff to strengthen the participation of Vanuatu women in civil society, leadership, and to meet Vanuatu's obligations to CEDAW. Other VSA volunteers are contributing to supporting basic education and increasing economic development and strengthening livelihoods in rural areas. NZAID will continue to support New Zealand CSOs including VSA, working with development partners in Vanuatu through core funding and specific programme grants.

67 The potential for regional organisations and programmes to support NZAID interventions including, for example, contributing to capacity building for Vanuatu NGOs will be carefully considered. NZAID will provide a briefing to Vanuatu NGOs on opportunities available to them at a regional level, including under NZAID's Pacific Programme for Strengthening Governance (PPSG), the NZAID Governance and Conflict Prevention Fund, and the not-for-profit management diploma supported by PIANGO with NZAID assistance. Support for the non-government sector (as well as public/private sector) will also continue to be available under the NZAID Small Projects Scheme and through a Short-Term Training Awards programme.

68 At a regional level, NZAID is developing strategic relationships with two umbrella organisations that operate local chapters in Vanuatu. A Strategic Partnership has been established with the Foundation for the Peoples of the South Pacific International (FSPI), which will assist FSPV in Port Vila, NZAID has also concluded an MOU with Transparency International (TI) on the Transparency International Pacific Programme, which seeks to build the capacity of TI chapters. TIV in Vanuatu is one of the chapters that will receive support through this programme. In addition NZAID has also supported a regionally funded project implemented by the International Centre for Not for Profit Law Reform (ICNL) in partnership with USP Law School in Vanuatu. This project is working with national governments and civil society partners to develop a framework for the comprehensive reform of laws governing civil society throughout the region in order to encourage the growth and sustainability of a strong community sector.

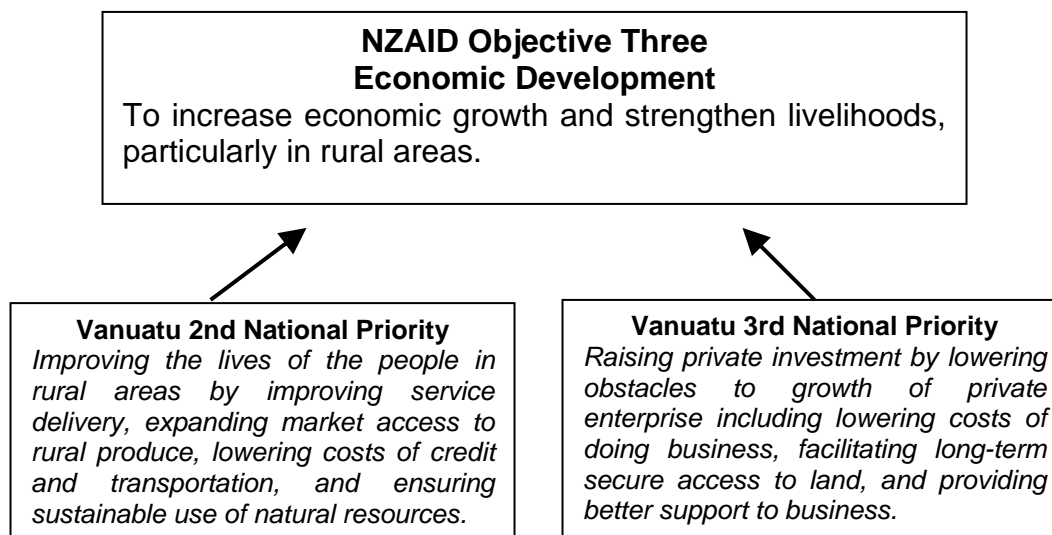
LEADERSHIP

69 Good governance including effective leadership is a critical precondition for the elimination of poverty. Leaders are those who set the vision and direction and who mobilise and empower others to achieve their goals. While leaders are often the decision makers, they are also individuals without formal leadership or decision-making positions, but who lead by empowering and supporting others to take action. In accordance with the Pacific Plan, NZAID will place a greater focus on leadership within the programme. NZAID will look for opportunities to strengthen the structures and context that support good leadership and increase access to Pacific-based initiatives for leadership development, eg within institutional strengthening programmes, through scholarship and training awards and programmes for community leaders. NZAID will support leadership at all levels and across a range of sectors.

Outcomes

- 70 Under the Governance objective, NZAID will seek the following outcomes:
- Communities and civil society in Vanuatu are empowered to help strengthen accountability, democratic process and legitimacy in government
 - Strengthened local government and improved service delivery in rural areas
 - Increased safety and security of the general population
 - Reduction in actual and potential conflict associated with disputes over land ownership and user rights

Objective three – Economic Development



The Challenge for economic development

71. Vanuatu has recorded reasonably positive government revenue, economic growth and debt management results in recent years. But the majority of Ni-Vanuatu are not involved in the economic activities underlying the improved growth and revenue performance, nor are they reaping its benefits, either in the form of increasing family incomes or improved government services. The benefits of GDP growth have been predominantly felt in urban areas, where household incomes are on average five times those of rural areas.

