

# **Vanuatu Education Sector Public Expenditure Review**

## **Final Report**

**14 December 2012**

# Contents

<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>SECTION 1: INTRODUCTION AND EDUCATION SECTOR OVERVIEW .....</b>	<b>8</b>
1.1 INTRODUCTION AND REVIEW METHODOLOGY .....	8
1.2 DEVELOPMENT CONTEXT .....	8
1.3 INSTITUTIONAL STRUCTURE OF THE EDUCATION SECTOR.....	9
1.4 BUDGET PLANNING AND FINANCIAL MANAGEMENT RESPONSIBILITIES .....	13
1.5 EDUCATION SECTOR OBJECTIVES AND PRIORITIES.....	14
1.6 STATUS OF SECTOR STRATEGY DEVELOPMENT .....	15
<b>SECTION 2: ANALYSIS .....</b>	<b>19</b>
<b>2.1 TRENDS IN EDUCATION SECTOR BUDGETS, ALLOCATIONS AND SPENDING .....</b>	<b>19</b>
2.1.1 STRUCTURE OF EDUCATION SECTOR FUNDING.....	19
2.1.2 AGGREGATE MOE BUDGETS AND EXPENDITURE .....	23
2.1.3 COMPOSITION OF MOE BUDGETS AND EXPENDITURE.....	26
2.1.4 DO MOE BUDGETS GET SPENT AS INTENDED? .....	29
2.1.5 GOV BUDGETS FOR POST-SECONDARY TVET.....	30
2.1.6 HAS PUBLIC SPENDING ON EDUCATION REFLECTED STRATEGIC PRIORITIES? .....	32
<b>2.2 EFFICIENCY OF PUBLIC EXPENDITURE ON EDUCATION .....</b>	<b>33</b>
2.2.1 INTERNAL EFFICIENCY OF THE EDUCATION SYSTEM .....	33
2.2.2 EDUCATION SYSTEM MANAGEMENT .....	36
2.2.3 DOES BUDGETED EXPENDITURE REACH THE INTENDED BENEFICIARIES? .....	43
<b>2.3: EQUITY OF PUBLIC EXPENDITURE ON EDUCATION .....</b>	<b>45</b>
2.3.1 EDUCATION PERFORMANCE AND FUNDING AT PROVINCE LEVEL.....	45
2.3.2 THE RURAL-URBAN DIVIDE .....	47
2.3.3 GENDER.....	49
2.3.4 EDUCATION AND INCOME/WEALTH .....	51
2.3.5 WHO BENEFITS FROM PUBLIC EXPENDITURE ON EDUCATION? .....	52
<b>2.4 IMPACTS (PERFORMANCE OUTCOMES).....</b>	<b>55</b>
2.4.1 IMPACTS ON ACCESS.....	56
2.4.2 IMPACTS ON QUALITY .....	57
2.4.3 IMPACTS ON MANAGEMENT PERFORMANCE.....	59
2.4.4 PROGRESS TOWARDS MDG/EFA GOALS 2 .....	61
2.4.5 HAS PUBLIC EXPENDITURE HAD ITS INTENDED IMPACTS? .....	61
<b>2.5 FINANCIAL PROJECTIONS.....</b>	<b>62</b>
2.5.1 INTRODUCTION .....	62
2.5.2 TEACHER NUMBERS AND EMOLUMENTS .....	63
2.5.3 SCHOOL GRANTS .....	63
2.5.4 VIT AND VITE .....	64
2.5.5 SCHOLARSHIPS .....	65
2.5.6 SCHOOL MAINTENANCE .....	66
2.5.7 MOE 'CORPORATE OVERHEAD' .....	67
2.5.8 CAN THE GOV AFFORD UPE/UBE? .....	67
<b>SECTION 3: FINDINGS AND RECOMMENDATIONS .....</b>	<b>70</b>
3.1 FINDINGS.....	70
3.2 RECOMMENDATIONS.....	74
<b>SECTION 4: MONITORING AND EVALUATION .....</b>	<b>79</b>
4.1 INTRODUCTION .....	79
4.2 CURRENT STATUS OF M&E .....	80
4.3 SOME SUGGESTED PRIORITIES FOR IMPROVEMENT.....	81
<b>ANNEX 1: ABBREVIATED TERMS OF REFERENCE .....</b>	<b>84</b>
<b>ANNEX 2: PRINCIPAL DOCUMENTS REVIEWED .....</b>	<b>87</b>

## List of Tables and Figures

Tables		Page
1	Overview of ECE, Primary and Secondary sectors, 2011	10
2	Number of students enrolled in selected post-secondary institutions, 2011	11
3	Principal institutions and functions	11
4	Budget planning and financial management responsibilities	13
5	Vanuatu education sector objectives and priorities	17
6	Funding of Vanuatu's education sector flowing through GoV on-budget accounts 2011-2012	20
7	MoE estimates of development partner funding sources, 2011	21
8	School Grants as a proportion of total credits to a sample of school bank accounts, 2011	22
9	Average monthly expenditure per household on school fees, 2010 (Vatu)	23
10	Regional Comparisons for 2008	24
11	MoE budgeted recurrent expenditure, teacher salaries and numbers in real terms, 2007 and 2011	25
12	MoE sub-sector shares of actual expenditure 2008-2011	26
13	Major percentage increases in budgets at current prices for Goods/Services and Subsidies/Transfers between 2007 and 2012	29
14	MoE original and final budgets and actual expenditure, 2008 to 2011	30
15	Percentage changes in sub sector budgeted expenditures, 2011 on 2007, in real terms (2006 prices)	32
16	Proportion of persons aged 6 to 19 years inclusive attending school	33
17	Statistics on access and quality	34
18	Pacific region education indicators	35
19	Original budgets and actual expenditure for primary and secondary teacher salaries (VT million)	37
20	Key features of MoE planning, budgeting, financial management and internal audit	41
21	Informal MFEM assessments of MoE performance against the 2009 PEFA ratings	42
22	Selected primary and secondary education indicators by Province	45
23	Selected scholarship indicators by Province	47
24	Net enrolment rates in primary education (Years 1-8), males and females, 2005-2009	48
25	Rural-Urban Education Indicators from the 2009 National Census	48
26	Highest attendance of persons aged 15 years or more from the (draft) 2010 HIES	48
27	Proportions of population aged 15 years or older by sex and highest level of education completed, 1999 and 2009	49
28	Gender Parity Indices for Net Enrolment Rates 2007-2011	49
29	Female percentage shares of enrolments in post secondary education and rural training centres, 2011	50
30	Percentage indicators of literacy/numeracy achievement	51
31	Key primary and secondary access indicators	56
32	Scholarship recipient numbers	56

Tables (continued)		Page
33	Some 'input quality' indicators	57
34	'Quality' indicators included in PAA Action Plan 2011-2015	58
35	Drop-out, Repeater, Promotion and Survival Rates 2009-2011	59
36	VERM performance indicators for strengthened management of the education system	60
37	Status quo and target enrolment scenario parameters	62
38	Projections of primary/secondary teacher numbers and personal emoluments, GoV and Government Assisted schools, constant (2012) prices	63
39	Requirements for GoV funding of school grants	64
40	Projected GoV-funding requirements for overseas scholarships (VT million)	65
41	Projections of GoV-funded maintenance costs (VT million)	66
42	Projected GoV funding requirements for MoE corporate overhead (VT million)	67
43	Total GoV funding requirements, alternative scenarios, in 2012 prices (VT million)	67
44	Projected GoV-funded school grant costs for Year 7-8 students, status quo estimates of enrolments (VT million)	69
Figures		
1	MoE budgets and expenditures as a proportion of total GoV-funded expenditure	23
2	MoE original budgets and expenditures as a proportion of Vanuatu's Gross Domestic Product at market prices	24
3	Sub sector shares of MoE original budgets 2006-2012	26
4	Direct actual MoE expenditure per enrollee at constant (2006) prices, GoV and Government Assisted schools, 2008-11	27
5	A closer look at the post secondary sub sector	27
6	Percentage shares of MoE original budgets allocated to Personal Emoluments, 2006-2012	28
7	Percentage shares of MoE original budgets allocated to Other Goods/ Services, Subsidies/Transfers and 'Capital' Expenditure, 2006-2012	28
8	Budgeted expenditure (current prices) on selected post secondary TVET, 2006-2012	31
9	Coefficient of Efficiency 2007-2010	35
10	Percentage attending school in the 5-18 age group, 2009	50
11	Trends in Teacher Certification	57
12	Projected GoV-funding deficits	68

## Abbreviations

ADB	Asian Development Bank
AG	Auditor General
AusAID	Australian Agency for International Development
DP	Development Partner
ECE	Early Childhood Education
EFA	Education for All
EGRA	Early Grade Reading Assessment
GA	(GoV) Government Assisted (schools)
GDP	Gross Domestic Product
GoV	Government of Vanuatu
GPI	Gender Parity Index
HIES	Household Income and Expenditure Survey
JPA	Joint Partnership Agreement
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal(s)
MFEM	Ministry of Finance and Economic Management
MoE	Ministry of Education
MYDST	Ministry of Youth Development, Sport and Training
NER	Net Enrolment Rate
NIR	Net Intake Rate
NZMFAT	New Zealand Ministry of Foreign Affairs and Trade
PER	Public Expenditure Review
PFM	Public Financial Management
PMO	Prime Minister's Office
PPBS	Program Budgeting and Performance System
SBM	School Based Management
SPC	Secretariat of the Pacific Community
TSC	Teaching Service Commission
TVET	Technical Vocational Education and Training
UBE	Universal Basic Education
UNICEF	United Nations Save the Children Fund
UPE	Universal Primary Education
USP	University of the South Pacific
VANSTA	Vanuatu Standardised Tests of Achievement
VCCI	Vanuatu Chamber of Commerce and Industry
VCNE	Vanuatu College of Nurse Education
VEMIS	Vanuatu Education Management Information System
VERM	Vanuatu Education Road Map
VESP	Vanuatu Education Sector Program
VESS	Vanuatu Education Sector Strategy
VIT	Vanuatu Institute of Technology
VITE	Vanuatu Institute of Teacher Education
VNSO	Vanuatu National Statistics Office
VNTC	Vanuatu National Training Council
VPC	Vanuatu Police College
VRDCTA	Vanuatu Rural Development and Training Centre Association
VT	Vatu – the national currency unit. As at December 2012 A\$1 = approximately 95 Vatu

## **Executive Summary**

### ***Background***

This public expenditure review (PER) of Vanuatu's education sector has been commissioned by the Government of Vanuatu (GoV) as one of a series of reviews over the next five years to complement the work of the Ministry of Finance and Economic Management (MFEM) in analysing the efficient and effective use of public monies.

