

**EU / VANUATU
2004 JOINT ANNUAL REPORT**

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1. Executive Summary

In the political field, the year 2004 was marked by relative instability. Three different governments were formed, resulting from crossing of the floor by Members of Parliament and by the formation of short-lived coalitions. The general elections of July 2004 saw the formation of a new Government which appeared to command strong support in Parliament. A controversial unilateral decision of the then Prime Minister to recognize Taiwan resulted in toppling his Government. The new one, formed in late 2004, seems to aim at governing for a longer term. This could be possible, because the constitutional amendments passed by the Parliament in 2004, once approved by a referendum, would restrain the liberal submission of motions of no-confidence and the crossing of floor by Members of Parliament.

Despite the political instability the economy performed well, resulting in a positive growth of around 3.2%. Tourism is performing well, and agriculture has enjoyed some good world market prices. Inflation has been kept at moderate levels (1.4%). The central bank follows sound macro-economic policy. The continuous Government policy of not entering into loans has kept under control the level of debt servicing payments. Inevitably, increased reliance on donor funding for financing development has been maintained.

Increased aid by main donors (Australia, EU, and possibly China) could allow the Government to continue with the important support to social sectors (education and health), while at the same time facilitating an increased emphasis on support to the productive sectors of agriculture and tourism, considered essential for achieving sustainable economic growth. The new Government is committed to continuing with the reform process initiated by the Comprehensive Reform Programme (CRP).

Development is funded by grants from main donors (Australia, EU, France, New Zealand, China). It has also been a positive development in 2004 when Vanuatu qualified for support by the new USA-funded Millennium Challenge Account. It is hoped that the country will respond successfully to this challenge, thus accessing much-needed development assistance from a new important donor. On the other hand there has not been much progress in following up with the Prioritised Action Agenda that was presented to donors in September 2003. Political instability may be blamed for this. It is hoped now that progress, with the formulation of the required Medium Term Development Framework, will be achieved with inputs by experts.

Concerning the EU/Vanuatu Cooperation, the Mid-Term Review carried out in mid-2004 concluded positively, thus allowing the Commission to propose the allocation of additional funds. Virtually all EDF projects have been closed, and 98% of 9th EDF resources (€ 15.3 million of A + B envelopes) committed. The remaining 2% (€ 250,000) has been proposed for an emergency project. Virtually all STABEX funds have been exhausted, and the relevant audit has not identified any serious problem.

In conclusion, the country enters 2005 on a positive note, based on a perceived political stability, on increased aid by main donors (Australia and EU and potentially USA), as well as on the relatively good performance of the economy and especially its productive sectors of tourism and agriculture.

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

2.1. Update of the political situation

The results of the July 2004 national elections resulted in a plethora of small parties winning seats in Parliament. After tense negotiations, a new Government was formed headed by the Opposition Leader.

The Government managed to pass, with the required 2/3 majority, constitutional amendments that aimed at contributing towards political stability. More specifically, a grace period of 12 months from the formation of any new Government was agreed, as well as making it hard for Members of Parliament to cross the floor. The Government tried then to have these constitutional amendments implemented without recourse to referendum. This was challenged in court, which ruled that amendments concerning the Parliament need first to receive the public's acceptance via a referendum.

The Prime Minister took in September 2004 a very controversial unilateral decision, granting diplomatic recognition to Taiwan. Following strong lobbying by the People's Republic of China, the Cabinet of Ministers rejected the recognition of Taiwan. Due to the insistence of the Prime Minister, the case was referred to Court, which ruled that the Prime Minister had lost the confidence of the House. Consequently, a new Government was formed, with significant support in Parliament (albeit by a large number of parties). The new Minister of Foreign Affairs reiterated Vanuatu's adherence to "one China policy". Political stability appeared to have been established.

During the course of the year no violations of human rights were reported, neither any major corruption case emerged. No ethnic conflicts were reported, and Vanuatu maintained a small contingent of police officers in Solomon Islands.

Vanuatu participated actively in Pacific regional meetings at various levels, showing strong interest on matters concerning economic integration and trade. The country's profile was somehow boosted with the announcement that Vanuatu had been selected, by USA, to be amongst the 16 nations that would potentially benefit from the new Millennium Challenge Account (MCA) facility.

2.2. Update of the economic situation

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

- Commercial agriculture, including forestry, accounting for 1%.
- Primary sector, accounting in constant prices for 15%.
- Industry, including manufacturing, construction, and utilities representing 9%.
- Services, comprising retail trade, hotels and restaurants, transport and communications, finance and insurance, real estate, accounting for 75%.

Most of the rural population is engaged in subsistence farming, with copra remaining the mainstay of the agricultural sector. Despite the destructive passage of cyclone IVY, a real growth of 3.1% has been recorded in agriculture.

The industrial sector experienced a moderate growth of 1.6% during 2004, coming mainly from construction. Manufacturing is showing signs of recovery.

The services sector recorded an estimated 3.3% growth, coming mainly from tourism (3.5%). The anticipated completion of the Pekoa International Airport in Santo is expected to contribute to further increases in tourism activities and revenue.

Due to favourable developments in the agricultural sector and in tourism (implementing also an “open skies” policy), the economy registered a respectable growth of 3.2%.

Successive Governments reiterated their support to the continuation of the reform of the economy and institutions under the ADB-led CRP. A refinement of the CRP was agreed, during the September 2003 Development Partners Meeting in Port-Vila, to be undertaken. Preliminary work started in 2004, aiming at finalizing a Medium Term Development Framework during 2005.

Prudent macro-economic policies have been exercised by the Reserve Bank of Vanuatu and the Ministry of Finance. The RBV regulates the monetary market.

The country’s balance of payments is characterized by a persistent substantial trade deficit, which is usually financed by the large surplus in the services sector, and by inflows of aid and investment.

The policy of not conducting loans for development projects was maintained. The above measures resulted in a manageable total stock of debt (estimated at 36% of GDP), and in budget surplus that has been used to retire some of the debt. Another surplus for 2005 is planned. The problem of debt servicing is to be addressed by using receipts from the sale of assets and projected budget surpluses.

Negotiations on arriving at an acceptable Economic Partnership Agreement between the Pacific Region and the European Union have started in September 2004. Vanuatu, having formulated its position, is represented in these talks via its participation in the relevant negotiating team. Concerning the WTO, an interest to resume negotiations leading to an eventual entry was shown. However, Vanuatu continued to provide protection to some inefficient domestic industries, thus straining trade relations with its Pacific partners.

Reviews of public finance management concluded positively, although some deficiencies were identified. The IMF undertook, towards the end of the year, their regular Article IV consultation.

Vanuatu’s key macro-economic indicators (real and projected) are shown in the table below.

	2002	2003	2004	2005	2006	2007
GDP (% change)	-4.9	2.4	3.2	2.9	2.3	2.6
Trade Balance (millions VUV)	-8089	-7912	-7800	-7900	-7900	-800
Current Account Balance (>>)	-2646	-3450	-2150	-2050	-1900	-2000
Gross Official reserves (>>)	4854	4954	5700	5800	5900	6000
Months of Import Cover	5.0	4.5	5.6	5.5	5.6	5.7
Consumer Price Index (% change over previous year)	2.0	3.0	1.4	2.5	2.5	2.5
Tax Revenue (millions VUV)	5671	6713	6623	6613	6805	6993
Total Recurrent Revenue (>>)	6334	6713	7183	7491	7711	7926
Total Recurrent Expenditure (>>)	7230	7193	7172	7801	7668	7799
Total Payments (as % of GDP)	9220 28.0	8771 26.0	8366 23.9	9226 24.5	9334 23.6	9485 22.9

Total Revenue & Grants (millions VUV)	7088	7111	8074	8085	8233	8384
Total Expenditure & Net Lending (>>)	8410	7683	7585	8176	8043	8174
Deficit / Surplus (as % of GDP)	-1322 -3.9	-572 -1.7	489.3 1.4	-92 -0.2	190 0.5	210 0.5
External Debt-Bilateral (millions VUV)	1044	1025	983	946	908	871
External Debt-Multilateral (>>)	8791	8077	7915	7775	7635	7494
Total Domestic debt (>>)	3432	3632	3884	3884	3884	3884
Total Stock of Debt (as % of GDP)	13267 40.5	12734 37.8	12783 35.6	12605 33.4	12427 31.4	12249 29.6

Source: Department of Finance (Ministry of Finance and Economic Management)

2.3. Update of the social situation

Poverty and Gender issues

Vanuatu is ranked the third poorest country in the Pacific. Adult literacy is estimated at only 66%, with life expectancy at birth of 67 years. The rate of literacy is considered to be relatively low, in particular for women. Girls are less likely than boys to finish junior secondary education, let alone to continue on into senior secondary and tertiary education levels. There is a high drop out rate.

Urban drift and unemployment, especially of youth, pose serious challenges against a backdrop of stagnating living standards. Cultural safety nets have been based on a strong customary tradition of social relationships. Thus absolute poverty, as known in other parts of the world, does not exist in most of this largely subsistence society. However, these mechanisms are now under pressure. Many families have difficulties fulfilling customary expectations; others are opting out of the traditional system altogether. Unemployed youth in the urban centres do not fall under any customary authority thus sliding towards petty crime.

Current social, economic, and political indicators show that women are disadvantaged. This situation however is slowly changing to the better, thanks to the important work carried out in this area by women organizations and other NGOs. There is need for the full commitment by Government towards achieving overall gender balance. Women are more likely to be involved in unpaid tasks and work much longer hours than men. Women are generally more successful in small business and are more reliable borrowers of bank funds. Involvement of women in formal decision-making process is rare. There is only one woman member in the national parliament of 52. Calls are being heard for the introduction of a “positive discrimination” regime. Although Vanuatu has ratified CEDAW it has found it difficult to implement it.

