



1. Country Context

With 82 smaller islands of volcanic origin, the Republic of Vanuatu is a lower middle-income economy with a total population of 265,000 (2015) and a GDP per capita of US\$3,148 (2014). Economic growth has been stable at 2.5% to 3.5% in the past years, leading to the highest employment rates and the lowest poverty rate (12.7% in 2014) among Pacific countries. The country is still recovering from tropical cyclone Pam (March 2015) and has just formed a new government after a corruption scandal in the parliament.

As a prime destination for scuba divers, tourism is a significant driver for In-Vanuatu economic development, while construction and agriculture constitute other pillars. However, human development remained low, especially for the large rural population: Vanuatu ranked 134th among the 188 countries participating in the 2015 Human Development Index.

For 2015, Vanuatu reported a total development co-operation of USD\$1.6 million, distributed among only four partners. Australia and New Zealand together contribute 84%, primarily in health, transport and tourism, among other sectors.

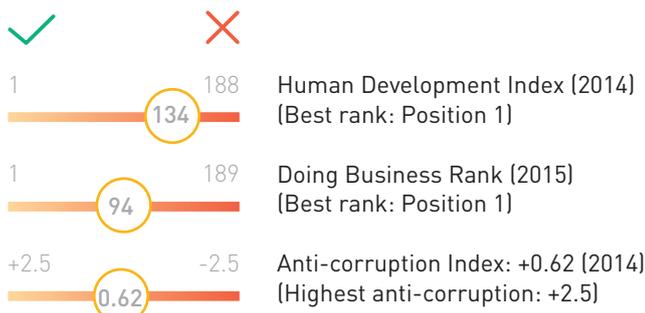
Quick Facts

- Surface area** 12,190 km²
- Population** 0.265 million (2015)
- GDP Growth** 2.3% (2015)
GDP Per Capita US\$3,148 (2014)
- Income level category** Lower middle-income country

Key Development Indices:



ODA per Capita US\$380 (2014)



Inflows (% Gross Domestic Product)

LATEST YEAR AVAILABLE

Tax Revenue	16.0%
Domestic Credit	72.0%
Net Foreign Direct Investment	1.6%
Remittances	3.5%
Net Official Development Assistance	12.0%

Key Development Challenges

Vanuatu has advanced substantially in providing economic opportunities to its citizens, relying on a relatively diversified economy and successful efforts to position the country as a prime tourism destination. Future sustainable development will depend on sustaining the economic dynamism through further diversification and an improved enabling environment, while investing in social policies, particularly in education and health. Vanuatu also needs to manage its very limited natural resources, under high stress due to population growth and unsustainable forestry and fishing practices.

2. Efforts to Implement the Effectiveness Principles

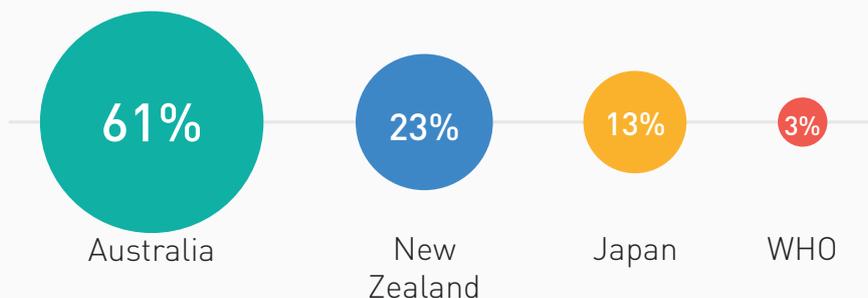
A. Policies and Tools for Partners' Alignment

Development efforts in Vanuatu are framed by the government's Priorities and Action Agenda, which in 2006-2015 covered private sector and employment; equitable growth; good governance and public sector reform; primary sector development, social development; edu-

cation; and infrastructure. The national Agenda includes performance indicators to monitor progress in social and economic dimensions and is further operationalized in the 2014-2017 Planning Long, Acting Short (PLAS) Plan, sector plans ('road maps') for education,

health, agriculture, and energy, as well as the Infrastructure Strategic Investment Plan. The ongoing update of the medium-term development planning is a key opportunity to localize the Sustainable Development Goals (SDGs) in Vanuatu.

