

**Report on the Review of the
NZ AID Small Projects Scheme
for Vanuatu**



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Contents

1.	Executive Summary	1
2.	Background to the Review	2
2.1	Background	2
2.2	Purpose of the review	3
3.	Review Objectives and Key Questions	4
3.1	The Objectives of the review are to	4
3.2	Key Questions of the Review	4
4.	Methodology	5
5.	Findings of the Review	6
5.1	SPS Fit with the NZAID Vanuatu Development Programme Strategy	6
5.2	SPS Fit with Vanuatu national development priorities	7
5.3	Effectiveness of SPS Management	8
5.4	Consistency of Projects with SPS Targets and Criteria	15
5.5	Outcomes Achieved and Sustainability of Benefits	19
6.	Conclusions and Recommendations	25
6.1	Continuation of the Small Projects Scheme	25
6.2	Proposed Alternative Options	25
6.3	Recommended Modifications to the SPS	29
6.4	Proposed M, A, M & E Framework	35
7.	Appendices	39
7.1	Interview Diary	39
7.2	List of Projects Audited	42
7.3	Review Analysis tools	43
7.4	Documents Consulted for the Review	45

List of Abbreviations

AusAID	Australian Agency for International Development
CBO	Community Based Organisation, also referred to as CSO or Civil Society Organisation
CRP	Comprehensive Reform Program
DESP	Department of Economic and Sector Planning
DoF	Department of Finance
EU	European Union
FSPV	Foundation for the Peoples of the South Pacific Vanuatu
GIP	Government Investment Program
NSA	Non State Actors small grants programme of EU
NZAID	New Zealand Agency for International Development
PAA	Prioritized Action Agenda
RTC	Rural Training Centre
SPS	Small Projects Scheme
STT	Short Term Training
TBA	Traditional Birth Attendant
TIV	Transparency International Vanuatu
VANGO	Vanuatu Association of Non Governmental Organisations
VCCI	Vanuatu Chamber of Commerce and Industry
VRDTCA	Vanuatu Rural Development Training Centres Association
WSB	Wan Smolbag Theatre

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1. EXECUTIVE SUMMARY

The NZAID Small Project Scheme for Vanuatu has been in operation for more than five years. It is timely to review how well the Scheme fits with the aims and priorities of the NZAID Vanuatu Development Programme Strategy and what its development impact has been.

Key findings:

1. Stakeholders and grant recipients support continuation of the Scheme. It is felt to meet specific needs which fall outside of normal government service delivery, to enhance existing programmes and create opportunities for groups to access small but significant funds to realise their development goals.
2. The Scheme has contributed to capacity building of both government and non government agencies through institutional strengthening, human resources development, provision of essential equipment, technical systems and management information systems.
3. 40 per cent of projects have had a direct impact on people in rural areas or poor urban communities. Benefits include access to domestic water supply; improved health services particularly maternal and infant care; access to pre school education, support to specific aspects of rural training centre development, youth training and counselling and civil society education. The Scheme has enabled a small number of community groups to carry out their own economic development projects.
4. Project management and return of reports and financial acquittals is generally of a high standard by NGOs. Government recipients are less diligent about reporting, but agencies which have received multiple grants consistently furnish good and timely reports. Community based organisations do not have a good record in this respect.
5. SPS guidelines and criteria need to be improved to remove barriers for groups outside the urban centres and better align with the NZAID/Vanuatu Development Programme Strategy.
6. Management by NZAID could be improved with enhanced internal systems and procedures and the resources to market, appraise, monitor and evaluate projects.
7. Management by Vanuatu government contributes to transparency and accountability but creates barriers to access and does not add value.
8. The majority of grants have gone to groups located in the urban centres although over half of these have an intended impact on poverty and hardship alleviation. The focus on poverty and hardship is not in keeping with the proportion of people living either in rural areas or poor urban settlements.

Recommendations:

1. Continue with the SPS for at least another 5 years but with modifications to improve efficiency, access and focus on rural and urban settlements as follows.
2. Modify SPS guidelines and criteria in line with the current Strategy and NZAID's focus on reducing poverty and hardship for rural communities

Review of the NZAID Small Projects Scheme for Vanuatu

3. Strengthen management systems within NZAID including a marketing and AM&E plan, and work towards improved capacity and support at the provincial level
4. Actively market the SPS to widen the catchment for proposals beyond urban centres and attract groups working to alleviate poverty and hardship
5. Work with the Vanuatu government to simplify the application and proposal process and release of funds.
6. Gradually increase engagement of provincial officials (and NGOs) in SPS management, as capacity in the provinces is increased – as part of the initiative to support de-centralisation and strengthen provincial government.
7. Conduct a stock take after two years to assess the degree of improvement of SPS management and outcomes
8. If the stock take reveals a poor degree of improvement the SPS should be re-designed. It would be replaced with a Small Grants Programme comprised of two schemes:
 - a capacity building small grants scheme managed much as the current SPS; and
 - a community grants scheme which is managed and funded directly by NZAID working closely with provincial authorities and NGOs.

