

DRAFT

EU / VANUATU 2006 JOINT ANNUAL REPORT

Prepared jointly by the Government of Vanuatu (Office of the NAO and Department of Economic and Sector Planning) and the Delegation of the European Commission to Vanuatu.

Abbreviations

AusAID	Australian Agency for International Development
BSE	Bovine Spongiform Encephalopathy
CDE	Center for Development of Enterprises
CRP	Comprehensive Reform Programme
CSP	Country Strategy Paper (EU)
EC	European Commission
EDF	European Development Fund
EIA	Environment Impact Assessment
EIB	European Investment Bank
EPA	Economic Partnership Agreement
ETR	End of Term Review
EU	European Union
GIP	Government Investment Project
FP	Financing Proposal
GRT	Government Remuneration Tribunal
IMF	International Monetary Fund
JAR	Joint Annual Report
JICA	Japan International Cooperation Agency
MCA	Millenium Challenge Account
MDG	Millennium Development Goals
MFEM	Ministry of Finance and Economic Management
MIPU	Ministry of Infrastructure and Public Utilities
MoE	Ministry of Education
MoL	Ministry of Land
MSG	Melanesian Spearhead Group
MTEF	Medium Term Expenditure Framework
MTR	Mid-Term Review
NAC	National Aids Committee
NAO	National Authorizing Officer
NSA	Non State Actors
PAA	Prioritized Action Agenda
PFM	Public Finance Management
RBV	Reserve Bank of Vanuatu
SERP	Support to Economic Reform Programme
SOE	State Owned Enterprise
SWAP	Sector Wide Approach
VANGO	Vanuatu Non Government Organisations
VCMB	Vanuatu's Commodity Marketing Board
VESS	Vanuatu Education Sector Strategy
VEU	Vanuatu's Environment Unit

1. Update on the political, economic, and social situation

1.1 Update of the political situation

In the past, the rapid political turnover of governments hindered reform processes as, though policies had been formulated, few had a chance to “settle” and be taken up for implementation. The political climate in Vanuatu stabilized during 2006, and Vanuatu consolidated a moderating role in the regional sphere in contrast with its neighbours’ tensions, first in Solomon Islands, and then in Fiji.

The last months of 2006 consolidated major policy challenges in different key sectors: a National Women Forum in September confirmed the need of a Family Protection Bill; the Land Summit in October paved the way for a reform in land management which improve the chaotic current situation; the Education National Consultation in November approved the new Vanuatu Education Sector Strategy (from which government and donors will develop a SWAP in Education); and finally the presentation of the updated Prioritized Action Agenda (the Poverty Reduction Strategy of Vanuatu). Gender inequality, unclear land tenure legislation and the government leadership in development policies are certainly essential issues for the stability and prosperity of Vanuatu.

The **Prioritized Action Agenda (PAA)** is a very important document that clearly sets out the government priorities for medium term development plan and medium term budget formulation; its title is “An Educated, Healthy and Wealthy Vanuatu 2006-2015”. The 2007 Budget submissions will be made in line with the PAA. These are PAA’s priorities:

1. Private Sector Development and Employment Creation
2. Macroeconomic Stability and Equitable Growth
3. Good Governance and Public Sector Reform
4. Primary Sector Development
5. Provision of Better Basic Services, especially in rural areas
6. Education and Human Resource Development
7. Economic Infrastructure and Support Services

A new Police Commissioner, Mr Patu Lui was nominated in June 2006. The post had been vacant for several years. His position supervises both Police forces and Vanuatu Mobile Force.

The Head of State Mr Kalkot Mataskelekele initiated discussions in favour of a move from the Westminster system to a full Republican system of governance. When he made the recommendation, Mr Mataskelekele said that if the country makes the transitional move then it would be fitting for the country to go through a presidential election in May 2008 –the date of the next general election. This initiative was received with discretion by major political parties.

New Zealand’s Minister of Foreign Affairs Winston Peters visited Vanuatu in June to open the new Chancellery. More significantly, China’s Minister for Foreign Affairs Mr Li Zhaoxing, accompanied by 8 high level officials, visited Vanuatu in August. This was the most senior diplomatic visit from China since diplomatic relations were established between the two countries in 1982. Mr Zhaoxing did please the government with an unconditional

disbursement to the government budget (*cheque book* direct budget support) and promises about projects in education, agriculture and health. Close observers to this visit identified the issue of the regional Melanesian Spearhead Group (MSG) as the clear target of Mr Zhaoxing's visit (China is funding the MSG Secretariat building to open in Port Vila around September 2007).

Regional trade regional integration efforts between Fiji, Papua New Guinea, Solomon Islands and Vanuatu have so far been concentrated on the MSG Free Trade Agreement, which was extended in 2005 to cover virtually all products and will lead to free trade in goods in 2013. Progress towards service agreements has been slow.

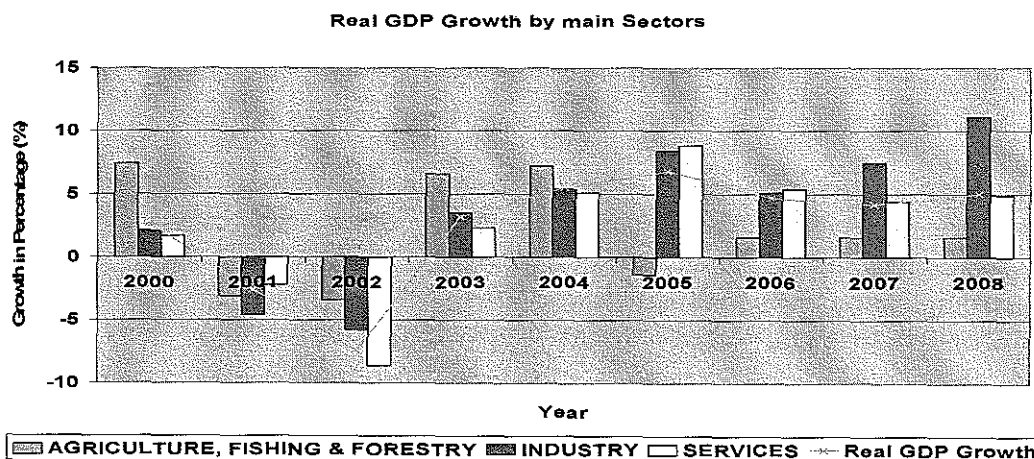
Vanuatu made no progress towards ratification of four of the UN core human rights conventions (the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the Convention for the Elimination of All Forms of Racial Discrimination and the Convention against Torture) nor the Rome Statute of the International Criminal Court.

The "Happy Planet Index" based on environmental impact and well-being placed Vanuatu as the world's happiest place in 2006. The report highlighted the low population and large area, the extended 2500 km of coastline, the life expectancy of age 69, unique rainforests, little logging, no carbon emissions and fair democracy records.

In May 2006, the European Commission led the 400th years' celebrations of first encounter between European explorers and ni-Vanuatu; the motto: "1606-2006 Vanuatu – Europe, meeting between two cultures".

1.2. Update of the economic situation

Recent economic indicators suggest that Vanuatu's economic growth for the medium term is projected to experience positive economic growth. Since the drastic negative growth of 7.4 % in 2002, growth continued to increase and reached peaked level of 6.8 % in 2005 with a soft landing in 2006 to 4.7 %. Growth is projected to continue at the rate of 4.2 % in 2007 and is projected to remain positive over 2008-2010. The major contribution to this increase, beside the main contributing factors of the services sector (see table below), is sourced mainly from increase in the construction sector growth resulting from the Millennium Challenge Account's (MCA) construction of infrastructure projects as well as other Government Investment Projects (GIP) (outer island airport construction, the Northern District Hospital, schools around Efate, the EU funded School of Tourism or the new MSG Head Office in Port Vila). Vanuatu's GDP growth trend is shown on the graph below (actual trend is up to 2005 while 2006-2008 are estimates).



Assuming an annual rate of growth in population of around 2.6%, real incomes per capita is expected to slightly rise over the medium term.

The structure of the economy, by looking at the share of each sector as a percentage of overall GDP as of 2006, is as shown below:

- Agriculture, Fishing and Forestry accounting for 16.6%
- Industry, including manufacturing, construction, and utilities representing 8.8%.
- Services, comprising retail trade, hotels and restaurants, transport and communications, finance and insurance, real estate, accounting for 71.5%

Agriculture is still the social backbone of the economy with copra, cocoa, kava and cattle continuing to dominate the sector. Although the sector only accounted for 16.6% of Gross Domestic Product, this sector represents 80% of the exports sector. Around 70% of the population are still exclusively dependent on the land for food. The main cash crops are copra (with beef cattle grazed beneath coconuts) cocoa and kava, with coffee being developed in the Southerly Islands of Efate and Tanna. However most of the coconut groves are way beyond their production peak and little replanting is taking place. Vanuatu has a great potential and comparative advantage in the production of organic beef, which is highly demanded in the international markets. Recently, Vanuatu beef has been certified organic as well as BSE free, an opportunity for creating employment opportunities for the rural people and smallholder farmers but so far Vanuatu has not been in position to produce the quantity needed to meet the demand from neighbouring countries.

Although world market price of major agricultural produce remained high, production figures of major export commodities showed decline over the fourth quarter of 2006, due mainly to low domestic price of copra and the closure of the main coconut oil mill which once contributed significantly to the coconut industry in 2004 and 2005 (Reserve Bank, Quarterly Review, Dec. 2006). Total coconut oil exports dropped from 12,967 tons in 2005 to 3,696 in 2006. Production of cocoa for the year 2006 improved significantly due to harvesting of new major plantations. This was reflected in the increase in export tonnage from 926 tons in 2005 to 1,314 tons in 2006. Kava export in 2006 still remains a major export commodity, although it experienced a decline in both quantity and value. Meanwhile demand from major export markets (New Caledonia and Fiji) remains high, despite the rising export price. Earnings from beef and timber registered some increases in 2006.

The development of primary commodity export crops is constrained by world market price fluctuations, a poorly developed private sector, and an inappropriate institutional structure such as the outdated statutory Vanuatu Commodities Marketing Board (VCMB) whose role is contested by the sector and the donor community. IMF Article IV Consultation mission report 2007 highlighted again Vanuatu's need to broaden and diversify its agricultural sector to avoid major risks of natural disasters and external price shocks.

The **industrial sector** showed remarkable performance in 2006, with a high growth rate since the negative growth of 5.8 % in 2002. The industry growth picked up in 2003 with 3.5 percent and a peak increase of 8.4% in 2005, with a soft landing in 2006 to 5.1%. However, the projection for 2007 is 7.4% and will reach peak level in 2008 with 11.1%. This high growth rate, which is well reflected from the projected increase growth of the construction sector in 2007 by 14.9% and 24.2% projected for 2008, is contributed for by the MCA infrastructure projects. The **Millennium Challenge Account** (MCA) is the local office, currently housed within MFEM, charged with managing a US\$65 million grant from the US-based Millennium Challenge Corporation. It will be largely focused on infrastructure investment (upgrade of the

Efate ring road and rehabilitation of outer island airstrips, wharves, and warehouses). Additionally, the upgrade of three airports funded by **Agence Française de Développement (AFD)** is well underway. The three airports are Lonoror and Longana (Penama province) and Norsup airport (Malampa province).

The **service sector** continues to form the largest sector in the economy; accounting for three – quarters to total nominal GDP and contributing significantly to total GDP growth. Despite the downward revisions in 2006, the sector continues to experience positive growth and Hotels and Restaurants growth increased dramatically from 7.5 percent in 2005 to 11 percent in 2006. The latter is contributed for by the increase number of tourist arrivals both from cruise ship and air arrivals. Hotel occupancy rates also increased.

The completion of the Peko International Airport in Espiritu Santo also contributed and will contribute to further increase in tourism activities and revenue over the coming years. According to the Reserve Bank (RBV), the increase in tourist arrivals was reflected in the influx of tourists in the last two quarters of 2006, when Air New Zealand introduced a code-sharing deal with Air Vanuatu in October. Furthermore, Solomon Airlines introduced flights between Honiara and Espiritu Santo in November 2006. The uncertainty in the current political situation in Fiji after the December coup also contributed to the inflow of tourists, especially from Australia and New Zealand.

As the political climate in Vanuatu is stabilizing, the Ministry of Finance and Economic Management (MFEM) Ministry of Infrastructure & Public Utility (MIPU) and the Ministry of Lands (MoL) are driving regulatory and market reform in Vanuatu. Bills have been prepared and will be presented to parliament in 2007 to establish a regulatory authority covering water supply, electricity, and telecoms. The existing Government Business Enterprise Unit, which currently provides limited supervision of State Owned Enterprises (SOEs), will be re-established as a Public Enterprise Unit with broader powers and firmer legal footing. Regulatory authority will initially be placed under the MFEM.

With SOPAC assistance, the MoL is developing a national water policy (under its Geology and Mines Division), and a national energy policy that includes electricity sector regulatory arrangements to be adopted by the regulatory authority.

In 2006, the monopoly telecom provider, Telecom Vanuatu Ltd (TVL) filed legal action against a decision by the Minister for Public Utilities to grant a license to Pacific Data Solutions Ltd to conduct interactive gaming services in Vanuatu in 2005. In 2006, TVL lost the case and appealed to the Supreme Court; in April 2007, TVL lost the appeal. The Court's decision included the finding that the Government is now free to issue telecom licenses to telecom operators in competition with TVL. Though legal contention continues, the government is firm in its intention to open the telecom market

Monetary developments: Commercial Banks holdings of NFA (Net Foreign Assets) depicted a slight increase of 0.4 percent at the end of the quarter of 2006. This growth was mainly attributable to the increase in their balances held with non residents' banks and non-banks by 0.9% and 14%, respectively. Part of this increase was also attributed to an increase in Commercial Banks liabilities to residents in foreign currency, notably long term deposits. Despite this quarterly growth, an annual decline of 2.3 % was recorded (RBV 2006).

