

EU / VANUATU 2007 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.

Acronyms

ACP	African, Caribbean and Pacific Countries
ADB	Asian Development Bank
AFD	Agence Française de Développement
COM	Council of Ministers
CSO	Civil Society Organisations
CSP	Country Strategy Paper
DCO	Development Committee of Officials
DESP	Department of Economic and Sector Planning
DG	Director General
DSM	Department of Strategic Management
DTIS	Diagnostic Trade Integration Study
EC	European Commission
EDF	European Development Fund
EIA	Environmental Impact Assessment
EMC	Environmental Management and Conservation
EPA	Economic Partnership Agreements
GoV	Government of Vanuatu
IF	Integrated Framework
LDC	Least Developed Country
MCA	Millennium Challenge Account
MDG	Millennium Development Goals
MDGNC	MDG National Committee
MFEM	Ministry of Finance and Economic Management
MSG	Melanesian Spearhead Group
NIP	National Indicative Programme
NPA	National Plan of Action (Convention on the rights of the child)
NSA	Non State Actor
NSO	National Statistical Office
PAA	Prioritised Action Agenda
PEFA	Public Expenditure & Financial Accountability
PFM	Public Financial Management
PICTA	Pacific Island Countries Trade Agreement
RSP	Regional Strategy Paper
RTCS	Rural Technical Centres
SERP	Support to Economic Reform Programme
SWAP	Sector Wide Approach
SIDS	Small Island Developing States
TCF	Technical Cooperation Facility
VESS	Vanuatu's Education Sector Strategy
VEU	Vanuatu Environment Unit
WTO	World Trade Organisation

1.1 Executive Summary

2007 continued the positive cycle of economic growth and political stability in Vanuatu, limited by the increasing concern of social inequity. The private sector seemed to grab the situation adequately, because investments and tourism grew significantly during 2007. The expected opening of telecommunication market, new investment in infrastructure (MCC) and the partial liberalization of Air Vanuatu should provide another incentive for growth in 2008. Expansion was broad-based with all sectors of the economy registering positive growth. Further growth in the economy is expected but will depend on continuing reforms, responsible fiscal management as well as the global economic status. However, behind the figures of steady economic growth and the image of the "*happiest country in the world*", concern about corruption and malpractices voiced by the independent press, increasing inequalities or growing insecurity appear to balance the reality. Surveys conducted by the National Statistics Office (NSO) confirm that the high economic growth is not distributed equally among ni-Vanuatu. The question of social inequity is more present in 2007 than it was some years before. The phenomenon of "urban drift" is being recognised as a social reality by the authorities but they appear uncertain about possible answers. Despite some isolated efforts from the government to increase public services and infrastructures these new areas of urbanization do not benefit from much support from the Government/Municipality.

In education, the new 2006 Vanuatu Education Sector Strategy (VESS) constitutes the reference for the Sector wide Approach (Swap) in which government and donors are participating. In the health sector, the Ministry of Health launched in December 2007 a similar sector-approach process but follow-up remains uncertain.

Access to land is a relevant legal issue. Although actual access to land does not seem a major problem for ni-Vanuatu, land purchase and lease management are far from transparent. Taxation is highly inefficient, and the process is open to corruption.

On the environmental front, the Vanuatu Environment Unit (VEU) of the Ministry of Lands, Geology and Mines is the major body dealing with all aspects pertinent to protection and preservation of the environment. It is still largely understaffed and therefore not efficient. The public expressed concern over the environmental impact of a Chinese-funded fishing plant to be built in the outskirts of Port Vila and of a large palm oil plantation in Santo.

On the subject of Trade, Vanuatu did not sign the EPA in 2007. Political leaders in Vanuatu are convinced of the benefits of regional integration in Trade. Vanuatu should be one of the countries reaching a full agreement at the end of the negotiating period in 2008.

Regarding EC cooperation, several projects ended on 31 December (POPACA, PWD Maintenance programme) and two new projects have started: Vanuatu Tourism and Economic Growth (VTEG) and Support to Economic Reform Programme II (SERP II). Objectives for 2007 were globally achieved: 100% for global commitments, 96% for individual commitments and 84% for payments.

Aid coordination and management remain weak and is done on an ad hoc basis only. The Council of Minister adopted the decision late 2007 to regroup all aid negotiating, management and monitoring activities within a new entity to come under the responsibility of the Prime Minister's Office.

The communication with provincial governments and the NSA remains open and frank. A good example in Vanuatu during 2007 was the successful result of the energy Facility call for proposals.

1.2 Résumé

Pour la cinquième année consécutive, le Vanuatu a connu une croissance économique positive, ce qui ne s'était jamais produit depuis l'Indépendance. Si 2007 fut une année de stabilité politique et de croissance économique, la croissance est cependant aussi perçue comme un facteur d'inégalité sociale, son impact n'étant guère ressenti par les populations rurales, même si l'ensemble des secteurs économiques ont enregistré une croissance positive. Le secteur privé se confirme comme moteur de la croissance, les investissements étant en hausse notamment dans le secteur immobilier et le tourisme. La croissance devrait se maintenir en 2008, principalement suite à l'ouverture du marché des télécommunications, aux investissements importants dans les infrastructures (MCC) et à une privatisation partielle d'Air Vanuatu. Le maintien de la croissance est aussi lié à la continuation du programme de réformes, à une politique fiscale et monétaire saine et au contexte économique mondial. Cependant, derrière les chiffres de la croissance, émerge une autre réalité qui entache l'image du « *pays le plus heureux du monde* » : la presse locale fait entendre les cas de corruption, de délinquance en hausse et d'inégalité sociale. Des enquêtes menées par le Bureau des Statistiques confirment la répartition inégale des bénéfices de la croissance. Les autorités semblent démunies quant aux réponses à apporter aux nouveaux défis que sont les migrations des zones rurales vers les villes et l'urbanisation croissante de la population. Malgré quelques initiatives, ces quartiers ne bénéficient souvent d'aucun accès aux infrastructures de base (eau, électricité) et les conditions sanitaires y sont déplorable.

Dans le domaine de l'éducation, l'accent continue à être mis sur une approche sectorielle (« SWAp ») réunissant le gouvernement et l'ensemble des bailleurs. Le Ministère de la Santé semble également intéressé par une approche sectorielle mais sa mise en œuvre est balbutiante.

Le foncier reste une source majeure de problèmes. L'accès à la terre n'est pas un problème pour les Ni-Vanuatu cependant l'attribution et la gestion des permis et titres fonciers manquent de clarté. Le système de taxation est inefficace et l'ensemble de la procédure, par son manque de transparence et son inefficacité, est une porte ouverte à la corruption.

En matière d'environnement, le Vanuatu dispose d'une Unité de l'Environnement au sein du Ministère des Terres, de la Géologie et des Mines mais cette unité manque de personnel et de moyen et n'est pas en mesure de jouer le rôle qui est lui est échu. Il est intéressant de noter la mobilisation de la société civile, relayé par la presse, contre des projets n'ayant pas fait l'objet d'études environnementales sérieuses, notamment deux projets financés par la Chine : une unité de traitement de poissons en proche périphérie de Port Vila et une plantation industrielle de palmiers à huile à Santo.

En matière de commerce, Vanuatu n'a pas encore ratifié les APE mais cela devrait se faire sous peu, les dirigeants politiques étant convaincus des bénéfices liés à une intégration régionale du commerce.

En matière de coopération, deux « gros » projets FED 9 sont arrivés à échéance en 2008 (POPACA, PWD Maintenance programme) tandis que débutaient un nouveau projet d'appui au secteur du tourisme (VTEG) et un nouveau projet d'appui budgétaire et de soutien au programme de réforme économique (SERP II). Les objectifs fixés pour 2007 ont été atteints à 100% en matière d'engagements globaux (projets), à 96% pour les engagements individuels et 84% pour les paiements.

La capacité de coordination et la gestion de l'aide extérieure par le Gouvernement reste faible, elle est principalement le fait des bailleurs, sur base ponctuelle. Le Conseil des Ministres a adopté une décision visant à regrouper au sein d'un nouveau département les différentes

unités concernées par la programmation et la gestion de l'aide. Ce département sera placé sous l'autorité du bureau du Premier Ministre et deviendra effectif en 2008.

Un dialogue constructif s'est instauré avec les organisations civiles et les administrations provinciales. Ces organisations et administrations ont également bénéficié de subventions pour des projets présentés dans le cadre de la Facilité Energie.

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

2.1.1. Update on the political situation

Prime Minister (PM) Lini's government was consistently anchored in power during 2007. There were successive reshuffles during the months of June, July and August with the final result of the well-known Lampedusa's statement: "If things are to remain, things will have to change". Main political figures and political parties for the last years remained in government after *winter turbulences* with the only significant exception of former Minister of Foreign Affairs (and NAO) Mr Sato Kilman. Mr Kilman was dismissed from the government together with his party colleague Minister of Youth and Sport Dunstan Hilton, the latter being accused of participating in a fraud that costed the country 44 mill Vatu (350.000 €). The case is still in court.

National Unity Party (NUP) of PM Lini and Vanua'ku Party (VP) of Deputy Prime Minister Edward Natapei constitute the backbone of the government and aspire to keep on going after the next general elections in August/September 2008.

Political stability continued to bring stability to the administration. The economy grew at high rate (the *kava* dragon) and civil society (in particular the business society and the media) got stronger. Media raised clouds of corruption about issues related to land, involving –among others- the Minister of Lands and Port Vila Municipality. Media also raised increasing concern in urban communities about criminality particularly break-ins in Port Vila and Luganville.

In March 2007, 3 people died during clashes between communities from different islands and living in deprived outskirts of Port Vila. The police adopted a defensive attitude and only intervened mightily when the government declared the state of emergency (24 hours after the initial clash). Government, press, political parties, chiefs and churches agreed to condemn the incidents. Despite successful institutional reforms with a relative political stability during the last years, these events showed that institutional consolidation should continue and demonstrated how much a real sense of citizenship is still needed to dilute doubtful kinship or island networks. Additionally, this represents another warning to the government (and donors) about the so-called "urban drift". Peripheral neighborhoods in Port Vila, outside the formal municipal boundaries, have spread enormously during the last decade. This may potentially have serious implications for social cohesion. While Port Vila is still a small town by international standards, it represents an entirely new social phenomenon for Vanuatu (Urbanization was unknown until the advent of colonialism (still in late 50's, ni-Vanuatu were not permitted to live within the urban boundaries, and those who worked in town were subject to a 9pm curfew).

For the first time since independence in 1980, the Government of Vanuatu (GoV) appointed an Ambassador to the European Institutions in the name of Roy Mickey Joy, the former

Director of Trade. Together with his colleagues at United Nations and China, Mr Joy is in charge of consolidating Vanuatu's presence at EU level and particularly among the ACP Secretariat in Brussels.

At regional level, the Melanesian Spearhead Group (MSG) headquarters, funded by the Chinese government, was completed (the official opening is foreseen for May 2008). EPA negotiations and their incidence in future trade negotiations with Australia and New Zealand (PACER+) absorbed the attention of media and active civil society. Vanuatu hosted regional meetings about Trade, donors' coordination and the situation in Fiji; However Vanuatu's regional profile decreased after Mr Kilman's dismissal.

2.1.2. Update on the economic situation

Vanuatu's economy is growing fast with real growth in GDP averaging 5.6% a year since 2003 (see chart in Annex). GDP expanded by 6.6 % in 2007 (7.2% in 2006). The expansion was broad-based with all sectors of the economy registering positive growth. The major growth drivers were higher consumption and investment demand, robust growth in trade, tourism and the resurgence of the finance, real estate and insurance sectors. The agriculture sector grew by 2.4% and contributed 6% to economic growth. Higher growth in agriculture was driven by increased production in commodities such as beef, cocoa, coffee and kava.

2007 was the fifth consecutive year of sustained high economic growth – something that had not been achieved in Vanuatu in any period since Independence.

While the economy is forecast to continue on its positive growth path over the 2008-2010 period, it is not expected to grow as fast as in the previous three years (2005-2007). At the end of 2007, indications suggested that the economy is on track for achieving strong performance in tourism, construction and other related services. GoV's forecast for growth in next years is more conservative due to the vulnerability of the economy face to natural disasters (e.g. the risk of cyclones and others difficult to predict) and external factors such as the increasing price of oil and the depreciation of the US dollar on world markets. Moreover, there are signs that increasing demand in the economy is beginning to exert upward pressure on prices, which may drive up interest rates and reduce investment demand.

Further growth in the economy will depend on continuing reforms and responsible fiscal management. Persistent structural constraints e.g. poor transport infrastructure (including inter-island shipping), limited access to telecommunications and other high cost utility services, which increase the cost of doing business in Vanuatu, particularly in the rural areas, have yet to be removed. However, as the Government is stepping up action to address these constraints (notably in telecommunications) growth forecasts for the years 2008-2010 are *well above* historical GDP growth trends.

As Vanuatu's economy is small, it may not be able to produce a supply response sufficient to meet further increases in aggregate demand. This means that either imports will increase (the trade gap will widen) or prices will begin to rise (or possibly both). In the short term, further increases in aggregate demand are likely to result in further upward pressure on prices (inflation) and higher interest rates.

As the economy continues to grow and incomes increase, the demand for foreign currency (to finance imports) will continue to rise. As the exchange rate in Vanuatu is relatively fixed it

does not act as an automatic adjustment mechanism to dampen increasing demand pressures. The main way to reduce aggregate demand in the economy therefore is to contain and manage public expenditure at prudent levels: further fiscal stimulus in the economy is likely to fuel inflation and/or widen the trade gap.

Status on Economic Partnership Agreement (EPA):

By the end of 2007 Vanuatu did not sign an EPA agreement. Unlike other Pacific countries such as PNG and Fiji who had specific economic interest in finalizing an EPA in goods in due time, Vanuatu has an LDC status and as such will still benefit for the time being from a preferential regime (EBA) and would only have to go through a change in custom forms in the initial period.

A successful information seminar on EPA (with the participation of more than 30 participants from all over the Pacific together with 70 people from Vanuatu and a strong representation from DG Trade in Brussels) was held in Vanuatu in November 2007. Business, civil society, media, chambers of Commerce (including representatives from New Caledonia) had the opportunity to discuss about EPA, trade agreement and economic growth in the Pacific.

At the end of 2007, political leaders in Vanuatu are convinced of the benefits of regional integration in Trade. Vanuatu should be one of the countries reaching a full agreement at the end of the negotiating period in 2008.