2. BACKGROUND TO THE REVIEW

2.1 Background

The NZAID Small Project Scheme (SPS) in Vanuatu, administered by NZAID in Port Vila, is a contestable and flexible funding instrument available to a wide variety of groups and organisations for small grants to provide assistance over six priority areas: Capacity Building, Private Sector Development, Health, Youth at Risk, Gender and Development and General. A set of guidelines was developed to align with the previous NZ/Vanuatu Development Programme Strategy and has since been modified, most recently in 2005. The current Guidelines state that this assistance will “relate to one of the three themes agreed by Vanuatu and NZAID to be the emphasis of future programme support: ie to: strengthen governance; improve social indicators; and to build prospects for sustainable economic growth”. That “future programme support” strategy is now in place as the New Zealand Vanuatu Development Programme Strategy 2006 – 2010 and aligns with the Vanuatu Comprehensive Reform Programme (CRP), the Government Investment Programme (GIP) and the priorities set out in the Government of Vanuatu's Prioritised Action Agenda (PAA) 2006 – 2015.

Review of the NZAID Small Projects Scheme for Vanuatu

The Scheme provides a fund of \$850,000 per year (approximately 60.35 million Vatu at current exchange rates)¹ for individual grants of up to 4 million Vatu per year for projects submitted through the Department of Economic and Sector Planning and appraised by NZAID. Funding is available for multi-year projects of up to three years. Final approval for all projects lies with the New Zealand High Commissioner, although projects with a budget of over \$40,000 must be referred to Wellington. Funds for approved projects are channelled to the recipients through the Department of Finance. Reports and financial acquittals are required to be provided by recipients at the end of the project, or for multi-year projects, as progress reports. These are channelled through the government system and eventually back to NZAID.

Grants have been awarded to over sixty government and non government agencies and community groups. The Scheme has been used, for example, to provide short term training and attachments for government officials, assist with a range of capacity building initiatives, community education on governance and health issues, women's safe house programmes, village pre schools and community health programmes and a variety of projects for urban youth at risk.

2.2 Purpose of the review

The purpose of this review is to determine the effectiveness and development impact of the SPS since it was first set up over six years ago. The review will assist NZAID and other stakeholders to determine projects' past effectiveness and in light of these findings, make recommendations for any improvements to ensure future assistance aligns with current Vanuatu and NZAID policy priorities and best practice. Further, provided the review recommends that the SPS should continue, it is also to provide recommendations for improvement to how the fund is managed and administered and provide an appropriate monitoring and evaluation framework.

In recent years donors have sought ways to enhance the impact of their development assistance by developing more of a programme rather than a project approach with their development partner governments. In Vanuatu small project funding has become less available to local groups since AusAID put their Small Grants Scheme on hold after the 2006 review of that instrument and the Vanuatu government's own REDI Small Project Fund is currently stalled². On the other hand, two new initiatives will begin to make small amounts of funds available: the EU funded Small Grants Programme to Support Non State Actors and Community Based Organisations; and the UNDP Global Environment Facility (GEF).

Small grants have been viewed as a means by which donors can make funds available at the community level in areas or sectors which do not readily fall within the reach of government service delivery. Such grants enable donors to make a concrete difference in small ways which may have big impacts for the groups and communities concerned, and to more readily reach into rural areas. As a philosophy this view has much merit, and is in line with the NZAID policy to eliminate poverty through development partnerships and aim of the

¹ Originally the Scheme totalled \$850,000 of which \$150,000 was earmarked for short term training.

This component has now been removed from the SPS and is managed in conjunction with the scholarships programme though some confusion exists around policy and management.

² The AusAID review recommended the SGS be terminated but a decision is yet to be made. A stock take of the REDI was under way at the time of this SPS review. Both schemes may be withdrawn.

New Zealand Vanuatu Development Programme Strategy for 2006-2010 "to reduce poverty and hardship, particularly in rural areas and to support a more stable and prosperous Vanuatu". However it is not always easy to ascertain whether the goal of making a difference for rural communities is actually achieved by small grants schemes. The review has examined this question as it has worked through the tasks set in the Terms of Reference.

The report is organised according to the key questions provided in the Terms of Reference. The conclusions and their concomitant recommendations are provided in the final section.

3. REVIEW OBJECTIVES AND KEY QUESTIONS

3.1 The Objectives of the review are to

1. Determine the development outcomes/impact of the Small Project Scheme between 2000-2006.
2. Recommend any changes to improve the Small Project Scheme or propose alternative options to better align with the objectives of the NZAID/Vanuatu Development Programme Strategy 2006-2010 with particular reference to aid effectiveness criteria.