In keeping with generally-accepted principles for PERs the present review aims to address the following key questions:

- How much is spent on education and what is the GoV's share of that?
- How does the GoV finance education spending?
- Is public spending on education distributed equitably?
- Does the public get value for money from public spending on education?
- Is public spending on education adequate and sustainable?

These questions are primarily addressed in Section 2 with findings and recommendations drawn together in Section 3. The review has also addressed monitoring and evaluation issues in a preliminary way as input to parallel work currently underway and in prospect (Section 4).

The Terms of Reference (ToR) for the PER primarily sought a focus on areas of weakness in public financial management of the education sector. The review's findings and recommendations generally reflect that focus. However, this in no way seeks to detract from the efforts being made by the GoV and its agencies to improve the efficiency and effectiveness of public expenditure on education.

### ***Principal findings***

The review's main findings are presented in the form of answers to a series of questions (including those posed in the review's terms of reference).

#### Is budgeted expenditure on education allocated in line with strategic objectives?

At the aggregate level MoE's budgets and expenditures as a proportion of total GoV-funded recurrent expenditure have been trending upwards over the past decade, albeit with fluctuations from year to year. Its budgets have also been on a (slightly) upward trend as a proportion of Vanuatu's GDP. Both trends are consistent with the high priority attached by successive governments to raising access to and the quality of education.

At the sub sector level, Pool Partner funding of priorities identified in the Vanuatu Education Road Map (VERM) and any GoV funding directly linked to Pool Partner funding has been aligned with the main priorities articulated by the VERM. Beyond this it is difficult to compare GoV budget and expenditure trends at sub sector levels to the GoV's stated priorities at these levels because of the multiple 'priorities' identified in numerous policy statements covering all sub-sectors. However, if improving access to and the quality of primary education are seen as major priorities, GoV-funded budgets and expenditures have been heading in the opposite direction. In constant price terms real GoV funding of the primary and secondary sub-sectors has been declining while GoV-funded expenditure on post-secondary scholarships in particular

has dramatically increased. The *development* challenges facing the primary school sub sector in particular are being addressed almost exclusively by development partner funding.

Are education budgets executed as intended?

Yes, broadly speaking, at the level of MoE as a whole. Below that level, expenditure patterns increasingly diverge from original budgets in the descending hierarchy of MoE programs and cost centres. These divergences between budgets and expenditures suggest significant weaknesses in budget planning and/or subsequent expenditure control within MoE.

Does education spending reach its intended beneficiaries?

MoE's recurrent expenditure on personal emoluments and school grants amounted to some 84% of its total recurrent expenditure in 2011. This spending broadly reached its intended beneficiaries, at least to the school level. As for the balance it appears clear that significant unbudgeted expenditures are incurred and that some of these, at least, are charged to cost centres unrelated to the purpose of the unbudgeted expenditures. By definition, to the extent unbudgeted expenditures are incurred and funded at the expense of original budgets the originally budgeted expenditure is not reaching its intended beneficiaries.

Is education spending efficient?

The Pacific region indicators available suggest that, notwithstanding the relatively high share of education in the GoV's recurrent spending, the efficiency of Vanuatu's primary sector in terms of net enrolment rates and survival rates to the last primary grade is at the lower end of regional norms. Moreover the available data suggest that the internal efficiency of the education system has not been improving in recent years at either the primary or secondary levels.

Has education spending had its intended impacts?

Over four decades or so Vanuatu's public expenditure on education has certainly had a substantial positive impact on *access* to primary and secondary education. Recent trends are less encouraging when set against the VERM strategic goal for access. Net intake and enrolment rates at primary level have been static (at best) over the period 2008-2011. Net enrolments rates for Years 7 plus continue to fall substantially below any measure of universal access to secondary education. Survival rates to Years 6, 10 and 13 fell over the period 2009-2011.

It is not possible to draw evidence-based conclusions regarding the impacts of public expenditure on the *quality* of education outcomes in Vanuatu pending the establishment of robust time series data in relation to literacy and numeracy in particular. The limited data available suggest that increased access to primary and secondary education in recent years may have been at the expense of improved quality.

Is education spending equitable?

- There is no evidence of significant imbalance between males and females in access to either primary or secondary education although for those seeking tertiary scholarships it would (currently) be better to be a male.
- There is no systematic pattern of differentials between Provinces in access to or the quality of primary education. The data do, however, suggest systematic differences favouring urban relative to rural areas in terms of access to and the quality of primary schools, and in terms of educational attainment.

- Access to secondary and post-secondary (including tertiary) education is clearly more favourable for the relevant age groups residing in urban areas.
- While the data are dated, access to education at all levels and levels of educational attainment are correlated with household income/wealth (the richer the household, the higher the level of education access and attainment).

### Can Vanuatu afford the goals of universal primary and basic education?

The review's projections suggest Vanuatu cannot, over the next five years, afford them unless:

- Vanuatu's annual real growth rate of GDP is significantly faster than the average for the period 2007-2011; and/or
- The GoV's recurrent revenue share of GDP is significantly increased; and/or
- MoE's share of GoV recurrent revenue rises beyond its already high share of 26%.

Derived from prior work by others the review's projections suggest that, if none of these parameters change, achievement of the goals set for universal primary education (UPE) and basic education (UBE) - even at a more modest rate of progress than originally set for 2015 - would add an *annual* average of some VT510 million (12%) to MoE's recurrent funding requirement over the period 2013-2017 compared to the status quo. Under any plausible scenario the GoV will be struggling to meet its commitments for recurrent funding of primary and secondary education and faces a substantial degree of budget 'lock-in'.

### What are the principal weaknesses in public financial management of the education sector?

The review suggests that there are five key weaknesses of public expenditure management contributing to poor outcomes from GoV spending on the education sector.

- The GoV is trying to do too much relative to current and prospective funding availability.
- In the absence of systematic GoV consideration of its education sector expenditure priorities GoV recurrent budget allocations are typically determined on the basis of 'last year's budget plus or minus a small amount'. Serious debate concerning expenditure priorities is confined to the allocation of development partner funding.
- Other than at an aggregate level within ceilings enforced by MFEM the GoV and MoE have lost control of education expenditures relative to budgets.
- Despite the best endeavours of MoE senior management it appears that decisions and instructions from a political level pay scant regard to either stated policy priorities or funding availability.
- Legislated requirements (and regulations/instructions pursuant to legislation) in relation to financial reporting on public expenditure at the level of Ministries, Provinces and schools are persistently ignored by most players at most levels. Consequently the GoV, the Parliament and communities at large have very little basis for assessing how public expenditure has actually been spent.

### ***Principal recommendations<sup>1</sup>***

Prior studies and reviews by both technical advisors and GoV agencies have previously recommended a range of measures aimed at improving the efficiency ('value for money') of

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<sup>1</sup> Needs for possible legislative amendments associated with some recommendations are outlined in Section 3.2.



Vanuatu's public expenditure on education. The review endorses and recommends the following in particular.

**Recommendation 1:** That the Government of Vanuatu actively seek to implement and/or enforce the following recommendations of prior reviews:

- a) Amend the Teaching Service Act to vest teacher appointment powers solely and unambiguously in the hands of the Teaching Service Commission.
- b) Strengthen the administrative resources of the Teaching Service Commission.
- c) Transition to application of correct age entry to Year 1 of primary schooling.
- d) Strictly apply the salary rates specified for unqualified/uncertified teachers.
- e) Enforce stricter administration of teacher housing allowances.
- f) Rotate teachers between schools less frequently and, possibly, provide some preference in teacher appointments for appointees originating from specific rural/remote locations.
- g) Review teacher pay structures and conditions aimed at rewarding good performance (possibly implemented over time by application to new teaching service entrants).
- h) Enforce transparent public tendering and outsourcing of school supplies including strict adherence to the provisions of the Public Contracts and Tenders Act.
- i) Strictly apply merit-based principles for the award of GoV-funded scholarships, re-call scholarship recipients failing intermediate stages in their progress to an award and provide for representation of the PMO and MFEM on the National Education Commission.
- j) Define a financially sustainable policy on the issue of leases for school sites.
- k) Ensure that appointments to education-related governing and advisory bodies are made strictly on merit.
- l) Improve the coding of expenditure transactions conducted through school bank accounts to better track the uses to which funding is being put by schools.

