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Evaluation of New Zealand's Aid Programme in Vanuatu

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Executive Summary

The New Zealand Ministry of Foreign Affairs and Trade (MFAT) commissioned Sapere Research Group to conduct an evaluation of its country programme in Vanuatu. The evaluation delivers an evidence base to help:

- contribute to the fine-tuning of existing programme implementation;
- contribute to informing the future strategic direction for New Zealand's investment in Vanuatu, including but not limited to development assistance, foreign policy, policy dialogue and engagement mechanisms;
- guide the development of future activity designs; and
- demonstrate achievements to partners, stakeholders and taxpayers.

The evaluation was required to assess the quality, effectiveness and sustainability of New Zealand's aid delivery in Vanuatu. It was also required to consider how New Zealand can promote sustainable economic development in Vanuatu, taking into account development and broader foreign affairs objectives.

The quality of New Zealand aid delivery in Vanuatu

Overall, the quality of New Zealand's aid investment in Vanuatu varies according to the criteria on which quality is assessed. It is of high quality with respect to ownership, alignment, dialogue and technical advice, and mutual accountability is good.

Quality is lacking, however, with respect to donor coherence and complementarity. A contributing factor to this has been an apparent disinclination by the Government of Vanuatu to lead on aid co-ordination. The spread of New Zealand's aid investment across a large number of sectors and non-bilateral aid Activities raises questions about its cost effectiveness.

New Zealand's current aid Activities align with Vanuatu's agenda. Yet capacity constraints within Vanuatu government agencies can feed through to a lack of 'implementation ownership', which can occur even if there is a high level of ownership at the overall strategy level.

There is clear evidence of strategic alignment. An even stronger expression of alignment could be provided if the more detailed outcomes identified in the Joint Commitment for Development (JCfD), were more systematically linked to the Government of Vanuatu's objectives, with reference to empirical evidence or causal reasoning. A detailed country strategy using this information would assist New Zealand.

Assessing effectiveness was not easy due to poor transparency, monitoring, and reporting processes at both government and non-government partners. Vanuatu still needs support with good governance and contract practice. Vanuatu's government agencies may have good financial systems but they need to be enforced.

New Zealand development investment in Vanuatu is vast and spread across too many sectors and investment priorities. This is especially the case with non-bilateral support. A case exists for New Zealand streamlining the number of Activities, and narrowing the

number of areas it is committed to long-term – this would be a pragmatic response to its own resourcing issues and the need for donors to better coordinate with each other to reduce administrative burden on the Government of Vanuatu.

There is an opportunity for New Zealand to take two approaches with its aid programme in Vanuatu. They are:

- smaller, impactful and observable Activities, and
- through developing long-term relationships with national and provincial officials and senior community leaders.

These approaches are clearly not mutually exclusive; both can be simultaneously pursued. The second approach is arguably much more important, given compelling international evidence that relationships are key to effective development aid. New Zealand's development dialogue is viewed positively, as responsive and willing to be flexible. It is valued and seen as an important enabler for economic growth, and helps to underpin stability in Vanuatu.

New Zealand development co-operation has been effective and sustainable but there are issues to address

New Zealand development co-operation has been effective and sustainable. However, there were a number of factors that contributed to some of the shortcomings of the Activities examined, including the vastness of New Zealand's total country aid flow (TCAF) into Vanuatu, in-country capacity constraints, and a demanding operating environment.

Proliferation of Activities and sectors was identified by the Bilateral programme as an issue, and in January 2016 steps were undertaken to better understand what was causing this. There can be little doubt that this proliferation has made an already difficult task – aid delivery in a challenging operational environment – more difficult.

New Zealand is working to match the evolving development context in Vanuatu

New Zealand is working to reduce the proliferation of Activities and match current and new Activities to the evolving development context in Vanuatu, and this will take time. Steps taken include assigning sector leads at Post, and undertaking monitoring and oversight of New Zealand TCAF in Vanuatu by Post throughout 2016. Informants acknowledged that it has been a 'light touch' due to the number of Activities. While there has been a slight decline in the number of New Zealand funded Activities, the number remains uncomfortably high.

Most Activities that we assessed have been successful in achieving short term outcomes, and in some instances medium term outcomes. One main factor that has contributed to success is ensuring partner country involvement in the design of the Activity. Examples of this include strong collaboration with the Government of Vanuatu, use of local expertise, and the use of government systems.

Closely linked to this is ensuring local ownership of the Activity at a community and individual level. Methods for ensuring ownership include capacity building, thorough proactive stakeholder involvement/engagement, and clear and transparent communications.

El Nino and TC Pam have been key reasons for the slow progress of some Activities.

New Zealand has a reputation for understanding the Pacific context. Yet the different ways of working (culturally), the often changing political environment, and the level of capacity within the country (both at grass roots and in government) to maintain an Activity, can have a bearing on the effectiveness and sustainability of an Activity.

New Zealand ensures close engagement with government agencies and community groups during the inception and design phase of an Activity. Embedding the cultural and social aspect can, however, place pressure on timeframes, and the New Zealand political imperative to 'fast track' some activities can risk the long-term ownership and viability of an Activity.

As well as allowing time for close engagement with the community and government agencies, implementation of an Activity also relies on the capacity within the local NGO and community group to own and manage the Activity. This has been an issue for some of the Activities, as acknowledged by key informants from the community and local NGOs, and identified by them as an area for further support from Post for more complex activities.

In addition, the churn within Vanuatu Government agencies and its senior leadership makes it harder to operationalise Vanuatu's vision to enable agriculture and tourism to drive its economy.

The rule of law is critical to a stable economy, and timeframes for initiatives to professionalise the law and justice sectors may need to be reviewed to ensure confidence is maintained both within the community, and also from the international trading community.

Sustainability is a common theme for lessons learned

New Zealand aid-funded Activities in Vanuatu seem on balance to be effective, with important outcomes being achieved, but a lingering question over many is their sustainability.

An impression gained from reading MFAT Activity Monitoring and Completion Assessments (AMAs and ACAs) is that sustainability is a priority for monitoring and 'end of Activity' review, and that it is treated as an exogenous factor over which a donor has little control, largely being up to the Government of Vanuatu and key partners within Vanuatu.

Yet sustainability, alignment, ownership and capacity go hand in hand. Alignment promotes ownership at a strategic level, in which the priorities of a donor match the overall development priorities of the partner government, with the former coming in behind and supporting the latter.

Another impression concerns the way sustainability is understood in monitoring and end of Activity assessments. Sustainability seems to be understood as a situation in which the aid-funded Activity continues to be funded after the cessation of New Zealand support, with project outputs continuing after the end of donor funding. What is more important is the continuation of intended project outcomes, which in many cases can be sustained well beyond the life of an Activity.

Ownership at an implementation level requires capacity

Implementation capacity can be technical, relating to skills and abilities required to achieve intended outcomes of donor support. It can also relate to willingness: whether the implementing agency actually wants to achieve these outcomes.

In the case of New Zealand support for Vanuatu there appears to have been strong alignment and ownership at the strategic level, but often a lack of ownership at the implementation level, resulting in a paradox of ownership.

The upshot of this is that sustainability is not entirely exogenous: it has an endogenous aspect that can be built into project design through technical capacity building and dialogue that seeks to engage and build or ensure willingness capacity.

The macro-micro disconnect in New Zealand aid delivery

A macro-micro disconnect is evident in the delivery of New Zealand aid in Vanuatu. Aid flows to Vanuatu are relatively very large, averaging 12 per cent annually since 2010. They exceed both remittances and FDI inflows combined. New Zealand is the second largest donor to Vanuatu, providing close to one-fifth of aid over this period.

Given this overall (macro) level of support, one might expect that New Zealand aid might have had positive development impacts. At one micro level, two reasonably heavily supported sectors by New Zealand are tourism and agriculture, both of which have struggled, agriculture in particular. At another micro level (support for individual Activities) a number supported by New Zealand have not been successful and there are lingering concerns of the sustainability of many examined for this evaluation. That noted, most have been effective.

Why might this disconnect have arisen? One possible reason is the insufficient coherence and complementarity owing to a programme that is too thinly spread across sectors and Activities, and the second is persistent problems with sustainability. Another is the rather challenging operating environment faced by donors in Vanuatu.

A macro-micro disconnect is also evident with respect to the intended outcomes of the Joint Commitment for Development agreed by Vanuatu and New Zealand in 2011. Success has been achieved at the micro level, with respect to Activities supported by New Zealand, but this has not been matched at the macro level.

The economy's downward trajectory must be reversed

Vanuatu's economy would appear to be in trouble. Its real per capita income has trended downward since 2006 and its yearly growth has often been negative over recent years. TC Pam has made this bad situation worse, further contributing to Vanuatu's economic woes. Higher per capita economic growth is forecast for 2017 and 2018, but this should not necessarily be equated with a recovery, as this is heavily dependent on the donor-supported post-TC Pam recovery effort. As such it is consistent with a short-term growth spurt rather than a sustained economic recovery.

Vanuatu has relatively low levels of economic development. This makes Vanuatu's population vulnerable to declines in per capita income growth. Although data on income poverty in Vanuatu are very sparse, the low per capita income suggests that many of those Ni-Vanuatu who are not already living in poverty have incomes that only just see them above the poverty line. As such they are vulnerable to falling into poverty when income growth rates are low.

Sustaining economic development is a priority for all nations. Economic growth provides the resources with which many other national priorities can be met, including the provision of health and education services. In Vanuatu, however, given its downward economic trajectory and low pre-existing levels of economic development, increasing and sustaining the rate of this development is a particularly pressing need that urgently needs a continuing donor response. This might require raising difficult topics with the Government of Vanuatu, and New Zealand would seem well placed to do this.

Tourism and agriculture strategies need re-invigoration

Tourism and agriculture are the mainstays of Vanuatu's economy. Tourist arrivals and the contribution of tourism to national income have continually risen over recent decades. This contribution has, however, been retarded by virtually no growth in spending per tourist over recent decades, and most of the economic benefits from tourism go to the urban sector.

This is because most growth in tourist numbers has been driven by cruise ship arrivals; the number of tourist arrivals by air has fallen since 2014. While increased cruise ship arrivals should not be deterred, there is a need to have tourists stay longer and spend more in Vanuatu.

The vast majority of Ni-Vanuatu depend on agriculture for their livelihoods, with 80% of Vanuatu's population being involved in agricultural activities. But agriculture's contribution to national income in Vanuatu is virtually the same in 2014 as it was in 1998.

There is a strong case to link tourism and agriculture through an agri-tourism strategy. As mentioned, it is important that tourists stay longer and spend more in Vanuatu. But this spending needs to be on locally-produced goods and services. A strategy that has tourists spending more on good quality agricultural food products supplied to local restaurants and hotels and souvenirs produced by rural small holders, and visiting farms and rural communities, has the potential to re-invigorate both the tourism and agriculture sectors.

Political stability, inclusivity, and sustainability

The sustainability of economic development must be seen not only from an environmental but also a social perspective. Economic development risks political instability if it is not inclusive, and benefits of increased prosperity are not felt by all social groups. Political instability threatens the continuance of economic development, meaning that sustainability is at risk without inclusivity.

In the Vanuatu context, two issues arise with respect to inclusivity.

1. The first is gender bias, which is a profoundly disturbing issue in Vanuatu and seriously limits its economic development potential. Violence against women must be countered and female economic opportunity needs to be significantly increased. There is a strong case for increased mainstreaming of the latter into donor support, but for that to be successful direct interventions are required to address the former.
2. The second issue relates to fundamental characteristics of the Vanuatu economy. Vanuatu essentially has two economies: a modern, predominantly urban economy located in and around its two urban centres, Port Vila in Efate, and Luganville in

Espiritu Santo; and a more traditional economy located in rural areas outside these urban centres, including relatively remote islands.

Available data tell us that those Ni-Vanuatu in rural areas have lower living standards than those living in urban areas. Donors need to address these gaps if economic development is to be inclusive. This is not to say that urban areas should be ignored. Rather, it is to say that the modern and traditional economies need to be linked, so that progress in one necessarily means progress in the other.

A focus on agri-tourism can provide that link. This need not involve a situation in which the modern economy absorbs the traditional economy so that the latter ceases to exist. A key informant convincingly noted in reference to inhabitants of the informal economy that “not everyone in Vanuatu wants economic development”. Yet economic development can benefit these inhabitants without fundamental changes in desired ways of living.

It must also be recognised that Ni-Vanuatu participants in the RSE scheme are not only on Efate or Espiritu Santo, but from islands including Tanna, Ambrym and Malekula. As such, this scheme links a modern economy (New Zealand) with traditional economies.

Extreme weather events will become the norm

Vanuatu is increasingly susceptible to extreme weather events, with a strong probability of a natural disaster every year that will threaten pre-existing development achievements.

Development planning and donor support must factor in disaster planning and response as a regular fact of life. Increasing resilience to disasters is key. This requires many responses, but among them is that disaster planning is mainstreamed into donor activities as an integral component.

Proliferation, visibility, and sectoral spread

International donor community support for Vanuatu has become increasingly proliferated in recent years and pre-dates the response to TC Pam. The number of activities funded in Vanuatu between 2002 and 2013 more than tripled. Vanuatu’s capacity to efficiently absorb these activities for development purposes will have almost certainly not have increased commensurately.

New Zealand funded 89 activities in 2014, compared to the OECD donor average of 12. To this extent it has made a bad situation worse, possibly compromising aid effectiveness in Vanuatu. This also raises questions regarding the management of New Zealand’s development co-operation within MFAT, possibly making it more challenging than would otherwise be the case. It must be emphasised that this evaluation finds no evidence that this management has been of poor quality. To the contrary, all indications are that it is very well managed with committed, informed, and able staff. Recent changes in the management of the programme at Post saw the introduction of a vertical management structure organised around aid sectors, and this has significantly streamlined programme management. But one can only wonder how much more efficient aid delivery might be if the programme funded fewer activities.

The core issue at hand seems to have been the growth in non-bilateral aid activities funded, particularly the Partnership Fund and regional activities. Our key informants in Vanuatu and

Wellington alluded to the complexity of managing the overall programme, and a number of non-MFAT local informants commented that monitoring of New Zealand aid activities was not as intensive as might be expected. This is perhaps not unexpected given the proliferation of the New Zealand programme.

The proliferation of New Zealand aid activities in Vanuatu is not surprising considering that these are spread across more than 16 sectors. And that there are 16 priority sectors paradoxically suggests a lack of priority. A case could well be made that each of these sectors is important for development in Vanuatu, but a single donor can rarely address effectively all of the problems faced by a recipient country.

Related to this is visibility. From a number of perspectives donors need to be seen to be making a positive contribution to development in the partner country. It is questionable that such a sectoral spread is good for visibility, particular given that the sectors in which New Zealand is most active are those in which other donors are also concentrated. In this situation there is a risk that New Zealand is lost in the donor crowd.

This might not be a bad thing if New Zealand's aid was ineffective, or worse still, damaging, violating the 'do no harm' principle. But the findings of this evaluation suggest otherwise. As such there would appear to be a compelling case for not only a reduction in the amount of activities funded, but a reduction in the number of sectors in which New Zealand is present, from both a developmental perspective and broader foreign affairs perspective. Decisions regarding this are very obviously not just a matter for New Zealand. They will require close and careful consultation with both the Government of Vanuatu and its other donor partners.

Declining aid from other donors

Another finding on aid delivery was the overall decline in aid to Vanuatu from donors other than Australia and New Zealand. This is of strategic relevance to New Zealand.

If this trend continues and aid from the donors in question has been effective, it will be even harder for Vanuatu and its remaining development partners to address Vanuatu's current economic challenges. This could lead to questions in Vanuatu about the effectiveness of New Zealand aid, and risk souring relations. Worse still, it could even lead to accusations that aid has contributed to economic decline, making a bad situation worse. There are many examples of such claims in the history of aid, including in the Pacific. This is another argument for a greater focus. If a donor can convincingly demonstrate results in particular sectors, then questions about the effectiveness of aid can be more easily countered.

Addressing implementation capacity and ownership

A principal finding was that there were lingering doubts about the sustainability of a number of New Zealand's aid funded activities owing to a lack of implementation capacity within the Government of Vanuatu. This capacity was either (or both) in the skills and abilities, or the willingness required, to achieve intended outcomes. This is akin to a lack of partner government ownership at the implementation level, which can exist no matter how strong partner ownership may be at higher, strategic levels.

This must be addressed if New Zealand is to maximise its contribution to sustained economic development in Vanuatu. It requires a robust assessment of whether implementation capacities are a likely constraint to the achievement of intended outcomes

for every aid funded activity, and (if they are likely) that capacity building be incorporated into the activity in question. This is, in effect, a mainstreaming of capacity building as required across the country programme.

Sustaining Economic Development in Vanuatu: Challenges and Recommendations

Challenges

First, given that the Vanuatu economy is on a downward economic trajectory and has low pre-existing levels of economic development, increasing and sustaining the rate of this development is a particularly pressing matter that urgently needs a continuing donor response. This will require dialogue, and possibly the discussion of sensitive issues. New Zealand is well-placed in this regard as a trusted dialogue partner.

Second, the sustainability of economic development must be seen not only from an environmental but also a social perspective. This is of core importance to the maintenance of stability, and therefore to the overarching objective of the Pacific Framework. A concern for social sustainability requires an economic development strategy that is inclusive, prioritising women and Ni-Vanuatu living in rural areas without sufficient beneficial linkages to the modern economy.

Third, tourism and agriculture are key but are in need of re-invigoration. An emphasis on agri-tourism offers significant potential in this regard.

Fourth, the overall decline in aid to Vanuatu from donors other than Australia and New Zealand is of significant strategic relevance to New Zealand. If this trend continues and aid from the donors in question has been effective, it will be even harder for Vanuatu and its remaining development partners to address Vanuatu's current economic development challenges.

Fifth, Vanuatu's new national development strategy, *Vanuatu 2030: The People's Plan* identifies sixty-seven policy objectives to promote progress under three pillars – social, environmental and economic - for sustainable development. It is these pillars and their corresponding policy objectives on which donor alignment decisions can best be made. There is significant scope for improved strategic donor alignment with these objectives.

Recommendations

Align aid programme to Vanuatu 2030: The People's Plan

It is essential that New Zealand's aid programme in Vanuatu be strategically aligned with the Government of Vanuatu's recently released long-term national development strategy, *Vanuatu 2030: The People's Plan*, and that it be owned by the Government of Vanuatu at the strategic and implementation levels. We note that New Zealand has, over the last 18 months, been working towards ensuring Government of Vanuatu ownership and leadership, and these efforts will need to be maintained.

A Government of Vanuatu expectation is that its development partners "need to ensure that their programmes are aligned to the national vision, goals and policy objectives" in its *People's Plan*. This is important from an aid effectiveness perspective in its own right, but it is also

important from an ownership perspective. Without such alignment and ownership, New Zealand's contribution to sustainable economic development in Vanuatu will not be maximised.

This does not necessarily imply that there needs to be alignment with all *People's Plan* priorities. There are limits to what donors can achieve and strategic choices must be made regarding the allocation of scarce resources. Accordingly, it is recommended that New Zealand aid efforts continue to be aligned primarily to the Economy Pillar of the *Vanuatu 2030: The People's Plan*.