Total domestic credit contracted by merely 0.3 % during the fourth quarter of 2006. Private sector credit continued to form the bulk of total domestic credit, and continues to maintain a slow growth of just 0.6 percent during the quarter, which has been recorded for the fourth consecutive quarter in a row. The slow growth in the rate of lending was more related to the Banks ability to lend; as their lending capability were hindered by the slow process in obtaining required documents and the delay in executing legal actions from certain agencies. Despite this slow growth a stronger growth of 9.6 percent was recorded against the same quarter of 2005, this signified that the economy is hitherto growing at a positive rate since last year.

The current surge of liquidity into the banking system prompted commercial banks to adjust their interest rates on term-deposit accordingly. Interest rates ranges on loans were maintained throughout the year. However interest rates adjustments within respective banks caused the movement in the weighted average interest rate on total

The improving economic conditions and political stability had contributed to the continuous expansion of official reserves, closed at around 11,195 MVT (100 million USD) by end December 2006. This is sustainable enough to cover an equivalent of 8.5 months of projected imports. The level of import cover is one of the key indicators of monetary stability for the country.

About the exchange rates, development over the year showed that the Vatu appreciated against the USD, JPY and NZ dollar, while it depreciated against the EUR, British Sterling and AUD.

In March 2007 there is a sudden increase in **inflation rate** to 2.8% from 1.8% in March 2006. This seems a result of the influx of the GRT (Government Remuneration Tribunal) which has been imposed by the government of Vanuatu in mid 2006.

Trade issues - On the two other major regional trade agreements currently facing the Pacific – the Economic Partnership Agreements (EPA) with the EU and a potential new agreement with Australia and New Zealand – Vanuatu participated more actively in regional negotiations during 2006. Although it continues to maintain an open stance, the government recognises the importance of gradual integration of its economy into the regional and global market.

Although the Government has adopted the Outward Looking Trade Policy, major challenges continue to be faced in implementing regional trade agreements as well as in domestic policy reforms. These are demonstrated by continuing protectionist concerns which threaten to limit the benefits from trade liberalization.

The tables in Annex 1 show Vanuatu's social, fiscal and monetary statistics.

Government fiscal policy - The Government maintains its Policy of prudential Fiscal management, maintaining low and sustainable deficit and debt level. The Government has, in the past three years not had recourse to any external borrowings, but only on external debt servicing. The external debt position as a percentage of GDP at end 2006 stood at a very healthy level of 19% compared to the benchmark level of 40% or more. The Government is focusing more on domestic borrowing from non-inflationary sources of which the main lenders are the National Provident Fund and the National Bank of Vanuatu.

In terms of **fiscal performance**, the trend since 2004 has improved significantly with sizeable surpluses compared to the deficits incurred from the period 2001 to 2003. The surpluses incurred at the end of fiscal year 2006, which amounted to 765.5 million vatu, were sourced mainly from increase in revenue and grants over budgeted figure and also the reduction in total actual expenditure from the budgeted figure by 4.4%.

Development Expenditure - The Government is devoted to the improvement of infrastructural development such as roads, airports, wharves, bridges and telecommunications as it will form the backbone to the private sector development which will eventually increase economic growth, improve the standard of living and provide basic services to the rural people in the Provinces. This has been well reflected with the Millennium Challenge fund: towards the end of year 2007, work will commenced on the construction of the Efate ring road and the construction of Santo roads.

1.3. Update of the social situation

According to the latest Agricultural Census (2006) the total population of Vanuatu is 221,507. Life expectancy at birth is 67.4 for male and 70.4 for females. Vanuatu is ranked the third poorest country in the Pacific.

Over 48% of Vanuatu's human resources are women. Family arrangements are changing and there are a growing number of women-headed households. The number of reported cases of domestic and others cases of violence dealt with by the Vanuatu Women's Centre has increased for the last 10 years and some of this increase may reflect improvements in getting the issue more openly discussed. Vanuatu does not have a Family Law Act. It is within such Acts that discrimination is defined and grounds identified on which people cannot be discriminated against. This situation contravenes both the Constitution of Vanuatu and the Convention on the Elimination of all Discrimination against Women. Women in Vanuatu are also under-represented in higher-level politics and administration.

The population structure of Vanuatu is young with 43% under the age of 15. In situations of limited resources, especially in rural areas, girls are more likely than boys to suffer from limited access to education. But basic education is widely accepted and distributed all over the country and overall enrolment is high. The pattern is similar in higher education, but still with relevant differences between the two genders.

The pressing issues affecting young people today involve identity and self-expression, uncertainty about their future, unemployment / underemployment, and education. Many school leavers do not have adequate or appropriate skills to secure one of waged jobs available or the skills needed for agricultural work or alternative livelihood options. Approximately 81 % of youth commencing a life of subsistence farming have only reached as far as primary school, with little opportunity to upgrade skills.

Youth problems in Port Vila and Luganville are increasing. Youth migration to Port Vila is high from Tongoa and other Shepherd islands as well as Tanna and Paama. This is due to land pressure, the desire/hope to find employment and also to escape the constraints of a rigid customary environment. Pressure on housing in the outskirts of Port Vila and Luganville is rising. For every 10 pregnancies, 5 are teenagers.

The Ministry of Education is now embarking on the Sector Wide Approach (SWAP) as a way to foster efficiency and effectiveness within the education system. Researches have indicated that a lot of resources within both the recurrent and development budget have been pumped

into the education sector and concerns have been raised as to whether those resources have reached the remote rural areas and were used effectively or not. The Vanuatu Education Sector Strategy (VESS) approved in 2006 contains all significant elements contributing to achieving the above goal.

Additionally, 2006 marked a new era in the education sector: the usual 6 years of basic education were extended to year 8. This policy was implemented to provide children with at least 2 more years of basic education before progressing into upper junior and senior secondary level of education or entering the non formal system. Most of the infrastructural requirements are provided from assistance received through the EU (EDUTRAIN project) and other donors.

Access to good health care is the major national issue for children closely followed by access to good quality education. The poorest services for children are in rural areas, where children are more vulnerable and susceptible to diseases due to inadequate health facilities and relative poverty. Deaths below 1-year result mainly from neonatal conditions, respiratory infections followed by diseases of the nervous system (such as meningitis, paraplegia and epilepsy) and infectious/parasitic diseases. For children 1-4 years old, the most common causes of death are infections and parasitic diseases, though these are also common in children aged 5 – 14 years (UNICEF).

HIV prevalence among Vanuatu's society is not well assessed. Only 2 cases are officially reported (a reported third case died in August 2006 – a member of the Police Force who had served on a UN Mission overseas). Statistics from the Ministry of Health and/or WHO office in Port Vila are poor. It is a common understanding among Vanuatu's civil society that religious factors, geographical dispersion and strong community ties are blocking HIV in Vanuatu. These are also some of the factors that contribute to ignorance and lack of awareness of HIV. Experiences for other countries with high prevalence of HIV/AIDS (i.e. PNG) show that risk is underestimated when women experience significant discrimination in traditional communities together with very high levels of sexual violence. As in PNG, in Vanuatu there is a great deal of unprotected sexual activity happening, combined with high levels of sexually transmitted infections (the use of condoms or other contraception methods are still biased by traditional practices).

The National AIDS Committee (NAC) is the national co-ordinating body for HIV in Vanuatu. It involves a broad representation of people from across the country and from a variety of sectors. At the end of 2006, NAC has defined a new national strategy which should make more feasible for the Government of Vanuatu (Ministry of Health particularly) to meet MDG objective about HIV/Aids.

Millennium Development Goals (MDG) - The table 2 (Annex 1) shows Vanuatu's Social Indicators covering the core MDG.

The Government of the Republic of Vanuatu endorsed the Millennium Declaration at the UN Millennium Summit in September 2000. The Declaration sets out the overall goals and specific targets with a view to reducing human poverty in the world. Towards their attainments, the Government of Vanuatu is strongly committed to implementing its Prioritised & Action Agenda (PAA) as a policy that has integrated MDG indicators in sector objectives and priorities.

Vanuatu's first MDG Report assesses the current situation and progress made in implementing specific targets of the MDG in the country. Prepared with joint efforts by SPC and UNDP under the guidance of the National MDG Committee, it provides the situation

analysis, progress to date and challenges, as well as priorities to address in order to achieve the MDG in Vanuatu.

Even though some significant progress was made in several areas, Vanuatu is yet to overcome some obstacles and challenges in order to achieve its MDGs.

In terms of statistics and the Vanuatu National Statistics office, both the Household and Income Expenditure survey as well as Phase 1 of the Agriculture Census have been completed in 2006 and phase 2 of the agricultural census is in progress.

The Government is still committed to its main strategic priorities as can be assessed through its PAA. The Government aims at increasing equity in access to income and economic opportunities by all members of the community, especially through: ongoing support to schools and health facilities in terms of government grant support; training of teachers and nurses; and the growth of income-earning opportunities for school leavers and graduates¹

1.4. Update of the environmental situation

Vanuatu's PAA stresses the importance of sustainable environmental development. The Environmental Management and Conservation Act No.12 of 2002 enables Vanuatu to maintain environmental quality through the sustainable management of natural resources for the security and benefits of the future generations. The task of sustainable environmental development is embedded on three major departments (1) the Environment Unit (VEU) which is responsible for researching, raising awareness, formulating and implementing government policies on the management of Vanuatu's environment in an ecologically sustainable manner (this includes enforcement of the necessity to carry out EIA), (2) The Department of Forestry which is responsible for the management of Vanuatu's forest resources with more emphasis on reforestation and Agro forestry to achieve greater social and economic benefits as well as protecting the environment (3) The Energy Unit, which is responsible for the identification, implementation management and evaluation of energy projects, as well as monitoring petroleum and electrification activities in Vanuatu. The Vanuatu Government has clearly recognized the importance of sustainable development and environmental conservation but the process of integration is a major challenge. Vanuatu remains under the threat over the rapid rate of loss of its bio-diversity, which results from the clearing of vegetation and agricultural activities, poor management of land and urban development.

VEU is currently implementing three (3) projects:

- **Local Conservation Initiative:**

The Local Conservation Initiative project is being piloted in 3 islands: Gaua, Santo and Tanna. Its primary objective is to strengthen land holders initiative in conserving biodiversity. The project is significantly focusing in directly involving communities in recognizing and conserving important biodiversity resources. In line with this focus, the Expedition SANTO 2006, a global biodiversity assessment, took place in the second part of the year. This expedition which involved over 100 scientists from various countries in the world was designed to achieve a comprehensive assessment of the living organisms, both marine and non-marine, of a tropical oceanic island. Results from this expedition have been widely publicized in both scientific journals and layman's publications.

- **International Waters Programme:**

¹ Fiscal Strategy Report 2006

The Vanuatu International Waters Project is working with the Crab Bay community on Malekula Island to find practical, low-cost, ways to improve the management of their coastal fisheries resources, particularly crabs. The significant developments from this project were the launching and communication to stakeholders and wider community of the Amal-Crab Bay Management Plan and development of a National Monitoring and Evaluation Plan for Sustainable Fisheries Development in Vanuatu.

- **National Capacity Self-Assessment Project**

The main objective of the National Capacity Self-Assessment project is to enhance the capacity of Vanuatu in addressing global environment management issues, particular in the areas of Biodiversity, Climate Change and Land Degradation. The above issues are being addressed within their respective international conventions. A significant development from project is the preparation of a Draft National Capacity Building Action Plan for Environmental Management in Vanuatu.

Four proposals from Vanuatu to the Energy Facility have been shortlisted to the final stages of eligibility checks. Both proposals addressed the issue of access to energy by populations in remote areas through the use of renewable energy (coconut oil in three cases and wind in the fourth one). Concretization of these proposals will lay the foundation of a major progress towards the rural electrification agenda of the Government.

No major cyclone hit the country in 2006 and the most significant environmental event has been the disposal of a large quantity of oily sludge from a visiting cruise ship into the Port Vila dump. The reaction from both the public and the local authorities has been strong and the matter is on the way to being resolved. This demonstrated the good level of awareness about environmental issues in Vanuatu.

An interesting new development is the recent focus on a Vanuatu Carbon Credit Project. This project funded by the British Government's Global Opportunities Fund and Victoria University (New Zealand) saw its first phase implemented in 2006. The aim is to assess Vanuatu's potential into accessing the international carbon market and earning money from forest conservation, agro-forestry and sustainable energy projects. Vanuatu could eventually aim at becoming carbon neutral which could represent a significant marketing draw card in the current global awareness about global warming.

2. Overview of past and on-going co-operation

An end-of-term review (ETR) of the Country Strategy Paper (CSP) and National Indicative Programme (NIP) for Vanuatu was carried out during 2006. Following the completion of the ETR, an increase of € 3 million was decided. This increase will ensure the successful completion and sustainability of programmes in the focal sector (possibly with a view to advance towards a long-term strategy in Education) and will continue to support the macroeconomic reform programme of the Government with a view to: extend support to economic reform programme for the period 2007-2010, improve predictability of inflows of budget support and maintain a substantial proportion of the budget for the social sectors and stability in government's fiscal management.

EC efforts in the refinement of indicators to measure performance in the focal sectors continued during 2006. They cannot be separated from the general sector analyses undergoing. In Education, the planned SWAP is giving the opportunity to improve the relatively weak monitoring and sector diagnosis. In Public Finance Management, the Public

Expenditure and Finance Accountability (PEFA) exercise, launched by the EC in 2006, paved the way for a well-sequenced reform program defined by the government.