3.2 Key Questions of the Review

1. To what extent is the SPS consistent with the Vanuatu Programme objectives outlined in the Country Strategy and with Vanuatu national priorities?
2. What outcomes/results have been achieved through the SPS (including any differences in outcomes for women and men)?
3. How effective have been NZAID and Vanuatu Government's roles in the management of the SPS?
4. To what extent have annual SPS targets and funding criteria been met (eg ratio of projects within three agreed thematic areas; 50:50 split between public/private sector etc)?
5. How well have the project funds been managed by project implementers?
6. To what extent are the benefits sustainable?
7. Should the SPS continue? If so what changes, if any, could be made to improve the SPS?

4. METHODOLOGY

The methodology for this review sought to understand the background and context for the SPS, the system for its management, the developmental impacts of grants over the period, and options for alternative or better ways to achieve the desired outcomes. The following is a summary of the methodology and tools used.

	Methodology	Tools
	Background and Context	
1.	Understanding the intention of the SPS, similar schemes of other donors in Vanuatu and the region	Desk study of NZAID and other related documents
2.	Understanding the context; roles of related Vangov agencies DESP, DoFA and DoF; related functions of the RED!	Interviews with stakeholders in Port Vila and Luganville – question prompt lists
	Review of Selected SPS Recipients	
3.	Determine short list of projects to audit and visit	Discussions with NZAID staff; review SPS Annual Reports
4.	In depth audit of records for selected projects across focus areas and locations	
	1. Read all available reports and acquittals	Report Audit Matrix (sample in appendices)
	2. Note issues, problems or concerns	Notes on selected recipients for reference in meetings
5.	Visit to selected recipients in urban & rural areas to assess development impact of the projects Ongoing benefit – especially of training and capacity building work, benefits to men and women 6 projects on Efate – 5 on Espiritu Santo	Site observation where relevant Meet beneficiaries – questions on impact or changes and gender Semi-structured interviews with question prompt lists (sample check lists in appendices)
	Review of SPS management	
6.	Assess the SPS grants since 2004 according to SPS guidelines, NZAID/Vanuatu Country Strategy, NZAID key policies	SPS Cumulative Record – Excel matrix based on existing spreadsheets and reports. Use annual SPS reports and discussions with SPS Administrator (to be provided separately)
7.	Assess the management of the SPS by NZAID and Vanuatu government Consideration of ways to improve SPS or possible alternative models	<ul style="list-style-type: none"> • Interviews and discussions with stakeholders and beneficiaries – • Interviews with the current and past SPS Administrator and other NZAID staff • Examination of guidelines, formats and records relating to SPS • In depth audit of selected projects – as above

5. FINDINGS OF THE REVIEW

5.1 SPS Fit with the NZAID Vanuatu Development Programme Strategy

Although the guidelines for the SPS were set up prior to the introduction of the current NZAID Vanuatu Country Strategy there is a remarkably good fit with the main sectoral themes and priorities as they now stand.

- **Quality Basic Education, particularly in rural areas:** Pre School Association Blong Vanuatu, Rural Training Centres, Wan SmolBag youth sport link centre and FSPV youth programmes.
- **Build demand for and improve Governance, accountability and community safety:** many Capacity Building grants to government agencies, support for Vanuatu Women's Centre and Sanma Counselling Centre; Transparency International Vanuatu, Department of Women's Affairs, Wan SmolBag civil society initiatives, the Ombudsman office, and the Lakalakabulu Council of Chiefs conflict management capacity building. Because Good Governance has not been a priority category in the current SPS Guidelines it is not easy to determine exactly what proportion of grants have supported this theme.
- **Increase Economic growth and strengthen livelihoods, particularly in rural areas:** Vanuatu Chamber of Commerce & Industry forestry and agriculture projects; VRDTCA High Value Crop Promotion; a few small PSD projects such as the Matantas Community Fishery, Kefowia Bungalows.
- **Social sector outcomes in water and health:** rural water supply for Paunagisu and East Gaua; Traditional Birth Attendants in Tanna and Santo; rural clinic at Maskelyne Island; hospital equipment in Port Vila and Santo; attachments for medical workers.