Consistent with such alignment, it is recommended that the primarily sectoral (or investment) focus of New Zealand aid over the longer-term be:

- tourism, agriculture and fisheries, shipping and education (focused on post-secondary and tertiary scholarships) but with an emphasis on:
- climate and disaster resilience, governance (capacity building) and gender, as cross cutting issues.

A rule of thumb, albeit arbitrary, is that roughly 70% of the total country aid flow to Vanuatu should be allocated to these sectors.

Reduce the number of funded Activities

There has been enormous growth in the number of activities donors fund in Vanuatu, including those funded by New Zealand. It is recommended that the proliferation of New Zealand aid supported activities in Vanuatu be significantly reduced.

A reasonable target is for the number of activities funded be reduced to four times the average of other donors in the immediate pre-TC Pam period, which is 64 activities. The burden of this reduction should ideally fall primarily on regional programmes, although this is no easy task and would need to be managed very carefully to avoid damaging relationships.

Adopt Policy Coherence for Development Framework

The overarching objective of the *Framework for New Zealand Government Engagement in the Pacific 2016 to 2035* is for a stable and prosperous Pacific in which New Zealand's interests are safeguarded. The best way aid can contribute to broader foreign affairs objectives in Vanuatu and elsewhere in the Pacific is to maximise its contribution to sustained economic development, while at the same time leveraging other outcomes that are consistent with these broader objectives.

This requires that synergies between the different New Zealand foreign engagements with Vanuatu are promoted. It is recommended that New Zealand adopts a Policy Coherence for Development (PCD) framework, which is a tool for promoting such synergies in a way that promotes the effectiveness of development co-operation. The OECD provides guidance and tool for donors on how to analyse, apply and monitor PCD through its own Policy Coherence for Sustainable Development Framework.

Adopt a more nuanced approach to sustainability

It is recommended that a more nuanced and broader approach be taken with respect to sustainability. Sustainability is not an exogenous factor over which a donor has little or no control. It is more complex than this, being linked with alignment, ownership and capacity.

Aid that aligns strategically with the priorities of the partner government ensures high level ownership, which in turn promotes sustainability. But without implementation capacity, which includes a willingness to implement a donor funded activity, sustainability cannot be ensured. High level ownership combined with a lack implementation capacity is the ownership paradox mentioned earlier in this report. Such a paradox is evident in this evaluation. Addressing this paradox requires donors to understand the informal behaviours and incentives that exist within partner government implementation organisations, and respond to these in project design and implementation.

Invest more in development analytical capacity

It is also recommended that New Zealand invest more in development analytical capacity in Vanuatu, particularly with respect to aid effectiveness. This increased capacity can either reside within MFAT or with the Government of Vanuatu through the provision of technical assistance. As noted throughout this report, the operating environment in Vanuatu is very complex. Pacific Island countries have for at least a decade shown the poorest economic performance of all regional groupings and face arguably some of the most profound development challenges. Added to this is the view of the evaluation team that there is insufficient attention in Vanuatu to what will drive economic development after the post-TC Pam infrastructure restoration effort. There is already significant expertise in MFAT in a range of areas. But having increased overall development analytical capacity will augment these pre-existing strengths. This capacity, combined with New Zealand's abilities and high regard as a dialogue partner has the potential to contribute to sustained economic development in Vanuatu.

Make the most of New Zealand's voice and visibility

The final recommendation concerns voice and visibility. Aid flows to Vanuatu are relatively large. They are larger than remittances and FDI. New Zealand provides around one fifth of these aid flows and is the second largest donor supporting Vanuatu. It is highly regarded as a dialogue partner, as a trusted friend that can raise difficult issues. Yet its voice and in particular visibility do not seem to be commensurate with this investment and regard.

Visibility is about getting out into the field, not only monitoring projects, liaising with partners and beneficiaries and others. It is also observing development challenges and opportunities as they arise. It can also be used to gauge implementation capacity, including the willingness to implement donor funded activities. New Zealand needs to do more of this – getting out into the field more often – in Vanuatu.

Arguably the most damaging issue for New Zealand in Vanuatu in recent years has been Air New Zealand's refusal to land at Bauerfield Airport. This action is obviously at odds with MFAT's attempts to stimulate the tourism sector in Vanuatu. It has been suggested that with a greater field presence MFAT could have detected the problem with the airfield and recognised that airlines might refuse to land aircraft on it i.e., it could have anticipated Air New Zealand's refusal to land. With this knowledge, MFAT would have been well placed to raise this issue with the Government of Vanuatu so that repairs to the airfield were successfully expedited.

1. Introduction and Background

1.1 Introduction

In July 2016 the New Zealand Ministry of Foreign Affairs and Trade (MFAT) commissioned Sapere Research Group to conduct an evaluation of its country programme in Vanuatu. This evaluation is one of a suite of country programme level evaluations that are being undertaken by MFAT between 2015 and 2018. These evaluations are managed by the Evaluation and Research Unit within MFAT. A steering committee comprised of stakeholders from across MFAT has provided guidance to Sapere on the purpose, objectives and scope of this evaluation, and they also oversee the review process. This evaluation has benefited from significant stakeholder engagement from the outset. The utilisation-focused approach guiding this evaluation is outlined in full in the Evaluation Plan, and should be read in conjunction with this report.

Section 1 of this report explains the purpose, objectives and scope of the evaluation, presents the evaluation questions and provides details of the evaluation design. Section 2 outlines the development context in Vanuatu. Sections 3 to 5 present the findings of the evaluation and address each of the three evaluation questions. Section 6 presents the conclusion and provides a number of recommendations.

1.2 Evaluation purpose

This evaluation is intended to identify key achievements of the Vanuatu Country Programme and determine how effectively it is being managed, with a view to informing country strategy development work. The evaluation delivers an evidence base to help:

- contribute to the fine-tuning of existing programme implementation;
- contribute to informing the future strategic direction (and advising on the most appropriate modalities and approach) for New Zealand's investment in Vanuatu, including but not limited to development assistance, foreign policy, policy dialogue and engagement mechanisms;
- guide the development of future activity designs, noting the programme is 90% committed for the next two to three years; and
- demonstrate achievements to partners, stakeholders and taxpayers.

The evaluation has formative and summative elements and is designed to look back (to assess results) with a view to informing future decisions. Country Programme evaluations (CPEs) are complex; New Zealand's strategic intentions play out over a long period and are designed in a manner that seeks input from a range of stakeholders, taking into account their needs and expectations. Hence, the evaluation has adopted a utilisation-focused approach and sought input from stakeholders through the evaluation process.

1.3 Evaluation objectives

The overall objectives of the Vanuatu CPE are to:

- determine the effectiveness of the programme in achieving sustainable development outcomes;
- assess whether there are opportunities to better connect New Zealand's bilateral and non-bilateral investments and other modalities used to achieve maximum impact;
- assess scope to better leverage our investments through closer collaborations with other traditional/non-traditional donors or by linking across thematic areas (e.g., capturing the downstream benefits accrued by returning RSE¹ workers);
- assess the extent to which New Zealand's development investments are contributing to increased resilience to natural disasters and the impacts of climate change;
- determine whether activities under implementation are delivering intended results (are outputs being delivered and outcomes achieved?); and,
- provide recommendations as to future sectoral focus and orientation of New Zealand's development co-operation with Vanuatu from the perspective of promoting sustainable economic development in Vanuatu.

These objectives were supported and endorsed by Vanuatu and New Zealand stakeholders during a scoping mission, which was undertaken between 3-5 August 2016 in Wellington and 8-11 September 2016 in Vanuatu.

1.4 Evaluation scope

The country focus of this evaluation is the Republic of Vanuatu. This evaluation focuses primarily on the timeframe for the current Vanuatu-New Zealand Joint Commitment for Development (JCfD) (October 2011 to December 2015) and the period immediately before the development of the current JCfD. Where possible we have attempted to increase the temporal scope of the evaluation in order to allow us to assess the impact of development programmes in Vanuatu.

1.5 Evaluation questions and design

1.5.1 Evaluation questions

This evaluation seeks to answer and has been structured around three evaluation questions.

Evaluation question one is: to what extent has New Zealand's aid delivery in Vanuatu over the period of 2011-2016, and immediately prior to 2011, been of a high quality?

¹ Recognised Seasonal Employer Scheme

In answering this question, the evaluation looks at ownership by the Vanuatu Government (including coordination); alignment with Vanuatu government policies and systems (including predictability); coherence and complementarity within sectors and across the programme; the quality of policy dialogue and technical advice; and the issue of mutual accountability.

This includes:

- identifying what the policy settings that provided direction for the New Zealand aid programme;
- establishing whether there was a clear understanding of New Zealand’s foreign policy and its relationship with the Aid Programme; and,
- cognisance of the changing New Zealand foreign policy, trade and regional security objectives within MFAT’s new Pacific Framework on the Vanuatu Aid Programme objectives.

Evaluation question two is: to what extent has New Zealand’s development co-operation in Vanuatu been effective and sustainable?

This question focuses on identifying the achievements of the Vanuatu programme over the period being evaluated, and the sustainability of these achievements within the Vanuatu context.

Evaluation question three is: taking into account development and broader foreign affairs objectives, how can New Zealand’s aid programme foster sustainable economic development in Vanuatu?

This evaluation question deals with the big picture strategic issues associated with New Zealand’s aid to Vanuatu. Sustainable economic development is the priority focus of the New Zealand Aid Programme, and in its Investment Priorities 2015-19 document, sustainable economic development is development that is sustained, inclusive and resilient.

1.5.2 Evaluation design

Empirical information was collected and analysed using a combination of qualitative and quantitative methods in a mixed method approach as standard in evaluations of development co-operation country programmes. The purpose of such an approach is to strengthen the reliability of data and their interpretation with respect to the validity of evaluation findings and recommendations, to enhance not only understanding of the processes through which programme outcomes and impacts are achieved, but how these are affected by the context within which the programme is implemented. These methods were used in a complementary way to interrogate different types of evidence about the context and outcomes of New Zealand’s support for Vanuatu.

Semi-structured interviews and focus groups were conducted with 79 key informants in Vanuatu and New Zealand. Of these informants, 47 were interviewed in Vanuatu, in March 2017 including MFAT High Commission staff, Government of Vanuatu officials, Members of Parliament, Government Ministers, local experts, and members of the private sector. A further 32 key informants were interviewed in New Zealand in March 2017, including MFAT officials, officials from New Zealand state sector agencies, civil society representatives and

sectoral experts. The evaluation team also reviewed more than 60 documents to better understand the context of New Zealand's support and to assess aid quality and impact. Categories of documents available to the evaluation team included:

- project and country programme-related documentation from the New Zealand Government (including: concept notes, activity design documents, activity monitoring assessments, grant funding agreements, activity completion assessments, annual programme reports, programme results frameworks, Joint Commitment for Development);
- independent and joint evaluations;
- policy and planning documents from New Zealand and partner governments (e.g. strategic plans, aid priorities, national development plans, development partnership agreements – and the various technical and analytical documents associated with these documents); and
- academic literature on aid effectiveness and economic development and its drivers in Vanuatu.

2. Vanuatu Development Context

An evaluation of a country-wide programme of development co-operation must be cognisant of the broader environment, enabling or otherwise, in the recipient country in question. New Zealand's development co-operation programme with Vanuatu is no exception to this. This environment will include geographic and demographic characteristics, levels and trends in development achievements, pressing social and related issues, levels and drivers of economic development, Vanuatu's development plans and aspirations and the levels and characteristics of aid provided both by New Zealand and other donors.

Annex 1 outlines in detail the geography, population, social and economic development context of Vanuatu, the political instability, governance and ease of doing business matters in Vanuatu, and international donor community support for Vanuatu. It also provides a detailed analysis of aid flows to Vanuatu, both from New Zealand and all other donors.

2.1 The New Zealand development co-operation programme with Vanuatu

2.1.1 MFAT's strategic objectives

New Zealand's engagement with Vanuatu falls within MFAT's Strategic Objective 4 which is to "maximise the impact of New Zealand's engagement in improving the prosperity, stability and resilience of the Pacific Islands region and its people". New Zealand's interests for Vanuatu are focused on supporting increased economic self-reliance and continued stability and security. Further, MFAT is moving to an integration of aid and foreign affairs aims and intentions and these two aims converge around those issues.

2.1.2 Government of Vanuatu's strategic objectives

The Government of Vanuatu's Priorities and Action Agenda 2006-2015 sets out the national vision as being "an educated, healthy and wealthy Vanuatu". The top strategic priorities are:

- Creating an environment for private sector led economic growth, including in the primary sectors of agriculture, forestry and fisheries, as well as tourism; and
- Human resource development – increasing the economic and employment opportunities for men and women.

2.1.3 Overview of country programme

New Zealand has provided long-running support to Vanuatu, including in the education and justice sectors. For example, support in the justice sector dates back to 2003 when the Vanuatu Department of Corrections was established.

In 2011, New Zealand and Vanuatu signed a Joint Commitment for Development (JCfD) in which it was agreed that the majority of New Zealand's bilateral aid would be focused on the three outcome areas of:

- Lifting economic performance (including in tourism, inter-island shipping, maritime safety and renewable energy);
- Improving education outcomes (early childhood education and vocational skills); and
- Strengthening governance (including corrections and the judicial system).

More recently, MFAT's Vanuatu Country Strategy presents the goal of the programme as being to contribute to the development of a just, educated, healthy and wealthy Vanuatu. As such at a strategic level it is closely aligned with the above mentioned priorities of the Government of Vanuatu. The priorities for the next 5-10 year period are to contribute towards the following outcomes:

- Higher yielding and increase repeat visitors contributing to continued growth in tourism;
- Safe and reliable domestic shipping services increase connectivity and trade;
- A rural population with better access to basic services, electricity and ICT services;
- Improved economies of scale and export earnings from key agriculture value chains;
- Improved basic education achievement, secondary school transition rates; and rural vocational/workforce skills opportunities supporting public/private sector employment demands; and
- Improved governance, accountability and functionality within public institutions, particularly in those we support (tourism, water, energy, parliament, corrections and judiciary).

2.1.4 Total country aid flow

New Zealand is the second largest OECD donor to Vanuatu, and has provided funding for over 100 activities in recent years. The total country aid flow (TCAF) from New Zealand over the 2011/12-2015/16 period was \$NZ139.8 million. Most of this was funding through the bilateral programme (67 per cent of TCAF). New Zealand's total aid to Vanuatu reached an all-time high, of \$NZ 40.2 million, in 2015/16. This largely reflected the response to TC Pam. The composition of annual funding by category of aid is set out in the following table.

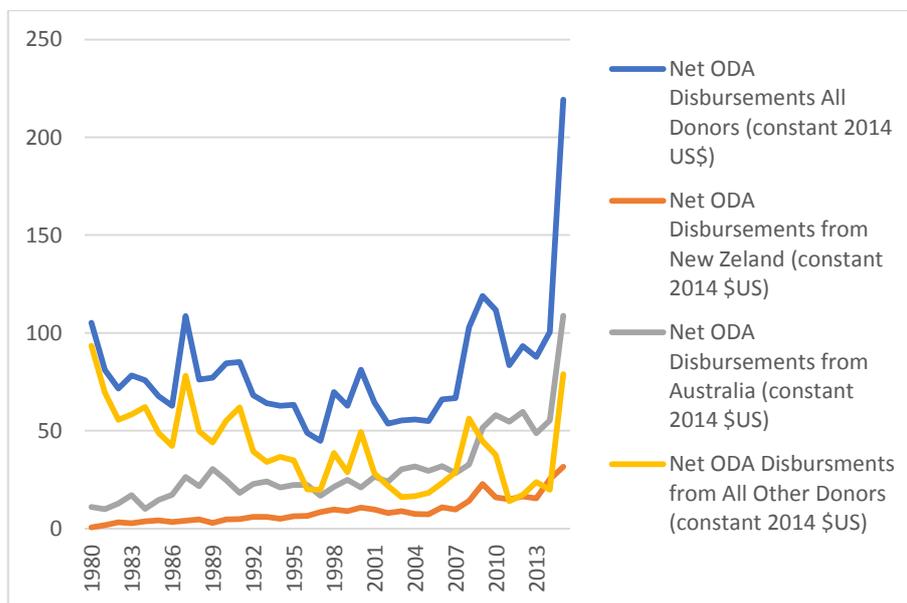
Aid from all other donors also increased appreciably in this year for the same reason, as shown in below in Figure 1 (which is reproduced from Annex 1). The increase reflects not only existing donors providing more aid, but an increase in the number of donors supporting Vanuatu in response to TC Pam. Increases in overall donor support for Vanuatu has since the early 2000s been associated with increased activity proliferation. This is a growing problem in Vanuatu. New Zealand has contributed to this proliferation, largely due to increases in the number of activities funded through non-bilateral (including regional) programmes. These activities represent 62% of all activities currently funded in Vanuatu by MFAT. Overall donor support and proliferation is further discussed, in some detail, in Annex 1.

Table 1 TCAF from New Zealand to Vanuatu by type, Years ended June, \$NZ millions

	2011/12	2012/13	2013/14	2014/15	2015/16
Bilateral	13.2	7.7	18.9	21.5	31.8
Transformational					1.6
Non-bilateral		13.2	12.7	12.4	6.8
TCAF	13.2	20.9	31.6	33.9	40.2

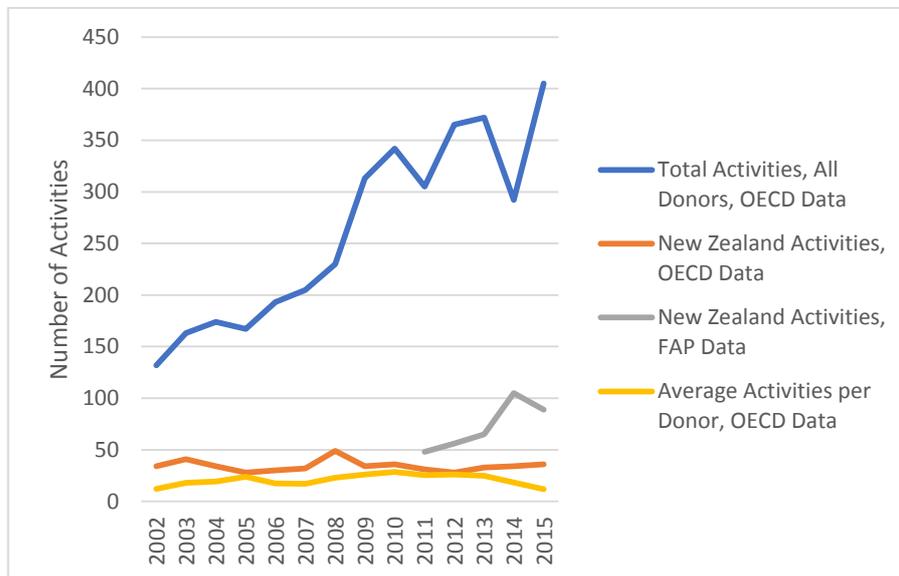
Source: MFAT’s *Working forward aid plan 2012/13 - 2017/18*.