Programming and implementation continued appropriately during 2006. There is still the concern of the lack of capacity in the NAO office to support the programming and implementation processes. Refresher courses and greater capacity building in EDF procedures were organized for PMU staff. Most of 9th EDF interventions will end or be about to end in 2007. This gives particular importance to the coordination with 10 EDF future activities. Total disbursements in 2006 remain stable at 2005 level. Old projects were closed and no significant decommitments remained.

2.1. Focal sector (and macro-economic support)

2.1.1. Focal sector EDUCATION

2.1.1.1. 9 ACP VA 03 Education and Training Programme

The purpose of this project is to assist the implementation of basic years 7 and 8 as well as the quality of its management.

a) Results (see table in Annex 4)

At the end of 2006, EDUTRAIN programme was in full implementation, presenting an adequate rhythm of objectives' completion. The positive dynamic encouraged inside the Ministry of Education to turn into practice the objective of increasing primary education by year 7 and 8 should be highlighted. Another positive EDUTRAIN outcome is the standardization of classrooms: EDUTRAIN new classrooms have become the accepted models for the country.

b) Progress in activities

Result 1, the Education Management Education System (EMIS), the project elaborated a software development strategy and developed a technical assistance project (the latest in coordination with NZAID). It took around 12 months for the technical assistance contract to reach its final stages, with an Australian company, Uniquet, winning the tender. Their first Technical Assistant (TA) arrived for work in December 2006. In the meantime, EduTrain funded local technical expertise, and supported the salary of the Department's senior technician. In addition the project funded the extension and improvement of the Department's network and hardware. By the end of 2006 networking of Department buildings and upgrading of equipment in Port Vila was basically complete.

Result 2, Provincial Education Offices (PEO) rehabilitation has reached design stage. This component was given second priority to centre school construction, but will be completed in 2007.

Result 3, the training of teachers for years 7 & 8 is implemented by the Department of Teachers' Training of the Ministry of Education. Issues of clarity on curriculum and methodology have meant that funds have been underutilised. During 2006 the project began funding the Department's '*Leftemap*' literacy project. *Leftemap* developed literacy materials for basic education, and trained teachers of years 7 & 8 in these materials.

Result 4, the printing and distribution of revised materials for years 7 & 8, funds were allocated for acquiring printing equipment for the printery as well as stationary and other materials to allow the production of revised materials.

Result 5, Building works at centre schools have progressed well. The design of the double classroom storage and administrative block was completed and build methodology piloted and revised. At the end of 2006 the project had completed seven schools; a further five were at finishing stage; and communities were being prepared at another seven schools in Northern provinces.

c) Degree of integration of cross-cutting themes

Although the project document does not mention specific cross-cutting issues, the project makes every effort ensure that the gender balance is guaranteed in staff and in access to training. School design and choice of location takes into consideration the environmental requirements. When needed, EIA study is conducted.

2.1.1.2 8 ACP VA 23 – 9 ACP VA 08 Tourism Education and Training Programme

The purpose of this project is an improved capacity in VIT, training service providers and VIBA to deliver quality manpower standards and services for the T&H industry in Vanuatu.

a) Results (see table in Annex 4)

In 2006, significant gains were made in the achievement of results as the project moved into its consolidation stage. Emphasis was placed on the completion and equipping of the Hospitality and Tourism Training Centre (HTTC). Inconsistent proposals from Vanuatu's Tourism Office did not help to dedicate more energies and resources to marketing, promotion or small business commercial sustainability.

b) Progress in activities

Result 1 - Improvement in pre-service and in-service training capacity was 80% completed at December 2006. Significant progress was made in the area of formal training particularly with the revision of curricula and the recruiting and retraining of staff and in the area of rural training despite the decision taken to curtail the mentoring activities. By December 2006, over 300 persons in the outer islands benefited from short courses delivered by rural trainers across three provinces.

Result 2 (support to Vanuatu Bungalows Associations VIBA) and **Result 3** (support to Vanuatu Tourism Organization VTO) were discontinued due to lack of co-operation in the former case and inappropriate proposals (inconsistent with project objectives) in the latter.

Result 4 - After reviewing the designs for the new training centre, the Training Adviser recommended an increase in the capacity of the training kitchen to accommodate 50% more workstations and facilities for butchery, bakery and the preparation of cold desserts. This resulted in increased costs (redesign and re-engineering) and an eventual delay of four (4) months. The Ministry of Education through the Vanuatu Institute for Technology (VIT) funded the additional costs arising. On 31/12/06, the building was about 90% completed.

c) Degree of integration of cross-cutting themes

- Gender / youth: tourism related activities offer good work opportunities regardless of gender. The project ensures that a gender balance is maintained in the training, whether academic or non formal (rural training),
- environment : environmental awareness is an integral part of the training curricula,

- culture: Vanuatu has a rich culture which is an asset for the development of tourism. Awareness of cultural aspects is included in the training curricula.
- Capacity building and institutional development : the project work closely to build up the capacity of the stakeholders in the public and private sector

2.1.2. 9 ACP VA 06 SERP I Macro-economic support

The purpose of this project is to provide support to Vanuatu's ongoing Comprehensive Reform Programme (CRP) started in 1997 and reaffirmed in the Government's Development Policy: the Priority and Action Agenda (PAA).

a) Results

The release of the second tranche of the budgetary support of this project was foreseen in 2005. However this was not done until September 2006.

The recruitment of an international expert was launched in October 2005 under framework contract to carry out a thorough assessment of the various indicators. Eventually field work started in January 2006. Upon reception of the assessment, the lengthy process that led to the release of the funds generated some macro-economic difficulties for the Government who had budgeted the second tranche in its 2005 budget. To cover for this lack of planned income the Ministry of Finance had to borrow money on the commercial market. The seemingly multiplication of indicators in SERP I led the Ministry of Finance to becoming wary of the implementation of Aid through budgetary support. Lessons learned from this project have contributed in an improved design of a new budgetary support exercise under EDF 9 following ETR.

b) Progress in activities

Assignment of the internal auditor who was working with the Ministry of Education came to an end in 2006. The achievement of this activity was to provide the level of accountability and policy orientation needed to support both budgetary support and the sector wide approach in which many donors demonstrated accrued interest in 2006.

In Jan/Feb 2006, at the request of the SERP Steering Committee, the internal auditor carried out an IT audit review of the Government's computerised Financial Management Information System (FMIS). The auditor provided some support as well to the costing of the Education Medium Term Economic Framework (MTEF) and, by implication, part of the Vanuatu Education Sector Strategy (VESS). This activity has not been finalized by the MOE and should come to an end by mid-2007.

Overall, significant progress has been made in the establishment and development of an Internal Audit Unit for the MoE. An embryonic audit infrastructure is in place that is capable of development in the forthcoming Education Restructuring. Audit planning processes have been defined although their full benefit will not be realized until an expanded internal audit unit is in place. Internal audit procedures and capability have also been developed.

c) Degree of integration of cross-cutting themes

Through the monitoring of the agreed indicators, the Government's undertakings in respect of moving towards the realization of several MDG are being promoted.

This project is significant for women who figure prominently in education as is reflected by the near parity in school enrolments by boys and girls.

Furthermore, and through the technical assistance procured under the project, institutional strengthening and capacity building is being achieved.

2.2. Project and programmes outside focal sectors

2.2.1. 9 ACP VA 02 Public Work Department Maintenance Training Programme

The project intends to reinforce planning, procurement and maintenance in 2 provinces of Vanuatu: Tafea and Malampa.

a) Results

Public Works divisions' offices in Tafea and Malampa are rehabilitated and functional. All heavy equipment are commissioned and in use.

A new technical assistant (TA) was appointed in Nov. 2006 to facilitate implementation of the final Programme Estimate (PE). The TA has been organising on-the-job trainings on surveying techniques for basic labour-based road maintenance, equipment-based rehabilitation and maintenance works, road inventories and road network management.

b) Progress in activities

Road maintenance, including basic routine activities and labour-based works, is gradually being adopted by Public Works Department (PWD) staff at all levels. Staff has to adapt to contracting out the works, acquiring skills in surveys and design, computing bill of quantities and cost estimates, control of works and reporting.

The PWD maintenance and training programme is helping PWD to comply with other donors requirements in road network management and is helping PWD to make an efficient use of public funds, either from recurrent budget or from development / donors budgets.

c) Degree of integration of cross-cutting themes

The Maintenance Training Programme is not particularly focused on gender or other cross-cutting issues but has a strong interest in motivating road users and communities in its works. Most labour-based work contracts are performed through communities agreements, at least until the private sector develops and is able to compete openly.

2.2.2. 8 ACP VA 16 / 9 ACP VA 09 Producers' Organisation Project (POPACA)

a) Results: (see Annex 4 for further details)

An end-of-term review of POPACA carried out in January 2007 has shown that the assistance and advisory services to Producers' Organizations (PO) are having a significant impact. The Project is currently supporting a total of 33 PO's, 17 in the cocoa , 4 in copra / root crops , 1 in coffee, 1 in spices, 5 in livestock and 5 in fishing.

The end-of-term review also indicated that the international TA Marketing (who ended in June 2006) did not manage to create a sustainable marketing service and/or local capacity to provide an agency marketing service. The review recommended that priority will be focused on the operation of the Project Information System which is undergoing.

b) Progress in activities:

POPACA activities will come to an end 31/12/2007. 2006 was characterized by:

- Support to PO's: i) To secure financial & technical sustainability of PO's and Umbrellas' organizations ii) To get a better access to niche market, through Fair Trade certification (and Organic if required).
- Advisory services: i) To strengthen Extension Services, ii) To strengthen Applied-Research Programs iii) To strengthen Organic Certification Unit

- Project & Marketing Information System Unit (P&MISU): i) To facilitate access to both domestic & overseas markets for PO's.
- Project Management: To transfer the implementation of 2007 Programme Estimate to the staff of the Ministry of Agriculture.

c) Degree of integration of cross-cutting themes

The Project, being directed at the agricultural sector, and market orientated, is seeking to access environmentally friendly and socially responsible markets for its beneficiaries crops, eg, the organic and fair trade sectors. Also, the agricultural sector employs a high percentage of women, both directly and indirectly. Improved farmer incomes will assist in providing needed cash to pay school fees and thus improve overall children's education

2.2.3 9 ACP VA 11- Technical Assistance to the NAO / Technical Cooperation Facility

The new TCF and TA to the NAO project was signed in March 2006.

a) Results:

The TCF component of the project has been used extensively as a programming tool and to respond to good governance requests under the framework of our 9 EDF CSP. The TA to the NAO component has concentrated in the selection and training of proper local counterpart at the level of the NAO Office (the lack of counterpart has been major cause of concern). To this effect a counterpart has been recruited by the Department of Foreign Affairs and actively involved into day to day running of NAO matters.

b) Progress in activities:

The NAO Office provided support to the projects' management units in terms of training in EDF procedures, procurement and administrative and financial management in 2006. Several short contracts were funded, whether through the direct labour component of the PE (local service contracts), or through the framework contracts (international expertise). Expertise was contracted for project identification and formulation, and for audit and evaluation of EDF 9 projects. Grants have been awarded to foster the visibility of EC-Vanuatu cooperation and in response to specific request in regards to good governance, gender, awareness of cultural heritage and environmental issues.

c) Degree of integration of cross-cutting themes

The project management unit is well integrated within the Department of Foreign Affairs. Good working relations have been developed with the line Ministries and other donors. The project currently supports several initiatives relating to cross-cutting issues (gender, good governance, environment) and to trade promotion and development of the private sector (in collaboration with the CDE sub-regional office in Port Vila and the Chamber of Commerce and Industry).

2.2.4. 9 ACP VA 12 Support to Non State Actors (NSA) and Community-Based Organization (CBO)

The financing agreement for the new intervention in this sector was signed in Oct. 2006 and the first programme estimate, although prepared in Nov. 2006 was only signed in Jan. 2007. Implementation of the Support to NSA and CBO project is delegated to VANGO the local umbrella organisation for NGOs. VSO is a partner in this project through the subsidised provision of up to five volunteers to facilitate implementation of the activities which aim at addressing request from women and/or remote islands in priority.

2.3. Utilisation of envelop B

Three Financing Decisions committed the total of € 3.3 million of Vanuatu's B-envelope:

2.3.1 9 ACP VA 01 Reconstruction of the Lycée Antoine de Bouganville

An amount of € 1,350,000 was allocated for these works. Rehabilitation works has been completed on 31 March 2006. The balance of funds has been used to rehabilitate the electrical installation of the old buildings of the LAB that did not get destroyed in the earthquake. Provision of equipment (tables, chairs) was procured through the remaining funds as well. Below standard supervision has however contributed to some delays and to date various issues are still pending (such as quality of the overall construction, electrical installation, effectively addressing some of the defects highlighted during the provisional acceptance).

2.3.2 Support to Economic Reform Programme (2004 – 2006)

See 2.1.2. *9 ACP VA 06 SERP I Macro-economic support*

2.3.3 Emergency school repairs

This intervention is managed by the Peace Corps volunteers. In 2006, around 15 primary schools (of a total foreseen of 30) achieved the rehabilitation/preparedness to natural disasters throughout Vanuatu. Lessons during the implementation should be used in the implementation of the new Support to NSA and CBO Project.

2.4. Other instruments

2.4.1. STABEX

STABEX activities ended in Vanuatu in 2005 and final reports and closure were done in March 2006.

2.4.2 Regional Cooperation

Vanuatu is benefiting from a number of projects funded under the Pacific Regional Fund. These projects are handled by the Forum Secretariat in Fiji and the EC Delegation also in Fiji. Consultants involved in these projects contact the EC Delegation in Port-Vila whenever they are on missions to Vanuatu but this does not seem enough to take maximum advantage of complementarities and visibility with other EC actions at national level. Effective participation of Vanuatu in co-operation at Regional level continues therefore to be a challenge.

