



# ASIAN DEVELOPMENT BANK

**FOR OFFICIAL USE ONLY**

Sec.M106-04  
29 October 2004

## **VANUATU COUNTRY STRATEGY AND PROGRAM UPDATE (2005-2006)**

1. Attached for the consideration of the Board is a paper on the above subject.
2. In the absence of any request for discussion (which should be communicated to The Secretary by the close of business on 19 November 2004), the Paper will be deemed to have been considered, to be so recorded in the minutes of a subsequent meeting of the Board.

For Inquiries: I. Bhushan, Pacific Department  
(Ext. 6125)  
J. Cahoon, South Pacific Resident Mission  
(Ext. 5510)

*The attached document has a restricted distribution until it has been endorsed by the Board of Directors. Following such endorsement, the document will be available to the public.*

# **ASIAN DEVELOPMENT BANK**

## **COUNTRY STRATEGY AND PROGRAM UPDATE (2005–2006)**

### **VANUATU**

**October 2004**

## **CURRENCY EQUIVALENTS**

(as of 6 October 2004)

Currency Unit	=	Vatu (Vt)
Vt1.00	=	\$0.0089
\$1.00	=	Vt111.47

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CRP	–	Comprehensive Reform Program
GDP	–	gross domestic product
NBV	–	National Bank of Vanuatu
OIIDP	–	Outer Islands Infrastructure Development Project
PDMC	–	Pacific developing member country
PAA	–	Priorities and Action Agenda
SOE	–	state-owned enterprise
TA	–	technical assistance
TVET	–	technical vocational education and training
VNPF	–	Vanuatu National Provident Fund

## **NOTE**

In this report, "\$" refers to US dollars.

## CONTENTS

	Page
I. COUNTRY STRATEGY .....	1
II. CURRENT DEVELOPMENT TRENDS AND ISSUES .....	1
A. Recent Political and Social Developments .....	1
B. Economic Assessment and Outlook .....	2
C. Implications for the Country Strategy and Program .....	4
III. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM .....	5
A. Progress in Poverty Reduction .....	5
B. Progress in the Country Strategy and Program Focus Areas .....	5
C. Highlights in Coordination of External Funding and Partnership Arrangements .....	8
IV. PORTFOLIO MANAGEMENT ISSUES .....	8
A. Portfolio Performance .....	8
B. Performance Monitoring and Evaluation .....	8
V. COUNTRY PERFORMANCE AND LENDING LEVELS .....	9
A. Lending Program .....	9
B. Nonlending Program .....	9
C. Summary of Changes to the Lending and Nonlending Programs .....	9
APPENDIXES	
1. Summary Statement of Strategy .....	10
2. Country and Portfolio Indicators, and Assistance Pipeline	
Table A2.1: Progress Toward the Millennium Development Goals and Targets .....	11
Table A2.2: Country Economic Indicators .....	14
Table A2.3: Country Poverty Indicators .....	15
Table A2.4: Country Social Indicators .....	16
Table A2.5: Country Environment Indicators .....	18
Table A2.6: Development Coordination Matrix .....	19
Table A2.7: Portfolio Indicators—Portfolio Amounts and Ratings .....	24
Table A2.8: Portfolio Indicators—Disbursements and Net Transfers of Resources .....	25
Table A2.9: Portfolio Indicators—Evaluation Rating by Sector .....	26
Table A2.10: Portfolio Implementation Status .....	27
Table A2.11: Assistance Pipeline for Lending Products, 2005–2006 .....	28
Table A2.12: Assistance Pipeline for Nonlending Products and Services, 2005–2006 .....	29
3. Concept Papers for Nonlending Products and Services .....	30
Table A3.1: Vanuatu Port Corporation .....	31
Table A3.2: Rural Productive Skill Development .....	34
4. Assistance Program for Nonlending Products, 2004 .....	37

## I. COUNTRY STRATEGY

1. The strategy of the Asian Development Bank (ADB) for Vanuatu addresses the underlying institutional constraints on Vanuatu's economic development. These include a lack of consistency and transparency in government decision-making; a high-cost, uncertain business environment; and a continuing lack of fiscal capacity to expand essential public services. In line with the Government's Priorities and Action Agenda (PAA),<sup>1</sup> the strategy aims to help (i) build capacity for sound economic management and good governance, (ii) create an enabling environment for private-sector development, and (iii) reduce poverty by improving service delivery to rural populations. It will help increase economic growth to a rate that surpasses population growth. A summary statement of the strategy is in Appendix 1.

2. The Government of Vanuatu gives priority to (i) improving governance and public service delivery via strengthened law enforcement and macroeconomic management capacity, (ii) improving the lives of rural people through better access to markets and management of natural resources, (iii) raising private investment by lowering obstacles to private enterprise, (iv) enabling greater stakeholder participation in policy formulation, and (v) increasing equity in access to services and employment opportunities.<sup>2</sup> However, Vanuatu suffers from low economic and social development indicators; gross domestic product (GDP) growth that has not kept pace with the population growth; increasing unemployment; low private-sector investment; substantial budget deficits; and an adult literacy rate of only about 75% (50% for women).

## II. CURRENT DEVELOPMENT TRENDS AND ISSUES

### A. Recent Political and Social Developments

3. As a result of the general election held on 6 July 2004, a coalition led by Serge Vohor's Union of Moderate Parties won a mandate to form the next government. In the weeks that followed, however, the new administration was prevented from sitting by the lodging of a motion of no-confidence by the Opposition, and the threat of defections from disaffected members within its own ranks. In the interim, a consensus between both factions was reached on the election of a new President and Head of State, the position having been vacant since the resignation of the previous incumbent in June 2004 after only 20 days in office. Given the continuing political instability and inconsistency in policy and leadership direction, the Prime Minister in early October 2004 took the bold step of calling for amendments to the Constitution that will, if passed, see the life of Parliament extended from 4 to 5 years, with the first and final year free of motions of no-confidence, and sanctions of expulsion for MPs who "cross the floor" during the life of a parliament. While it is unlikely that such far-reaching amendments will be passed without the approval of a referendum there is, however, growing recognition that such reforms are essential for the promotion of public service reforms and private sector initiatives introduced under the comprehensive reform program (CRP),<sup>3</sup> and boosting of investor confidence.

4. Vanuatu's geographic isolation, the remoteness of the islands from one another, and the lack of job-creation opportunities contribute to poverty. The wide income disparities between urban and rural areas are related in part to low agricultural productivity and poor outer island infrastructure facilities and services. Less than 500 jobs are created each year in the formal

---

<sup>1</sup> Priorities and Action Agenda prepared for the Vanuatu Development Partners Meeting of 4 September 2003.

<sup>2</sup> As presented by the Prime Minister to the National Summit in November 2002 and reiterated at the development partners meeting in September 2004 .

<sup>3</sup> ADB. 1998. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Republic of Vanuatu for the Comprehensive Reform Program*. Manila (Loan 1624-VAN, approved 16 July 1998 for \$20 million).

sector, while around 3,500 school leavers seek employment annually. Vanuatu ranks among the lowest of ADB's Pacific developing member countries (PDMCs) for adult literacy (75%) and net secondary enrollment (23%). The low rate of secondary enrollment and high levels of adult illiteracy are substantial obstacles to modernization and development. The Education for All initiative is being advocated as the priority program and female enrollment ratios are increasing. The public service is addressing its own gender balance issue, with one female director-general appointed and several women holding director-level positions.

## **B. Economic Assessment and Outlook**

### **1. Recent Performance**

5. After 2 successive years of contraction, real GDP grew by an estimated 1.6% in 2003. Economic growth was led by an 8.7% expansion in the agriculture, fisheries, and forestry sector that was stimulated by strong commodity prices. However, the industrial sector contracted by 1.1% and services were virtually stagnant, with tourist arrivals lower than 2002 and government services recording zero growth. Economic recovery contributed to a limited improvement in formal sector employment during 2001–2002, but employment growth fell well short of the 10% growth rate required to absorb the 3,500 school leavers entering the workforce in 2003. Many school leavers are employed in traditional livelihoods such as farming and fishing.

6. The overall budget deficit for 2003 was about 1.0% of GDP, with domestic financing in the form of central bank advances. This did not match the original target of a surplus equivalent to 0.4% of GDP, but represented an improvement on the 2002 budget deficit of 3.2% of GDP. The improvement was attributable to tight expenditure control in the context of below-budget levels of revenue and external grants. In 2003, the Government's external debt was estimated at 28.2% of GDP and domestic debt at 11.0% of GDP, with debt-servicing costs absorbing approximately 7% of domestic revenue.

7. Inflation accelerated from 2.0% in 2002 to 3.0% in 2003 because of the one-off impact of increased duties on imported food, increased alcohol and tobacco excises, and higher education and health fees. The domestic currency depreciated significantly against the Australian and New Zealand dollars during that time, as well, contributing to inflation. Broad money supply dropped by 2.8% in the 12 months to November 2003 as net foreign assets declined. Domestic credit grew by 4.3% because of strong growth in credit to the private sector, which consisted mainly of personal and household loans. Interest rates on housing and commercial loans were reduced in early 2003, with a consequent narrowing of the interest rate spread. The Reserve Bank of Vanuatu's repurchase facility rate remained at 6.5% throughout the year, indicating an unchanged monetary policy stance.

8. Official balance of payments projections in the 2004 budget suggested that the current account deficit would decline to 0.3% of GDP in 2003, largely as a result of increased transfers. The government expected foreign reserves to rise from 4.7 months of imports at end-2002 to 4.8 months' imports at end-2003. These projections were optimistic. Despite strong merchandise export growth, the foreign reserves level in October had fallen to 4,800 million vatu, some 200 million vatu short of the projected figure but sufficient to cover slightly more than 4 months' imports. The overall balance of payments was on track to record a small deficit in 2003.

### **2. Outlook**

9. The 2004 budget forecasts real GDP growth to be 2.1% in 2004 and 2.6% in 2005. The agriculture sector is expected to drive economic growth, with industry and services playing

increasingly supportive roles. There is considerable potential for agricultural development, but for agriculture to perform as expected, weather conditions and world commodity prices will need to be favorable and smallholder cattle and cocoa production encouraged. World commodity prices are likely to be strong, but tropical cyclone Ivy hit Vanuatu in late February 2004 and damaged property and crops. At present, there is no comprehensive agricultural development strategy in place. Growth in the services sector requires tourism expansion at a time when competition from other Pacific Island destinations is strong and increasing. Given Vanuatu's relatively high costs of international and domestic air travel and accommodation, this expansion will be difficult to achieve unless a marketing strategy successfully differentiates Vanuatu as a tourist destination. The Government's open sky policy will lead to an increased and more competitive international air service, and the growing popularity of Vanuatu as a cruise ship destination is expected to lead to more ship calls in 2004.