The review makes five further recommendations from a public financial management perspective. These are presented in descending order of priority as the review sees them.

*Strengthen control of annual funding inputs:* It is a cardinal principle of public financial management that before governments can influence outputs or outcomes they should establish firm control of financial inputs. In addition to addressing the issue of unbudgeted teacher appointments the GoV, MFEM and MoE can gain better control of annual expenditure inputs in four main ways.

**Recommendation 2:** Strengthen control of annual funding inputs by the following means.

- a) Via MoE and MFEM, systematically review proposed funding allocations to MoE cost centres for 2013 and annually thereafter to ensure these reflect realistic assessments at each cost centre level of what is to be spent (within the aggregate funding ceiling) rather than the prior year's cost centre budget.
- b) In conjunction with (a) undertake a thorough review of actual expenditures at the cost centre level in 2012 to determine the extent to which actual expenditures were posted to the correct cost centres/codes.
- c) Ensure in 2013 and beyond that any unbudgeted expenditure to be funded from within MoE's original budget ceiling is formally vired within Smartstream to the appropriate cost centre/code from the cost centre/code providing the funding source.

**Recommendation 2 (continued):**

- d) Introduce a requirement via an MFEM directive that any proposed unbudgeted expenditure exceeding (say) VT5 million in any given year is to be formally submitted to MFEM and/or the Ministerial Budget Committee for approval of both that expenditure and how it is to be funded.

Item (b) should be undertaken as part of a wider tracking survey to better establish the extent to which the GoV's budgeted recurrent expenditures have been reaching intended beneficiaries.

*Identify and align genuine policy priorities with GoV-funded recurrent education spending over the medium-term:* The review has documented the wide array of policy 'priorities' for the education sector articulated by the GoV in recent years. There is a pressing need to take stock of the GoV's multiple policy priorities for the education sector, raise awareness at a political level of their expenditure implications, and seek to quantify how the highest priority objectives are to be funded over the next 3-5 years.

**Recommendation 3:** Consider the following means of better aligning GoV recurrent expenditures with GoV policy priorities for the education sector.

- a) Refine projections of the likely resource envelope for the education sector over the period to 2017, identifying in consolidated form both the GoV's likely recurrent resources and expected inputs by the principal development partners.
- b) Having regard to the projected resource envelope rigorously review, via the Ministerial Budget Committee, existing policy statements and their objectives to distinguish between those that are to be funded, by whom and to what extent, from those that are of an 'aspirational' nature.
- c) As part of this process, from amongst the Minimum Quality Standards defined for primary schools select a sub-set that can (realistically) be funded and implement them via New Policy Proposals.
- d) Ensure that, insofar as future policy statements of objectives require medium-term funding to achieve them, these are adequately costed with funding sources quantified, and that these costings are submitted to the Ministerial Budget Committee for review and endorsement prior to public statements of the policies.
- e) Via the PMO, MFEM and the Ministerial Budget Committee ensure that not only New Policy Proposals but also proposed allocations of ongoing GoV-funded recurrent expenditures are consistent with the GoV's highest medium-term funding priorities.

Underlying each of these suggestions is the need to shift the focus of education sector planning from what is desirable in the long term to what is affordable in the medium term.

*Reverse the trend of declining real GoV-funded expenditure on Vanuatu's primary education sub-sector:* There has been ample research over the years demonstrating that the social (as distinct from private) returns to investment in education are highest at the primary level. While acknowledging the substantial degree of budget 'lock-in', the GoV should aim to reorientate its recurrent spending back towards the primary sector.

**Recommendation 4:** Seek to reverse the trend of declining real GoV-funded expenditure on primary schooling by, within the aggregate medium-term resource envelope:

- a) Steadily reducing GoV net funding of scholarships to no more than VT250 million by 2017 and beyond - the budgeted amount for 2010 - by either cutting the future number of scholarship awards and/or introducing substantial co-payments (possibly via loans) by scholarship recipients.
- b) Not increasing in real or nominal terms the rates of per student school grants for either Year 7-8 or Years 9 plus students.

Compared to the status quo and based on MoE's supplementary funding request for 2012 item (a) would save around VT260 million a year in and from 2017 at 2012 prices. In projected 2017 price terms item (b) would save around VT16 million a year by 2017 and avoid additional expenditure on Year 7-8 grants of around VT48 million.

*Target 'discretionary' GoV-funded spending on primary education better:* How teachers are trained, deployed and remunerated are major aspects of targeting. For example, evidence suggests that the 'best' primary school teachers (however assessed) should be steered towards teaching of Year 1 students. This aside, from a public expenditure perspective MoE's 'discretionary' expenditure comprises primarily its expenditure on school grants, non-salary expenditure on Provincial Education Offices and other goods and services.

Whatever the equity merits of the increased primary school grants introduced in 2010 they constitutes a major funding commitment by the GoV which targets neither individual school needs nor individual school improvement performance. The (lower rates of) per-student grants for secondary school students are similarly non-targeted. Funding of the Provincial Education Offices, especially non-salary funding including provisions intended for school maintenance, are with minor exceptions identical across the six Provinces.

**Recommendation 5:** Consider the following steps to improve targeting of non-salary primary school funding within aggregate resource availability.

- a) Freeze the current per-student school grant for Years 1-6 (VT8,900 per student) at the current amount for the next five years and redirect the savings in real terms to establishment of a schools improvement fund accessible on a competitive basis by individual primary schools based on criteria for assessment of their relative improvement needs, past performance in addressing them and parental/community commitment to co-financing them.
- b) In conjunction with the proposed VESP support for classroom construction and school maintenance, rigorously assess the current allocation of non-salary funding of Provincial Education Offices to better align its school maintenance component with the highest priority school maintenance needs across Provinces.

The review projects that item (a) could, in 2017 price terms, deliver annual savings to the GoV of some VT60 million in 2017 for funding of the primary schools improvement fund but the precise amount is less important than the principle.

*Over the medium-term, actively pursue and resource devolution of funding responsibilities and accountabilities to the school/community level:* The review is convinced that better efficiency and effectiveness of spending on education will need to be driven primarily by better

transparency of public spending and accountability for performance outcomes. The stakeholders best-placed, in principle, to monitor funding and assess performance outcomes are the ultimate clients, notably individual schools and their communities at primary and secondary levels.

**Recommendation 6:** Over the medium-term, actively pursue devolution of funding responsibilities and accountabilities to the school/community level including by:

- a) Clearly defining and communicating which levels of service delivery (MoE/TSC central, Provincial Education Offices/Boards, individual schools) will be responsible for funding and accounting for what over the medium term.
- b) Through the School Based Management Task Force, continuing to roll-out basic training in financial management and record keeping to schools, School Improvement Advisors and Zone Curriculum Advisors.
- c) Designing and delivering via VITE a financial management module as part of pre-service teacher training.
- d) Exploring longer-term devolution options (e.g. a role for school councils in teacher appointments and/or performance review).

## **Section 1: Introduction and education sector overview**

### **1.1 Introduction and review methodology**

This public expenditure review (PER) of Vanuatu's education sector has been commissioned by the Government of Vanuatu (GoV) as one of a series of reviews over the next five years to complement the work of the Ministry of Finance and Economic Management (MFEM) in analysing the efficient and effective use of public monies.

In keeping with generally-accepted principles for PERs the present review aims to address the following key questions:

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- Is public spending on education adequate and sustainable?

These questions are primarily addressed in Section 2 with findings and recommendations drawn together in Section 3. The review has also addressed monitoring and evaluation issues in a preliminary way as input to parallel work currently underway and in prospect (Section 4).

The review has been undertaken by John Mellors as Team Leader with substantial inputs of data and other information from, in particular, Rex Willie of MFEM and Dawn Reuben of the Ministry of Education (MoE). These inputs and those of many others who have assisted the review are gratefully acknowledged.

The review commenced in September 2012 with a 10-day visit to Vanuatu by the Team Leader to scope the terms of reference for the review with stakeholders, prepare a detailed work plan and set in train initial gathering of data. The work plan was presented to GoV and development partner stakeholders for consideration on 18 September. The Team Leader subsequently returned to Vanuatu on 3 October for some 25 days during which the bulk of data for the review was assembled and initially analysed. Preliminary findings were presented to GoV and development partner stakeholders on 25 October. A draft report was submitted on 21 November and its main findings were presented to a further meeting of stakeholders on 4 December. This final report incorporates feedback received during this process.

The review methodology has taken the form of 'desk based' research, data analysis and discussions in Port Vila and Australia. Consideration was initially given to undertaking field work entailing visits to a selection of schools. However, the Team Leader has previously visited a selection of schools and Provincial Education Offices in the course of a financial management assessment of MoE undertaken in 2007. On balance it was concluded that further field research would not add sufficient value to the present review. It is, however, recommended as part of follow-up to this review (see Sections 2.2.3 and 3).

### **1.2 Development context**

Vanuatu's development context, including the context in which education services are delivered, has been described by many others.<sup>2</sup> In the interests of curtailing coverage of what is already

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<sup>2</sup> See, to cite just a few sources: 'Republic of Vanuatu: Country Case Study', World Bank (2005); 'Vanuatu Education Sector Strategy 2007-2016', Government of Vanuatu (December 2006); 'Vanuatu Economic Report

known to stakeholders the following presents a brief summary only, reproduced in shortened form from the Draft Design for the Vanuatu Education Sector Program.