2.4.3 European Investment Bank

The EIB visited Vanuatu several times in 2006. The Delegation assisted them to contact local entrepreneurs and information was provided to these private businesses about the various options offered by the EIB. Projects in the renewable energy and financial sector will be given particular attention in 2007. The EIB considers to finalise a line of credit with the National Bank of Vanuatu (NBV) to support smaller operations in Vanuatu under the Pacific Islands Financing Facility II approved by the EIB board in October 2006. A potential wind farm project was identified and will be reviewed in greater detail in 2007. The opening of an EIB office in Sydney will help to further improve communications between the EC delegation and the EIB.

The implementation of the two former budget line projects (LEARN and VANPID) finished in 2005. However closure of these projects proves difficult due to the fact that no final audits were provided in 2006. These projects will be closed in 2007.

3 Performance and dialogue

3.1 Assessment of performance indicators

EC cooperation in Vanuatu under 9th EDF CSP (2002-2007) has no Intervention Framework and the development of co-operation was not linked to a defined set of key indicators for which annual targets were agreed. This will be corrected in the next CSP.

Policy issues, in particular in the focal sector EDUCATION, have however been prioritised and the EC was very active in the discussions which led to the adoption of a Vanuatu Education Sector Strategy (VESS) by the Council of Ministers in March 2006. An Education Summit –a kind of “participatory democracy *à la Mélanésienne*”- with stakeholders from the administration and the civil society met in November 2006 to endorse the new VESS.

Another significant step was the adoption by the Government of Vanuatu of its national development strategy - the Prioritised Action Agenda (PAA). The PAA covers the period 2006-2015 and acknowledges that reducing poverty over this period will require an accelerated programme of structural reforms with a view to providing an enabling environment for private sector growth. In a general meeting with donors, the EC engaged to use PAA performance indicator as reference for the new CSP EDF 10.

3.2 Donor coordination and harmonisation

The major external donors in Vanuatu are the European Commission, Australia, New Zealand, the USA (via the Millennium Challenge Corporation) and France. China and Japan make also significant contributions through infrastructure, aid-in-kind and/or volunteers.

All donors also run a wide variety of projects across a range of sectors, although Education, Governance and Economic Growth are core themes in most programs. The main exception to this is the US MCC which is focused solely on the infrastructure sector.

France is the only MS present in Vanuatu. The *Document cadre de coopération 2006-2010* approved in 2006 targeted two focal sectors: Education and Agriculture/Food Security. There are regular coordination meetings and synergies in both sectors (education and agriculture) were discussed, in particular for EDF 10. The main result is the co-funded POPACA project since 2003.

There are also a range of large NGO in country including VSO and Peace Corps and also small representative groups from regional organizations such as the UN and WHO. Multilateral agencies such as the IMF, World Bank and Asian Development Bank generally play a minor role via the provision of specific technical assistance.

All the major donor partners (except for France) are planning some form of direct budgetary inputs in the near future. Australia and New Zealand have committed to channelling more of their aid through Government budget and it is expected that part of this will be through “sector wide approach” plans such as the one currently under development in Education. This

has encouraged the creation of sector partner groups in Education and Public Finance Management (PFM). The EC has been leading the donor discussions to reduce the number of un-coordinated missions and encourage the use of country systems.

The work of these groups has also shown the practical difficulties to implement international commitments (i.e. the Paris Declaration). Still more efforts should be one in Vanuatu about quality and timeliness of aid information to the government, budget estimates for disbursement of project aid as well actual disbursements, the use of coordinated international technical assistance, etc.

The preparation of EDF 10 will give the opportunity to share analysis and exchange information: this should give concrete results (extensive use of government budget, replication to other sectors of SWAP-in-education model, co-funding initiatives, etc) during the EDF 10 implementation.

3.3 Dialogue in country with the NAO and the NSAs

This JAR 2006 was drafted by the two key Ministries of Foreign Affairs and Finance within the Government of Vanuatu, in close collaboration with the Delegation of the European Commission. This included wide range consultations within government.

The need to involve non state actors (NSA) was recognized by the Government in light of its commitments under Cotonou. In Vanuatu recent projects that have targeted NSA have identified VANGO as the umbrella body that has been chosen by the NSA to help coordinate their activities. The Vanuatu Government has also signed a Memorandum of Understanding with the NSA through VANGO.

In light of these developments VANGO was selected as being the most appropriate vehicle to utilize when trying to ensure NSA involvement in the programming process. It is accepted as well that a workshop for the key NSA should be organized regularly, which lately has been done to explain the drafting process of the 10th EDF (2006) and the design of the new NSA project (2005). Those workshops normally comprise a large representation of different civil society views and opinions. The views expressed covered the analysis, response strategies as well as the future involvement of NSA's in the process of implementation and monitoring.

4 Conclusion

Stability in Vanuatu during 2006, compared to its neighbours, consolidated the moderating image of the country in the region. Political stability encouraged reforms in Vanuatu which have had a clear influence on the quantity and quality of aid assistance.

Recent economic indicators suggest that Vanuatu's economic growth (4.7 % in 2006) will continue and should remain positive over 2008-2010. However, it should be noted that this growth rate is mostly driven by major donors-funded infrastructure projects (MCA, EU, others). Assuming an annual rate of growth in population of around 2.6%, real incomes per capita is expected to slightly rise over the medium term

Although still the social backbone of the economy (copra, cocoa, kava and cattle), the Agricultural sector remains stagnant (only 16.6% of GDP). The industrial sector showed remarkable performance in 2006, reflecting a growth of the construction sector driven by the

MCA (and other donors') infrastructure projects. The service sector continues to form the largest sector in the economy; accounting for 75% of total nominal GDP) and contributing significantly to total GDP growth.

Regarding utilities, regulatory and market reforms are under ways to establish a regulatory authority covering water supply, electricity, and telecoms. The government is also firm in its intention to open the telecom market.

According to the latest Agricultural Census (2006) the total population of Vanuatu is **221,507**. Life expectancy at birth is 67.4 for male and 70.4 for females. The population of Vanuatu is young with 43% under the age of 15. The pressing issues affecting young people today involve identity and self-expression, uncertainty about their future, unemployment and underemployment, and education.

In development terms, the government approved an update of the Prioritized Action Agenda (PAA). The Ministry of Education is now embarking on a Sector Wide Approach (SWAP) as a way to foster efficiency and effectiveness within the education system. Access to good health care is a major issue, in particular in rural areas.

9th EDF activities in Vanuatu ran at full implementation during 2006. Projects' actions were completed with cross-cutting interventions in the field of good governance: Women in Decision Making, National Integrity Report, transparency in tax information exchanges. Overall it was a very fruitful year in terms of project's achievements.

Donor coordination continued in the field of Education and Public Finance Management. Some clear advances were obtained in issues like coordination of missions or sharing analysis but the work of these groups also showed the practical difficulties in recipient countries to implement general commitments.

As a conclusion, even though some significant progress was made in several areas, Vanuatu is yet to overcome some obstacles and challenges in order to achieve its MDGs.

Conclusion

La stabilité politique retrouvée a permis au Vanuatu de renforcer son image et son rôle de modérateur régional et de continuer sa politique de réforme.

Les indicateurs économiques récents suggèrent le maintien d'un bon taux de croissance pour la période 2008-2010. En 2006, le taux fut de 4.7 %. Il convient cependant de noter que ce taux de croissance résulte en grande partie d'un influx de fonds pour des grands projets d'infrastructure par les bailleurs (principalement le MCA américain mais aussi l'UE et d'autre coopération bilatérale). Sur base d'un taux de croissance de la population projeté de l'ordre de 2.6%, le revenu moyen *per capita* devrait croître légèrement dans le moyen terme.

L'agriculture représente la principale activité pour la majorité de la population (plus de 70% de la population dépend de l'agriculture pour sa subsistance) mais le secteur agricole reste stagnant, voire même en perte de vitesse, ne représentant plus que 16.6 % du PNB). Le secteur industriel par contre a affiché un remarquable taux de croissance cette année, résultat des investissements dans le secteur de l'infrastructure (MCA et autres bailleurs). Le secteur des services continue à contribuer significativement à la croissance du PNB puisqu'il représente 75% du PNB nominal. Des réformes sont en cours pour établir une autorité régulatrice couvrant les services publics (eau, électricité, télécommunication). Le gouvernement apparaît décider à briser le monopole dans le secteur des télécommunications.

Le recensement agricole conduit en 2006 indique que la population totale du Vanuatu est de 221,507 habitants. L'espérance de vie à la naissance est de 67.4 pour les hommes et de 70.4 pour les femmes. La population du Vanuatu est jeune (43 % ont moins de 15 ans). Des problèmes de délinquance et d'insécurité commencent à apparaître en milieu urbain. Les jeunes viennent en ville avec l'espoir d'y trouver du travail, un meilleur accès aux services mais aussi pour échapper aux contraintes d'un système coutumier ressenti comme pesant.

Dans la politique du développement, l'Agenda d'Actions et de Priorités (AAP) approuvée par le gouvernement constitue une feuille de route pour les années 2006-2015. Le Ministère de l'Éducation met en place une approche sectorielle (*SWAP*) afin de rationaliser le secteur éducatif et d'améliorer son efficacité et son efficacité. L'accès aux soins de santé reste préoccupant, surtout en matière de santé infantile et plus particulièrement en zones rurales.

Les activités dans le cadre du 9^{ème} FED ont progressé de manière très satisfaisante. Aux projets s'ajoutent des interventions transversales dans le domaine de l'appui à la bonne gouvernance, les droits et la représentation des femmes, la transparence en matière de finance publique. Dans l'ensemble l'année s'est achevée sur un bilan particulièrement positif.

Une bonne coordination s'est établie entre les bailleurs, particulièrement au niveau de l'Éducation et des Finances Publiques, et des avancées ont été enregistrées en matière de la coordination des missions, du partage de l'information. Mais ces groupes de travail ont aussi permis de mettre en lumière les difficultés pratiques du pays bénéficiaire à mettre en œuvre ses engagements en matière de coordination de l'aide.

Bien que des progrès aient été réalisés dans de nombreux domaines, de nombreux obstacles et défis doivent encore être relevés pour atteindre les Objectifs du Millénaire pour le développement (OMD).

1. General Annex

Table 1 Summary of Macro-Economic Indicators

	2004	2005	2006	2007	2008
1. Population	212,228	217,746	221,407	229,216	235,176
2. Population growth (in %)	2.6%	2.6%	2.6%	2.6%	2.6%
3. GDP per capita (in USD)	1597.95	1814.57	1942.88	2056.66	2189.17
4. Growth of GDP/capita (in %)	-3%	-3%	-3%	-3%	
5. Gross capital formation as % of GDP of which FDI	22% 2355	23% 2800	24% 3100	26% 3500	
6. External debt as % of GDP	25%	23%	21%	20%	
7. arrears on domestic debt	0	0	0	0	
8. Exports as share of GDP of which... (main sectors of concentration / main export markets)	9%	8%	8%	8%	
9. Trade balance as % of GDP	25%	23%	21%	20%	
10. Government recurrent revenue as % of GDP(main sources of income)	20.0	19.8	20.6	20.9	19.8
11. Government recurrent expenditures as % GDP (main areas of expenditure – social sectors versus military expenses; debt service as % budget)	19.9	18.9	19.5	21.9	19.9
12. Budget deficit (effective data rather than budgeted data where possible) in million Vatu	334.9	-92.7	-36.1	295.0	
13. Consumer Price Index	112.6	113.9	116.1	118.1	-
14. Exchange rate (average Exrate: Vatu/USD)	111.83	109.47	110.36	108	108

Source(s): Ministry of Finance and Economic Management.
Note: 2005, 2006 are estimates, 2007-2008 forecast

	2002	2003	2004.	2005	2006	2007 forecast	2008 forecast
Real GDP Growth (%)	-7.4	3.2	5.5	6.8	4.7	4.2	5.0
Trade Balance (millions Vatu)	-8089	-7912	-8291	-10095	-10336	-	-
Current Account Balance	-2646	-3450	-2702	-3964	-3639	-	-
Gross Official reserves	4854	4954	6615	7596	11195	-	-
Months of Import Cover	5.0	4.5	5.5	5.8	7.0	7.0	7.0
Consumer Price inflation (% change over previous year)	2.3	2.9	0.8	1.7	1.8	2.8	2.5
Tax Revenue (millions Vatu)	5,671.3	6,021.5	6,621.7	7,095.0	8,125.6	9,266.3	9,696.5
Total Recurrent Revenue	6,333.7	6,658.4	7,380.1	7,954.5	9,151.9	10,342.4	10,839.3
Total Recurrent Expenditure	7229.8	7192.5	7331.5	7575.6	8638.5	10839.2	10907.2
Total Payments (as % of GDP)	9220.1 28.0	8715.9 25.3	8717.4 24.5	9,513.3 23.6	10,322.4 23.3	14207.6 29.2	16155.2 30.5
Total Revenue & Grants (millions Vatu)	7088	7061.7	8129.7	8795.8	10008.6	-	-
Total Expenditure & Net Lending	8410.2	7574.1	7914.9	7943.2	9664.5	13754.3	14212.8
Deficit / Surplus (as % of GDP)	-1322 -3.9	-620.7 -1.7	443.9 0.9	831.6 -0.3	427.2 -0.1	-	-
External Debt-Bilateral (millions Vatu)	1044	1025	974.3	496.9	485.6	465.5	428.3
External Debt- Multilateral	8791	8077	7554.3	7219.9	7178.7	7312.5	7090.0
Total Domestic debt	3432	3632	3884.1	3328	3328	3328	
Total Stock of Debt (as % of GDP)	13267 40.5	12734 37.8	12,724.0 36.0	11,762.9 32	11,586.5 30	11,374.7 28	

Source: Department of Economic and Sector Planning (DESP)

Table 2 Indicators for the Ten Core MDG Indicators plus Other Social Indicators

Type	Indicator	2003	2004	2005	2006	2007	2015
Impact	1. Proportion of population below \$1 per day ²	N/A	N/A	N/A	N/A	N/A	N/A
	2. Prevalence of underweight children (under-five years of age)	23%	23%	22%	21%	20%	12%
	3. Under-five mortality rate	42/1000	41/1000	39/1000	37/1000	35/1000	21/1000
Outcome	4. Net enrolment ratio in primary education	38388	38960	39739	40500	41300	48279
	5. Primary Completion Rate	64%	67%	68%	69%	70%	80%
	6. Ratio of girls to boys in:						
	primary education	49:51	49:51	49:51	49:51	50:50	50:50
	secondary education	50:50	50:50	50:50	50:50	49:51	50:50
	tertiary education	60:40	60:40	60:40	60:40	58:42	50:50
	7. Proportion of births attended by skilled health personnel	83%	88%	89%	90%	90%	90%
	8. Proportion of 1 year old children immunised against measles	77%	80%	82%	84%	86%	95%
	9. HIV prevalence among 15-24 year old pregnant women	N/A	N/A	N/A	N/A	N/A	N/A
	10. Proportion of population with sustainable access to an improved water source	76%	78%	80%	82%	84%	95%

Source(s): Department of Economic and Sector Planning (DESP) Note: 2007, 2015 are professional estimates.