72. Average household incomes have additionally been eroded by the high population growth rate, which in recent years has consistently outpaced GDP growth. This has resulted in a long-term decline in income per head of population. In 2004, real GDP per head was lower than it was twenty years earlier (four years after independence).¹¹

73. Issues that constrain growth include political instability, the difficulty of mobilising land, high cost monopolies in key sectors and utilities, and poor transport and communication infrastructure. The impacts of limited growth and livelihood opportunities are particularly evident in rural areas where declining per capita incomes are worsening the hardship and vulnerability experienced by rural communities. Compounding this is the erosion of traditional systems for helping disadvantaged people and households. Growing dependency on cash, even in remote areas, a shift away from subsistence farming amongst many young people and increasing urbanisation are all reducing the effectiveness of

¹¹ Asian Development Outlook, 2005. *The Pacific: Vanuatu*, page 233

traditional coping mechanisms, leaving more people exposed to poverty and hardship.

74. Of particular concern are the many young people leaving school each year with little or no prospect of finding productive work. In addition to the immediate impact this has on their own and their families' livelihoods, this is likely to contribute to increased crime, social unrest and conflict.

75. The challenge for economic development is to achieve broad-based growth, where the benefits reach rural communities. As 80% of the population live in rural areas and are engaged in semi-subsistence agricultural production, achieving broad-based economic growth is most likely to depend on development of the agricultural sector, and to a lesser extent, fisheries, forestry and small-scale tourism.

76. The Vanuatu Government recognises these challenges and has emphasised the need for development, which achieves a redistribution of resources and services throughout the whole country, and increasing equity in access to income and economic opportunity.

77. While the country has high agricultural potential, significant constraints exist in the development of profitable export markets and supplying the domestic market. Other key impediments to economic growth include lack of access to credit, limited policy prioritisation, inadequate infrastructure, high costs of doing business and the difficulty entrepreneurs face in developing effective supply chains between producers and domestic and export markets.

78. One of the key objectives of the Comprehensive Reform Programme (CRP) introduced in 1997 was to promote private sector-led economic growth. ADB analysis suggests some key building blocks for an effective private sector are yet to be put in place, particularly secure property rights; an effective legal system that allows contracting with confidence; and regulations that are consistently enforced.¹² The Vanuatu Chamber of Commerce and Industry has highlighted three strategies for promoting private sector-led economic growth and economic self-reliance, specifically: broad-based engagement in decision-making processes; expansion of economic development beyond Port Vila; and better accountability in government.¹³ World Bank comparative analysis of the costs of doing business worldwide indicates Vanuatu is considerably behind international best practice and ranks poorly in comparison to other south-west Pacific nations, particularly with respect to issues such as percentage of income required for business start up; rigidity of working hours; and weekly wages required to dismiss an employee.¹⁴

¹² Macfarlane, Mullen, Powell & Steinhardt, 2005. *Vanuatu Economic Development Strategy; Stage 1 Report to Government of Vanuatu & NZAID*; page 30

¹³ Ibid; page 29

¹⁴ Ibid; page 11

The NZAID response

79. SUMMARY: During the period 2006-2010, NZAID will focus on activities that encourage the development of the productive sector as a source of livelihood and employment for Ni-Vanuatu. Over the course of 2006/7 NZAID will work with the Vanuatu Government to develop programmes that promote growth in the productive sectors based on guidance provided by the MTSF to be launched in May 2006.

80. NZAID is committed to helping Vanuatu's efforts to stimulate the productive sectors in a way that is conducive to broad-based growth that reaches rural communities and will benefit those facing hardship and poverty. Any strategy for supporting economic development in Vanuatu will also need to take account of traditional practices and the changes already occurring to these as a result of increased monetisation and other factors.

81. An initial report was finished in May 2005, with the completion of a scoping study on the current status of economic development in Vanuatu. The scoping study identified a range of interim activities for support, many of which have already been taken up (examples included support for the 2006 agricultural census, the reprinting of agricultural extension material, and training for meat inspectors). Significant support was also provided for the Rural Economic Development Initiative (REDI) as a means of ensuring additional assistance reaches the provinces. The next stage will be to work with the Vanuatu Government following the launch of the MTSF to scope and design further activities in the productive sectors. This could include further sector specific analysis. This will be carried forward jointly with AusAID and we will also endeavour to involve other donors.

82. The CSR in-country consultations identified a number of economic development needs that should be taken into account in the second stage of the economic development work. These possible areas included:

- Small-scale infrastructure requirements needed to complement the Millennium Challenge Account (MCA).
- Community-level vocational training targeted at areas where there may be increased employment opportunities. Improving the quality of existing rural training centres (RTCs) including through working in collaboration with the existing TVET programme would be the focus, rather than support to tertiary facilities.
- The need for good agricultural extension training material, including whether NZAID may be able to support the reprinting and distribution of existing materials.

- Improved local and international marketing information, including an increased role for the Pacific Islands Trade and Investment Commission (PITIC) and other marketing support mechanisms.
- Support for trade through regional programmes such as the regional trade facilitation and customs programmes, and the New Zealand Ministry of Agriculture (MAF) quarantine support, and the importance of retaining flexibility to support other trade-related initiatives.
- Ongoing support for the Chamber of Commerce and Vanuatu Investment Promotion Authority (VIPA), and
- The possibility of encouraging the extension of existing commercial banking services.

83. The Desk Study, which preceded the CSR consultations, also identified a range of issues for further consideration. These included the high expectations for subsidised economic development initiatives. This suggests a need for targeted awareness work to help reshape communities' expectations and understanding of the importance of their role and involvement in local financially sustainable development initiatives. This is particularly the case with respect to asset and financial management, and planning for handling future needs such as maintenance or expansion.