10. Given Vanuatu's rapid population growth, even achieving the forecast economic growth would imply a decline in per-capita income in the medium-term, increased unemployment and underemployment, and little alleviation of hardship in rural areas, where 51% of the population lives below the poverty line of \$1 per day. The private investment necessary for faster growth in income and employment is unlikely to be forthcoming unless the factors deterring foreign investors are addressed. These factors include political instability, an uncertain policy environment, and the high economic cost structure (including transaction costs of obtaining investment approvals and business licenses).

11. The 2004 budget projects overall budget surpluses of 0.4% of GDP in both 2004 and 2005 on the assumptions that economic growth will pick up and inflation will moderate to 2.0–2.5%. No major revenue initiatives are envisaged, and reaching the projected revenue levels will require a considerable improvement in revenue collection. Recurrent expenditure is to be reduced from the 2003 budget level through cuts in expenditure on wages, non-salary goods and services, and transfers to government bodies, with education and health receiving reduced budget allocations. The projected share of wages in total recurrent expenditure is still high at about 58%, leaving limited room for improving the strategic allocation of public resources in the context of a decline in total real spending. No change is envisaged in capital expenditure, which is funded mostly by external grants. Given a substantial negative external financing requirement, a small domestic financing requirement is to be met from government cash balances.

12. The current account is expected to continue to be characterized by trade deficits, a surplus on the services account, and inflows of foreign aid. The net result is expected to be small current account deficits. Government forecasts are for a rising capital account surplus in 2004–2005 and an increase in foreign reserves to more than 5 months' imports. However, these forecasts rest on expectations of a rise in foreign investment that, as noted, is unlikely to occur. Official external debt is forecast to drop to 24.9% of GDP in 2005.

### **3. Policy Developments**

13. At parliament's first session in 2003, 19 bills were presented that included some controversial amendments to previous legislation that raised governance concerns. Of most note, the Vanuatu National Provident Fund Amendment Act reduced its contributions from 12% to 8% of salaries, reduced the percentage of funds potentially invested overseas from 50% to 15%, and increased the power of the Minister of Finance over the fund, including approval of the appointment of the general manager. This last development constituted a significant reversal of policy initiatives introduced under the 5-year-old CRP, which aimed at improving corporate governance in the public enterprise sector. The consequences of political interference in the operations of public enterprises was demonstrated by political appointments to the board of the

Vanuatu Maritime Authority and the subsequent dismissal of the chief executive officer following accusations of impropriety. The public enterprise sector remained a drain on public funds and privatization of several larger enterprises was delayed.

14. At the same time, trade reform was pursued. The Government passed the Pacific Islands Countries Free Trade Agreement Act and the Pacific Agreement on Closer Economic Relations Act, which paved the way for a resurrection of efforts to accede to the World Trade Organization. Trade reform, however, also raised the issue of future loss of government revenue from import duties. Legislation was finalized to align the regulatory and supervisory framework for offshore banks with that for domestic banks, and to bring that framework under the control of the Reserve Bank of Vanuatu. As a result, Vanuatu was removed from the Organisation for Economic Co-operation and Development's (OECD) list of uncooperative tax havens in 2003.

15. In September 2003, government signed a poverty partnership agreement with ADB and presented a PAA intended to more effectively link the long-term CRP with government's medium-term investment program and annual budget. The PAA identifies three key strategies that have been stated formally on previous occasions: (i) ensuring macroeconomic stability; (ii) achieving faster sustainable economic growth; and (iii) improving public service delivery, especially in rural areas. Successful implementation of the last two strategies has proven difficult.

### **C. Implications for the Country Strategy and Program**

16. The conditions and trends described above indicate that Vanuatu should aim over the medium-term (3–5 years) to increase the pace of economic development to a level moderately in excess of population growth. Expansion of tourism is expected in 2004 with P & O Cruises scheduling of a second ship on the Vanuatu route, and the scheduled entry in September 2004 of low-cost carrier Pacific Blue on routes to Australia. Growth of agricultural production, particularly of beef and organic crops, is also likely provided that sea and air freight services are available and affordable. Ongoing strengthening of the courts, the State Law Office, and the police will effectively keep up with their caseloads and help maintain social order. Land management is being improved, but disputes over a lack of clarity of ownership and the difficulty of acquiring land for economic investment due to complex ownership patterns will continue. It will continue to be difficult to retain qualified professionals in the civil service, and to effectively manage the economy without them. There will be strong pressures for increased expenditure for the infrastructure to support the productive sectors, and for the education and health services needed by a young, rapidly growing population. However, revenue growth will be substantially constrained until the tax base is broadened.

17. For these reasons, ADB's assistance should focus on the underlying constraints on development. Transfer of knowledge will be as important as transfer of capital. It should continue to help therefore in

- (i) development of a Government and bureaucracy operating in a transparent, accountable, and fully accessible manner, with decisions on economic matters taken after public deliberation;
- (ii) creation of an enabling environment for private-sector development by reducing costs, encouraging competition, creating an effective secure transactions framework, and expanding business development finance; and

- (iii) reduction in poverty, through improvements in governance and economic growth, as well as provision of services for the poor, particularly to address the problems of the outer islands.

18. The Government has requested ADB assistance primarily as grant-funded technical assistance (TA). Loan assistance, if requested, would be used only sparingly, and only where sustainability is strongly indicated.

### **III. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM**

#### **A. Progress in Poverty Reduction**

19. Vanuatu, with a human poverty index of 46.4, is the third poorest of the PDMCs. About 50% of its population lives below the \$1 per day poverty line, and 23% of children under 5 suffer from malnutrition (Table A2.1). Vanuatu also scores poorly in social development with a human development index of 0.425. ADB has helped Vanuatu prepare a poverty reduction strategy, which comprises improving governance, enhancing the quality and coverage of education and health services, strengthening government and nongovernment organizations' social support systems, and removing impediments to private-sector growth.<sup>4</sup> Ongoing TAs are helping improve the effectiveness of Parliament and of selected frontline public services, and for technical vocational education and training (TVET). Most development efforts have been concentrated in the two principal urban centers, so the outer islands have limited access to basic services, including basic skills training for adults and school leavers. A proposed TA for rural productive skills development will help develop basics skills such as plumbing, masonry, carpentry, sewing, and agroprocessing, thereby improving the labor force, reducing unemployment, and increasing cash incomes. A proposed loan project for outer island infrastructure development (OIIDP), intended to help improve accessibility to markets and social services, has been further deferred. The Government and ADB signed a poverty partnership agreement on 12 September 2003 confirming the Government's commitment to analyzing poverty, developing appropriate strategies to reduce it, and implementing these strategies through its policies and budgets.

#### **B. Progress in the Country Strategy and Program Focus Areas**

##### **1. Good Governance and Economic Management**

20. For the past 6 years, ADB's program in Vanuatu has been formulated in harmony with the CRP policy matrix. ADB's CRP project aimed to enhance and sustain private sector-led economic growth with its benefits distributed equitably. This objective was to have been achieved by (i) redefining the role of Government and enhancing the quality and delivery of its services, (ii) increasing the productivity and growth of the commercial and private sectors, and (iii) supporting improvement of social indicators. The CRP was also intended to rescue and restructure the NBV and VNPF. The CRP achieved some of the envisaged outcomes. Measures to redefine the role of government and restructure financial institutions were successful. However, economic growth has not increased and this has threatened the improvement of social indicators.

21. Reforms remain unfinished in several areas, particularly with regard to economic development: (i) lack of consistency, transparency, and accountability in economic and financial decision-making; (ii) poor governance and/or weak management of state-owned enterprises (SOEs) and regulatory agencies; (iii) granting of protection, exemptions, and monopoly rights to

---

<sup>4</sup> ADB. 2001. *Technical Assistance for Consultation Workshops on Poverty Reduction Strategies for Selected Pacific DMCs*. Manila.

selected industries and/or business people without examination of impacts; (iv) inconsistent policy on the sale of government-owned assets; (v) a worsening fiscal situation arising from unbudgeted payouts, lack of control over the wage bill, and lax revenue collection; and (vi) consistent weaknesses in the public service, particularly in senior positions.

22. The PAA has been developed with a view to linking the long-term CRP action matrix to short-term budget and action priorities. It calls for stepped-up efforts in the productive sectors, particularly agriculture and tourism. The Government is placing priority on providing support to these sectors. ADB has offered to help further develop the PAA, and a TA is currently being processed to help the government develop a framework for setting priorities of sector development plans, corporate plans, departmental budgets, and project proposals. Ongoing and proposed ADB assistance to help improve the financial sector will help in agriculture and tourism sector development. The European Union and the Government of France are providing support for developing and marketing agricultural products, and other funding agency support is likely for the tourism sector.

## **2. Private Sector Development**

23. The Government is ineffective in supplying the essential public goods for an effective and efficient private sector: secure property rights, a legal system that allows contracting with confidence, efficient and low-cost infrastructure, and regulations that are consistently enforced.

24. Neither the Government nor private companies provides low-cost infrastructure. Government provision regularly fails because of little incentive for efficiency, political interference, and the tendency to overstaff and neglect maintenance. Private services such as telecommunications and utilities are deficient because private suppliers have been granted nontransparent, poorly regulated, long-term monopolies. The result is costly, inefficient services in Port Vila and Luganville and hardly any service in rural areas. In effect, the current system exacerbates rather than reduces geographic constraints such as isolation and size—inappropriate government intervention pushes up costs, reduces competition, and tends to crowd out the private sector. The CRP policy matrix and the Business Forum confirm a few key issues for Vanuatu's business environment: (i) SOE reforms and privatization, which have been sluggish because of lukewarm political commitment, should be accelerated; (ii) private concessions should be reviewed and rectified; (iii) existing monopolies should be regulated to guarantee competitive market prices; and (iv) private participation in infrastructure projects should be promoted.