Focus on poverty and hardship

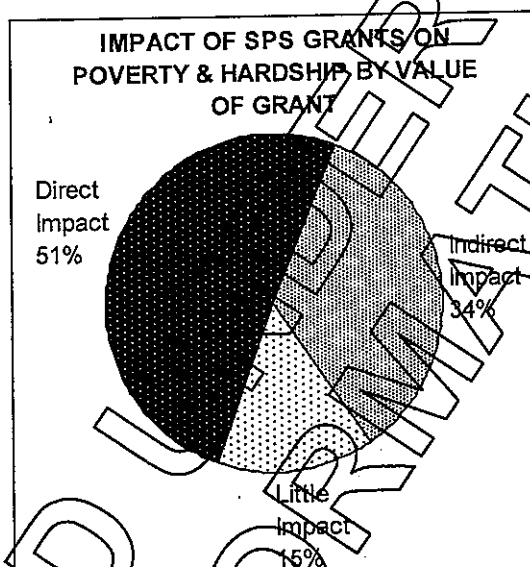
It is less clear how well the SPS contributes to the NZAID aim to alleviate poverty and hardship, especially for people living in rural areas, who in Vanuatu comprise the majority of the population. An analysis of all projects since the beginning of 2001 shows that 40 per cent of projects have had a direct impact on people in rural areas or poor urban communities; 36 percent would have indirect impact for this sector; and 24 percent would have negligible benefit in these areas. These estimates are based on the stated aims and target groups of the projects. There is insufficient information on actual impacts to tell for certain if the benefits intended have in fact occurred.

If we look at the total value of grants for each of these categories the picture is slightly better, with over 50% of funding going to projects with a likely direct impact on poverty and hardship. These ratios do not correspond well with the proportion of the population living either in rural villages or poor urban informal settlements, upwards of 80% of the total population. See Table 1 below.

Table 1: Impact of SPS Projects on Poverty and Hardship, 2001 - 2006

Impact	Mil Vatu	%	Grants	%
Direct Impact	135.102	51%	64	40%
Indirect Impact	91.565	34%	58	36%
Little Impact	40.344	15%	28	24%
Total	267.011	100%	160	100%

Figure 1: Impact of SPS Projects on Poverty and Hardship, 2001 - 2006



The review believes that the SPS should have a greater focus on projects which benefit Vanuatu's rural and poor urban majority. There is a direct link between the low level of active promotion and marketing to areas outside the main urban centres and the disproportionate capture of grants by the urban centres. In the next phase of Scheme there needs to be a greater effort to attract and encourage projects which have a clear potential to alleviate poverty and hardship, and a better reach into rural areas. This matter is expanded further in Section 5.5.

Benefits for women

Useful work has been carried out to benefit women, particularly in GAD and Health (TBA) priority areas. However the review finds that overall the focus on benefits for women and gender equity is weak. Revised Guidelines and application formats need to place greater emphasis on this cross cutting issue.

5.2 SPS Fit with Vanuatu national development priorities

The current management arrangements for the SPS involve a partnership between NZAID and three government offices, the DESP, the Department of Foreign Affairs and the Department of Finance. It is the role of the sector analysts in the DESP to assess all proposals for their fit with national development priorities before they are forwarded for consideration by NZAID. Sign off by the Director of the government department within which a given

proposal falls is also required. In this respect the system ensures that SPS projects are appropriate to the plans and priorities of specific departments and to the overall national strategies as set out in the CRP and the Priorities and Action Agenda 2006 – 2015. SPS Guidelines, based as they are on the NZ Vanuatu Strategy, ensure that projects funded are appropriate to government plans. Specifically SPS projects have fit under one or another of the following PAA priority areas:

- Private Sector Development and Employment Creation
- Good Governance and Public Sector Reform
- Primary Sector Development
- Provision of Better Basic Services, especially in Rural Areas
- Education and Human Resource Development

5.3 Effectiveness of SPS Management

This section outlines findings on SPS management by the three groups of stakeholders: NZAID, Vanuatu government and grant recipients.

5.3.1 Shared Management of the SPS – strengths and challenges

1) **Application and appraisal process.** The review finds the appraisal process is thorough, but exceptionally complicated and time consuming in proportion to the size of the average grant which is just over 1.6 million Vatu (see section 5.4.2). Under the GIP system NZAID and the government share responsibilities for project appraisal which entails 10 or 11 steps. Before they are forwarded to NZAID all proposals must be checked by four government offices, a process which may take anywhere from 3 weeks to two months.

- Project proposal written in consultation, or with assistance from (in the case of a local CBO) the relevant line agency official

Vanuatu

- Proposal to department or sponsoring agency for endorsement – checks fit with development plans for the area concerned
- Dir Gen of the department concerned - confirms fit with departmental or corporate plans
- DESP sector analyst confirms fit with PAA and assigns a GIP number. Nominal appraisal against SPS Guidelines. Little, if any, risk or sustainability analysis. Projects are rarely declined
- Director of Foreign Affairs – forwards with letter of recommendation to NZAID

NZAID

- Proposal received by NZAID manager responsible for SPS who decides which sector specialist should assess
- SPS Administrator records the proposal and sends to appropriate sector specialist for comment

Review of the NZAID Small Projects Scheme for Vanuatu

- SPS Administrator appraises proposal against SPS criteria, refers back for clarification, risk and sustainability analysis where questions arise
- Recommendation to fund, hold pending clarification or decline is sent to the HC
- HC required to seek Wellington approval of any project over \$40,000 or approximately Vatu 2.8 million
- HC letter to Director of Foreign Affairs. Cheque to Department of Finance

VanGov

- From here unclear what happens. Letter to recipient regarding the forms required to get funds from DoF.
- Reporting requirements conveyed to recipient – also not clear if or how this is done.