PFM:

A first Public Expenditure Framework Assessment (PEFA) was carried out in coordination with other donors in Vanuatu in June 2006 (see summary table in annex). Based on the result of this first assessment a donor group focused on PFM was created and actions to alleviate some of the issues raised in the PEFA report were attributed to various donors according to their specific strength.

Some weaknesses were identified in the Performance Indicators PI 26 and PI 28 linked to the Office of the Auditor General. The Government of Vanuatu requested a needs assessment mission in order to strengthen this specific sector of external scrutiny and audit. This assessment was carried out and the report is providing some recommendation in order to address the weaknesses identified in the PEFA report.

Result from the PEFA report, together with a proposed road map for PFM reform, will allow for the timely disbursement of the first tranche of general budgetary support during the first semester 2008.

A new PEFA assessment is foreseen for mid-2009, 3 years after the first exercise.

2.1.3. Update on the poverty and social situation

Preliminary findings of the 2006 Census of Agriculture published in 2007 showed a population of 221.506 people and 43.312 households in Vanuatu. This represents an increase of 20% compared to 1999 Census. Other interesting findings are: a) differences between provinces about the use of custom land for farming (Torba) and/or free lands (Sanma); b) the fact that 87% of households keep garden plots; and c) although percentage increases in urban

areas, in both urban and rural areas there are a significant number of households led by women.

The 2006 Household Income and Expenditure Survey preliminary report (also published in 2007) completed these findings with an overall picture of the presence of market economy in rural areas. As peculiar examples, the Survey showed how rural household, even if they produce their own food, are still spending money in food (imported food, basically rice); additionally, wages and salaries in rural areas represent 16% of total income (notably administrative posts) against 76% in urban areas.

Both surveys confirm that the high economic growth is not distributed equally among ni-Vanuatu. Although there is an increasing part of the rural population with contacts into both customary and market economy who is benefiting (directly or indirectly) from the high economy growth, the question of social inequity is more present in 2007 than it was some years before.

Another conclusion is the dualistic character urban/rural of people living in the outskirts of Port Vila. Any presentation of the social situation in Vanuatu should highlight the “urban drift” phenomenon. As mentioned above, peripheral neighborhoods in Port Vila have spread enormously during the last decade and continue to increase. Despite some isolated efforts from the government to increase public services and infrastructures these new areas of urbanization do not benefit from much support from the Government/Municipality.

In most cases, the majority of urban or semi-urban population tends to break traditional ties (mainly “island of origin”) and dilute under different classifications (employed or unemployed, literate or illiterate). This social multiplicity should be considered when studying social and economic cohesion in Vanuatu. Simplified sociological models which separate ni-Vanuatu population into urban or rural, or following traditional or modern patterns modern uses, or under custom or market economy, does not reflect Vanuatu’ reality anymore.

The Government of the Republic of Vanuatu endorsed the Millennium Declaration (MDG) 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 development policy that has integrated MDG indicators in sector objectives and priorities (Annex 1 table B shows Vanuatu’s Social Indicators covering the core MDG).

Vanuatu’s first MDG Report was prepared with joint efforts by the South Pacific Community (SPC) and UNDP under the guidance of the National MDG Committee. 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 particular in health and education.

In education, the new 2006 Vanuatu Education Sector Strategy (VESS) constitutes the reference for the Sector wide Approach (Swap) in which government and donors are participating. 2007 was still a preparatory year and first actions and initial results should start to occur in 2008. In the health sector, the Ministry of Health launched in December 2007 a similar sector-approach process but follow-up remains uncertain.

The PAA talks about 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

Access to land is a relevant legal issue. Although actual access to land does not seem a major problem for ni-Vanuatu, land purchase, lease management and also taxation is highly inefficient, and certain parts of the process continued to be open to corruption during 2007. This is also interlinked with Vanuatu's national sustainable development policies. The Vanuatu Environment Unit (VEU) of the Ministry of Lands, Geology and Mines is the major body dealing with all aspects pertinent to protection and preservation of the environment. The Vanuatu Environment Management and Conservation Act No 12 2002 represents the only legislation governing environmental protection of all natural resources in Vanuatu. In 2007, the VEU is still to become fully independent from the Department of Environment and is still largely understaffed with only two persons.

A fishing processing plant in Port Vila funded by PR of China in the outskirts of Port Vila raised significant public concern during 2007. As the preliminary Environmental Assessment was funded by the EC (under regional funds) and at the request of the civil society, the Delegation opened a dialogue with authorities, civil society and the Embassy of China to Vanuatu in order to assure full implementation of environmental studies. This is in line with Vanuatu's governance profile and government commitments. A follow-up visit from the regional organization Fishing Forum's Agency at the request of the GoV is expected early 2008.

2.2. Overview of past and ongoing co-operation

Following the end-of-term review (ETR) of the Country Strategy Paper (CSP) and National Indicative Programme (NIP) for Vanuatu (carried out during 2006), an increase of € 3 million was decided. This increase ensured the successful bridging of EDF 9 and EDF 10 activities, in particular in Budget Support and Tourism and Economic Growth. The new budget support programme will ensure the support to macroeconomic reform programme of the Government for the next 3 years. This new project aims as well at improving the predictability of inflows of budget support, maintaining both a substantial proportion of the budget for the social sectors and stability in the government's fiscal management.

Two new Financing agreements were signed in October 2007: Vanuatu Tourism and Economic Growth (VTEG) and Support to Economic Reform Programme II (SERP II).

Objectives for 2007 were globally achieved: 100% for global commitments, 96% for individual commitments, 137% for decommitment and 84% for payments. If temporary transactions approved in 2007, but effectively paid early 2008, were added, the level of achievement could have been slightly higher.

Implementation of on-going programmes is on track and D+3 rule was effectively implemented.

While final evaluation was undertaken for two projects (8 ACP VA 16/9 ACP 09 POP II and 8 ACP VA 23/ 9 ACP VA 08 VATET) three other projects were the object of a ROM type monitoring exercise: 9 ACP VA 03/9 ACP VA 10 EDUTRAIN (d-b-c-c-b), 9 ACP VA 11

¹ Fiscal Strategy Report 2006

Capacity building and Support to the NAO (b-b-c-b-c) and 9 ACP VA 12 Support to NSA and CBO in Vanuatu (d-d-c-c-b):copies of the ROM exercise are provided in annex.

Conclusions and recommendations from these exercises were considered during both the finalisation of the new VTEG project in the tourism sector and the PIF preparation of the upcoming EDF10 project (Economic Growth and Creation of Employment) -where lessons learned from POP II would prove valuable-. Finally, in the case of the NSA project, a major shift took place since the ROM mission, with a new management structure of this project and a rider to the financing agreement being proposed early 2008.

2.2.1. Focal sector (and macro-economic support)

2.2.1.1. Focal sector EDUCATION

9 ACP VA 03 Education and Training Programme

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

a) Results (see table in Annex 4)

At the end of 2007, 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 now become the accepted models for the country.

b) Progress in activities

Result 1: Education Management Education System (EMIS)

Most of the EMIS components have already been successfully completed. During the 2007 Programme Estimate (PE2) the project developed a software strategy together with the necessary technical assistance. This was done in coordination with NZAID, and awarded to a private company which completed all the milestones in VEMIS software development as planned.

At the same time, EduTrain provided funding for local VEMIS workshops and local technical expertise, and supported the salary of the department's senior technician and assistant technician. In addition, the project extended and improved the department's network and hardware. By the end of 2007 all buildings in Port Vila were successfully completed, and an ICT Unit was refurbished and outfitted.

Result 2: Provincial Education Offices (PEO) rehabilitation

Rehabilitation and extension work is on-going at four PEOs, which should all be ready for opening in April 2008. Additionally, a large new provincial education office (PEO) is under construction for SANMA province in Luganville. This component of the project is on track for successful completion.

Result 3: Teachers' training for years 7 & 8

Initially, funds were used by the ministry's leftemap programme for literacy development for years 1-8. In light of the initial success of the Primary Education Improvement Programme (PEIP) which provides in-service training for all primary teachers, it has been decided to use

the remaining funds to expand the programme across Vanuatu, and initiate the training of all year 7 & 8 teachers in 2008.

Result 4: The printing and distribution of revised materials for years 7 & 8

Printing machines were bought for the department's Curriculum Development Unit, and the unit was networked. However, funds have yet to be used for the printing of materials, awaiting the outcome of the ministry's curriculum planning process. Some funds have been allocated for the PEIP and Leftemap programmes which deal with year 7 and 8 as well. As the end of the latest Programme Estimate is June 2008, the NAO and the Delegation are following with the Ministry of Education closely this issue in order to deliver activities under this component properly.

Result 5: Building works at centre schools

By the end of 2007, nineteen schools had been completed, and another six schools were under construction. AS mentioned above, EDUTRAIN new classrooms have now become the accepted models for the country.

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, Environmental Assessments are conducted.

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

The purpose of this project looked for an improved capacity in Vanuatu's Institute of Technology (VIT), training service providers and Vanuatu's Industry and Bungalows Association (VIBA) to deliver quality manpower standards and services for the Tourism & Hospitality industry in Vanuatu. An external evaluation of the project took place during 2007.

a) Results (see table in Annex 4)

The final programme estimate came to an end in December 2007. The Hospitality, Tourism & Leisure Training Centre (HTLTC) is in full operation. The evaluation report made recommendations for the continuation of the support to the Centre. As recommended by the evaluation, the recruitment of a Director with international experience was initiated during 2007 so that he/she could take his/her functions early 2008. The project reached its expected results regarding the Centre but not regarding the rural tourism component. As pointed out in the Evaluation Report, the human (and financial) resources allocated to the project by the Financing Agreement did not match its ambitions. Therefore, human resources were re-allocated towards the completion and proper functioning of the Centre and limit the impact of the rural tourism component of the project. However, the evaluation report concurs that it was the right decision because of the significant impact of the new Hospitality Center.

b) Progress in activities

Result 1 (improved pre- and in-service training and skills delivered to an accredited standard): This result has been fully achieved by December 2007. However, as the evaluation report points out "*The sustainability of this project component depends to a large extent on (...) the further implementation of the achievements of the project during a follow-up project for at least three more years. It will certainly also depend on the professional management of the*

HTLTC.” The recruitment of an experienced professional as Centre Director under the new project VTEG is a step in the right direction.

The tasks relating to the Provincial Trainers were initiated by VATET and taken gradually over by other donors / stakeholders using the training curricula and material developed by VATET.

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 – (Tourism and Hospitality Training Infrastructure and facilities at VIT developed and operational) Result achieved at 100%. The building was handed over to VIT in March 2007 and the Centre is fully operational.

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.

2.2.1.2. 9 ACP VA 06 SERP I / 9 ACP VA 13 Macro-economic support

SERP I was completed in 2006. Financing Agreement of the new project (SERP II) was signed in October 2007. Implementation started afterwards with policy discussions for the elaboration of the Public Finance Management (PFM) Reform roadmap (to be endorsed by the government early 2008). In this sense, the government should endorse general orientations for reform and the EC (together with other partners, in particular AusAID) should continue supporting Capacity building activities in this field; of particular importance are the issue of external (Auditor General office) and internal auditing –covered by SERP II.

A donor group on PFM was created, led by the EC during the first year. In practical terms, discussions during the preparation of SERP II increased the knowledge of government and partners about Budget support as an aid delivery method. This included the organization of the first Regional Budget Support seminar in Port Vila in May 2007.

2.2.2 Project and programmes outside focal sectors

9 ACP VA 02 Public Work Department (PWD) Maintenance Training Programme

The project’s objective was to reinforce planning, procurement and maintenance in 2 provinces of Vanuatu: Tafea and Malampa.

a) Results

Public Works’ divisional offices in Tafea and Malampa were rehabilitated and are functional. Heavy equipment was commissioned but proved ill-suited to a rural road maintenance programme (which needs small and versatile equipment) and entailed high maintenance and running costs.

A new technical assistant (TA) was contracted from Nov. 2006 to Dec. 2007 to facilitate implementation of the final Programme Estimate (PE). The TA developed an innovative

approach for labour-based road maintenance (through contracts with communities or small local contractors), trained PWD field staff in basic practical engineering skills (measuring, estimating costs, supervising/ controlling works contracts), and trained PWD key management staff in rural road network management systems, computerised road inventories and procurement and contracts management. As such 2007 was the most successful year of the project. Encouraging results were achieved during this last year and these lessons should enlighten the approach to infrastructure and road maintenance during EDF 10 main intervention about Economic Growth and the Creation of Employment.

b) Progress in activities

Road maintenance, including basic routine activities and labour-based works, is gradually being adopted by PWD staff at all levels. PWD 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 helped PWD in complying with other donors' requirements in road network management and also helped PWD to make more efficient use of public funds, either from recurrent budget or from development / donors budgets. It is encouraging that other donors have shown interest in the labour-based approach to rural road maintenance and there is some hope that further support will be provided for PWD to persevere in that direction.

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.

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

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

In accordance with the recommendations stated in the Final Evaluation Report, project activities in 2007 focused on the Project Exit Strategy. Priority was given to:

- Development of 5-year business plans for the Producers Organizations (PO);
- Use revolving credit fund to finalised business plans for main producers organisations : Coffee of Vanuatu (COV) and Cocoa Growers Association (CGA);
- Assistance to Department of Agriculture and Rural Development (DARD) in the development of a National Agricultural Strategy (the Operational Plan has been postponed to 2008).
- Setting up of a simple and affordable monitoring and market information system.

At the closure of the Project (31/12/2007), a total of 37 PO's have received significant support: 20 in the cocoa, 4 in copra / root crops, 2 in coffee, 1 in spices, 5 in livestock and 5 in fishing.

b) Progress in activities:

POPACA activities implemented in 2007 were characterized by:

- Support to POs: i) To secure financial & technical sustainability of POs and Umbrellas' organizations; ii) To improve quality of the products and get a better access to niche market.

- Advisory services: i) To strengthen Extension Services, including Project management capacity building focused on the Department' senior staff; 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; ii) To operate Project M&ES.
- 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, e.g, the organic 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

9 ACP VA 11- Technical Assistance to the NAO / Technical Cooperation Facility (TCF)

Financing Agreement was signed in March 2006 and implementation started immediately. The project was monitored by the EC Monitoring Team during the year 2007. Findings and recommendations are included hereafter.

a) Results:

The monitoring report noted : *'A well implemented project producing good results in terms of impact in the area of aid strategy development and programming but relatively poor results on aid management and coordination capacity strengthening'* and *"donor coordination is very poor, it takes place only in an ad hoc manner and almost always as a donor initiative"*.