25. Vanuatu's domestic financial sector provides only a minimal range of banking services. Access to credit is limited—especially for Ni-Vanuatu entrepreneurs—and interest rate spreads are high, reflecting high unit costs and risk premiums. The introduction of a secured transaction system that allows using movable property (chattels) as collateral is fundamental in developing an effective credit market. A well-functioning secured transactions system would generate economic and social gains for creditors and debtors, reducing transactions costs and improving access to credit. As diagnosed under the small-scale technical assistance (SSTA) for access to affordable credit,<sup>5</sup> however, Vanuatu's laws do not allow for the inexpensive and predictable use of movable property as collateral. The framework for lending that meets the standards for creation, priority, publicity, and enforcement of security interests is not in place. While it is possible to use some forms of collateral, the process is costly, inefficient, and risky to lenders: the existing framework does not permit the effective use of collateral as security for loans. These shortcomings have significant adverse economic consequences for Vanuatu. They

---

<sup>5</sup> ADB. 2003. *Technical Assistance to the Republic of Vanuatu for Diagnostic Study for Improving Access to Affordable Credit*. Manila.

hinder the country in developing its comparative advantage in areas such as agriculture, fishing, and tourism, resulting in a loss of potentially high-value export opportunities. The current system inhibits the growth of businesses, prevents commercial opportunities from being fully exploited, and especially disadvantages people (primarily Ni-Vanuatu) who wish to operate their businesses as sole proprietors. The inability to purchase equipment on credit harms productivity and exacerbates the disadvantages of the wide geographic area that Vanuatu occupies. Accordingly, ADB has submitted for approval in 2004 a TA to assist the Government in establishing a well-functioning secured transactions framework.

### **3. Infrastructure**

26. Inadequate transport infrastructure continues to be a major obstacle to economic growth, particularly in the outer islands. Despite numerous funding-agency-assisted initiatives, little progress has been made in addressing this problem. Despite the Government's reluctance to borrow for the OIIDP, they have requested support for preparation of an urban sanitation and public health project and assistance in port corporatization. The former would follow the outline of a master plan developed earlier with ADB assistance,<sup>6</sup> focusing on expansion of potable water provisions, and appropriate sewage and solid waste management services for Port Vila and Luganville. Shipping is central to developing Vanuatu's private sector, as well as to enhanced service delivery to the outer islands. Expanding shipping services is imperative, as is operating the two main ports more efficiently. Privatizing the management of port assets, as well as introducing competition and innovation to port operations, would accomplish this. The urgency in introducing reforms has been heightened by years of underfunding, physical and political indifference to asset management and utilization, and heightened security regulations introduced by the International Maritime Authority on 1 July 2004.

### **4. Social Development and Environment**

27. Vanuatu has some of the lowest human development indicators among the PDMCs. Basic and secondary educations, which are inadequate in quantity and quality (Appendix 2, Table A2.4), are being supported by the governments of Australia and France, as well as the European Union. The World Bank has a sector project focused on basic education, and ADB has an advisory TA underway to help prepare a TVET policy framework. The health sector enjoys support from the governments of Australia, New Zealand, Japan, and the People's Republic of China, as well as the World Health Organization and the United Nations Populations Fund (UNFPA).

28. Pressures on land, water, and the marine environment—reef depletion, soil erosion, water contamination due to poor waste disposal, watershed damage, and substantial climate variation—have become visible only in recent years (Appendix 2, Table A2.5). Continuing urban migration has given rise to slum communities with inadequate water, sewerage, or waste management systems. Environmental legislation drafted with ADB assistance<sup>7</sup> was approved in 2002, and technical assistance is scheduled in 2004 to mainstream environmental considerations in economic and development planning.

29. Although women are responsible for harvesting and marketing most crops, as well as managing their households, they are disadvantaged socially, economically, and politically. Rural women are especially disadvantaged, and women's groups are demanding more participation in various activities. ADB has helped build the capacity of the Vanuatu National Council of

<sup>6</sup> ADB. 1996. *Technical Assistance to the Republic of Vanuatu for the Sanitation Master Plan for Port Vila*. Manila.

<sup>7</sup> ADB. 1996. *Technical Assistance to the Republic of Vanuatu for the Urban Growth Strategy for Port Vila*. Manila.

Women. The TVET TA, the microfinance pilot project, and a proposed TA for rural productive skills development will all help improve services available to women. Gender targeting will be built into all these projects.

30. Vanuatu has a wide range of international and domestic nongovernment organizations, some deeply involved in development. The Chamber of Commerce and Industry has a series of programs to help develop natural resources, including forestry (2002), livestock (2003), and marine resources (2004). The chamber's program will be supported through ADB's involvement in private-sector development. The ongoing TVET TA will support the development of nongovernment organizations, including the National Training Council and informal rural training centers. Further support for TVET is envisaged.

### **C. Highlights in Coordination of External Funding and Partnership Arrangements**

31. The first consultative group meeting for Vanuatu, held in Nouméa in July 1997, resulted in funding agency commitments to the CRP. The Government followed this with a development partners' meeting based on the PAA held in Port Vila on 4 September 2003. The meeting revealed a need for greater assistance for the economy, including economic policy, strategic planning, agriculture, tourism, infrastructure, education, and private-sector development. In agriculture, tourism, and education, ADB is encouraging other funding agencies to close the gap, while in others, such as strategic planning, skills development, infrastructure, and private sector development, ADB will provide direct support. Present and proposed funding agency assistance is summarized in Appendix 2, Table A2.6.

## **IV. PORTFOLIO MANAGEMENT ISSUES**

### **A. Portfolio Performance**

32. By 31 December 2003, ADB had extended 9 loans and 51 TAs totaling \$51.25 million and \$13.665 million, respectively. The most recent loan, for cyclone emergency rehabilitation approved in April 1999 for \$2.00 million, was successfully completed in December 2000. Vanuatu has no active loans at present. Of the nine loans extended, five have been for infrastructure rehabilitation, two for development finance, and one each for agriculture extension and the CRP. The outstanding balance on ADB loans represents the majority of Vanuatu's external debt. Portfolio indicators for loans are shown in Appendix 2, Tables A2.7–A2.10. Of the 51 TAs (including 11 project preparatory TAs), more than 40% has been for institutional support and capacity building. As of 31 December 2003, 10 TAs were active, 7 of which were ongoing and 3 completed but not financially closed. All but two of the active TAs have required extended completion dates averaging over 30 months. Despite the implementation delays, all completed TAs have been rated as successful.

### **B. Performance Monitoring and Evaluation**

33. While many executing agencies lack the necessary skills for effective monitoring of project implementation, project management consultants and in-house advisors have largely provided these functions. The presence of a regional mission has also contributed significantly, allowing prompt intervention in problem solving through regular hands-on involvement. Provision has also been made through loans and TAs for training of counterpart staff both in ADB policies and procedures and in sector-related developments.

## **V. COUNTRY PERFORMANCE AND LENDING LEVELS**

### **A. Lending Program**

34. The allocation of ADF funds will be determined under the revised performance-based allocation (PBA) policy (under process). For planning purposes, however, a lending level of \$6.0 million over 2–3 years has been adopted, subject to the findings of the new PBA policy. No ADF lending is proposed for 2005.

### **B. Nonlending Program**

35. Ongoing TAs include an advisory TA on TVET, capacity-building assistance to Parliament and the National Statistics Office, assistance to CRP, a diagnostic study for improving access to affordable credit, and rural microfinance outreach. Assistance in 2004 will focus on the development of a medium-term strategic framework at the Ministry of Finance, as well as private-sector development through a TA on secured transactions reforms. There will also be a TA for rural productive skills development and capacity building in infrastructure management in 2005, and strengthening development policies in 2006. Because the scope for lending is limited, the only project preparatory TA will be for urban sanitation and public health in 2006. Concept papers for nonlending products are in Appendix 3.

### **C. Summary of Changes to the Lending and Nonlending Program**

36. The above program continues to focus on creating a more enabling environment for private-sector development, while maintaining ADB's assistance in engendering sound economic management and good governance. The program also reflects ADB's concern for the growing disparity in economic opportunities between urban and rural dwellers, with planned further assistance for TVET and rural productive skills development. Given the subdued economic climate in Vanuatu, no provision has been made for lending in the next 2 years.

37. For reference purposes, the 2004 Assistance Program for Nonlending Products is provided in Appendix 4, Table A4.1.

## SUMMARY STATEMENT OF STRATEGY

<b>Objectives</b>	To build local capacity for sound economic management and good governance	To create an enabling environment for private sector development	To reduce poverty through improved employment opportunities, particularly in rural areas
<b>Strategic Focus/Key Result Areas</b>	<ul style="list-style-type: none"> <li>▪ Enhance policy analysis and formulation capabilities of key central and line agencies</li> <li>▪ Help prepare a midterm (3-year) strategic economic framework</li> </ul>	<ul style="list-style-type: none"> <li>▪ Establish sound policy frameworks and support services</li> <li>▪ Ensure adequate physical infrastructure to support private sector growth</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increase nonformal income-orientated training</li> <li>▪ Expand rural financial services through microfinance outreach programs, thus supporting rural economic development</li> </ul>
<b>Ongoing/Proposed Loans</b>	None	None	None
<b>Ongoing/Proposed TAs</b>	<ul style="list-style-type: none"> <li>▪ Institutional support to central agencies for CRP (2000):</li> <li>▪ Institutional strengthening of the Parliament (2001)</li> <li>▪ Institutional strengthening of the National Statistics Office (2002)</li> <li>▪ Preparation of a midterm strategic framework (2004)</li> <li>▪ Strengthening development policies (2006)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Diagnostic study for improving access to credit (2003)</li> <li>▪ Reform of the legal and regulatory framework for securing access to credit (2004)</li> <li>▪ Establishment of a registration system and credit reference facility (2004) for secured transactions</li> <li>▪ Feasibility assessment of a credit reference facility (2006)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Performance improvements to service delivery units (2001)</li> <li>▪ Policy framework for technical vocational education and training (2002)</li> <li>▪ Rural and microfinance outreach (2003)</li> <li>▪ Rural productive skills development (2005)</li> </ul>
<b>Other ADB Assistance</b>	<ul style="list-style-type: none"> <li>▪ RETAs on governance and fiscal management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Identification of administrative constraints on private sector development</li> <li>▪ RETAs on private sector development</li> </ul>	<ul style="list-style-type: none"> <li>▪ Poverty partnership agreement (2003)</li> <li>▪ RETA on making resource allocation pro-poor (2004)</li> <li>▪ RETAs on poverty reduction and environment</li> </ul>
<b>Other Funding Agency Assistance</b>	<ul style="list-style-type: none"> <li>▪ Support for financial sector development (PFTAC)</li> <li>▪ Support for the reserve bank (IMF)</li> <li>▪ Finance and economic management (AusAID, NZAID)</li> <li>▪ Revenue study (NZAID)</li> <li>▪ Revenue compliance (AusAID, NZAID)</li> <li>▪ Public-sector reform (AusAID)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Support for private sector development (FIAS)</li> <li>▪ Producers' organization project (EU and France)</li> <li>▪ Support for infrastructure management improvement (EU)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Support for education, health and community-based initiatives (AusAID, New Zealand, France, EU)</li> <li>▪ Support for rural infrastructure rehabilitation (AusAID, France, Japan, EU)</li> </ul>
<b>Target Outcomes</b>	<ul style="list-style-type: none"> <li>▪ Key statistics produced and available for use in a timely manner</li> <li>▪ GDP growth rate exceeds the population growth rate by end of 2007</li> </ul>	<ul style="list-style-type: none"> <li>▪ Investment climate improved, private sector investment on the upswing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ability to sustain rural training centers and the provision of social and financial infrastructure.</li> <li>▪ More practical vocational education and training curriculum, greater outreach to women</li> </ul>

ADB = Asian Development Bank, AusAID = Australian Agency for International Development, CRP = comprehensive reform program, EU = European Union, FIAS = Foreign Investment Advisory Service, IMF = International Monetary Fund, NZAID = New Zealand Agency for International Development, PFTAC = Pacific Finance Technical Assistance Centre, RETA = regional technical assistance, TA = technical assistance.

