

Recommended Policy Reforms and Technical Assistance

General Issues

The Government of Vanuatu has made a commendable beginning to public-sector and economic reforms that will increase returns to agricultural activities and, as a result, the contribution of the sector to future economic development. However, many constraints on the development of the sector remain. Most of these are in the form of inappropriate policies and regulations that have the effect of penalizing agricultural and fishing enterprises.

Economic reform is difficult politically because there is a range of competing interests that benefit and lose from reform. Governments must weigh those competing interests and decide on appropriate actions in terms of the benefits to the community as a whole. Many of the constraints on development benefit relatively few, though influential, vested interests. These include such things as import licenses, public utility monopolies, and tariffs. At the same time the majority of the population is disadvantaged by these interventions. The Review Team believes that none of the policy and regulatory constraints on the development of agriculture and fishing are in the public interest, and these should therefore be removed as soon as practicable.

Many of the constraints on agricultural and fisheries development are economy-wide and beyond the responsibility of the MAQFF. However, these constraints must be removed if development is to gather any momentum. The MAQFF will need to work closely with the private sector and with other Government agencies to advance these reforms. It must have the capacity to undertake the research necessary to quantify the costs that these constraints are imposing on the sector, and to demonstrate the benefits of reform. Agriculture and fisheries—the private sector as well as the MAQFF—must enter the mainstream policy debate to ensure that policy directions adopted for the Vanuatu economy are consistent with the development of competitive agriculture and fisheries.

The Review Team has identified the need for clear policy statements for both agriculture and fisheries. For agriculture, such a policy statement is of national importance, given the dominant role of this sector in the Vanuatu economy. This statement would include, among other things, a vision for the sector, a set of objectives, agreement on what needs to be done to achieve those objectives, and a strategy for

implementing the policy.⁸⁹ The policy should set an agenda for economic and institutional reform in the agricultural sector. The roles of the private and the public sector need to be agreed on and carefully defined. A set of guidelines for the Ministry and the services that it is to provide must also be agreed on.

All stakeholders in the Vanuatu economy must develop the policy. It should be a national policy rather than a Government-imposed policy. It should be driven by the Vanuatu people rather than imposed from abroad. That said, the policy should be formally adopted by the Government.

The development of an agricultural and fisheries policy was beyond the terms of reference for this review. This is a task for the Government to undertake, in consultation with stakeholders. The Review Team recommends that technical assistance be sought to assist the Ministry in this task. The Review Team can, however, offer its views on the policy principles and strategies that in its view, based on an analysis of the sectors, would contribute to the development of the sector, to sustainable income creation, food security, and other economic and social objectives. Throughout this review a large number of recommendations have been made to advance specific policy initiatives and to refocus the Ministry on its core activities. These recommendations could be adopted within a Vanuatu agricultural and fisheries policy, if judged to be appropriate and sensible.

While certain principles for a sensible policy can be suggested (and these principles form the basis of the CRP), the details of the policy, strategies for implementing the policy, and the role of the Government in the sector involve many choices. Often these choices will depend on the specific circumstances of Vanuatu such as the stage of development of the market system in Vanuatu, local customs, the relative emphasis placed on individual and social or collective welfare, views about desirable distribution of income, and the tradeoff between environmental and development objectives. These are issues upon which the Review Team is not qualified to comment. But regardless of the choices made, any policy adopted must be owned by the people of Vanuatu if it is to provide a stable, endur-

⁸⁹The necessary reforms will be beyond the capacity of the Government to implement immediately, and the capacity of the economy and society to absorb such far-reaching policy change must be assessed. The appropriate transition period (the period over which a reform is to be completed) will depend on the circumstances surrounding the particular impediment. That said, many of the impediments identified in this report impose ongoing costs in terms of stifling income and wealth generation in the sector. It is therefore imperative that the impediments be removed in as short a time period as is practicable.

ing, and predictable platform for investments by people in agricultural and fishing enterprises.

The capacity of the MAQFF is extremely weak. To begin to undertake the reforms recommended by the Review Team, the Corporate Division must be allocated funding for its proposed structure. This will provide a team of economic and policy analysts to focus on identifying and removing development constraints and to participate in the policy development process.

In its current form, the MAQFF does not have the capacity to take the lead by itself in the development of policy, although it has an important contribution to make. The Department of Economic and Social Development, providing the necessary policy expertise, should assist the MAQFF.