The project is contributing to the successful implementation of the EDF 9 and of the Government's development strategy as described in the Priority Action Agenda. The TCF component of the project has been used extensively as a programming tool for the preparation of the CSP / NIP EDF 10 and to respond to good governance requests under the framework of our EDF9 CSP. The NAO office has been strengthened by the recruitment of an administrative and financial assistant although this strengthening may be only temporary as most of the staff employed at the NAO office is on contract and paid by the project. There is therefore limited transfer of know-how to the administration (Development Cooperation Department - DCD).

Regarding aid coordination and management, the fragmentation of tasks and responsibilities among various services and departments as well as a lack of communication between the various parties is not favouring a smooth implementation. A decision was taken by the Council of Ministers late 2007 to consolidate and strengthen these functions by bringing the various divisions (Prime Minister's Office, DCD, and Department of Economic and Sector Planning inside Ministry of Finance - DESP) under a single umbrella.

b) Progress in activities:

The NAO Office provides efficient support and backup to the projects' management units in terms of training in EDF procedures, procurement and administrative and financial management.

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 (NIP EDF 10, focal

sector), 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, cultural heritage and environmental issues. Short term technical expertise was also provided to local non governmental bodies to assist in the preparation of proposals in the framework of the EU Energy and Water Facilities. This has proven effective as four major projects were approved for funding under the Energy Facility.

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, and 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).

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 October 2006 and the first programme estimate (PE) was signed in Jan. 2007. The project has been the object of a ROM type exercise in 2007.

a) Results:

The project has experienced difficulties and delays in getting off the ground. After six months, it became obvious that the management structure set up in the Financing Agreement (Externalised Direct Labour Operations) was deemed to fail. Although it was very much in line with the philosophy of the NSA approach as stated in the Cotonou Agreement – i.e. empowerment of the NSA sector / civil society - it underplayed the fragility and limitations of NSA structures in Vanuatu. It was based on the presumption that the NGO partner (VANGO, an umbrella organisation) had / would acquire the managerial and financial capacity – and the determination - to carry out the project. The reality proved different. VANGO saw itself as a beneficiary rather than the driving force of the project and the modalities and constraints of Externalised Direct Labour Operations imposed additional and unnecessary financial stress on an already fragile and barely solvent organization.

It was therefore decided – after consultation with the partners and stakeholders -: NAO, NSA, EC Delegation – to revert to Direct Decentralised Operations through the Department of Foreign Affairs / NAO Office). A new National Coordinator was recruited and the project management unit was removed from VANGO.

A Rider to the Financing Agreement was sent for approval early in 2008.

b) Progress in activities:

Once the new management structure had been in place, the PMU started field work and the first grants were awarded following a local (simplified) call for proposals (below € 10,000). However, the Grant procedures have proven cumbersome and not applicable for small NGOs and CBOs. Therefore the project is shifting to a “micro-project” approach funded under the direct labour component of the Programme Estimate. This appears better suited to the local circumstances. Memoranda of Cooperation have been signed with other stakeholders active in the rural areas (e.g. Peace Corps, Rural Training Centres). After a slow start, the project is eventually gaining momentum. It is to be noted that the general objective of reaching remote

communities and women groups not involved in development processes before is being achieved.

c) Degree of integration of cross-cutting themes

Good working relations have been developed with other stakeholders – NGO and volunteers organisations- active in the rural areas. The project supports initiatives relating to cross-cutting issues (gender, communications, and environment). Women and women groups – especially in rural areas – are a priority target for the project.

2.2.3. Utilisation of envelop B

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

9 ACP VA 01 Reconstruction of the Lycée Antoine de Bougainville

This project is now completed. Final acceptance occurred early 2007.

Support to Economic Reform Programme (2004 – 2006)

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

Emergency school repairs – Cyclone Ivy

This intervention was managed through the EDUTRAIN project management unit with the support of Peace Corps Volunteers in the rural areas. In December 2007, the refurbishment of ten (10) rural primary schools (out of a total of 27 funded to date) was complete (Rider requested the rehabilitation of 20 primary schools and this number will be significantly increased). Elements of disaster preparedness and mitigation were included as far as possible (classes can be used as Hurricane shelters). Lessons learnt from this project form one of the bases of the approach implemented by the NSA Project.

2.2.4. Utilisation of other instruments

B-6261 Tropical Forest- €268 000 “Landowner Extension and Awareness of Reforestation Naturally” project which came to an end in July 2005 and *B7-6002 Decentralised Cooperation -* € 316 521 VANPID Project which both came to an end in 2005 were audited. Audit was finalised for VANPID and funds recovered. For LEARN audit has not been finalised yet in 2007 but this should eventuate early 2008. Both these project should be fully closed in 2008.

Water Facility

Two projects were presented to the water facility for financing. One of them was rejected after the detailed evaluation stage, whilst the second one was put on the reserve list.

The applicant (World Vision) was requested to start collecting all necessary documents in case the project made it to the principal list and had to go through eligibility.

The project was eventually selected but did not pass the eligibility checking stage as it proved impossible for the applicant to produce audited account of previous activities. This has been a major set back for populations in Tanna and Malekula.

Energy Facility:

Vanuatu presented four projects to the Energy Facility. Three of these projects focused on the provision of electricity to remote areas of the country through the use of generators functioning on 100% copra oil. The fourth project aimed at the provision of energy through a wind mill in the southern part of Vanuatu which is appropriate location for this type of project. Vanuatu was delighted that all four projects were eventually approved and finalisation of the four grants contracts eventuated in December, for a total amount of 2.97M€.

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; regional organizations receiving funds are regularly contacted for information (examples during 2007 were South Pacific Community –SPC- Fisheries Forum Agency –FFA- or the University of South Pacific –USP) 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.

European Investment Bank

Vanuatu receives several visits of EIB team during 2007. Particularly encouraging are the prospects of participation in the opening of the Telecommunication market (DIGICEL) and the increase in the use of renewal energy (UNELCO). Vanuatu was also a good example of coordination between EIB and EC activities.

2.3. Policy Coherence for Development (PCD)

In line with the EC Communication on “Policy Coherence for Development”, EU general policies, in particular Trade, Taxation and Environment are of particular relevance to Vanuatu’s context.

Regional integration and **trade** are central to sustainable economic growth, social gains and diversification, in particular in a small, geographically-dispersed economy like Vanuatu. Synergies between EDF activities and EU trade policies and agreements (in particular EPAs) were important during 2007: continuous policy dialogue with the Department of Trade and the Minister of Trade, offer of training and capacity building activities for the new Director General for Trade, contacts with the Department of Customs for trade facilitation. Both these initiatives encourage synergies between EDF interventions, trade-related measures and domestic reforms.

In the field of **taxation**, the EC funded a first mission for the compliance with OECD good governance standards. This assisted the GoV in its ongoing efforts in the area of exchange of information and transparency standards as defined by the OECD global forum on taxation.

In view of the close relationship between **environment**, poverty reduction and sustainable economic development, the utilisation of natural resources for economic diversification is of particular importance to Vanuatu. The regulatory context is conducive to environmental conservation. Beyond the environment impact studies for 10th EDF actions, legislation reforms, research, awareness and evaluation activities were encouraged and promoted during

2007 following lessons from EU expertise, in particular with the implementation of the recently approved Disaster Risk Reduction and Disaster Management Plan.

2.4. Joint EU-Africa Strategy, EU Strategy for the Caribbean, EU Strategy for the Pacific

The EU strategy for the Pacific was one of the main references for the definition of the new CSP EDF 10 to Vanuatu. The strategy reinforced the sense of partnership, with the Government of Vanuatu, with Member States –notably France (the only member state present in Vanuatu) and the United Kingdom, and with Australia, New Zealand, and Japan (with increasing presence of China). The strategy enabled a more structured interaction between the EU and Vanuatu, and contributed in particular to an increased visibility of the EU in the Pacific and hopefully of the Pacific in the EU. This Pacific strategy also laid the bases for the political dialogue according to Article 8 of the Cotonou to be started in 2008.

2.5 Donor coordination and harmonisation

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

All donors 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 USA MCC which is focused solely on the infrastructure sector, in particular the upgrading of roads around the main islands of Efate and Espiritu Santo.

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. France's development cooperation activities are implemented through AFD.

There are also in Vanuatu a range of both large NGOs (including VSO and Peace Corps) and 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.

Since 2003, Aid Management & Coordination has been split between three different entities, namely the Development Cooperation Division (DCD) at the Ministry of Foreign Affairs, DESP at the Ministry of Finance and Economic Development and the Prime Minister's Office. The Council of Minister adopted the decision late 2007 to regroup all aid negotiating, management and monitoring activities within a new entity to come under the responsibility of the Prime Minister's Office.

In the meantime, aid coordination is done sector by sector, is mostly donor-driven and for general issues is on an ad hoc basis. Education, Private Sector Development and Public Finance Management (and at a lesser extent Health) were good examples of donor coordination. On the contrary, no general donor meeting was called by the government in 2007. The EC led the donor discussions to reduce the number of un-coordinated missions, to define better Technical Assistance profile and limit their presence to strictly needed cases and to encourage the use of country systems for channelling funds.

The use of Budget Support is promoting the awareness of this aid delivery method and favouring an increased confidence in using this new implementation method.. 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.

The sector partner groups in Education encountered practical difficulties in implementing international commitments (proceeding from the Paris Declaration): despite acknowledging the SWAp in Education, some donors continue to push bilateral agendas outside the SWAp.

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

2.6. Dialogue in country with the NSAs, local authorities and the national Parliaments

This JAR 2007 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) is recognized by the Government in light of its commitments under Cotonou. The Vanuatu Government did sign a Memorandum of Understanding with VANGO, an umbrella organisation for NGO in Vanuatu. Unfortunately, this organisation has experienced internal difficulties and conflicts and has not been able to play its intended role.

Other national NSA, like the National Council of Women, Transparency International, Wan Smol Bag, the Cultural Center, the Chamber of Commerce, etc participated in the programming process during 2007.

Programming exercises (preparation of EDF 10) entail workshops with representation of various civil society organisations. These were encouraged to express their views and opinions on the problem analysis, the response strategies as well as the future involvement of NSA in the process of programme implementation and monitoring.

Local authorities (Provincial councils and Municipalities) were also involved at the various stages of the project cycle management, in particular the provinces of TORBA, TAFEA and SANMA and the municipality of Port Vila. They also actively participated in the Energy Facility’s successful requests.

Dialogue with government and opposition representatives is privileged by the EC Delegation. This is facilitated by the small political environment and the easy access to authorities and Members of Parliament. This dialogue is more a political dialogue with key subjects (gender, environment, corruption) rather than a programming dialogue which is rather done with civil officials, NSA and at provincial levels.

2.7. Conclusions

2007 continued the positive cycle of economic growth and political stability in Vanuatu, limited by the increasing concern of social inequity. The private sector seemed to grab the

situation adequately, because investments and tourism grew significantly during 2007. The expected opening of telecommunication market, new investment in infrastructure (MCC) and the partial liberalization of Air Vanuatu should give another push to Vanuatu in 2008.

Public concern about corruption, in particular in land issues, and lack of capacity inside the general administration should encourage further reforms. 2008 is an electoral year and the government and opposition leaders will focus on electoral issues rather than medium term needs. The lack of capacity inside the administration becomes more recurrent when talking about environment issues. The loss of momentum inside public opinion about EPA negotiations after (the initial deadline of) December 2007 helped to restore thorough discussions that should lead to a positive fulfilment of negotiations at the end of 2008.

Cooperation activities produced concrete results as main on-going projects entered in their final phase during 2007. This was particularly relevant in EDUTRAIN, VATET, PWD and POPACA. The fact that the end of most 9th EDF interventions came to an end at the same time that the programming process for 10th EDF activities was launched allowed for a smooth transition and better coordination. In general terms, the main focal sector of “economic growth and the creation of employment” in the 10th EDF responds to the implementation of the lessons’ learnt from 9th EDF activities. The additional support received during the ETR (consolidated in 2 new projects signed in October 2007) will bridge 9th EDF and 10th EDF consistently.

The communication with provincial governments and the NSA remains open and frank. A good example in Vanuatu during 2007 was the successful result of the energy Facility call for proposals.

In Vanuatu, main donors do not have any excuse not to advance in implementing the Paris Declaration. A more government-led process will accelerate donor’ coordination but its absence is not blocking it. It moved forward at sector level, in particular Education and PFM, and health at a minor extent. There is an incipient coordination in Private Sector Development that should consolidate in 2008. Partners are also waiting for concrete actions after the decision to centralize under Prime Minister’s office other units that before were involved with aid management and coordination.

3. ANNEXES

Country at a glance

A. table of macroeconomic indicators

	2004	2005	2006	2007	2008(forecast)
Basic data					
1 Population (in 1000)	212.228	217.746	221.407	229.216	235.176
- annual change in %	2.6%	2.6%	2.6%	2.6%	2.6%
2a Nominal GDP (in millions €)					
2b Nominal GDP per capita (in USD)	1552.0r	1698.0r	1876.0r	2196.0r	2367.0r
2c - annual change in %		9.4%	10.5%	17.1%	7.8%
3 Real GDP (annual change in %)	5.5	6.5r	7.2r	6.5	5.7
4 Gross fixed capital formation (in % of GDP)	20.7%r	20.8%r	22.7%r	-	-
of which FDI	2331r	1455r	4821r	3500	-
International transactions					
5 Exports of goods and services (in % of GDP)	8.9%r	7.2%r	5.7%r	4.2%r	-
- of which the most important: ... (in % of GDP)					
6 Trade balance (in % of GDP)	27.2%	30.2%r	29.8%r	33.3%	-
7 Current account balance (in % of GDP)					
8 Net inflows of foreign direct investment (in % of GDP)					
9 External debt (in % of GDP)					
10 Service of external debt (in % of exports of goods and non-factor services)					
11 Foreign exchange reserves (in months of imports of goods and non-factor services)	5.5	5.8	7.0	7.0	-
Government					
12 Revenues (in % of GDP)					
- of which: grants (in % of GDP)					
13 Expenditure (in % of GDP)					
- of which: capital expenditure (in % of GDP)					
14a Deficit (in % of GDP) including grants					
14b Deficit (in % of GDP) excluding grants					
15 Debt (in % of GDP)					
- of which: external (in % of total public debt)					
Other					
16 Consumer price inflation (annual average change in %)	1.4r	1.2r	2.0r	3.9r	-
17 Interest rate (for money, annual rate in %)					
18 Exchange rate (annual average of national currency per 1 €)					
19 Unemployment (in % of labour force, ILO definition)					
20 Employment in agriculture (in % of total employment)					

Data source(s): Department of Economic and Sector Planning (DESP), MFEM

Tables provided by DESP, MFEM: Summary of Macro-Economic Indicators

	2004	2005	2006	2007	2008 forecast
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)	1552.0r	1698.0r	1876.0r	2196.0r	2367.0r
4. Growth of GDP/capita (in %)		9.4%	10.5%	17.1%	7.8%
5. Gross capital formation as % of GDP of which FDI	20.7%r 2331r	20.8%r 1455r	22.7%r 4821r	- 3500	-
6. External debt as % of GDP	25%	23%	21%	20%	19%
7. arrears on domestic debt	0	0	0	0	
8. Exports as share of GDP of which... (main sectors of concentration / main export markets)	8.9%r	7.2%r	5.7%r	4.2%r	-
9. Trade balance as % of GDP	27.2%r	30.2%r	29.8%r	33.3%	-
10. Government recurrent revenue as % of GDP(main sources of income)	20.0	19.7r	19.9r	21.0r	19.4
11. Government recurrent expenditures as % GDP (main areas of expenditure – social sectors versus military expenses; debt service as % budget)	19.7r	18.8r	18.6r	19.5	-
12. Budget deficit (effective data rather than budgeted data where possible) in million Vatu	382.0r	1250r	442r	-30r	-
13. Consumer Price Index	112.6	113.9	116.3r	120.8r	-
14. Exchange rate (average Exrate: Vatu/USD)	111.9r	109.25r	110.49r	104.61r	109

Source(s): Ministry of Finance and Economic Management.