Figure 1 ODA to Vanuatu, 1980 to 2015



Source: OECD-DAC, International Development Statistics Online Database, accessed April 2017

Figure 2 ODA Activity Proliferation in Vanuatu, 2002 to 2015



2.2 Economic Development

Economic growth in Vanuatu is volatile and trending downward

A fact of economic life in Pacific Island economies is that economic growth is highly volatile owing to various endogenous and exogenous factors. Vanuatu is no exception, as shown in Figure 3, which plots GDP data reported by the World Bank.² These data are for real rate of per capita economic growth, the standard measure of the rate of economic development.

Vanuatu's economy picked up from 2003 with an increase in export prices, increased tourist numbers following deregulation of air travel in 2004 – breaking Air Vanuatu's monopoly, increasing both accessibility and lowering prices – and liberalisation of trading in cocoa and copra. This was against the background of the adoption of sound fiscal and monetary policies. Despite political instability and the severe cyclone Ivy in 2004, the improved institutional arrangements resulted in better revenue collection, and expenditure and debt controls. Nevertheless, any economic improvement would have been much less substantial without the improved external situation resulting in growth in agricultural exports and increased tourism.³ These factors culminated in the Vanuatu economy recording an average rate of 2.9% rate in per capita GDP growth between 2003 and 2006.

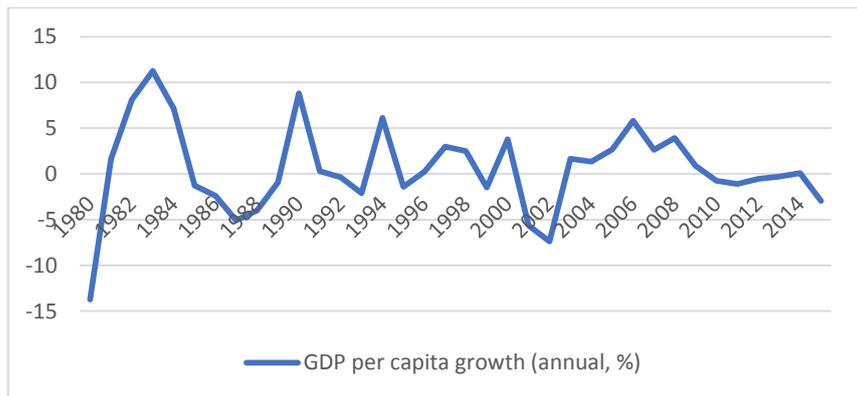
Economic growth per capita has trended downward since 2006, and fell appreciably in 2015 owing mainly to Tropical Cyclone (TC Pam). It fell from 3.9% in 2006 to -3.96% in 2015, as shown in Figure 3. It was negative in 2010, 2011 and 2012. The Asian Development Bank

² World Bank, World Development Indicators 2017

³ Ibid

has forecast GDP per capita growth rates for 2016, 2017 and 2018.⁴ These rates are 1.5, 2.0 and 1.5%, respectively. These rates in 2016 and 2017 reflect the aid donor supported post-TC Pam reconstruction effort, and the declining rate in 2018 reflects the winding back of this very substantial effort. As such the higher rates from 2016 should not in all probability be seen as an economic recovery. Indeed, even if these forecast rates are achieved, the level of economic development (as indicated by the level of GDP per capita), will still be lower in 2018 than it was in 2009.

Figure 3 Real Per Capita Economic Growth in Vanuatu, 1980 to 2015



Source: World Bank, World Development Indicators 2017

There are many reasons why Vanuatu’s economic development performance has been volatile and in recent years downward trending. They include a poorly performing agriculture sector, a sluggish tourism sector, ease of doing business and governance challenges and, in particular vulnerability to external shocks such as cyclones, as the impact of TC Pam so clearly demonstrates. Drivers of Vanuatu’s economic development are discussed in detail in Annex 1. From a donor perspective, the economic development performance of Vanuatu suggests a particularly challenging operational environment, making it harder for donors to demonstrate positive results from their support.

2.3 Conclusion

What can we say about the environment faced by New Zealand as an aid donor in Vanuatu during 2011 to 2015, and what can be said about New Zealand’s aid during this period? A number of pertinent observations emerge from the material presented above and in Annex 1. They are as follows:

Geography and population

- Like most other Small Island States (SIDS), Vanuatu is increasingly susceptible to extreme weather events, with a strong probability of a natural disaster every year that will threaten pre-existing development achievements. Planning for such disasters must

⁴ It is necessary to forecast 2016 rates as GDP and related data will for this year will not be available until late 2017

therefore become a regular fact of development planning and execution, in very much the same way as bringing down an annual government budget.

- Vanuatu has a relatively young population, with 57% of its society being 24 years of age or younger. This makes the provision of education services a challenge, made all the more challenging by the observation that 24% of children of 14 years of age or younger do not attend formal schooling.
- Vanuatu is overwhelmingly a rural nation, with 74% of its population living in rural areas and the vast majority of Ni-Vanuatu depending on agriculture for their livelihoods.

Social and economic development context

- The provision of basic services is a major challenge, with the literacy rate in rural areas being 17 percentage points lower in them than in urban areas. Only 11% of rural households in Vanuatu are connected to electricity grid.
- Gender biases against women are a profoundly disturbing issue in Vanuatu and seriously limits its economic development potential. Vanuatu ranks very lowly internationally in terms of female economic opportunity and rates of domestic and sexual violence are among the highest in the world, with 60% of all women in relationships having been beaten.
- Vanuatu has relatively low levels of economic development, with one of the lowest levels of per capita income in the Pacific. From an economic well-being perspective, this makes Vanuatu's population vulnerable to declines in per capita income growth. It does though have relatively low levels of income inequality, although relative poverty rates are thought to be rising.
- Vanuatu's economy has been in decline since 2006. Its rate of per capita economic growth has trended downward since this year and was negative in 2011, 2012 and 2013. TC Pam further reduced this growth, making an already bad situation worse. Higher forecast rates of economic growth reflect the donor supported post-TC Pam recovery effort. There are serious questions as to whether this growth can be sustained. This is particularly problematic for donors as it is difficult to achieve and demonstrate positive development effectiveness results in such an environment.
- Tourism and agriculture are the mainstays of Vanuatu's economy. It is estimated that tourism's total (direct and indirect) contribution to GDP is 60%. This contribution has, however, been retarded by virtually no growth in spending per tourist over recent decades. Tourism mainly benefits the urban sector, and there is a need to link it more to the rural sector in which the majority of Ni-Vanuatu reside.
- Although no panacea, access to overseas labour markets is an important driver of economic development in Vanuatu, owing to the remittance inflows and its skills transfers it generates. There is robust evidence that participation in the RSE scheme increases household incomes. Remittances as a percentage of GDP is relatively small compared to those of international tourism and FDI.

Political instability, governance and ease of doing business matter

- Political instability and high level corruption are facts of recent life in Vanuatu, and are likely to be a severe impediment to economic development, and is part of the story as to why per capita economic growth has trended downward since 2006.

- Vanuatu's policy and institutional performance fell in 2005 and has not recovered and the Ease of Doing Business after increasing for a number of years fell sharply in 2015. These events do not bode well for economic development, aid effectiveness, private sector development, and increased FDI.

International donor community support for Vanuatu

- Vanuatu's official national development aspirations for 2006 have been to health, wisdom and wealth among Ni-Vanuatu. New Zealand's development co-operation with Vanuatu at an overall strategic level has been aligned with these aspirations given the priority it has assigned to investments in economic and human development and with health and education between two of its four most heavily supported sectors.
- New Zealand, since 2003 has been Vanuatu's second largest aid donor in terms of volume, providing 18% of total ODA to Vanuatu during 2011 to 2015. Australia is the dominant donor in this respect providing 55% of Vanuatu's total ODA during this period.
- The most heavily supported sectors by New Zealand tend to be the most heavily supported sectors by other donors, raising questions about the former's visibility and voice.
- New Zealand and Australian ODA to Vanuatu has trended upward in recent years, while the aggregate from all other donors has done the reverse. This has profound implications for New Zealand and Australia from a number of perspectives. Recently announced increases in ODA from the Asian Development Bank and the EU will not change this situation.
- ODA to Vanuatu spiked in 2015 owing to the donor response to TC Pam. Half the increase in ODA in this year was due to donors other than Australia and New Zealand, with many donors providing aid to Vanuatu for the first time.
- International donor community support for Vanuatu has become increasingly proliferated in recent years and pre-dates the response to TC Pam, especially with respect to the number of Activities that donors support. This is worrying from an aid effectiveness perspective given the unnecessary burden it will have placed on a government with already weak development capacity. New Zealand's aid is highly proliferated, suggesting that it has made a bad situation worse and that the programme lacks strategic focus.
- China is a significant and highly visible donor of aid to Vanuatu. While information on Chinese aid is notoriously difficult to obtain, there seems to be three streams of aid to Vanuatu: strategic infrastructure funding; assistance from Chinese state owned commercial enterprises and support for scholarships to study in and shorter visits to China. Co-ordination of Chinese aid with support from other donors is a pressing development issue in Vanuatu.

3. Evaluation Findings: Aid Delivery

In this section we present our findings regarding evaluation question one, the answer to which requires an assessment of the extent New Zealand's aid delivery in Vanuatu over the evaluation period has been of high quality.

As outlined in Section 1, quality is assessed on the basis of ownership by the Vanuatu Government of New Zealand aid funded Activities and what it is they seek to achieve; alignment with Vanuatu government priorities (including transparency); coherence and complementarity within sectors and across the programme; the quality of policy dialogue and technical advice; and the issue of mutual accountability.

Each of these quality criteria, introduced in Section 1, is addressed in what follows below.

Assessments against each of these quality criteria were based primarily on evaluation team reflections and desk analysis of information provided by key informants and focus groups. They are also based on findings presented in Section 2 and various documents.

3.1 Ownership

The Ministry of Foreign Affairs and Trade (MFAT) programme evaluation framework is linked to the OECD Development Assistance Committee (DAC) Quality Standards for Development Evaluation, and the DAC term for Ownership is that it is strong when recipient countries set and drive their own development agenda. It is one of the principles adopted in the 2005 Paris Declaration for Effective Aid by the international donor community and further endorsed by both donor and recipient country communities at the 2008 Accra Agenda for Action. Aid is more effective if developing countries lead their own development policies and strategies, and manage and coordinate their own development work.⁵

To assess whether there has been ownership of this type of New Zealand's aid investment in Vanuatu we considered whether Vanuatu exercised leadership over its development policies and strategies, and efficiently co-ordinated development actions. We also measured how effectively the New Zealand Aid Programme supported Government of Vanuatu to strengthen its capacity to lead its development.

Vanuatu 2030 National Sustainable Development 'People's Plan' is the country's highest level policy framework. The plan builds on progress made by the Government of Vanuatu, and lessons learned under the Priorities and Action Agenda (which guided national development efforts between 2006 and 2015) and the Millennium Development Goals.

Vanuatu's already mentioned 2006-2015 Policy and Action Agenda⁶ was developed to improve governance and public sector reform. The Department of Strategic Planning, Policy

⁵ OECD-DAC (2010) Glossary of Key Terms in Evaluation and Results-based Management, see: <http://www.oecd.org/development/peer-reviews/2754804.pdf>

⁶ Section 3.1 of the agenda

and Aid Coordination (DSPPAC), which sits within the Office of the Prime Minister, was set up to monitor and evaluate the reform processes and coordinate aid donors.

The People's Plan is an aspirational document. It uses the Sustainable Development Goals to provide a prioritised policy framework across the three pillars of sustainable development. The plan outlines the country's desire to balance the social, environmental and economic pillars of sustainable development, with its cultural heritage as the foundation of an inclusive society.

Capacity issues within Vanuatu government agencies impede its ability to apply its development strategies

Although committed to improving the performance and delivery of its regulatory environment and delivery of its services, most key informants we talked with raised concerns that there are still pressing issues which are impeding Government of Vanuatu's ability to implement the reforms. These include:

- Its capacity to absorb assistance from New Zealand (and other development partners). There is regular movement of officials, and those able to function well in one agency may be less effective in another. This is affecting Government of Vanuatu's ability to lead donor co-ordination, which is widely viewed as a serious issue in Vanuatu.
- Lack of a succession plan, as Vanuatu has a 'shallow pool' of future leaders and experienced/capable people.
- Its ability to monitor, report, and be accountable for development investments.
- Non-use of technical advice (TA) to assist with intermediate steps to deliver the strategy.
- The number of NGO agencies in Vanuatu. NGOs are not linked into the government system, making it difficult for Government of Vanuatu to have oversight of their activities in Vanuatu.

Capacity constraints at the implementation level can feed through to a lack of implementation ownership, which can occur even if there is a high level of ownership at the overall strategy level. A number of key informants pointed to this, in respect to New Zealand's support for tourism and corrections.

Despite these capacity issues Vanuatu is taking a lead in Agritourism

In response to the growing opportunities from agritourism to help achieve a stable, sustainable and prosperous Vanuatu for all Ni-Vanuatu, Government of Vanuatu established an Agritourism Steering Committee (ASC) and with support from the New Zealand Aid Programme, initiated preparation of the Vanuatu Agritourism Plan of Action (VAPA).⁷ The VAPA provides a framework to integrate tourism and the productive sectors including agriculture, fisheries, and livestock. It also outlines priorities for implementation over the next five years – the Agritourism strategy was launched in March 2017.

⁷ 'Vanuatu Agritourism Plan of Action Final Report: A joint New Zealand Aid Programme/Government of Vanuatu Development Initiative December 2016'. TRIP Consultants

Tourism is the lifeblood of many Pacific economies and agritourism provides an opportunity to link rural communities with urban centres and the tourist sector through diversification and trade growth. Tourism has the potential to stimulate demand in the agriculture sector and in turn will improve the health and well-being of rural communities including opportunities for women and youth.

New Zealand Aid Programme's Agrifood/Beef Value Activity is acknowledged by both New Zealand and Ni-Vanuatu key informants as providing more coherence to the overall New Zealand Aid Programme in Vanuatu. This is because agriculture and tourism are the key drivers of economic growth in Vanuatu, and the Agrifood/Beef Value Activity focuses on improvements to beef cattle and agri-food productivity, and aims to link tourism sector expertise with agriculture sector expertise. Its first 'quick wins' delivered an agri-tourism strategy and a beef livestock survey, which aims to inform sector development planning and donor support programmes. The survey identified that cattle stocks were fewer than expected, with breeding stocks not being well-managed for growth in the sector.

Government of Vanuatu sees continued New Zealand Aid Programme TA as essential to ensure Vanuatu primary industries are economically sustainable.⁸ TAs working with Ministry of Agriculture, Livestock, Forestry, Fisheries and Bio-security (MALFFB) staff and farmers (training and advising on animal husbandry, farming methods on planting crops, and climate change) are all seen by the key informants as very important while the Ministry capacity rebuild is underway. In the past there has been a struggle to get ownership at the farmer level due to a lack of coordination between production and supply. However, recent MALFFB initiatives have encouraged the use of co-operatives and farmer associations.

The Tourism Vanuatu Programme (TVP) contributes to increasing engagement and local ownership of tourism initiatives. Businesses and tourism associations are working together in provinces to make tourism initiatives sustainable and key informants acknowledge there is increasing buy-in from locals. Some local operators, that New Zealand TA assist, require very little support, just initial planning advice. These business enterprises show initiative, whereas other businesses require TA to work alongside them to initiate improvements to their business. Limited education is an issue for these provincial tourism operators, as well as understanding about the need to meet tourism standards.⁹

Budget sector support may improve the ownership and delivery of current initiatives

The New Zealand Aid Programme-funded VSA Programme in Vanuatu was seen by Ni-Vanuatu key informants as a good model. It works within New Zealand Aid Programme's strategic plan, there is regular engagement with Post, and its priority is to maintain good relationships with both New Zealand Aid Programme and Ni-Vanuatu stakeholders.

*"Everything is done in partnership with Government of Vanuatu, local NGOs and local businesses who approach [VSA] and indicate where a volunteer could be useful."*¹⁰ However, there is a concern that some regions may be receiving donor support based on political sway, and not necessarily whether the electorate has the most need.

⁸ Key informants 20, 23, 25, focus group 26

⁹ Key informants 25, focus group 26, 27

¹⁰ Key informant 28

To improve the delivery of current initiatives, Ni-Vanuatu key informants proposed (in addition to continued support through technical advice) that budget sector support (BSS) could help the MALFFB with its staff welfare, in particular lack of housing and transportation. BSS, for the safety and security of officers, was suggested as a good aid investment as field officers have to travel great distances, with each expected to cover an area of 1,000 km². BSS could provide resources for Government of Vanuatu to station its people in rural areas to better co-ordinate projects and to manage land disputes. Other requests for direct support came from the tourism sector, to delegate more to professional associations and NGOs to implement the Government of Vanuatu tourism strategy.¹¹

Although not a direct request, key informants expressed frustration that limited resourcing is a big issue for Police in Vanuatu. Examples include lack of fuel for cars, poor police pay, poor housing, and limited job career opportunities, all leading to poor morale within the Police, high staff turnover, and in-fighting.¹²

Still more work is needed to change attitudes and behaviours towards domestic violence

The outcome of the 2011 Joint Commitment for Development (JCfD) between New Zealand and the Government of Vanuatu was an agreement to strengthen governance to increase the public's confidence in the judicial system and Vanuatu's correctional and policing services. The objective of this would be that Ni-Vanuatu would have improved access to justice services and the court system, which underpin Vanuatu's democratic and national integrity systems.¹³ This agreement is reflected in Vanuatu's Justice and Community Services Sector Strategy 2014-2017, and New Zealand's Aid Programme Strategic Plan 2015-19.

New Zealand's support for the justice sector (through supplementing its judiciary with a judge for its Supreme Court, and sharing tools and models) is positively acknowledged by Ni-Vanuatu key informants. The initiative is providing both capacity building and capacity augmentation. For example, the Chief Justice works closely with the senior Court of Appeal judges. However, key informants note that despite the programme going for more than 13 years, there is still "*fragility*". A more long-term approach to capacity development within the judicial system, and more coordination between the Judiciary, Corrections and Police, was suggested.¹⁴

¹¹ Key informants 20, 21

¹² Key informants 3, 9

¹³ Vanuatu-New Zealand High Level Consultations, June 2016

¹⁴ Key informants 8, 12

Although the current focus for the Government of Vanuatu is to build capacity and professionalise the Corrections¹⁵ and Police¹⁶ service, there was a call from community groups and NGOs we spoke with for the Government of Vanuatu to build trust within the community through putting its policy on domestic violence into practice. A concern was that without support from the leaders in government, attitudinal change towards domestic violence within the justice sector would be slow.¹⁷

There was strong ownership within community groups but there was still a lack of support from central agencies to support initiatives in the provinces. Vanuatu's Women's Centre had provided training to Corrections and Police staff on domestic violence issues, and key informants suggested that championing the issue by government ministers within their electorates, and by senior public service officials, will be needed to embed real change within communities and the public sector.¹⁸

Overall Ni-Vanuatu key informants believed there was strong local ownership for Vanuatu to lead its own development agenda, but different 'world views' and recovery from TC Pam meant it is taking longer than expected.