The Ministry has a number of shortcomings in the performance of its core functions; moreover, it performs several noncore activities. Confusion about the role of the Ministry needs to be clarified before further institutional reforms are contemplated. The agriculture policy statement should set clear guidelines on the role and activities of the MAQFF. Refocusing the MAQFF on its core activities will in itself help to address capacity constraints by allowing the available resources to be more productively employed. At present staff resources are diverted to activities that are better performed by the private sector or should not be performed at all.

Following the adoption of the policy, a set of activities and programs should be established to support the role of the Ministry identified in the policy statement. A resource needs assessment must also be undertaken to ensure that adequate resources are available to the Ministry and that these resources are allocated across the various activities in a way that is consistent with maximizing the value of the Ministry's services.

In general, technical assistance and other donor support have not always benefited Vanuatu's agriculture and fisheries sectors to the extent envisaged. Most donor agencies and ADB now recognize this. Few projects can be considered to have made a sustained contribution to the development of the agriculture sector and the economy in general. Many donor-sponsored agriculture projects that involved the establishment of agricultural enterprises had disastrous consequences. Moreover, since capital inflows associated with donor support have, on average, accounted for 20 percent or more of GDP since independence, the consequences for the value of the vatu have been considerable. These capital inflows have resulted in a higher exchange rate, undermining the ability of rural

producers to compete on international markets. Donor support can also undermine self-reliance in Vanuatu. The incentives to face hard choices have often been undermined by the availability of donor support.

Another issue to consider is the capacity of the Government and the Ministry to manage and participate in donor-sponsored projects. Projects should be implemented within the capacity of the Government so as to fully realize the potential benefits of the assistance and to harness the Government's contribution to the projects' direction and success. There is also the question of project sustainability. In relation to the strengthening of legislation and regulations, this requires that the Ministry have the technical capacity to administer policies and regulations. Such expertise can be developed and sustained provided the local counterparts have the time to take a major role in the project alongside technical advisers.

The Review Team has made a number of recommendations for assistance for consideration by ADB and other donors. Given the wealth of international evidence to draw support from, the Team does not doubt that implementing the recommendations made in this review will markedly improve the performance of agriculture and fisheries in Vanuatu. The Government and the MAQFF should carefully consider the Ministry's capacity to undertake many of the reforms without donor assistance.

Past reviews and studies have made sensible recommendations for policy reform in agriculture and fisheries. However, these reforms have been "left on the table" because the capacity did not exist for translating the recommendations into concrete actions and legislation. The Review Team therefore recommends that future assistance be directed at taking the next step and assisting in implementing the reforms by strengthening the capacity of the Government and the MAQFF to institute a reform process. This will involve convincing the Government and the people of Vanuatu that these reforms must be put in place because they will generate net economic and social benefits.

Proposed Assistance to the Agriculture Sector

The Review Team has drawn up a cluster of technical assistance projects and an investment project designed to strengthen the capacity of the Ministry. The objectives of the assistance will be to help the Government promote economic growth in agriculture and to create opportunities for Ni-Vanuatu agricultural smallholders to increase their incomes and improve their livelihood. The suggested assistance

is based on the Team's analysis of the sector and its conclusions as to how donors, including the ADB, could best assist the Government in developing the agriculture sector. Detailed proposals for assistance in agriculture are contained in Appendixes 10 to 18. In summary, the assistance will entail the following:

- *Vanuatu National Agriculture Policy*. The objective of this TA is to assist the Government in establishing and managing a participatory process involving all stakeholders in agriculture. The process will lead to the development and implementation of a national agriculture policy accepted by stakeholders, the Government, and the major political parties. This policy would provide a set of principles to guide the Ministry in determining its role and core functions.
- *Human Resource Development Plan for MAQFF*. The TA is designed to assist the Government in a comprehensive assessment of the core activities of the Ministry and the human resources needed by the MAQFF to effectively play its role as envisaged in the national agriculture policy. This TA is conditional on the completion and Government approval of the policy.
- *Project Preparation for the Vanuatu Agricultural Development Capacity Building Project*. The TA will formulate a sector investment project to strengthen the capacity of the MAQFF and other relevant agencies to promote growth in agriculture and to create opportunities for smallholders to increase their incomes from farming. It will identify detailed project components and costs, programs and activities, scheduling of activities, investment benefits, implementation risks, and funding arrangements. The TA is conditional on the adoption of the policy and the recommendations of the human resource needs assessment.
- *Vanuatu Agricultural Development Capacity Building Project*. The loan project will assist the Government in promoting growth in agriculture and in creating opportunities for smallholders to increase farm incomes. It will seek to rebuild the institutional capacity of the MAQFF to enable it to play a more effective role. Institutional capacity will be strengthened in policy development, agricultural extension services, and research programs. The start of this project will be conditional on the adoption of the policy and the recommendations of the human resource needs assessment TA.