The fertility rate remains high. There is a birth control awareness programme in place, but the less educated (especially in the outer islands) are not sufficiently involved. However, the proportion of births attended by skilled health personnel has increased from 65% in the year 2000 to 70% in 2003. Birth control is low and teenage pregnancy common, thus making them more susceptible to reproductive health problems. Poor nutrition of both mothers and infants is becoming a health concern.

The table below shows Vanuatu's Social Indicators covering core MDGs:

Type	Indicator	2003	2004	2005	2006	2007
Impact	1. Proportion of population below US \$1/day	N/A	N/A	N/A	N/A	N/A
	2. Proportion of population with access to land	94%	94%	94%	94%	94%
	3. Prevalence of underweight children (under 5 years old)	12%	12%	12%	12%	12%
	4. Under-five mortality rate	25.5/1000	25/1000	25/1000	24/1000	21/1000
	5. Life expectancy at birth					
	6. Income per capita (US \$)	1,203	1,225	1,230	1,263	1,262
Outcome	7. Net enrolment in primary education	39,388	38,960	39,739	40,500	41,300
	8. Primary completion rate	50%	52%	54%	54%	54%
	9. Ratio of girls to boys in:					
	Primary education	49:51	49:51	50:50	50:50	50:50
	Secondary education	50:50	50:50	50:50	50:50	50:50
	Tertiary education	47:53	47:53	48:52	48:52	49:51
	10. Proportion of births attended by skilled health personnel	70%	75%	75%	75%	75%
	11. Proportion of 1 year old children immunized for measles	60%	60%	65%	65%	65%
	12. HIV prevalence in women	1	2	4		
	13. Proportion of population with access to improved water	67%	67%	69%	69%	70%
Input	14. Share of education in national budget	29%	29%	28%	28%	27%
	15. Share of health in national budget	13%	13%	13%	13%	13%
	16. Aid (% of Gross National Income)	14%	14%	14%	14%	14%

Source: Department of Economic and Social Management (MFEM)

Environment

The Environment Unit Department in the Ministry of Lands is monitoring all aspects pertinent to protection and preservation. The Environmental Management and Conservation Act of 2002 is a piece of legislation in full effect, thus enabling Vanuatu to maintain environmental quality through the sustainable management of natural resources for the security and benefits of present and future generations. The Act comprises: Administration; Environmental Impact Assessment; Biodiversity and Protected Areas. As a follow-up to the Act, a National Biodiversity Strategy has been prepared and put into effect. Environmental Impact Assessments are, as a rule, carried out for all major projects. Donors funding such projects do routinely require the execution of these studies.

Vulnerability

Vanuatu was ranked the most vulnerable state out of 110 developing small countries by a Commonwealth Secretariat report. Recent disasters comprise Cyclone IVY in February 2004, that has caused devastation to most provinces of the country, the continuing volcanic eruptions in the island of Ambrym producing sulphur rain that damages crops, and the incessant earthquakes in the island of Ambae causing concerns about the eruption of its volcano. Landslides and tidal waves are also not uncommon, putting strains on the Government's ability to manage the country's infrastructure.

3. Development agenda of the partner country

Overview

The Government is committed to raising the welfare of the general population via: firstly, by instilling macroeconomic prudence and creating a stable investment climate; secondly, through raising income earning opportunities of the population at large; thirdly, by improving standards of service delivery particularly to the rural areas in terms of better access to basic health and basic education while lowering costs of internal trade. For the Government to achieve this paramount objective, a Medium Term Development Framework, known as the Prioritised Action Agenda (PAA), is being finalized. It aims at the restoration of macroeconomic balance, actions to raise public service performance, actions to reduce costs associated with transport and utilities, actions to grow the productive sectors of agriculture and tourism, and actions to improve access to basic services of health and education.

Education

The education sector continues to be a government priority and the largest commitment (28%) in the state budget. The expressed policy goal is to provide universal basic education (class years 1-8) to all children, a policy supported by the PAA. Appropriate preparations towards extending universal access to year 7 by 2006 continue. The new system will see the cessation of year 6 examinations and the introduction of continuous internal assessment. Besides giving the opportunity to children to attend two more years of schooling, a central goal of the reform is to raise the quality of basic education by gradually revising the curricula and investing in the in-service training of teachers.

At the same time the government acknowledges the need to offer more options for technical and vocational education. The sector is indeed receiving increased attention, indicated for example by the preparation of a sector-wide development project to be funded by Australia and France.

Adjustments to secondary education, necessitated by the basic education reform, are underway. The development towards the harmonization of the English and French medium systems is progressing, the central issue being the unification of the upper secondary level examinations and agreeing on a common length of the two systems. Work has also started on the development of open and distance learning at lower secondary level. A Gender Policy document was also prepared. The Education for All National Plan of Action 2001-2015, and the Ministry of Education Corporate Plan 2003-2005 were approved. The Master Plan and Corporate Plan for the Ministry of Youth Development and Training, which is responsible for non-formal technical and vocational training as well as sports, were also approved.

The objectives for 2005 include the amendment of the Education Act and of the Teaching Service Act.

The contribution of international donors is vital for the education sector in Vanuatu. AusAID, France, European Commission, NZAID, and JICA focus their attention on this sector and fund activities improving infrastructure as well as the quality of education.

Health

The Ministry of Health is now functioning within the framework of its Corporate Strategic Plan 2004-2006, aiming at ensuring effectiveness, efficiency, responsive and equitable service delivery, extending and strengthening public health programmes and reproductive services, improving the drug supply system, planning new primary care facilities, and implementing a human resources management plan.

The health system design supports access to primary care services for local communities at aid posts through dispensaries to health centres to provincial hospitals and ultimately to

tertiary hospitals. The level of referrals through the system is based on clinical needs to patients, with the aim to retaining patients closer to their homes.

The Ministry of Health Master Health Services Plan 2004-2009 provides the overall direction for all health services in Vanuatu within the framework of defined priorities: (a) to base the delivery of health services on a Primary Health Care approach; (b) to improve the health status of the people – reduce childhood illness and deaths in children under 5 – promote child spacing and reduce teenage pregnancy – reduce disability and deaths amongst productive adults; (c) to improve access to services – adopt the role delineation tool to distribute resources more fairly – give priority to improving transportation and communication links – improve and strengthen coordination of donors and civil society with regards to facilitating the implementation of the Master Health Services Plan; (d) to improve the quality of services delivered – recognize the potential for the key role to be played by health professionals in providing leadership and ensure their continued skill base development and retention in the workforce; (e) to make more effective use of resources – improve the collection of data to enable the monitoring of health status and support health planning and management – adopt only health initiatives which are cost-effective and proven in the South Pacific – continue to roll out the planning process to include high priority services and new programs.

Agriculture

Notwithstanding the serious threats posed by natural disasters and market fluctuations due to dependence on few export commodities, Vanuatu has a real potential for sustainable expansion in agriculture. Copra is the major source of income, while cocoa and coffee have potential for expansion, targeting especially the organic niche markets. The area of agriculture development with the greatest potential is the smallholder sector engaged in the production of traditional crops. Government policy places emphases on increased income to farmers and on food security through the provision of improved crop varieties, assistance with extension services, and appropriate information and market linkage. Noteworthy is the need to conduct an agricultural census that would provide vital information for proper policy and planning.

Forestry continues to be an important component of the agricultural sector. While foreign exchange from sawn timber has declined due to dwindling harvestable stocks, earnings continue to increase due to the policy of locally value-added. Current Government policy focuses on reforestation, value-adding with private sector involvement, and on the active participation of locals in forestry-related businesses. Research is also encouraged, aiming at determining the best varieties for planting. Present shortcomings in this sector comprise a small number of trained foresters, limited funds for large reforestation, and limited funds to monitor forestry operations and to enforce compliance with legislated requirements.

Fishery is a potentially important sector, although under-exploited. Offshore tuna resources are being licensed to foreign fishing nations, with very limited downstream processing in the country. A unique aspect of Vanuatu's fisheries is the operation of an international shipping registry, enabling foreign fishing companies to register their vessels under Vanuatu flag, thus making the country the second largest in terms of fishing fleet operating in the Eastern Pacific. Attempts to develop a significant local participation in commercial fishing have not been successful. Inhibiting factors include the lack of adequate cold storage facilities, inadequate access to lucrative markets, and high cost of credit. Consequently, exports remain marginal and stagnant, with domestic demand being met in particular by imports of canned fish.

Livestock development is a Government priority. The achievement of quality export standards by the country's abattoirs, coupled with the fact that Vanuatu is one of the few that

are globally recognized as being mad cow disease-free and having 100% organically grown beef, present a promising opportunity for beef exports. Yet, government efforts are hindered by limited funding for an effective extension service. Smallholders generally lack capital to raise production, are facing great difficulties in transporting their cattle to markets, and require assistance with pasture development and cattle breeding. Given the potential of Vanuatu in the organic beef niche market, the Government has applied for entry into the EU market. Assistance however is required to enable Vanuatu meeting the relevant sanitary requirements.

Tourism

The Government recognizes tourism as a priority economic sector. Tourist arrivals have been increasing due to events in other tourist destinations, but also due to enhanced marketing efforts. The commencement of bi-weekly flights to Vanuatu by Pacific Blue, and additional P&O cruise calls have also contributed to this promising performance. New tourism investments have been increasing these last years, gearing up towards meeting the extra demands of a growing sector. The upgrading of the Santo airport, due to be completed this year, and the upgrading of three smaller airports in outer islands due to commence soon, are expected to induce growth in the northern part of the country.

Tourism is rightly considered as a vehicle for achieving sustainable development, especially by associating closer indigenous people and by minimizing harmful effects to environment. An important tenet of this development is the empowerment of men and women, especially in the rural and outer islands areas.