However, capacity and capability constraints within Vanuatu government agencies can feed through to a lack of 'implementation ownership' (as seen with initiatives to combat domestic violence), which can occur even if there is a high level of ownership at the overall strategy level, as Vanuatu has with agritourism.

Ownership needs to permeate all levels in government to be truly considered as 'high quality'.

3.2 Alignment

Alignment is also an aid effectiveness principle articulated under the Paris Declaration for Aid Effectiveness and subsequently endorsed at the 2008 Accra Agenda for Action. Alignment principally requires donors to come in behind and support the priorities of developing countries and to provide predictable and transparent aid flows. We refer to the first of these actions as strategic alignment. It is also called 'relevance' in MFAT's Programme Evaluation Framework (PEF), which is the alignment of donor programmes to

¹⁵ Bilateral programme, Vanuatu Correctional Services Partnership. Vanuatu Dept. of Corrections and NZ Correctional Services. \$3m (2015-2018)

¹⁶ Partnership for Pacific Policing (3P) Regional initiative includes Vanuatu, Cook Islands, Kiribati, Niue, Samoa, Tokelau and Tuvalu. A 4 year programme (Feb 2013-Mar 2017) builds on support provided by NZ Police to strengthen police services of 7 Pacific Island countries. The initiative is to provide a more programmatic and strategic approach to the assistance provided by NZ Police while Activities respond to the country-specific policing needs. The programme comprises three components: management and organisation; partnerships and communication; and policing and capability. The aim is to contribute to strengthen the management, technical, and operational capability of Pacific policing services

¹⁷ Key informant focus group 22

¹⁸ UN Women and IPU's recently published 'Women in Politics 2017 Map' which lists the percentages of women in parliaments. Out of 193 countries Vanuatu is #190 (compared to Solomon Islands #188, PNG #186, Kiribati #174, New Zealand #32 and Rwanda #1). The countries are ranked according to the percentage of women in ministerial positions, reflecting appointments up to 1 January 2017

the strategies and needs of partners, and to their own policies and strategic priorities. The second requirement is simply referred to as transparency.

Strategic alignment is strong, but could be made stronger

There is clear evidence of strategic alignment, as was alluded to above in Section 2. The two key documents relating to this point are the Government of Vanuatu's Priorities and Action Agenda 2006 to 2015 and the 2011 New Zealand-Vanuatu JCfD.

The first of these documents sets out Vanuatu's national development aspirations and priorities. The overall aspiration was for a Vanuatu that is 'educated, healthy and wealthy' achieved through the creation of an environment for private sector-led economic growth and promotion of human resource development. Specific objectives were as follows:

- Private Sector Development and Employment Creation;
- Macroeconomic Stability and Equitable Growth;
- Good Governance and Public Sector Reform;
- Primary Sector Development (natural resources and the environment);
- Provision of Better Basic Services, especially in rural areas;
- Education and Human Resource Development; and
- Economic Infrastructure and Support Services.

The second of these documents sets out a joint vision between New Zealand and Vanuatu regarding the intended outcomes for aid from the former to the latter. Details of the 2011 JCfD were provided above in Section 2. It is though instructive for our current purposes to again identify the three overall outcomes in which it was agreed that the majority of New Zealand's bilateral aid would be focused on the three outcome areas of:

- Lifting economic performance (including in tourism, inter-island shipping, maritime safety and renewable energy);
- Improving education outcomes (early childhood education and vocational skills); and
- Strengthening governance (including corrections and the judicial system).

Alignment is clearly demonstrated between the outcome areas and the above objectives. Improving education outcomes is included in both, as is governance. And lifting economic performance is synonymous with promoting economic growth. Alignment is also in principle implicit to the very concept of a joint commitment: it identifies a joint vision to which both parties commit. That said, an even stronger expression of alignment could be provided if the more detailed outcomes identified in the JCfD, as outlined above in Section 2, were more systematically linked to the Government of Vanuatu's objectives with reference to empirical evidence or causal reasoning. This information is that which often appears in a detailed country strategy used by many other donors, but not to date by New Zealand.

New Zealand's aid is highly transparent

Transparency occurs when recipient countries have a reasonable expectation of future annual overall amounts of aid a donor will provide and the amounts allocated to sectors and

Activities. New Zealand's adoption of Forward Aid Plans (FAPs) provides recipient countries, including Vanuatu, with a reasonable expectation of these amounts by outlining a medium-term budget envelope that provides details of all Activities and the sectors to which they belong from all funds (bilateral and non-bilateral). This is not to say that actual allocations will always be as per the forward plans. There will of course be unexpected events (such as TC Pam) to which donors will respond, but this is in the realm of a desirable deviation from plan for which New Zealand obviously should not be criticised. The overall judgement by the evaluation team is that these unexpected events notwithstanding, New Zealand's aid to Vanuatu has been highly transparent, a judgement which is supported by key Government of Vanuatu informants.

Ni-Vanuatu government officials we talked to agreed that New Zealand's current aid Activities align with this visionary framework, but stressed that New Zealand's focus on sustainable economic development needs to ensure that its Activities factor in Vanuatu customs and culture, and promote inclusiveness for all Ni-Vanuatu.

3.3 Coherence and Complementarity

We looked at total country aid flow (TCAF) to assess coherence and complementarity of the Vanuatu programme, and in particular, whether there were attempts to coordinate the different Activities of the programme (bilateral, Partnership, Scholarship, regional, and foreign policy). We also looked at coherence and complementarity between New Zealand and Vanuatu's development strategies.

The High Commission is playing an increasingly important role in coordinating bilateral and non-bilateral Activities in Vanuatu

New Zealand's current mechanisms for promoting coherence and complementarity are two-fold; using formal and informal opportunities. Vanuatu contributes regionally to the architecture in the Pacific, and it's the role of Post to represent Ni-Vanuatu issues in Wellington. Translating this back to the New Zealand system is not easy, as there are at times competing priorities within the different MFAT programmes (bilateral, Partnership, Scholarship, regional, and foreign policy). In addition to regular donor meetings, Post holds meetings with key Government of Vanuatu officials, professional associations and the private sector. Regular engagement – whether formal or informal - builds trust and relationships, which builds New Zealand's credibility in terms of its long-term engagement with Vanuatu.

Post is increasingly taking a more systems (holistic) approach to its role in delivering the programme in Vanuatu. It is working on improving transparency with Government of Vanuatu, through providing an outline of New Zealand Activities by TCAF. Government of Vanuatu consults and seeks advice with Post on issues not just within New Zealand's priority sectors. In addition to providing advice, Ni-Vanuatu key informants we spoke with saw Post engagement as important for the day-to-day management of Activities, and for working with counterparts in Government of Vanuatu agencies. Post also plays a facilitating role between regional donors and Government of Vanuatu, helping it to access funds for environmental and renewable energy projects from the Green Climate Fund.

There have already been changes to the structure of how the aid programme is managed in-country. There is now a whole of team approach at Post to ensure the team managing the aid programme is working more closely with the foreign policy team.

Donor coherence and complementarity with Vanuatu's priorities is improving

Donors such as ADB, the World Bank and Australia like to work with New Zealand because of its relationship with the Government of Vanuatu. Bilateral donors are seen to 'pave the way' for banks such as ADB to be introduced to the Government of Vanuatu. DFAT values MFAT support around the table with education (despite MFAT's more hands off approach in the education sector). In regards to humanitarian Activities, DFAT found it helpful to have a 'like-minded donor' around the table during TC-Pam. Further opportunities for DFAT to harmonise with MFAT could include the scholarship programme (as in Kiribati). Also, there is an opportunity for DFAT to collaborate more with MFAT on Domestic Violence activities.

Although New Zealand and Australia work more closely to coordinate their aid investment in Vanuatu, it is often a political issue why donors invest in some sectors – until Vanuatu leads regular donor roundtable meetings to discuss key priorities, New Zealand will need to continue to look for opportunities to coordinate with donor agencies to avoid duplication of effort in some sectors.

TC Pam has exacerbated the proliferation of donor agencies in Vanuatu, which has also impacted on Vanuatu's ability to coordinate donor support, discuss its key priorities, and preferred modalities to deliver development assistance. There are 18 UN agencies in Vanuatu and lead donors we spoke with were unclear about what role those agencies were playing, why they were in Vanuatu, and what value they were adding.

Vanuatu is starting to set expectations to development partners

Although Vanuatu is not yet leading regular donor roundtables, it has started to find its voice. Donors are responding to feedback from Government of Vanuatu and other donors with regard to their level of engagement in the country. For example, ADB and World Bank are lifting their engagement by putting people on the ground in Vanuatu. These banks are seen to have huge investments in Vanuatu but were not supported by close engagement with the Government of Vanuatu, the economic reform agenda, or rationale to support certain aid investments. The issues with the supervising contractor for the Inter Island Shipping Programme may have been mitigated if there had been closer oversight by the donor.

New Zealand development investment in Vanuatu is vast

MFAT staff we talked to raised concerns about the number of Activities across the regional, partnership, and bilateral programmes, which make monitoring and reporting by Post resource-intensive. There were more than 100 Activities being undertaken across New Zealand Aid Programme's investment priorities during the evaluation period. Key informants considered that New Zealand will need to move towards a more coherent approach to its support in Vanuatu.

Streamlining the number of Activities, and narrowing the number of areas it is committed to long-term, is a pragmatic response to its own resourcing issues and the need for donors to better coordinate with each other to reduce administrative burden on Government of

Vanuatu. It is estimated by informants that it will take New Zealand 5-20 years to move out of some sectors and consolidate resources.

New Zealand key informants also questioned whether New Zealand needs to have Activities in all 12 investment priorities, and that New Zealand should be more strategic and targeted with its development investments to help with its support and visibility in Vanuatu. Strengthening governance in the Pacific is very important to the security and stability of the region, but could Government of Vanuatu work more with the Commonwealth Secretariat? For regional projects, visibility increases when Post is involved in the Activity design. However, this takes resourcing away from Post's ability to have meaningful dialogue with other donors.

Key informants queried New Zealand decisions to support some initiatives through the Bilateral programme, and others through the Regional programme or the Partnership Fund. It was thought that if a concept is worth investing in why not fund the initiative through the Bilateral programme? The Partnership Fund is seen as good for community engagement and building relationships. However, Partnership Activities can be resource intensive and the Partnership Board adds another layer. *"Yes, [New Zealand] should be working with communities – but why not through the bilateral fund? Some NGO projects are not sustainable and 60% supported through the fund are not working."*¹⁹

Cost Effectiveness

The spread of the New Zealand aid programme in Vanuatu across so many Activities raises a cost effectiveness issue. All activities will have a fixed cost element. That is, each will require a given sum of money to deliver, which will be independent of the size and any potential development benefits of the Activity. Fewer Activities would involve lower fixed costs, and under certain circumstances can result in greater development benefits per dollar of expenditure. This is not to imply that New Zealand aid to Vanuatu has been cost inefficient. This is a very complicated matter over which we cannot be definitive. Our simple point is that the number of Activities funded leads to valid questions about the cost effectiveness of the programme.

3.4 Quality of Policy Dialogue and Technical Advice

The instability of the political system in Vanuatu over the past five years has made it challenging for New Zealand to maintain dialogue

Policy dialogue sets out values and principles that the leadership of an organisation holds to be important in delivering its mandate or in bringing about change.²⁰ The instability of the political system in Vanuatu over the past five years has been challenging with regard to New Zealand maintaining constructive policy dialogue to support Vanuatu's development

¹⁹ Key informant Focus Group 31

²⁰ ODE (2013) *Thinking and Working Politically: An Evaluation of Policy Dialogue in AusAID*, April 2013, Department of Foreign Affairs and Trade, Office of Development Effectiveness

objectives. This has been exacerbated by the churn within the public service and the lack of capacity of the bureaucracy, making it difficult for the Government of Vanuatu to deliver services. This has meant the building and rebuilding of relationships, regardless of which sector, by the New Zealand High Commission in Vanuatu. It takes time to engage and gain trust with new government ministers and chief executives to enable constructive policy dialogue.

Building close relationships is a priority for New Zealand and there has been a big change between this Government of Vanuatu administration and the past Government of Vanuatu administration.²¹ Attitudes of new Members of Parliament (MPs) and new senior government officials have been shaped by overseas study, exposure to the international environment, and previous roles in business. They have worked across departments and in the private sector. More MPs understand that there needs to be a change of expectations from the government, and there is acknowledgement and attempts to make constitutional reforms and increase due diligence. Political issues such as working in coalition and personalities with political ambition are no different to what happens in other countries, but this can slow down reform initiatives.

This section discusses the quality of policy dialogue and technical advice to date. It notes some opportunities for New Zealand to provide on-going technical advice for sustainable economic development, supported by long-term planning to manage environmental impacts and infrastructure in the tourism and agriculture sectors.

Increasing revenue in these sectors is a priority as the Government of Vanuatu looks to reduce its debt levels over the next five to ten years. While not at alarmingly high levels, debt servicing will also have a flow on-effect at a political level. The health and education sectors are critical to the wellbeing of Ni-Vanuatu and Government of Vanuatu repayment of loans for investment in infrastructure projects will draw funds away from the social sector, which may mean more reliance on donor support in these sectors.

Despite the challenges, New Zealand's development dialogue is viewed positively

The Recognised Seasonal Employer (RSE) scheme and high profile New Zealand Aid Programme Activities, such as the rebuild of the seafront in Port Vila and the correctional facility in Luganville, play a big part in New Zealand's engagement with Vanuatu. New Zealand is perceived positively by Government of Vanuatu officials we talked to. Post is viewed as responsive, willing to be flexible and creative with its relatively small bilateral budget (compared to other donors).

*"We have conversations. We don't [just] tell Vanuatu what we are going to do. New Zealand is part of the Pacific and more sensitive culturally. We ask, what do you want to achieve and what do you think we can do to get you there? OK this is the money we have."*²²

New Zealand actively works to understand Ni-Vanuatu culture and custom, and is seen to be prepared to 'walk alongside' Government of Vanuatu, able to have *"difficult conversations, being*

²¹ The imprisonment of government ministers showed Vanuatu communities that corrupt behaviour is not acceptable, even for those in Office

²² Key informant 32

*humble, and acknowledge when on the wrong track.*²³ An informant from a donor partner expressed similar views of New Zealand as a contributor to dialogue with the Government of Vanuatu. This informant said that it was important to have New Zealand ‘at the table’ in high level engagement with Government of Vanuatu representatives, especially when dealing with topics over which there was some tension or the likelihood of disagreement. The informant was of the view that having New Zealand presence meant that agreement was easier to reach owing to the above characteristics.

New Zealand technical advice is a valued and important enabler for economic growth and helps to underpin stability in Vanuatu

Technical advice (TA) is still needed to improve development outcomes at a sectoral, community and national level. The pool of talented Ni-Vanuatu public servants is shallow and New Zealand Aid Programme TA is essential to ensure Vanuatu tourism and its primary industries are economically sustainable. TA support is seen by the Ni-Vanuatu key informants as very important while the Vanuatu public service rebuilds its technical capacity across all sectors, to ensure Activities are developed and policies are implemented.

Strong governance is a pre-condition for stability and security in Vanuatu

Strong governance is a pre-condition for stability and security in the country, along with continued rule of law support. The traditional Ni-Vanuatu environment is changing and changes to the judiciary, policing and correctional facilities need to embed Ni-Van culture. Most key informants acknowledged that New Zealand’s TA in the law and justice sector attempted to work within Ni-Vanuatu culture and customs to ensure community support to change attitudes and behaviours within the sector.

New Zealand Aid Programme’s regional initiative, Partnership for Pacific Policing (3P) is working at a community level. “... *kids now come running up to us - very different to what it was like at the beginning. Police are seen as friendly - community see the police as their friend ... barriers had broken down. We thought it was important to target youth - that’s the future. If you get youth on board you will change crime trends. That’s why we did school visits. As a community policing initiative it focused on communities in rural areas.*”²⁴

Yet at the government ministerial level and with senior leadership this didn’t have a big impact, and the rate of change of acting Police Commissioners affected the quality of policy dialogue. The ability for the Police Commissioner to work with the executive and government’s senior leadership is very important to drive change within the Police and Police culture. Port Vila is the political capital and the initiative needs to have a presence in Port Vila if it is to operate properly. There is a concern that 3P won’t work long-term if there is no TA support in Port Vila working with senior leadership and advising at that level in the Crime Prevention Unit.

Provincial government officials and community groups we spoke to valued VSA volunteer adviser support for tourism marketing and business initiatives. The lack of capacity within

²³ Key informant 20

²⁴ Key informant 19

the Tourism Department to implement initiatives has meant that TA has not achieved as much as was envisaged.

The Partnership Fund is currently working with 17 different partners

The Partnership Fund is currently working with 17 different partners, making it difficult for the Bilateral programme team in Wellington and Post to monitor the projects.²⁵ Indeed, a number of key informants commented that, not just with respect to the Partnership Fund but more generally, New Zealand monitoring was not as intensive as that of other donors. To quote an un-named informant, there was a widespread view that New Zealand monitoring was 'light' compared to other donors.

With respect to the Partnership Fund, it is seen by many of those consulted that there has been a lost opportunity to deliver sustainable economic development projects, and a missed opportunity with the fund to enhance and sustain relationships due to the lack of New Zealand visibility with these Activities. This may not have happened if they were led from the Bilateral programme. High level Government of Vanuatu informants also expressed concern regarding duplication of partnership projects and insufficient co-ordination with Government of Vanuatu Activities.

The relationships with regional initiatives are held by Post

The relationships with regional initiatives are held by Post. MFAT's new portfolio approach to investment priorities in renewable energy, fisheries, and agriculture, means New Zealand can leverage off other donors through various forums. The New Zealand Aid Programme has been working with Government of Vanuatu and the European Union (EU) to provide input into value chain studies, and there is an opportunity for Government of Vanuatu to seek funding from EU, leaving the New Zealand Aid Programme to provide TA within the agriculture sector.

There is, however, concern from some key informants that regional agencies struggle to advise the Government of Vanuatu to improve its fisheries management, making it difficult for New Zealand to leverage through New Zealand Aid Programme fisheries Activities. China has majority interests in long-line fisheries and the value chain is controlled by Chinese interests.²⁶ If fisheries were part of the future Vanuatu Bilateral programme, it could make it easier for New Zealand to advise on sustainable fisheries management with the Government of Vanuatu.

New Zealand's country strategy needs to have a broader umbrella regarding NZ Inc. involvement in Vanuatu

A more coherent approach to New Zealand foreign policy in Vanuatu is needed with the redesign of foreign policy and aid. For example, NZ Defence has a seconded army engineer providing TA support.²⁷ But under Foreign Policy, New Zealand doesn't provide any military support (unless it's for humanitarian support) so this engineering TA doesn't come under

²⁵ Partnership Fund is due to be evaluated later in 2017

²⁶ Key informant 5

²⁷ Key informant Focus group 31

development assistance. NZ Police also has its own relationship with its Ni-Vanuatu counterparts.