**Vanuatu has high levels of poverty and vulnerability.** This is despite a moderate gross national income per capita (US\$1737 in 2009) and medium Human Development Index ranking (125<sup>th</sup> out of 187 countries).

- Vanuatu has dramatic rural-urban income inequalities - over 80% of the population depends on agriculture for their livelihood, yet the rural sector contributes only 8% of Gross Domestic Product;
- 15.9% of people live in poverty (on less than \$1.25 a day), and a further 22% are estimated to be vulnerable to experiencing poverty (ie. from food or fuel price increases) as they are close to the poverty threshold;
- The adult literacy rate is only 33%;
- Child (under 5) mortality rate is high at 42 per 1000;
- The country is extremely vulnerable to violent natural shocks including tropical cyclones, volcanic eruptions, earthquakes, flood and droughts.
- While the 2012 review is still under consideration, Vanuatu's economic growth rate has dropped from 5% to 3% due to the Global Financial Crisis, and it remains vulnerable to further economic impacts and natural disasters.

**The education Millennium Development Goal (MDG) is amongst several MDGs unlikely to be met by Vanuatu by 2015.** Other MDG targets unlikely to be met according to Vanuatu's 2010 MDG Report are productive employment, hunger, food security, gender equity in education and parliament, and environmental sustainability.

The Vanuatu MDG Report identifies **major challenges to achieving the MDGs**, including:

- Limited Government finances - 80% of the budget goes to wages and salaries leaving little for development initiatives;
- Government human resource constraints;
- High cost of service delivery due to remoteness of islands;
- Language diversity (there are 105 vernaculars, 2 official languages and 1 national language);
- Political instability characterised by local allegiances and divisions;
- High rates of population growth and urbanisation, which pose a major challenge for service delivery and infrastructure.

Source: 'Program Design Document: Vanuatu Education Sector Program (Draft)', (3 September 2012), page 9.

### 1.3 Institutional structure of the education sector

Vanuatu's Education sector in 2011 comprised:

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2009', Asian Development Bank Pacific Studies Series (2009), 'Children in Vanuatu 2011: An Atlas of Social Indicators', UNICEF (2011); 'Republic of Vanuatu Assessment of National Systems', Mike Francino for AusAID (2012); 'Program Design Document: Vanuatu Education Sector Program (Draft)', (3 September 2012).

- Some 543 early childhood centres, 432 primary schools and 82 secondary school delivering education services to some 72,000 children/students (see Table 1).
- The sub-sectors of early childhood education (ECE), primary education, secondary education, technical vocational education and training (TVET), distance education, and tertiary education.
- National services such as teacher training, curriculum development, administration of examinations and the national scholarships unit.
- Government Ministries with administrative and funding responsibilities for the sector, primarily the Ministry of Education including the Teaching Service Commission and six Provincial Education Offices.
- Education Authorities, notably the churches which are registered to manage some Government Assisted schools.
- National advisory groups such as the National Education Commission, the National Education Advisory Council and the Vanuatu National Training Council.

	ECE	Primary	Secondary
Number of schools:			
• GoV	0	294	45
• GoV Assisted	21	117	29
• Other	522	21	8
Number of enrolments:			
• GoV	0	30,062	12,256
• GoV Assisted	548	10,266	4,763
• Other	11,053	2,024	1,045
Number of teachers:			
• GoV	0	1,173	727
• GoV Assisted	28	428	341
• Other	784	85	84
Notes:			
Early Childhood Education (ECE) is defined as education programs for children before they enter Year 1 at age 6 years.			
Primary Education is defined as consisting of Years 1-6, the official enrolment age for Year 1 being age 6 years.			
Secondary Education is defined for this Table as consisting of Years 7 to 13 (Anglophone) and 14 (Francophone), covering official enrolment ages of 12 to 18/19. The Secondary sub-sector is further divided into Junior Secondary (Years 7 to 10) and Senior Secondary (Years 11 to 13/14).			
In this Table Primary schools include some schools which offer Year 7 and 8 but are classified as Primary schools. Secondary schools include some technical training centres which offer courses from Year 11 level.			
Source: Annual Statistical Report 2010-2011, Ministry of Education (June 2012)			

Total numbers for post-secondary education and training are not known with any precision (but see Table 2).

	Enrolment		
	Male	Female	Total
Vanuatu Maritime College	694	177	871
Vanuatu Institute of Teacher Education	89	106	195
Vanuatu Institute of Technology	479	335	814
Vanuatu Nursing College	40	42	82
Vanuatu Police Training College	43	16	59
Australia Pacific Training College (Vanuatu)	205	110	315
TVET Centres	1,412	1,069	2,481

Source: Annual Statistical Report 2010-2011, MoE (June 2012), page 33

The legal framework for governance and financing of the Education sector is established principally by the Education Act No.21 of 2001 and Regulations issued pursuant to that Act. The legal framework for financial management of the sector is provided by a combination of the Public Finance and Economic Management Act 1998 (as amended), the Finance Regulations under that Act, and the Education Act and its Regulations. Other relevant legislation includes the Teaching Service Act of 1983 and several Acts establishing post-secondary institutions such as the Vanuatu Institute of Teacher Education, the Vanuatu Institute of Technology and the Vanuatu Agricultural College. Table 3 summarises the principal institutions/groups with responsibilities impinging on the education sector.

Institution	Main functions (education sector-related)
GoV Ministry of Education	<p>“The function of the Ministry is to deliver the education aspects of the Millennium Development Goals and the international agreements such as Education for All and respect for the rights of children. This includes the Government’s commitment to achieving Universal Primary Education (UPE), improving literacy, and to developing skills for the productive sectors (rural and urban).”<sup>3</sup> This function entails national responsibilities for:</p> <ul style="list-style-type: none"> <li>• Teaching and learning services in GoV-funded primary and secondary schools, the VIT and VITE.</li> <li>• Registration and funding of education authorities and Government Assisted schools.</li> <li>• Development, maintenance, printing and distribution of national curriculum and associated learning materials.</li> <li>• School-based assessment, national examinations and student selection processes.</li> <li>• Through the Teaching Service Commission and VITE, teacher recruitment, deployment, pre-service/in-service training and supervision.</li> <li>• Financial and auditing services.</li> <li>• School construction, maintenance and repair, and furnishings.</li> <li>• Procurement and distribution of school stationery and equipment.</li> <li>• The national scholarship program.</li> </ul>

<sup>3</sup> MoE Annual Report 2011, page 11.



Table 3 (continued): Principal institutions and functions	
	<ul style="list-style-type: none"> <li>• Operation and development of the Vanuatu Education Management Information System (VEMIS) and its annual schools survey.</li> </ul>
GoV Ministry of Youth Development Sports and Training	<ul style="list-style-type: none"> <li>• Policy advice in relation to TVET</li> <li>• Participation in and funding support for the work of the Vanuatu National Training Council, an autonomous body within the Ministry responsible for: <ul style="list-style-type: none"> <li>▪ development and maintenance of the TVET Qualifications Framework;</li> <li>▪ accreditation of TVET service providers;</li> <li>▪ engagement of business, training providers, trade unions and other stakeholders in reform of the TVET system.</li> </ul> </li> </ul>
GoV Ministry of Health	<ul style="list-style-type: none"> <li>• Funding of the Vanuatu College of Nurse Education</li> </ul>
GoV Ministry of Internal Affairs	<ul style="list-style-type: none"> <li>• Funding of the Vanuatu Police College</li> </ul>
GoV Ministry of Finance & Economic Management	<ul style="list-style-type: none"> <li>• Management of the GoV's annual budget process including advice to the Ministerial Budget Committee on agency budget submissions, new policy proposals and the setting of agency expenditure ceilings.</li> <li>• Monitoring and control of agencies' within-year aggregate expenditures including advice on agency requests for supplementary budgets.</li> <li>• Operation and development of the GoV's financial management information system 'Smartstream'.</li> <li>• Administration of annual GoV grants to off-budget agencies including the Vanuatu Agricultural Research Training Centre, University of the South Pacific, Vanuatu Maritime College and Vanuatu Agricultural College.</li> </ul>
GoV Prime Minister's Office	<ul style="list-style-type: none"> <li>• High-level policy, planning and administrative support for the Prime Minister and Council of Ministers.</li> <li>• Monitoring and evaluation of GoV policies and programs.</li> <li>• Alignment of development partner resources with GoV policy priorities.</li> </ul>
GoV Other Ministries	Other Ministries overseeing and/or funding the delivery of various TVET services include the Ministry of Agriculture and the Ministry of Cooperatives and Ni Vanuatu Business Development. Pending further review of funding of the TVET sector the nature and scale of their involvement in TVET service provision has yet to be established.
GoV off-budget agencies	<p>Delivery of specialist post-secondary training and/or support thereof, part-funded by GoV grants:</p> <ul style="list-style-type: none"> <li>• Vanuatu Agricultural College.</li> <li>• Vanuatu Maritime College.</li> <li>• Vanuatu Agricultural Research and Training Centre.</li> </ul>
Development Partners	<ul style="list-style-type: none"> <li>• Negotiation, funding and monitoring of support for GoV education sector development priorities, primarily through the MoE and support for TVET.</li> <li>• Provision of technical assistance for service delivery, analytical studies and reviews.</li> <li>• Australian funding of the Australian Pacific Training College (including funding of courses delivered in Vanuatu).</li> <li>• Provision of volunteers to schools and TVET centres (e.g. JICA, US Peace Corps).</li> </ul>

Non Government Organisations	<ul style="list-style-type: none"> <li>• Via Churches, provision of ECE, primary and secondary education services.</li> <li>• Via other NGOs, provision of support for ECE and TVET services in particular (including Vanuatu Chamber of Commerce in respect of TVET).</li> <li>• Via the Vanuatu Rural Development &amp; Training Centre Association (VRDCTA), coordination of Rural Training Centre services.</li> <li>• Via some 31 Rural Training Centres in 2011, delivery of rural vocational training to some 1,200 participants in 2011.</li> </ul>
Communities	<ul style="list-style-type: none"> <li>• Participation in school councils.</li> <li>• Fund raising activities and provision of services in kind (e.g. assistance with school maintenance).</li> <li>• Appointment of unpaid or minimally paid teachers/teacher's aides in the ECE centres and primary schools in particular.</li> </ul>

Amongst these numerous institutions the Ministry of Education is by far and away the largest player within the GoV in terms of both its annual funding (some 26% of total GoV recurrent expenditure in 2011) and staffing (a total of some 2,200 Ministry and GoV-funded teaching staff on the GoV payroll in 2011).