Outcomes

84. Under the economic development objective, outcomes sought by NZAID will include the following:

- Improved family livelihoods and employment opportunities, especially for rural communities
- Increased private sector investment¹⁵

¹⁵ More specific short and medium term outcomes will be identified in consultation with the Vanuatu Government after completion of the MTSF and the NZAID EDS Strategy.

Other Social Sector Challenges – Safe Drinking Water and Primary Healthcare

85. The provision of accessible, safe, potable water is regularly identified as one of the key challenges facing developing communities. Some 30% of Vanuatu's communities do not have access to clean water. Lack of access to safe water increases the vulnerability of poor communities, whose health status is compromised as a result. In urban areas, access to water and poor sanitation are often key issues for poor communities, particularly those living in the squatter and other informal settlements around Port Vila and Luganville. Ready access to potable water is often a particular concern for women. The Vanuatu Government is committed to improving the coverage of safe water supplies, in conformity with international commitments.¹⁶

86. There have been major donor inputs to this sector, including from New Zealand, which has been providing ODA for strengthening water resources since the 1980s. Like education, the sector is heavily donor dependant. It also faces a shortage of skilled local staff. Many of the water supply installations throughout the country are donor-funded. There is little allocated for such work in the Government's recurrent budget.¹⁷ The absence of water projects in the Budget is mirrored in the current PAA, which has a brief reference to the training of communities to maintain existing water supplies¹⁸ but no mention of seeking to expand access to clean water. The MTSF is expected to include a reference to the relevant MDG.

87. The Department of Geology, Mines and Water Resources (DGMWR) has major capacity constraints. DGMWR currently handles around 24 projects per year (12 new installations and 12 rehabilitations of existing supplies). To meet the MDG, DGMWR's work rate would have to lift from around 24 to 80 projects annually.¹⁹ This clearly presents major funding and staffing resource issues for the Vanuatu Government.

The Health Sector

88. The health sector also faces major challenges. Resources are under pressure as the Government seeks to maintain the fight against infectious diseases (principally malaria and tuberculosis) and continue its work to improve maternal and child health and vaccination rates. At the same time, it must

¹⁶ The relevant MDG commits the international community to halving, by 2015, the proportion of people unable to access or afford safe drinking water

¹⁷ Overall, approximately 3.4% of the recurrent Budget is directed to development projects, although the Government aims to increase this to around 25%

¹⁸ GOVERNMENT OF THE REPUBLIC OF VANUATU, 2003. , *Priorities & Action Agenda: Supporting and Sustaining Development*, page 17

¹⁹ Hill, Ferguson & Hopa, June 2003. *NZAID – Vanuatu Water Resources Project Monitoring Review*, , para 7.1.5-6.

address the growing incidence of non-infectious (lifestyle) diseases and the increasing threat of HIV/AIDS.

89. Basic health indicators for rural communities are poorer than those of their urban counterparts. While some indicators (such as maternal mortality)²⁰ are not greatly divergent from those of other Pacific nations, the national figures mask substantial variations between parts of the country, with both maternal and infant mortality reported to be significantly higher in the outer islands.²¹

90. Poor access to health services, together with poor nutrition, is increasing hardship and vulnerability, particularly within rural communities and for children. Rural communities and those on outer islands must travel significant distances to reach health clinics, which do not always have stocks of medicines required or the skills needed to treat their patients.

The NZAID response – safe drinking water & health

91. SUMMARY: Assisting Pacific governments and communities to meet their basic needs, including through the provision of access to clean water and adequate health care, is a high priority for NZAID. NZAID is willing to contribute to strengthened planning, coordination and service delivery for the water sector under the bilateral programme. This may initially take the form of supporting a Strategic Development Plan for rural water supply.

92. Because of the need to focus the bilateral programme and the strong AusAID presence in the health sector, NZAID's response to health needs will be through the support being provided to existing regional programmes.

Safe Drinking Water

93. NZAID has offered to support the development of a Strategic Development Plan for rural water supply, following which further resourcing for implementation of the plan can be determined. NZAID is ready to assist in coordinating consultations amongst donors and NGOs, in order to strengthen sectoral coordination and policy planning and help Vanuatu achieve the water-related MDG. Civil society organisations play a significant role in this sector and there is considerable scope to draw on this expertise more fully.

94. The NZAID Water Resources Project (1998-2003) trialled community development training, that focussed on supporting community financial management of new water supplies. An MOU between DGMWR and the

²⁰ WHO cites a maternal mortality ratio of 96 per 100,000 live births for Vanuatu, compared to 78 for Tonga, 295 for Solomon Islands, 20 for Samoa, 330 for PNG, 35 for Fiji, 123 for American Samoa (www.wpro.who.int/Core Indicators 2005/Health Status)

²¹ HARVEY, R, December 2004. *Health & Health Services in Vanuatu*.

Vanuatu Rural Development Training Centres Association (VRDTCA) was put in place so that VRDTCA could assist with this training. The Project's 2003 Review reported positively on this training and NZAID will consider supporting an expansion of this component.

Outcomes

95. NZAID will seek the following outcome:

- o Improved access to clean water in rural areas²².

Primary Healthcare

96. NZAID has had limited direct involvement in the health sector in Vanuatu to date and is seeking to focus its assistance and reduce donor overlap by limiting the number of sectors in which it is involved. NZAID does support Wan Smolbag's work in reproductive health. Acknowledging the significant AusAID commitment to the health sector, NZAID's inputs will be limited to the complementary support available through the regional programmes New Zealand is already supporting.