Once proposals are forwarded to NZAID the turn around time is normally between two to four weeks unless additional information is required. Appraisal is conducted at two levels – a preliminary check by the person looking after the relevant sector, then a full appraisal by the SPS Administrator who forwards the proposal with his written appraisal and recommendation to the High Commissioner for final approval. Projects with a budget of over \$40,000 must also be approved by NZAID in Wellington which adds further to the time for processing proposals.

The review learned that occasionally projects have been approved without following the correct agreed process, with at least two unfortunate outcomes. This can happen when NZAID or HC staff make commitments which result in a proposal being fast tracked. A rule regarding this practice should be included in the revised internal project appraisal Guidelines.

- 2) **Appraisal of proposals.** The main responsibility for project appraisal lies with the NZAID SPS Administrator. The current SPS Administrator has recently instigated an excellent project appraisal tool (*Appraisal template_v1*) which was not in place for most of the period examined in this review. Sectoral specialists within NZAID make a preliminary assessment as to the fit with both NZAID and Vangov priorities and raise any issues for follow up. Although a flow chart of the steps in the internal appraisal process has been drafted, there is still some confusion concerning roles and procedures within NZAID.³ This should be discussed and agreed between the parties concerned and incorporated into the revised Guidelines. A simple check list for the steps should be developed which would accompany all proposals through the stages of appraisal.

- 3) **Barriers to access.** A number of factors act as barriers to prospective applicants, particularly those outside the main urban centres. These include:

- Limited availability of information about the Scheme outside of the two main urban centres

³ The review notes that while the flow diagram is already in use, some NZAID staff consulted did not agree with it. The review suggests it is important that all staff who contribute to the SPS appraisal process need to be in agreement with the system in use.

Review of the NZAID Small Projects Scheme for Vanuatu

- Complicated guidelines and forms written in bureaucratic style of English and not available in Bislama
- Lack of an enabling system at provincial and area level whereby groups can learn about the scheme and obtain assistance to access it and complete proposals and reports
- Lengthy appraisal process which involves sign off by four government desks before applications are forwarded to NZAID.
- Reluctance on the part of DESP to apply the NZAID criteria and to reject ineligible proposals. The result is that unsuitable proposals can go right through the government system only to be declined by NZAID. This is not only inefficient but creates difficulties for applicants who are waiting to begin their projects.
- Once projects are approved and funds forwarded to the government, there may be unreasonable delays before funds are released to recipients by the Department of Finance.

Applicants located in or close to Port Vila are able to speed up the process by making frequent visits to DESP. Those outside Port Vila must wait in hope. This is an unacceptable and inequitable situation. NZAID staff feel that the lengthy process contributes to under-spending of the total SPS fund.

- 4) **Rejection of applications.** It is unfortunate that many projects are declined by NZAID because they do not meet the SPS eligibility criteria. DESP is reluctant to decline applications and the review understands that this is often due to 'political pressure'. To avoid this kind of pressure DESP simply does not apply SPS criteria but passes such proposals on to the donor to make the decision. This is inefficient and creates confusion for applicants.

5.3.2 Management by NZAID

- 1) **The SPS Guidelines and proposal format** are complicated and difficult for some applicants to understand. There is only one version of the Guidelines, which provides neither a full guide for NZAID staff, nor a clear and simple guide to assist applicants to access the fund. The formatting is dense and hard to follow and the language used is inappropriately bureaucratic and jargonistic for use by the general public.

A simple solution would be to develop two versions of the Guidelines: one for the public and one for internal use by NZAID and the Vanuatu Government.

- 2) **Reporting requirements** are not clearly spelled out to recipients by NZAID. There is some ambiguity around this. Acceptance letters, including a note on the reporting requirement, are sent by the High Commissioner to the Department of Foreign Affairs rather than directly to the recipient. Notification, including standard government reporting requirements, is sent to recipients by DESP. The review was unable to discover a standard procedure in this regard, with some recipients returning reports on standard government formats and others using their own forms. A simplified guide could be attached to NZAID notification letters, stating

specific requirements, topics to cover, including the time frame and the agency to whom reports should be submitted.

- 3) **Tracking Projects.** The SPS Annual Reports are submitted by the SPS Administrator. They provide an analysis of projects funded in each year against the SPS criteria, with comments on trends, problems encountered and suggested solutions. Comment on specific projects is provided though there is no analysis of ongoing projects funded in previous years. The records kept are not cumulative, which has made it difficult to look backwards to examine trends and ongoing issues over previous years.

The present SPS Administrator has recently developed a summary spreadsheet to track projects (*SPS Internal Assessment Record v1*) with the intention that it be available to all staff on the common drive. Some modifications to this tool would enable a cumulative analysis of grants awarded against the SPS criteria, weightings within priority areas, current status of projects and enable fulfilment of recipient reporting obligations to be recorded.