² An equivalent indicator based on national poverty lines can replace indicator 1, as appropriate.

Annex 2: Financial Donor Matrix

This matrix summarises the known interventions of other donors, including the Member States and multilateral donors.

Recent & ongoing programmes	ADB	Australia	China	EU	France	Japan
General public services		Public Sector Reform Project Legal Sector Reform Program National Statistics Office Institutional strengthening Repair of MFEM Building	Support to restructure VBTC	TA to Aid management	TA to Aid management Parallel codification into French and English of Vanuatu Laws	TA to Aid management
Peace						
Public Order and Safety		Police Capacity Building Program	Purchase 2 vehicles for Police Force VMF Police projects (provision of uniforms, 20-seater Toyota bus, 3 double cabin Hilux)			
Economic Affairs	Medium Term Strategic Framework Secured Transactions Reform Rural and Microfinance Outreach	Ministry of Finance Strengthening Support to REDI Support to AVL Capacity Building in Forestry	NI-Vanuatu micro finance scheme Cooperative Development Fund Construction of Agricultural College Debt Forgiveness Farm tools and plants Fish Aggregating Devices Biogas Technical Cooperation Two boats Various tools for PWD	Support to AVL (EIB) Public Works Support Program Air Traffic Controllers Training Producers Organisation Support Program (POPACA) Budgetary Support	Support to AVL Extension of rural telephony Secondary Airfields Development Electrification of Malekula and Tanna Producers Organisation Support Program (POPACA) Support to Chamber of Commerce Support to VARTC	Infrastructure development via Sarakata fund Project for Promotion of the Grace of the Sea in Coastal Villages Expert for Road Maintenance Mngt Provision of Waste Disposal Equipment for Port Vila Municipality Multiple water supply programs Renovation of Emau dispensary Pango Village dispensary Provision of equipment for EPI (WHO & UNICEF) Japanese support to the Pacific Immunization Program Strengthening Rehabilitation for Vaemali Health Centre Construction for Nutrition Training Facility at Port Vila
Environmental Protection						
Housing and Community Amenities		PSABV Water project				
Health		Health Sector Planning Support Medical Equipment Maintenance Strengthening of village health worker program Provision of medical professionals PAH non communicable disease program Strengthening village health workers	Provision of dentists and doctors		Upgrade of Erakor Dispensary Nurses Training Project Rehabilitation of Northern District Hospital	
Recreation, Culture and Religion			Table Tennis Support			
Education		Scholarship support Senior Secondary School Program VT strengthening project Rural preschool development program Support to maritime college Vanuatu Women's Crisis Centre		Tourism and Hospitality Training Support Education and training program for extension of primary Junior Secondary Schools Project Support to Maritime College Rehabilitation of Lycee TA to Internal Audit TA to DG	CSF - Lycee Support to SFEB Support to Maritime College PASEV project (IFEV) Training of teachers & subsidies Support to teachers college Support to secondary education	Programme Officer Construction of Classrooms (Tanna 6 schools) Construction of Classroom for Eképe & Ekonak Primary Construction of Classroom for Kamewa English, Eamewa French, Saini Therese, Sario East, Luganville East, Sarakata Primary
Social Protection		Support Support to Youth Drop In Centre Community Partnership for Youth Project		NSA support program		

Recent & ongoing programmes	MCC	NZ	Other donors	Other NGO	UN	WHO
General public services		Support to Court Rules Program Support to Municipal Council				
Defence		Support to VBTC Equipment Support to Police				
Public Order and Safety		Support to Judiciary - Supreme Court				
Economic Affairs	Efate Ring Road (upgrade 90 km) Santo East Coast road (upgrade 70km from Luganville to Port Olry) Santo South Coast Road Bridges (15 km) Malekula Norsup Lakatoro LitsLits Road (reconstruct 11km) Malekula South West Bay Airstrip Pentecost Loftong Wharf & N-S road (8 km) Tanna Whitesands Road Epi Lamen bay Wharf Ambae Road Creek Crossings (for 50 km) Malo Road upgrade drainage & coral surfacing (15km) Warehouses (5 incl Lakatoro, Lenake) Institutional Strengthening PWD	VAT Audit and compliance support Revenue Adviser Support to REDI Support to Island Bungalows Training for air traffic controllers Economic Opportunity Initiative	Support to Utility Regulation (World Bank) Multiple hand pump projects (Canada) Community Based Fishing (FFA) Institutional strengthening (REDI) (VSO) Peace Corps -Youth Agriculture and Environment (YAE) Project Various environmental management plans (SPREP) Urban Squatter Settlement Survey (Escap)	YVV - Tafea Community Devt Project improve access to health and education services WWV - Comm-based business opportunity (Farm products processing & Marketing) Santo	Capacity building Vanuatu UNDP (Landholders Initiative Project) Biodiversity conservation (Tanna, Gaua, Santo)	
Environmental Protection						
Housing and Community Amenities						
Health		Support to Ambulance Service		Operation Mosquito (Rotary) Maternity Ward Extension (Rotary) Support to HIV program (VSO) VFHA Family Health - reproductive health in all provinces Peace Corps -Memorandum w MoH for Public Health (Shefa) VFHA Reprod health & Youth Devt with fishing (Pentecost, Gaua, Malekula, Ambrym, Toka) WWV - HIV/AIDS Rotary - construction of TORBA hospital (22 beds)	UNFPA - Reproductive Health (Strengthening RH Information & Service) UNICEF - Integrated Mgmt of Child Illness UNICEF - Breast Feeding Hospital Initiative (PV, Lenake) (Tafea) UNICEF - Nutrition Education Tafea & Malampa Support to Cultural Centre UNESCO-Cultural centre (Pentecost)	Northern District Hospital Development Plan Malaria, other vector-borne and parasitic diseases Stop TB and Leprosy elimination Communicable diseases surveillance and response Health Sys devt & financing Blood safety & clinical technology Human Resources for health Others: Non-communicable diseases control, Mental Health, Health Insurance, Gender & Women's health, emerging health issues, etc
Education, Culture and Religion		Support to Customary Land Tribunals				
Education		Scholarship support Education Assistance Program (Primary and Junior Secondary) PSABV Capacity Building Project Business Management Training Support to Wan Smol Bag	Education Support (World Bank) Peace Corps -Formal education (Zndary) Math, Science, Business studies Peace Corps -Rural Training Centres FSP/VSO Pacific Skills Link project to strengthen NGOs (VSO) Voices & Choices, Community level good governance research (VSO)	VRDTCA Support WWV - Functional Literacy in Tafea & Sanma (South Santo, Fanafo, Cana) WSB youth community centres WWV - Community based disaster preparedness project in Sanma, Tafea, Torba	UNESCO-Indigenous Language Revitalisation & Preservation UNICEF - Advocacy & Protection for Children (CRC & CEDAW) UNICEF - Disability Awareness in Tafea UNICEF - Early Childhood Education (PSABV Pre-skul Assn) Tanna UNDP - Non formal education strengthening project (M13.7m) Population policy development UNDP - VANWODS Microfinance for women UNESCO- Traditional Money Banks w Vanuatu Credit Union League, Revaluate & use traditional form of money	
Social Protection		Tafea Women's Arts and Crafts Sanma Counselling Centre				

Donor	Sector	Amount	Duration	Comments
Australia	Governance	5,280,000	2005/2006	PACTAF, legal sector, public service reform, MFEM, stats office, police, governance and accountability
	Education	5,460,000	2005/2006	TVET, VIT, Secondary schools extension project, scholarships
	Health	2,000,000	2005/2006	Sector assistance, village health worker, ASAS
	Broad based growth	1,367,000	2005/2006	Small grants, support to productive sector
	Other/cross sector	702,000	2005/2006	Community partnership program, women's centre
France	Private Sector	172,000	2006	Support to CCI, Vanuatu Trade attached at CCI and ADECAL
	Education	700,000	2006	Training, scholarships
	Health	4,460,000	2006-2009	Hospital Luganville / nursing school (AFD)
	Agriculture/Rural Dev.	1,550,000	2003-2007	POPACA (French contribution + TA) and VARTC
	Infrastructure	6,500,000	2006-2009	Secondary airports (Norsup, Longana, Lonorore)
	Cultural Sector	200,000	2006	Alliance Française
	Research	500,000	2006	CIRAD and IRD
	Technical Assistance	250,000	2006	In education, health, university, laws
Microprojects	450,000	2006	Pacific Fund and from New Caledonia	
European Commission	Education	6,131,000	2003-2008	Infrastructure, training
	Infrastructure	3,345,000	2003-2007	Public Works in 2 Provinces, reconstruction of Lycée
	Tourism	2,398,000	2003-2007	Infrastructure, TA, Training
	Agriculture	1,680,000	2003-2007	POP
	Technical Assistance	1,326,000	2006-2009	TCF and TA to the NAO office
	Non State Actors	1,000,000	2006-2009	Capacity building
	Budget Support	1,700,000	2004-2006	Budgetary support
New Zealand	Law/justice	1,127,117	2005/2006	Law & order, customary land tribunal, support to Supreme Court
	Education	1,977,400	2005/2006	Education assistance, scholarships
	Health	85,000	2005/2006	Medical evacuation to NZ
	Ministry of Finance	84,745	2005/2006	Technical assistance
	Rural Development	791,000	2005/2006	Economic opportunity initiatives and water resources
	NGO/Provinces	301,694	2005/2006	Capacity building
	Small Grant Scheme	480,225	2005/2006	Microprojects
	New Strategic Initiatives	141,242	2005/2006	for Country Strategy, Swaps...
Japan	Infrastructure	1,323,943	2004-2005	Rehabilitation of bridges on the ring-road (Efaté)
	Environment	1,971,831	2006-2009	Promotion of coastal environment protection
	Volunteers	1,150,000	Annual	in education mainly
	Small Grants	600,000	Rolling	for grassroots and human security projects
	Health	200,000	2005/2006	provision of medical equipment

Annex 3: Summary Table of EC Co-operation

R A L	SITUATION on 01/01/2007	
	ALL PROJECTS	PROJECTS decided before YEAR 2002
Σ Ongoing GLOBAL COMMITMENTS	17,880,000	0
R A C	2,025,272	0
R A P	4,121,737	0
R A L	6,147,008	0
% RAL / Σ GLOBAL COMMIT.	34%	
Nbr of years to absorbe RAL	1	

(Source: AIDCO forecast end 2006)

Annex 4: Intervention Framework with an overview of policy measures and indicators

9 ACP VA 03 EDUTRAIN

Results	Indicators	To end 2006
Result 1: Education Management Information System Established (EMIS)	EMIS database developed and installed on government server Provincial Education Offices and Ministry of Education (MoE) building networked to government servers	100% Department buildings networked and connected to MFEM EMIS project funded, database work begun 5% completed 50% PEOs connected
Result 2: Rehabilitation of Provincial Education Offices (PEOs) to sufficient standard to respond to decentralized needs	PEOs meet the personnel and space requirements of the proposed decentralized structure of the MoE	Surveys completed. 5% completed
Result 3: Qualifications of teachers of basic years 7 and 8 upgraded through an in-service teacher training system	Newly certified teachers in basic schools teaching 7 & 8 Leftemap programme training in literacy	100% teachers training literacy completed 66% of teachers training continues
Result 4: Printing and distribution of revised years 7 & 8 curriculum supported. Initiation of new basic skills curriculum supported.	Revised materials printed and distributed. Literacy materials produced and distributed.	25% 7 & 8 materials component completed 100% literacy materials completed
Result 5: Improvement of infrastructure at designated centre schools	Double sanitation units in 27 schools Power supplies installed in selected schools Water supplies of 27 schools at adequate level 54 classrooms at centre schools rehabilitated or constructed	40% sanitation units completed 25% electrical systems completed 40% water supplies at adequate level 33% completed

8 ACP VA 23 – 9 ACP VA 08 VATET

Results	Indicators	To end 2006
Result 1: Improved pre- and in-service training and skills delivered to an accredited standard	a) VIT courses/curriculum that meet international accreditation standards delivered by EoP. b) Increase at least 6 teachers of T&H at VIT with international standard qualification by EoP. c) Double the number of new entrants with improved competency. d) At least 3 qualified Tourism community trainers in each Province by 2007	80% completed
Result 2: Improved marketing and promotional skills in the Vanuatu National Tourism Office		Discontinued due to lack of co-operation
Result 3: Increased commercial sustainability, better understanding of markets and improved products and services for small businesses.		Discontinued due to proposals being inconsistent with project objectives
Result 4: Tourism and Hospitality Training Infrastructure and facilities at VIT developed and operational	Building and facilities constructed on time and operational, within budget by Feb 2007	The new Hospitality and Tourism training Centre has been officially inaugurated in April 2007.