Concerted training efforts are being undertaken by various actors, aiming at enhancing the skills of the sector's employees and thus selling to tourists an improved product. The continuous upgrading of skills is considered important in terms of competing effectively with other Pacific Countries tourist destinations.

The Government is also looking at ways and means to improving transport infrastructure which is considered essential for strengthening the enabling environment for enticing private sector involvement and investment in the tourism sector.

4. Overview of past and on-going cooperation

Lome Convention I	4 th EDF	€ 1,335,000
Lome Convention II	5 th EDF	€ 4,332,000
Lome Convention III	6 th EDF	€ 5,500,000
Lome Convention IV	7 th EDF	€ 7,500,000
Lome Convention IV/2	8 th EDF	€ 10,500,000
Cotonou Agreement	9 th EDF	€ 15,300,000
Cotonou Agreement	9 th EDF-MTR	€ 5,000,000
Total of NIPs		€ 49,467,000
STABEX		€ 32,000,000
Structural Adjustment		€ 1,600,000
Budget Lines		€ 2,071,000
GRAND TOTAL:		€ 85,138,000

All projects under the 6th and 7th EDF have been closed. The remaining balance of € 161,072.55 was transferred to the 9th EDF. Concerning the 8th EDF proper all projects were completed and in the process of closing. The remaining balance of € 269,223.22 was also transferred to the 9th EDF.

All funds under the A-envelope of the 9th EDF (€ 12 million plus the transfers mentioned above) were committed. Of the B-envelope of € 3.3 million, two projects totaling € 3.050.000 were decided upon and are currently under implementation. Concerning the balance of € 250,000 reserved initially for ECHO, a proposal for its use in emergency school repairs was submitted to the Commission.

During 2004, a total of € 4,200,000 was committed but only € 1,280,000 paid. Payments would be substantially higher in 2005 due to the projects cycle evolution.

The Mid-Term Review, carried out during 2004, concluded on the good performance of the country in the use of the EDF funds. It also took into account the significant needs of the country in both the old and new areas of EC/EU policy objectives and commitments. Furthermore the high vulnerability of Vanuatu to natural disasters has also been considered. On the basis of these considerations, the EC decided to allocate an additional € 5 million to A-envelope by retaining the focal sector of CSP, i.e. Education and Training. Emphasis however would be given to training in the productive sectors of tourism and agriculture, and the increased involvement of Non State Actors in the development process would be encouraged by supporting further their capacity building.

Specific issues raised during the preparation/implementation of EDF interventions are dealt with in the following paragraphs.

4.1. Focal sector (and macro-economic support)

Concentration of EDF resources in the wider education sector continued under the 9th EDF. Based on results of previous interventions in this sector, it has been concluded that the EC has a comparative advantage in achieving objectives in the education field, in line with the Commission's policy of improving the extent and standard of education as a means towards sustainable economic development and reduction of poverty.

4.1.1. Education and Training Programme

a) Results

This programme is the main intervention under the 9th EDF. It also constitutes a continuation of previous EDF involvements in the education sector, thus consolidating achievements and enhancing the effectiveness and viability of past projects. It is supporting the Government's policy of "Education for All" and more specifically assisting the implementation of "Basic Education". The latter extends the compulsory schooling years from 6 to 8. EDF funds are to be used for the construction of classrooms for the new years of 7 and 8, the development of appropriate curriculum for these years, the training of teachers for the new classes, the reinforcement of the Provincial Education Offices, and the installation of the much needed Education Management Information System (EMIS).

By the end of the year under review, important preparatory work had been done in selecting schools in which new classrooms would be built, in commencing work on the development of curriculum, in advancing with plans for teacher training, and in having experts to prepare the tender for the procurement of EMIS. Furthermore, following tendering, the contract for the procurement of the required project management services was concluded. The expert is expected in early 2005.

More details on this project are shown in the relevant Intervention Framework/Indicators annexed to this document.

Coordination with other donors involved in the education sector is being done through the participation of respective representatives in Steering Committees. Australia and France are the other main donors, whereas New Zealand and Japan are also involved.

b) Progress in activities

Some delay has been experienced in procuring the project management. The adverse effects of this delay have somehow been mitigated by the work of the Technical Assistant to the Ministry of Education, who stepped in and managed activities. The Programme Estimate ending on 31.12.2004 had to be extended to 31.03.2005.

The frequent changes of Ministers, due to the relative political instability, are also affecting adversely the project. The current Minister of Education has postponed the introduction of the new classes 7 and 8 of Basic Education to year 2006. Since support for these new classes constitute the “raison d’être” of the project, any potential effects to the timetable for implementation, as well as expenditure will have to be assessed.

The above developments resulted in a rather slow start of the project as a whole. At the end of 2004, out of the total of € 4,531,000 secondary commitments reached € 615,000 (i.e. 14%) and payments only € 43,079 (i.e. less than 1%).

The anticipated arrival of the Project Manager in early 2005, as well as the important preparatory work carried out in 2004, should result in an accelerated disbursement of funds during the coming year.

c) Degree of integration of cross-cutting themes

The national education policy on maintaining a balanced support to Anglophone and Francophone schools is being respected by the project.

The good mix of girls and boys in the post-primary education is expected to be maintained under this project. Public awareness, in the areas of the selected schools, is being made during the survey visits by the Technical Assistant in the Ministry and by the technician who is outlining the relevant designs. During these visits care is being taken to involve the nearby community members, with special emphasis on the participation of women.

Due consideration to environmental issues is being paid during the design stage. The new structures will match the existing ones, and an improvement of the overall drainage system in each school will be sought. Prevailing local construction practices will be assessed and adopted as appropriate.

Institutional aspects and capacity building are being addressed with the provision of training at different levels, the installation of an appropriate computerized management system, and the reinforcement of the Provincial Education Offices.

Non State Actors are being involved with their attendance of steering committee meetings, by encouraging them to share experiences of areas covered by the project, and also by intending to make use of their services in remote areas with which they are familiar.

4.1.2. Training of Air Traffic Controllers

a) Results

This project was completed in early 2004 and closed during the second half of the year. The intended result of training locals in order to replace the 3 expatriate air traffic controllers has been achieved.

A good degree of collaboration with the similar services in New Caledonia was achieved resulting in the procurement of expertise and equipment. The French Embassy in Vanuatu had been facilitating the relevant contacts.

b) Progress in activities

The Airports Vanuatu Limited (AVL) had managed the implementation of this project, with good results.

A financial audit of project expenditure has not identified any serious shortcoming. A very small balance, mainly due to interest generated by the EDF allocations, was transferred to the EDF account.

Valuable input to the project was made by the expatriate ATCs, who provided on the job training and monitoring of trainees.

Of the total allocation of € 300,000 the final amount spent reached € 298,078.

c) Degree of integration of cross-cutting themes

It is interesting to note that two women have been trained under this project.

The AVL has acquired good experience in managing this project.

Effective transfer of know-how from the expatriate ATCs to the local ones was achieved.

4.1.3. Technical Assistance to the NAO

a) Results

Present shortages of qualified staff in most Ministries/Departments necessitate the posting of foreign Technical Advisers. The EU-funded technical assistance to the NAO's department has been playing an important role in the monitoring of the EC/Vanuatu cooperation. Indeed, he has been instrumental in seeing that projects and programmes are implemented in compliance with the valid EDF rules.

In many cases, the TA to NAO has assisted line Ministries/Departments in preparing documents for their EDF projects. However, the lack of an effective counterpart to this expert is preventing the intended transfer of know-how and thus is compromising the sustainability of the impact of his expertise. This issue has been raised with the NAO.

b) Progress in activities

In addition to providing assistance with the implementation of project cycles of EDF projects, the expert organized two training sessions aimed at familiarizing persons involved in the new procedures and rules.

By the end of the year under review, of the total of € 600,000 funding of this technical assistance, the amount of € 324,758 was disbursed. Completion of this 3-year contract is scheduled for March 2006.

c) Degree of integration of cross-cutting themes

Whereas training, on the job or via workshops, is being offered by the Technical Assistant, the lack of an effective counterpart compromises the intended transfer of know-how. This will inevitably lead to a continuation of such an expertise beyond its completion in March 2006.

4.1.4. Tourism Education and training Programme

a) Results

This programme aims at supporting the tourism sector that constitutes a very important area in the national economy. Assistance is planned at different levels; facilitating formal

teaching, organizing industry-wide training, provision of expertise and credit to small rural tourism operators, and assistance to the marketing efforts of the National Tourism Office.

After a slow start, progress picked up during the second half of 2004 with the arrival of the new Project Manager.

There is strong involvement of the private sector, which is adequately represented in the Steering Committee. They are making useful contributions, deriving from their “hands-on” experience.

Good awareness of the project by the industry, especially small tourist operators in outer islands.

There is effective coordination with donors, especially AusAid, who have been involved in the institutional strengthening of the Vanuatu Institute of Technology.

b) Progress in activities

Various problems have affected adversely progress. Finally, a competent Project Manager arrived in late August 2004. He has built up a good relationship with the private sector, thus enhancing the relevance of the project.

The tender for the construction of the new school of tourism was unfortunately unfruitful. This necessitated the redesign of the facility and the launching of the new tender. It may well prove necessary to consider increasing the funding resources available to the project, if objectives are to be fully achieved.

At the end of the year under review, out of the € 1,999,000 allocated to this project, only € 213,148 were disbursed, i.e. 11%. However, secondary commitments and disbursements are expected to substantially increase during 2005.

c) Degree of integration of cross-cutting themes

Women, forming a significant part of people involved in tourism, are expected to benefit from this project through training at various levels.

Environmental considerations were integrated in the design of the new school of tourism.

Institutional development and capacity building, currently underway under AusAid funding, is being enhanced by the impact from the EU-funded Project Manager.

4.1.5. PWD Maintenance training project

a) Results

The project aims at building the capacity of the Public Works Department, especially in two of the main outer islands, to maintain properly transport infrastructure. It comprises the provision of equipment, training, and demonstration works.