97. NZAID's efforts to improve health outcomes in the Pacific region are focussed on improving access to primary health care; combating HIV/AIDS, malaria and tuberculosis; and combating non-communicable and lifestyle diseases. The first two focus areas have particular relevance to Vanuatu. Assistance may also be available under the NZAID Pacific Regional Health Programme, including the strategic relationships being developed with the Fiji School of Medicine and UNICEF, and the funding relationship with the Pacific Islands AIDS Foundation (PIAF).

98. At the request of the Vanuatu Government, the Medical Treatment Scheme (MTS) will also be maintained as part of the bilateral programme under this Country Strategy. The MTS provides for medical evacuations in certain circumstances.

99. NZAID will also be supporting improved health outcomes for Vanuatu through a range of regional instruments that already receive multi-year funding. These include:

- o Building Regional Capacity for Tobacco Control (Phase 2 involves Vanuatu)
- o Pacific Paramedical Training Centre
- o STI/HIV Development Programme

²² A more specific outcome will be agreed once the extent of NZAID's future involvement in the sector has been confirmed

- Pacific Health Research Council
- Masculinity, Mental Health and Violence (FSPI project implemented by FSPV in Vanuatu)
- Asia Pacific Leadership Forum (which promotes stronger political leadership in the fight against AIDS)
- Regional Disabilities Project (which has completed a scoping study and delivered leadership development and parent training in Vanuatu).

LINKS TO VANUATU POLICY PRIORITIES & PERFORMANCE INDICATORS

100. The PAA attempted to integrate and prioritise development activities from three ongoing national programmes: the Comprehensive Reform Program (CRP), the Business Forum Outcomes and the Rural Economic Development Initiative (REDI) Plans. While it sets high-level policy priorities, it lacks specific outcomes and performance indicators. The work currently underway on a Medium Term Strategic Framework (MTSF) will be important for confirming the specific performance indicators of this Country Strategy. The MTSF is to revise PAA policy priorities so as to clarify policy objectives and establish links to budget outcomes.

101. It is NZAID's intention that the performance indicators for the Country Strategy²³ should be aligned with those of the partner government where these exist and that all monitoring and evaluation (M & E) work on the Country Strategy should use the partner government's own M & E framework. NZAID will be following the MTSF process closely and making available assistance, should any be required in addition to the input from the ADB.

102. It is expected that the MTSF will be available in the first quarter of 2006. Once this is available, NZAID will review the performance indicators for the 2006-2010 Country Strategy to ensure that these are aligned with those of Vanuatu.

IMPLEMENTATION

103. Implementation of the 2006-2010 Country Strategy is to take into account the principles outlined below.

Partnership

104. NZAID is committed to a long-term partnership with Vanuatu, based on mutual trust, openness, respect and mutual accountability. In order to support

²³ Performance indicators are specified in the Logframe attached at annex

the expanded programme, NZAID will strengthen its human resources within the New Zealand High Commission in Port Vila from 2006.

105. NZAID aims to ensure that its Strategy is aligned with Vanuatu's development needs and that it will be supported by the Vanuatu Government's willingness to address the policy, budgetary and other issues relating to those needs. This is likely to require ongoing dialogue concerning Vanuatu Government policy in relevant sectors or priority areas, including with respect to the recurrent budget and human resources being provided by the Vanuatu Government.

106. NZAID development assistance to Vanuatu is to be designed and implemented in the context of Vanuatu's national development priorities and NZAID's policy framework.

107. NZAID will continue its efforts to source locally an increasing proportion of consultancy and other programme inputs. Strong partnerships with civil society, the private sector and multilateral organisations will be an important part of the Strategy.

Effectiveness, Harmonisation and Coordination

108. In line with the Paris Declaration on Aid Effectiveness, improving aid effectiveness is a priority for NZAID and the Vanuatu Government, and there is general agreement that the increased use of programme/sector-based approaches will contribute to this. While there will continue to be room within the NZAID programme for some project-based activities, the aim will be for these to be packaged within broad programmes or sectoral strategies.

109. High level bilateral discussions will be focussed more on policy priorities and overall development impact, including progress against MDG poverty indicators, and less on the detail of project implementation.

110. It has been agreed that capacity constraints within the key line departments (Economic & Sector Planning, Foreign Affairs and Strategic Management) need to be addressed in order to strengthen Vanuatu's role in setting national development priorities and leading donor coordination processes. In particular, following a request during the CSR, the possibility of technical assistance in support of a monitoring and evaluation capability within DESP is to be discussed further.

111. NZAID intends to draw on new international approaches to aid delivery in implementing its ODA programme in Vanuatu. New forms of partnership, such as earmarked budget support and partnerships through other donors, where the right policy, fiscal and management conditions are in place, will be considered.

112. NZAID is committed to supporting effective coordination between the significant number of bilateral, regional and multilateral donor and non-state sector organisations working in Vanuatu and the Pacific Region. Promoting donor coordination is already an important part of the bilateral programme, but the attention given to this will increase as NZAID strengthens its human resources within the New Zealand High Commission in Port Vila from 2006.

113. NZAID's principal objective with regard to donor coordination is to help the Vanuatu Government strengthen its lead role in coordinating assistance to the country. NZAID is committed to helping Vanuatu work with all donors to align their programmes to the Government's National Priorities (set out in the PAA and to be refined in the MTSF), and to redirect their resources into the priority areas in the most effective manner.