The New Zealand Aid Programme can still build relationships more broadly with key political and community stakeholders, donor partners and NGOs. Previously there has been donor fragmentation, with Government of Vanuatu playing each donor off against each other. However, with the need to consolidate its aid resources in Vanuatu, New Zealand will need to continue to work with Australia to avoid duplication of effort in sectors. New Zealand can also look to other non-traditional partners as the layers of New Zealand involvement within the Ni-Vanuatu community are myriad. There are engagements with community groups through charities such as Rotary and Lions, who have strong and long-standing relationships with Ni-Vanuatu communities. These charities have global networks and their involvement is based on direct requests from the community to these networks. Having a better understanding of New Zealand's overall support in Vanuatu will help the New Zealand Aid Programme target its resources to initiatives that will help the Government of Vanuatu deliver its policies and strategies for economic growth and wellbeing.

New Zealand can enable Government of Vanuatu to step up and lead its country to become more economically sustainable with two support approaches

There is an opportunity for New Zealand to take two approaches with its aid programme in Vanuatu:

- With smaller, impactful and observable Activities (such as the High Commissioner's Fund (HCF) hydroelectric project, humanitarian support for TC Pam. In particular in Activities where New Zealand provides seed money and other donors 'top up'). These types of Activities need to align with the few longer deeper Activities within the same sector.
 - While Australia's Department of Foreign Affairs and Trade (DFAT) is committed long term to the education sector in Vanuatu, Ni-Vanuatu key informants still see education and health as important sectors for New Zealand to be in. There are opportunities with the HCF and the Bilateral programme to deliver small education Activities which provide a New Zealand presence in communities, and Water, Sanitation and Hygiene (WaSH) projects which are asked for the most by communities.
 - The HCF is seen as an important tool as it can respond quickly to urgent requests from the Government of Vanuatu. Although administratively resource-intensive for Post, it is good for New Zealand's profile within the wider community.
- Through developing long-term relationships with national and provincial officials, senior community leaders etc. Governance is an important area for New Zealand to provide support to Vanuatu's Public Service Commission and SOEs. The Scholarships Programme and the RSE scheme can also be used to develop long-term relationships:
 - There is an opportunity for the New Zealand Aid Programme to run training courses for Ni-Vanuatu public servants (through New Zealand's State Services Commission). Already New Zealand Aid Programme is seeing significant benefits from the Scholarships Programme where it is helping to build relationships within the Ni-Vanuatu Government and Public Service.

- Already there are indirect benefits from RSE workers gaining literacy and numeracy skills, being more able to pay school fees, and to pay for access to better healthcare.²⁸ The RSE scheme could be strengthened and connect more closely with the Bilateral programme. These are opportunities for the New Zealand Aid Programme to look at ways to develop technical skills, business development, and mentoring with RSE workers.

There is also an opportunity for New Zealand to support Government of Vanuatu to implement its fishing strategies regarding long-line fishing

Engagement by MFAT in Vanuatu fisheries initiatives is through regional programmes with the Pacific Islands Forum Fisheries Agency (FFA) and The Pacific Community (SPC). Agreed priorities are aligned with regional initiatives. Government of Vanuatu supports FFA's Regional Roadmap for Sustainable Pacific Fisheries, and receives services and funding from FFA and SPC (the largest funder is FFA).

The infrastructure projects, Vanuatu Inter-island Shipping Support Project (VISSP) and Vanuatu Tourism Infrastructure Project (VTIP) which involves the redevelopment of Port Vila wharf, will help Government of Vanuatu implement policy under the regional tuna fisheries management framework. Vanuatu's quota for foreign fishing licences is 70 per year. It is predicted that 47 fishing vessels will offload their catch in Port Vila once the Sino-Van fish processing plant is fully operational. Under the national tuna management plan of Vanuatu, all Vanuatu licensed fishing vessels operating within the country's Exclusive Economic Zone (EEZ) will be required to offload their catches in Vanuatu ports. The policy has not been implemented due to the lack of local infrastructure for offloading of fish.²⁹

The fisheries sector is underperforming³⁰ and Government of Vanuatu needs to tighten access and exercise good control over the number of catches, particularly with regard to albacore tuna stocks. *"It's a regional issue of boom/bust cycle. Less than 10 vessels are owned by Vanuatu."*³¹ Basic building blocks are needed, such as good policy, and good structures for harvesting and marketing. Currently it's a buyers' market. More thinking is needed to rebalance so more revenue goes back to the producers. However, from a development perspective, there are major issues with indigenous communities. Currently revenue is going to the government rather than the community. There are also tribal issues such as the ability to process on-shore products if the factory belongs to a different tribe, and issues with enforcing legislation.

FFA sees potential for increasing revenue through fisheries. Following on from direct engagement in 2016 from the Vanuatu Minister of Fisheries visit [Pacific Ministers Study Tour], there is an opportunity for New Zealand to explore two areas of interest with Government of Vanuatu - greater opportunities for long-line fisheries and marketing. This

²⁸ Key Informants 20, focus group 22, focus group 26, 27, 28, 31, 32

²⁹ http://dailypost.vu/news/first-offloading-of-tonnes-of-fish-for-sino-van-operation/article_cf83930a-a8cf-5bd2-b610-ce6f21613d8f.html; Presentation of the 2020 Fisheries Strategy and Key 2014 Achievements. NTDC Secretariat. Ministry of Tourism, Trade, Commerce, and Ni-Vanuatu Business. 2014

³⁰ <https://www.mfat.govt.nz/assets/securedfiles/Aid-Prog-docs/Research/BERL-Pacific-Ocean-Economy-Exploring-NZs-Opportunities.pdf>; Key informants 005 and 020

³¹ Key informant 005

could have implications for the Bilateral programme as fisheries is currently funded through regional Activities.

3.5 Mutual Accountability

Mutual accountability is based on the premise that donors and partner countries must account more transparently to each other for their use of aid funds, and to their citizens and parliaments for the impact of their aid.

Vanuatu still needs support with good governance and contract practice

We found that assessing effectiveness was not easy due to poor transparency, monitoring, and reporting processes at both government and non-government partners. A number of factors such as Vanuatu being a relatively new democracy, the level of churn within the public service, and the capability and capacity of Government of Vanuatu and NGO staff meant that initiatives were not always managed as well as the New Zealand Aid Programme would have expected. Government of Vanuatu key informants agreed that TA support with current and new initiatives in the primary industry sector is still needed to strengthen Vanuatu's capacity to lead its development.

The Support to Forestry Activity (2010-2012)³² provides an example of how poor processes can affect the outcome of an activity. The Activity included forestry training in Tonga but proved problematic due to the Government of Vanuatu's financial arrangements with an intermediary. This impacted on the timeliness and completeness of the Government of Vanuatu's reporting, and its cancellation of the arrangement due to the intermediary's misappropriation of funds.

The Activity involved the Department of Forestry and Ministry of Agriculture, Quarantine/Livestock, Fisheries and Forestry, an intermediary organisation, and Hango College (a Tongan-based training college). Although Post interaction and relationship with the Department of Forestry and Ministry of Agriculture was deemed excellent by both parties, staff did not communicate with Post on the arrangement with an intermediary, and they did not follow approved Government of Vanuatu processes.

These included a lack of proper assessment by Government of Vanuatu on the training college's ability to deliver the appropriate training, and the credentials of the intermediary. Reporting by Government of Vanuatu staff to New Zealand Aid Programme was also an issue as it was contingent on getting adequate receipts and reports from the intermediary in Tonga and from the college.

Vanuatu may have good financial systems but staff need to apply them

Funds for the Activity were disbursed by New Zealand Aid Programme to the Government of Vanuatu and it expected Government of Vanuatu to manage the funds adequately as Government of Vanuatu had appropriate systems in place. However, the New Zealand Aid Programme was not consulted on the arrangements whereby Government of Vanuatu

³² Bilateral programme activity: 9/11/2010 - 9/11/2012. Budget NZD\$1,419,798. Activity Completion Assessment (ACA), 2015

officials made payments to the training college and Ni- Vanuatu students via the intermediary company in Tonga. The lack of transparency of process made reporting by Government of Vanuatu difficult, and reporting eventually identified that there was a misappropriation of funds by the intermediary.

Government of Vanuatu key informants acknowledge capacity issues with the lack of reporting on past Activities and say that Government of Vanuatu is working on improving its governance structure and financial management capability for current and future Activities.

Ni-Vanuatu NGOs need support to manage budgets, contracts, monitor and report on projects

Organisations undertaking MFAT-funded projects need to have a good understanding and skills to manage their monitoring and reporting obligations so that the New Zealand Aid Programme can assess the effectiveness of the Activity. Based on past Partnership Activities such as the Vanuatu Farm Support Association (FSA) Project (2008-2011)³³ and the lack of completion of more recent Partnership Fund Activities, High Commission staff are taking more of a lead role in monitoring non-bilateral Activities. The New Zealand Aid Programme is also strengthening its assessment of partner management and governance capacity, including financial management capability. Upfront support for an organisation to meet its contractual requirements, such as regular reporting, is also part of the Partnership Fund guidance.

Although anecdotally the FSA Project was seen as a very relevant, the training is only effective if the rural training centre students and women's groups that FSA is working with go back and encourage their communities to use innovations. However, a lack of monitoring, and unclear indicators and reporting, meant that the New Zealand Aid Programme could not tell whether the trainees were returning to their communities and working on farms.

The Central Vanuatu Community Economic Development Programme (2011-2016)³⁴ is a good example of the importance of being able to measure and report progress. A mid-term review allowed World Vision NZ to incorporate lessons and adapt the Activity design and results measurement table. It was able to report that the overall goal of the Activity had been achieved for one of the beneficiary communities. It was able to report that the Activity is achieving its intended outcomes, such as:

- improved capacity of farmer groups (FGs) in production, processing, finance and marketing, with increases of household income of 45% (target of 20% exceeded);
- completion of an internal organic certification process, with 632 farmers certified externally;

³³ *Increasing rural income through farming innovations* (12/11/2008- 11/11/2011). Budget NZD\$375,000. Activity Monitoring Assessment (AMA), 2010

³⁴ Partnership Fund project. World Vision of NZ. Total budget \$2,406,023 (01/11/2011-31/10/2016)

- increased capacity by farmers to overcome constraints to accessing market opportunities, with 7 initiatives taken by FGs to advocate for improved access to market opportunities. The review noted that this was unchanged from the previous year, and new data will be collected in the next year; and
- advocate for improved access to market opportunities. The report noted that this was unchanged from the previous year, and new data would be collected in the next year.

MFAT needs to ensure partner fund disbursement mechanisms are clear and agreed in more detail at the Activity design phase

Government of Vanuatu took responsibility for the misappropriation of funds in the Support to Forestry Activity project.³⁵ It disciplined its staff, agreed to repay outstanding funds to the New Zealand Aid Programme, and supported the final students to complete their diploma studies. The Activity design could have been more robust on the financial arrangements, i.e. ensuring funds were paid directly to the training provider (Hango College), or the students (for allowances), rather than via an intermediary.

Although New Zealand Aid Programme agreed that the College delivered the training to an acceptable Government of Vanuatu standard, the High Commission questioned the original selection of the College and the standard of training provided compared to other regional and international training institutions. Care by Government of Vanuatu to ensure financial arrangements and processes are fully understood and disclosed to the donor (providing evidence that this will be managed adequately) before funds are dispatched to the recipient/executing agency, could have minimised any misappropriation of funds.

Both key informants³⁶ and the Activity Completion Assessment (ACA) agree that the system set up at the Tongan end was poor, and risk management and follow-up inadequate, resulting in students being left out of pocket. The ACA recommends that for future projects where funds end up being spent outside a country by a third party, New Zealand Aid Programme needs to ensure:

- fund disbursement mechanisms are clear and agreed in detail at the Activity design phase to avoid the potential of interference;
- transparent tender and selection processes; and
- that the need to check the credibility of any management service provider involved is understood by the partner.

Although the contract was cancelled with the College, 15 students graduated from the training and the Ministry of Agriculture reported that 14 students had been employed in Vanuatu in their relevant areas of expertise.

3.6 Conclusion

³⁵ ACA, 2015

³⁶ Key informants: 4, 9, 20 focus group, 31

Overall, the quality of New Zealand's aid investment in Vanuatu varies according to the criteria on which quality is assessed. It is of high quality with respect to ownership, alignment, dialogue and technical advice and mutual accountability is good. Quality is lacking, however, with respect to donor coherence and complementarity, although it should be acknowledged that these tasks have been made more difficult by an apparent disinclination of the Government of Vanuatu to lead in these regards. The spread of New Zealand's aid investment in Vanuatu does, however, raise questions regarding its cost effectiveness.

New Zealand's current aid Activities align with Vanuatu's agenda. Yet capacity constraints within Vanuatu government agencies can feed through to a lack of 'implementation ownership', which can occur even if there is a high level of ownership at the overall strategy level.

There is clear evidence of strategic alignment. An even stronger expression of alignment could be provided if the more detailed outcomes identified in the JCfD, were more systematically linked to the Government of Vanuatu's objectives with reference to empirical evidence or causal reasoning. A detailed country strategy using this information would assist New Zealand.

New Zealand development investment in Vanuatu is vast and spread across too many sectors and investment priorities. A case exists for New Zealand streamlining the number of Activities, and narrowing the number of areas it is committed to long-term - a pragmatic response to its own resourcing issues and the need for donors to better coordinate with each other to reduce administrative burden on the Government of Vanuatu.

New Zealand's development dialogue is viewed positively, as responsive and willing to be flexible. There is an opportunity for New Zealand to take two approaches with its aid programme in Vanuatu. They are:

- with smaller, impactful and observable Activities, and
- through developing long-term relationships with national and provincial officials and senior community leaders.

These approaches are clearly not mutually exclusive, so that both can be pursued. The second of these approaches is arguably much more important, given compelling international evidence that relationships are key to effective aid.³⁷

Assessing effectiveness was not easy due to poor transparency, monitoring, and reporting processes at both government and non-government partners. Vanuatu still needs support with good governance and contract practice. Vanuatu's government agencies may have good financial systems but they need to be enforced.

³⁷ See, for example, McGillivray, M., D. Carpenter and S. Norup, Evaluation of Long-term Development Co-operation between Vietnam and Sweden, Swedish International Development Agency, Stockholm, 2012 and McGillivray, M., D. Carpenter and A. Pankhurst, Long-term Development Co-operation with Laos, Sri Lanka and Vietnam: Synthesis of Evaluation Findings, Swedish International Development Agency, Stockholm, 2012

4. Evaluation Findings: Effectiveness and Sustainability

4.1 Introduction

In this section we present our findings regarding evaluation question two: to what extent has New Zealand's development co-operation in Vanuatu been effective and sustainable? This question focuses on identifying the achievements of this co-operation over the period 2011 to 2016, the likely sustainability of these achievements and the factors that impact achievement and non-achievement.

An evaluation such as this cannot evaluate every Activity funded by New Zealand aid to Vanuatu over the period in question, noting that the number of such Activities funded in recent years exceeds 100. Instead it focuses on 16 Activities out of the 25 for which Activity Monitoring Assessments (AMAs) or Activity Completion Assessments (ACAs) that were provided to the evaluation team, and five case studies. These activities are listed in Table 4.1. The five case studies are: (i) Vanuatu Tourism Infrastructure Project; (ii) Vanuatu Discovery Trials Project; (iii) Support for Corrections in Vanuatu; (iv) National Bank of Vanuatu Rural Financial Literacy Education, Training and Development; and (v) Support for Economic Connectivity: The Inter-island Shipping Support Project. These Activities and case studies were chosen purposively on the basis of the richness of information provided in these assessment reports and previous evaluations, from key informants interviews, and the observations of members of the evaluation team.

The 16 Activities are reviewed and case studies are outlined in Annexes 2 and 3, respectively. In these annexes we provide summaries of the Activity reviews, highlighting key conclusions. In Section 4.2 we provide a synthesis of the findings of both these reviews and the case studies under key programme priorities. This synthesis was guided not only by analysis of the 21 activities examined, but by comments from key informants during fieldwork. We rely primarily on the case studies to identify factors that have impacted on achievement and non-achievement of the co-operation in question.

4.2 Synthesis of findings

4.2.1 Human development

WASH Activities are valued by Vanuatu communities as they aim to improve hygiene awareness and practice by participating communities. Sustainability of these Activities is linked with the level of ownership by the community leaders.

In terms of sustainability, the WASH Sector Strengthening Activity has a deliberate focus on institutional strengthening and capacity building, with the intention that benefits will be long-term. However, the High Commission monitoring visits have demonstrated limited sustainability and coordination of delivery of some water supply projects due to poorly functioning governance over the projects, poor design, and a lack of technical expertise.

In terms of sustainability of the regional New Zealand Medical Treatment Scheme (NZMTS) within Vanuatu, the VMS teams have focused on specific areas of priorities of service and capacity provision, which has enabled a more planned and orderly strategy for the VMS component of the scheme. Overall, while the Activity has achieved a number of important outputs, conclusions cannot be drawn regarding outcome achievements, as reporting on the Activity is deficient and needs to be improved.

Wan Smolbag (WSB) demonstrated that it has the motivation, performance, environment and capacity to deliver its expected outcomes. However, the support appears not sustainable, with WSB vulnerable to any decrease in core funding. It is unlikely that it could be financially self-sufficient, mainly because its work is aimed at those least able to pay.

Although the Small Projects Scheme (BSK) may have been useful for public diplomacy within Ni-Vanuatu communities and there were some achievements at the grassroots level, BSK was an administrative burden for Post. There are also questions over the choice of some community projects, and the sustainability of completed projects.

Managing community expectations is a common issue across the Pacific in regards to providing rural electrification solutions. However, overall the Electricity for Rural Development (VREP) Activity is on track to achieve its goal, and it has been successful in achieving set outputs and outcomes. This provides a strong basis for the rollout of VREP II.

4.2.2 Education and training

The Vanuatu Education Road Map (VERM) Activity achieved some short and medium term outcomes. For instance, as a result of the introduction of the school grants programme in 2010, indicators in relation to education access increased in the first year and have since been maintained at around 87% net enrolment rate.

Also, a language policy encouraging the use of mother-tongue learning in early years was endorsed by Parliament. This policy is an enormous step forward in terms of facilitating literacy and ensuring sustainable outcomes. The benefits of this are now being seen in classrooms as this continues to be implemented under the Vanuatu Education Support Programme (VESP).

New Zealand's collaboration with Australia in the education is also a good example of two aid agencies attempt to harmonise its Activities and reduce proliferation in Vanuatu. Strong donor collaboration was forged during the VERM initiative which assisted in reducing the transaction costs on government in a previously crowded sector, and this close collaboration continues with the current VESP. These points notwithstanding, the VERM ACA concluded, however, that the Activity's outcomes would be limited as it had achieved "too few results" that were not commensurate with the level of investment from MFAT.

VESP is progressing well and (notwithstanding concerns for sustainability) is considered an effective programme. Progress is on track to achieve programme outcomes, and outputs continue to be of high quality.

Scholarships selection process in Vanuatu was good, with excellent priority sector alignment and adequate gender balance. Targeted promotion should be the focus, to increase scholarship applicant numbers for STTS, particularly amongst potential female applicants. Overall, the programme is performing well, with some unknown factors in terms of sustainability.

The Vanuatu Rural Development Training Centre Association (VRDTCA) project is rated as less than successful due to the complex design, lack of national sector policy planning, lack of coordination, lack of an operational monitoring and evaluation framework, and weak operational management.