- 4) **Filing system.** The current system for filing documents relevant to SPS projects is inefficient, rendering it extremely difficult to investigate the history of any given project. All proposals, correspondence, appraisals, reports and acquittals are filed on a calendar rather than a project basis. Project reports are particularly difficult to find. NZAID staff must take a substantial amount of time to trace information about a given project, especially if there have been multiple inputs. The system seriously inhibited this review's ability to easily trace all the relevant material for any given project. A simple project based system should be adopted in which all documents relevant to any given project are kept in a single folder.
- 5) **A & M visits** are conducted on an informal basis by NZAID and HC staff as a part of their other work, especially during visits to the outer islands. This has enabled a number of worthwhile projects to be identified and encouraged. It has also enabled a certain amount of risk mitigation when investigations happen to be made regarding projects under consideration as in the proposal for the Inaki fishing project on Tanna. However not all HC personnel are qualified to conduct appropriate monitoring tasks and a better, more structured approach is required if the SPS is to function well. Lack of resources in NZAID, and low capacity in the provincial and area centres leads to a low level of risk assessment for most projects outside of Port Vila. Both the current and the previous SPS Administrators have raised this matter in their annual reports, pointing out the need for an A&M system and budget to support it.

A more structured process needs to be adopted which would contribute to the assessment of risks and check on project outcomes and impacts, as part of an Appraisal Monitoring & Evaluation (A M & E) system. A specific allocation of resources to A M & E is important. More frequent visits outside of Vila by the SPS Administrator are advised and would have budget implications.

Detailed recommendations are included in section 6.

- 6) **Marketing SPS.** Promotion and raising awareness of the SPS as a means of attracting applications from the desired target groups is conducted in a relatively passive manner which contributes to the urban bias (see section 5). SPS rounds are advertised in the newspapers (recently paid with SPS

'grants') and information about the Scheme is made available to government offices. Ad hoc marketing is conducted by NZAID staff on their visits around the country, but there is limited provision for this work to be carried out by the SPS Administrator on a schedule of provincial visits. DESP and provincial authorities have been unable to contribute to awareness about SPS. Consequently uptake by groups outside of Port Vila and Luganville is very limited, particularly by CSOs. Over the five years covered in this review grants to agencies or groups located outside of Port Vila numbered only 27 out of 160 projects. Under the current management and resource arrangements the extent of the SPS impact in rural areas is largely dependent on the poverty focus of recipients based in Port Vila.

SPS needs to be more actively marketed in appropriate ways outside of Port Vila if it is going to reach more groups in rural areas and achieve the desired impact for communities outside of the two main urban centres. The SPS Administrator role needs to be expanded to include specific marketing tasks. These would be linked to provision of training workshops on project design, proposal writing and management at provincial or area level.

- 7) **Assessing the impact of funded projects.** It is not clear how many SPS reports have been received by NZAID. This information has not been captured and reports are not consistently filed - if present they are placed according to date received which makes them difficult to trace. It appears that reports have been received for less than half of projects funded.

A big challenge for the next period will be how to encourage more recipients to furnish reports and to include comments on impacts and benefits. Monitoring visits to recipients and beneficiaries are essential if NZAID wishes to gain a better understanding of impacts and benefits from the Scheme.

5.3.3 Management by the Vanuatu Government

- 1) The current system for shared SPS management between New Zealand and Vanuatu governments enables Vanuatu to maintain control of what type of work is funded and to ensure that projects fit with national plans and priorities. This system is also in keeping with New Zealand's commitment to the 2005 Paris Declaration for development cooperation. The current system enables transparency within the Government Investment Program and information about SPS projects to be recorded in the GIP database.
- 2) Proposals can take up to two months to get through this system. Some grant recipients complained of even longer delays, requiring them to make frequent visits to the DESP to find out where the proposal is in the system and try to hurry it along.
- 3) The Vanuatu government, specifically DESP, takes very little responsibility for application of the SPS criteria when processing proposals. Those proposals which do not fit the criteria are frequently endorsed and sent to NZAID where they are ultimately declined.
- 4) Cross checks on management and sustainability issues, or checks on potential conflicts which could impact on projects, are rarely undertaken, either by the forwarding agencies or by DESP.

- 5) Once projects pass through this initial assessment there is little follow up by way of monitoring or reminders about reporting. Provincial agencies, if involved, also rarely follow up projects once they are approved.
- 6) Projects approved by NZAID are notified to the Department of Foreign Affairs. Funds are sent to the Department of Finance. Recipients mentioned experiencing long delays before their funds were released by the DoF.
- 7) The review understands that lack of capacity within DESP is a major reason for slow processing of projects. Stakeholders interviewed, including DESP officials, mentioned that sector analysts within DESP have a heavy work load of which SPS is only a small part. It was suggested that an SPS administrator should be appointed within DESP to ensure proposals are processed more efficiently and to share in monitoring responsibilities. The Acting Director of DESP told the review that it would be better if their role was limited to appraisal of large projects and another agency, or a committee, handles small projects schemes.