114. NZAID will endeavour to help the Vanuatu Government assume this lead role, for example by encouraging the broader donor community to participate in sectoral coordination meetings and to put into practice the principles embodied in the Paris Declaration on Aid Effectiveness. An aim will be to have fewer activities running over longer timeframes and aligned with sector plans.

115. The Vanuatu Government is working to clarify and sequence its development policy priorities, so as to provide a more specific guide for donor interventions. The elaboration of the MTSF and evaluation of the role of the Government Investment Programme (GIP) are critical aspects of this work, which NZAID will follow closely. As the GIP currently fails to reflect the policy priorities of the PAA, it is currently of very limited use to donors, yet continues to absorb significant resources within the central agencies responsible for aid coordination. These resources could be better deployed taking forward other donor coordination activities.

Regional Engagement

116. Some development outcomes in the areas of governance, health, education, growth, fisheries and the environment can also be supported through regional approaches that take advantage of specialist technical support and lessons from across the region. These programmes are frequently supported by multiple donors. Such programmes can involve work with civil society, regional NGOs and United Nations organisations. NZAID will consider the scope for additional support for the Vanuatu Country Strategy through regional mechanisms throughout its implementation.

117. NZAID funds a range of Pacific regional agencies and welcomes feedback from the Vanuatu Government on priorities for regional agencies. In addition to the support already available through the Regional Trade Policy Facilitation Programme, NZAID would be prepared to consider additional bilateral support for Vanuatu's involvement in regional trade processes such as Pacific

Island Countries Trade Agreement (PICTA) and Pacific Agreement on Closer Economic Relations (PACER).

Mainstreaming

118. It is NZAID policy that the design and implementation of all NZAID programmes must take account of cross-cutting objectives to: uphold human rights; promote gender equality and women's empowerment; encourage good governance; promote conflict prevention; limit the spread of HIV/AIDS; and protect the environment. NZAID's objectives and priorities with respect to each of these issues are outlined in the relevant NZAID policy documents.²⁴

119. Vanuatu is vulnerable to natural disasters, particularly cyclones and the risks associated with seismic activity including earthquakes and tsunamis. Disaster mitigation measures should be integrated into activities to strengthen the resilience of communities and decrease the impact of disasters on sustainable development goals.

LESSONS LEARNED FROM THE 2000-2005 PROGRAMME

120. A full summary of review outcomes from the 2000-2005 period is annexed to this document with the other CSR papers. The essential or common features of those reviews have been listed below.

- Projects suffered as a result of weak project design, and/or poorly described or over ambitious project goals. These factors made projects difficult to assess and led to a lack of focus on or digression from project goals.
- Inadequate project management structures and Logframes also hampered project success – this included absence of clear development impact indicators, project management indicators and risk management strategies.
- Asset management training should have been factored into project design, but often wasn't. This had to be considered whether project assets would be under the control of a local government department, NGO or community.
- Project design needed to make specific provision with respect to inter-agency coordination and links with other organisations.

²⁴ NZAID. *Towards A Safe and Just World Free of Poverty: the NZAID Policy Statement; NZAID Human Rights Policy Statement; New Zealand Policy for Environment in International Development; and Achieving Gender Equality & Women's Empowerment: the NZAID Approach to Gender Equality, Equity and Women's Empowerment within a Poverty Elimination Mandate; Preventing Conflict and Peace Building.*

- The provincial aspects of projects were not sufficiently considered in design.
- Long term commitments were needed for sustainable impact, including with respect to technical assistance, training and establishment of systems
- Government capacity issues needed to be carefully considered in project design, including human resource capacity and financial management (including recurrent budget implications).
- Community awareness and training issues, and community consultation at project design as well as implementation and review phases, need to be fully considered. Where local workers are engaged on a project, their management and reporting responsibilities, as well as salary and training issues, need to be clearly worked out.

121. As the further design work required under this Strategy goes ahead, and specific activities begin to be implemented, it will be important for programme managers, Vanuatu partners and consultants to bear in mind the key lessons learned from the 2000-2005 period of the NZAID programme.

122. Lessons learned materials developed by other donors will also be useful reference points in designing the expanded NZAID programme. The August 2003 stock-take review of the AusAID programme over the 1992-2002 period notes in particular the impact that ineffective or non-existent exit strategies had on project sustainability.

123. Evaluation of the 2006-2010 Country Strategy will include a review of the 2000-2010 period, to be carried out in 2010 in order to feed into the design of the next country strategy.

THE ROLE OF NGOs AND CIVIL SOCIETY

124. NZAID supports the strengthening of the partnership between governments and the communities they serve. To this end, NZAID activity under this Country Strategy will support strengthening of the capability, where appropriate, of local civil society organisations to provide and promote services to meet people's needs and to participate in policy formulation processes. Civil society organisations can play an important monitoring and advocacy role for increased government accountability and transparency.

125. The Vanuatu Association of NGOs maintains a database of NGO expertise, which will be a key reference in locating in-country expertise. NGOs and other civil society organisations will have an important role as part of NZAID's assistance under Objective 2, strengthening governance.

126. NZAID recognises the valuable contribution New Zealand NGOs make to development in Vanuatu and will seek to support and strengthen those relationships, including strengthening the relationship between the Vanuatu Government and civil society in Vanuatu.

127. Civil society groups in both New Zealand and Vanuatu have been consulted in the finalisation of this Country Strategy. NZAID will support ongoing dialogue with both groups to ensure opportunities for complementary work continue to be developed.