	2002	2003	2004.	2005	2006	2007	2008 forecast
Real GDP Growth (%)	-7.4	3.2	5.5	6.5r	7.2r	6.5	5.7
Trade Balance (millions Vatu)	-8089	-7912	-10139r	-12189r	-13665r	-17541	-
Current Account Balance	-3831r	-4346r	-4274r	-5731r	-4877r	-	-
Gross Official reserves	4854	4954	6615	7956r	11195	-	-
Months of Import Cover	5.0	4.5	5.5	5.8	7.0	7.0	-
Consumer Price inflation (% change over previous year)	2.3	2.9	1.4r	1.2r	2.0r	3.9r	-
Tax Revenue (millions Vatu)	5,671.3	6,021.5	6,622.0r	7,095.0	8,126.0r	9,861.4r	10,259.9r
Total Recurrent Revenue	6,333.7	6,658.4	7,330.1r	7,991.7r	9,156.5r	11,055r	na
Total Recurrent Expenditure	7,229.8	7,192.5	7,331.4r	7,575.0r	8,658.6r	11,051r	na
Total Payments (as % of GDP)	9220.1 28.0	8715.9 25.3	8717.4 24.5	9,550.5r 23.6	10,334.9r 22.5r	11,995.3r 24.0r	16952.3 28.5
Total Revenue & Grants (millions Vatu)	7,088	7,061.7	8,075.0r	9,193r	10,009r	11,830r	-
Total Expenditure & Net Lending	8,410.2	7,574.1	7,276r	7,576r	8,541.0r	-	-
Deficit / Surplus (as % of GDP)	-1,322 -3.9	-620.7 -1.7	382 1.0	1,250r 3.1r	442.0 1.01r	-	-
External Debt-Bilateral (millions Vatu)	1,044	1,025	974.3	496.9	485.6	465.5	428.3
External Debt-	8,791	8,077	7,554.2r	7,219.9	6,057.6r	7,187.1r	6,967.7r

Multilateral							
Total Domestic debt	3,432	3,632	3,484.1r	3,328	3,102r	2,983r	3,283
Total Stock of Debt (as % of GDP)	13,267 41.5r	12,734 37.3r	12,012.6r 32.6r	11,044.8r 27.3r	9,646.2r 21.0r	10,635.2r 20.2r	10,679 18.3

Source: NSO, DESP, DOF (MFEM), RBV

B. Table of indicators for the MDGs Table 2 Indicators for the Ten Core MDG

Type	Indicator	2003	2005	2006	2007	2015	Progress since 1996
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%	22%	21%	20%	12%	Slow progress
	3. Under-five mortality rate	42/1000	39/1000	37/1000	35/1000	21/1000	Slow progress
Outcome	4. Net enrolment ratio in primary education	38388	39739	40500	41300	48279	Slow Progress
	5. Primary Completion Rate	64%	68%	69%	70%	80%	Slow Progress
	6. Ratio of girls to boys in:						On track
	primary education	49:51	49:51	49:51	50:50	50:50	
	secondary education	50:50	50:50	50:50	49:51	50:50	
	tertiary education	60:40	60:40	60:40	58:42	50:50	
	7. Proportion of births attended by skilled health personnel	83%	89%	90%	90%	90%	On track
	8. Proportion of 1 year old children immunised against measles	77%	82%	84%	86%	95%	On track
	9. HIV prevalence among 15-24 year old pregnant women	N/A	N/A	N/A	N/A	N/A	On track
	10. Proportion of population with sustainable access to an improved water source	76%	80%	82%	84%	95%	On track

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.

Donor Matrix

Donor	Sector	Amount	Duration	Comments
Australia	Governance	AUD 12,706,481	2008/2009	Legal sector, public service reform, MFEM, stat office, police, governance
	Education	AUD 7,545,255	2008/2009	TVET, VIT, Secondary school's extension project, scholarships
	Health	AUD 2,515,934	2008/2009	Sector assistance, village health worker, ASAS
	Governance for Growth	AUD 12,947,000	2008/2009	Deregulation, reform in TTC, extension of services
	Other/cross sector	AUD 10,000,000	2006/2007	Community partnership program, women's centre
France	Private Sector	390,000 €	2006-2008	Support to CCI, Vanuatu Trade attached at CCI, Tourism
	Education	4,500,000 €	2006-2009	Training (FSP and grants), scholarships
	Health	4,460,000 €	2006-2008	Hospital Luganville / nursing school (AFD)
	Agriculture/Rural Dev.	1,900,000 €	2003-2007	POPACA (French contribution + TA), VARTC, microprojects
	Infrastructure	6,500,000 €	2006-2008	Secondary airports (Norsup, Longana, Lonorore)
	Cultural Sector	600,000 €	2006-2008	Alliance Française and others grants
	Research	800,000 €	2006-2009	CIRAD and IRD
	Technical Assistance	1,550,000 €	2006-2008	In education, health, university, laws
	Television and radio	150,000 €	2006-2008	Pacific Fund, Regional cooperation and CFI
	Meteo, Sismo, Volcano	400,000 €	2006-2008	Pacific Fund and Regional cooperation
EC	Education	€ 6,131,000	2003-2008	Infrastructure, training
	Infrastructure	€ 1,995,000	2003-2007	Supplies, training and TA (PWD)
	Tourism	€ 2,398,000	2003-2007	Infrastructure, TA, Training
	Agriculture/Rural Dev.	€ 1,680,000	2003-2007	Support to Producers' Organisation (POP II/POPACA)
	Support to NAO and TCF	€ 1,441,000	2003-2009	TCF, TA to NAO and others
	Non State Actors	€ 1,037,000	2003-2005	Capacity building at NSA level
	NSA and CBO	€ 1,000,000	2007-2011	Capacity building & micro realisation
	Budget Support	€ 1,300,000	2004-2005	Budgetary support
	Tourism	€ 2,000,000	2008-2013	Vanuatu Tourism and Economic Growth (VTEG)
	Budget Support	€ 3,050,000	2007-2011	Budgetary Support under SERP II
Renewable Energy	€ 2,200,000	2008-2011	Renewable energy provision in four provinces - Energy Facility	
New Zealand	Law/justice	NZD 1,127,117	2005/2006	Law & order, customary land tribunal, support to Supreme Court
	Education	NZD 7,977,400	2008/2009	Education assistance, scholarships
	Health	NZD 85,000	2005/2006	Medical evacuation to NZ
	Ministry of Finance	NZD 84,745	2005/2006	Technical assistance
	Rural Development	NZD 791,000	2005/2006	Economic opportunity initiatives and water resources
	NGO/Provinces	NZD 301,694	2005/2006	Capacity building
	Small Grant Scheme	NZD 480,225	2005/2006	Microprojects
	New Strategic Initiatives	NZD 141,242	2005/2006	for Country Strategy, Swaps...
Japan	Infrastructure	JPY 43,000,000	2006/2007	Design Sarakata Hydro (Rehabilitation / 3rd turbin)
	Fisheries/Environment	JPY 1,971,831	2006-2009	Promotion and management of coastal resources
	Environment	JPY 1,000,000	2006-2008	Improvement for Bouffa Landfill Waste management
	Volunteers (JOCV/SV)	JPY 2,000,000	Annual	Mainly in Education. Aid-in-kind
	Small Grants	JPY 600,000	projects	Mainly classrooms (3-5 schools/year) and Water Supply
	Health	JPY 200000	2006/2007	Medical equipments (PacELF/EPI), J-PIPS
	Others	JPY 2500000	2006/2007/(2008)	Non-project grant assistance. 2008 has not been committed yet

*Japanese Fiscal year starts in April and ends in March

Current donor presence in sectors in VANUATU as per APRIL 2008

donor	EDUCATION (including TOURISM)	INFRASTRUCTURE (renewable ENERGY)	HEALTH	AGRICULTURE	NON STATE ACTORS	POLICE CAPACITY BUILDING (including CORRECTIONAL SERVICES)	GBS
EC (excl EIB)	ACTIVE	ACTIVE**		ACTIVE	LEAD		LEAD
FRANCE	ACTIVE	ACTIVE**	ACTIVE	ACTIVE			
total EU							
AUSTRALIA	LEAD*		ACTIVE			LEAD	ACTIVE***
NEW ZEALAND	ACTIVE					ACTIVE	
JAPAN							
CHINA		ACTIVE**					
MCC		to be active in 2008					
ADB							Small Capacity building training

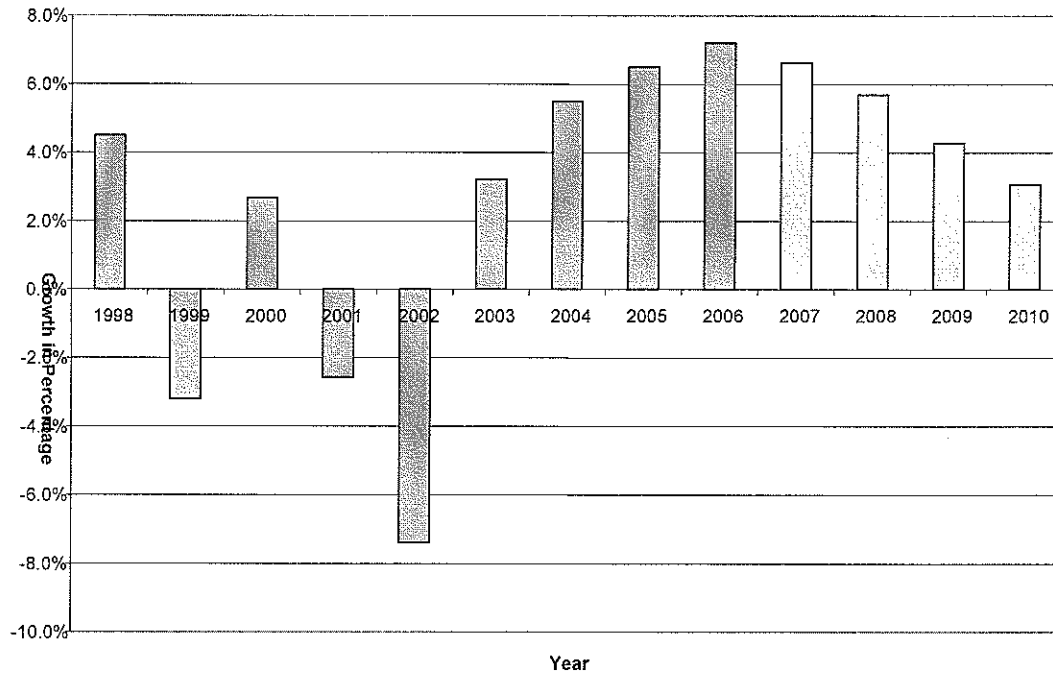
* AusAID is leading the donor group during 2007 last semester /2008 first semester

** No donor coordination in infrastructure as only the EC intervention is linked to institutional capacity building, the rest being ad-hoc interventions.

*** AusAID is not providing BS but it is active in PFM reforms

C. Statistics tables and narrative about monetary issues

1. Real GDP Growth (1998-2010)



Source: National Statistics Office, DESP

2. Drivers of Economic Growth 2003 - 2006

Real GDP Growth 1983 Prices year-on-year % change				
	2003	2004	2005	2006
AGRICULTURE, FISHING & FORESTRY	6.6	7.2	-4.4	2.4
<i>Export crops</i>	<i>14.5</i>	<i>17.6</i>	<i>-20.7</i>	<i>6.5</i>
INDUSTRY	3.5	5.4	7.1	7.0
<i>Manufacturing</i>	<i>4.6</i>	<i>5.0</i>	<i>6.1</i>	<i>1.6</i>
<i>Electricity</i>	<i>-1.0</i>	<i>3.4</i>	<i>4.1</i>	<i>2.8</i>
<i>Construction</i>	<i>6.7</i>	<i>8.4</i>	<i>10.5</i>	<i>15.7</i>
SERVICES	2.3	5.1	9.4	8.4
<i>Wholesale & Retail Trade</i>	<i>0.1</i>	<i>-1.7</i>	<i>11.4</i>	<i>12.4</i>
<i>Hotels & Restaurants</i>	<i>-8.8</i>	<i>13.5</i>	<i>6.1</i>	<i>11.0</i>
<i>Transport & Communication</i>	<i>3.6</i>	<i>15.5</i>	<i>13.8</i>	<i>7.7</i>
<i>Finance & Insurance</i>	<i>9.0</i>	<i>6.3</i>	<i>19.6</i>	<i>8.4</i>
<i>Real Estate & Other Services</i>	<i>12.3</i>	<i>17.6</i>	<i>9.7</i>	<i>11.2</i>
GROSS DOMESTIC PRODUCT (GDP)	3.2	5.5	6.5	7.2

3. Price inflation and Money Supply

The Reserve Bank of Vanuatu manages monetary policy to achieve price stability and maintain an adequate level of official foreign reserves. The Bank aims to keep inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), within a range of 0-4%. The Bank also targets a level of official international reserves that is equivalent to (at least) six months of import cover.

Inflation is increasing

In the first half of 2007 inflation grew to reach the outer limit of the Bank's target range, while official foreign reserves were equivalent to 7.5 months of import cover. At the end of September inflation had fallen marginally to 3.9% but remains close to the outer limits of the RBV's target range.