If the main task of appraisal lies with NZAID then it should be possible to move proposals through DESP much more quickly. In the short term the review believes that there may be scope for greater coordination and communication between NZAID and the government agencies concerned to clarify roles and simplify procedures. The review understands that AusAID is about to engage in a capacity building initiative with DESP. This would present an opportunity for NZAID to ensure that management of small grant schemes is addressed as part of this work.

5.3.4 Effectiveness of project management by implementers (grant recipients)

- 1) Projects carried out by large, well resourced NGOs appear to have been well managed, especially by those agencies who have had repeat funding. These recipients reliably submit timely and complete reports with complete acquittals which are in line with budgets. Excellent examples are VCCI, WSB, VRDTGA, TIV, Pre School Association of Vanuatu and AA/CISCC. This also holds true for government agencies which have sought repeat funding, for example Department of Women's Affairs, Department of Health and the Vanuatu Cultural Centre.
- 2) Projects by small community based groups rarely submit reports but this cannot be taken as an indication of poor management or a failed project. The review visited three such projects. One of these, the Kefowia Bungalows, has not yet been completed and is experiencing difficulties (see Section 5.5). The community implementers of Paunagisu Village water supply and Matantas Village fishing project are aware that reports are required but have not got around to it yet. This is probably a typical situation for recipients who are unaccustomed to such requirements. Such groups need follow up support by whatever local agency assisted them to write their proposal. NZAID could more actively engage with these agencies at provincial level to encourage and enable such follow up.
- 3) Of the 15 projects which were audited by the review, five had not furnished reports, or reports (2) could not be located in the filing system.

Review of the NZAID Small Projects Scheme for Vanuatu

- 4) Reports rarely comment upon longer term impacts, or discuss issues such as benefits for women, difficulties encountered or sustainability measures. Unless NZAID staff make site visits to project implementers little is known about the actual management of projects other than what is offered in reports if they exist.
- 5) Proposals require applicants to show how the work and project sustainability will be managed. The involvement and benefit for women is also required. These matters are usually covered in a satisfactory way in proposals, but the review suspects they are not so well addressed in reality. Examples from projects visited:
 - Pauganisu Village have completed installation of their water supply. One woman was trained as part of the installation team but has no ongoing role. No women are members of the water management committee. The committee has not yet set up a system for collecting money from the community for maintenance of the system.
 - Kefowia bungalows. The project is the inspiration of one man who sought community support by making agreements to share benefits with various community groups in exchange for their involvement in building and running the enterprise. Community support has now dropped away, leaving the leader to complete the building project with his own resources.
 - Matantas Village purchased their fishing boat and engine several years ago. Although there is a management committee for the project no profits have been distributed as planned, and there are no women on the committee. The boat is currently in the hands of the chairman of the committee, also the village chief, who has taken it over for his private benefit. This is part of a long standing community dispute which is well known to local people but was not evident in proposal documents or commented upon by sponsoring agencies.

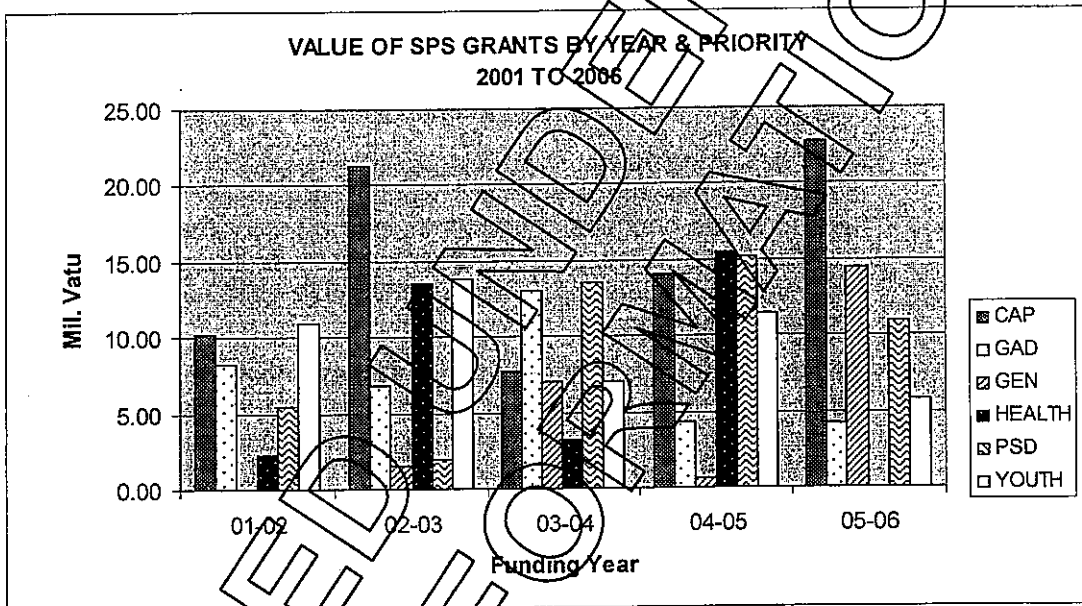


*Fishing Project committee members and project fishing boat,
with reviewer S. Aru, Matantas Village*