The National Bank of Vanuatu (NBV) Rural Financial Literacy Education, Training and Development (FLETED) Activity was a project that delivered tangible results. It demonstrated the value of partnering directly with organisations to deliver development activities. Formal monitoring visits by Post during implementation to verify the reporting by NBV and to explore sustainability issues in more depth would have been useful.

4.2.3 Economic development

The regional Pacific Business Mentoring (PBM) programme has achieved immediate outcomes during its first phase of operations. It has met its targets with regard to country coverage and number of clients. Closer attention needs to be paid to the current structure of the private sector in each country, and assessing where the greatest opportunities lie for growth based on a prioritised approach that is in line with national development strategies. There is a need for the PBM programme to be more tailored to the specific contexts in which the mentors are operating.

It is unlikely that the Mama Graon Activity will achieve its programme outcomes without improved buy in and commitment from the Government and key partners; and a more focused and strategic scope. Problems with recruiting local TA and staff and embarking on a joint programme with Australia meant that two different project designs were merged into the Mama Graon Programme without any further redesign, which resulted in unnecessary overlaps that were not immediately addressed

Overall the Vanuatu Tourism Assistance programme (VTP) is tracking well, although most support is only just starting to be implemented and so results will take time to realise. The overall effectiveness of the activities under the VTP umbrella has been affected by a number of issues beyond the control of the programme. These include TC Pam, and the partner government's poor financial systems and processes. These have delayed funds coming on line, thus delaying implementation.

Poor engagement by the relevant line ministries and departments are also one of the challenges. However, the use of local consultants has been highly successful as they have good background knowledge of the tourism sector in Vanuatu, as well as established links within the tourism sector that the Activities can capitalise on.

Although the Vanuatu Tourism Infrastructure Project (VTIP) is not completed, there are already some highlights. These include the rehabilitation of the coastline infrastructure, improved public seafront access, a major attraction for tourism, improved coastline and improved economic opportunities for Ni-Vanuatu. Involvement of government departments and stakeholders at various stages have helped gain project acceptance. Local knowledge input throughout the project has also been invaluable. On-going maintenance could be an issue if there is a lack of ownership by local government, and awareness of the asset VTIP is to the region.

Economic connectivity is a high priority for the Government of Vanuatu given that 75% of its population live in rural and remote island areas with hard to reach access to services and

markets. Despite initial delays and increase to the budget, the Vanuatu Inter-island Shipping Support Project (VISSP) Subsidised Shipping Scheme is having positive effects connecting Ni-Vanuatu with markets, and health and education services in Port Vila and Santo.

On-going maintenance remains a risk, however, along with the need to service the debt that will be due in the coming years.

4.2.4 Law and justice

There are still sustainability concerns with the Judicial Strengthening Programme due to a lack of capacity within the judicial system. The vitally important role seconded judges have played, and the overall importance of the law and justice sector to Vanuatu's economic development (and to New Zealand investments in other sectors), means that the programme will likely be required for some time yet into the future.

The case study of the Vanuatu Corrective Services Partnership (VCSP) noted its contribution to the achievement of many important outcomes. Among them the reduction in prison escapes and a more effective probation system that includes community sentencing.

Yet re-offending rates have not declined, imprisonment rates have increased, and the ratio of detainees to beds available has increased. There are also staffing recruitment problems and capacity continues to be an issue. Reflecting on these issues, officials from Vanuatu's Department of Correctional Services have argued that there is a real chance that New Zealand's investments in supporting corrections in Vanuatu could be wasted if funding stops in 2019, as has been announced.

The case study of New Zealand's support for corrections pointed to what has been termed a "paradox of ownership" in the delivery of this support. As noted in the case study, such a paradox exists when there is high level ownership, but not at the implementation level. Staff may not lack the ability to implement, but lack the willingness to do this.

The failure to move on the proposed corrections centre in Erangorango is also consistent with a lack of this capacity. Addressing this paradox requires donors to understand and respond to the informal institutions or mechanisms that exist within partner government implementation organisations, and respond to these in project design and implementation. Basically it means ensuring that these staff within organisations genuinely embrace and understand the objectives of what donors are seeking to achieve in funding an Activity. This is required at entry and all other stages of the project.

4.3 Conclusion

4.3.1 Has New Zealand development co-operation been effective and sustainable?

The short answer to this question is yes, moderately so. This based on narratives provided in Annexes 1 and 2 and the remarks provided above. Based on these narratives, which combine information provided in the ACAs and ACRs and the independent views of the evaluation team, the 21 Activities were given a rating. Six ratings were used: effective and sustainable; effective but with questions regarding their sustainability; ineffective and not therefore sustainable, and; cannot be assessed owing to a lack of requisite information. Sustainability

was assessed primarily on the basis of the likelihood of the Activity been funded after the end of New Zealand support, but with some consideration by the evaluation team of the likely continuation of outcomes after the end of this funding.

According to these narratives and remarks, seven of the 21 Activities examined can reasonably be considered to have been or highly likely to be effective and sustainable (see Table 4.1). A further seven can be considered effective but with questions regarding their sustainability, three can be considered to be ineffective and therefore not sustainable and four cannot reasonably be assessed owing to a lack of requisite information (interesting, each of these are regional Activities).

These assessments, like responses to most complex questions, must, however, be nuanced and qualified. There were a number of factors that contributed to some of the shortcomings of the Activities examined, including the vastness of New Zealand’s TCAF into Vanuatu, in-country capacity constraints along with a demanding operating environment.

New Zealand is working to match the evolving development context in Vanuatu

New Zealand is working to reduce the proliferation of Activities and match current and new Activities to the evolving development context in Vanuatu, and this will take time. Steps taken include assigning sector leads at Post, and undertaking monitoring and oversight of New Zealand TCAF in Vanuatu by Post throughout 2016. Informants acknowledged that it has been a ‘light touch’ due to the number of Activities. While there has been a slight decline in the number of New Zealand funded Activities, the number remains uncomfortably high.

Table 1 Activity Assessments

Activity	Evaluation Assessment
The Water and Sanitation on Tanna and Pentecost	U
Judicial Strengthening Programme (Support to Judiciary)	E
Support to Wan Smolbag	E
Small Projects Scheme: Basket Blong Sapotem Komuniti Kamap	E
Water, Sanitation and Hygiene Systems and Sector Support	E&S
Electricity for Rural Development	E&S
Education Support Programme	E&S
New Zealand Medical Treatment Scheme	U
Scholarships Programme	E&S

Activity	Evaluation Assessment
Tourism – Volunteer Service Abroad	E
Vanuatu Tourism Assistance Programme	E
Pacific Business Mentoring Programme	U
Private Sector Development Initiative	U
Vanuatu Rural Development Training Centre Association Institutional Strengthening Project	I
Vanuatu Lands Programme – Mama Graon	I
Vanuatu Education Road Map	I
Case Study 1: Vanuatu Tourism Infrastructure Project	E
Case Study 2: Vanuatu Discovery Trials Project	U
Case Study 3: Support for Corrections in Vanuatu	E
Case Study 4: National Bank of Vanuatu Rural Financial Literacy Education, Training and Development	E&S
Case Study 5: Support for Economic Connectivity: The Inter-island Shipping Support Project	E&S

Note: E&S is effective and sustainable; E is effective but with questions regarding sustainability; U is uncertain owing to a lack of information; I is ineffective and not sustainable.

Most Activities which we assessed have been successful in achieving short term outcomes, and in some instances medium term outcomes. One main factor that has contributed to the success of many activities is ensuring partner country involvement in the design of the Activity. Examples of this include strong collaboration with the Government of Vanuatu, use of local expertise, and the use of government systems.

Closely linked to this is ensuring local ownership of the Activity at a community and individual level. Methods for ensuring ownership include capacity building and thorough pro-active stakeholder involvement/engagement, and clear and transparent communications.

El Nino and TC Pam have been key reasons for the slow progress of some activities. Other common factors that have hindered a successful delivery of Activities include lack of clarity in terms of budget, a too-extensive Activity scope (or lack of targeting), monitoring and reporting issues, poor coordination of delivery, and Activity management issues.

New Zealand has a reputation for understanding the Pacific context. Yet the different ways of working (culturally), the often changing political environment, and the level of capacity within the country (both at grass roots and in government) to maintain an Activity, can have a bearing on the effectiveness and sustainability of an Activity.

New Zealand ensures close engagement with government agencies and community groups during the inception and design phase of an Activity. Embedding the cultural and social aspect can, however, place pressure on timeframes, and the New Zealand political imperative to ‘fast track’ some activities can risk the long-term ownership and viability of the Activity.

As well as allowing time for close engagement with the community and government agencies, implementation of an Activity also relies on the capacity within the local NGO and community group to own and manage the Activity. This has been an issue for some of the activities, as acknowledged by key informants from the community and local NGOs, and identified by them as an area for further New Zealand Post and TA support for more complex activities.

In addition, the churn within Vanuatu Government agencies and its senior leadership makes it harder to operationalise Vanuatu’s vision to enable agriculture and tourism to drive its economy. There is an acknowledgement that maintenance of large infrastructure projects is key to instilling confidence within the private sector, and continued New Zealand TA may be required post implementation to ensure this occurs.

The rule of law is critical to a stable economy, and timeframes for initiatives to professionalise the law and justice sectors may need to be reviewed to ensure confidence is maintained both within the community and also from the international trading community.

4.3.2 Sustainability is a common theme for lessons learned

New Zealand aid-funded Activities in Vanuatu seem on balance to be effective, in that important outcomes are achieved, but a lingering question over many is their sustainability.

An impression gained from reading AMAs and ACAs is that sustainability is a priority for monitoring and end of Activity review, and that it is treated as an exogenous factor over which a donor has little control, largely being up to the Government of Vanuatu and key partners within Vanuatu.

Yet sustainability, alignment, ownership and capacity go hand in hand. Alignment promotes ownership at a strategic level, in which the priorities of a donor match the overall development priorities of the partner government, with the former coming in behind and supporting the latter.

Another impression concerns the way sustainability is understood in monitoring and end of Activity assessments. Sustainability seems to be understood as a situation in which the aid-funded Activity continues to be funded after the cessation of New Zealand support. As such, sustainability occurs when there is a continuation of project outputs after the end of donor funding. What is more important is the continuation of intended project outcomes, which in many cases can be sustained well beyond the life of an Activity. Literacy is a good example of such an outcome.

Ownership at an implementation level requires capacity

Implementation capacity can be technical, relating to skills and abilities required to achieve intended outcomes of donor support. It can also relate to willingness; that is, whether the implementing agency actually wants to achieve these outcomes.

In the case of New Zealand support for Vanuatu there appears to have been strong alignment and ownership at the strategic level, but all too often a lack of ownership at the implementation level and resulting in a paradox of ownership as defined above.

The upshot of this is that sustainability is not entirely exogenous. It has an endogenous aspect that can be built into project design through technical capacity building and dialogue that seeks to engage and build willingness capacity, where necessary.

4.3.3 The Macro-Micro Disconnect in New Zealand Aid Delivery

A macro-micro disconnect is evident in the delivery of New Zealand in Vanuatu. Addressing it provides a useful way of summarising the findings of Sections 2 to 4, which look the recent history of this delivery, prior to the forward looking investigation of the next section.

Aid flows to Vanuatu are relatively very large, averaging 12% annually since 2010. They exceed both remittances and FDI inflows combined. New Zealand is the second largest donor to Vanuatu, providing close to one-fifth of aid over this period. Given this overall (macro) level of support, one might expect that New Zealand aid might have had had positive development impacts. At one micro level, two reasonably heavily supported sectors by New Zealand are tourism and agriculture, both of which have struggled, agriculture in particular. At another micro level, that being support for individual Activities, a number supported by New Zealand have not been successful and there are lingering concerns of the sustainability of many examined for this evaluation. That noted, most have been effective.

Why might this disconnect have arisen? Combining key findings of Sections 3 and 4, three reasons can be suggested. The first is the insufficient coherence and complementary owing to a programme that is too thinly spread across sectors and activities and the second is persistent problems with sustainability. The third is the complexity and challenging nature of the development context or operating environment in Vanuatu, noted above in Section 1. We return to these issues repeatedly in what follows.

4.3.4 Has the New Zealand Aid Delivered on the 2011 JCfD?

It is fitting to conclude this section by considering the aid programme's effectiveness and sustainability in the context of the 2011 JCfD. Such consideration provided additional summary material, in addition to that just provided (in 4.3.3 above) As was mentioned above, the three outcomes areas of the JCfD are: lifting economic performance (including in tourism, inter-island shipping, maritime safety and renewable energy); improving education outcomes (in early childhood education and vocational skills), and: strengthening governance (including corrections and the judicial system). Has the programme delivered on the three outcome areas?

The response to this question is not straightforward, especially with respect to lifting economic performance. The Vanuatu economy has been in decline since 2006, as is evidence from per capita income growth, as was shown in Appendix 1. A simple but unfair assessment would be the New Zealand aid has failed or been ineffective in lifting Vanuatu's economic performance. This is an unfair assessment as the more appropriate question is ask is what would have been Vanuatu's economic performance in the absence of New Zealand aid.

Would this performance have been worse in the absence of this aid? On the one hand, we could argue that performance would have been worse given that most Activities reviewed in tourism, renewable energy and shipping and maritime safety, as a whole, have been effective. On the other hand, we note that macro-micro disconnect, and the three reasons for put forward for this disconnect: the issue with coherence and complementarity, problems with sustainability and the very challenging operating environment.

What we can point to is that at a micro level, New Zealand has on balance delivered on the economic performance component on the JCfD, with respect to tourism, shipping and maritime safety and shipping, but at a macro level it seemingly has not.

With respect to improving educational outcomes and strengthening governance components of the JCfD, very similar comments apply. While overall governance and educational achievement levels have remained broadly steady since 2011, most New Zealand Activities reviewed in these sectors were judged to be effective.

5. New Zealand aid and sustainable economic development in Vanuatu: Looking ahead

5.1 Introduction

In this section our focus is on evaluation question three, which is: taking into account development and broader foreign affairs objectives, how can New Zealand’s aid programme foster sustainable economic development in Vanuatu? Our concern is with providing guidance and identifying a strategy that can reasonably be expected to maximise New Zealand aid’s contribution to this development in a way that is consistent with broader foreign affairs objectives set out in the *Framework for New Zealand Government Engagement in the Pacific 2016 to 2035 (Pacific Framework)*. The overarching objective of this framework is for a stable and prosperous Pacific in which New Zealand’s interests are safeguarded.

A fundamental premise of thinking behind the strategy that is identified below is that the best way aid can contribute to broader foreign affairs objectives is to maximise its contribution to sustained economic development while at the same time leveraging other outcomes that are consistent with these broader objectives.

Our response to evaluation question three in part builds on findings presented in Sections 2 to 4, but it also requires an appreciation of Government of Vanuatu’s recently released long-term national development strategy, *Vanuatu 2030: The People’s Plan*.³⁸ It is essential that New Zealand’s aid programme in Vanuatu be strategically aligned and that it be owned by the Government of Vanuatu at the strategic and implementation levels. There is indeed a Government of Vanuatu expectation that its development partners “need to ensure that their programmes are aligned to the national vision, goals and policy objectives” in its *People’s Plan*.³⁹ This is important from an aid effectiveness perspective in its own right, but it is also from an ownership perspective. Without such alignment and ownership New Zealand’s contribution to sustainable economic development in Vanuatu will not be maximised. This does not necessarily imply that there is alignment with all priorities.

We outline the core aspects of *Vanuatu 2030: The People’s Plan* shortly but prior to that it is instructive to reiterate and further reflect on some of the key findings of Sections 2 to 4 and what this means for aid donors. This provides context for much of what follows.

³⁸ Government of Vanuatu, *Vanuatu 2030: The People’s Plan: National Sustainable Development Plan 2016 to 2030*. Department of Strategic Policy, Planning and Aid Coordination, 2016

³⁹ Vanuatu Prime Minister, the Hon. Charlot Salwai Tabismasmas, Foreword to the *People’s Plan*

5.2 Key contextual observations

The economy's downward trajectory must be reversed

Vanuatu's economy would appear to be in trouble. Its real per capita income has trended downward since 2006 and its yearly growth has often been negative over recent years. TC Pam has made this bad situation worse, further contributing to Vanuatu's economic woes.⁴⁰ Higher per capita economic growth is forecast for 2017 and 2018, but this should not necessarily be equated with a recovery as this is heavily dependent on the donor-supported post-TC Pam recovery effort. As such it is consistent with a short-term growth spurt rather than a sustained economic recovery.

Vanuatu has relatively low levels of economic development, with one of the lowest levels of per capita income in the Pacific. This makes Vanuatu's population vulnerable to declines in per capita income growth. Although data on income poverty in Vanuatu are very sparse, the low per capita income suggests that many of those Ni-Vanuatu who are not already living in poverty have incomes that only just see them above the poverty line. As such they are vulnerable to falling into poverty when income per capita growth rates are low.

Sustaining economic development is a priority for all nations. Economic growth provides the resources with which many other national priorities can be met, including the provision of health and education services. In Vanuatu, however, given its downward economic trajectory and low pre-existing levels of economic development, increasing and sustaining the rate of this development is a particularly pressing need that urgently needs a continuing donor response. This might require raising difficult topics with the Government of Vanuatu. New Zealand would seem well placed to do this, given the findings of presented above in Section 3.

Tourism and agriculture are key but need of re-invigoration

Tourism and agriculture are the mainstays of Vanuatu's economy. Tourist arrivals and the contribution of tourism to national income have continually risen over recent decades. This contribution has, however, been retarded by virtually no growth in spending per tourist over recent decades and most of the economic benefits from tourism go the urban sector. This reflects the fact that most growth in tourist numbers has been driven by cruise ship arrivals. The number of tourist arrivals by air has fallen since 2014. While increased cruise ships arrivals should not be deterred, there is a need to have tourists stay longer and spend more in Vanuatu.

The vast majority of Ni-Vanuatu depend on agriculture for their livelihoods, with 80% of Vanuatu's population being involved in agricultural activities. Yet the agriculture has stagnated over recent decades. By this, it is meant that agricultures' contribution to national income in Vanuatu is virtually the same in 2014 as it was in 1998.

There is a strong case to link the tourism and agriculture through an agri-tourism strategy. As mentioned, it is important that tourists stay longer and spend more in Vanuatu. But this

⁴⁰ Interestingly, this was not mentioned by any key informant during the fieldwork in Vanuatu and Wellington conducted for this evaluation

spending needs to be on locally produced goods and services. A strategy that has tourists spending more on good quality agricultural food products supplied to local restaurants and hotels and souvenirs produced by rural small holders and visiting farms and rural communities has the potential to re-invigorate both the tourism and agriculture sectors.

Political stability, inclusivity and sustainability

The sustainability of economic development must be seen not only from an environmental but also a social perspective. This is of core importance to the maintenance of stability, and therefore to Pacific Framework's overarching objective.

A key lesson from recent events in the Northern Hemisphere, and from the post-colonial history of developing countries, including some in the Pacific, is that unless economic development is inclusive there is a risk of political instability. Inclusive economic development occurs when benefits of increased prosperity are felt by all social groups. Political instability threatens the continuance of economic development, meaning that sustainability is at risk without inclusivity.