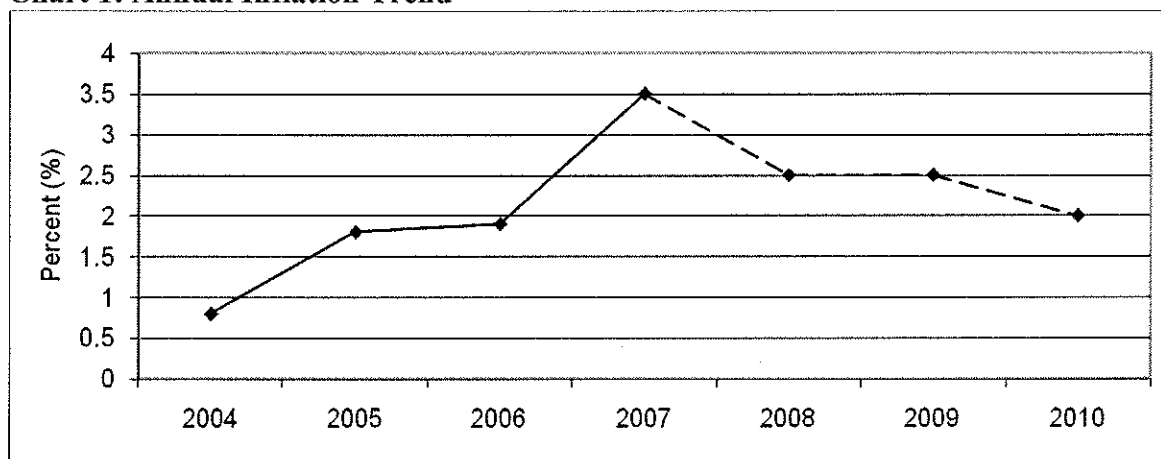
Price inflation increased significantly in the first half of 2007. Year-on-year inflation rose from 3.4% in the first quarter to 4.0% in the second quarter, while quarterly inflation rose by 1.3% in the second quarter and 2.1% in the first quarter.

Table 1: Price inflation

	Changes in CPI –Inflation (%)
2004	0.8
2005	1.8
2006	1.9
2007(estimate)	3.5
2008 (estimate)	2.5
2009 (estimate)	2.5
2010 (estimate)	2.0

Price inflation rose significantly in the first half of the year on account of higher prices for drinks & tobacco, recreational, education, health, housing utilities, food, and transport & communication. Part of the inflation increase can be traced back to the first quarter and driven mainly by the increase in import duties and excises for several of these imported goods and food items effective January 2007. The general increases in wages in the economy and the impact of higher prices of oil have also influenced price levels in the economy.

Chart 1: Annual Inflation Trend



Source:

Reserve Bank of Vanuatu

Projections for price inflation put year-end annual inflation below the 4% target. 2008-2010 should see price inflation ease to a range between 2.5% to 3.0%, once these temporary effects of taxes fully sink in the economy, and if supported by prudent monetary and fiscal policies. Prices are expected to ease to 2.0 percent by 2010. Future changes in price inflation will primarily depend on the impact of rising oil prices during the year and demand pressure on prices driven by high credit growth and domestic consumption. This calls for greater coordination between monetary and fiscal policy to fight inflation (i.e. tight monetary conditions with reduced net credit to government). This generally means containing Government expenditure to dampen demand pressures in the economy.

Moderate Growth in money supply...

The money supply consists of net foreign assets plus net credit to the private sector and net credit to government. An increase in the supply of money is reflected in an increase in either one of these items. Money supply growth was moderate during the first quarter of this year. This trend was mainly caused by a slowdown in growth in the net foreign assets of the banking system, which in turn was explained by the decline in growth of demand deposits in foreign currency. The level of quasi-money, on the other hand, expanded.

During the second quarter of 2007, growth in money supply expanded to 3.7 percent from a 1.3 percent growth recorded in the first quarter. This monetary growth was associated with expansions in quasi-money by 2.7 percent and narrow money by 5.6 percent. Growth was driven by increases in net foreign assets and private sector credit by 2.9 percent and 3.6 percent, respectively. Money supply continued to expand through the months of July and August 2007, by 2.2 percent and 1.1 percent respectively. This was associated with expansions in both quasi money and narrow money.

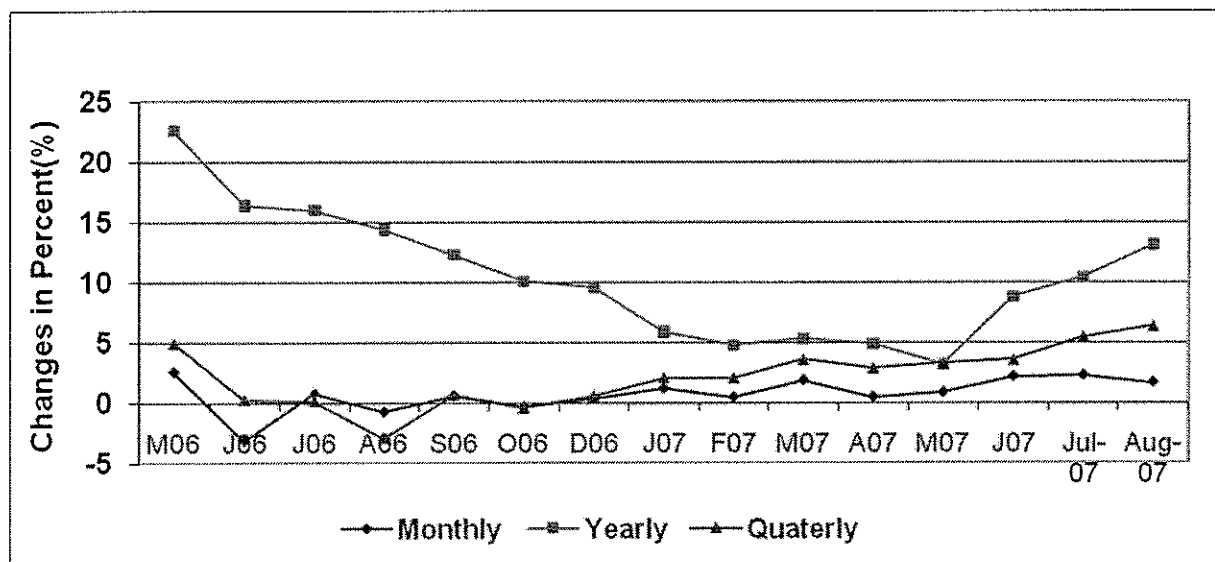
...supports an expansion in private sector credit

Growth in private sector credit picked up during the first quarter of 2007, after a slowdown in 2006. The pick up in private sector credit during the first quarter was due to banks lowering interest rates in the housing market.

The chart below shows that growth in private sector credit declined throughout 2006 and in the first 5 months of 2007. During June, July and August 2007, private sector credit growth trended

upwards and is expected to continue to expand towards the end of this year. The upward trend in private sector credit is in accordance with the current expansion in economic activity and in line with Government policy to improve conditions for private sector led economic growth. It has been achieved by reducing net credit to Government i.e. the Government's call on domestic financial resources.

Chart 2: Growth in Private Sector Credit



Source: Reserve Bank of Vanuatu

So

A reduction in the Government's call on monetary resources has allowed the banking system to increase credit to the private sector. The Government's net credit position vis-à-vis the banking system improved during the first quarter of 2007. This mainly stemmed from a decline in the Government's net lending from commercial banks, as the Government retired one of its bonds worth VT120 million in January 2007. The Government's net credit position vis-à-vis the banking system improved further during the second quarter of 2007. This was due to a decline in the Government's net lending from the monetary authorities by 14.2 percent as the Government continued to accumulate its deposits with the Reserve Bank. Overall the Government's net credit position with the banking system has improved over the past nine months.

Money supply is expected to increase through to the end of 2007, due to continued expansions in net foreign assets and private sector credit. Narrow money is projected to expand through to December 2007 as a result of private sector credit expansion, high domestic consumption and the seasonal festivities towards the end of this year and early next year.

Definitions of Money

M1 or Narrow money consists of notes and coins in circulation plus demand deposits in both local and foreign currency

Quasi money is savings and time (fixed) deposits denominated in both local and foreign currency

Broad money (M2) is narrow money plus quasi money

Reserve money or base money is currency in circulation and commercial banks' deposits with the RBV (statutory reserve deposits and excess reserves)

Interest rates

Interest rates in Vanuatu are set in the market and are characterized by a large spread between the weighted average interest rates on total bank loans and deposits. Interest rate spreads widened during the first quarter of 2007, which may reflect inflationary pressures. The weighted average interest rate on total deposits has risen from 1.9% during the preceding quarter to 2.0% in the first quarter of 2007, implying negative real interest on deposits. Likewise, the weighted average interest rate on lending rose from 11.3% to 11.6% per cent. As a result, the interest rate spread has widened to 9.6% during the first quarter of 2007, as compared with 9.5% in the last quarter of 2006.

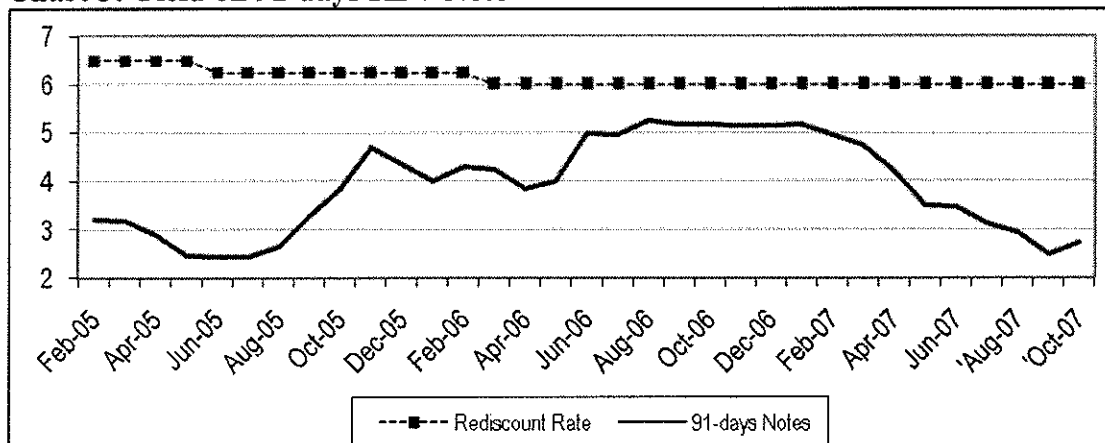
The second quarter of 2007 witnessed a decline in the weighted average interest on total bank deposits and loans to 1.9% and 10.5%, respectively. The consequences of the downward movement in both the weighted average rate of interest for total bank deposits and total bank loans caused interest rates spread to narrow from 9.6% as recorded in the first quarter to 8.57% during the second quarter of 2007. The decline in interest rates during the quarter reflected the upsurge in commercial banks' system liquidity. Monthly deposit interest rates have remained stable during the months of July and August 2007, and are expected to be maintained until the end of the year. The savings deposit interest rates range between 0.5-2.0%. The interest rates on one-month maturity of fixed deposits range between 1.25-3.5%. Interest rates on the two-six months and maturities above six months have been maintained between 1.3%–4.3% and 2.3%-4.5%, respectively. With respect to lending interest rates, interest rate charged on commercial loans ranges between 11.0-18.50 percent. Interest rates on personal loans vary from 14.5-25.0% on agriculture loans were at 12.50-18.5%, while interest rate on housing loans ranges between 8.5-14%.

The Reserve Bank of Vanuatu's rediscount rate was maintained at 6.0% and the inter-bank rate was maintained at 5.5%.

Interest Rate on RBV Note

The yield on Reserve Bank of Vanuatu 91-day securities (RBV Notes) experienced a steep decline in the first nine months of 2007 and the gap between the Bank's policy rate and the 91-day Note widened through the year but lost some ground in early October due to a noticeable uptrend in the 91-day Note yield. A number of factors are going to maintain an upward momentum in the yields including an increased level of Reserve Bank auctions in response to demand pressures in the economy and a rebound in the growth of private sector credit.

Chart 3: Yield on 91-days RBV Note



Source:

Reserve Bank of Vanuatu

Balance of payments

The balance of payments over the last few years has registered growing current account deficits and capital account surpluses. This has continued to date in 2007.

Imports continue to grow strongly driven by rapid growth in consumer demand and relative stability of the exchange rate. While the export of services, specifically tourism, has grown, this has not offset rapid growth in imports and reinvested earnings of foreign companies. Consequently, the deficit on the current account was VT 3,466 million in 2006 and VT 2,650 million in the first half of 2007. The current account deficit is therefore expected to widen further in 2007 to an estimated VT 5,100 million, around 9.5% of GDP, from an estimated 7.5% of GDP in 2006. The deficit is expected to remain at the same share of GDP in 2008.

The overall developments in the Balance of Payments in the first six months of 2007 saw a net outflow of foreign exchange amounting to VT 100 million; however an inflow of VT 150 million was recorded from July to September. This figure reflected inflows in the current account (services) and capital foreign investment offsetting outflows in imports. Foreign currency receipts during this period expanded the adequacy of the official international reserves to 7.9 months of import cover in September from 7.5 months in June. This is well above the Reserve Bank's minimum *comfortable* level of 4 months of import cover.

Sustainability requires increased competitiveness of exports

The deficit on the current account continues to be financed by a surplus on the capital account i.e. largely driven by investment grants, foreign investment and the purchase of real estate by overseas residents.

The sustainability of the surplus on the capital account is a key issue for the medium term balance of payments. Private capital flows can be volatile and easily reversed if the economy becomes unstable.

To ensure a sustainable balance of payments in the longer term, Vanuatu needs to reduce its current account deficit by increasing the cost-competitiveness and quality of its exports, including tourism. Public investment in transport infrastructure, competitive telecommunications

and reductions in the cost of doing business will help to increase the competitiveness of Vanuatu's exports over the longer term.

Maintenance of international reserves

The gross official reserves including IMF positions recorded VT 11.2 billion in 2006; most of which were sourced from exports of goods and services, grants and investments. This figure slightly reduced to VT 11.1 billion in June and further reduced to VT 10.9 billion in September 2007. It is expected that by end of 2007, gross official reserves will be around VT 10.8 billion and should lower further by the end of 2008. One of the key indicators to monetary stability is the maintenance of official reserves at a minimum of 4 months of import cover. Despite the current levels, it is important to formulate consistent fiscal and monetary policies for the maintenance of international reserves e.g. any further fiscal stimulus in the economy will feed directly into higher imports and reduced net foreign assets. Moreover, if Vanuatu graduates from least developing country status, grants are expected to reduce and in this case, government should put in place sustainable financing policies for its medium and long term expenditures.