5.4 Consistency of Projects with SPS Targets and Criteria

5.4.1 Priority Areas. The SPS was originally set up with only five priority areas: Gender and Development (GAD), Private Sector Development (PSD), Health, Youth, and Capacity Building (CAP). A sixth, General, category was added in 2002-03, presumably in order to add flexibility and responsiveness to worthy applications. Over the five years covered in this review the weighting of grants across priority areas has been quite variable, with no discernable trends.⁴

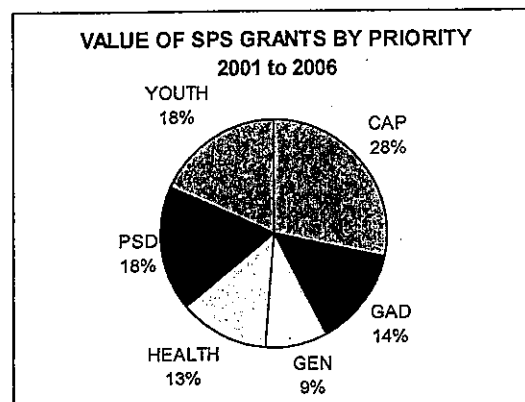
Figure 2: Value of SPS Grants by Year and Priority



Over the period reviewed the total value of grants according to priority area is shown below:

Table 2: Value of SPS Grants by Priority Area, 2001 to 2006

	Mil Vatu	%
CAP	75.879	28%
GAD	36.646	14%
GEN	23.765	9%
HEALTH	34.499	13%
PSD	47.132	18%
YOUTH	49.092	18%
	267.013	



⁴ For the purpose of analysis all SPS grants which were awarded to NZAID or NZHC have been removed from the database. These were for staff travel to NZ for an orientation programme and advertisements for SPS funding rounds and amounted to a total of approximately \$3,646 out of a total grant expenditure of \$3,762,661 (based on current exchange rates).

Review of the NZAID Small Projects Scheme for Vanuatu

A handful of grants have not been in accordance with the requirements of the Guidelines: In 2001-02 under Capacity building a grant was awarded to NZHC for N Palmer to attend orientation in New Zealand. Six 'grants' for SPS advertising were included in the General category in 03-04 and 05-06. Although such deviations are rare, and totalled only V258,891, they should not occur at all if the SPS Guidelines are being applied correctly. A separate budget allocation for A, M & E including Marketing would be more appropriate than eating into the designated fund for grants to Ni Vanuatu recipients (see Recommendations).

Most Capacity Building grants have gone to government agencies: 36 in public sector compared with 14 to non public sector over the five years of the review. CAP grants were mostly to provide HRD inputs, policy development or assist with systems through installation of computer based management tools. This trend has fallen off lately due to the removal of Short Term Training from the SPS portfolio.

The Capacity Building priority area is perhaps the most confusing category as it does not directly relate to the main themes of the NZ Vanuatu Programme Strategy, but may be applied to projects which might otherwise be placed in sectoral categories such as Youth, GAD or Health. Further, a number of what were obviously capacity building (STT) grants were placed in sectoral categories rather than in CAP as would be appropriate. Now that the Short Term Training allocation has been separated from the SPS, continuation of the CAP category makes little sense. The review finds that capacity building would be better considered as an eligible type of input, along with training programmes, work placements, public education, technical advisory inputs and so on. This would enable priority areas to directly reflect the main Strategy themes of governance, basic education, economic development, gender and development, health and rural water supply.

5.4.2 Value of grants. The target annual expenditure of \$850,000 has been reached or slightly exceeded in most years indicating a good response from suitable applicants. Table 3 below shows the average value of grants for each year included in this review

Table 3. Average Size of SPS Grants by Funding Year

Funding Year	Mil vatu
2001-02	1.271
2002-03	1.553
2003-04	1.560
2004-05	2.043
2005-06	2.008
Grand Average	1.679

5.4.3 Benefits to people in rural areas. Grants to groups outside the main urban centres are very few, though many more grants to urban based agencies are for the express benefit of people in rural areas eg VCCI, VRDTCA, FSPV- TBA, PSABV Pre Schools, and a handful of water/health projects. There is a disproportionate bias in favour of groups and organisations located in Port Vila as illustrated in Table 4 and Figure 3 below.