## COUNTRY AND PORTFOLIO INDICATORS, AND ASSISTANCE PIPELINE

**Table A2.1: Progress toward the Millennium Development Goals and Targets**

Goals and Targets	1990	1995	Latest Year	
<b>Goal 1. Eradicate Extreme Poverty and Hunger</b>				
<b>Target 1: Reduce incidence of extreme poverty by half from 1990 to 2015</b>				
1. Proportion of population below \$1 per day (PPP-values) (%)				
Total	—	—	40.0	(1998)
Rural	—	—	51.1	(1998)
2. Poverty gap ratio	—	—	—	
3. Share of poorest quintile in national consumption (%)	—	—	3.0	(1998)
<b>Target 2: Reduce the proportion of people who suffer from hunger by half from 1990 to 2015</b>				
4. Prevalence of child malnutrition (% of children under 5)	20.0 <sup>a</sup> (1985)	12.1 <sup>b</sup> (1996)	23.0 <sup>c</sup>	(1997)
5. Proportion of population below minimum level of dietary energy consumption (%)	—	—	—	
<b>Goal 2. Achieve Universal Primary Education</b>				
<b>Target 3: Attain 100% primary school enrolment by 2015</b>				
6. Net enrollment ratio in: (%)				
Primary education	70.7 <sup>d</sup>	103.9 <sup>d,e</sup> (1998/99)	95.9	(2000/01)
Male	70.2 <sup>d</sup>	103.4 <sup>d,e</sup> (1998/99)	91.7	(2000/01)
Female	71.3 <sup>d</sup>	104.4 <sup>d,e</sup> (1998/99)	100.5	(2000/01)
Secondary education			22.6	(1998/99)
7. Proportion of pupils starting Grade 1 who reach Grade 5	90.2 <sup>e,f</sup> (1991)	101.1 <sup>d</sup> (1998)	70.0	(2002)
8. Literacy rate of 15–24 year olds (%)	—	—	90.0	(1999)
Male	—	—	91.0	(1999)
Female	68.0 <sup>c</sup> (1980–89)	—	89.0	(1999)
<b>Goal 3. Promote Gender Equality and Empower Women</b>				
<b>Target 4: Eliminate gender disparities in primary and secondary education by 2005 and to all levels of education no later than 2015</b>				
9. Ratio of girls to boys in: (%)				
Primary education	89.0 <sup>d</sup>	91.0 <sup>d</sup> (1998)	99.0 <sup>d</sup> (2000)	92.0 (2002)
Secondary education	62.0 <sup>f</sup>	111.0 <sup>d</sup> (1998)	77.0 <sup>d</sup> (2000)	94.0 (2002)
Tertiary education	—	63.0 <sup>d</sup> (1998)	—	—
10. Ratio of young literate females to males (% of age group 15–24)	—	—	98.0	(2002)
11. Share of women in wage employment in the nonagricultural sector	—	—	36.5	(2002)
12. Proportion of seats held by women in national parliament	4.3 <sup>d</sup>	—	0.0 <sup>d</sup> (2000)	1.9 <sup>d,g</sup> (2003)

*Continued on next page*

Goals and Targets	1990	1995	Latest Year
<b>Goal 4. Reduce Child Mortality</b>			
<b>Target 5: Reduce infant and child mortality by two thirds from 1990 to 2015</b>			
13. Under-5 mortality rate (per 1,000 live births)	70.0 <sup>d,f,h</sup>	56.0 <sup>d,h</sup>	42.0 <sup>f</sup> (2001)
14. Infant mortality rate (per 1,000 live births)	52.0 <sup>d,f,h</sup>	43.0 <sup>d,h</sup>	34.0 <sup>f</sup> (2001)
15. Proportion of 1-year-old children immunized against measles	66.0 <sup>f</sup> (1989–90)	75.0 (1999)	94.0 <sup>f</sup> (2001)
<b>Goal 5. Improve Maternal Health</b>			
<b>Target 6: Reduce maternal mortality rate by three quarters between 1990 and 2015</b>			
16. Maternal mortality ratio (per 100,000 live births)	68.0 <sup>i</sup> (1993)	32.0 <sup>d</sup>	68.0 (1998)
17. Births attended by skilled health staff (% of live births)	87.0 <sup>d*</sup>	89.1 <sup>i</sup>	79.0 <sup>c,f</sup> (1995–2000)
<b>Goal 6. Combat HIV/AIDS, Malaria and Other Diseases</b>			
<b>Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS</b>			
18. HIV prevalence rate among 15–24 year old pregnant women	—	—	—
19. Contraceptive prevalence rate (% of women aged 15–49)	—	—	15.0 (1998)
20. Number of children orphaned by HIV/AIDS	—	—	—
<b>Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases</b>			
21. Malaria:			
Prevalence rate (per 100,000 people)	—	—	3,260.0 <sup>d</sup> (2000)
Death rate (per 100,000 people)	—	—	11.0 <sup>d</sup> (2000)
22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures	—	—	83.0 (2000)
23. Tuberculosis:			
Prevalence rate (per 100,000 people)	—	—	65.0d (2000)
Death rate (per 100,000 people)	—	—	9.0d (2000)
24. Proportion of TB cases:			
Detected under DOTS (%)	—	32.1 <sup>d</sup> (1999)	34.4 <sup>d</sup> 60.1 <sup>d</sup> (2000) (2001)
Cured under DOTS (%)	—	88.0 <sup>d</sup> (1999)	89.0 <sup>d</sup> — (2000)
<b>Goal 7. Ensure Environmental Sustainability</b>			
<b>Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources</b>			

Continued on next page

Goals and Targets	1990	1995	Latest Year	
<b>Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water</b>				
25. Access to an improved water source (% of population)				
Total	—	87.0 <sup>c</sup> (1995–97)	73.0 <sup>j,n</sup>	(1999)
Urban	100.0 <sup>l</sup> (1988)	—	89.0 <sup>j,n</sup>	(1999)
Rural	64.0 <sup>l</sup> (1988)	—	73.0 <sup>j,n</sup>	(1999)
<b>Target 11: By 2010, to have achieved a significant improvement in the lives of at least 100 million slum dwellers</b>				
26. Access to improved sanitation (% of population)				
Total	—	91.0 <sup>c</sup> (1995–97)	50.0 <sup>j,o</sup>	(1999)
Urban	82.0 <sup>l</sup> (1988)	—	78.0 <sup>j,o</sup>	(1999)
Rural	33.0 <sup>l</sup> (1988)	—	42.0 <sup>j,o</sup>	(1999)
27. Access to secure tenure (% of population) <sup>m</sup>	—	—	—	

— = not available, DOTS = directly observed treatment, short course; HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, TB = tuberculosis.

\* Data refer to years or periods prior to 1995.

<sup>a</sup> United Nation's Children's Fund (UNICEF). 1997, 1999, 2000. *The Progress of Nations*.

<sup>b</sup> Vanuatu Statistics Office. 1996. *National Nutrition Survey*. Port Vila

<sup>c</sup> United Nations Development Programme (UNDP). 1994, 1999. *Pacific Human Development Report*. UNDP. 1994, 1999, 2000, 2001, 2002. *Human Development Report*.

<sup>d</sup> United Nations Statistics Division (UNSD). *Millennium Indicator Database(2002)*. Available: <http://millenniumindicators.un.org>

<sup>e</sup> United Nations Educational, Scientific and Cultural Organization (UNESCO). Institute for Statistics. Available: <http://portal.unesco.org/uis>; UNESCO. *Statistical Yearbook*. Available: <http://www.unesco.org>.

<sup>f</sup> United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). 2002. *Economic and Social Survey of Asia and the Pacific*; UNESCAP/UNDP. 2003. *Promoting the Millennium Development Goals in Asia and the Pacific: Meeting the Challenges of Poverty Reduction*. Available: <http://www.unescap.org>.

<sup>g</sup> Inter-Parliamentary Union (IPU). *Information on National Parliaments*. Available: <http://www.ipu.org>.

<sup>h</sup> World Health Organization (WHO)/UNICEF. 2002. *End-Decade Databases*. Available: <http://childinfo.org>

<sup>i</sup> WHO. *Western Pacific Region Health Data Bank (rev/2001)*. Available: <http://wpro.who.int>

<sup>j</sup> Vanuatu Statistics Office. 2000. *National Population and Housing Census Main Report*. Port Vila

<sup>k</sup> UNSD. United Nations Framework Convention on Climate Change-Carbon Dioxide Information Analysis Center (UNFCCC-CDIAC). Available: <http://unstats.un.org>.

<sup>l</sup> UNICEF/WHO/Water Supply and Sanitation Collaborative Council (WSSCC). *Global Water Supply and Sanitation Assessment 2000 Report*, WHO/UNICEF. *Joint Monitoring Programme for Water Supply and Sanitation (Coverage Estimates 1980–2000)*. Available: <http://childinfo.org>

<sup>m</sup> Most land is held under customary land tenure, meaning that little is registered under legally enforceable titles. However, customary tenure gives most people access to land for subsistence purposes.