During 2004 the tender for the procurement of equipment was successfully launched and concluded, resulting in the conclusion of contracts for the delivery of the required machinery. Another contract was successfully concluded for the procurement of training expertise, and the Volunteer Service Organization was contracted to provide two technicians.

Lack of managerial expertise in the Public Works Department necessitated the search of a Technical Assistant for a 8-9 months duration. Initial attempts to procure this service via the Commission’s framework contract proved unsuccessful thus leading to the launching of a simplified tender. It is hoped that the relevant contract will be concluded in the first quarter of 2005, so that the expert be operational soon after. In the meantime, a French-funded expert is providing much needed technical assistance.

b) Progress in activities

During 2004 important preparatory work has been carried out. The various contracts for the procurement of equipment and services have been concluded, and a Technical Assistant is awaited. Needs surveys for the two provincial officers concerned have also been carried out, and supplies effected. Planning of training is underway. Equipment is anticipated to arrive in the third quarter of 2005. Consequently, demonstration works, forming an integral component of this project, are likely to be carried out in 2006.

Most of the payments will be made in 2005. By the end of 2004, out of the € 1,995,000 allocated to this project, the amount disbursed was € 420,523, i.e. 21%.

c) Degree of integration of cross-cutting themes

With a view to building-up capacities, the planned training will involve not only PWD staff but also staff of the respective Provincial Administrations who are dealing with planning and maintenance issues. Transfer of know-how is also expected to be done by the Technical Assistant to Counterparts in PWD during 2005.

When designing the demonstration works, particular attention to environmental considerations will be paid. Communities concerned will be consulted, with special emphasis to including women during the relevant contacts. The eventual involvement of these communities in the works and their future maintenance will also be examined.

4.1.6. Technical Assistance to Ministry of Education**a) Results**

An experienced Consultant has been assigned as adviser to the Policy and Planning Department of the Ministry. She has been instrumental in assisting the Ministry to review their plans and policies on the issue of “Education for All”.

Furthermore, she has been assuring the role of directing the main education project, pending the arrival of the Project Manager. Under her leadership, important preparatory work has indeed been carried out.

Frequent changes of staff in the Ministry, not least of Ministers of Education, have somehow compromised the impact of the input by the expert.

b) Progress in activities

Valuable assistance to the Policy and Planning Department of the Ministry of Education has been provided by the expert in formulating the policy of “Education for All”. Specific inputs were concentrated in working out the outline of the “Basic Education” concept, under which compulsory education is to be expanded from 6 to 8 years. Furthermore, assistance has been provided to the data and statistics unit of the Ministry in order to have valuable information that is necessary for establishing appropriate indicators.

The expert has also been instrumental in carrying out important preparatory work for the main EU-funded education project. She has devised the selection criteria for identifying the schools to benefit from the project. Furthermore, she has carried out on-site inspections of most of these schools, assessing needs and making recommendations. She has also carried out a pre-feasibility study concerning the construction of a Secondary School envisaged under the education project.

She has worked well with the local staff recruited under her project, as well as with other short-term experts. Finally, she has built-up a good working relationship with the other donors active in the education sector.

Out of the € 430,000 allocated to this 2-year technical assistance project, at the end of 2004 the disbursements amounted to € 267,795 i.e. 62%.

c) Degree of integration of cross-cutting themes

Women are figuring prominently in matters concerning education. This is reflected by the near parity in school enrolments by boys and girls.

Women have been specifically targeted and consulted by the expert, during her visits to potential project areas.

Whereas useful on-the-job training is being provided by the expert to national staff, their frequent changes do somehow compromise the efficiency of the transfer of the know-how.

The arrival of the Project Manager for the main education project is expected to see the capacity building aspects continued, with emphasis on coordination with and completing similar and related activities by other donors.

4.1.7. Macro-economic support

a) Results

This € 1.70 million project is in support of Vanuatu's reform of the economy and public service. The relevant Comprehensive Reform Programme (CRP), led by the ADB, has been under implementation since 1998. Significant improvements have been made in restructuring the public service, and especially in streamlining financial management. The judiciary has also benefited under the CRP.

As in all structural adjustment programmes the improvement at the grass-roots level has not been evident. The CRP is being gradually adjusted to a more specific and coherent programme of activities, the successful implementation of which requires continuous donor assistance.

The EU aid will be contributing towards the goal of seeing that the substantial proportion of recurrent expenditure allocated to social sectors, i.e. education and health, is being maintained. Furthermore some weaknesses in public finance management are to be addressed with expertise to be provided under the project.

b) Progress in activities

Successive EU-funded reviews of Public Finance Management have concluded positively, but have also identified areas for improvement. A number of indicators have also been defined, the monitoring of which will be a pre-requisite for the release of the second tranche of funds.

By the end of the year under review, the total amount to be released as direct budgetary support, i.e. € 1.3 million, had been committed. Since the criteria for the first disbursement of funds of € 650,000 were met, it was expected that the release of this first tranche would take place in early 2005. Provided the conditions for the second release of the same amount would be met, as it would be assessed in September 2005, this disbursement could take place by the end-2005.

In the meantime, following a restricted tendering, a service contract was concluded with a consultancy company for the procurement of the expertise to be funded under the project. More specifically, a macro-economist would be provided to the Department of Economic and Social Planning for a period of 6 months, principally to assist with the formulation of the Medium Term Development Framework.

An internal auditor would also be arriving, to be posted in the Ministry of Education for a period of 18 months in order to strengthen their financial management capacity. The two experts would take up their posts during the first quarter of 2005.

c) Degree of integration of cross-cutting themes

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

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

4.2. Projects and programmes outside focal sectors

4.2.1. 8th EDF

Vanuatu Maritime College Strengthening

This project was completed successfully on 31.12.2004. It comprises a multi-donor assistance programme with the EU and France the two main contributors of funds.

With this support the VMC has expanded and upgraded its facilities, meeting thus the increased demands for training by seafarers, fishermen, as well as persons employed on cruise ships. The training provided meets relevant international standards.

At the request of the Deputy NAO the initial EU funds of € 663,000 was raised to € 787,500 in order to ensure that all objectives are met.

Under the efficient management of the Chief Executive Officer of VMC, a good coordination of the donors' assistance has been achieved during the implementation of this project, thus enhancing the effectiveness and viability of the overall effort. Since women comprise a significant number of students in the VMC, it can be asserted that they have been direct beneficiaries of the project. It is also submitted that the project gave the opportunity to the VMC management to acquire useful experience with the administration of this multi-donor programme of assistance, thus building their overall managerial capacity.

Technical Assistance to Public Works Department

This 3-year project came to its completion in August 2004. It comprised the provision of an expert at PWD in order to strengthen their capacity in planning and management of transport projects in general, and in particular on monitoring the implementation of EC-funded transport projects.

The expert has provided valuable input to PWD, and he has also been instrumental in the preparation of the relevant 9th EDF project in support of PWD. Furthermore he provided assistance with the management of this new project.

Unfortunately, due to the fact that no effective counterpart was assigned to this expert, the intended transfer of know-how was compromised. A total of around € 435,000 has been spent on this project.

4.2.2. 9th EDF

Producers Organization Project

This agricultural development project is co-financed with France. It aims at assisting in the establishment of viable agricultural producers' organizations through the provision of technical expertise, starting from the farm with the extension officers of the Department of Agriculture, training at different levels, research, basic infrastructure facilities, marketing advice, and a modest credit line. Implementation commenced in late 2002, and the initially completion date is 30.11.2005.

Good progress has been achieved in the first two years of this project's implementation. Various service providers have been contracted, and supply and installation contracts concluded. Existing groups of producers have been benefiting from the project's inputs, whereas new organizations have been established. Due to the solid work done in the field, confidence in farmers for assured outlets for their produce resulted in increased areas of cultivation. Some setbacks, caused by cyclones, have incurred, but not stopped progress.

Valuable services to the project are being provided, under French-funding, by the Project Manager and 3-4 volunteers. The latter are permanently stationed in the islands of main project operations, thus providing a reliable interface between the project and the intended beneficiaries.

A table, providing the picture of current overall objectives, targets, and achievements, is shown in Annex III.

4.3 Utilization of resources for Non-State Actors

Implementation of this programme commenced in March 2003. Around 25 civil society organizations have benefited from the project, by receiving assistance to build-up their capacities. Due to the apparent success of this programme, and also due to the good visibility and publicity achieved by the Project Manager, an increased demand for more assistance has been received.

With a view to realizing fully the set objectives, but also with a view to meeting few more pressing needs of some NSA, the initial allocation of € 600,000 was raised, in mid 2002, to € 720,000.

By the end of the year under review, total commitments had reached € 692,000 (i.e. 96%), and disbursements amounted to € 628,500 (i.e. 87%).

Successive audits by independent firms have verified the judicious use of funds.

Practical completion of project activities is expected by July 2005. A final evaluation is planned for June/July 2005. In addition to assessing whether objectives have been achieved and drawing useful lessons, the conclusions and recommendations of this evaluation would form the basis for preparing the new programme of support to NSA envisaged to be funded under the additional financial envelope made available to Vanuatu.

4.4 Utilization of B-envelope

Of a total of € 3.3 million, two Financing Decisions have committed a total of € 3.05 million for two projects:

Reconstruction of the Lycée Antoine de Bouganville

The EDF intervention aims at rebuilding some of the structures of this facility, that comprises the biggest Francophone school in the country, that were severely damaged by the strong earthquake (7.3 of Richter Scale) of January 2002. The amount of € 1,350,000 was allocated for these works. Following the tendering exercise, a works contract was concluded in July 2004. Good progress was achieved by the end of 2004, and these works were expected to be completed in the second half of 2005.