THE ROLE OF SCHOLARSHIPS AND TRAINING AWARDS

128. NZAID will be continuing its dialogue with Vanuatu on the role of scholarships and training awards within the overall programme. A summary of the full range of awards currently available was provided to Vanuatu in May 2005.

129. As noted under Objective 1 above, NZAID will be seeking to conclude a bilateral agreement on scholarships and training awards following agreement on the Country Strategy. This bilateral agreement would consider the best mix of awards to support the Vanuatu Government's national human resource priorities. It would take into account factors such as the impact on the public service of key personnel undertaking extended overseas studies, and alternative options such as in-country study/scholarships and mentoring, and distance education. It will also consider options for strengthening the gender balance in awards, the majority of which are taken up by male students, as a result of lower numbers of women applying for scholarships.

130. Short-term training in New Zealand will be detached from the Small Projects Scheme and a separate short-term training facility will be established. Together with scholarships it may be drawn on to support the bilateral programme's objectives in the areas of education, governance and economic growth, including in support of the activities of civil society organisations, the private sector and regional agencies and programmes working in these areas.

131. Discussion of a draft bilateral agreement on scholarships will be initiated by NZAID in mid 2006. Vanuatu Government policy with respect to preparation of a National Human Resource Development Plan will be a key reference point for the discussions.

MONITORING, REVIEW AND EVALUATION

132. NZAID wishes to work as closely as possible with Vanuatu Government in monitoring and evaluating the 2006-2010 Country strategy to ensure non-duplication in reporting and evaluation activities and the strengthening of local capabilities in these areas. Further bilateral discussion will be required to help better define and agree on the key outcomes sought in the priority areas of education and economic development, and arrangements for the development and implementation of a monitoring and evaluation plan.

133. The monitoring and evaluation plan will identify 1) key performance questions, 2) key information needs and indicators, 3) baseline information requirements, status and responsibilities, 4) data-gathering methods, frequency and responsibility, 5) necessary practical support, resources and responsibilities for information-gathering, 6) necessary practical support for analysis, feedback, and dissemination. The plan will detail the linkages between monitoring, review and evaluation of activities funded as part of the strategy and of the overall strategy and the government's overall development objectives. Progress with development of the MTSF will be a key factor, as the performance indicators of the Country Strategy are to be aligned with those of the MTSF as soon as this is available.

134. From NZAID's perspective the primary purpose of monitoring, review and evaluation of the Country Strategy is to assess its relevance and effectiveness and to provide feedback that can be used to improve implementation. Accordingly NZAID will wish to include the following performance questions in The plan for monitoring and evaluation:

- The relevance of the CSR needs analysis
- The appropriateness of the goals and design of the Strategy
- The extent, form and effectiveness of the implementation of the Strategy (this might include an assessment of progress towards more programmatic versus project approaches and increased aid flows channelled directly through the national budget)
- The alignment between expected outcomes and the activities funded under the Strategy
- And how effective activities funded under the Strategy are in contributing towards the outcomes sought
- Access and equity questions, particularly in respect to the impacts on those facing poverty and hardship in rural and outer-island areas will be central to assessments of the Country Strategy

135. A strategic review of the programme will be carried out during 2010. This will assess the implementation of the 2000-2010 programme. The review will help provide the strategic direction for the following ten-year period, for agreement between NZAID and Vanuatu. Assessing progress in implementation of the Country Strategy is to be a standard item on the agenda on periodic

bilateral aid consultations between NZAID and Vanuatu. There will also be provision for the review of specific project interventions under the Country Strategy.

136. Where possible, monitoring, review and evaluation activities will be locally led and used to help strengthen local mechanisms and capacity. All evaluation activities should have regard for the 'lessons learned' from the 2000-2005 Programme²⁵, summarised in the Lessons Learned section above.

²⁵ A Lessons Learned document is annexed to the Issues paper prepared as part of the Desk Study which preceded the CSR in-country consultations. This document summarises key recommendations/lessons learned from reviews of programme projects undertaken during the 2000-2005 period.