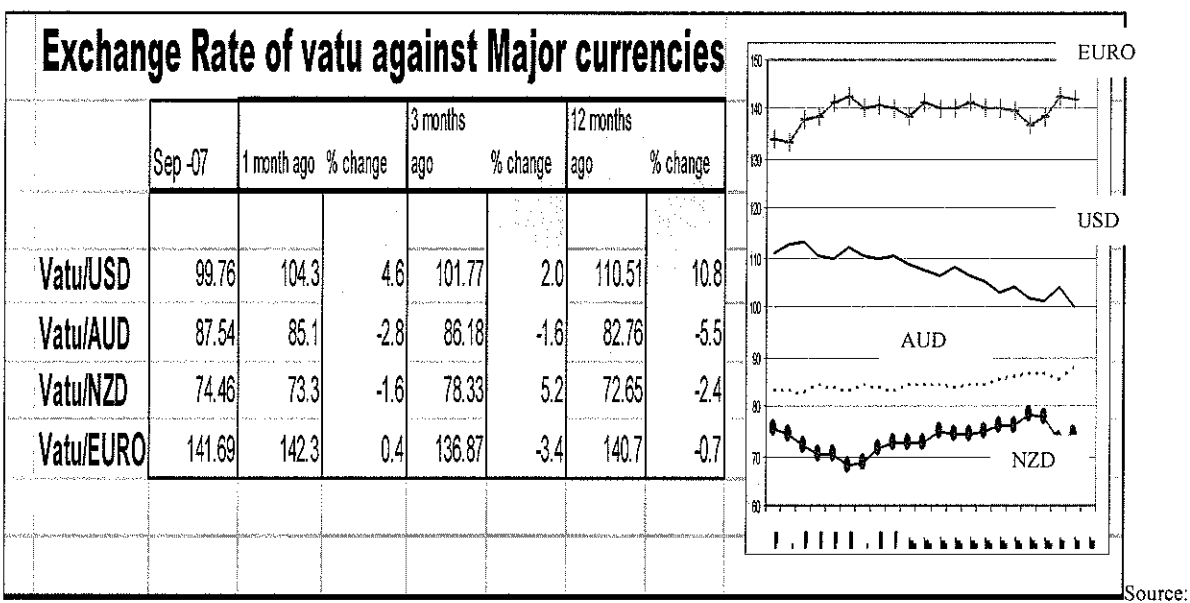
The forecasted BOP data for 2007- 2009 is shown in the table below.

Exchange rates

The Vatu is pegged to a basket of currencies weighted by their importance in trade. This shelters the Vatu to some extent, against shocks or rapid movements in any one particularly currency e.g. the United States Dollar. The United States Dollar (USD) has depreciated since last year and is expected to remain low in the medium term.

Over the same period the Australian Dollar (AUD) and the New Zealand Dollar (NZD) have strengthened. The Euro has also appreciated and is expected to move higher as traders became increasingly convinced that the US Federal Reserve will have to ease monetary policy.

Chart 4: Exchange Rates



Movement in the value of the Vatu against major trading partner currencies is illustrated in the tables above. The chart (on the right hand side) shows movement in the Vatu since January 2006. The Vatu recorded its strongest level against the USD during the month of September reaching 99.76 on the 28th September 2007. Over the first six months the Vatu had appreciated against the USD and the Euro, and depreciated against the AUD and NZD. This movement continued further to September.

Annex 3: Summary Table of EC Co-operation

		SITUATION on 01/01/2008	
R A L		ALL PROJECTS	PROJETS decided before YEAR 2003
Σ Ongoing GLOBAL COMMITMENTS		22,210,000	2,000,000
R A C		3,549,470	106
R A P		4,275,380	19,051
R A L		7,824,850	19,157
% RAL / Σ GLOBAL COMMIT.		35%	1%
Nbr of years to absorbe RAL		3	

(Source: AIDCO forecast end 2007)

EDF 9 sectoral breakdown		country: VANUATU
EUROPEAN CONSENSUS	SUB SECTOR AND PART SBS	total cumulative individual commitments 31.12.07
governance,human rights and support to economic and institutional reforms	governance	
	economic and institutional reforms Non State Actors	980,000
conflict prevention and fragile states	conflict prevention and fragile states	
trade and regional integration	European Partnership Agreements	
	regional economic integration	
	private sector development	
infrastructure,communication and transport	infrastructure,communication and transport	1995000
water and energy	water	
	energy	
	unspecified	
social cohesion and employment	social cohesion and employment	
environment and sustainable management of natural resources	environment and sustainable management of natural resources	
rural development, territorial planning, agriculture and food security	rural development and territorial planning agriculture food security	1,680,000
human development	health	
	primary education	
	education unspecified	10,529,000
TCF	TCF and support to the NAO	1,650,000
support to NAO		
unspecified	unspecified	
GBS	General Budget Support	4,750,000
TOTAL	TOTAL	23,000,000
percentage of 9th EDF commitments covered by largest sectors of concentration plus GBS	largest sector	46%
	Two largest sectors	66%
	Three largest sectors	86%
	Four largest sectors	84%
	Five largest sectors	
	nr of sectors to reach 85% of NIP sectors (NSA and GBS excluded)	4
		3

EDF 10

country: VANUATU

Partnerships and Priority Actions of the Lisbon Plan

EUROPEAN CONSENSUS	sectors	planned commitments in NIP for 10th EDF
governance,human rights and support to economic and institutional reforms	governance	1,600,000
	economic and institutional reforms	
	Non State Actors	
conflict prevention and fragile states	conflict prevention and fragile states	
trade and regional integration	European Partnership Agreements	
	regional economic integration	
	private sector development	
infrastructure,communication and transport	infrastructure,communication and transport	
water and energy	water	
	energy	
	unspecified	
social cohesion and employment	social cohesion and employment	10,000,000
environment and sustainable management of natural resources	environment and sustainable management of natural resources	
rural development, territorial planning, agriculture and food security	rural development and territorial plan agriculture food security health	
human development	primary education education unspecified	
TCF	TCF & support to the NAO	1,400,000
support to NAO		
unspecified	unspecified	
GBS	General Budget Support	8,600,000
TOTAL	TOTAL A envelope TOTAL B envelope (not allocated in the above table)	21,600,000 1,600,000

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

9 ACP VA 03 EDUTRAIN

Results	Indicators	To end 2007
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 ICT unit built VEMIS database 100% completed 100% 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	Construction 40% completed 1 redesigned PEO at tender stage
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 Leftemap programme continues In-service of 100% of 7 & 8 teachers beginning.
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	70% sanitation units completed 60% electrical systems completed 70% water supplies at adequate level Classrooms 80% completed

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

Results	Indicators	To end 2007
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	90 %
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	50%

Annex 5: Project fiches - Situation to date (EDF 9)

Projects that ended on 31/12/2007

- 8.ACP.VA.16 – 9.ACP.VA.09 - POPACA
- 9.ACP.VA.02 : PWD Maintenance Training Programme

Project that will close in 2008

- 9.ACP.VA.03 – 9.ACP.VA.10: EDUTRAIN
- 8.ACP.VA.23 – 9.ACP.VA.08 – VATET

On going project

- | | <u>End Implementation period</u> |
|-----------------------------|----------------------------------|
| - 9.ACP.VA.11 : NAO support | April 2009 |
| - 9.ACP.VA.12 : NSA support | 31/12/2009 |

New projects (signed in October 2007)

- 9.ACP.VA.13 : SERP -II
- 9.ACP.VA.14 : VTEG

With these two new projects, all the resources of EDF 9, including the additional funds received after the mid-term and final reviews are committed.

n.b. : the financial figures in the tables “monitoring of the financing agreement” are based on the OLAS records dated 28/02/08.

FICHE PROJET

1. **Project Title :** Producers Organisation Project (POP 2 / POPACA)*

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

The project was evaluated early 2007.

Since activities have been carried out until the very last moment, payments will still be taking place during the first quarter of 2008. The request for closure must be submitted before 31/03/2008.

4. **Monitoring of the Financing Agreement**

See table next page

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	Status
		1,400,000	710,000		360,000	160,000		430,000	20,000	
8.ACP.VA.16										
1	Start Up PE	17,032.91	0.00	F	17,032.91	0.00	F			closed
2	Serv. contract marketing expert	289,579.40	R	R			R	289,579.40		closed
3	1st AWP	337,742.22	A	A	106,962.96	29,619.99	A			closed
4	2nd AWP	368,924.12	N	N	97,801.78	63,086.02	N			closed
5	Audit	11,849.04	C	C			C		11,849.04	closed
6	TA Marketing	55,995.00	E	E			E	55,995.00		closed
7	PE 3 (part)	38,857.99				38,857.99				closure requested
8	PE4 Final #	264,620.00			71,518.92	14,303.78		21,455.68		closure 31/03/08
9	Audit PE final	5,000.00							5,000.00	closure 30/04/08
	Total committed - 8.ACP.VA.16	1,389,600.68	566,537.20		293,316.57	145,867.79		367,030.08	16,849.04	
	Balance uncommitted	10,399								
9.ACP.VA.09										
1	PE 3 (part) (prov. amount)	217,292.84								
2	Rider 2 to PE4	57,600		0	67,337.33	12,705		57,600		closure 31/03/08
	Total committed 9.ACP.VA.09	274,892.84	137,250.35		67,337.33	12,705.16		57,600.00	0.00	
	TOTAL COMMITTED	1,664,494	703,787.55		360,653.91	158,572.95		424,630.08	16,849.04	
	Balance uncommitted	15,506	6,212		-654	1,427		5,370	3,151	

FICHE PROJET

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

<i>Signature of the Financing Agreement</i>	15/04/2003
<i>Last PE expires</i>	31/12/2007
<i>Expiry date (implementation period)</i>	31/12/2008

Final evaluation of the project took place early 2007.
The last programme estimate expired on 31 December 2007.
Some equipment is still to be delivered (specific commitment).
Administrative and financial closure will be requested by the end of the first semester 2008.

4. **Monitoring of the Financing Agreement**
See table next page

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	Contingencies	TOTAL	Status
	8.ACP.VA.23	200,000	525,000	448,000	0	25,000	0	2,398,000	
1	PAC		134,200.00					134,200.00	open
2	TA SARI *		210,378.86					210,378.86	closed
3	PE 1			24,250.08				24,250.08	closed
4	PE 2			177,332.39				177,332.39	closed
5	Audit					25,200.00		25,200.00	open
7	Construction EDVT							801,000.00	open
8	Contract Project Manager		158,426.64					158,426.64	closure requested
9	Contract Trainer							84,959.86	closed
10	IVTB							7,000.00	closed
11	PE 3	57,408.75	19,845.00	149,546.25				226,800.00	open
13	Brian Bell Co Ltd	143,400.00						143,400.00	open
14	cancelled	0.00				0.00		0.00	
15									
	9.ACP.VA.08								
1	Construction EDVT							387,300.00	open
	TOTAL COMMITTED	200,808.75	522,850.50	443,088.58	0	25,200.00	0	2,380,247.83	99.3%
	BALANCE	-808.75	2,149.50	4,911.42	0	-200.00	0	17,752.17	
	<i>Dépassement</i>								0.8%
									0.4%

N.B: These figures represent an instant vision of the Financing Agreement and the seemingly overspending should disappear once decommitments occur at the end of the contracts. These are often due to exchange rate issues.

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. Project completed. The administrative and financial closure of all the individual commitments and of the global commitment has been requested.

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

Project completed: all project-funded activities ceased on 31 December 2007.

- Audit of the final PE will take place during the first quarter of 2008 (already contracted).
- Volunteers contract (VSO): contract completed, final report submitted, closure will be requested after payment of final invoice.
- TA to PWD: final report submitted. Closure of the commitment will be requested after last payment has been made.
- The global commitment will be closed by 30/06/2008 at the latest.

4. **Monitoring of the Financing Agreement**

See table next page

9.ACP.VA.02
PWD Maintenance Training Programme

MONITORING OF THE FINANCING AGREEMENT

			Equipment	Training and TA Contingencies (incl. Contingencies)	Demonstration work (incl. operating costs)	Audit	Evaluation	Contingencies	Total (€)
Budgeted in the FA	VUV		1,050,000	520,000	380,000	15,000	30,000		1,995,000
Commitments			EURO						
1st Work Programme	1	43,000,000	114,832.27	11,264.33	194,651.38				320,747.98
Intraco	2	4,800,000	34,444.14						34,444.14
Johs. Gram-Hanssen	3		343,179.00						343,179.00
TYPASA	4	13,444,815		95,924.35					95,924.35
VSO	5	18,198,392		131,967.72					131,967.72
CIPAC	6	46,842,470	341,442.30						341,442.30
BMS (Audit)	7	350,000			2,584.66				2,584.66
TA to PWD (DHV)	8		74,707.12		123,610.04				59,985.00
PE 2006 (Rider 1)	9	32,195,270							238,886.86
Audit 2006	10					3,587.29			3,587.29
PE 2007	11	31,370,000	141,601.53	24,765.70	62,132.77				228,500.00
AT 2006-07	12			157,500.00					157,500.00
Audit 2007						3,549.00			3,549.00
Evaluation									
Total committed			1,050,206.36	521,976.80	380,394.19	9,720.95	0.00		1,962,298.30
Balance			-206.36	-1,976.80	-394.19	5,279	30,000		32,702
Dépassement			0.02%	0.38%	0.10%				98.36%

N.B: These figures represent an instant vision of the Financing Agreement and the seemingly overspending should disappear once commitments occur at the end of the contracts. These are often due to exchange rate issue

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**

<i>Signature of the Financing Agreement</i>	28/11/2003
<i>N+3</i>	27/11/2006
<i>Expiry date (implementation period)</i>	31/12/2008

4. **Monitoring of the financial Agreement**

Engagements 9.ACP.VA.03 + 9.ACP.VA.10	EDUTRAIN Cdf	RIDER 1 to Cdf	9.ACP.VA.03					TOTAL COMMITTED	BALANCE
			1	2	3	4	5		
	EURO		PE 1	ABU Consult	PE 2	Audit	PE final	9.ACP.VA.10	
Construction works	2,170,000		4,745.07		1,190,273.41		860,381.23	225,937.27	-111,337
Supplies and equipment (books & furniture)	925,000				24,438.00		900,915.12		-353
EMIS	330,000		17,106.86		102,948.73		210,026.64		-82
TA and other expertise (including NSA for the Ivy component)	480,000			450,000.00	0.00		11,136.36	18,868.31	-5
Operating costs	145,000		36,318.78		66,203.83		37,297.62	5,194.42	-15
Meeting / workshop / training	500,000		10,685.07		142,408.24		347,043.02		-136
Mid-term review and evaluation	60,000				0.00		0.00		60,000
Audit	60,000				0.00		25,300.00		34,700
Contingencies	111,000				0.00		0.00		111,000
	4,781,000		68,855.78	450,000.00	1,526,272.21		2,366,800.00	250,000.00	93,772
Total committed	4,687,228		closed	on-going	closed		on-going	on-going	

FICHE PROJET

1. **Project Title :** **Support to Economic Reform Programme 2004-2006
(SERP 2004-06)**

2. **Project accountancy N° :** **9.ACP.VA.06**
Project completed, all reports submitted, all payments made. All individual commitments are closed. The NAO has requested the closure of the global commitment.