By 31.12.2004, total commitments had reached € 1,208,000 (i.e. 89%), and payment € 637,000 (i.e. 47%).

Support to Economic Reform Programme (2004 – 2006)

The European Commission's assessment of Vanuatu's application under the FLEX facility for 2001 was positive. As a result, the eligibility of the country to draw € 1.7 million from the B-envelope of the 9th EDF was ascertained.

Vanuatu's fulfilment of the requirements for receiving budgetary support, in accordance with the relevant provisions of the Cotonou Agreement, was also assessed via an independent expertise. Indeed, the Consultant concluded positively, thus allowing the preparation and submission to the Commission of a Financing Proposal. The relevant Financing Decision was taken in July 2004.

Of the € 1.7 million, € 1.3 million is to be released in two tranches as direct budgetary support, and € 400,000 to be used for technical assistance, aiming at addressing some identified shortcomings in public finance management.

By the end of the year under review the Commission had committed the € 1.3 million, and furthermore the pre-conditions for the release of the first tranche of € 650,000 were found to have been met. Consequently, it was expected that this first release would take place in the first quarter of 2005.

In the meantime, and after the appropriate tendering procedure, a contract was concluded with a consultancy firm to provide the two experts required. It was expected that the experts would take up their assignments in early 2005.

Consequently, of the total of € 1.7 million the amount committed by 31.12.2004 reached € 1,630,000 (i.e. 96%), but no disbursements made.

Emergency school repairs

Following the destructive passage, in February 2004, of cyclone IVY, it was decided to allocate the remaining B-envelope funds of € 250,000 for the urgent repair of damaged schools. Consequently, an appropriate Financing Proposal was sent to the Commission.

By the end of the year under review, the Commission was considering the best method for the use of these funds, i.e. either under a separate project or under a Rider to the existing main 9th EDF education project.

It was expected that the relevant decision would be taken in the first quarter of 2005, thus allowing commencement of these repair works during the second half of 2005.

4.5. Other instruments

4.5.1. STABEX

Work on the last rehabilitation project under this facility, i.e. the Eton Bridge Reconstruction, was completed in December 2004, albeit with some delay. After the execution of the final payment, expected to be made in the first quarter of 2005, there may still be available a very small amount. This could be used during the first half of 2005, either for some expertise to prepare the appropriate final STABEX Report, or for some materials that would be needed for maintenance works.

4.5.2. Regional Cooperation

Vanuatu is benefiting from a number of projects funded under the Pacific Regional Fund. These projects are handled by the Forum Secretariat in Fiji and the EC Delegation also in Fiji. Due to the staff constraints in Vanuatu's administration, an effective monitoring of projects concerning Vanuatu is not being carried out. Consultants involved in these projects

have been advised to contact the EC Office in Port-Vila accordingly whenever they are on missions to Vanuatu.

Under the SOPAC Project, important equipment has been supplied and commissioned in Port-Vila, and valuable training has been provided. Participation of the Department of Agriculture in the Regional Development of Sustainable Agriculture in the Pacific appears to be in order, whereas activities under the different Regional Fisheries Projects, as well as under the “all-ACP” ones, are not evident.

Effective participation of Vanuatu in the Pacific Regional fund projects continues therefore to be a challenge.

4.5.3 Community Budget Lines

ECHO

The project in support of the victims of an earthquake in the island of Pentecost, funded to the tune of € 160,000 and implemented by the “Médecins du Monde” was completed by mid-2004. Small scale water supply works were repaired, as well as dispensaries. In addition, support to primary health care has been provided in the northern provinces of the country. It would appear that it has been a successful small project, with good visibility and publicity.

B-6261 Tropical Forest

Work continued under the € 268,000 “Landowner Extension and Awareness of Reforestation Naturally” project. Following an extension in the duration of the project, it is anticipated that activities would be completed by mid-2005. The objectives, as these were realistically adapted following the mid-term review of the project, would largely be achieved.

Reports from the field indicate that good public awareness, of school population as well as communities in the project areas, has been raised. It is hoped that the natural reforestation made under the project would be in a condition to grow by itself, once the tending provided under the project comes to its end in mid-2005.

B7-7020 Human Rights and Democracy

The € 370,000 project of “Development Theatre for the Education and Capacity Building of Ni-Vanuatu and Pacific Island Countries” is being implemented by Vanuatu’s NGO of Wan Smol Bag Theater. Good results are being achieved due to the effective work carried out by this reputable NGO. The rural population comprises the specific target of this project, which aims at conveying messages in different simple and appropriate forms, treating real-life socio-cultural issues. Completion is expected during 2005.

B7-6002 Decentralized Cooperation

The € 316,521 VANPID Project is being implemented by VANGO, Vanuatu’s umbrella NGO organization. The main aim is to improve the capacity of NGOs, and Provincial Administrations, so that development projects can be effectively implemented by them. Appropriate training workshops are being conducted in Vanuatu’s provinces. With a view to enhancing impact, the Project’s Coordinator is collaborating with his counterparts in other projects that also aim at building-up the capacities of Non State Actors. Completion of project activities is expected during 2005.

4.5.3. “All-ACP” Project of assistance to ACP for the EPA negotiations

Under this project, the Department of Trade has received a grant of € 111,363.60 aiming at assisting Vanuatu to assess the potential comparative advantages and disadvantages of Vanuatu’s economy, in the envisaged Economic Partnership Agreement between the EU and

the Pacific Region ACP. In preparation for the complex EPA negotiations, capacities of government departments and of the private sector are being built-up, and standards concerning agricultural products are being improved with a view to enabling increased exports. Effective implementation commenced in 2004, and it is expected to be completed during 2005.

4.5.5. EIB

With the last EIB-funded project in Vanuatu completed in 2003, and despite a mission by the Bank in early 2003, no new project has been negotiated. The government's policy of not conducting loans for development projects has inevitably affected adversely Vanuatu's cooperation with EIB.

Concerning the EIB-managed Investment Facility, despite some expectations raised in its early stages, no feasible project has been identified.

It would seem that a mission by the EIB to Vanuatu, with a view to reviewing cooperation and identifying potential projects, might be useful.

5. Programming perspectives for the followings years

By the end of the year under review all remaining funds of the 6th and 7th EDF, (i.e. a total of € 161,073), were transferred to the 9th EDF, as it also was the case with the de-committed funds of the 8th EDF, i.e. an amount of € 269,223. These transfers along with the 9th EDF funds (€ 15.3 million from both A+B-envelopes) were fully programmed by 31.12.2004. Moreover, they were also committed with the exception of the amount of € 250,000 that was anticipated to be committed during the first half of 2005.

However in the meantime, and due to the positive outcome of the MTR, it was decided that an additional € 5.0 million would be allocated to Vanuatu under the 9th EDF. It was expected that the relevant Rider to the CSP/NIP would be concluded in the first quarter of 2005. With a view to an early programming of these additional funds, discussions were held during the second half of 2004 between the NAO's department and the EC Office in Vanuatu. It was consequently tentatively agreed that the following operations would be proposed for funding:

- € 280,000 to the on-going Project 8 ACP VA 16 – Producers Organisation in order to consolidate the good progress achieved and to help realize all objectives. The basis of the relevant request for an appropriate Rider to the Financing Agreement was the Mid Term review of this project carried out by an independent expert.
- € 399,000 to the on-going Project 8 ACP VA 23 – Tourism Education and Training in order to bridge the financial gap caused by an under-estimate, in the Financing Agreement, in the cost of the construction of the envisaged new training facility.
- € 1,000,00 for a new Programme of Support to Non State Actors / Decentralised Cooperation in order to continue the good work done by the on-going project, and thus contribute in a substantial way to the building-up of the capacities of civil society organizations and helping them become reliable development partners.
- € 1,326,000 for a new Technical Cooperation Facility, including also therein the continuation of the vital Technical Assistance to the NAO.
- € 1,995,000 for a new Support to Economic Reform (2006-2008), which would also include a significant component of technical assistance aimed at addressing identified short-comings in the country's Public finance Management.

Of the above five new operations, the first two dossiers would be submitted to the EC Headquarters, for their perusal, during the first half of 2005. The Draft Financing Proposals

for the other three would be submitted during the first half of 2006. It was expected that this timing would lead to the decision taking process be completed by end-2005 and end-2006 respectively, and to the commitment of the relevant funds by end-2007. More information on the above is shown in the Annexes to this Report.

The NAO's department, working closely with the EC Office, would strive to continue the good performance and thus put the country in a favourable position during the coming End-Of-Term Review of the EC/Vanuatu Cooperation. Any additional funding that might thus become available would be employed to an on-going project.

Looking towards the post-9th EDF period, reflections and preliminary discussions have started between the EC Office and the NAO. It would appear, at this early stage, that support to the productive sectors of agriculture and tourism would be justified. Such support would be coordinated with other donors in order to enhance effectiveness and viability. It is the consensus of Government and Donors that the national economy must grow in a sustainable manner in order to create employment for the youth that are graduating each year from the formal and non-formal education establishments.

It is also accepted that to achieve sustainable development it is necessary to have in place functional transport infrastructure. It would therefore be appropriate to envisage that an infrastructure development project, especially in the islands in which the current EDF project aims at building-up the capacity of the Public Works Department to properly look after the infrastructure, might be justified.

Finally, in recognition of the fact that the on-going Comprehensive Reform Programme is to be led by the private sector, and also in recognition of the increasing importance of trade in achieving sustainable economic growth, an appropriate project for a Private Sector and Trade Development might be justified. In preparation for such possible intervention, a Baseline Trade Study is planned to be carried out during the second quarter of 2005. The results of this study would form the basis for the development of an appropriate project.

It is submitted that these programming perspectives show that Vanuatu is in a position to absorb efficiently an increased volume of aid under the next fund.