Rates and levels of economic development also risk being lower if it is not inclusive, in the sense that it does not build on potential contributions from all social groups. Put another way, economic development can be lower if some groups are not entirely free to participate in the economy.

In the Vanuatu context, two issues arise with respect to inclusivity.

1. The first is gender bias, which as noted in Section 2 is a profoundly disturbing issue in Vanuatu and seriously limits its economic development potential. Violence against women must be countered and female economic opportunity needs to be significantly increased. There is a strong case for increased mainstreaming of the latter into donor support, but for that to be successful direct interventions are required to address the former.
3. The second issue relates to fundamental characteristics of the Vanuatu economy. Vanuatu essentially has two economies: a modern, predominantly urban economy located in and around its two urban centres, Port Vila, in Efate and Luganville, in Espiritu Santo; and, a more traditional economy located in rural areas outside of these urban centres, including relatively remote islands (recalling that Vanuatu consists of 83 islands, of which around 65 are inhabited). Three quarters of Ni-Vanuatu live in rural areas, and 80% of which depend on agriculture for their livelihoods.

Available living standard data tell us that those Ni-Vanuatu living in rural area have lower living standards than those living in urban areas. Donors need to address these gaps if economic development is to be inclusive. This is not to say that urban areas should be ignored. Rather, it is to say that the modern and traditional economies be linked, so that progress in one necessarily means progress in the other. A focus on agri-tourism can provide that link. This need not involve a situation in which the modern economy absorbs the traditional economy so that the latter ceases to exist. As a key informant convincingly noted in reference to inhabitants of the informal economy, "not everyone in Vanuatu wants economic development". Yet economic development can benefit these inhabitants without fundamental changes in desired ways of living.

It must also be recognised that Ni-Vanuatu participants in the RSE scheme are not only Efate or Espiritu Santo, but from islands including Tanna, Ambrym and Malekula. As such this scheme links a modern economy (New Zealand) with traditional economies.

Extreme weather events will become the norm

Vanuatu is increasingly susceptible to extreme weather events, with a strong probability of a natural disaster every year that will threaten pre-existing development achievements. Development planning and donor support must factor disaster planning and response as a regular fact of life; as a permanent state. Increasing resilience to disasters is key. This requires many responses, but among them is that disaster planning is mainstreamed into donor activities as an integral component.

Proliferation, visibility and sectoral spread

International donor community support for Vanuatu has become increasingly proliferated in recent years and pre-dates the response to TC Pam. The number of activities funded in Vanuatu between 2002 and 2013 more than tripled.⁴¹ Vanuatu's capacity to efficiently absorb these activities for development purposes will have almost certainly not have increased commensurately, a point to which we return below.

New Zealand's aid to Vanuatu is very highly proliferated. It funded 89 activities in 2014, compared to the OECD donor average of 12.⁴² To this extent it has made a bad situation worse, possibly compromising aid effectiveness in Vanuatu. This also raises questions regarding the management of New Zealand's development co-operation within MFAT. It must be emphasised that this evaluation finds no evidence that this management has been of poor quality. To the contrary, all indications are that it is very well managed with committed, informed and able staff. Recent changes in the management of the programme at Post saw the introduction of a vertical management structure organised around aid sectors, and this has significantly streamlined programme management. But one can only wonder how much more efficient aid delivery might be if the programme funded fewer activities.

The core issue at hand seems to have been the growth in non-bilateral aid activities funded, particularly the Partnership Fund and regional activities. Our key informants in Vanuatu and Wellington alluded to the complexity of managing the overall programme, and a number of non-MFAT local informants commented that monitoring of New Zealand aid activities was not as intensive as might be expected. This is perhaps not unexpected given the proliferation of the New Zealand programme.

The proliferation of New Zealand aid activities in Vanuatu is not surprising considering the number of sectors in which it is involved, which numbers more than 16. And that there are 16 priority sectors paradoxically suggests a lack of priority. A case could well be made that

⁴¹ We base this on the increase from 132 activities in 2002 to 372 in 2013 reported in Section 2, noting that these numbers do not include Chinese aid activities nor those funded by New Zealand through its regional programme

⁴² This average was calculated using OECD data, which excludes New Zealand aid provided to Vanuatu through its regional programme. Including activities provided through this programme increases the OECD average to 22

each of these sectors is important for development in Vanuatu, but a single donor can rarely address all of the problems faced by a recipient country.

Related to this is visibility. From a number of perspectives donors need to be seen to be making a positive contribution to development in the partner country. It is questionable that such a sectoral spread is good for visibility, particular given that the sectors in which New Zealand is most active are those in which other donors are concentrated. In this situation there is a risk that New Zealand is lost in the donor crowd.

This might not be a bad thing if New Zealand's aid was ineffective, or worse still, damaging, violating the 'do no harm' principle. But the findings of this evaluation, presented in Sections 3 and 4, suggest otherwise. As such there would appear to be a compelling case for not only a reduction in the amount of activities funded, but a reduction in the number of sectors in which New Zealand is present.

Declining aid from other donors

Another finding of Section 2 on aid delivery was the overall decline in aid to Vanuatu from donors other than Australia and New Zealand. This is of strategic relevance to New Zealand.⁴³ If this trend continues and aid from the donors in question has been effective, it will be even harder for Vanuatu and its remaining development partners to address Vanuatu's current economic challenges. This could lead to questions in Vanuatu of the effectiveness of New Zealand aid, and risk souring relations. Worse still, it could even lead to accusations that aid has contributed to economic decline, making a bad situation worse. There are many examples of such claims in the history of aid, including in the Pacific. This is another argument for a greater focus. If a donor can convincingly demonstrate results in particular sectors, then questions about the effectiveness of aid can be more easily countered.

Addressing implementation capacity and ownership

A principal finding of Section 4 was that there were lingering doubts about the sustainability of a number of New Zealand's aid funded activities owing to a lack of implementation capacity within the Government of Vanuatu. This capacity was either, or both, in the skills and abilities or the willingness required to achieve intended outcomes. This is akin to a lack of partner government ownership at the implementation level, which can exist no matter how strong partner ownership may be at higher, strategic levels.

This must be addressed if New Zealand is to maximise its contribution to sustained economic development in Vanuatu. It requires a robust assessment of whether implementation capacities are a likely constraint to the achievement of intended outcomes for every aid funded activity, and if they are likely that capacity building be incorporated into the activity in question. This is, in effect, a mainstreaming of capacity building as required across the country programme.

⁴³ It must again be noted that empirical evidence of this decline does not account for Chinese aid to Vanuatu. The point that is intended is not altered if Chinese aid is taken into account, as it applies to what might be termed traditional donors, which excludes China

5.3 Vanuatu 2030: The People's Plan

The principal, over-riding objective of *Vanuatu 2030: The People's Plan* is “building a stable, sustainable and prosperous nation”.⁴⁴ The *Plan* identifies five development aspirations that provide foundation for this objective. They are as follows:

- (i) a vibrant cultural identity underpinning a peaceful, just and inclusive society;
- (ii) responsive and capable state institutions delivering quality public services, including health and education, to all citizens;
- (iii) a pristine natural environment on land and at sea that serves food, cultural, economic and ecological needs;
- (iv) enhanced resilience and adaptive capacity to climate change and natural disasters; and,
- (v) a stable economy based on equitable, sustainable growth that creates jobs and income earning opportunities accessible to all people in rural and urban areas.

The *Vanuatu 2030* identifies Sixty-seven policy objectives for the achievement these aspirations are identified under three pillars – social, environmental and economic - for sustainable development. It is these pillars and the policy objectives on which donor alignment decisions can best be made.

Policy objectives for the society pillar correspond to the first and second development aspirations. This social pillar seeks to ensure that Vanuatu maintains “a vibrant cultural identity underpinning a peaceful, just and inclusive society that is supported by responsive and capable institutions, delivering quality services to all citizens”.⁴⁵ Its policy objectives under this pillar are to: (soc 1)⁴⁶ promote a vibrant cultural identity based on traditional governance and Christian principles; (soc 2) deliver quality education outcomes; (soc 3) deliver quality health care; (soc 4) promote social inclusion (in which the rights of Ni-Vanuatu women, youth, the elderly and vulnerable groups are supported, protected and promoted); (soc 5) ensure security, peace and justice; and, (soc 6) strive for strong and effective public sector with good governance principles and strong institutions.

The environment pillar “seeks to ensure a pristine natural environment on land and at sea that continues to serve our food, cultural, economic and ecological needs, and enhance resilience and adaptive capacity to climate change and natural disasters”.⁴⁷ It corresponds to the third development aspiration outlined above. Its policy objectives are: (env 1) the promotion of food nutrition and security; (env 2) fostering sustainable growth through low impact industries and modern technologies; (env 3) increased climate and disaster resilience; (env 4) improved natural resource management; and, (env 5) a commitment to conservation and sustainable management of biodiversity and ecosystems.

⁴⁴ *Vanuatu 2030: The People's Plan*, page 1

⁴⁵ *Vanuatu 2030: The People's Plan*, page 10

⁴⁶ The abbreviations soc 1, env1, eco1 and so on are those used in *Vanuatu 2030*

⁴⁷ *Vanuatu 2030: The People's Plan*, page 13

The economy pillar is about ensuring that Vanuatu has “a stable economy based on equitable, sustainable growth that creates jobs and income earning opportunities accessible to all people in rural and urban areas”.⁴⁸ Its policy objectives are: (eco 1) to achieve a stable and prosperous economy in which trade and investment are encouraged and economic opportunities are provided for all members of Vanuatu society; (eco 2) the provision of sustainable and well-maintained infrastructure through inclusive and effective partnerships; (eco 4) to ensure a strong rural economy that enables the development of rural communities and increasingly contributes to national prosperity; and, (env 5) to promote an enabling business environment that creates opportunities and employment for entrepreneurs throughout Vanuatu.

5.4 New Zealand’s country programme in Vanuatu: recommendations for the future

Our task now turns to directly addressing the question of, taking into account development and broader foreign affairs objectives, how can New Zealand’s aid programme foster sustainable economic development in Vanuatu? A response to this question heavily rests on the sectors, but also on the balance between bilateral and other delivery modes. In what follows a series of recommendations are provided that are consistent with this response.

5.4.1 Strategic Alignment

Given a focus on economic development and the requirement that it be socially sustainable, strategic or high level alignment with *Vanuatu 2030: The People’s Plan* would seem to be relatively uncontentious. That is, New Zealand’s aid programme, while endorsing the plan as a whole, is aligned primarily to the economy pillar of the *Plan* by helping promote a stable economy based on equitable, sustainable growth that creates jobs and income earning opportunities accessible to all people in rural and urban areas.

The evaluation notes that a new JCfD 2017-2020 is under preparation and it strategically aligns with the *Plan*. This new JCfD aligns, however, with each of the three *Plan* pillars. There is nothing inherently wrong with this, although it does risk the furtherance of a country program spread very thinly across sectors and activities. Given this out recommendation is that the new JCfD primarily aligns with the economy pillar, and selectively and strategically aligns with elements of the others in a manner that reinforces or ensures coherence and complementary across the aid programme. Such selectivity is outlined below in our discussion of policy alignment with the *Plan*.

5.4.2 Sectoral focus

The selection of sectors should be such that it:

- (i) concentrates effort on relatively few sectors;

⁴⁸ *Vanuatu 2030: The People’s Plan*, page 16

- (vi) ensures alignment with the policy objectives of *Vanuatu 2030: The People's Plan*, especially those under the economy pillar;
- (vii) tackles core drivers and inhibitors of sustained economic development;
- (viii) promotes complementarity between those which are chosen;
- (ix) reflects New Zealand's comparative advantage as an aid donor;
- (x) ensures visibility of New Zealand as a development partner; and
- (xi) provides a reasonable prospect for success.

Our view is these criteria are consistent with the *fewer, longer, deeper* mantra discussed within MFAT.

Taking into account each of these criteria, we suggest consideration of a primary focus over the longer-term in the following areas:

- (i) tourism;
- (ii) agriculture and fisheries;
- (iii) shipping;
- (iv) energy; and
- (v) education (focussed on post-secondary and tertiary scholarships).

In addition, there should also be an emphasis on (a) climate and disaster resilience, (b) governance (capacity building) and (c) gender, primarily as cross cutting issues. We note that there are already elements of this within the country programme, especially with respect to gender. It has, for example, a focus on gender based violence in its support for corrections. We recommend that such mainstreaming be undertaken in all activities in which it is feasible. For example, support for scholarships could have a target for female recipients of, say, 80%.

This focus clearly involves a reduction in the number of sectors in which New Zealand is active.⁴⁹ Withdrawing from these sectors requires a careful, and very clearly communicated exit strategy.⁵⁰ A rule of thumb, albeit arbitrary, is that roughly 70% of the total country aid flow to Vanuatu be allocated to these sectors. This leaves plenty of budgetary space for shorter-term, more opportunistic and high visibility support with easily observable outcomes in other sectors, such as support for labour mobility, which should obviously remain a component of the aid programme. It also leaves space for strategically easing out of sectors, such as corrections, for example.

Policy alignment is therefore with: (env 3) increased climate and disaster resilience; (eco 1) achieving a stable and prosperous economy in which trade and investment are encouraged and economic opportunities are provided for all members of Vanuatu society; (eco 4)

⁴⁹ It should be acknowledged that the New Zealand Post in Vanuatu has for some time embraced the notion that a narrower sectoral focus is required, that fewer activities are funded, and that there is greater donor co-ordination around *Vanuatu 2030: The People's Plan*

⁵⁰ For lessons learned from DFID's in winding back its bilateral program in Vietnam, see M. McGillivray, D. Carpenter, P.D. Tung, C.T.T. Quynh and E. Aure, *Evaluation of Long-run Development Co-operation between the UK and Vietnam*, Landell Mills, Trowbridge, 2015

ensuring a strong rural economy that enables the development of rural communities and increasingly contributes to national prosperity; (soc 2) delivery of quality education outcomes; (soc 3) delivery of quality health care; and (soc 4) promoting social inclusion (in which the rights of Ni-Vanuatu women, youth, the elderly and vulnerable groups are supported, protected and promoted).

A focus on tourism and agriculture (including fisheries) follows the comments made earlier in this section about each being the mainstays of the economy in Vanuatu. A focus on both, through agri-tourism, had the potential to drive sustained economic development in an inclusive manner, in which both the modern and more traditional agriculture sector benefits. This will, however involve having tourists stay longer and spend more money in Vanuatu. This in turn involves increasing the number of tourists who arrive by air. The focus on shipping is consistent with linking the modern and traditional agriculture sectors, and linking of islands with the modern sectors in Efate and Espiritu Santo. The same broad logic, on linking these sectors, applies to a focus on energy, if its provision in turn focuses on rural areas, where access to electricity is extremely low.

A focus on tourism, agriculture, energy and shipping also provides complementarity in that each is self-reinforcing, and are consistent with New Zealand's comparative advantage as an aid donor. Reflecting its own domestic expertise in these areas, New Zealand has been active in these sectors for many years in Vanuatu. They are also sectors in which there are relatively few donors, thus promoting New Zealand visibility. We note that the aid programme currently has a focus within agriculture on increasing potato, coffee and beef production. This is consistent with an agri-tourism approach (coffee and beef in particular) and should be continued. There appears to be less return for moving beyond these productive areas.

The focus on education is consistent with the notion that education is a robust driver of economic development, and the challenges in providing education in Vanuatu owing to its relatively young population. As a key informant of this evaluation commented, scholarships are very important in establishing networks and long lasting friendships across the Pacific that shape a close feeling of kinship with New Zealand. These networks can be maintained and promoted through social media, such as through a Facebook group managed at Post.

A focus on scholarships is consistent with New Zealand comparative advantage vis-à-vis is principal competitor in the region in the provision of education, Australia. New Zealand post-secondary and tertiary institutions viewed as being of a comparable standard, in terms of the quality and prestige of the teaching courses they provide. Yet New Zealand offers a lower cost of living for overseas students given the most studying in Australia are based in the high-cost centres of Sydney, Melbourne and Brisbane. There are also the large Pacific Island communities in New Zealand that offer support to students from the region.

Scholarships can also help the serious lack of capacity implementation noted above, especially if targeted to sectors that are priority investments for the aid programme. And as mentioned, if primarily targeted as women can also help address the disadvantaged position of women in Ni-Vanuatu society.

It should be acknowledged that education is a sector in which a relatively large number of donors are already active. Visibility therefore becomes an issue, as does the burden that dealing with a large number of donor agencies places on the absorptive capacity of the Government of Vanuatu. A New Zealand focus purely on post-secondary and tertiary

scholarships, leaving the remainder of the sector to the dominant donor in this space, Australia, would address this concern.

An emphasis on climate and disaster resilience, and governance (capacity building) gender primarily as cross cutting issues is consistent with the comments made above about mainstreaming these vitally important issues not only for sustaining economic development in Vanuatu, but also of promoting the effectiveness and sustainability of New Zealand's aid investments. To repeat the point already made, one way on mainstreaming gender is to have a bias that favours females in the allocation of New Zealand scholarships. Note also that a focus on climate and disaster resilience does not preclude disaster response, which is obvious appropriate on humanitarian grounds. New Zealand obviously cannot ignore disasters as they occur in Vanuatu; it has both a responsibility and the ability to efficiently respond.

Finally, on the sectoral focus of aid, the issue of donor co-ordination necessarily arises. Take for example primary and secondary education. Education at these levels remains a huge issue in Vanuatu owing to its relatively young population. As such it is important that it receives donor support, and that any move by New Zealand away from supporting education at these levels does not trigger moves by other donors. New Zealand needs to actively engage with its donor partners in Vanuatu, through all means possible, to not only communicate any changes its sectoral focus, but to ensure dialogue regarding an appropriate division of labour among these partners.

5.4.3 Activities and Delivery Modes

There is a compelling case, outlined above, that the proliferation of New Zealand aid supported activities in Vanuatu be reduced. A reasonable target for the medium term, it would seem, for the number of activities funded be reduced to four times the average of other donors in the immediate pre-TC Pam period, which is 64 activities.

On the assumption that bilateral activities provide New Zealand with more visibility and recognition, but also based on growth in the number of regional activities in the New Zealand's Vanuatu country programme over recent years, there would appear to be a case for the greatest reduction of in the latter. More generally, activities should wherever possible be delivered through a regional programme only if it addresses a particularly pressing priority for promoting sustained economic development that a regional agency is much better placed to address.

It must be acknowledged that reducing the number of regional programmes funded is no straightforward task. It is associated with a political risk (harming relationships with regional organisations) and has implications for country programmes other than that in Vanuatu. Nor would it necessarily reduce the total (all donor) activity proliferation in Vanuatu, given that regional programmes will not necessarily be terminated in Vanuatu if New Zealand no longer contributes funding to them. But it would mean less of an administrative burden on Post. Recalling that a number of informants noted that New Zealand monitoring was not as intensive as expected, it would free resources for this important activity. This would also result in greater visibility. It would also provide for greater monitoring of general conditions and developments in Vanuatu, a point to which we return later, in the context of the runway at Bauerfield Airport.