C LOGFRAME

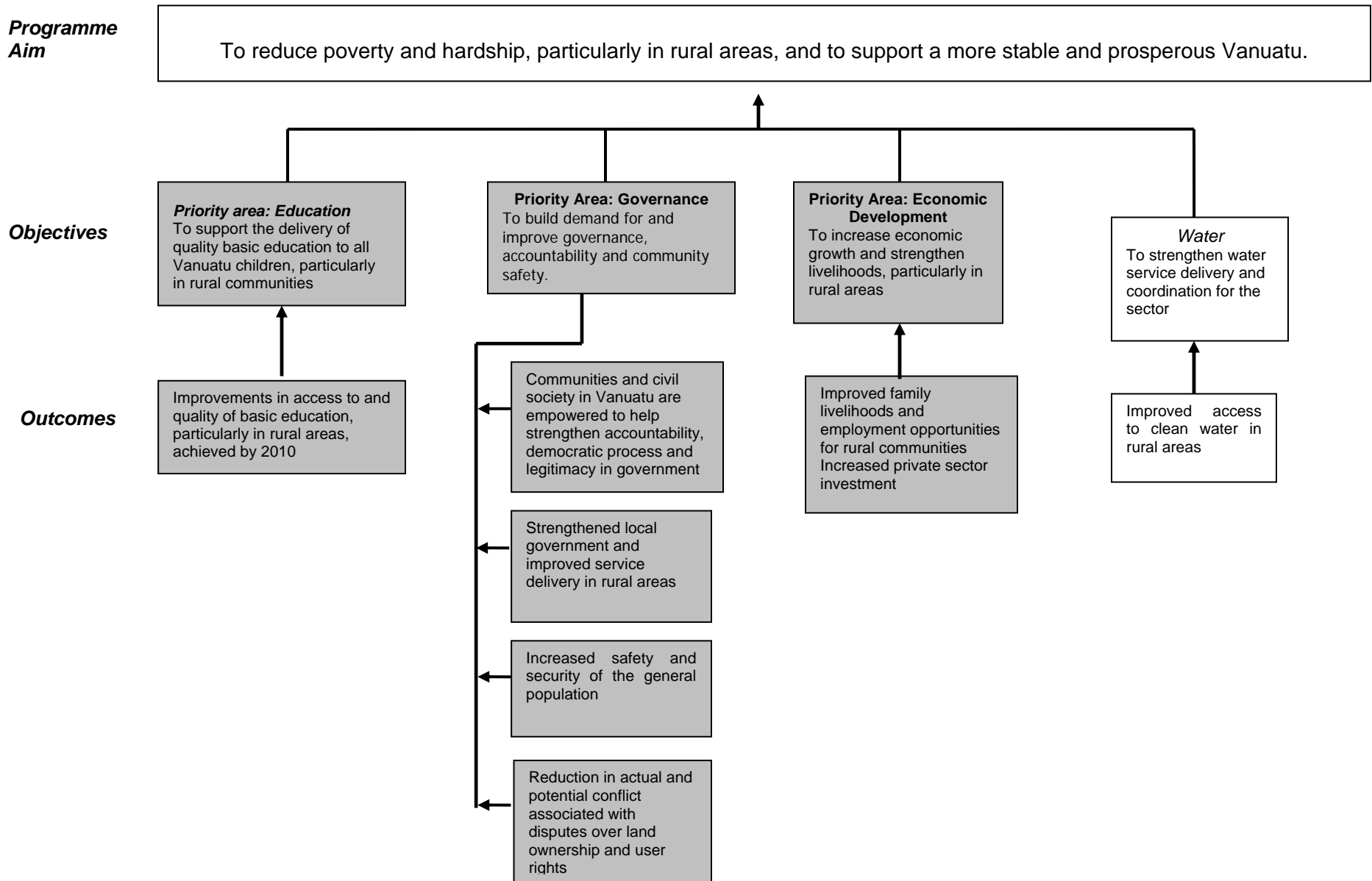
137. This section sets out an overview of the Country Strategy and a Logical Framework Matrix for the NZAID Vanuatu Programme 2006-2010.

138. Objectives are set at a high level and will be dependent on a range of factors external to the bilateral programme, as well as the programme itself. A risk factor for all of the objectives will accordingly be the contribution (or lack thereof) made by key stakeholders in addition to NZAID, particularly with respect to stronger sectoral coordination and the government's ability and commitment to providing the necessary financial and human resources.

139. The Country Strategy is focussed on reducing poverty and hardship by improving access to and equity of public services and supporting pro-poor economic growth. Performance indicators need therefore to include sub-national data, so as to reflect the divergences between urban and rural areas, and capture any reduction in the inequities experienced in rural communities and, more generally, between the poor and the better off.

140. A detailed monitoring and evaluation plan remains to be developed. Support for developing this will be funded as part of the bilateral programme.

Overview of Draft Country Strategy for Vanuatu



PROGRAMME AIM				
To reduce poverty and hardship particularly in rural areas, and to support a more stable and prosperous Vanuatu				
Priority Area 1: Education				
<u>Objective:</u> To support the delivery of quality basic education to all Vanuatu children, particularly in rural communities				
Outcomes	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	RISKS	RISK MANAGEMENT
Improvements in access to and quality of basic education, particularly in rural areas, achieved by 2010	<ul style="list-style-type: none"> - literacy and numeracy results - primary school dropout rates - enrolment rates of rural students in secondary schools (all gender-disaggregated) 	<ul style="list-style-type: none"> - MoE data, PILLS results, achievement tests - Education Management Information System 	<ul style="list-style-type: none"> - Lack of commitment to stronger coordination by other donors - VanGov deterred by initial challenges of stronger coordination or distracted by continuing high transaction costs of existing donor programmes - Reduced recurrent budget funding to Education - staff gaps, or insufficient capacity in the Ministry of Education 	<ul style="list-style-type: none"> - Regular donor meetings & discussions in capitals - Offer support to VanGov, including with coordination of sectoral meetings & dialogue with other donors - Dialogue with VanGov on % of recurrent budget directed to key sectors - Support for government's efforts to strengthen HR planning
<u>Activities:</u> Assistance to stronger sectoral coordination, including consideration of a SWAp approach				

Specific support to the education sector under a SWAp or Education Assistance Programme

Priority Area 2: Governance

Objective: To build demand for and improve governance, accountability and community safety.