<sup>n</sup> Includes access to piped water, or to community or household water tanks.

<sup>o</sup> Includes access to flush, water-sealed, or ventilated improved pit latrines.

Sources: Unless otherwise specified, data are from ADB's RETA 6002 Discussion Papers (2002), which are primarily based on the 1998 Household Income and Expenditure Survey and the 1989 & 1999 censuses.

Table A2.2: Country Economic Indicators

Item	Fiscal Year				
	1999	2000	2001	2002	2003
<b>A. Income and Growth</b>					
1. GDP per Capita (\$, current)	1,344	1,270	1,189	1,171	1,186
2. GDP Growth (% in constant prices)	(3.2)	2.7	(2.1)	(2.8)	1.3
Agriculture	(12.2)	7.4	0.5	1.7	3.4
Industry	4.6	2.1	(4.7)	(5.9)	1.2
Services	(1.7)	1.4	(1.8)	(3.9)	0.8
<b>B. Saving and Investment (current market prices)</b>					
			(% of GDP)		
1. Gross Domestic Investment	20.3	22.1	20.0	20.9	–
2. Gross Domestic Saving	19.2	19.3	20.6	16.7	–
<b>C. Money and Inflation</b>					
			(annual % change)		
1. Consumer Price Index <sup>a</sup>	2.1	2.5	3.7	2.0	2.5
2. Total Liquidity (M2)	(9.2)	5.5	5.6	(1.7)	6.2
<b>D. Government Finance</b>					
			(% of GDP)		
1. Total Revenue and Grants	22.5	20.8	20.0	22.7	24
2. Total Expenditure and Onlending	23.6	27.9	23.7	24.2	24
3. Overall Fiscal Surplus/Deficit (-)	(1.1)	(7.1)	(3.7)	(1.5)	0
<b>E. Balance of Payments</b>					
1. Merchandise Trade Balance (% of GDP)	(23.0)	(20.9)	(24.8)	(24.2)	(20)
2. Current Account Balance (% of GDP)	(4.8)	1.8	(2.3)	(2.1)	(0.3)
3. Merchandise Export (\$) growth (FOB, annual % change)	(24.0)	1.6	(24.1)	1.1	20.1
4. Merchandise Import (\$) growth (FOB, annual % change)	9.3	(7.6)	0.9	(0.4)	10.2
<b>F. External Payments Indicators</b>					
1. Gross Official Reserves (\$ million, end of period)	42.7	40.4	38.0	34.9	42
(in months of imports)	5.9	5.8	5.4	4.7	4.6
2. External Debt Service (% of exports of goods & services)	4.0	0.9	1.1	1.0	–
3. External Debt (% of GDP)	25.5	31.6	29.7	29.8	–
<b>G. Memorandum Items:</b>					
GDP (current prices, in vatu million)	32399	33662	34121	32956	35857
Exchange Rate (vatu/\$, annual average)	129.1	138.3	145.7	139.1	122.2
Population (million)	0.187	0.192	0.197	0.202	0.196

– = not available, fob = free on board, GDP = gross domestic product.

Fiscal year ends on 31 December.

<sup>a</sup> Period average 1990 = 100

Sources: National Statistics Office (NSO). 2002. *National Accounts 1983–2001*. Port Vila. NSO. *Statistical Indicators*. Various issues; Reserve Bank of Vanuatu. *Quarterly Economic Review*. Various issues; National Budget. 2003. *Vanuatu Fiscal Strategy Report*; ADB. 2002. *Vanuatu: Economic Performance and Challenges Ahead*. Manila; Asian Development Bank estimates.

Table A2.3: Country Poverty Indicators

Item	Period		
	1990	1994	Latest Year
<b>1. Development Progress Indices</b>			
Human Development Index (HDI)	—	0.424	0.425 (1998)
PDMC Rank	—	8	10
Human Poverty Index (HPI)	—	—	46.4 (1998)
PDMC Rank	—	—	10
Composite Vulnerability Index	—	—	13.295 (1998)
PDMC Rank	—	—	1
Gender-Related Development Index	—	—	—
Global Rank	—	—	—
<b>2. Poverty Indicators</b>			
Headcount Index (% poor of total households)	—	—	—
Poverty Severity Index (%)	—	—	—
<b>3. Inequality Indicators</b>			
Gini Coefficient	—	—	—
Household Income (% of total)			
H25 <sup>a</sup>	—	—	—
L25 <sup>b</sup>	—	—	—
Income Ratio (H25/L25)	—	—	31.0 (1998)
Port Vila	—	—	> 50.0 (1998)
Rural	—	—	2.3 (1998)

— = not available; > = more than, PDMC = Pacific developing member country.

<sup>a</sup> H25: highest quartile.

<sup>b</sup> L25: lowest quartile.

Sources: ADB. 2001. *Technical Assistance for Consultations Workshops on Poverty Reduction Strategies in Selected Pacific Developing Member Countries*. Manila (Discussion Papers); United Nations Development Programme. 1994, 1999. *Pacific Human Development Report*.

Table A2.4: Country Social Indicators

Item	Period		
	1990	1995	Latest Year
<b>A. Demographic Indicators</b>			
1. Total Population ('000)	142.4 (1989)	168.4 <sup>a</sup>	186.7 (1999) 199.6 <sup>b</sup> (2002 est.)
2. Annual Population Growth Rate (% change)	2.5 <sup>a</sup> (1979-89)	2.6 <sup>a</sup>	2.7 (1989-99)
3. Dependency Ratio (% of dependents to working age)	98.0 <sup>b</sup> (1989)	92.0 <sup>b</sup> (1997)	91.0 (1999)
Urban	...	—	65.0 (1999)
Rural	—	—	100.0 (1999)
4. Total Fertility Rate (births per woman)	5.3 <sup>a</sup> (1989)	5.0 <sup>c</sup> (1997-98)	4.5 (1999) 4.4 <sup>d</sup> (2000)
5. Average Household Size	5.1 <sup>a</sup> (1989)	—	5.1 (1999)
Urban	—	—	4.9 (1999)
Rural	—	—	5.2 (1999)
Poor	—	—	5.2 (1998)
Nonpoor	—	—	4.9 (1998)
<b>B. Health</b>			
1. Life Expectancy at Birth (years)	62.8 <sup>b</sup> (1989)	66.0 <sup>e</sup> (1997)	68.0 (1999)
Male	61.5 <sup>a,b</sup> (1989)	65.0 <sup>e</sup> (1997)	70.0 (1999)
Female	64.2 <sup>a,b</sup> (1989)	69.0 <sup>e</sup> (1997)	67.0 (1999)
2. Population with Access to Health Services (%)	—	80.0 <sup>c</sup> (1997)	80.0 (1999)
3. Population per Doctor	7,365 <sup>f</sup> (1990)	8,860 <sup>e</sup> (1997)	10,800 (1999)
4. Government Expenditure on Health			
As % of Total Government Spending	11.6 <sup>a,f</sup>	10.7 <sup>a,f</sup>	12.4 (2001)
As % of GNP	2.4 <sup>a,f</sup>	2.6 <sup>a,f</sup>	2.5 <sup>a,f</sup> (1997)
<b>C. Education</b>			
1. Adult Literacy Rate (%)	34.0 <sup>c</sup> (1989)	—	75.0 (1999)
Male	37.0 <sup>c</sup> (1989)	—	—
Female	30.0 <sup>c</sup> (1989)	—	50.0 (1999)
Urban	—	—	90.0 (1999)
Rural	—	—	69.0 (1999)
2. Combined Gross School Enrollment Ratio	57.0 <sup>c</sup> (1989)	—	53.7 <sup>g</sup> (1998/99)
Male	60.0 <sup>c</sup> (1989)	—	53.5 <sup>g</sup> (1998/99)
Female	55.0 <sup>c</sup> (1989)	—	53.8 <sup>g</sup> (1998/99)

Continued on next page

Item	Period		
	1990	1995	Latest Year
3. Gross Primary Enrollment (% of aged 5–14 years)	72.0 <sup>c</sup> (1989)	110.8 <sup>g</sup> (1998/99)	117.0 <sup>g</sup> (2000/01)
Male	73.0 <sup>c</sup> (1989)	111.4 <sup>g</sup> (1998/99)	113.0 <sup>g</sup> (2000/01)
Female	70.0 <sup>c</sup> (1989)	110.2 <sup>g</sup> (1998/99)	121.3 <sup>g</sup> (2000/01)
4. Gross Secondary Enrollment (% of aged 15–19 years)	22.0 <sup>c</sup> (1989)	22.6 <sup>g</sup> (1998/99)	28.3 <sup>g</sup> (2000/01)
Male	26.0 <sup>c</sup> (1989)	20.6 <sup>g</sup> (1998/99)	30.7 <sup>g</sup> (2000/01)
Female	18.0 <sup>c</sup> (1989)	24.7 <sup>g</sup> (1998/99)	25.7 <sup>g</sup> (2000/01)
5. Student-Teacher Ratio (no. of students per teacher)			
Primary	27.0 <sup>f</sup>	23.4 <sup>g</sup> (1998/99)	23.1 <sup>a</sup> (2000)
Urban	—	—	24.8 <sup>a</sup> (2000)
Rural	—	—	22.8 <sup>a</sup> (2000)
Secondary	16.0 <sup>f</sup>	24.5 <sup>g</sup> (1998/99)	13.3 <sup>a</sup> (2000)
6. Government Expenditure on Education			
As % of Total Government Spending	22.5 <sup>a,f</sup>	23.7 <sup>a,f</sup>	26.4 (2001)
As % of GDP	5.0 <sup>a,f</sup>	5.2 <sup>a,f</sup>	5.5 (2001)

— = not available, GDP = gross domestic product, GNP = gross national product.

<sup>a</sup> ADB. 2002. *Vanuatu: Economic Performance and Challenges Ahead*. Manila.

<sup>b</sup> Secretariat of the Pacific Community (SPC), Demography/Population Programme. *Pacific Island Populations Data Sheet*. (1997, 2000, 2002, 2003). Available: <http://www.spc.int/demog/>.

<sup>c</sup> United Nations Development Programme. 1994, 1999. *Pacific Human Development Report* <sup>d</sup> World Health Organization (WHO) /United Nations Children's Fund. 2002. *End-Decade Databases*. Available: <http://childinfo.org>.