#### 1.4 Budget planning and financial management responsibilities

Broad responsibilities for GoV budgeting, resource allocation and expenditure, financial reporting and audit functions within the education sector are summarised in Table 4.

Budget planning	<p><u>Line Ministries</u> are responsible for:</p> <ul style="list-style-type: none"> <li>• Preparation of annual budget submissions including proposed budget allocations within recurrent budget expenditure ceilings and new policy proposals for additional funding.</li> <li>• Budget allocations to programs and cost centres consistent with the aggregate budget ceilings determined by the Ministerial Budget Committee.</li> <li>• Negotiation and agreement with development partners, in consultation with MFEM and the PMO, of Development Partner funding contributions for the year ahead and the development activities this funding is to support.</li> </ul> <p><u>MFEM</u> is responsible for:</p> <ul style="list-style-type: none"> <li>• Management of the GoV's annual budget process including advice to the Ministerial Budget Committee on agency budget submissions, new policy proposals and the setting of aggregate agency expenditure ceilings.</li> <li>• Participation with Line Ministries and the PMO in consultations with development partners regarding development funding for the year ahead.</li> </ul> <p>The <u>PMO</u>, together with Line Ministries and MFEM, is responsible for advice to the Ministerial Budget Committee and the Council of Ministers on expenditure priorities and constraints.</p> <p>The <u>Ministerial Budget Committee</u> and, subsequently, the <u>Council of Ministers</u> are responsible for approval of the annual budget estimates, including those for development partner funding insofar as these are channelled through the GoV Development Fund, and submission of these estimates to the National Parliament for appropriation.</p>
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Table 4 (continued): Budget planning and financial management responsibilities	
Budget execution	<p><u>MFEM</u> is responsible for:</p> <ul style="list-style-type: none"> <li>• The issue to Line Ministries of authorities for their expenditures based on estimates of within-year cash flow requirements.</li> <li>• Within-year expenditure monitoring and consideration of requests for supplementary budgets.</li> <li>• Based on payroll lists provided by Line Ministries, payment of the GoV payroll (including teachers' salaries).</li> <li>• Based on Local Purchase Orders provided by Line Ministries, payments to other suppliers of goods and services (including the payment of school grants).</li> </ul> <p><u>Line Ministries</u> are responsible for:</p> <ul style="list-style-type: none"> <li>• Management of their expenditure ceilings within approved limits.</li> <li>• Internal monitoring of expenditures against budgets for this purpose.</li> <li>• The maintenance of accurate payroll data.</li> <li>• The authorisation of, and accountability for, Local Purchase Orders.</li> <li>• In consultation with development partners, the authorisation and monitoring of annual development partner funding channelled through the GoV Development Fund.</li> </ul> <p>The <u>National Tenders Board</u> is responsible for consideration and approval of tenders and contracts for the purchase of goods or services in excess of the tender threshold (VT5 million or more).</p>
Financial reporting	<p><u>MFEM</u> is responsible for the preparation of the GoV's annual financial statements.</p> <p><u>Line Ministries</u> (including their off-budget agencies) are responsible for the preparation of annual financial statements in respect of the funding they have received.</p> <p><u>Individual schools</u> are responsible for the preparation of annual financial statements of the resources under their control in accordance with the provisions of the MoE Schools Financial Management Manual.</p>
Audit	<p>Internal Audit: Line Ministries</p> <p>External Audit: The Vanuatu National Audit Office (but see Note). Development partners typically reserve the right to appoint, and have appointed, independent external auditors in respect of their funding contributions.</p>
<p>Note: The Vanuatu National Audit Office undertakes external audit of the GoV's consolidated annual financial statements. It does not normally conduct external financial audits of individual Line Ministries, much less external audits of the efficiency/effectiveness of individual expenditure programs.</p>	

Note that Table 4 is based on the formal responsibilities of agencies including as defined by legislation. It makes no attempt for the purposes of this Section to address the extent to which formal responsibilities are complied with.<sup>4</sup> Further note that while MFEM plays a considerable role in the setting of budget ceilings and aggregate expenditure control, responsibilities for budget allocation and expenditure control below that level are substantially devolved to individual Line Ministries. Estimates of the amounts concerned (insofar as available) are provided in Section 2.1.1 (Structure of education sector funding).

## 1.5 Education sector objectives and priorities

The Government of Vanuatu, often with technical assistance, has issued a significant number of policy statements over the past six years specifying its strategic objectives for the education sector as a whole and/or sub-sectors within it. Again, in the interests of curtailing coverage of what is already known to stakeholders, these are summarised in Table 5. The GoV has, in addition, formally subscribed to the MDG and EFA goals.

Key features of the various policy statements summarised at Table 5 are as follows:

<sup>4</sup> Insights into compliance and related issues are available from a number of sources including, notably, the most recent PEFA exercise undertaken for Vanuatu.

- They provide a detailed exposition of the GoV's aspirations for Vanuatu's education systems and, at the broadest level, exhibit a considerable degree of consistency over time in emphasising the goals of improved access, quality of education and management of the education system.
- Individually, statements at the sub-sector level typically present a credible 'vision' for the sub-sector and a useful guide for sub-sector stakeholders as to what the GoV hopes to achieve.
- However, while typically sensible in themselves, when the strategies and 'priorities' identified in each statement are viewed in aggregate from the perspective of the education sector as a whole they present a picture of huge challenges, 'mission overreach' and so many 'priorities' that it is hard to discern genuine priorities at all. Every sub-sector and policy objective within it is, to all intents as stated, a 'priority'.
- Other than for task-related outputs the statements do not typically specify measurable performance outcome indicators or targets or, for those that do, only partially.
- It is highly questionable whether the providers of and stakeholders in education services at the level that counts, namely teachers, school committees and local communities more broadly would have a good awareness of, or would necessarily subscribe to, the goals and priorities specified.

An equal concern from a public expenditure perspective is that the policy statements present no cost estimates of the public resources needed to achieve their goals or even the interim objectives they specify. Related to this, there is a complete disconnect between the formulation and articulation of strategic objectives and priorities for the sector on the one hand and the setting of annual (let alone medium-term) budgets for the sector on the other. Insofar as expenditure priorities for the education sector are debated they appear to be debated almost exclusively in the context of discussions between the GoV and its development partners regarding future amounts and allocations of development partner funding.<sup>5</sup>

MFEM does undertake systematic analyses of education spending relative to budgets and these are to be commended. However, the MFEM analysis is almost exclusively framed in terms of expenditure control at an aggregate or program level. Debate within the GoV as to spending priorities for GoV funding (as distinct from development partner funding) of the education sector does not appear to occur in any systematic way. This issue is elaborated in Section 2.1.6.

## **1.6 Status of sector strategy development**

Numerous education sector developmental activities continue to be funded by the GoV and, in particular, development partners. At a strategic level, however, the present review is aware of only one substantial recent development beyond those enumerated in Table 5. This is the consultations surrounding, and subsequent (draft) design for, the Vanuatu Education Sector Program for 2013 to 2017. Key features of this (draft) design as it has evolved through consultation between the GoV, Pool Partners and other development partners<sup>6</sup> are as follows:

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<sup>5</sup> Although it might be suggested that, at a strategic level, GoV agreements with its development partners have done little more to target development funding on specific priorities. See, for example, 'Partnership for Development between the Government of Australia and the Government of Vanuatu', Partnership Priority Outcome 1: Improved Education', (May 2009).

<sup>6</sup> The 'Pool Partners' Australia, New Zealand and UNICEF have made their recent contributions through a Grant Financing Arrangement with the GoV and in recent years have channelled the greater part of their funding support through the GoV Development Fund. Other development partners (e.g. JICA, France) have contributed through separate mechanisms.

- Overall, a principal focus on development support for ECE and the first four years of primary education.
- Within this overall focus, support for five core program activities:
  - Train and support teachers to implement the new curriculum as announced in 2010.
  - Strengthen early childhood care and education delivery.
  - Engage the community through school based management.
  - Provide locally relevant and efficient delivery of facilities and equipment.
  - Develop capacity within the Ministry of Education to develop an efficient, well-managed and deconcentrated education system in Vanuatu.
- Recognising the pressures and constraints on MoE capacity to administer all forms of development partner support through its internal systems, a potential re-balancing of funding to be provided through the GoV Development Fund and alternative mechanisms.