8 ACP VA 16 / 9 ACP VA 09 Producers' Organisation Project (POPACA)

Results	Indicators	To end 2006
Result 1: Capacity is built in 19 Producers Organisations working in partnership with the project	a) Increased quantities of commodities that meet national and international market standards (+20% from 2005); b) All production, processing, marketing and storage facilities provided to POs are independently operated; c) Recovery rate of RCF >95%	90 % according to final evaluation report produced early 2007.
Result 2: Efficient and effective advisory services provided to PO's	a) All POs have access to technical extension services responsive to their needs; b) >50% smallholders members are adopting technical innovation advice; c) Cost and value for money service provision for advisory services	80 % According to final evaluation report produced early 2007
Result 3: Marketing efficiency improvements and domestic and export marketing opportunities enhanced for PO's	Market information services are produced in an appropriate form for all stakeholders; b) Market info is use/useful	60% According to final evaluation report produced early 2007. For eg. The market newsletter is no longer produced and was of a limited relevance to smallholders.

Annex 5: Indicative timetable for global commitments and implementation

Title	2003		2004		2005		2006		
	S1	S2	S1	S2	S1	S2	S1	S2	
	9th EDF Focal Sector A-Envelope								
TA to Education	Contract concluded	Implementation of technical assistance				Project completed			
Education and Training Prgr.	Identification	FP / FA	Implementation of programme activities						
Air Traffic Control Train.	Implementation		Project completed						
Tourism Educ. And Training	FP / FA		Implementation of project activities						
PWD Maintenance Training	FP	FA	Implementation of project activities						
TA to NAO	Contract	Implementation of technical assistance				Project completed			
Producers Organ. Project	Implementation of project activities						Project extension and ceiling increase		
Support to NSAs (ceiling increase)			Request from NAO	Decision by EC	Implementation		Project completed		
TCF Facility			FP	FA	Implementation				
Reconstruction of LAB	FP	FA	Implementation						
FLEX Support			FP	FA	Implementation				
Repairs of schools				FP	FA	Implementation			
Producers Org. Project-ceiling increase					Approval	Implementation			
Tourism Educ. Project-ceiling increase					Approval	Implementation			
Support to NSAs						FP	FA	Implementation	
TCF						FP	FA	Implementation	
Budgetary Support						FP	FA	Implem.	
Vanuatu Tourism and Economic Growth	Additional funding – after ETR (Proposal)							IF	
Support to Economic Growth II	Additional funding – after ETR (Proposal)							IF	

VANUATU

	FORECASTS 2007							
	1st SEMESTER	LOW	MEDIUM	HIGH	Target 100% L+50% M	2nd SEMESTER	LOW	MEDIUM
New Global Commitments	0					5,048,000		
New Individual Commitments	670,000	428,564	241,436	0	549,282	3,449,000	3,254,040	194,960
Payments	1,765,545	1,129,327	636,218	0	1,447,436	2,742,082	2,587,082	155,000
Decommitments back to the NIP	4,837							
Decommitments to recommit	114,530					2,328		
Reduction of Old RAL	0	0	0	0	0	0	0	0

	FORECASTS 2008							
	1st SEMESTER	LOW	MEDIUM	HIGH	Target 100% L+50% M	2nd SEMESTER	LOW	MEDIUM
Engagements Individuels	200,000	128,620	71,380	0	164,310	1,400,000	609,598	790,402
Payments	1,681,137	1,081,137	600,000	0	1,381,137	1,417,000	617,000	800,000

R A L	SITUATION on 01/01/2007		SITUATION on 31/12/2007	
	ALL PROJECTS	PROJETS decided before YEAR 2002	ALL PROJECTS	PROJETS decided before YEAR 2002
Σ Ongoing GLOBAL COMMITMENTS	17,880,000	0	22,928,000	0
R A C	2,025,272	0	3,289,327	0
R A P	4,121,737	0	3,788,826	0
R A L	6,147,008	0	7,078,153	0
% RAL / Σ GLOBAL COMMIT.	34%	#DIV/0!	31%	#DIV/0!
Nbr of years to absorbe RAL	1		2	

Ceiling increase rid
 Extension Date
 Réaménagement budg
 Modification DT/
 Total number of proj

GLOBAL COMMITMENTS ON AVAILABLE EDF ALLOCATIONS UNTIL END 2007

SUMMARY of	AMOUNT
CUMULATED TOTAL GLOBAL COMMITMENTS on 31/12/2006	13,403,514
TOTAL NEW GLOBAL COMMITMENTS FORSEEN in 2007	5,048,000
TOTAL GLOBAL COMMITMENTS	18,451,514

SUMMARY of
COUNTRY ENVELOPE A & B AT 31-12-2006 <u>avant ETR</u>
DECOMMITMENTS OVER THE PERIOD OF 2007
TOTAL EDF AVAILABLE COUNTRY RESOURCES
USE OF AVAILABLE RESSOURCES in %
EDF COUNTRY RESSOURCES THAT COULD BE LOST

Annex 6: Financial situation for 8th and 9th EDF

MONITORING OF NIP - EDF 9

Situation of NIP 2002-2007 - commitment rate

N° comptable	Titre	Décision	sign. EDF	n+3	Expire (execution)	amount EDF8	amount EDF 9	Montants engagés		
8.ACP.VA.16	Producers Organisation Project (POP 2) <i>Rider 1 to FA POPACA</i>	22-Jul-02	08-Aug-02				1,400,000 A	1,215,694.25		
9.ACP.VA.09					31-Dec-07		280,000 A	278,000.00		
8.ACP.VA.18	TA to NAO	01-Jul-02	DAGT		31-Mar-06		600,000 A	600,000.00		
8.ACP.VA.20	Training of Ni-Vanuatu air traffic controllers		DAGT	closed	30-Jul-03		298,078 A	298,078.00		
8.ACP.VA.21	Support to Non State Actors	03-Feb-03	10-Feb-03	closed	30-Jun-05		595,165 A	595,165.08		
8.ACP.VA.22	TA to PPU-Doe	17-Feb-03	DAGT	closed	31-Mar-05		377,984 A	377,983.88		
8.ACP.VA.23	Tourism Education and Training Project	31-Mar-03	15-Apr-03	38807			1,999,000 A	1,852,227.76		
9.ACP.VA.08	Tourism Education and Training Project				31-Dec-08		399,000 A	399,000.00		
N° comptable	Titre	Décision	sign. EDF	n+3	end implemen- tation	end closure	amount (EDF9)			
9.ACP.VA.01	Reconstruction of Lycee Antoine de Bougainville	24-Sep-03	25-Sep-03	25-Sep-06	31-Dec-06	31-Dec-08	1,350,000 B	1,349,538.86		
9.ACP.VA.02	PWD Maintenance Training Programme	22-Sep-03	23-Sep-03	23-Sep-06	31-Dec-07	31-Dec-09	1,995,000 A	1,984,563.47		
9.ACP.VA.03	Education and Training Programme	27-Nov-03	28-Nov-03	28-Nov-06	31-Dec-08	31-Dec-10	4,531,000 A	4,530,155.78		
9.ACP.VA.04	<i>Rider 1 to FA 9070/VA (EDUTRAIN)</i>		24-Aug-05	28-Nov-06			250,000 B	250,000.00		
9.ACP.VA.04	VMC Strengthening - Rider 2	13-Nov-00	10-Mar-04	closed	31-Dec-04	30-Jun-05	122,514.43 A	122,514.43		
9.ACP.VA.05	Support to NSA -Rider 1	03-Feb-03	05-Aug-04	closed	30-Jun-05	31-Dec-05	118,204 A	118,204.30		
9.ACP.VA.06	SERP	01-Jan-04	30-Aug-04	29-Aug-07	31-Dec-06	31-Dec-08	1,700,000 B	1,635,400.00		
9.ACP.VA.07	Technical Cooperation Facility (TCF)	03-Aug-04	13-Aug-04	12-Aug-07	31-Dec-08	31-Dec-10	330,000 A	323,800.00		
9.ACP.VA.08	Rider 1 to 8.ACP.VA.23 (VATET)		see above				A			
9.ACP.VA.09	Rider 1 to FA POPACA		see above				A			
9.ACP.VA.10	Rider 1 to FA 9070/VA (EDUTRAIN)		see above	28-Nov-06			B			
9.ACP.VA.11	Capacity building and support to NAO	15-Mar-06	16-Mar-06	15-Mar-09	01-Apr-09	01-Apr-11	1,326,000 A	519,000.00		
9.ACP.VA.12	Support to NSA & CBO	24-Oct-06	25-Oct-06	24-Oct-09	31-Dec-09	31-Dec-11	1,000,000 A			
						EDF 9	Primary commitments	EURO	18,671,946	16,449,325.81

Situation of NIP 2002-2007 - payment rate

N° comptable	Titre	Décision	sign. EDF	n+3	Expire (execution)	amount EDF8	amount EDF 9	Montants payés		
8.ACP.VA.16	Producers Organisation Project (POP 2) <i>Rider 1 to FA POPACA</i>	22-Jul-02	08-Aug-02				1,400,000 A	1,115,279.98		
9.ACP.VA.09					31-Dec-07		280,000 A	271,727.82		
8.ACP.VA.18	TA to NAO	01-Jul-02	DAGT		31-Mar-06		600,000 A	585,986.95		
8.ACP.VA.20	Training of Ni-Vanuatu air traffic controllers		DAGT	closed	30-Jul-03		298,078 A	298,078.00		
8.ACP.VA.21	Support to Non State Actors	03-Feb-03	10-Feb-03	closed	30-Jun-05		595,165 A	595,165.08		
8.ACP.VA.22	TA to PPU-Doe	17-Feb-03	DAGT	closed	31-Mar-05		377,984 A	377,983.88		
8.ACP.VA.23	Tourism Education and Training Project	31-Mar-03	15-Apr-03	38807			1,999,000 A	1,475,371.71		
9.ACP.VA.08	Tourism Education and Training Project				31-Dec-08		399,000 A	0.00		
N° comptable	Titre	Décision	sign. EDF	n+3	end implemen- tation	end closure	amount (EDF9)			
9.ACP.VA.01	Reconstruction of Lycee Antoine de Bougainville	24-Sep-03	25-Sep-03	25-Sep-06	31-Dec-06	31-Dec-08	1,350,000 B	1,148,467.07		
9.ACP.VA.02	PWD Maintenance Training Programme	22-Sep-03	23-Sep-03	23-Sep-06	31-Dec-07	31-Dec-09	1,995,000 A	1,489,986.97		
9.ACP.VA.03	Education and Training Programme	27-Nov-03	28-Nov-03	28-Nov-06	31-Dec-08	31-Dec-10	4,531,000 A	1,716,311.79		
9.ACP.VA.04	<i>Rider 1 to FA 9070/VA (EDUTRAIN)</i>		24-Aug-05	28-Nov-06			250,000 B	104,853.42		
9.ACP.VA.04	VMC Strengthening - Rider 2	13-Nov-00	10-Mar-04	closed	31-Dec-04	30-Jun-05	122,514.43 A	122,514.43		
9.ACP.VA.05	Support to NSA -Rider 1	03-Feb-03	05-Aug-04	closed	30-Jun-05	31-Dec-05	118,204 A	118,204.30		
9.ACP.VA.06	SERP	01-Jan-04	30-Aug-04	29-Aug-07	31-Dec-06	31-Dec-08	1,700,000 B	1,479,555.91		
9.ACP.VA.07	Technical Cooperation Facility (TCF)	03-Aug-04	13-Aug-04	12-Aug-07	31-Dec-08	31-Dec-10	330,000 A	303,465.70		
9.ACP.VA.08	Rider 1 to 8.ACP.VA.23 (VATET)		see above				A			
9.ACP.VA.09	Rider 1 to FA POPACA		see above				A			
9.ACP.VA.10	Rider 1 to FA 9070/VA (EDUTRAIN)		see above	28-Nov-06			B			
9.ACP.VA.11	Capacity building and support to NAO	15-Mar-06	16-Mar-06	15-Mar-09	01-Apr-09	01-Apr-11	1,326,000 A	122,612.51		
9.ACP.VA.12	Support to NSA & CBO	24-Oct-06	25-Oct-06	24-Oct-09	31-Dec-09	31-Dec-11	1,000,000 A			
						EDF 9	Primary commitments	EURO	18,671,946	11,325,565.52

Annex 7: Project fiches

FICHE PROJET

1. *Project Title : Producers Organisation Project (POP 2)**
2. *Project accountancy N° : 8.ACP.VA.16 – 9.ACP.VA.09*
3. *Basic administrative data*

<i>Signature of the Financing Agreement</i>	20/08/2002
<i>Expiry date (implementation period)</i>	31/12/2007

4. *Monitoring of the Financing Agreement (December 2006)*

Monitoring of the Financing Agreement

POPACA

Financing Agreement	8.ACP.VA.16	1,400,000
Rider 1	9.AVP.VA.09	280,000
		1,680,000

Commitments		Infrastructure	Equipment	Bourses/ formation	Frais de fonctionnement / études	Fonds de crédit	Personnel local	AT	Audit
		1,680,000	710,000		360,000	160,000		430,000	20,000
8.ACP.VA.16									
1	Start Up PE	17,032.91	0.00	F	F	17,032.91	0.00	F	
2	Serv. contract marketing expert	375,000.00		R	R			R	375,000
3	1st AWP	337,742.22	201,159	A	A	106,963	29,620	A	
4	2nd AWP	368,924.12	208,036	N	N	97,802	63,086	N	
5	Audit	15,900.00		C	C			C	15,900.00
6	TA Marketing	55,995.00		E	E			E	55,995
7	PE 3 (part)	45,100.00	27,962			9,471	7,667		
8	PE4 Final								
Total committed - 8.ACP.VA.16		1,215,694.25	437,157.58			231,268.66	100,373.02		430,995.00
Balance uncommitted									
9.ACP.VA.09									
1	PE 3 (part)	278,000.00	172,360			58,380	47,260		
Total committed 9.ACP.VA.09		278,000.00	172,360.00			58,380.00	47,260.00		0.00
TOTAL COMMITTED		1,493,694.25	609,517.58			289,648.66	147,633.02		430,995.00
Balance uncommitted		186,306	100,482			70,351	12,367		-995

n.b. : the Final PE was submitted in November but had not yet been registered in OLAS on 31.12.06.