Besides these technical assistance and loan project recommendations, other areas of assistance were suggested to the Review Team. A number of people advocated technical assistance for the develop-

ment of the indigenous nuts industry. While there has been some private-sector development, these advocates of assistance felt that the further development of the industry was constrained by a lack of knowledge and of institutional capacity in the Ministry to support the development of the industry. There was also a recommendation for technical assistance for the development of organic farming.

The Review Team, given the experience of other countries and of Vanuatu itself, does not consider it appropriate to single out a particular product or group of products for technical assistance. If products are commercially viable, the private sector generally does not require Government or donor support to encourage development. The development of the indigenous nuts industry will benefit from the policy recommendations contained in this report that will remove impediments to development in agriculture and the economy in general. It will also benefit from the general institutional strengthening technical assistance recommended above.

This assistance is designed to establish an enabling policy environment to further encourage and complement private-sector investment, local and foreign. Strategies will be developed and implemented for agricultural smallholders and rural communities to contribute to and benefit from the development of the sector. To achieve these objectives, the proposed assistance envisages an effective working partnership and close collaboration between appropriate Government agencies, particularly the MAQFF, and the private sector in Vanuatu. Line ministries such as the MAQFF would need not only to be responsive to needs of agricultural smallholders but also to be institutionally predisposed and to possess the institutional capacity to facilitate and promote private-sector participation and development in agriculture. The assistance will establish the institutional framework and capacity necessary to formulate and implement an investment loan from ADB. This will maximize the return to the community from the investment in institutional capacity. The recommended TA projects are designed to meet the following objectives.

First, it must be decided how Government should regulate activity and provide services to the sector. This requires an agricultural policy, agreed on by all, that clearly sets forth the future role of the Government in the sector and the means of fulfilling that role. Through the technical assistance, ADB or other donors would assist the Government in instituting a process of developing a national agricultural policy that involves all stakeholders including the private sector, NGOs, appropriate Government agencies, community

leaders, and political leaders. The policy must be approved by the stakeholders and sanctioned by the Government, the major political parties, and Parliament. The technical assistance will be jointly overseen by the MAQFF and the Department of Economic and Social Development.

Second, once the core functions of the MAQFF have been determined, it will be necessary to examine alternative approaches to identify the most efficient means of delivering services or achieving objectives.

Third, the resources (funds, personnel, skills) required to efficiently undertake the activities associated with the core functions must be determined. How those resources are to be obtained or financed must also be considered. For example, which activities should be publicly funded, and which services should beneficiaries pay for?

Proposed Assistance to the Fisheries Sector

Please align this section more with the summary, and make it more parallel with the section on fisheries below. Perhaps the proposed TAs in support of the REDI program and forestry should be presented here in this section and not in the summary, where I feel they detract from the argument.

Generally weak legislation, the lack of a policy, the absence of management plans, poor coordination or communication between relevant Government departments, private-sector indifference, and increasing confusion concerning the role of the provinces—all these mean that a great deal must be achieved before the sector can approach its potential. The Fisheries Division can start addressing some constraints, but its success will depend on broader reform in the public service. The principal requirements are greater accountability and professionalism in the public service, the removal of political manipulation, and a conscious effort to promote rather than hinder private-sector growth.

The long-term objective of the assistance to the sector is to strengthen the capacity of the Fisheries Division to efficiently promote the sustainable development and management of the fisheries sector in Vanuatu so that its contribution to the country's economic growth improves. This will be achieved by strengthening the institutional capacity of the Fisheries Division to effectively administer increased activity in the fisheries sector. While the basic framework of policy and supporting legislation is being implemented, the Division will begin developing a broad participatory approach, involving other Government departments and authorities and the private sec-

tor, to implementing effective management arrangements for the sustainable development of the sector. Key partners in this effort will be representatives from the industry.