Aside from this, there are no obvious recent instances of current education sector strategy development initiatives linked to proposed changes in GoV-funded or development partner-funded budget allocations.

Policy Statement	Key education goals	Policy objectives/priorities	Performance Indicators
Vanuatu Education Sector Strategy (December 2006)	<ol style="list-style-type: none"> <li>1. Achieve universal primary education completion, strengthen literacy, languages, and numeracy, and develop a national pre-school curriculum and pre-school teacher training program</li> <li>2. Continue to expand and improve affordable bi-lingual secondary, technical, and higher education which meets national and international standards.</li> <li>3. Provide more relevant and accessible curriculum, materials and assessment systems</li> <li>4. Provide qualified, productive and well-supported teachers for every school and strengthen the professional competence of teachers</li> <li>5. Bring the education, management and facilities of every school up to a sustainable minimum standard, able to provide a safe and caring learning environment, and continuously improving its services</li> <li>6. Strengthen the effectiveness, productivity, accountability, transparency, governance, and decentralization of the education system and build capacities for results-based management at all levels</li> <li>7. Strengthen partnerships at national, provincial and local levels, and empower school communities</li> </ol>	Seven policy objectives (e.g. Basic education: universal completion, literacy, numeracy and life skills) encompassing multiple priorities (e.g. support one year of pre-school for every child by age 5; all children should commence Year 1 by age 6).	Over fifty indicators, a majority of which have neither a baseline measured nor a measurable performance target set.
Planning Long Acting Short: Policy priorities for 2009-2012	<ol style="list-style-type: none"> <li>1. Ensure quality of education for all</li> <li>2. Create better environment for employment opportunities</li> </ol>	Improve the quality of education; phase out compulsory primary school contributions and replace with increased grants direct to schools; increase human resource capacity in critical areas for Vanuatu's development; expand trade skills development	Multiple task-based time-bound indicators (e.g. Government and donors contributions to scholarship increased by 2009-2012) but no other performance indicators.
Vanuatu Education Road Map (December 2009)	<ol style="list-style-type: none"> <li>1. Increase equitable access to education for all people at all levels of education in Vanuatu</li> <li>2. Improve the quality of education in Vanuatu</li> <li>3. Improve and strengthen management of the education system in Vanuatu</li> </ol>	Eight priorities: school grants; facilities development; basic education; curriculum development; teacher education; human resource development; policy development; planning, management and coordination. Twenty one objectives grouped against the three strategic goals.	The VERM Performance framework specified nineteen performance indicators. A measured baseline was set for 10 of these (amongst those quantifiable) and a measurable program target for eight.
Vanuatu Early Childhood Care & Education Policy (August 2010)	<ol style="list-style-type: none"> <li>1. Quality of ECCE services is improved and enhanced</li> <li>2. Equitable access to quality ECCE for all young children including children with disabilities</li> <li>3. Managing ECCE services is effective and efficient</li> </ol>	Six policy objectives (e.g. ensure all ECCE-teachers meet standards of the highest possible quality). Ten policy priorities.	None.

Policy Statement	Key education goals	Policy objectives/priorities	Performance Indicators
Inclusive Education Policy and Strategic Plan 2010-2020 (2009)	Vision: By 2020 all schools will have inclusive practices to meet the educational needs of all students.	Eight strategies (e.g. early identification and early intervention; IE awareness campaign strategy).  Sixteen principal and many more supporting activities identified for implementation of the eight strategies.	Many activities have a target deadline for completion. Otherwise no baselines measured or performance targets set.
PAA Action Plan 2011-2015: National Strategic Priority 6 - Education and Human Resource Development (2011)	<ol style="list-style-type: none"> <li>1. Increase equitable access to education and ensure gender and urban/rural balance</li> <li>2. Raise the quality and relevance of education</li> <li>3. Improve and strengthen management of the education system</li> <li>4. Nurture educational and sustainable livelihood opportunities for youth</li> </ol>	Sixteen strategies grouped under the four goals (e.g. improve equal access to all levels of education for children with special needs; improve the relevance and quality of teacher training)	Some 35 performance indicators specified of which, for those not task related, baseline specified for eight and performance target specified for six.
Vanuatu Technical Vocational Education and Training (TVET) Policy (March 2011)	<ol style="list-style-type: none"> <li>1. Competent, productive and employable citizens who contribute to an economically and socially developed Vanuatu</li> <li>2. An effective management structure with clear roles and responsibilities accountable to the National Parliament through MYDST</li> <li>3. Sustainable partnership between Government, private sector and civil society to resource the provision of TVET</li> <li>4. An accessible, quality assured and demand driven training system that provides skills training leading towards recognised qualifications</li> </ol>	Nineteen policy objectives (e.g. All TVET courses are competency-based and structured and accredited by the VNTC in response to priority demands of industry; fair and equitable access to TVET programs is available for all).	Eighteen indicators (e.g. improved wellbeing of male and female trainees; increased number of trainees achieve competency standards). No baseline measured or performance target set for any of them.
Vanuatu Minimum Quality Standards for Primary Schools (2011)	Grouped minimum standards under the goals of access, quality and management of primary education.	Set fifteen minimum standards (objectives) (e.g. all teachers must be certified and receive regular feedback on their performance from Zonal Curriculum Advisers and School Heads; all students have access to text books and stationery for all subjects).	Criteria for assessing progress towards the standards by individual schools specified. No baseline measurement or performance targets set for primary schools in aggregate.

## Section 2: Analysis

Section 2 assesses the following:

- Trends in education sector budgets, allocations and spending (Section 2.1).
- The efficiency of public expenditure on education (Section 2.2).
- The equity of public expenditure on education (Section 2.3).
- Impacts - performance outcomes (Section 2.4).
- Projections of spending on primary and secondary education under alternative scenarios (Section 2.5)

### 2.1 Trends in education sector budgets, allocations and spending

#### 2.1.1 Structure of education sector funding

In common with other developing (and indeed ‘developed’) countries funding of Vanuatu’s education sector and sub-sectors within it comprises multiple government and non-government sources. It has not been possible for the present review to quantify aggregates for Vanuatu’s funding sources and uses, especially in relation to Vanuatu’s post-secondary technical and vocational training sub-sector.

#### GoV funding

Table 6 (next page) summarises the structure of GoV funding of the education sector in 2011-2012.

Two features of Table 6 are highlighted:

- Insofar as budgeted development partner funding is channelled through the GoV Development Fund it constitutes a substantial proportion (some 28%) of total funding appropriated to the MoE and to TVET-related activities of MYDTS. Section 2.1.2 estimates that GoV recurrent education sector funding through MoE was equivalent to some 5.3% of Vanuatu’s GDP in 2011. Inclusion of *budgeted* development partner funding through the Development Fund would raise this proportion to some 6.8% of GDP (before allowance for development partner contributions not channelled through the Development Fund).<sup>8</sup>
- GoV funding of the education sector through MoE far out-strips that through any other GoV Ministry (or off-budget agency). Even if funding provided through Ministries not costed in Table 6 was equal to that provided through MYDST and MFEM (which is unlikely) MoE would continue to account for some 85% of total GoV funding of the education sector. This review’s prime focus on MoE expenditure trends and allocations is consistent with its significance as the principal vehicle for GoV funding.

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<sup>8</sup> But see below regarding disparities between budgets and actual funding.



	2011 Actual Expenditure (VT million)	2012 Budget (VT million)	
		GoV Recurrent	Development Fund
<b>Ministry of Education:</b>			
• Cabinet and Executive Management	203.1	188.2	157.1
• School support services administration	145.8	314.4	987.0
• Secondary schools	1,086.5	1,101.8	0
• Primary schools	1,796.0	1,744.3	269.3
• Post-secondary including scholarships	5145.5	448.6	67.0
• Teacher Service Commission	83.0	107.7	0
<b>MoE Totals</b>	<b>3,828.0</b>	<b>3,905.0</b>	<b>1,480.4</b>
<b>Ministry of Youth Development, Sport &amp; Training</b>			
• Office of Technical Vocational Education, Training and Employment Opportunities	3.2	5.0	0
• Vanuatu National Training Council	20.0	20.0	17.1
• Non and informal education development	2.0	3.8	0
<b>MYDST Totals</b>	<b>25.3</b>	<b>28.8</b>	<b>17.1</b>
<b>Ministry of Finance &amp; Economic Management - grants</b> <sup>10</sup>			
• Vanuatu Agricultural Research & Training Centre	44.4	35.7	0
• Vanuatu Chamber of Commerce and Industry <sup>11</sup>	30.0	30.0	0
• Grant to University of the South Pacific	146.2	146.2	0
• Vanuatu Maritime College	41.3	41.3	0
• Vanuatu Agricultural College	82.8	82.8	0
<b>MFEM Totals</b>	<b>344.7</b>	<b>336.0</b>	<b>0</b>
Ministry of Health (Vanuatu College of Nurse Education)	Funding of VCNE not known		
Ministry of Internal Affairs (Vanuatu Police College)	Funding of VPC not known		
Ministry of Agriculture	Funding of agricultural TVET activities not known		
Ministry of Cooperatives and Ni Vanuatu Business Development.	Funding of small business TVET activities not known. However, the Ministry's total budget for 2012 was VT96.5 million (i.e. small).		