It means that there will be a gap in January where expenditures are no longer covered by the PE 2006 and not yet by PE 2007.

The NAO and the EC Delegation have agreed to have the final evaluation of the project carried out by an external consultant recruited through the Framework Contract, by the first quarter of 2007.

FICHE PROJET

1. **Project Title : Tourism and Education Training Project**
2. **Project accountancy N° : 8.ACP.VA.23 – 9.ACP.VA.08**
3. **Basic administrative data**

Signature of the Financing Agreement	15/04/2003
Expiry date (implementation period)	31/12/2008
N+3 (rider)	23/06/2008

4. **Monitoring of the Financing Agreement (December 06)**

Suivi de la Convention de Financement VATET : 8.ACP.VA.23 et 9.ACP.VA.08

EURO	
8.ACP.VA.23	1,999,000
9.ACP.VA.08	399,000
	2,398,000

Comm. N°		Construction works	Equipment	Technical Assistance Service	Operating and training costs	Microcredit	Audit	Contingence	TOTAL
	8.ACP.VA.23	1,200,000	200,000	525,000	448,000	0	25,000	0	2,398,000
1	PAC			134,200.00					134,200.00
2	TA SARI *			210,378.86					210,378.86
3	PE 1				36,218.76				36,218.76
4	PE 2				188,373.10				188,373.10
5	Audit						25,200.00		25,200.00
7	Construction EDVT	801,000.00							801,000.00
8	Contract PM			159,409.00					159,409.00
9	Contract Trainer			85,000.00					85,000.00
10	IVTB				7,000.00				7,000.00
11	PE 3		70,500.00		70,500.00				141,000.00
12	Brian Bell Co Ltd		142,259.04						142,259.04
13	SNOOPY's		56,258.78						56,258.78
	9.ACP.VA.08								
1	Construction EDVT	399,000.00							399,000.00
	TOTAL COMMITTED	1,200,000.00	269,017.82	588,987.86	302,091.86	0	25,200.00	0	2,385,297.54
	BALANCE	0.00	-69,017.82	-63,987.86	145,908.14	0	-200.00	0	12,702.46

N.B. Commitments 12 and 13 : indicative figures in EURO. Not yet registered in latest OLAS print out.

The NAO and the EC Delegation have agreed to have the final evaluation of the project carried out by an external consultant recruited through the Framework Contract, by the first

FICHE PROJET

1. *Project Title : Reconstruction of Lycée Antoine de Bougainville (LAB)*

2. *Project accountancy N° : 9.ACP.VA.01*

3. *Basic administrative data*

<i>Signature of the Financing Agreement</i>	25/09/2003
<i>N+3</i>	24/09/2006
<i>Expiry date (implementation period)</i>	31/12/2006

4 *Monitoring of the Financing Agreement*

Suivi de la Convention de financement LAB

Comm. N°	CdF	Demolition	Construction	Ancillary works	Professional services	Audit	Contingencies	
	1,350,000	90,000	1,110,000	50,000	25,000	25,000	50,000	1,350,000
1 QUALAO					25,000.00			25,000
2 Perronet		82,938.86						82,939
3 EDVT			1,100,000.00					1,100,000
4 LAB01	Programme	7,061.14	20,938.86	50,000.00	13,600.00		50,000.00	141,600
								0
	Total engagé	90,000.00	1,120,938.86	50,000.00	38,600.00	0.00	50,000.00	1,349,539
	Non engagé	0.00	-10,939	0	-13,600	25,000	0	461.14
	TOTAL NON ENGAGE	461.14						

The programme estimate has expired on 31.12.2006. Closure of the PE will take place during the first quarter of 2007.

The NAO will request the closure of the project (global commitment) before the end of the first half of 2007.

FICHE PROJET

1. *Project Title : PWD maintenance training programme*
2. *Project accountancy N° : 9.ACP.VA.02*
3. *Basic administrative data*

<i>Signature of the Financing Agreement</i>	23/09/2003
<i>N+3</i>	22/09/2006
<i>Expiry date (implementation period)</i>	31/12/2009

4. *Monitoring of the Financing Agreement*

9.ACP.VA.02
PWD Maintenance Training Programme

MONITORING OF THE FINANCING AGREEMENT

		Equipment	Training and TA (incl. Contingencies)	Demonstration work (incl. operating costs)	Audit	Evaluation	Contingencies	Total (€)
Budgeted in the FA		1,050,000	520,000	380,000	15,000	30,000		1,995,000
Commitments	VUV	EURO						
1st Work Programme	1	43,000,000	114,832	11,264	194,651			320,747.98
Intraco	2	4,800,000	34,444					34,444.14
Johs. Gram-Hanssen	3		350,000					343,179.00
TYPSA	4	13,444,815		95,924				95,924.35
VSO	5	18,198,392		130,000				130,000.00
CIPAC	6	46,842,470	345,000					345,000.00
BMS (Audit)	7	350,000			3,000			3,000.00
TA to PWD (DHV)	8			59,985				59,985.00
PE 2006 (Rider 1)	9	32,225,000	73,381	57,554	100,899			231,834.53
Audit 2006	10				3,483			3,483.00
PE 2007	11	33,000,000	35,072	67,626	134,712			237,410.07
AT 2006-07	12			157,500				157,500.00
Audit 2007					3,500			3,500.00
Evaluation						15,000		15,000.00
Total committed		952,730	579,853.53	430,262.89	9,983	15,000		1,987,829.07
Balance	EURO	97,270.35	-59,853.53	-50,262.89	5,017	15,000		7,170.93
	VUV	12,936,956	-7,960,520	-6,684,964	667,261	1,995,000		953,733.12

A new TA has started in November 06. He will propose reallocation of activities within the final PE.

No new commitment is possible under this programme (N+3 is passed), except for audit and evaluation purpose.

FICHE PROJET

1. **Project Title : Education and Training Programme
(EDUTRAIN)**
2. **Project accountancy N° : 9.ACP.VA.03 – 9.ACP.VA.10**
3. **Basic administrative data**

Signature of the Financing Agreement	28/11/2003
N+3	27/11/2006
N+3 (Rider)	Aug.2008
Expiry date (implementation period)	31/12/2008

4. Monitoring of the financial Agreement

See table next page.

WARNING !! This project is straying away from the budget in the Financing Agreement.

The budget for construction has been exceeded by over € 500,000.- at the expense of the “Supplies and Equipment” item. Although this situation can be understood (the budget for construction was underestimated in the FA, esp. in view of a fact that schools need to be build in remote areas – e.g. TORBA Province – and a significant overall increase in construction cost), this situation nevertheless needs to be acknowledged in order to prevent problems during the evaluation phase.

EDUTRAIN

Monitoring of the Financing Agreement

FA N°9070/VA

4,531,000 9.ACP.VA.03

Rider 1

250,000 9.ACP.VA.010

Total 4,781,000

240000

Engagements		1	2	3	4	5	TOTAL COMMITTED	BALANCE	9.ACP.VA.10
	EURO	PE 1	ABU Consult	PE 2	Audit	PE final			
Construction works	1,995,000	4,745.07		1,138,224.25		1,434,571.44	2,577,541	-582,541	
Construction works (rehab. Ivy)				0.00			0	0	
Supplies and equipment (books & furniture)	925,000			96,539.62		235,640.24	332,180	592,820	
EMIS	330,000	17,106.86		119,734.31		200,265.29	337,106	-7,106	
TA and other expertise (including NSA for the Ivy component)	450,000		450,000.00	0.00		0.00	450,000	0	
Operating costs	120,000	36,318.78		67,350.55		48,284.56	151,954	-31,954	
Meeting / workshop / training	500,000	10,685.07		157,151.28		249,706.94	417,543	82,457	
Mid-term review and evaluation	60,000			0.00			0	60,000	
Audit	50,000			0.00	25,300.00		25,300	24,700	
Contingencies	101,000					238,531.53	238,532	-137,532	
	4,531,000	68,855.78	450,000	1,579,000.00	25,300.00	2,407,000.00	4,530,155.78	844	

FICHE PROJET

1. **Project Title : Support to Economic Reform Programme 2004-2006 (SERP 2004-06)**
2. **Project accountancy N° : 9.ACP.VA.06**
3. **Basic administrative data**

Signature of the Financing Agreement	30-08-04
N+3	30-08-07
Expiry date (implementation period)	31-12-06
Budget (envelope B)	
Budgetary support	1,300,000
TA, evaluation, audit	400,000
TOTAL EDF	1,700,000.00
	€
Budgetary support	1,300,000
Service Contract OPTO	335,400
Amount committed*	1,635,400
Uncommitted	64,600

4. **Monitoring of the Financing Agreement**

**Suivi de la Convention de Financement
SERP 2004-2006**

9.ACP.VA.06

engagement		Appui budgétaire	Technical	Assistance Evaluation & audit	TOTAL
		1,300,000	330,000	70,000	1,700,000.00
1	Appui budgétaire	1,300,000			1,300,000.00
2	TA contract OPTO		335,400		335,400.00
				0.00	
	TOTAL	1,300,000	335,400	0	1,635,400.00
	BALANCE	0	-5,400	70,000	64,600.00
	commitment rate				96.20%

The TA contract has been completed (but no report submitted to date).

FICHE PROJET

1. *Project Title : Technical Cooperation Facility*

2. *Project accountancy N° : 9.ACP.VA.07*

3. *Basic administrative data*

<i>Signature of the Financing Agreement</i>	13.08.2004
<i>N+3</i>	12.08.2007
<i>Expiry date (implementation period)</i>	31.12.2008

4. *Monitoring of the Financing Agreement*

9.ACP.VA.07
TCF

MONITORING OF THE FINANCING AGREEMENT

		VUV	TAF	TSPP	CS	Audit	Evaluation	Contingencies = operating costs	Total (€)
Budgeted in the FA			195,000	35,000	80,000	5,000	3,000	12,000	330,000
PE1	1	21,500,000	73,029	30,708	47,857	0	0	8,106	159,700
TA to PWD	2		120,000						120,000
n.a	3								0
n.a	4								0
Agricultural Census	5	5,811,130	0	7,618	34,700			1,782	44,100
Total committed			193,028.54	38,325.61	82,557.45	0.00	0.00	9,888.40	323,800
Balance		€	1,971.46	-3,325.61	-2,557.45	5,000.00	3,000.00	2,111.60	6,200
Commitment rate			98.99%	109.50%	103.20%	0.00%	0.00%	82.40%	98.12%

The three commitments have now expired.

The PE has expired on 30.11.06. Closure is on-going. A separate final implementation report is prepared by the TA to NAO (to be submitted with the closure dossier).

It is proposed to use the remaining funds for a small audit contract.

FICHE PROJET

9.ACP.VA.08 cfr VATET

9.ACP.VA.09 cfr POPACA

9.ACP.VA.10 cfr EDUTRAIN

FICHE PROJET

1. *Project Title : Capacity Building and Support to NAO*

2. *Project accountancy N° : 9.ACP.VA.11*

3. *Basic administrative data*

<i>Decision date</i>	15.03.2006
<i>D+3</i>	15.03.2009
<i>Expiry date (implementation period)</i>	01.04.2009

Amount of the financing Agreement : € 1,326,000.-

Monitoring of the Financing Agreement
Capacity Building and Support to NAO Office

Financing Agreem 9.ACP.VA.11	1,326,000
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	Commitments	Project Management Unit	Technical Assistance Facility	TSPP	Conference and Seminars	Audit	Evaluation	Contingencies
	1,326,000	475,000	500,000	125,000	85,000	10,000	10,000	121,000
1 TA to NAO		283,000.00	F	F	0.00	0.00	F	
2 PE-NAO-01	236,000.00	36,294	92,970	65,436	30,752			10,548
3 Training Advisor VATET	25,500.00		25,500.00					
4 eval POP	40,000.00		40,000.00					
5 eval VATET	45,000.00		45,000.00					
6 VFSC study	50,000.00		50,000.00					
Total committed	396,500.00	319,293.94	253,469.70	65,436.36	30,751.52	0.00	0.00	10,548.48
Balance uncommitted	929,500	155,706	246,530	59,564	54,248	10,000	10,000	110,452

Please note that figures for commitment 4-5-6 are indicative (expertise recruited through the framework contracts), not yet recorded in OLAS.

A progress report will be prepared and submitted with the first request for replenishment (early January 07).