Major Development Partners of this Round (by Reported Disbursements)



Participation in 2014 Monitoring **No**



Existence of a National Co-operation Policy **Yes**

B. Governance and Management of Development Finance and Co-operation

Based on the 2011 Vanuatu Declaration on Aid Effectiveness and Action Plan, the Government of Vanuatu has been preparing an official development finance policy in 2015 to further clarify the development co-operation framework for external partners. Working with a rather small group of development partners, the dialogue is primarily flowing through bilateral channels, while early experiences of coordination are available in the education and health sectors. A number of partners have offered general and sector budget support and lessons have been learned on how to use these more advanced modalities effectively. This is the first time Vanuatu is participating in the Global Partnership monitoring, but the country has been a proactive partner in the

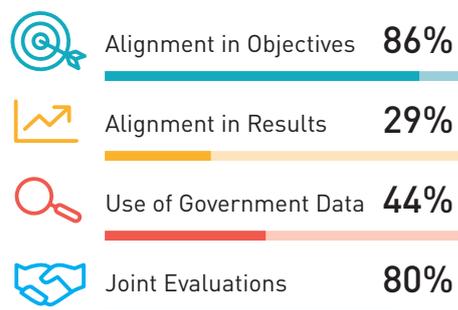
development effectiveness agenda under the umbrella of the Pacific Islands Forum Secretariat. Institutionally, development finance and co-operation are anchored at the Department of Strategic Policy Planning and Aid Coordination in the Office of the Prime Minister and the Department of Finance and Treasury and politically overseen by the Council of Ministers. Vanuatu produces an Annual Development Report (ADR) with semi-annual updates on largely quantitative indicators, fed by M&E units in all departments, ministries and agencies. Although there is no properly created official development finance management system, the Ministry of Finance and National Statistics Office (NSO) is in charge of capturing all development finance on a continuous basis.

3. Country Ownership

Indicator 1: Partners' Alignment and Use of Country-Led Results Frameworks

Eighty-six percent of development co-operation reported in 2015 is aligned to national and sector objectives, while 29% used country-led results and 44% relied on national monitoring systems. The government is involved in 80% of planned evaluations. Only Japan and WHO are fully aligned to country-led results

frameworks, while New Zealand makes a more selective use of national systems. Further dialogue might be needed to improve operational alignment, especially at the level of results and monitoring, as a way of meeting the criteria reflected in the government's new Aid Policy.



Indicator 6. Development Co-operation is on Budget (Subject to Parliamentary Scrutiny)

Figures for this indicator are not available, as only one partner (New Zealand) has provided data.

Indicators 9 and 10. Use of Country Systems

The use of national country systems is relatively advanced in some aspects and only incipient in others. As such, 74% of development co-operation used country procedures for budgeting and financial reporting, in some cases accelerated by sector budget support (on behalf of Japan). Only 6% of development co-operation uses

national auditing systems, while 37% relies on national procurement. The quality and effectiveness of national public financial management (PFM) is a key factor for the government and partners to move towards a more extended use of country systems, particularly in view of the recent decrease of Vanuatu's value in the Country Policy

and Institutional Assessment (CPIA), from 4.0 in 2014 to 3.5 in 2015. Joint efforts are needed to scale up national capacities and provide further opportunities for development partners to expand the use of country PFM systems in the medium term.

	Budget (ideal: 100%)	Financial Reporting (ideal: 100%)	Auditing (ideal: 100%)	Procurement (ideal: 100%)	CPIA* (maximum: 6)	Untying (ideal: 100%)
INDICATOR 9B.	74%	74%	6%	37%		
INDICATORS 9A & 10.					3.5 ▼	88% ▲

* Country Policy and Institutional Assessment

4. Inclusive Partnerships for Development

Indicators 2 and 3. Fostering Inclusive Partnerships for Development

A vivid and highly diverse civil society is a fundamental pillar for sustainable development in Vanuatu, often building on traditional clan-based organization. The government is fully aware of the vital contributions particularly of local organizations and leaderships in remote islands and makes substantial efforts to discuss and consult public policies and programmes despite geographical challenges. The key counterpart is the Vanuatu Association of Non-Government Organizations (VANGO), which, as of 2015, involved 106 members ranging

from local NGOs and international NGOs to faith-based organizations (FBOs) and community-based organizations (CBOs) throughout the archipelago. Particularly multilateral organizations have engaged in civil society in larger programmes, paying close attention to indigenous people. Bilateral agencies have started to carefully manage support to international NGOs in order to avoid competition hampering national processes. Through VANGO, national CSOs have identified a series of remaining challenges, among other capacity gaps to apply and account

for financing, operational costs and coordination mechanisms. In sum, inclusive partnerships are a natural expression of traditional governance and collaboration across the archipelago and are especially vital for the smaller islands. Future investments might be needed to strengthen capacities and deepen processes of consultations and shared responsibilities while guiding international partners towards sustainable policies of enhancing the role of national CSOs in their programmes and projects.