<sup>e</sup> WHO. *Western Pacific Region Health Data Bank (rev/2001)*. Available: <http://wpro.who.int>.

<sup>f</sup> ADB. 2001, 2002. *Key Indicators*. Manila.

<sup>g</sup> United Nations Educational, Scientific and Cultural Organization. Institute for Statistics. Available: <http://portal.unesco.org/uis>.

Sources: Unless otherwise specified, data are from ADB's Regional Technical Assistance (RETA) 6002 Discussion Papers (2002), which are primarily based on the 1989, 1998, and 1999 censuses. Government spending data are from the Ministry of Finance.

**Table A2.5: Country Environment Indicators**

Indicator	1990	Latest Year
<b>A. Energy Efficiency of Emissions</b>		
1. Traditional Fuel Use (% of total energy use)	—	—
<b>B. Water Pollution</b>		
1. Water Bodies Exceeding Contact Recreation Standards		
Biological Oxygen Demand (BOD)	—	—
Chemical Oxygen Demand (COD)	—	—
<b>C. Air Pollution</b>		
1. Carbon Dioxide (CO <sub>2</sub> ) Emissions		
Total ('000 metric tons)	66.0	80.7 (1999)
Per unit of GDP (kg/PPP\$ GDP)	—	0.1 (1999)
2. Sulfur Dioxide (SO <sub>2</sub> ) Emissions		
Per capita (kilograms)	—	—
<b>D. Land Use and Deforestation</b>		
1. Total Land Area (km <sup>2</sup> )	12,190	12,190 (2002)
2. Average Annual Deforestation Area (remaining km <sup>2</sup> )	—	4,470.0 (2000)
% change <sup>a</sup>	0.8 (1990–95)	-0.1 (1990–2000)
3. Arable Land (% of total land)	2.0 (1993)	2.5 (1998)
4. Cropland, Permanent (% of total land)	10.0 (1993)	7.4 (1998)
5. Pastures, Permanent (% of total land)	2.0 (1993)	—
6. Population Density, Rural (people per km <sup>2</sup> )	478 (1998)	514 (2001)
<b>E. Biodiversity and Protected Areas</b>		
1. Nationally Protected Area(s)		
Area (km <sup>2</sup> )	—	34.7 (1998)
Number	—	8 (1998)
2. World Heritage Sites (number)	—	—
3. Mammals (number of threatened species)	3 (1998)	5 (2002)
4. Birds (number of threatened species)	6 (1998)	7 (2002)
<b>F. Urban Areas</b>		
1. Urban Population		
% of total population	18.0 (1989)	22.1 (2001)
2. Per Capita Water Use (liters/day)	—	—
3. Wastewater Treated (%)	—	—
4. Solid Waste Generated per Capita (kg/day)	—	—

— = not available, GDP = gross domestic product, kg = kilogram, km<sup>2</sup> = square kilometer, PPP = Poverty Partnership Agreement.

<sup>a</sup> A positive number indicates a loss of forest area, a negative number a gain.

Sources: Central Intelligence Agency. 2001, 2002. *The World Factbook*. Available: <http://www.cia.gov>; South Pacific Commission (SPC). 1997. *Pacific Island Populations Data Sheet*. Noumea, SPC. 2002. *Oceania Population; Action Strategy for Nature Conservation in the Pacific Islands Region (1999–2002)*. United Nations Development Programme. 2000, 2002. *Human Development Report*; United Nations Statistics Division. 2002. *Millennium Indicator Database*. Available: <http://millenniumindicators.un.org>; International Bank for Reconstruction and Development/World Bank. 2000, 2002, 2003. *The Little Green Data Book*. Washington, DC; World Bank. 2003. *World Development Indicators* database. World Bank.

**Table A2.6: Development Coordination Matrix**

Sector/Thematic/ Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
<p><b>A. Economic and Public Sector Reform</b></p>	<p><b>Ongoing</b></p> <ul style="list-style-type: none"> <li>• TA 3789-VAN Performance Improvement to Service Delivery Units (2001)</li> <li>• TA 3449-VAN Institutional Support to Central Agencies for the CRP (2000): support for the next Development Partners Meeting</li> <li>• TA 3816-VAN Institutional Strengthening of the Parliament (2001)</li> <li>• TA 3833-VAN Institutional Strengthening of the National Statistics Office (2002)</li> </ul> <p><b>Programmed</b></p> <ul style="list-style-type: none"> <li>• Strengthening Development Policies (2006)</li> <li>• TA 4362-VAN Development of a Medium-Term Strategic Framework (2004)</li> </ul>	<ul style="list-style-type: none"> <li>• Advisor—Revenue Policy (NZAID) 2004–2005</li> <li>• VAT Audit and Compliance Support (NZAID)</li> <li>• Capacity Building of Vanwods (UNDP)</li> <li>• MFEM Institutional Strengthening Project (AusAID)</li> <li>• Public Sector Reform Project (AusAID)</li> <li>• Legal Sector Reform Project (AusAID)</li> <li>• Vanuatu Police Force Capacity Building Project (AusAID)</li> <li>• Government Business Reform—Review and Enforcement (AusAID)</li> <li>• Revenue/Rates Compliance Support (AusAID)</li> <li>• Vanuatu Immigration Service Computerized System (AusAID)</li> <li>• IT Specialist (AusAID)</li> <li>• Cash grant for the Rural Economic Development Initiative (AUS/NZ)</li> <li>• Wan Smol Bag Governance Project, Phase 3 (NZ) 2004–2007</li> <li>• Legal Advisor to Attorney-General (DFID)</li> <li>• Technical Advisor to the Land Valuation Office (CFTC)</li> <li>• Legal Adviser to Ombudsman (CFTC)</li> <li>• Development Theatre for the Education and Capacity Building of Ni-Vanuatu (EU)</li> <li>• Law &amp; Order—Support to AusAID Police Project (NZAID)</li> <li>• Decentralization TA to Dept. of Local Authorities (NZAID) 2004</li> <li>• Support to Supreme Court Judge (NZAID) (2003–2004)</li> <li>• March 2002 general elections (EU cash grant)</li> <li>• Advisors to DESD (JICA, NZ, EU)</li> </ul>
<p><b>B. Private Sector Development</b></p>	<p><b>Ongoing</b></p> <ul style="list-style-type: none"> <li>• TA 4172-VAN Diagnostic Study for Improving Access to Credit</li> </ul> <p><b>Programmed</b></p> <ul style="list-style-type: none"> <li>• Reform of the Legal and Regulatory Framework for Securing Access to Credit (2004)</li> <li>• Feasibility Assessment of a Credit Reference Facility (2004)</li> <li>• Establishment of a Registration System for Secured Transactions (2007)</li> </ul>	<ul style="list-style-type: none"> <li>• Rural Tourism Support—Vanuatu Island Bungalow Association (NZ cash grant)</li> <li>• Strengthening Business Training for Ni-Vanuatu (Japan cash grant)</li> <li>• Tourism Master Plan Review (CFTC)</li> <li>• Rural Tourism Strengthening Program (EU)</li> <li>• Vanuatu Credit Guarantee Scheme (PRC)</li> <li>• Credit Union Rural Development Finance (PRC)</li> <li>• Solar Home System (JAP/VG)</li> <li>• Rural Tourism Small Grants (AusAID)</li> <li>• REDI Capacity Building Project (NZAID cash grant 2004)</li> <li>• Support to Implementation of Customary (NZAID cash grant)</li> <li>• Lands Tribunals Act (2002) &amp; Review (2004) (NZAID)</li> </ul>

Continued on next page

Sector/Thematic/ Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
<b>C. Inclusive Social Development</b>	<p><b>Ongoing</b></p> <ul style="list-style-type: none"> <li>TA 6002-REG Poverty partnership Agreement (2003)</li> <li>TA 4238-VAN Rural and Microfinance Outreach</li> </ul> <p><b>Programmed</b></p> <ul style="list-style-type: none"> <li>Rural Productive Skills Development (2005)</li> </ul>	<ul style="list-style-type: none"> <li>Vanuatu Women's Crisis Center (AusAID-care funding)</li> <li>Tafea Woman's Arts and Crafts (NZAID)</li> <li>Youth At Risk (UK)</li> <li>Sanma Counselling Centre Project (NZ cash grant)</li> <li>Pacific Children's Program—Regional (AusAID)</li> <li>Protection of Child from Substance Abuse—Vila/suburbs (NZ cash grant)</li> <li>Tanna Counseling Center (AusAID)</li> <li>VARDTCA Training Project, Phase 2 (UK cash grant)</li> </ul>
<b>D. Education</b>	<p><b>Ongoing</b></p> <ul style="list-style-type: none"> <li>TA 4056-VAN Policy Framework for Technical Vocational Education and Training</li> </ul> <p><b>Programmed</b></p> <ul style="list-style-type: none"> <li>TA for rural productive skills development (2005)</li> </ul>	<ul style="list-style-type: none"> <li>Scholarship Program (AusAID)</li> <li>VSSEP Phase II (AusAID)</li> <li>Short-term training award: Diploma in Teaching English as a Second Language (NZAID)—Annual under EAP</li> <li>Education Assistance Program, Basic Education, 2003-2007 (NZAID)</li> <li>INTV Strengthening Project, 1997 (AusAID)</li> <li>Senior Secondary School Expansion Program (AusAID)</li> <li>CSF – Lycee (France)</li> <li>CFEB (Vanuatu Teachers College) (France)</li> <li>Parallel codification in French and English of Vanuatu laws (France)</li> <li>Junior Secondary Schools Project EUVED (EU)</li> <li>Vanuatu Partnership in Development (EU)</li> <li>Melanesian Arts and Cultural Festival (UNESCO)</li> <li>Ethnomusicological Project (SWISS)</li> <li>Teacher In-Service Training Program (USP)</li> <li>Informal Education Strengthening Project (UNDP)</li> <li>Extension of National Museum Storage Place (UNESCO)</li> <li>Establishment of Maritime College (AFD/EU/FRA)</li> <li>Training and Scholarships Award Programme (FRA/AUS/NZ), Annual</li> <li>Basic Education Sector Project (World Bank)</li> </ul>
<b>E. Health, Nutrition, and Social Protection</b>	No programmed activity in this sector	<ul style="list-style-type: none"> <li>Operation Mosquito (Rotary)</li> <li>Maternity Ward Extension and New Operating Theatre (Rotary)</li> <li>Hospital Ambulance Emergency Services (NZAID)</li> <li>Health Sector Planning and Management Development (AusAID)</li> <li>Pentecost Community Health Strengthening (AusAID)</li> <li>Production of Bislama Sign Language VSFDP (AusAID)</li> <li>Health Information System (AusAID)</li> <li>Health Strengthening Program (France)</li> <li>Upgrading of Erakor Dispensary to a Health Centre (France)</li> <li>Collaboration with Tokyo Women's Medical University (Japan)</li> <li>Renovation of Emau Dispensary (Japan cash grant)</li> <li>Pango Village First New Health Dispensary (Japan cash grant)</li> <li>Northern District Hospital Development Plan (AFD/WHO)</li> <li>Bed Net (JAP/NZ/SPC cash grant)</li> </ul>