FICHE PROJET

1. **Project Title : Capacity Building and Support to NSA and CBO**
2. **Project accountancy N° : 9.ACP.VA.12**
3. **Basic administrative data**

Date signature EC	25.10.2006
D+3	24.10.2009
Expiry date (implementation period)	31.12.2011

Amount of the Financing Agreement (EU contribution) : 1,000,000 €

(Other contribution: VSO : € 150,000.-)

A service contract with VSO has been submitted (and was apparently approved before Xmas 06).

A first programme estimate (covering the year 2007) has been submitted after signature of the FA.

Project on appraisal

- 1 **Support to Economic Reform Programme / capacity building in financial and economic management**

A first draft has been submitted but needs to be elaborated (Budgetary Support component).

2. **Tourism & economic growth**

A first draft of a financing proposal has been prepared by a regional consultant, in consultation with the stakeholders in the tourism sector.

Annex 7: EPA Questionnaire

Annex: A: Main source of Revenue (in Millions of Vatu)

	Actual	Budget	Budget	Prel.	Budget	Proj.	Proj.
Main Source of Revenue	2001	2002	2003	2004	2005	2006	2007
Taxes on Property	88.7	40.0	50.0	106.5	110.0	110.0	113.4
Taxes on the use of goods	3413.3	3670.9	3910.0	399.5	4244.1	4613.8	4753.9
Taxes on international Trade	2291.7	2669.4	2509.5	2799.3	2909.0	3137.5	3144.2
Non Tax Revenue	889.5	688.6	721.5	758.3	877.9	929.3	958.3

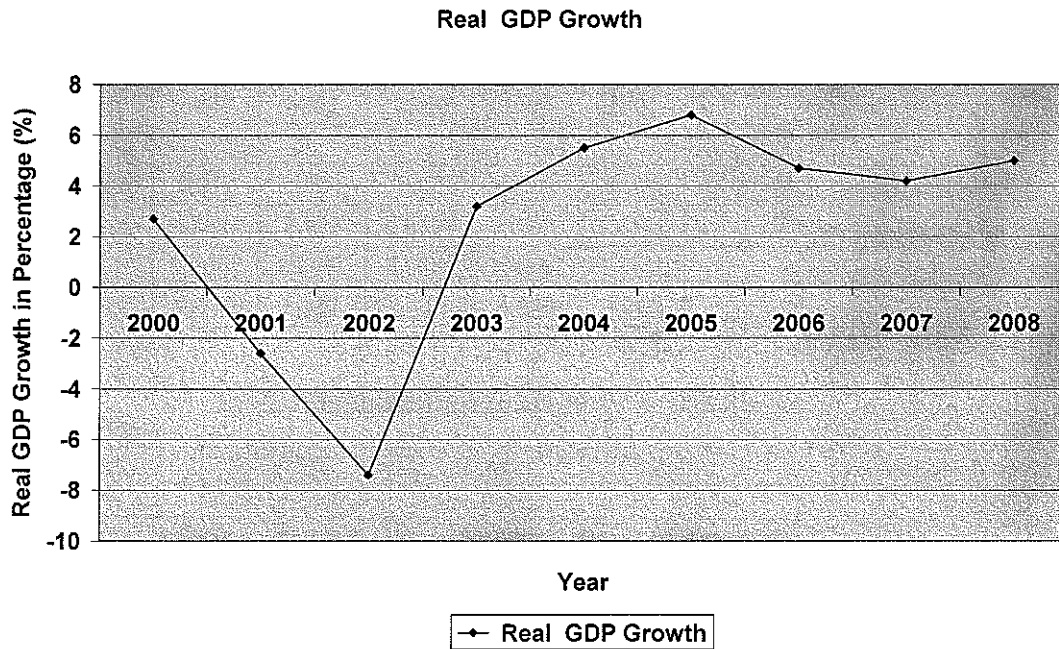
Source: Fiscal strategy report, 2003,2006

Annex B: Main areas of Expenditure as % of recurrent Budget

Main areas of expenditure	2000	2001	2002	2003	2004
Defense	2,173,146	9,413,469	10,656,788	13,386,111	N/A
as % of total recurrent Budget	0.03	0.13	0.15	0.19	N/A
Economic Affairs	1,343,710,359	1,337,249,810	1,211,581,051	1,406,146,781	1,360,428,897
as % of total recurrent Budget	18.81	18.68	16.75	19.50	18.71
Education	1,730,201,883	1,891,331,342	2,027,526,565	2,045,223,962	1,956,814,739
as % of total recurrent Budget	24.2	26.4	28.0	28.4	26.9
Environmental Protection	31,957,497	7,655,069	20,065,409	N/A	5,385,383
as % of total recurrent Budget	0.45	0.11	0.28	N/A	0.07
General Public Service	2,046,322,894	2,120,298,570	2,039,155,886	1,923,423,775	2,190,613,029
as % of total recurrent Budget	28.6	29.6	28.2	26.7	30.1
Health	865,046,406	898,039,394	891,120,887	860,681,482	790,113,872
as % of total recurrent Budget	12.1	12.5	12.3	11.9	10.9
Housing and Community Amenities	150,281,182	76,573,402	60,515,973	69,901,295	25,218,108
as % of total recurrent Budget	2.10	1.07	0.84	0.97	0.35
Public order and safety	813,687,194	668,024,866	808,160,941	728,152,013	761,176,484
as % of total recurrent Budget	11.39	9.33	11.18	10.10	10.47
Recreation, Culture and Religion	151,225,694	142,430,274	153,869,927	154,292,449	166,076,153
as % of total recurrent Budget	2.12	1.99	2.13	2.14	2.28
Social Protection	8,821,142	8,559,038	8,961,717	8,289,884	16,073,345
as % of total recurrent Budget	0.12	0.12	0.12	0.11	0.22
Total Recurrent Budget	7,143,427,397	7,159,575,234	7,231,615,144	7,209,497,752	7,271,900,010

Source: FRX report, Department of Finance

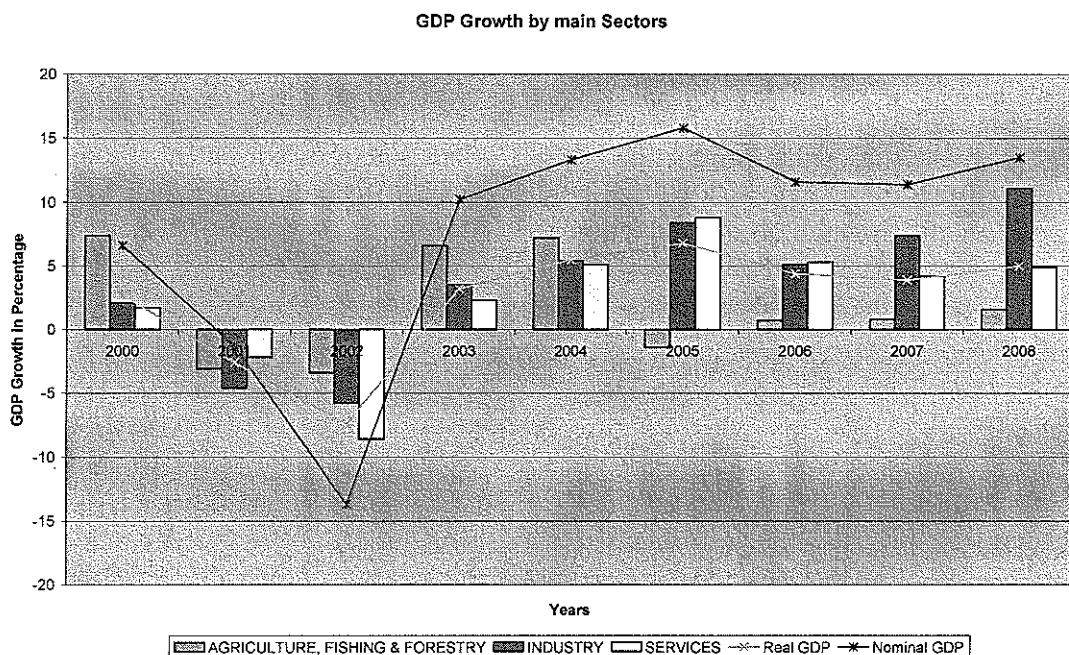
Annex 8: Economic and financial tables (Source: Ministry of Finance and Economic Management – Department of Economic and Social Planning)



Economic Growth by Main Sectors (Percentage Change)

	AGRICULTURE, FISHING & FORESTRY	INDUSTRY	SERVICES	Real GDP	Nominal GDP
2000	7.4	2.1	1.7	2.7	3.9
2001	-3.1	-4.6	-2.2	-2.6	1.3
2002	-3.4	-5.8	-8.6	-7.4	-6.3
2003	6.6	3.5	2.3	3.2	7
2004	7.2	5.4	5.1	5.5	7.8
2005	-1.4	8.4	8.8	6.8	9
(forecast) 2006	0.7	5.1	5.3	4.4	7.2
(forecast) 2007	0.8	7.4	4.2	3.9	7.5
(forecast) 2008	1.6	11.1	4.9	5.0	8.5

Source: Department of Economics and Sector Planning



Agricultural Production components (tons).

Item	2002	2003	2004	2005	2006	2007 (Forecast)	2008 (Forecast)
Copra	25,608	28,925	36,822	21,482	19,462	20,338	21,355
Cocoa	868	1,346	865	926	1,314	1,360	1,416
Beef	11,611	14,642	13,613	14,502	12,648	13,407	13,809
Coconut Oil exports	9,856	7,725	17,111	12,967	3,696	No data	No data
Kava exports	601	491	828	686	575	598	634

Source: RBV September 2006 QER and DESP

- a) **COPRA** – production of copra in Vanuatu really depends on the world market price. According to the trend, copra production has experience a positive growth in 2002 till 2004. Production fall dramatically in 2005 and continues to fall in 2006. One reason of fall in production in 2006 is due to the closure of COPV (coconut oil factory) in Santo.
- b) **COCOA**- trend in this commodity shows an increase of production from 868 tones in 2002 to 1346 tones in 2003. Production fall to 865 in 2004 and has experience a positive growth till 2006. Factors affecting production in cocoa are world market price and also low yield in some years.

- c) **KAVA**- Kava production is one determines by market price. Kava production in 2003 falls from 601 tonnes to 491 in 2002. Production almost double in 2004 where production increases to 828 tones and since 2004 production has experienced a continuous fall in production.
- d) **BEEF** – trend shows that production of beef is not stable or consistent. Production increases from 2531 tones in 2002 to 3099 tones in 2003. Production fall in 2004 and it continues the rise and fall of production.

Growth in the main components of the Industrial Sector

	2002	2003	2004	2005	2006 (estimate)	2007 (forecast)	2008 (forecast)
Manufacturing (%)	-13.2	4.6	5.0	7.8	3.9	3.9	3.9
Electricity (%)	-0.9	-1.0	3.4	4.2	4.0	4.1	5.3
Construction (%)	-0.7	6.7	8.4	14.2	7.9	14.9	24.2
Total (%)	-5.8	3.5	5.4	8.4	5.1	7.4	11.1

Growth in major components in Services Sector

	2002	2003	2004	2005	2006	2007	2008
Wholesale & Retail	-11.7	0.1	-1.7	11.7	4.9	4.4	5.3
Hotels & Restaurant	-9.8	-8.8	13.5	7.5	11.0	6.0	6.0
Transport	-15.7	3.6	15.5	7.6	5.8	4.4	5.3
Finance & Insurance	-4.0	9.0	6.3	18.6	10.3	8.0	8.0
Real Estate	-7.2	12.3	17.6	10.9	6.3	5.0	5.0
Government Services	0.7	3.7	0.7	2.0	2.0	2.0	2.0
Total	-8.6	2.3	5.1	8.8	5.4	4.4	5.3

Exchange Rates

Period	USD	GBP	AUD	JPY	NZD	EUR
Closing rate on 30.12.06	106.48	209.52	84.12	0.8952	75.09	140
Closing rate on 30.09.06	110.51	207.36	82.76	0.9385	72.65	140.4
Closing rate on 30.12.05	112.33	193.68	82.29	0.9534	76.62	133.07
Quarterly % Change	-3.8	1	1.6	-4.8	3.2	-0.3
Yearly % Change	-5.5	7.6	2.2	-6.5	-2	5

Source: (RBV 2006, Dec QER)

CONSUMER PRICE INFLATION

	Mar-04	Mar-05	Mar-06	Mar-07	Mar-07 (forecast)
INFLATION RATES	0.8%	1.7%	1.8%	2.8%	2.5%

Source: DESP

Items	Actual	Actual	Actual	Actual	Actual	Actual	Budgt	Budgt	Fore	Fore
	2001	2002	2003	2004	2005	2006	2006	2007	2008	2009
Revenue and Grants	7352.9	7258.7	7061.7	8129.7	8795.8	9104.5	8668.3	14845.6	14598.6	13578.7
Domestic Revenue	6682.9	6530.8	6680.3	7444.9	8213.5	8308.6	8191.2	10379.6	10787.6	11132.7
Tax	5793	5845.9	6024.6	6621.6	7342.8	7325.4	7261.3	9298.6	9653.5	9954.3
Non Tax	889.9	684.9	655.7	823.3	870.7	983.2	929.9	1081	1134.1	1178.4
Grants	670	727.9	381.4	684.3	582.3	795.9	477.1	4466	3811	2446
Total expenditure	8612.6	7958.6	7682.4	7685.8	7964.2	8339	8704.4	13754.3	14212.8	11717.7
Recurrent Expenditure	7198.6	7236.5	7239.7	7272.5	7502.6	7397.3	8254.4			
Development expenditure	1189	722.1	442.7	413.3	461.6	650.9	450			
Deficit	1259.7	-699.9	-620.7	443.9	831.6	765.5	-36.1	-381.1	2.2	-92.2

Source: RBV QER, Sept 2006 and Department of Finance.