6. Dialogue with NAO and NSAs, and donor coordination

6.1 Dialogue in country with the NAO and the NSAs

Despite frequent changes in the person of the National Authorising Officer, the cooperation between the EC Office and the NAO's department was not materially affected because the senior Deputy NAO remained the same. Virtually all EDF matters are dealt with by this DNAO, and only during his occasional absences recourse to the other DNAO or to the NAO is made. In this way, a rather uninterrupted cooperation had been, and it is maintained.

As a rule, matters pertaining to the various project cycles are dealt with by the DNAO(s), assisted in this task by a competent EU-funded Technical Assistant. The NAO is regularly informed, in a summary form, of the state of the EC/Vanuatu Cooperation. During 2004, the NAO has been regularly engaged on deliberations concerning the use of the envisaged, at that time, additional allocation of funds to Vanuatu, and his agreement in principle was obtained on such proposed use. Furthermore, and on the basis of discussions with other line Ministries, a dialogue was maintained with the NAO on reflecting on the outline of the post-9th EDF EC/Vanuatu Cooperation. This dialogue also touched on the sensitive issue of rationalising, in the level of Government, the coordination and management of development aid, which at present is split between different Ministries and Departments. The NAO was repeatedly informed of the Government's undertaking, during the Development Partners

Meeting of September 2003, to put in place an effective Aid Coordination Mechanism. The NAO's support is routinely asked, at the political level, when EDF projects are facing inter-governmental difficulties. The Head of Delegation, as well as EC Headquarters Officials, whenever visiting Vanuatu, are routinely meeting with the NAO in order to discuss, amongst others, political and security issues concerning Vanuatu and the Pacific Region in general. In addition to the two EU Member States Ambassadors present in Vanuatu, other non-resident EU Ambassadors are also meeting the NAO, in his capacity as Foreign Minister, and touch inevitably issues concerning the development cooperation. Finally, during the annual Post-Forum Dialogue, high level officials from the European Commission have usually the opportunity to maintain and indeed advance the political dialogue with Vanuatu.

In recognition of the important role played in Vanuatu by the civil society organisations, Non State Actors have been involved in the EC/Vanuatu Cooperation in varied ways. Primarily, they have been the recipients of aid, under the National Indicative Programme, as well as under Brussels-managed Budget Lines, aiming at building their capacity and making them thus reliable development partners. In addition, they have been regularly and frequently involved in EDF projects by participating in Steering Committees, thus providing valuable inputs into them. Finally, those of them with proven capacity have also been used as service providers, thus enabling them generate revenue and contributing towards their financial viability. Due to these diverse forms of engagement, the European Office in Port Vila has been, and it continues to be, a frequent place of visit by Non State Actors (and some not so Non-State as Provincial Governments, the Chief Justice, the Labour Department, etc). Moreover, and due to the good reputation and popularity of the EU-funded NSA Programme, other EU Member States, including also non-resident ones, do seek and associate with this EDF project. Representative NSAs have also been participants in the 2004 Joint Annual report exercise providing their inputs. It is envisaged that NSAs will be further involved in EDF operations during the present and coming years.

6.2 Donor coordination

Unfortunately, the Government has not yet put in place the effective aid coordination mechanism that was promised in September 2003. Frequent changes of Government have contributed to this delay. It seems that a new impetus is being instilled on this matter with technical assistance by the ADB. It is generally believed by donors that an effective coordination mechanism would enhance the efficacy and impact of the foreign aid to Vanuatu.

Pending such an arrangement, donors are relying on their bilateral contacts. Ad hoc coordination is being maintained at project level, especially through participation in Steering Committees. In addition to regular briefings between the donor offices in Port Vila, the Project Managers and other experts involved in various activities are encouraged to establish and maintain effective relations with a view to benefiting from each other's experiences, avoiding duplication, and ultimately seeking complementarity.

Meetings at the highest level in Brussels, Canberra or Wellington are also providing a potential means for improving cooperation in this respect.

7. Conclusions

The good progress recorded in earlier years has continued during 2004. Virtually all 6th, 7th and 8th EDF projects were completed, and their formal closure was underway. The largest 8th EDF project, EUVED, had been completed successfully achieving largely its objectives. A specific benefit from the EUVED project was the informal institutionalisation of the donors coordination active in the sector. Representatives of France, AusAid, NZ Aid, and JICA, as

well as from concerned NGOs, were routinely participating in the Steering Committee meetings of EUVED, thus ensuring that valuable experiences and information were shared with stakeholders. Another valuable lesson from this project was that communities near-by the new schools were ready to participate if appropriately motivated. On the success of this intervention the focal sector project of the 9th EDF, EDUTRAIN, was formulated, approved and prepared. It aims at consolidating the progress achieved in the sector and in providing vital support to Government for the realisation of its policy of Education for All. Indeed the project is expected to make positive contributions towards enabling Vanuatu to meet the educational Millennium Development Goals.

Important ground work was also done in the agricultural sector with the Producers Organisation Project. Positive results have been recorded, and these would have even been better if there was no cyclone in February 2004. The project is also being positive from the angle of coordination with an EU Member State, since France is funding vital components, that are complementary to the ones funded by the EDF. With a view to consolidating the good progress achieved, and ensuring that realistic revised objectives can be met, additional funds are being requested from the 9th EDF.

The EU-funded Support to the Non State Actors is being considered by all a successful project. It has provided an important impetus to a large number of civil society organisations which indeed play a vital role in addressing issues of governance, gender, and development. A number of third parties, including EU Member States, have also associated themselves with some of the activities of this EDF project. The need to continue assisting the NSAs to build up their capacities and thus make them reliable development partners, has been accepted by all stakeholders. It is for this reason that the NAO agreed to have a new similar project to be funded under the additional allocation to Vanuatu.

Finally, the Tourism Education and Training Project started in 2004 to be implemented. Important base work was carried out. Unfortunately, due to unfruitful results, the works for the construction of the new school of tourism had to be retendered, based on a redesign and a re-costing. Due to the need of additional funding, it was planned to request the allocation of additional resources in order to ensure that financial means are in place as required for achieving the intended results.

The Mid-Term Review of the EC/Vanuatu Cooperation confirmed the good performance in the use of EU funds and rewarded the country accordingly. In anticipation of the allocation of additional funds, discussions were held with stakeholders in order to define their best use. There is a general feeling, amongst different operators, that Vanuatu would continue performing well as an EU-aid recipient, and would indeed strive for benefiting from any available instrument. The excellent working relations between the EC Office in Port-Vila and the Administration (both, the NAO's department and the other Ministries/Departments concerned), the continuous support of the EU Member States Ambassadors, and donor coordination (albeit ad hoc), should normally contribute in achieving this goal.

There has been satisfactory involvement of the private sector, and of the various civil society organisations, in the EDF projects. Such participation is providing valuable assistance to the respective projects in terms of making them relevant to needs and also in terms of enhancing ownership. Increased efforts are being made for the association of Non State Actors as service providers in the implementation of EDF projects, thus giving them the opportunity to generate revenue and also to improve their capacities, thus contributing towards their sustainability. Other donors are also supporting such organisations in recognition of the fact that they indeed provide an indispensable service within the specific democratic society of

Vanuatu. They do provide vital services in the fields of good governance, gender, environment, and other.

The current budgetary support project, comprising a component of a direct inflow of funds to the general budget and a component of vital technical assistance, does provide an opportunity for an appropriate form of intervention in Vanuatu. The experience with the earlier targeted budget support was good. An external audit did show that the country had fulfilled its relevant obligations. Provided the envisaged assessment of the impact of the current project, to be carried out in September 2005, will prove positive, such form of aid may be increased in future. In addition to enhancing ownership it also requires less involvement from the European Commission, and it also helps in establishing and maintaining a constructive dialogue with the country. Sector wide approaches, via with budgetary support, would be an important form of intervention in Vanuatu, provided regular public expenditure reviews ensure that the required parameters are in place. Indeed, budget support schemes can also assist in providing vital expertise in the fields of macro-economy, audit, and public expenditure.

The determination of the country to proceed with the painful structural reforms, and indeed to make them more focused and effective, it is recognised by Vanuatu's development partners. The three main ones (Australia, New Zealand, and the European Commission) have recently announced increases of the order of around 30% in their aid to the country. Further increases are possible, thus providing to the country significant flows of development aid, the effective use of which could provide lasting results. Such aid would be conditional on the country's adherence to good governance, rule of law, democracy and human rights, as well as on commitment towards striving to meet the Millennium Development Goals. Donors support, if well coordinated and if implemented with the active participation of concerned stakeholders and especially the private sector operators and the civil society, has the potential to assist the country in cementing democracy and in achieving sustainable economic development, thus delivering equitable benefits to its people.

ANNEXES

Annex I. Sector Indicators: Education and Training

INDICATORS	2002	2003	2004	2005	2006	2007
Net enrolment in Primary Education	37470	39388	38960	39739	40500	41300
Enrolment in Junior Secondary Schools	7496	7325	7968	8269	6028	3104
Enrolment in formal Vocational Education	703	892	989	957	1057	1160
Adult literacy rate	60-70%
Student/Teacher ratio in Primary Education	24:1	22:1	20:1	21:1	22:1	23:1
Retention rate in Primary Education	76%	74%	81%	83%	74%	77%
Textbook/Student ratio in Primary Education	8:1	8:1	8:1	8:1	8:1	8:1
Textbook/Student ratio in Junior Secondary Educ.	8:1	8:1	8:1	8:1	8:1	8:1
No of students taking Year 6 exams	4995	5125	5275	0	0	0
No of Primary/Basic Education classrooms built	4	5	10	30	30	10
No of qualified teachers	1188	1276	1299	1325	1352	1250
Percentage of public spending on education	29%	29%	28%	27%	27%	27%

Notes:

1. It is assumed that the Basic Schools reform will be implemented from 2006 onwards, allowing the whole age group to continue education to year 8 instead of year 6 at present.
2. Primary Education comprises years 1 to 6.
3. Junior Secondary Education comprises years 7 to 10 until 2006, then years 9 to 10.
4. Year 6 examinations will be abolished from year 2006 onwards.
5. There was no new intake to teacher education in 2005; hence, no new graduates in 2007.
6. Adult Literacy Rate is the international estimate. A national survey is being conducted.
7. Some figures for years 2003/2004 have been corrected on the basis of updated statistics.