The following is a summary of the recommended assistance.

- *Development of a National Fisheries Policy.* The TA, which will have a term of six months, will promote the sustainable development and management of the fisheries sector in Vanuatu by strengthening the capacity of the Fisheries Division to effectively manage increased fishing activity. It will assist in the development and implementation of a national fisheries policy. The policy will be drafted with the participation of all relevant Government agencies, central and provincial, the fishing industry, and all other stakeholders. The TA will also assess the status of fisheries and related legislation with respect to their consistency with the policy objectives, sound fisheries management principles, fisheries legislation adopted in the region, and Vanuatu's commitments under regional and international agreements. Any required revisions in the legislation will provide the basis for the implementation of a functional legislative framework for the future sustainable development and management of the sector.
- *Institutional Capacity Building for the Fisheries Division.* At the same time, a second TA, which will be in place for a period of five years, will begin improving the institutional capacity of the Division. It will identify weaknesses in management, corporate planning, structure, functions, and activity areas; develop consultative mechanisms for Government authorities and industry; and implement management plans for the main fisheries.⁹⁰ The TA will also:
 - Formalize the relationship between the VMC and the Division
 - Work with the policy and legislative TA to formalize responsibilities and the relationship between the Fisheries Division, provincial governments, and the FIB in the administration of near-shore fisheries
 - Resolve issues associated with Vanuatu's responsibilities as a flag state

⁹⁰The Review Team has not recommended a loan to rebuild the institutional capacity of the fisheries sector. This is partly because fisheries management authorities, properly functioning, have the capacity to generate funds through cost recovery of management services and through the granting of access to fishing grounds. However, it may well be that funds are required in the initial stages of institutional strengthening to assist in building up a management and enforcement capacity. The Review Team suggests that the investment loan for agricultural capacity building could be extended to cover the needs of the Ministry as a whole, including the Fisheries Division.

- Address constraints to the development of domestic tuna fishing operations, namely the high costs of power and diesel fuel and the operation of international airfreight carriers, and develop a strategy to promote growth of this industry
- Develop a program of support for private-sector interest in promoting the potential of Vanuatu's recreational sports fishery

All previous reviews have recommended funding to support an adviser's position in the Division.⁹¹ A positive development in this respect is that the approved staff structure for the Division includes a post for an adviser to the Director in a line position. Besides being able to acquire very quickly a detailed understanding of the fisheries sector, and to develop and apply management procedures, the individual recruited for the position should be capable of running a series of graded training courses for Division staff in a broad range of relevant managerial, professional, and technical areas. The adviser would be required to address all areas of need identified above.

To avoid the failures of past assistance to the fisheries sector, the adviser should be included in a program structured for implementation over a period of five years. In the short term, the adviser should be assisted under a series of short-term consultancies to address specific needs such as the implementation of new fisheries legislation and the development and application of fishery management plans, perhaps funded under parallel financing arrangements with other donors.

Proposed Assistance to Forestry

In discussions with stakeholders in the Vanuatu forestry sector, the Review Team learned of the substantial progress made in putting effective institutional arrangements in place. To build on this work, the Review Team recommends the following assistance (details are provided in the appendixes).

- *Inventory Assessment of Vanuatu Forest Resources.* The TA project will assist the Government in a comprehensive updating of the inventory of Vanuatu's forest resources, which is one of the requirements of the approved National Forestry Policy.
- *Development of a Forestry Management Plan.* This TA is conditional on the completion of the inventory assessment TA. The development of forestry management plans will enable the Forestry Division to bring together and implement the requirements of the Forest Policy and the Code of Logging Practice that have been put in place and the proposed inventory assessment.

⁹¹ Wright (1989), Preston (1996), and Nichols (1996)

The development of the sector could be accelerated through more rapid and reliable processing of investment approvals and logging lease agreements. A small-scale technical assistance could be provided to support related management activities.

Other Assistance

Capacity Building for the Development of Provincial Development Master Plans. The Government has adopted a decentralization policy. The objective of this TA is to assist provincial governments to institute participatory and consultative processes within the Rural Economic Development Initiative (REDI) approach to provincial development plans.⁹² REDI has been recognized by central and provincial governments as an appropriate planning and coordinating mechanism for provincial development planning.

⁹² REDI is a “bottom-up” planning approach developed by several ministries to plan and coordinate infrastructure and other service provision to the outer islands.