There is also a case for a more focussed Partnerships programme, owing to the uncomfortably high number of activities it funds, and an evident lack of strategy or priority

in the programme, aside from promoting New Zealand domestic participation in aid delivery (which is, in itself, a valid priority). There would also appear to be a case for shifting the administration of this programme to Post and giving it more local demand (as opposed to New Zealand supply) orientation.

5.5 Conclusion

In what follows we highlight the main conclusions drawn above, in Section 5.

First, given that the Vanuatu economy is on a downward economic trajectory and has low pre-existing levels of economic development, increasing and sustaining the rate of this development is a particularly pressing matter that urgently needs a continuing donor response. This will require dialogue, and possibly the discussion of sensitive issues. New Zealand is well placed in this regard as a trusted dialogue partner.

Second, the sustainability of economic development must be seen not only from an environmental but also a social perspective. This is of core importance to the maintenance of stability, and therefore to the overarching objective of the *Pacific Framework*. A concern for social sustainability requires an economic development strategy that is inclusive, prioritising women and Ni-Vanuatu living in rural areas without sufficient beneficial linkages to the modern economy.

Third, tourism and agriculture are key but are in need of re-invigoration. An emphasis on agri-tourism offers significant potential in this regard.

Fourth, the overall decline in aid to Vanuatu from donors other than Australia and New Zealand is of significant strategic relevance to New Zealand. If this trend continues and aid from the donors in question has been effective, it will be even harder for Vanuatu and its remaining development partners to address Vanuatu's current economic development challenges.

Fifth, Vanuatu's new national development strategy, *Vanuatu 2030: The People's Plan* identifies sixty-seven policy objectives to promote progress under three pillars – social, environmental and economic - for sustainable development. It is these pillars and their corresponding policy objectives on which donor alignment decisions can best be made. There is significant scope for strategic donor alignment with these objectives.

As to how New Zealand's aid programme can best foster sustainable economic development in Vanuatu, while taking into account development and broader foreign affairs objectives, the following recommendations were provided.

First, with regard to high level, strategic alignment, it was recommended that New Zealand aid efforts be aligned *primarily* to the economy pillar of *Vanuatu 2030*.

Second, it was recommended that the primarily sectoral (or investment) focus of New Zealand aid over the longer-term be on tourism, agriculture and fisheries, shipping and education (focussed on post-secondary and tertiary scholarships) but with an emphasis on climate and disaster resilience, governance (capacity building) and gender primarily as cross cutting issues. A rule of thumb, albeit arbitrary, is that roughly 70% of the total country aid flow to Vanuatu be allocated to these sectors.

Third, it was recommended that the proliferation of New Zealand aid supported activities in Vanuatu be significantly reduced. A reasonable target, it would seem, is for the number of activities funded be reduced to four times the average of other donors in the immediate pre-TC Pam period, which is 64 activities. The burden of this reduction should ideally fall primarily on regional programmes, although this is no easy task.

6. Conclusions and Learnings

6.1 Conclusion

6.1.1 Vanuatu development context

What can we say about the environment faced by New Zealand as an aid donor in Vanuatu during 2011 to 2015, and what can be said about New Zealand's aid during this period? A number of pertinent observations emerge from this evaluation. They include the following:

- (i) Like most other Small Island States (SIDS), Vanuatu is increasingly susceptible to extreme weather events, with a strong probability of a natural disaster every year that will threaten pre-existing development achievements. Planning for such disasters must therefore become a regular fact of development planning and execution, in very much the same way as bringing down an annual government budget.
- (ii) Vanuatu is overwhelmingly a rural nation, with 74% of its population living in rural areas and the vast majority of Ni-Vanuatu depending on agriculture for their livelihoods.
- (iii) Gender biases against women are a profoundly disturbing issue in Vanuatu and seriously limits its economic development potential.
- (iv) Vanuatu has relatively low levels of economic development, with one of the lowest levels of per capita income in the Pacific. From an economic well-being perspective, this makes Vanuatu's population vulnerable to declines in per capita income growth.
- (v) Vanuatu's economy has been in decline since 2006. Its rate of per capita economic growth has trended downward since this year and was negative in 2011, 2012 and 2013. TC Pam further reduced this growth, making an already bad situation worse. This is particularly problematic for donors as it is difficult to achieve and demonstrate positive development effectiveness results in such an environment. Increased growth has been forecast for 2017 and 2018, although the sustainability of this growth is questionable.
- (vi) Tourism and agriculture are the mainstays of Vanuatu's economy. It is estimated that tourism's total (direct and indirect) contribution to GDP is 60%. This contribution has, however, been retarded by virtually no growth in spending per tourist over recent decades. Tourism mainly benefits the urban sector, and there is a need to link it more to the rural sector in which the majority of Ni-Vanuatu reside.
- (vii) Although no panacea, access to overseas labour markets is an important driver of economic development in Vanuatu, owing to the remittance inflows and its skills transfers it generates. Remittances as a percentage of GDP is relatively small, however, compared to those of international tourism and FDI.

- (viii) Political instability and corruption have been facts of recent life in Vanuatu, and are likely to be a severe impediment to economic development, and is part of the story as to why per capita economic growth has trended downward since 2006.
- (ix) Vanuatu's policy and institutional performance fell in 2005 and has not recovered and the Ease of Doing Business after increasing for a number of years fell sharply in 2015. These events do not bode well for economic development, aid effectiveness, private sector development, and increased FDI.
- (x) New Zealand, since 2003 has been Vanuatu's second largest aid donor in terms of volume, providing 18% of total ODA to Vanuatu during 2011 to 2015. Australia is the dominant donor in this respect providing 55% of Vanuatu's total ODA during this period.
- (xi) The most heavily supported sectors by New Zealand tend to be the most heavily supported sectors by other donors, raising questions about the former's visibility and voice.
- (xii) New Zealand and Australian ODA to Vanuatu has trended upward in recent years, while the aggregate from all other donors has done the reverse. This has profound implications for New Zealand and Australia from a number of perspectives.
- (xiii) ODA to Vanuatu spiked in 2015 owing to the donor response to TC Pam. Half the increase in ODA in this year was due to donors other than Australia and New Zealand, with many donors providing aid to Vanuatu for the first time.
- (xiv) International donor community support for Vanuatu has become increasingly proliferated in recent years and pre-dates the response to TC Pam, especially with respect to the number of activities that donors support. New Zealand's aid is highly proliferated, suggesting that it has made a bad situation worse and that the programme lacks strategic focus.
- (xv) China is a significant and highly visible donor of aid to Vanuatu. A lack of co-ordination of Chinese aid with support from other donors is a pressing development issue in Vanuatu.

6.1.2 The quality of New Zealand's aid delivery

Overall the quality of New Zealand's aid investment with respect to Vanuatu ownership, alignment, dialogue and technical advice, and mutual accountability is good. Donor coherence and complementarity with Vanuatu's priorities could, however, improve.

New Zealand's current aid activities align with Vanuatu's agenda. However, capacity constraints within Vanuatu government agencies can feed through to a lack of 'implementation ownership'.

There is clear evidence of strategic alignment. An even stronger expression of alignment could be provided if the more detailed outcomes identified in the Joint Commitment for Development, were more systematically linked to the Government of Vanuatu's objectives with reference to empirical evidence or causal reasoning. A detailed country strategy using this information would assist New Zealand.

New Zealand development investment in Vanuatu is vast and spread across too many sectors and investment priorities. A case exists for New Zealand streamlining the number of activities, and narrowing the number of areas it is committed to long-term - a pragmatic response to its own resourcing issues and the need for donors to better coordinate with each other to reduce administrative burden on the Government of Vanuatu.

There is an opportunity for New Zealand to take two approaches with its aid programme in Vanuatu. There two non-mutually exclusive approaches are:

- with smaller, impactful and observable activities, and ‘
- through developing long-term relationships with national and provincial officials, senior community leaders.

New Zealand’s development dialogue is viewed positively, as responsive and willing to be flexible. However, a more coherent approach to New Zealand foreign policy in Vanuatu is needed with the redesign of foreign policy and aid. New Zealand TA can provide support at a sectoral, community and national level. It is valued and seen as an important enabler for economic growth and helps to underpin stability in Vanuatu.

Assessing effectiveness was not easy due to poor transparency, monitoring, and reporting processes at both government and non-government partners. Vanuatu still needs support with good governance and contract practice. Vanuatu’s government agencies may have good financial systems but they need to be enforced.

6.1.3 Has New Zealand development co-operation been effective and sustainable?

The response to this question is yes, moderately so. But like the answers to most complex questions it must be nuanced and qualified.

Most activities have been successful in achieving short term outcomes, and in some instances medium term outcomes. One main factor that has contributed to the success of many activities is ensuring partner country involvement in the design of the activity.

Examples of this include strong collaboration with the Government of Vanuatu, use of local expertise, and the use of government systems.

Closely linked to this is ensuring local ownership of the activity at a community and individual level. Methods for ensuring ownership include capacity building and thorough pro-active stakeholder involvement and engagement, and clear and transparent communications.

El Nino and TC Pam have been key reasons for the slow progress of some activities. Other common factors that have hindered a successful delivery of activities include lack of clarity in terms of budget, a too-extensive activity scope (or lack of targeting), monitoring and reporting issues, poor coordination of delivery, and activity management issues.

New Zealand has a reputation for understanding the Pacific context. Yet the different ways of working (culturally), the often changing political environment, and the level of capacity within the country (both at grass roots and in government) to maintain an activity, can have a bearing on the effectiveness and sustainability of an activity.

New Zealand ensures close engagement with government agencies and community groups during the inception and design phase of an activity. However, embedding the cultural and social aspect can place pressure on timeframes, and the New Zealand political imperative to 'fast track' some activities can risk the long-term ownership and viability of the activity.

As well as allowing time for close engagement with the community and government agencies, implementation of an activity also relies on the capacity within the local NGO and community group to own and manage the activity. This has been an issue for some of the activities, as acknowledged by key informants from the community and local NGOs, and identified by them as an area for further New Zealand Post and TA support for more complex activities.

In addition, the churn within Vanuatu Government agencies and its senior leadership makes it harder to operationalise Vanuatu's vision to enable agriculture and tourism to drive its economy. There is an acknowledgement that maintenance of large infrastructure projects is key to instilling confidence within the private sector, and continued New Zealand TA may be required post implementation to ensure this occurs.

The rule of law is critical to a stable economy, and timeframes for initiatives to professionalise the law and justice sectors may need to be reviewed to ensure confidence is maintained both within the community and also from the international trading community.

6.1.4 Sustainability is a common theme for lessons learned

New Zealand aid-funded activities in Vanuatu seem on balance to be effective, in that important outcomes are achieved, but a lingering question over many is their sustainability.

An impression gained from reading AMAs and ACAs is that sustainability is a priority for monitoring and end of activity review, and that it is treated as an exogenous factor over which a donor has little control, being up to the Government of Vanuatu and key partners within Vanuatu.

Yet sustainability, alignment, ownership and capacity go hand in hand. Alignment promotes ownership at a strategic level, in which the priorities of a donor match the overall development priorities of the partner government, with the former coming in behind and supporting the latter.

Another impression concerns the way sustainability is understood. Sustainability seems to be understood as a situation in which the aid-funded activity continues to be funded after the cessation of New Zealand support. As such, sustainability occurs when there is a continuation of project outputs after the end of donor funding. What is more important is the continuation of intended project outcomes, which in many cases can be sustained well beyond the life of an activity. Literacy is a good example of such an outcome.

Ownership at an implementation level requires capacity

Implementation capacity can be technical, relating to skills and abilities required to achieve intended outcomes of donor support. It can also relate to willingness, whether the implementing agency actually wants to achieve these outcomes.

In the case of New Zealand support for Vanuatu there appears to have been strong alignment and ownership at the strategic level, but all too often a lack of ownership at the implementation level. This is the paradox of ownership mentioned above in case study three.

The upshot of this is that sustainability is not entirely exogenous. It has an endogenous aspect that can be built into project design through technical capacity building and dialogue that seeks to engage and build willingness capacity, where necessary.

6.1.5 Challenges for achieving sustained economic development in Vanuatu

First, given that the Vanuatu economy is on a downward economic trajectory and has low pre-existing levels of economic development, increasing and sustaining the rate of this development is a particularly pressing matter that urgently needs a continuing donor response. This will require dialogue, and possibly the discussion of sensitive issues. New Zealand is well placed in this regard as a trusted dialogue partner.

Second, the sustainability of economic development must be seen not only from an environmental but also a social perspective. This of core importance to the maintenance of stability, and therefore to the overarching objective of the *Pacific Framework*. A concern for social sustainability requires an economic development strategy that is inclusive, prioritising women and Ni-Vanuatu living in rural areas without sufficient beneficial linkages to the modern economy.

Third, tourism and agriculture are key but are in need of re-invigoration. An emphasis on agri-tourism offers significant potential in this regard.

Fourth, the overall decline in aid to Vanuatu from donors other than Australia and New Zealand is of significant strategic relevance to New Zealand. If this trend continues and aid from the donors in question has been effective, it will be even harder for Vanuatu and its remaining development partners to address Vanuatu's current economic development challenges.

Fifth, Vanuatu's new national development strategy, *Vanuatu 2030: The People's Plan* identifies sixty-seven policy objectives to promote progress under three pillars – social, environmental and economic - for sustainable development. It is these pillars and their corresponding policy objectives on which donor alignment decisions can best be made. There is significant scope for strategic donor alignment with these objectives.

6.1.6 How can New Zealand aid contribute to sustained economic development in Vanuatu? Key Recommendations

As to how New Zealand's aid programme can best foster sustainable economic development in Vanuatu, while taking into account development and broader foreign affairs objectives, the following six key overall recommendations are provided.

First, with regard to high level, strategic alignment, it was recommended that New Zealand aid efforts be aligned primarily to the economy pillar of *Vanuatu 2030*, by helping promote a

stable economy based on equitable, sustainable growth that creates jobs and income earning opportunities accessible to all people in rural and urban areas.

Second, it was recommended that the primarily sectoral (or investment) focus of New Zealand aid over the longer-term be on tourism, agriculture and fishing, energy, shipping and education (focussed on post-secondary and tertiary scholarships) but with an emphasis on climate and disaster resilience, governance (capacity building) and gender primarily as cross cutting issues. A rule of thumb, albeit arbitrary, is that roughly 70% of the total country aid flow to Vanuatu be allocated to these sectors. Given that this recommendation involves New Zealand supporting fewer sectors, with it comes a requirement that donor co-ordination be strengthened. By this, it is meant that key sectors receive appropriate levels of support, with there being an appropriate division of labour between donors supporting Vanuatu. It very obviously follows from this that the relevant discussions are just not for New Zealand but the Government and Vanuatu and its other donor partners. Ideally such decisions should involve a donor roundtable or similar event initiated and hosted by the Government of Vanuatu, in which sectoral foci of all donors are discussed. New Zealand could make a case to the Government of Vanuatu as to the importance of such an event, and for greater co-ordination by it of donors more generally. In the absence of such an event, noting the reticence in recent years of the Government of Vanuatu to lead on donor co-ordination, an alternative would be New Zealand to work with DFAT in holding like-minded donor consultations (as was undertaken in response to TC Pam).

Third, it was recommended that the proliferation of New Zealand aid supported activities in Vanuatu be significantly reduced and that the sectoral focus on programme be narrowed. A reasonable target for the medium term, it would seem, is for the number of activities funded be reduced to four times the average of other donors in the immediate pre-TC Pam period, which is 64 activities. It was specifically recommended that the burden of this reduction should fall primarily on regional programmes, although it is acknowledged that this is a difficult task that risks political damage in the region if not handled extremely carefully. Communication as to the developmental reasons for a reduction is key to this handling.

Fourth, it is recommended that New Zealand adopts a Policy Coherence for Development (PCD) framework. As set out in the *Pacific Framework*, New Zealand has a number of engagements with Vanuatu and other Pacific countries that have an overarching goal of promoting a stable and prosperous Pacific in which New Zealand's interests are safeguarded. The best way aid can contribute to broader foreign affairs objectives in Vanuatu and elsewhere in the Pacific is to maximise its contribution to sustained economic development, while at the same time leveraging other outcomes that are consistent with these broader objectives. This requires that synergies between the different New Zealand foreign engagements with Vanuatu are promoted. A PCD framework is a tool for promoting such synergies in a way that promotes the effectiveness of development co-operation. The OECD provides guidance and tools for donors on how to analyse, apply and monitor PCD through its own Policy Coherence for Sustainable Development Framework.⁵¹

⁵¹ The OECD PCSD Framework is available in its entirety in the OECD report Better Policies for Sustainable Development 2016, OECD, Paris

Fifth, it is recommended that a more nuanced and broader approach be taken with respect to sustainability. Sustainability is not an exogenous factor over which a donor has little or no control. It is more complex than this, being linked with alignment, ownership and capacity. Aid that aligns strategically with the priorities of the partner government ensures high level ownership, which in turn promotes sustainability. But without implementation capacity, which includes a willingness to implement a donor funded activity, sustainability cannot be ensured. High level ownership combined with a lack implementation capacity is the ownership paradox mentioned earlier in this report. Such a paradox is evident from our evaluation of New Zealand's aid deliver in Vanuatu. Addressing this paradox requires donors to understand the informal behaviours and incentives that exist within partner government implementation organisations, and respond to these in project design and implementation.

Sixth, it is recommended that New Zealand invest more in development analytical capacity in Vanuatu, particularly with respect to aid effectiveness. This increased capacity can either reside within MFAT or with the Government of Vanuatu. As noted throughout this report, the operating environment in Vanuatu is very complex. Pacific Island countries have for at least a decade shown the poorest economic performance of all regional groupings and face arguably some of the most profound development challenges. Added to this is the view of the evaluation team that there is insufficient attention in Vanuatu to what will drive economic development after the post-TC Pam infrastructure restoration effort. There is already significant expertise in MFAT in a range of areas. But having increased overall development analytical capacity will augment these pre-existing strengths. This capacity, combined with New Zealand's abilities and high regard as a dialogue partner has the potential to contribute to sustained economic development in Vanuatu.

The seventh and final recommendation concerns voice and visibility. Aid flows to Vanuatu are relatively large. They are larger than remittances and FDI. New Zealand provides around one fifth of these aid flows and is the second largest donor supporting Vanuatu. It is highly regarded as a dialogue partner, as a trusted friend and partner that can raise difficult issues. Yet its voice and in particular visibility seem not to be commensurate with this investment and regard. Visibility is about getting out into the field, not only monitoring projects, liaising with partners and beneficiaries and the like. It is also observing development challenges and opportunities as they arise. It can also be used to gauge implementation capacity, including the willingness to implement donor funded activities. New Zealand needs to do more of this, getting out into the field more often, in Vanuatu. Arguably the most damaging issue for New Zealand in Vanuatu in recent years has been Air New Zealand's refusal to land at Bauerfield Airport. This action is obviously at odds with NZ MFAT's attempts to stimulate the tourism sector in Vanuatu. It has been suggested that with a greater field presence MFAT could have detected the problem with the airfield and recognised that airlines might refuse to land aircraft on it. Put more succinctly, it could have anticipated Air New Zealand's refusal to land. With this knowledge, MFAT would have been well placed to raise this issue with the Government of Vanuatu so that repairs to the airfield were successfully expedited. It is recommended that New Zealand increase voice and visibility in Vanuatu.