Annex II. 9th EDF Focal Sector Intervention Framework / Indicators

	Indicator	2004 (actual)	2005 (target)	2006 (target)	2007 (target)	Verification Sources	Assumptions
Impact	Increase in the number of educated people and thus reduced poverty					Data from the Ministries of Education and Youth and Vocational Training, and specific socio-economic studies	Political stability maintained, and high shares of national budget allocation to education continued
Outcome	- Basic education (1-8 classes) enrolment	38960	40000	45500	50500	Ministry of Education data	Basic education reform introduced in 2006
	- Education Management Information System established	-	50%	75%	100%	Project Management reports	
	- Number of classrooms renovated / built	-	10	24	20	Project Management reports	
	- Number of new student places provided	-	163	392	326	Ministry of Education statistics	
	- Value of supplies effected	-	Vt 3.5 million	Vt 12.5 million	Vt 13.5 million	Project Management reporting	
	- Number of PEO upgraded	-	1	3	2	Project Management reporting	
	- In-service teachers trained	-	50	105	55	Project Management reporting	
	- Value of study materials	-	Vt 40 million	Vt 40 million	-	Ministry of Education data	
	- Number of basic curriculum revised	-	13	13	-	Project Management reporting	
	- Value of other training	-	Vt 3 million	Vt 5 million	Vt 5 million	Ministry of Education data	
						Project Management reporting	

Output	<ul style="list-style-type: none"> - Smooth implementation of basic education reform - Quality of basic education improved - Improved education management 					<p>National statistics and independent reviews</p> <p>Examination Centre results</p> <p>Assessment of the functioning of EMIS</p>	Smooth implementation of the EDUTRAIN project
Input	<ul style="list-style-type: none"> - Annual budget allocation to education - EDF disbursement under EDUTRAIN project - Other Donors support to education 	28%	27%	27%	27%	<p>Ministry of Finance data</p> <p>Audits / EC Office reporting</p> <p>Aid Management Reporting</p>	

Annex III: Intervention Framework for the Producers Organisation Project

Year	2002	2003	2004		2005	2006	2007
Activity	Actual	Actual	Target	Actual	Target	Target	Target
Strengthening existing POs	7	4	4	4	5	5	5
Establishing new POs	1	3	4	4	3	3	3
Infrastructure investment	-	€202,908	€245,000	On-going	€100,000	€100,000	€60,000
Expertise / Training	One study contract concluded	Three studies completed	-	-	Two studies	One study	-
Extension Services	4 French TAs & 1 Extension Officer	4 French TAs & 1 Ext Off. & 4 Field Assistants	4 French TAs & 1 Ext. Off. & 5 Field Assistants	3 French TAs & 1 Ext. Off. & 5 Field Assistants	3 French TAs & 1 Ext Off. & 5 Field Assistants	3 French TA & 1 Ext Off. & 5 Field Assistants	3 French TAs & 1 Ext. Off. & 5 Field Assistants
Revolving Credit Fund	-	€30,000	€55,000	€55,000	€75,000	-	-
Marketing / Info System	Tender launched	1 Marketing Expert	1 Market. Expert & 1 Counter.	1 Marketing Expert	1 Market. Expert & 1 Counter.	1 Market. Expert & 1 Counterpart	-
Cocoa (tons dry beans)	65	114	150	135	250	300	350
Coffee (tons dry beans)	9	13.5	25	6	18	25	40
Coconut Oil & Copra (tn)	-	-	10	25	50	100	150
Root Crops (tons-flower)	-	0.35	5	0.5	5	7.5	10
Spices (tons)	-	0.5	1	1	1	1.5	2
Livestock (heads)	-	-	-	-	100	200	300
Fish (tons)	-	-	-	-	5	10	15

Annex V. Commitments and Expenditure

Title		2004	2005		2006		2007	
		Situation 31.12.04 (in €)	S1 (€)	S2 (€)	S1 (€)	S2 (€)	S1 (€)	S2 (€)
Pr 8 ACP VA 16 POP € 1,400,000	Commitment	1,113,775	60,000	100,000	126,225			
	Expenditure	764,703	200,000	200,000	235,297			
Pr 8 ACP VA 18 TA to NAO € 600,000	Commitment	600,000						
	Expenditure	297,665	115,000	90,000	75,000			
Pr 8 ACP VA 22 TA to MoE € 430,000	Commitment	430,000						
	Expenditure	263,328	100,000					
Pr 8 ACP VA 23 Tourism Project € 1,999,000	Commitment	631,219	200,000	1,000,000	167,627			
	Expenditure	191,373	125,000	375,000	450,000	450,000	300,000	107,627
Pr 9 ACP VA 01 LAB Reconstruct € 1,350,000	Commitment	1,207,939		142,061				
	Expenditure	636,622	400,000	200,000	113,778			
Pr 9 ACP VA 02 PWD Project € 1,995,000	Commitment	700,000	575,000	300,000	200,000	220,000		
	Expenditure	420,523	450,000	350,000	300,000	300,000	174,477	
Pr 9 ACP VA 03 EDUTRAIN € 4,531,000	Commitment	165,000	350,000	950,000	250,000	950,000	250,000	900,000
	Expenditure	43,079	250,000	475,000	325,000	750,000	800,000	500,000
Pr 9 ACP VA 05 NSA ceiling incr € 120,000	Commitment	95,000	25,000					
	Expenditure	33,156	80,000					
Pr 9 ACP VA 06 SERP (2004-2006) € 1,700,000	Commitment	1,300,000	330,000	50,000				
	Expenditure	-	725,000	850,000	75,000	50,000		
Pr 9 ACP VA 07 TCF € 330,000	Commitment	60,000	120,000		150,000			
	Expenditure	24,394	50,000	60,000	75,000	75,000	45,606	
Total	Commitment	6,302,933	1,660,000	2,542,061	893,852	1,170,000	250,000	900,000
	Expenditure	2,674,843	2,495,000	2,600,000	1,694,075	1,625,000	1,320,083	607,627

Annex VI. Donors Matrix (amounts in EUR for on-going and planned projects excluding regional projects)

Donor	Sector	Amount	Duration	Comments
Australia	Law / Justice	3,600,000	2000 – 2005	Technical Assistance
	Ministry of Finance	7,500,000	1999 – 2005	Capacity Building
	Education	6,430,000	2003 – 2007	Vocational Training / Scholarships
	Health	2,800,000	2000 – 2005	Strengthening of the Ministry
	Agriculture/Rural dev.	1,090,000	2002 - 2006	Technical Assistance
	Gender / Youth	2,200,000	2001 – 2006	Capacity Building
	Volunteers	512,000	Rolling	Placement of Volunteers
	Small Grants Scheme	300,000	Rolling	Microprojects
France	Private Sector	500,000	2004 – 2007	Support to CCI
	Education	1,950,000	2002 - 2006	Infrastructure / Training
	Health	2,700,000	2004 – 2007	Nurses Training / Hospital Rehab.
	Agriculture	1,510,000	2003 – 2006	Support to POPACA / TA
	Infrastructure	7,500,000	2004 – 2007	AFD – Airports Rehabilitation
	Cultural Sector	370,000	2003 – 2005	Co-funding with New Caledonia
	Governance	350,000	2003 – 2006	Capacity Building
	Microprojects	25,000	Annual	
European Commission	Education	6,311,000	2003 – 2008	Infrastructure / Training
	Infrastructure	1,995,000	2003 – 2007	TA / Supplies / Training
	Tourism	2,398,000	2003 – 2007	Infrastructure / TA / Training
	Agriculture	1,948,000	2002 – 2005	Support to POP / Reforestation
	Technical Assistance	1,441,000	2003 – 2007	TA to NAO and others
	Non State Actors	1,037,000	2003 – 2005	Capacity Building
	Budget Support	1,300,000	2004 - 2005	Budgetary Support
New Zealand	Law / Justice	950,000	2005 – 2006	Strengthening Governance
	Education	970,000	2005 – 2006	Non Formal education / Awards
	Health	80,000	Annual	Medical Evacuations to NZ
	Ministry of Finance	80,000	2005 - 2006	Capacity Building
	Rural Development	550,000	2003 – 2006	Sustainable Livelihoods
	NGO / Provinces	510,000	2003 - 2005	Capacity Building
	Small Grants Scheme	500,000	Annual	Microprojects
Japan	Ministry of Foreign Aff	130,000	2003 - 2005	Technical Assistance
	Infrastructure	1,500,000	2004 – 2005	Bridgeworks / Technical Assist.
	Education	130,000	2005 – 2007	Technical assistance
	Volunteers	1,150,000	2004 - 2006	Placement of Volunteers
	Small Grants		Rolling	Support to grassroots initiatives
UK	Small Gants Scheme		Annual	Microprojects