Continued on next page



Sector/Thematic/ Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		<ul style="list-style-type: none"> <li>• Wowon Water Supply Project (CAN)</li> <li>• Enkul Water Supply Project, Phase 1 (CAN)</li> <li>• Rural Drilling and Hand Pump Installation Project—West Epi (CAN)</li> <li>• Hand Pump Replacement Project—East Epi (CAN)</li> <li>• MALAMPA Small Water Supply Project (PRC)</li> <li>• Rural Sanitation Project (UN)</li> </ul>
<b>G. Energy</b>	No programmed activity in this sector	<ul style="list-style-type: none"> <li>▪ Solar Rural Photovoltaic Project (AFD)</li> </ul>
<b>H. Environmental Sustainability</b>	<p><b>Programmed</b></p> <ul style="list-style-type: none"> <li>• No programmed activity in this sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Securing Erromango Protected Area (NZ AID)</li> <li>• Vulcanology and Seismology Risk Prevention (France)</li> <li>• Urban Squatter Settlement Survey (ESCAP/PIFS)</li> <li>• National Climate Change Capacity-Building Project (SPREP)</li> <li>• Maskelynes Mangrove Management Plan (SPREP)</li> <li>• Vanuatu Geodetic Control (People's Republic of China)</li> <li>• Restocking of Vanuatu Natural Forest Areas (ITTO)</li> <li>• Development of the National Forest Sector Plan (ITTO)</li> <li>• World Geodetic System 84 (NZ cash grant)</li> <li>• Observers and Forecasters (WMO)</li> <li>• School Environment Newsletter (SPREP)</li> <li>• Vanuatu National Biodiversity, Phase 2 (GEF)</li> <li>• Vanuatu Geodetic Control (PRC)</li> </ul>
<b>I. Agriculture and Natural Resources</b>	<p><b>Programmed</b></p> <ul style="list-style-type: none"> <li>• No programmed activity in this sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Genetic Analysis of <i>Santalum austrocaledonicum</i> (NZ AID) 2001 grant only</li> <li>• Livestock Research, 1998 (France)</li> <li>• Diversification (FRA/AFD)</li> <li>• Capacity Building for Forest Extension (AusAID)</li> <li>• Community-Based Fishing Development Project (FFA)</li> <li>• Construction of Agriculture College (People's Republic of China)</li> <li>• Forest Operator Accreditation Scheme Assessment (AusAID)</li> <li>• Landowner Extension and Awareness—Reforestation (EU)</li> <li>• Nonda Community Rural Development—Natural Resources (NZ cash grant)</li> <li>• Restocking of Vanuatu Natural Forest Areas (ITTO)</li> <li>• Development of the National Forest Sector Plan (ITTO)</li> <li>• FAO support for yam and banana production (EU)</li> <li>• Cash grant for Organic Producers Association, 2003 (NZ AID)</li> <li>• Seaweed (<i>Eucheuma cottonii</i>) farming project (FFA)</li> <li>• Producers Organization Project (EU/France)</li> <li>• South Pacific Regional Initiative on Forest Genetic Resources (AusAID)</li> </ul>

Continued on next page

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		<ul style="list-style-type: none"> <li>• Sea Level &amp; Climate Monitoring—Regional (AusAID)</li> <li>• Diagnosis &amp; Correction of Nutrition Disorders in Yams—Regional (AusAID)</li> <li>• Taro Genetic Resources Project—Regional (AusAID)</li> <li>• Pacific Organic Pollutants Project—Regional (AusAID)</li> <li>• Aquaculture Programme—Regional (AusAID)</li> </ul>

ADB = Asian Development Bank, AESOP = Australian Expert Service Overseas Programme, AFD = Agence Française de Développement, AUS = Australia, AusAID = Australian Agency for International Development, CAN = Canada, CFEB = Centre Formation Education Basic, CFTC = Commonwealth Fund for Technical Corporation, CRP = comprehensive reform program, CSF = Cycle Supérieure de Formation, DESD = Department of Economic and Social Development, DFID = Department for International Development, EIB = European Investment Bank, ESCAP = Economic and Social Commission for Asia and the Pacific, EU = European Union, EUVED = European Union Vanuatu Education Development Programme, FAO = Food and Agriculture Organization, FFA = Forum Fisheries Agency, FRA = France, GEF = Global Environment Facility, ICAO = International Civil Aviation Organization, IT = information technology, ITTO = International Tropical Timber Organization, JAP = Japan, JICA = Japan International Corporation Agency, MFEM = Ministry of Finance and Economic Management, NZ = New Zealand, NZAID = New Zealand Agency for International Development, PIFS = Pacific Island Forum Secretariat, PRC = People's Republic of China, REG = regional, SPC = South Pacific Commission, SPREP = South Pacific Regional Environment Programme, SWISS = Switzerland, TA = technical assistance, TVL = Telecom Vanuatu Limited, UK = United Kingdom, UN = United Nations, UNDP = United Nations Development Programme, UNESCO = United Nations Educational, Scientific and Cultural Organization, UNFPA = United Nations Population Fund, USP = University of the South Pacific, VAN = Vanuatu, VAT = value-added tax, VG = Vanuatu Government, WHO = World Health Organization, WMO = World Meteorological Organization.

Source: Asian Development Bank staff.

**Table A2.7: Portfolio Indicators—Portfolio Amounts and Ratings**  
(Public sector loans, as of 31 December 2003)

Sector	Net Loan Amount		Total		Rating <sup>a</sup>								Potential Problem <sup>b</sup>		At Risk <sup>c</sup>		
	(\$ million)	(%)	(no.)	(%)	Highly Satisfactory		Satisfactory		Partly Satisfactory		Unsatisfactory		(no.)	(%)	(no.)	(%)	
					(no.)	(%)	(no.)	(%)	(no.)	(%)	(no.)	(%)					
Agriculture and Natural Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health, Nutrition, and Social Protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Industry and Trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Law, Economic Management and Public Policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation and Communication	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Supply, Sanitation, and Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

<sup>a</sup> One rating for implementation progress and development objectives, based on the lower rating of either.

<sup>b</sup> Potential problem loans are satisfactory loans but have four or more risk factors associated with partly satisfactory or unsatisfactory performance.

<sup>c</sup> A loan is "at risk" if it is rated as partly satisfactory, as unsatisfactory, or as a potential problem.

<sup>d</sup> There are no loans active in Vanuatu.

**Table A2.8: Portfolio Indicators—Disbursements and Net Transfers of Resources**

(Public sector loans, as of 31 December 2003)

<b>Disbursements and Transfers</b>	<b>OCR</b>	<b>ADF</b>	<b>Total</b>
<b>Disbursements</b>			
Total Funds Available for Withdrawal (\$ million)		9.0	9.0
Disbursed Amount (\$ million, cumulative)		9.0	9.0
Percentage Disbursed (disbursed amt/total available)		100.0	100.0
Disbursements (\$ million, latest year)		0.01	0.01
Disbursement Ratio (%) <sup>a</sup>		100.0	100.0
<b>Net Transfer of Resources (\$ million)</b>			
1998		11.0	11.0
1999		5.8	5.8
2000		9.9	9.9
2001		2.1	2.1
2002		(0.2)	(0.2)
2003		(0.841)	(0.841)

ADF = Asian Development Fund, OCR = ordinary capital resources.

<sup>a</sup> Ratio of disbursements during the year, divided by the undisbursed net loan balance at the beginning of the year, less cancellations during the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

**Table A2.9: Portfolio Indicators—Evaluation Rating by Sector**  
(1996–2003)

Sector	Highly Successful		Successful		Partly Successful		Unsuccessful		No Rating		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Education	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Energy	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Finance	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Health, Nutrition, and Social Protection	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Industry and Trade	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Law, Economic Management, and Public Policy	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Multisector	0	0.0	2 <sup>a</sup>	67.0	1 <sup>b</sup>	33.0	0	0.0	0	0.0	3	100.0
Transportation and Communication	0	0.0	1 <sup>c</sup>	100.0	0	0.0	0	0.0	0	0.0	1	100.0
Water Supply, Sanitation, and Waste Management	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>3</b>	<b>75.0</b>	<b>1</b>	<b>25.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>4</b>	<b>100.0</b>

<sup>a</sup> Loan 1448-VAN(SF): Urban Infrastructure Project & Loan 1684-VAN: Cyclone Emergency Rehabilitation

<sup>b</sup> Loan 766-VAN: Multiproject Loan.

<sup>c</sup> Loan 843-VAN(SF) & 1080-VAN(SF): Santo Port Project.

**Table A2.10: Portfolio Implementation Status**  
(Public sector loans, as of 31 December 2003)

No.	Sector	Loan		Title	Net Loan Amount		Approval Date	Effective-ness Date	Closing Date		Progress (% complete)	Cumulative Contracts/Commitments (\$ million)	Cumulative Disbursements (\$ million)	Rating		Potential Problem <sup>a</sup>	At Risk <sup>b</sup>
		No.	Seg.		OCR (\$ million)	ADF (\$ million)			Original	Revised				IP	DO		
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

ADF = Asian Development Fund, DO = development objectives, IP = implementation progress, OCR = ordinary capital resources, PS = partly satisfactory, S = satisfactory, SOC = social infrastructure, U = unsatisfactory.

<sup>a</sup> "Yes" for loans with four or more risk factors associated with partly satisfactory or unsatisfactory performance.

<sup>b</sup> A loan is considered "at risk" if it is rated as "PS" or "U" in either implementation progress or development objectives, or if it is a potential problem loan.