### Development partner funding<sup>13</sup>

The draft Design for the VESP summarises development partner contributions to those parts of the education sector administered by MoE in the following (abbreviated) terms:

“Since 2008 the bulk of development partner funding to the education sector has been provided through direct financing [through the Development Fund] and technical assistance. The Joint Partnership Arrangement (JPA) was agreed in 2009 between the Government of Vanuatu and development partners to implement the VERM. The JPA

<sup>9</sup> In this and all subsequent tables amounts and percentages may not sum to totals due to rounding of figures.

<sup>10</sup> 2011 figures are 2011 budgets, not actuals.

<sup>11</sup> It has been reported that around half of VCCI income from all sources is allocated to training and development activities for Vanuatu businesses.

<sup>13</sup> For present purposes the term ‘development partners’ is confined to overseas governments and multilateral organisations (e.g. UNICEF).

signatories are categorised in two groups: “Pool Partners” – Government of Vanuatu, Australia (AusAID), New Zealand (NZMFAT) and UNICEF – make a financial contribution through a tripartite Grant Financing Arrangement. “Non-Pool Partners” contribute through separate mechanisms (including the European Union’s General Budget Support) ... Other donors provide technical support ... Japan provides funding for classroom construction with France and US Peace Corps providing volunteers and/or in-kind support. The World Bank has provided [other] technical support...”<sup>14</sup>

The present review encountered difficulties in quantifying the funding contributions of individual development partners on a consistent and comprehensive basis. It is clear, for example, that even for development partner funding channelled through the GoV Development Fund amounts budgeted can bear little relationship to amounts received and expended by the GoV.<sup>15</sup> Virtually no data were available on the costs of development partner support provided in the form of technical assistance and funding of volunteers. Table 7 reproduces data compiled by MoE on its development partner funding sources in 2011.

	D.Partners	Revenue (VT million)	Expenditure (VT million)
Vanuatu Education Road Map	Australia, New Zealand, UNICEF	470	448
Other:	UNICEF	3	3
	Japan	35	29
	New Zealand	3	3
	France	6	5
Source: Ministry of Education Financial Statements for Recurrent and Development Fund 2009-2012.			

### Other sources of funding

As noted earlier (Section 1) a wide range of other institutions contribute to funding of Vanuatu’s education sector including, principally and at different sub-sector levels, the Churches, other non government organisations, communities (especially at ECE and primary school levels) and individual households by way of fees and other contributions in cash and kind. Little is known at an aggregate level as to the quantitative significance of these other funding sources. The review has, however, sought to quantify in broad terms the significance of school grants relative to other sources of (banked) school income for GoV-funded and Government Assisted primary and secondary schools.

The review drew a sample representing some 12% of all GoV/GA primary and secondary schools and examined school bank account data for 2011 held for each by the MoE’s Internal Audit Unit.<sup>16</sup> The aim was to quantify the relative importance of school grants versus other

<sup>14</sup> ‘Program Design Document, Vanuatu Education Sector Program’, Draft dated 3 September 2012, pages 15-16.

<sup>15</sup> MoE’s budgeted Development Fund resourcing in 2011 was nearly VT1.5 billion. Its actual revenue through the Fund was around one-third of this largely, it is understood, because the second tranche of VERM development partner funding for 2011 was not paid because disbursement of the first tranche was very slow.

<sup>16</sup> . The sample totalled 56 schools representing approximately 12% of total GoV/GA primary and secondary schools recorded in VEMIS for 2011. With the exception of Torba, where the number of schools sampled was increased to produce a viable sample size, the sample was drawn randomly as an approximate 10% selection of both GoV and GA schools at Primary level and an approximate 30% selection of (the smaller number of ) schools at Secondary level. ‘Primary Schools’ as defined by VEMIS include some schools containing Years 7-8 students for which increased per-student grants were not provided in 2010 and beyond. Hence ‘Primary’ schools containing

sources of school income flowing through school bank accounts established with the National Bank of Vanuatu in parallel with the introduction of increased primary school grants in 2010. Table 8 summarises the results.

	Primary schools		Secondary schools	
	GoV	GA	GoV	GA
	(%)	(%)	(%)	(%)
Averages: Torba; Penama; Malampa; Tafea	85.8	82.7	34.2	39.3
Averages: Sanma; Shefa	73.0	77.8	25.8	11.6
Averages, all Provinces	81.4	80.1	30.7	28.9

Source: Derived from 2011 school bank account data for the sample schools drawn from the school bank account Master File maintained by the Internal Audit Unit, MoE

Key features emerging from Table 8 are:

- School grants constitute the primary source of (banked) income for primary schools, as would be expected following the substantial increases in the per-student grant commencing 2010.
- Across all Provinces there is no significant difference in the contributions made by school grants to total (banked) school income as between Government and Government Assisted schools at either the primary or secondary levels.
- School grants account for less than one-third of (banked) school income at the secondary level.
- School grants in the Provinces of Sanma and Shefa, containing the urban areas of Port Vila and Luganville, account for a lower proportion of (banked) school income than in other Provinces. This tentatively suggests that school fees at both primary and secondary levels continue to be a relatively more important source of school income in urban areas.

The (draft) 2010 Household Income and Expenditure Survey results confirm in a wider sense the scale of household contributions to funding of the education sector.<sup>17</sup> The Survey has estimated total monthly expenditure by Vanuatu households on all forms of education expenditure items in 2010 at some VT114 million a month (i.e. approaching VT1.4 billion in 2010 as a whole). Of this, 69% was direct expenditure on early childhood, primary and secondary school fees. It is clear that, in addition to general taxation, households contribute directly and substantially to funding of the sector as a whole. The draft 2010 HIES results are also consistent with the school bank account analysis insofar as they show urban households spending more on both primary and secondary school fees than households in rural areas - see Table 9 (next page).

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Year 7-8 students included in the sample had a relatively higher proportion of non-grant (including fee) to total banked school income.

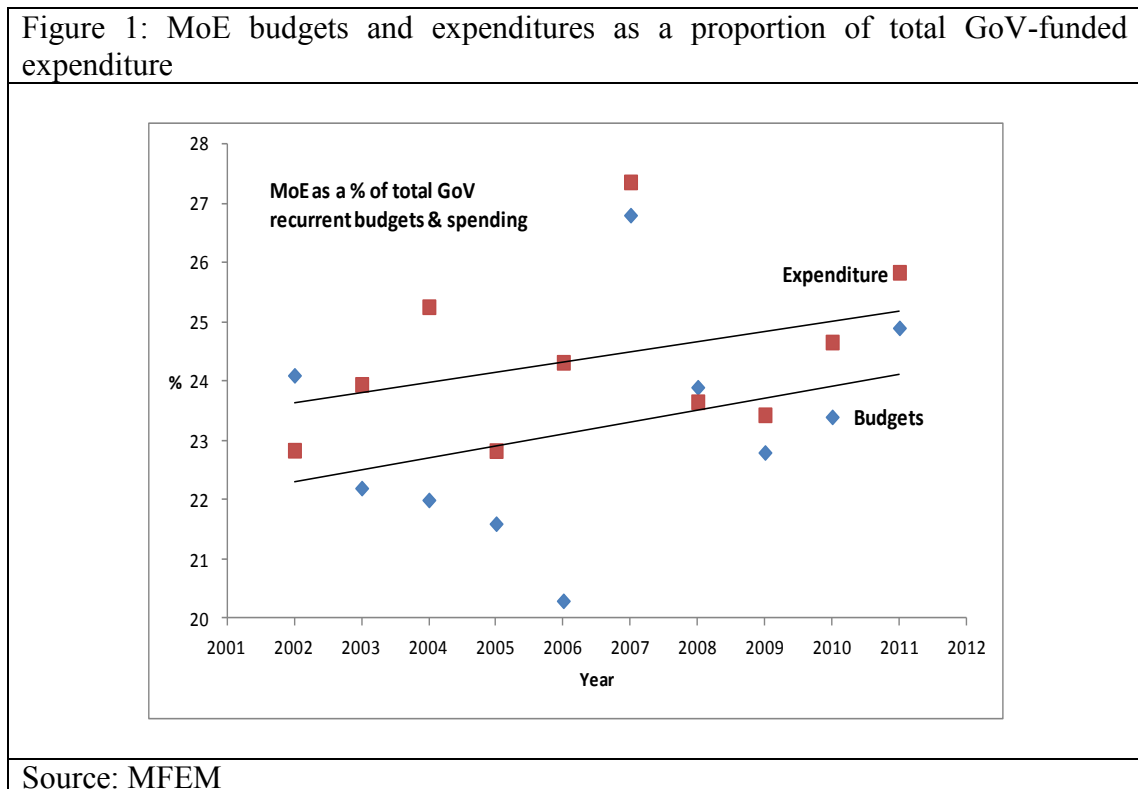
<sup>17</sup> (Draft) 2010 Household Income and Expenditure Survey Report, VNSO, Chapter 5 and Table 5-7.

Primary school fees:	
• Rural	800
• Urban	2,000
• Vanuatu total	1,200
Secondary school fees:	
• Rural	4,300
• Urban	5,800
• Vanuatu total	4,800
Source: Draft 2010 HIES, Table 5-7.	

### 2.1.2 Aggregate MoE budgets and expenditure

The analysis of this and subsequent sections draws on two main sources of data: the original annual budgets set for MoE as appropriated by the Parliament; and MoE's actual annual expenditures.<sup>18</sup>

Over the 10 years to 2011 both MoE's original budgets and actual aggregate expenditures were on an upward trend as a proportion of total GoV budgets and expenditure (see Figure 1). With the exception of 2006 and 2007, MoE's original annual budgets fluctuated within the range of 21-25% of the GoV's total GoV-funded budgets while actual expenditures fluctuated within the range 22-26%.