Annex VII. Financial situation of 8th and 9th EDFs

Project		Beginning 2004		End 2004	
No	Title/Total funding	Commitment (€)	Disbursement (€)	Commitment (€)	Disbursement (€)
8th EDF					
8 VA 10	TA to PWD / € 165,000	165,000	12,506	165,000	117,236
8 VA 11	VMC Strengthening / € 663,000	663,000	649,456	663,000	663,000
8 VA 13	SERP / € 800,000	798,996	772,920	787,508	787,508
9th EDF					
8 VA 16	POP / € 1,400,000	740,600	367,122	1,113,775	764,703
8 VA 18	TA to NAO / € 600,000	600,000	137,241	600,000	295,776
8 VA 20	ATC Training / € 300,000	300,000	300,000	298,078	298,078
8 VA 21	Support to NSAs / € 600,000	570,000	522,440	600,000	593,133
8 VA 22	TA to MoE / € 430,000	430,000	111,919	430,000	263,328
8 VA 23	Tourism Educ. & Train. / € 1,999,000	-	-	631,219	184,882
9 VA 01	Reconstruction of LAB / € 1,350,000	-	-	1,207,939	636,622
9 VA 02	PWD Maintenance / € 1,995,000	-	-	700,000	420,523
9 VA 03	Education & Training / € 4,531,000	-	-	165,000	43,079
9 VA 04	VMC Ceiling Increase / € 124,500	-	-	124,500	122,514
9 VA 05	NSA Ceiling Increase / € 120,000	-	-	95,000	30,340
9 VA 06	SERP (2004-2006) / € 1,700,000	-	-	1,300,000	-
9 VA 07	TCF / € 330,000	-	-	60,000	24,394
TOTAL		4,267,596	2,873,604	8,941,019	5,245,116

Annex VIII. Pacific Regional Cooperation

9th EDF

The regional allocation amounts to €29 million and includes three focal sectors “Economic Integration and Trade” (€9 million), “Human Resources Development” (€8 million) and “Fisheries” (€5 million) and a non-focal sector, for extension of the 8th EDF programmes to the 6 new ACP countries (€7 million). The RSP was signed in 2002 by Commissioner Nielson, during his first visit to the Pacific.

- “Regional Economic Integration Programme” (REIP) - €9.2 million

The programme aims to assist the region in strengthening its capacity to implement PICTA (free trade area among the Pacific island countries), negotiate trade agreements with developed partners (e.g. EPA), participate in multilateral trade negotiations (WTO) and assist the private sector in addressing supply-side constraints.

The Financing Agreement was signed in February 2004 immediately followed by the recruitment of TA. A mini-work programme was approved for the period July to December 2004 to cover the recruitment phase and to commence implementation of project activities. Contribution Agreements were also signed with SPTO, SPC and the Trade Division of the Forum Secretariat who will be implementing components of the programme. Work is progressing on schedule. Assistance to the region on issues of globalisation especially in preparing the region for the upcoming trade negotiations with the EU is on-going.

- “Human Resources Development” (HRD) – PRIDE - €8 million

The objective of the programme is two-pronged: to assist Pacific island countries (PIC) in develop a sector-wide strategy for Education and subsequently to finance the implementation of some parts of that strategy. Most PIC have identified Education as a focal sector in their NIP and a number of other donors are very active in the sector.. The programme is implemented by the Institute of Education of the University of the South Pacific.

The project commenced implementation in 2003 co-funded with NZaid (NZD5 million). The establishment phase has been completed and the PRIDE team are making good progress providing assistance to the countries develop or review their national strategic plans for education. Work on this will continue throughout 2005 together with capacity building through national focal points. The project will also undertake preparatory work to ensure that components of the strategic plan are implemented in 2005 through national sub-projects. The project will also coordinate with the national authorities and other donors to fund components of the plans. The on-line resource centre has been established and performs an important role sharing information.

- “Fisheries” - €5 million

This section comprises two projects:

- a) Extension of PROCFISH to the 6 new ACPs - €1.997 million

The Financing Agreement was signed in February 2004 followed by the recruitment of TA and implementation of some activities. The objective of the project is to assist Pacific ACP countries better manage their in-shore fishery by providing basic information on in-shore fish stocks. The project undertakes a comparative analysis of reef fisheries in the Pacific ACP countries. This provides scientific information to governments including local communities ensuring effective management of the resource. The 2005 work plan includes in-country field work in all the new Pacific ACP countries.

- b) DEV FISH, a project to be managed by the Forum Fisheries Agency (FFA) in collaboration with the Secretariat of the Pacific Community (SPC) - €3 million. A financing

decision was made in December 2004 with the Financing Agreement to be signed in March 2005. Implementation should commence immediately thereafter.

The objective of the project is to increase benefits received by PICs from the sustainable use of marine resources by increasing the capacity to directly participate in the tuna fishing and processing industry, and through the reinforcement of national and regional policies and strategies in the sector.

- Non-focal sector - €7 million

The non-focal sector is mainly composed of the extension of 8th EDF Natural Resource Project to the 6 new Pacific ACP countries.

All such extensions have been approved and implementation has commenced as per the table below.

PROJECT	EURO Millions	EDF SOURCE	STATUS
SPC/DSAP ext.	1.981	9th NF	Approved. FA signed in Feb 2004
SPC/PPP ext.	1.512	9th NF	Approved. FA signed in Feb 2004
SOPAC ext.	2.55	9th NF	Approved. FA signed in Feb 2004
SPREP/PIEN ext.	0.56	9th NF	Approved. FA to be signed in March 2005.

The **Palau Festival of Arts** is co-financed with the Pacific OCT: € 200.000 from the 9th EDF RIP (including balances of previous EDF, transferred into the 9th) and € 250.000 from the OCT. The ACP portion financed the purchase and rental of sound and light equipment, its installation and training of Festival staff for its operation. The OCT part financed lodging, local transport and catering for the participants from the French Pacific territories. The Festival was held in Palau in July 2004. All expenditures have been incurred and the implementing agency (SPC) will soon be submit a final report and audited accounts.

8th EDF and balances of previous EDF

The 8th EDF is fully committed. Implementation of projects is on schedule with most projects having reached the half way stage of implementation. This is reflected in the disbursement rates of the 8th EDF which was Euro19 million at the end of 2004. Mid-term reviews have been undertaken on several projects commencing in 2004 and will continue throughout 2005. Small balances continue to become available under the 6th and 7th EDF as old projects are closed.

The Mid-Term Review of the 9th EDF is currently underway. There is the possibility that the Pacific Regional Indicative Programme will be awarded additional funds for good performance.

Annex IX. STABEX**Situation at 31 December 2004**

Programme	Initial amount transferred	Commitment	Disbursement	Bank Balance
STABEX 1998 / 1999				
TOTAL	€ 1,242,381	VUV 189,068,480	VUV 184,686,553	VUV 7,859,121

Annex X. Migration Profile

Box 1 : Immigrants

Total number of residents: **184,678** (1999 census)

Of which : Own nationals: **184,830**
 Immigrants : **1,848 (1%) ***

* includes expatriates of temporary residence status

Status immigrants

Refugees : **None**

Labour migrants /permanent : **N/A**

Labour migrants/seasonal : **N/A**

p.m. internally displaced persons: **None**

Immigration trend

Number of arriving immigrants in 90/95: **Insignificant**

Number of arriving immigrants in 95/2000: **“**

Education: Skilled labour **n.a.**

Main countries of origin: Australia, New Zealand, EU (expatriates)

Rate of return: **n.a.**

Finance

Amount of outgoing migrant remittances: **n.a.**

Remittances as % of GDP: **n.a.**

Box 2: Emigrants

Total number of emigrants: **n.a.**

Status emigrants

Refugees : **None**

Labour migrants /permanent : **n.a.**

Labour migrants/seasonal : **n.a.**

Legal situation emigrants

Documented : **n.a.**

Undocumented : **n.a.**

Trend

Number of leaving migrants in 90/95 : **n.a.**

Number of leaving migrants in 95/2000: **n.a.**

Education: Skilled labour : **n.a.**

Main countries of destination: New Caledonia

Rate of return: **n.a.**

Finance

Amount of incoming migrant remittances : **n.a.**

Remittances as % of GDP: **N/A**

Annex XI. Country Environmental Profile

Synopsis

Vanuatu is a Western South Pacific Island nation comprising around 80 islands of predominantly volcanic origin. Although biodiversity is often rated low in comparison to the neighbouring island countries of New Caledonia, Papua New Guinea, and Solomon, it is of paramount importance to the inhabitants of Vanuatu.

A country where cultural diversity is represented by the number of vernacular languages (around 110), Vanuatu is united through a common sense of identification with the land. One of the major reforms after the country's independence in 1980 was related to land tenure.

Vanuatu is signatory to many major international conventions relating to the environment such as the Rio Declaration on Environment and Development and the provision 231, the UN Convention on Biological Diversity, and the UN Convention on Climate Change.

In March 2003 an important piece of legislation, the Environment Management and Conservation Act, was implemented. Under this Act, it is compulsory to provide an Environmental Impact Assessment with every new development project. Compliance with all aspects of this Act is mandatory and it is monitored by the Vanuatu Environment Unit. Non-compliance may result in financial penalties or even jail terms. Whereas this legislation has started to be applied, the effective enforcement of the Act could be a problem as it is in other legal areas. A recent review of the environmental legislation has indeed identified certain overlaps, gaps, and conflicts between various Acts. Harmonization with other legal environmental provisions will therefore be required.

To achieve the full implementation of the EMC Act, it is necessary to consolidate the knowledge of Vanuatu's biodiversity and to document the Traditional Environmental Management practiced for centuries by the indigenous people of the country. Effective sustainable development will not be achieved without involving the custom landowners in the management process.

Although traditional environmental management methods are still in use in most islands, environmental awareness is generally low in Vanuatu. Raising environmental awareness at various levels, from political to individual, is high in the agenda of the Vanuatu Environment Unit.

Some endemic species and some important areas have been identified as threatened, and urgent action is needed to ensure that they will be protected. Forestry activities that represent an important source of revenue need to be streamlined towards sustainability. Vanuatu, in accordance with the international conventions signed, will take steps to regulate the potential sources of pollution.

Lastly and importantly, a matter of real concern in developing the urban centres in Vanuatu is the lack of effective management of both, solid and liquid wastes.

NOTE: The above represents the Executive Summary of the full Country Environmental Profile study that has been carried out in 2004.