FICHE PROJET

1. **Project Title :** **Technical Cooperation Facility**

2. **Project accountancy N° :** **9.ACP.VA.07**
Project completed, all reports submitted, all payments made. The NAO has requested the closure of the global commitment.

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

4. **Main activities carried out during the year 2007.**

4.1. Framework contracts

The following assignments were funded through the framework contracts.

- **Short term need assessment for the Vanuatu Financial Service Centre (VFSC) (LOT N° 11 – Macro-economy, Public Finance and Food Security)**

The primary aim of the Needs Assessment TA is to identify current weaknesses inherent at the VFSC so that Vanuatu can come closer to being compliant with the OECD/EU good governance standards.

This exercise is part of the effort to demonstrate to the international community that Vanuatu is committed to improving its reputation and credibility as a well regulated and supervised finance centre that is supported by good laws with well established licensing and supervisory regimes.

Input : 6 weeks of specialised consultancy

Output :

- A draft report was submitted, after long delay, and was found of poor quality. The contractor has proposed to re-do the mission with a new expert (schedule for February 2008).

- **Final evaluation of VATET project**

There was no budget line for a final evaluation in the VATET Financing Agreement. The assignment took place during the first quarter of the year. A report was submitted and accepted.

Input : 1.5 man-month of expertise

Output :

- Evaluation report (including recommendations for future actions)

- **Final evaluation of POP-2 project**

There was no budget line for a final evaluation in the POP-2 Financing Agreement (actually the final evaluation was to be funded by France, the co-donor in the project).

The assignment took place during the first quarter of the year. A report was submitted and accepted.

Input : 1.5 man-month of expertise

Output :

- Evaluation report (including recommendations for future actions)

▪ **PFM review**

(LOT N° 11 – Macro-economy, Public Finance and Food Security)

The objective of the mission was to assist the Ministry of Finance to produce a well-sequenced strategy for public financial management reform.

Input : 0.5 man-month of expertise

Output :

- - the expert made a presentation to the stakeholders at the end of the assignment
- an *aide mémoire* was submitted containing a summary of the draft PFM strategy for endorsement by the Government of Vanuatu

▪ **Need assessment of the Vanuatu Auditor General Office**

(LOT N° 11 – Macro-economy, Public Finance and Food Security)

The objective of this assignment is to identify current weaknesses of Vanuatu's external auditing functions (including the Auditor General's Office and the Public Account Committee) and propose actions so that the quality and timeliness of external scrutiny of the government's estimates as well as the public accounts could be improved.

Input : 1.0 man-month of expertise

Output :

- Before leaving the country the expert presented preliminary results during a meeting with stakeholders, government officials and donor community.
- A final report was produced that:
 - Provides recommendations on how Vanuatu's external audit function can be strengthened
 - Develops a pragmatic roadmap (including costing) to resolve the problems taking into account the Office of AG's administrative and economic status;
 - Outlines modernisation/improvement proposals (including possible amendment in legislation) together with a sequenced impact assessment of the proposed measures.

4.2. Specific commitments

- TA to NAO (2006-2007) : contract completed on 12/12/2007
- Short term training expert to the School of Tourism : contract completed on 30/04/2007
- Short term management expert for the school of Tourism : contract completed on 17/12/2007
- Identification and pre-feasibility study for the focal sector EDF 10 (Support to Economic Growth) :Final report submitted
- Technical Advisor to the NAO (2008 to April 2009) : contract starts in January 2008 and shall end on 31/04/2009.

Programme estimates

- PE NAO 01 : expired 31/12/2007
- PE NAO 02 covers 01/01/08 to 31/03/09

5, Monitoring of the Financial Agreement

See table next page

**Monitoring of the Financing Agreement
Capacity Building and Support to NAO Office
Financing Agreement 9-ACP.VA.11**

N+3 15/03/2009

1,326,000

Commitments		1,326,000	475,000	500,000	Technical Assistance Facility	TSP	Conference and Seminars	Audit	Evaluation	Contingencies	
1	TA to NAO	283,000.00	283,000.00							121,000	closure requested
3	PE-NAO-01	236,500.00	30,422.50	86,000.00						0.00	direct labour
4	Training Advisor VATET	25,500.00		25,500.00							closure requested
5	VFSC study	43,180.00		43,180.00							framework contract
6	eval VATET	42,821.00		42,821.00							closure requested
7	eval POP-2	43,094.00		43,094.00							closure requested
8	identification EDF 10	118,900.00		118,900.00							closure requested
9	ST Tourism expert (Atzal)	28,131.00		28,131.00							closure requested
10	Expertise Finance PFM	24,392.00		24,392.00							framework contract
11	appui auditeur general	38,784.00		38,784.00							framework contract
12	TA to NAO	198,450.00	198,450.00								closure requested
13	PE NAO 02 (2008)	166,000.00	36,086.96	41,139.13			34,282.61			11,186.96	direct labour
	Audit PE1 & PE2	0									Commission
	Evaluation	0									Commission
	REALLOCATION Contingencies		-72,959.00			-27,322.00				100,281	
	Total committed	1,248,752.00	475,000.46	453,157.13		124,999.68	84,126.78	0.00	0.00	111,467.96	
	Balance uncommitted	77,248	0	46,843		0	873	10,000	10,000	9,532	77,248
	Commitment rate	94.17%	100.00%	90.63%		100.00%	98.97%	0.00%	0.00%	0.00%	

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**

<i>Date signature EC</i>	25.10.2006
<i>D+3</i>	24.10.2009
<i>Expiry date (implementation period)</i>	31.12.2011

4. **Monitoring of the Financial Agreement**

**Monitoring of the Financing Agreement
Capacity Building to NSA & CBO
Financing Agreem 9.ACP.VA.12**

1,000,000

	Commitments	Project Management Unit	Funds for NSA / CBO projects	Audit	Evaluation	contingencies
	1,000,000	206,000	700,000	15,000	9,000	70,000
1 VSO contract	40,000.00	40,000.00				
2 PE-NSA-01	274,000.00	69,987.89	204,012.11			
3 Audit	13,400.00			13,400.00		
	0.00					
	0.00					
	0.00					
Total committed	327,400.00	109,987.89	204,012.11	13,400.00	0.00	0.00
Balance uncommitted	672,600.00	96,012.11	495,987.89	1,600.00	9,000.00	70,000.00

1,000,000

closure requested

672,600

New projects (Financing Agreement approved in September 2007)

FICHE PROJET

Project Title: Support to Economic Reform Programme (SERP –II)

Project accountancy N°: 9.ACP.VA.13

3. Basic administrative data

<i>Signature of the Financing Agreement</i>	25/09/2007
<i>Duration</i>	48 months
<i>End operational period</i>	31/12/2011
<i>End of period of execution</i>	31/12/2013
<i>N+3</i>	24/09/2010

	EC Contribution	%
General Budget Support (1 initial fixed tranche + 2 variable tranches)	2,400,000	78.69%
Technical Assistance, studies, review	550,000	18.03%
Audit	30,000	0.98%
Evaluation	70,000	2.30%
sub-total	3,050,000	100%

Implementing agency : Ministry of Finance

Supervisor : Director of Finance

4. Rationale for the project

Under Art. 61.2 of the Cotonou Agreement, Vanuatu is eligible for direct budgetary assistance in support to macro-economic reforms

Criteria

- Existence of well-defined macro-economic policies , agreed by donors / IMF
- Positive evolution of public expenditure management over the past years and good prospects for the development of reform agenda
- Vanuatu has accepted the obligation of Art. VIII of the IMF Articles of Agreement. Exchange rate free of restrictions, open international transactions

5. Project 's objectives and activities

5.1. Specific objectives

Two inter-related objectives:

- The rationalization of public expenditures in line with PAA
- Improving the efficiency and effectiveness of social sector service delivery

5.2. Activities

- Budgetary support , subject to GoV meeting mutually agreed targets
- Assistance to the MoF through

- the reinforcement of internal audit
- Assistance in developing medium term expenditure plan and integration of Annual Development Report into the budget planning cycle

5.3. Indicators

- GoV to produce an **Annual Development Report** (as indicated in PAA)
- Indicators defined in PAA
- A sub-set of these indicators will be used by GoV and donors for a joint approach to a budget support Performance Assessment Framework (PAF)

5.4. Disbursement

- Fixed tranche
- Variable tranche

FICHE PROJET

1. **Project Title: Vanuatu Tourism & Economic Growth**

2. **Project accountancy N°: 9.ACP.VA.14**

3. **Basic administrative data**

<i>Signature of the Financing Agreement</i>	26/09/2007
<i>End operational period</i>	30/06/2011
<i>End of period of execution</i>	30/06/2013
<i>N+3</i>	25/09/2010

	EDF
Items	
Technical assistance	160,000
HTLTC Capacity building	1,120,000
Provincial Tourism Development	560,000
Audit	20,000
Evaluation	25,000
TOTAL	1,885,000
Contingencies	115,000
TOTAL	2,000,000

4. **Rationale for the project**

- Continue support to the School of tourism
- Ensure transition between VATET and EDF 10 (support to Economic Growth / productive sector)

5. **Project 's objectives and activities**

5.1. Specific objectives

1. To strengthen capacity, standards and provincial delivery within the VIT School of Hospitality and Tourism (HTTC)
2. To facilitate the planning and development of sustainable tourism in the provinces of Vanuatu.

5.2. Activities

- Consolidate HTLTC : an international director is in the process of being recruited.
- Provincial Planner :
 - tourism development plan in SANMA and TAFEA + probably another province with tourism potential.
 - identify actions that could already be implemented to lift current obstacles
 - identify priorities to be implemented under EDF 10 project

Project on appraisal – EDF 10

1 Support to Economic Growth

The draft report for the identification / pre-feasibility phase has been submitted.

The possibility of working jointly with other donors (AuAid, NZAid ...) is currently being investigated.

2. TCF & support to NAO

An identification fiche has been submitted to the Commission.

3. Secondary School Rehabilitation Programme

The NAO has submitted a proposal for the funding – under the B-envelope – of the rehabilitation of two secondary school damaged by the latest earthquake.

Country:

Vanuatu

	2008												2009		Amount of proposal in million €	Budget line			
	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sept	Oct	Nov	Dec	1st semester	2nd semester					
Economic Growth																			
a) forecast (january)							AF							FA				10	EDF
b) actual realised																			
TCF and TA to the NAO												FA						1,4	EDF
a) forecast (january)					AF														
b) actual realised																			
B-envelope: reconstruction of schools																			
a) forecast (january)						AF				AF						FA		1,6	EDF
b) actual realised																			
Non-state actors and Local Authorities in Development: in-country actions (VANUATU)																			
a) forecast (january)																		0,25	210301
b) actual realised											contr								
Non State Actors																			
a) forecast (january)																	PIF	1,6	EDF
b) actual realised																			
Budget Support																			
a) forecast (january)																	PIF	8,6	EDF
b) actual realised																			

PIF = Submission of Project Identification Fiche (where applicable)

AF = Submission of Draft Action Fiche to HQ

FA = Financing Agreement

CfP=Call for Proposals

Please fill in the table indicating with an * the ~~MANAGEMENT~~ MANAGEMENT REQUIREMENTS DESCRIPTION OF THE USE OF THE SOFTWARE IN THE MANAGEMENT PLAN (MANAGEMENT) xls providing any further details in the Management Plan

Annex C of EAMR: Questions on the EU Aid Effectiveness targets.

1. EU Target No 1

Channel 50% of government-to-government assistance through country systems, including by increasing the percentage of our assistance provided through budget support or SWAP arrangements

2. Introduction

The aim is to collect information that allows us to measure this target. The information that is needed is both the total amount of ODA provided, as well as the extent to which country systems are used in providing this ODA. For these purposes the country systems are defined as covering four main areas: (i) national budget execution procedures; (ii) national financial reporting procedures; (iii) national auditing procedures; and (iv) national procurement systems. By treating each of these four areas as having a 25% weight and dividing by the total amount of ODA provided the information required can be calculated (hence the division by four – see part 4 below). In all cases the necessary information can be collected using the same definitions as those in the OECD/DAC "Definitions and Guidance" (see attached page which includes an extract of definitions relevant to this indicator)

3. Questions and definitions

Question	Definition – OECD Ref	Response EUR
How much ODA did you disburse at country level for the government sector in FY 2007 (EUR)?	Qd2	4,789,696
How much ODA disbursed for the government sector in FY 2007 used national budget execution procedures (EUR)?	Qd5	0
How much ODA disbursed for the government sector in FY 2007 used national financial reporting procedures (EUR)?	Qd6	0
How much ODA disbursed for the government sector in FY 2007 used national auditing procedures (EUR)?	Qd7	0
How much ODA disbursed for the government sector in FY 2007 used national procurement procedures (EUR)?	Qd9	0

4. Definition of Indicator

$\frac{[(Qd5 + Qd6 + Qd7 + Qd9) \div 4] \div [Qd2]}{}$ (please calculate and enter as response %)	0%
---	----

5. Additional information

Are there any significant initiatives in your country to promote the use of country systems? If so provide a list and a short description. If not, highlight the constraints to use of country systems (use additional space as needed)

The increase of the use of GBS together with the audit to verify the possibility of using national procedures during EDF 10 implementation should improved significantly this situation.