Indicator 8. Gender Empowerment

At this stage, Vanuatu lacks a system in the budgeting process to track allocations for gender equality. However, women's empowerment is a government priority,

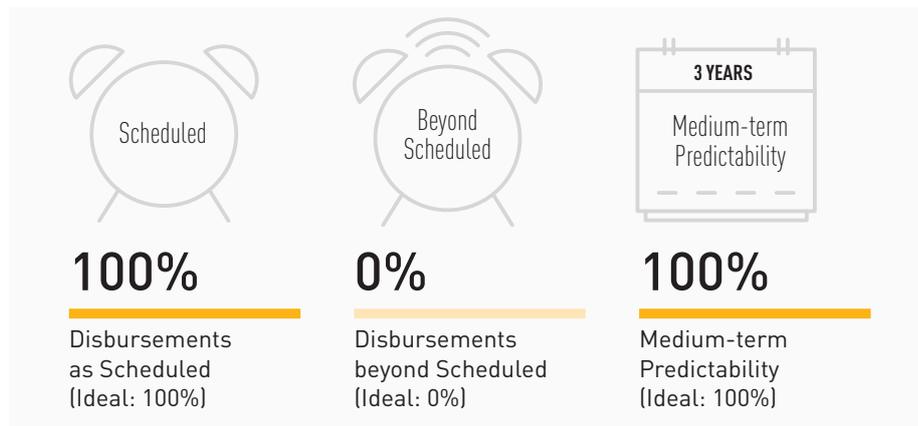
considering the numerous specific vulnerabilities women and girls are facing. Future work on national public financial management capacities might include

gender-sensitive budgeting as a way to strengthen the design and implementation of public policies comprehensively.

5. Transparency and Accountability

Indicator 5. Development Co-operation is More Predictable

Annual and medium-term predictability stand at 100%, an outstanding result reflecting the close interaction between government and development co-operation partners. For Vanuatu's small public sector, this is a key ingredient for effective management of official development finance, which allows for efficient and sustainable resource allocation of development co-operation in conjunction with domestic resources.



Indicator 7. Mutual Accountability

Given the small number of partners contributing resources to Vanuatu's development, mutual accountability usually happens at the level of long-standing bilateral relations. The government is preparing a new policy on official development finance to clarify the roles and responsibilities of each actor, but it

can be expected that bilateral ties remain the primary mechanism of accounting for effective development co-operation. In addition, mutual accountability is also formally framed by budget support arrangements. In the future and based on Vanuatu's participation in the Global Partnership monitoring exercises, joint

work of government and all development partners might focus on a number of remaining key challenges, accelerating the alignment to country-led results frameworks and increasing the use of country systems.

National Priorities Going Forward

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The government has commenced consultation on its new National Sustainable Plan, which will succeed the current PAA that concluded at the end of last year. There is an increased demand for statistics across government to support sector planning and monitoring and to allow for more evidence-based policymaking. Although Vanuatu has not hosted a partners' joint round table meeting for a while, there have been high-level consultations and quarterly meetings with development partners in country. There is regular dialogue at the sector level and on a bilateral basis. All development partners are kept informed on government priorities and programmes. The government is managing missions, with the development partners including China, Australia and New Zealand providing mission schedules and respecting government blackout periods. There are still issues with mission duplication and some development partners – particularly multi-lateral partners – going directly to line ministries, but, overall, they are making an effort to lessen mission burden. Steps towards strengthening public finance and economic management systems are in progress, particularly in auditing and procurement. Internal audit units have been established within key ministries such as those of finance, health and education. With assistance of Australia, Vanuatu recently reviewed its Procurement Act. The EU has agreed to provide budget support, with new agreements already signed for this finance. The challenge for development is the country's past political instability, which particularly hinders the setting of priorities for medium- and long-term planning. The Aid Coordination Unit and Finance Department still struggle with some of the complex and changing requirements of development partner reporting. This is particularly the case with EU reporting, especially since the EU office moved to the Solomon Islands.

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Footnote: Any discrepancies between information in this profile vs. information that has been reported are due to adjustments that were made after conclusion of the monitoring round.

Disclaimer This document was prepared based on data collected from voluntary reporting to the Second Monitoring Round of the Global Partnership for Effective Development Co-operation and, for Country Context, other open source information available online. The views presented cannot be used or cited as an official UNDP source of information.

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