Table A2.11: Assistance Pipeline for Lending Products, 2005–2006

Sector/Project Name	Poverty Classification	Thematic Priority	Division	Year of PPTA	Total	OCR	Project Cost Finance (in \$million)			
							ADB ADF	Total	Govt	Cofinancing (Others)
2005 Firm Loans										
- Nil -										
2006 Firm Loans										
- Nil -										

ADB = Asian Development Bank, ADF = Asian Development Fund, ECO = economic development, Govt = Government, OCR = ordinary capital resources, OTH = others, PAHQ = Pacific operations division, PPTA = project preparatory technical assistance, and PI = poverty intervention.

Source: Asian Development Bank estimates.

**Table A2.12: Assistance Pipeline for Nonlending Products and Services, 2005–2006**

Sector/Project Name	Responsible Division	Assistance Type	Sources of Funding				
			ADB Source	ADB Amount (\$'000)	Others Source	Others Amount (\$'000)	Total Amount (\$'000)
<b>2005 Technical Assistance Program</b>							
<b>Transportation and Communication</b>							
1. Corporatization of the Ports Authority	PLCO	ID	TASF	300.0	—	—	300.0
Health, Nutrition, and Social Protection							
2. Rural Productive Skills Development	PAHQ	ETSW	PRF	000.0		300.0	300.0
<b>Subtotal</b>				<b>300.0</b>		<b>300.0</b>	<b>600.0</b>
<b>2006 Technical Assistance Program</b>							
<b>Education</b>							
1. TVET	PLCO	ID	TASF	200.0	—	—	200.0
<b>Water Supply, Sanitation, and Waste Management</b>							
2. Preparation of Urban Sanitation and Public Health Project	PAHQ	PP	TASF	300.0	—	—	300.0
<b>Law, Economic Management, and Public Policy</b>							
3. Strengthening Development Policies	PAHQ	ID	TASF	250.0	—	—	250.0
<b>Subtotal</b>				<b>750.0</b>			<b>750.0</b>
<b>Total</b>				<b>1,050.0</b>		<b>300.0</b>	<b>1,350.0</b>

— = not available, ADB = Asian Development Bank, ETSW = economic, thematic, and sector work, ID = institutional development, PAHQ = Pacific operations division, PLCO = Pacific Liaison and Coordination Office, PP = project preparatory, TASF = technical assistance special fund, TVET = technical vocational education and training.

Note: Funding available under existing regional technical assistance will be used to prepare an economic action plan and a poverty partnership agreement, map constraints to private sector development, and assess the need to improve business advisory services.

Source: Asian Development Bank estimates.

### **CONCEPT PAPERS FOR NONLENDING PRODUCTS AND SERVICES**

This appendix contains the concept papers for the following projected nonlending products and services:

- (i) Table A3.1: Corporatization of the Ports Authority
- (ii) Table A3.2: Rural Productive Skills Development

**Table A3.1: Corporatization of the Ports Authority**

Date: June 2004

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input checked="" type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> PARD/PLCO</p>										
<p><b>5. Responsible ADB officer(s):</b> To be determined</p>										
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Vanuatu relies heavily on marine transportation for both its international and domestic trade and travel. The Ports and Harbors Department, which is responsible for the operation and maintenance of the two main ports of Port Vila and Luganville, is faced with increasing financial liability. This is a result of a number of factors, including poor asset management, heavier-than-anticipated loading, underfunding, and poor utilization of limited funding. If these matters are not addressed, the port infrastructure—which is meant to assist Vanuatu social and economic development—may become an impediment to growth. Although the Ports and Harbors Department is only responsible for the Port Vila and Santo Wharf facilities and operations, there are another 24 wharves situated within Vanuatu, including two other international wharves in the islands of Malekula and Tanna. The Ministry of Finance and Economic Management prepared a paper in June 2003 that outlined a number of possible forms of port ownership and discussed issues that had arisen during Vanuatu's previous efforts at corporatization and privatization. The paper recommended the formation of a Vanuatu Maritime and Ports Authority (VMPPA), which would combine the operation of the Ports and Harbors Department with the regulatory Vanuatu Maritime Authority in place. Some donors see full corporatization as step towards privatization.</p>										

**b. Goal and purpose:** The objectives of the TA are (i) to ensure the sustainability of the ports facilities and investments in the port sector through the adoption of an adequate, easily monitored cost recovery mechanism, and (ii) to develop management autonomy, resources, skills, and systems in the interests of efficiency and accountability. Specifically to establish and implement the appropriate institutional framework for the operation of the harbors and wharves, which could be done in two phases: (i) Phase I will include a situation analysis and the development of options, specifically a preferred option, for consideration by the Government; and (ii) Phase II will involve the finalization of the preferred option leading to its implementation.

**c. Components and outputs:** To carry out Phase I & II objectives, consultants will determine if corporatization of Vanuatu's ports is feasible. If so, they will prepare a detailed, step-by-step process leading to corporatization so that the ports' operations, management, and service pricing are structured to introduce commercial principles. Such commercial principles will include the development of related income-earning services and the proper maintenance of infrastructure. Specific tasks will be to (i) analyze past reports and visit Vanuatu's main ports and harbors to undertake a detailed, up-to-date situational analysis; (ii) describe a method of unbundling and analyzing government functions with specific reference to the operation and maintenance of the main international wharves and navigational aids; (iii) consider alternative models and structures that would provide an adequate framework; (iv) review existing port and harbor charges and compare and contrast Vanuatu's competitiveness with other equivalent Pacific Island Countries (PICs); (iv) review the ports-related legislation for necessary revision; and (v) provide financial projections (revenue and costs) for an initial establishment period of 3–5 years that do not have significant negative impacts on government revenue or create a burden on private sector.

**d. Expected results and deliverables:** The TA will prepare (i) a viability study for the establishment of port authority and a corporatized entity, (ii) a legal framework for the port authority, and (iii) an operations arrangement for private-sector participation.

**e. Social or environmental issues or concerns:** None

**f. Plans for disseminating results/deliverables:** Meetings, workshops, and seminars and project reports

**7. Proposed executing/implementing agencies:** Ministry of Infrastructure and Public Utilities (MIPU)

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

**9. Timetable for assistance design, processing, and implementation**

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2004

b. Expected date of submission for approval  
 Lending:  
 Nonlending (project preparatory):  
 Nonlending (other than project preparatory): 2005  
 Activities financed by JFICT or JFPR:

c. Period and duration of assistance  
 Lending:  
 Nonlending: 18 months  
 Activities financed by JFICT or JFPR:

**10. Financing Plan**

a. For lending  
 Ordinary capital resources: \$  
 Asian Development Fund: \$  
 Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g. total cost, ADB financing, other financing, and government financing):

b. For nonlending  
 No resources required, other than ADB staff  
 ADB's administrative budget: \$  
 Grant TA funds  
 TA Special Fund: \$300,000  
 Japan Special Fund: \$

Other (specify, e.g., bilateral and multilateral trust funds): \$

If co financing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

c. For projects financed by

JFICT: \$

JFPR: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A3.2: Rural Productive Skills Development**

Date: 27 June 2003

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development	<input checked="" type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development									
<input checked="" type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> PAHQ/PARD</p>										
<p><b>5. Responsible ADB officer):</b> Andrea Iffland</p>										
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b></p> <p>Vanuatu's rural residents lack knowledge of how to process and market their produce. Although women are responsible for harvesting and marketing many crops and producing many handicrafts, they receive little in the way of skills training and development. With only about 500 jobs created each year in the formal sector, the informal sector must take up the balance. Unemployment is growing.</p> <p><b>b. Goal and purpose:</b></p> <p>To expand rural people's access to productive skills development and training, including in the areas of production, processing, and marketing of agricultural products and tourism services, building on the results of earlier TAs.</p> <p><b>c. Components and outputs:</b></p> <p>The TA will help (i) strengthen existing informal training centers by helping them adjust their curriculum to the needs</p>										

of the rural economy; (ii) develop new mechanisms for delivery of rural productive skills training, i.e. community groups, distance education, or extension agents; (iii) expand a pilot project now under way; and (iv) with inputs from other funding agencies, establish a sustainable funding mechanism for nonformal vocational education and training.

**d. Expected results and deliverables:**

- i. Development of new curricula and institutions for its delivery;
- ii. Trained sector specialists; and
- iii. Sustainable funding mechanism.

**e. Social or environmental issues or concerns:** None.

**f. Plans for disseminating results/deliverables:**

- i. The process will involve workshops and seminars in Vanuatu; and
- ii. Results may be disseminated more broadly through the press, radio, television, schools, and communities.

**7. Proposed executing/implementing agencies:**

The appropriate executing agency will be determined by the outcome and recommendations of an ongoing TA.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

Surveys have been undertaken of training needs, including those of small rural employers, and of training services, including those in the nonformal sector. A workshop is being held in mid-2003 to bring together various stakeholders and seek their views.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2002
- b. Expected date of submission for approval
  - Lending:
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory): March 2005
  - Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
  - Lending:
  - Nonlending: 18 months.
  - Activities financed by JFICT or JFPR:

**10. Financing Plan** (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$
  - Other: \$

If co financing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g. total cost, ADB financing, other financing, and government financing):

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds
    - TA Special Fund
    - Japan Special Fund: \$
    - Other (specify, e.g., bilateral and multilateral trust funds): \$300,000

If co financing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

c. For projects financed by

- JFICT: \$
- JFPR: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g. total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = sub regional cooperation strategy and program, TA = technical assistance.

### ASSISTANCE PROGRAM FOR NONLENDING PRODUCTS, 2004

Sector/Assistance Name	Responsible Division	Assistance Type	Sources of Funding				
			ADB		Others		Total
			Source	Amount (\$'000)	Source	Amount (\$'000)	Amount (\$'000)
<b>2004</b>							
<b>Finance</b>							
1. Preparation of Medium-Term Strategic Framework	SPRM	ID	TASF	500.00		500.00	
<b>Subtotal</b>				<b>500.0</b>		<b>500.00</b>	
<b>Finance, Industry and Trade</b>							
1. Reform of the Legal and Regulatory Framework For Secured Transaction and Establishment of Registration System	PAHQ	ID	TASF	400.00	400.00	800.00	
<b>Subtotal</b>				<b>400.00</b>	<b>400.00</b>	<b>1,300.00</b>	
<b>Total</b>				<b>900.00</b>	<b>400.00</b>	<b>1,300.00</b>	

— = not available, ADB = Asian Development Bank, ID = institutional development, PAHQ = Pacific Operations Division, PLCO = Pacific Liaison Coordination Office, PP = project preparatory, SPRM = South Pacific Regional Mission, TASF = technical assistance special fund.  
Source: Asian Development Bank estimates.