OUTCOMES	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	RISKS	RISK MANAGEMENT
Communities and civil society in Vanuatu are empowered to help strengthen accountability, democratic process and legitimacy in government	<ul style="list-style-type: none"> - number of active civil society organisations - number and diversity of advocacy programmes - dialogue between government and civil society organisations 	<ul style="list-style-type: none"> - study of civil society organisations 	<ul style="list-style-type: none"> - Conflict amongst civil society groups undermines a collective approach - Government (local and national) lacks the will and/or capacity to engage meaningfully in dialogue with civil society 	<ul style="list-style-type: none"> - Communications & dialogue plan developed as part of project design
Strengthened local government and improved service delivery in rural areas	<ul style="list-style-type: none"> - effectiveness of planning and coordination mechanisms between line ministries and provincial governments - access to and quality of services being delivered to communities - evidence of increased accountability being exercised by rural populations 	<ul style="list-style-type: none"> - reports - feedback from key stakeholders - reports from provincial govt offices - reports from key Ministries - feedback from civil society organisations - participatory reviews and evaluations 	<ul style="list-style-type: none"> - Efforts to encourage stronger coordination undermined by continued focus on processing individual projects - 'Short termism' undermines work for stronger coordination & planning - human and financial resource constraints prevent effective service delivery 	<ul style="list-style-type: none"> - Regular donor meetings, backed up by discussions in capitals - Roundtable meetings supporting a national interest focus - Discussion and agreement on resourcing involving national govt., donors and provincial govt..

OUTCOMES	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	RISKS	RISK MANAGEMENT
Increased safety and security of the general population	<ul style="list-style-type: none"> - number of escapes - re-offending rates - evidence of decrease in family violence 	<ul style="list-style-type: none"> - Feedback from key stakeholders - Newspaper reports - Department of Corrections and Police statistics - civil society reports 	<ul style="list-style-type: none"> - Insufficient VanGov resources to institutionalise new Dept of Corrections - Family violence issues are not given appropriate consideration in police/judicial training 	<ul style="list-style-type: none"> - Support from NZAID for establishment and ongoing functioning of Dept of Corrections - Support for activities of relevant NGOs - Policy dialogue
Reduction in actual and potential conflict associated with disputes over land ownership and user rights	<ul style="list-style-type: none"> - cases handled by Customary Lands Unit - land register records, including new leases - number of land-related disputes taken to court 	<ul style="list-style-type: none"> - study of Customary Lands Unit - Court reports - Newspaper and other news reports 	<ul style="list-style-type: none"> - Ineffective leadership & lack of clear policy on land disputes - Failure to address the differences between traditional/customary and 'modern' views on land ownership 	<ul style="list-style-type: none"> - Dialogue with VanGov on conflict prevention and policy on land disputes - Dialogue between VanGov and other interested parties, inc. Malvatumauri
<p><u>Activities:</u> Participation in Governance Partnership being developed by Vanuatu and Australia Support for the establishment of a new department of corrections leading to safe and secure containment of detainees and effective rehabilitation of offenders Support for the Judiciary Conflict prevention-oriented assistance for establishment of an effective customary lands disputes resolution process Design and implementation of project to assist provincial governance Expanded programme of assistance to civil society governance work including Strategic Partnerships with Wan Smol Bag and the Sanma Counselling Centre</p>				

Priority Area 3: Economic Development

Objective: To increase economic growth and strengthen livelihoods, particularly in rural areas.

OUTCOMES	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	RISKS	RISK MANAGEMENT
<p>Improved family and employment opportunities, especially for rural communities</p> <p>Increased private sector investment</p>	<ul style="list-style-type: none"> - diversity of rural livelihood options - employment profiles for women, men and youth - increased rural incomes - increased sale of rural produce in domestic and export markets - number of new business licences issued & govt reports 	<ul style="list-style-type: none"> -participatory rural appraisals - study of changes in rural employment patterns - household income and expenditure surveys; agric. Census - shipping and export records - employment / underemployment surveys 	<ul style="list-style-type: none"> -Poor enabling environment for growth in productive sectors. -Low uptake of opportunities for growth in the productive sector by communities - Inadequate coordination of multiple donor inputs - Difficulties in accessing export markets 	<ul style="list-style-type: none"> -Dialogue & support to improve enabling environment for growth -Community communications and outreach to promote awareness and provide advice -Regular donor meetings, backed up by discussions in capitals - Assistance in trade-related matters.
<p><u>Activities:</u> Finalisation and implementation of economic development assistance Support to donor coordination of productive sector assistance</p>				

Other social sector: Water				
Objective: To strengthen water service delivery and coordination for the sector				
OUTCOMES	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	RISKS	RISK MANAGEMENT
Improved access to clean water in rural areas	<ul style="list-style-type: none"> - no. of rural communities and people with access to clean water - maintenance of existing water supplies 	<ul style="list-style-type: none"> - VanGov national database on clean water coverage 	<ul style="list-style-type: none"> - Lack of capacity in DGMWR continues to hamper progress on policy planning - Limited VanGov funding for new projects - In sufficient focus on maintenance / sustainability of existing schemes 	<ul style="list-style-type: none"> - Provide support for institutional strengthening - Policy dialogue/advocacy - Continue to engage on improving maintenance - partnerships with civil society
<u>Activities:</u> Support to stronger sectoral coordination on water resources, including possible Strategic Development plan for sector and related activities				

ANNEXES

The following annexes are available separately:

ANNEXES

- 1 Country Analysis
- 2 Issues Paper
- 3 Lessons Learned Paper
- 4 Rationale Paper
- 5 Aide Memoire: Country Strategy Review In-country Consultations
- 6 Review Terms of Reference
- 7 Summary of NZAID Regional Assistance
- 8 Summary of Donor Assistance to Vanuatu