Definitions from "Definitions and Guidance" OECD/DAC
www.oecd.org/dataoecd/13/29/36306366.doc

ODA	<p>Official Development Assistance (ODA) includes all transactions as defined in OECD-DAC Statistical Directives para. 32 (see appendix), including official transactions that:</p> <ul style="list-style-type: none"> ▪ Are administered with the promotion of the economic development and welfare of developing countries as its main objective; and ▪ are concessional in character and convey a grant element of at least 25%.
Disbursements	<p>A disbursement is the placement of resources at the disposal of a recipient country or agency (see OECD-DAC Statistical Directives para. 15-18). Resources provided in kind should only be included when the value of the resources have been monetised in an agreement or in a document communicated to government. In order to avoid double counting in cases where one donor disburses ODA funds on behalf of another, it is the donor who makes the final disbursement to the government who should report on these funds.</p>
Government sector	<p>Administrations (ministries, departments, agencies or municipalities) authorised to receive revenue or undertake expenditures on behalf of central government.</p>
Disbursements for the government sector	<p>This category includes the disbursement of ODA in the context of an agreement with the government sector (see definition above), including works, goods or services delegated or subcontracted by government to other entities (e.g. NGOs, private companies).</p>
Use of national budget execution procedures (Q ^{d5})	<p>Donors use national budget execution procedures when the funds they provide are managed according to the national budgeting procedures as they were established in the general legislation and implemented by government. This means that programmes supported by donors are subject to normal country budgetary execution procedures namely procedures for authorisation, approval and payment.</p>
Use of national financial reporting procedures (Q ^{d6})	<p>Legislative frameworks normally provide for specific types of financial reports to be produced as well as for the periodicity of such reporting. The use of national financial reporting means that donors do not make additional requirements on governments for financial reporting. In particular they do <u>NOT</u> require:</p> <ul style="list-style-type: none"> ▪ The production of additional financial reports. ▪ Periodicities for reporting that are different from government's normal reporting cycle. ▪ Formats for reporting that do not use government's existing chart of accounts.
Use of national auditing procedures (Q ^{d7})	<p>Donors rely on the audit opinions, issued by the country's supreme audit institution, on the government's normal financial reports/statements as defined above. The use of national auditing procedures means that donors do not make additional requirements on governments for auditing.</p>
Use of national procurement procedures	<p>Donors use national procurement procedures when the funds they provide for the implementation of projects and programmes are managed according to the national procurement procedures as they were established in the general legislation and implemented by government. The use of national procurement procedures means that donors do not make additional, or special, requirements on governments for the procurement of works, goods and services. (Where weaknesses in national procurement systems have been identified, donors may work with partner countries in order to improve the efficiency, economy, and transparency of their implementation).</p>

1. EU target 2		
Provide all capacity building assistance through coordinated programmes with an increasing use of multi-donor arrangements ¹		
2. Introduction		
<p>EU target 2 aims to measure progress in aligning and coordinating support for capacity development. It's closely linked with indicator 4 of the Paris Declaration. Therefore, the term "capacity building" used in the EU target is interpreted as "technical cooperation". This use of the DAC definitions allows consistency with the DAC monitoring of the Paris Declaration.</p> <p>The term "coordinated" also refers to the DAC definition which covers the following principles: ownership of TC by partner countries, alignment of TC with countries/local strategies and objectives and, where more than one donor is involved, harmonisation of TC among donors.</p> <p>To avoid confusion, we strongly advise that you use the definitions given in the OECD guidance, by clicking on the link http://www.oecd.org/dataoecd/13/29/36306366.doc. DAC criteria on this indicator are being updated to make them easier to use and in January the final version to be used for monitoring the indicators in 2008 will be available on this site.</p> <p>Finally please note that a separate AIDCO initiative on EU target 2, related to preparing a strategy for achieving the target, is ongoing in 46 Delegations. Through this EAMR however, we hope to capture information from all delegations. Questions 1 and 2 below seek quantitative information on technical cooperation. Section 4 seeks qualitative information from delegations not participating in the survey launched by AIDCO (46 Delegations contacted) and provides the opportunity to share your experience and views.</p>		
3. Questions and definitions		
1	How much technical cooperation did you disburse in 2007 (Total TC in EUR)? <i>OECD question reference in the Paris survey : Q^{d3}</i>	Euro 782,000
2	How much technical cooperation did you disburse through co-ordinated programmes in support of capacity development in 2007 (EUR)? <i>OECD question reference in the Paris survey : Q^{d4}</i>	Euro 276,000
4. Definition of Indicator		
3	$Q^d 4 / Q^d 3$ (please calculate this and enter in the next column as %)	35 %

¹ Despite the different wording the target is interpreted to correspond to Paris Declaration indicator 4. Please pay particular attention to the definition for the question Q^{d4}.

5 Additional Information

4

Qualitative information² :

Are there any significant initiatives to promote coordinated technical cooperation in your country? *Yes, in the field of Education, Agriculture, Health and PFM.*

If so, please provide a short description. And indicate whether they are linked to the Code of Conduct / Division of Labour process or any other "EU initiatives"

They can be considered as part of the Paris Declaration and the fact that awareness among main partners in Vanuatu (FR, AUS, NZ and the EC) about the need for alignment and coordination is increasing.

If not, highlight key constraints delaying joint work on TC and capacity development.

Different procedures among donors are definitely delaying joint work although it can be reported significant advances in exchange of information during 2007.

It is to be highlighted that AUS and NZ have probably more flexible procedures than the EC for this joint work in the Pacific region.

FR (only MS in Vanuatu) does not play a leading role in terms of transparency and open procedures for the recruitment of TC.

Please note any other comments you have on these issues

No advance about the incorporation of Japan and/or PR of China in this joint work.

² These questions are taken from the survey on "Developing an EuropeAid Strategy on TC and PIU" sent to delegations which are members of the Aid Effectiveness Network. **They need to be answered by delegations who are not participating in this survey.**

1. EU target 3		
Avoid establishment of new project implementation units (PIUs).		
2. Introduction		
<p>EU target 3 aims to assess progress towards strengthening local capacity by tracking the number of PIUs put in place to manage projects and programmes. It is linked to indicator 6 of the Paris Declaration. This target is interpreted as "avoiding the establishment of new parallel PIUs"</p> <p>To avoid confusion, we strongly advise that you use the definition of parallel PIUs given in OECD guidance, by clicking on the link http://www.oecd.org/dataoecd/13/29/36306366.doc. DAC criteria for this indicator are being updated to make them easier to use and in January the final version to be used for monitoring the indicators in 2008 will be available on this site.</p> <p>Finally please note that a separate AIDCO initiative on EU target 2, related to preparing a strategy for achieving the target, is ongoing in 46 Delegations. Through this EAMR however, we hope to capture information from all delegations. Questions 1 and 2 below seek quantitative information on technical cooperation. Section 4 seeks qualitative information from delegations not participating in the survey launched by AIDCO (46 Delegations contacted) and provides the opportunity to share your experience and views.</p>		
3. Questions and Definitions		
1	How many parallel project implementation units funded by EC were in operation in December 2007? <i>OECD question reference in the Paris survey : Q^d10</i>	4
2	Out of these, how many <u>new</u> parallel project implementation units were established during 2007?	1
4. Additional Information		
3	<p>Qualitative information³:</p> <p>Are there any significant initiatives to avoid the establishment of parallel PIUs in your country?</p> <p><i>The use of national procedures during EDF 10 implementation should limit significantly the use of specific PIUs. NSA projects should however continue to have its independent management structure.</i></p> <p>What in your opinion should be done to increase domestic ownership and quality of project implementation arrangements?</p> <p><i>In Vanuatu's case, the fragility of management capacity inside an small administration should impose gradualism in the process with institutional strengthening and the use of national procedures running in parallel. This is a medium-term process that should not be artificially accelerated. Having said that, there is a growing commitment from government's departments (in particular in Education and PFM) that should lead very quickly to a full handing-over of management actions. On the contrary, the use of TC for the NAO office seems unavoidable at short-term.</i></p>	

³ These questions are taken from the survey on " Developing an EuropeAid Strategy on TC and PIU" sent to delegations which are members of the Aid Effectiveness Network. **They need to be answered by delegations who are not participating in this survey.**

If so, please provide a short description. If not, highlight key constraints.

Please note any other comments you have on these issues

1. EU Target No 4		
Reduce the number of uncoordinated missions by 50%.		
2. Introduction		
<p>The aim is to collect data on the number of uncoordinated EC Missions to your country. The information needed is (a) the total number of EC Missions to your country and (b) how many of these were coordinated.</p> <p>The Paris Declaration objectives underlying the related indicator of progress for coordinated missions are: "In planning their missions to the field⁴ it is important that donors: Conduct fewer missions, coordinate timing of missions with partner authorities and, where necessary, with other donors, <i>conduct more joint missions, avoid conducting missions during "mission free periods"</i>⁵.</p> <p>Coordinated mission is a mission undertaken by 2 or more donors jointly, or by one donor on behalf of another. In practice, the following 3 questions help to clarify what is meant by a mission:</p> <ol style="list-style-type: none"> 1. Does the mission involve international travel to a beneficiary country? i.e. this concerns only missions from HQ, not missions undertaken within the country by the Delegation. 2. Does the mission involve a request to meet with government officials, including local government? 3. Is this mission undertaken by 2 or more donors jointly? Or is it done by an HQ service also on behalf of another donor? <p>The Definitions and Guidance of the OECD (www.oecd.org/dataoecd/13/29/36306366.doc) requires that missions undertaken by consultants contracted by AIDCO (or other DG's), if they meet the 3 above questions, must also be included.</p>		
3. Questions and definitions		
OECD	ref: Q ^d 15	How many HQ missions to the field were undertaken in FY 2007? ⁶
	Q ^d 16	How many of these were coordinated?
		10
		7

⁴ 'Field' refers to the country in general including missions to the capital only.

⁵ The target set for 2010 for indicator 10 a) is to have 40% if donor missions to the field as joint.

⁶ This question applies to the missions from the HQ

Please provide a breakdown of missions the Commission and its services have undertaken to your country in FY 2007 in the table below:		
Missions by:	Coordinated	Uncoordinated
Members of Commission		
AIDCO	1	1
DEV	1	1
RELEX		
TRADE		1
ECHO		
FISH		
OTHER DGs		
Consultants contracted by the Commission	5	
Total	7	3

4. Definition of Indicator		
Q ^d 16 / Q ^d 15	2006	2007
Please calculate and enter in the column for 2007 and also include the figure for this indicator for 2006 ;	33%	70%

5. Additional Information			
Delegations are invited to list the dates for main HQ missions already planned for the March 2008 to August 2008, indicating whether they are, or not, to be coordinated with other donors;			
HQ DG	Date planned	Purpose/Sector	Coordinated (Yes/No)
Audit about the use of National Procedures (April 2008) Yes			
Feasibility study EDF 10 focal sector (April/May 2008) Yes			
Environmental Impact Assessment Fishing Factory (May 2008)Yes			
Delegations are suggested to indicate higher priority requests for HQ missions needed from September 2008 to February 2009, but not yet agreed with HQs, that the Delegation estimates serve better the coordination arrangements at local level and can yield more added value for the policy dialogue.			
HQ DG	Date planned	Purpose/Sector	Donor(s) involved
GBS Dec/Feb 2009 Budget Support AUS/NZ/EC			
_____ Private Sector Development _Feb 2009 AUS/NZ/EC			

Delegations are asked to briefly inform if there are significant initiatives to decrease the number of uncoordinated missions in your country? If so, please provide a short description. If not, highlight key constraints.

Finally, Delegations are asked to assess the likelihood of meeting, by 2010, the twin targets for missions, ie. the OECD target of 40% and the EU target of halving the number of uncoordinated missions.

- OECD target of 40% likely to be met: *Yes*
- EU target of halving the number of un-coordinated missions: *Yes*

Delegations are asked to briefly indicate what additional steps HQ should be prepared to consider to help in achieving those targets at the level of the beneficiary country concerned:

Other aid effectiveness related information

On 4 July 2007 our Counsellors Louis Michel and Benita Ferrero-Waldner wrote to all Heads of Delegations requesting implementation of the Code of Conduct for Division of Labour. Several Delegations have responded and have attached their progress reports on aid effectiveness. We need information on the specific points below:

1. Paragraph 5 of the Council conclusion on Division of Labour notes:

"Simultaneously with the implementation of the Code of Conduct, the Member States and the Commission **will promote wide discussions with partner countries and other donors on complementarity and division of labour**, based on the EU code of Conduct which will be complemented by first experiences in the field. **The outcome of these discussions would constitute an input to the OECD/DAC partnership and the High Level Forum on Aid Effectiveness III that will take place in Accra, Ghana in 2008.** The Council invites the **incoming Presidencies to actively support such a process**, in close cooperation with the Member States and the Commission."
(Highlights by AIDCO 01)

1.1 Have the discussions with partner countries and other donors been held?

- (a) **If yes**, when and what was the result? Please describe in brief how these talks are progressing. *Yes, there is a clear motivation to reach the Paris Declaration targets even if the particular case of Vanuatu (with only 4 main partners) favours coordination and eventually alignment of aid.*
- (b) **If no**, are there plans to hold them? If yes, please describe briefly what the plans are.

1.2 What input on division of labour is planned by the partner country towards HLF III? If none, then leave blank.

2 In paragraph 14 the Council invites the Commission to outline Community implementation of the Code of Conduct in its annual report on development cooperation, including: '**a self-assessment in its potential areas of comparative advantage** as referred to in the joint Development Policy Statement'. (highlights by AIDCO 01)

2.1 What action has been taken towards this self assessment of comparative advantage?

(a) If yes, please describe the process in brief and the results.

The EC has a clear comparative advantage in the use of GBS which is recognized by partners and government. This should be encouraged by the opening of our trainings and documents to others and by increasing exchanges, including HQs/HQs contacts in this field.

(b) If no, do you have any plans for initiating such a process? What are the plans?

3 In country that have already initiated some form of division of labour:

3.1 Please describe the process. (e.g., when did it start; partner country leadership; donors involved; results on the ground, etc).

The process has started in the fields of EDUCATION (AUS is currently leading, with NZ, AUS, FR and the EC involved; started in April 2006) HEALTH (AUS is leading with AUS, FR involved; started in Dec 2007), TRADE (the EC is leading with AUS, the EC and NZ involved) and PFM (AUS and the EC are leading with AUS, the EC and NZ participating).

3.2 As a result of this process, did the Delegation:

- Reduce or expand the sectors in which it remains active? *Yes*
- Exit from any sectors? *Specify In implementation (not in policy discussion) of individual Education projects during EDF 10.*
- Enter any new sectors? *Non.*
- Become lead donor in any sectors? *PFM, in particular the use of GBS.*
- Enter into delegated cooperation partnerships? *Yes, in Private sector development (mainly Agriculture, Tourism and trade-related measures).*