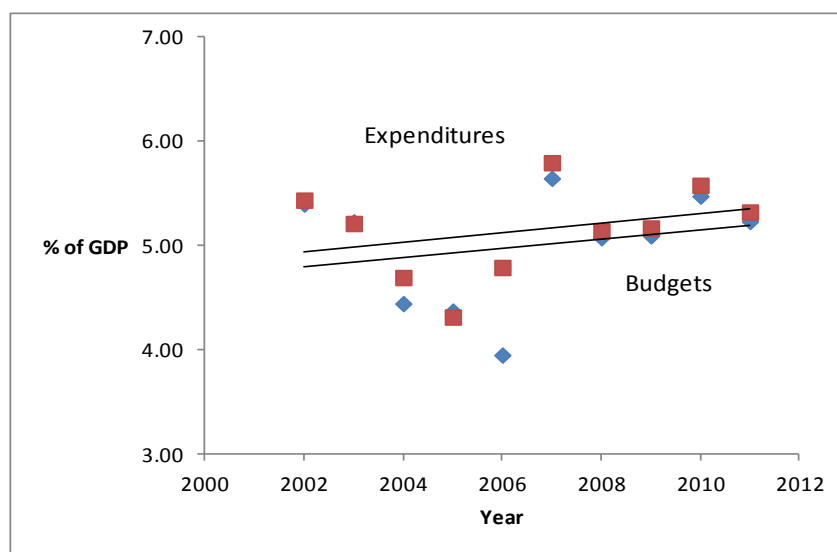


<sup>18</sup> It might be suggested that MoE's original annual budgets are of limited interest for the analysis of trends since supplementary budgets and actual expenditures *may* combine to present a quite different picture. However, original annual budgets are (or should be) a reflection of a government's expenditure priorities for the financial year ahead. As such they provide (or should provide) insights into whether budgeted expenditure priorities reflect a Government's broader policy objectives and strategies.

Budget and expenditure patterns for 2006 and 2007 were primarily influenced by a Government Remuneration Tribunal determination in 2006 awarding public servants (including teachers) significant pay increases. Given that the greater part of MoE's spending is devoted to the payment of teachers the full-year effect of this pay determination had a particularly marked impact on MoE's original budget and spending in 2007. However, if the years 2006 and 2007 are removed from the time series MoE shares of GoV original budgets and actual expenditures continue to exhibit an upward trend over the period 2002-2011.

In most years 2002-2011 GoV funding of MoE has represented 5-6% of Vanuatu's Gross Domestic Product on a (slightly) upward trend - see Figure 2.

Figure 2: MoE original budgets and expenditures as a proportion of Vanuatu's Gross Domestic Product at market prices



Sources: Vanuatu GDP at market prices as reported in the ADB's Key Indicators for Asia and the Pacific (last updated 30 July 2012). Budget and expenditure data from MFEM.

MoE's budgets and expenditures as a proportion of the GoV totals and as a proportion of Vanuatu's GDP are both relatively high by regional standards – see Table 10.

	(a) Government recurrent expenditure on education as a % of total Government recurrent expenditure	(b) Government recurrent expenditure on education as a % of Gross Domestic Product
Cook Islands	12.1% (2008-09)	4.5% (2009)
Fiji	19.4% (2008)	na na
Kiribati (see Note)	13.3% (2011)	13.3% (2011)
Samoa	19.7% (2011-12)	4.8% (2011)
Solomon Islands	26.0% (2009)	6.91% (2009)
Tonga (see Note)	4.1% (2010-11)	4.06% (2011)
Vanuatu	26.0% (2011)	5.3% (2011)

Sources for Table 10: Column (a): Secretariat of the Pacific Community: National Development Minimum Indicators - Population and Development, Social Services Provisions. Column (b): SPC estimates and review estimate for Vanuatu.  
 Note: Column (a) data for Kiribati and Tonga appears curious (e.g. they are the same as for Column (b)).

However, it is difficult to interpret these regional differences meaningfully. For example, do Vanuatu's relatively high shares reflect a higher commitment to raising education standards, an inherently higher cost structure as a consequence of geographic or linguistic differences and/or differences between the countries in their expenditure efficiency? Without far more extensive regional analysis, beyond the scope of this review, it is impossible to say.

MoE total expenditure rose by some 45% in real terms between 2002 and 2011, representing average annual real growth of some 4.2%, compared to an increase of some 29% in primary and secondary school enrolments between these years.<sup>19</sup> However, a substantial part of the real increase in expenditure can be attributed to the impact of the GRT's 2006 salary determination. A better appreciation of recent trends in real terms can be gained from Table 11.

	2007	2011	% real change
GDP Implicit Price Deflator	104.7	119.1	
Total GoV-funded budgeted MoE recurrent expenditure (Vatu million):			
• current prices	3,149.6	3,763.6	
• 2006 prices	3,008.2	3,160.0	+ 5.0%
MoE budgeted expenditure on GoV/GA teacher personal emoluments (Vatu million):			
• current prices	2,416.4	2,576.7	
• 2006 prices	2,307.9	2,163.5	- 6.3%
Number of GoV/GA primary and secondary teachers	2,387	2,485	+ 4.1%
Number of enrolees in GoV/GA primary and secondary schools	49,806	57,347	+ 15.1%
Table 11 Sources: GDP Price Deflator from ADB Key Indicators for Asia and the Pacific. MoE total originally budgeted expenditure from MFEM. Budgeted expenditure on teachers' personal emoluments from dissection of 2007, 2011 Budget documents (Volume 2). Teacher numbers and enrolees from VEMIS.			

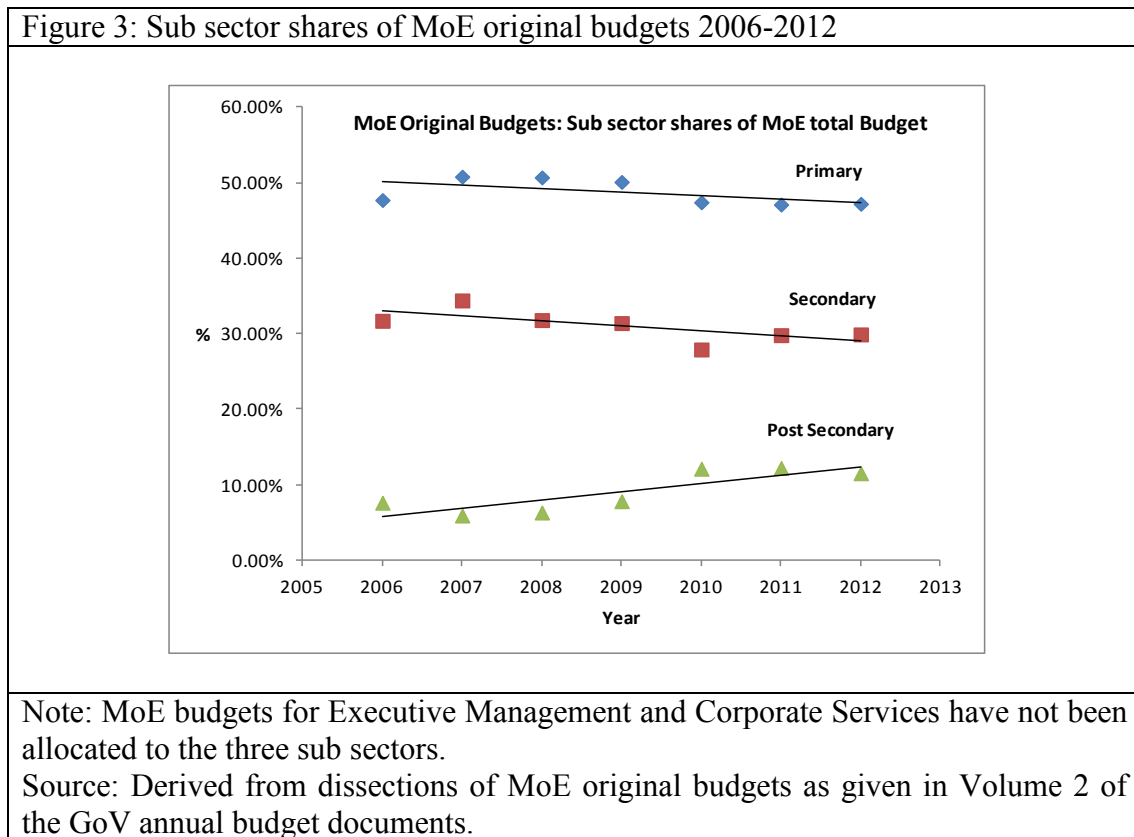
MoE's budgeted expenditure continued to grow in real terms between 2007 and 2011, notwithstanding a real reduction in the budgeted personal emoluments of primary and secondary school teachers. The purposes for which the overall real growth in MoE budgeted expenditure have been used are explored in Section 2.1.3.

<sup>19</sup> Primary and secondary school enrolments being an approximate proxy for the real 'throughput' of the education system funded by MoE. 2002 enrolment data sourced from the World Bank's 2005 Country Case Study.

### 2.1.3 Composition of MoE budgets and expenditure

The greater part of analysis in this Section is based on dissections of MoE's original budgets for each of the years 2006 to 2012 since disaggregated expenditure data for this period are not readily available on a consistent basis. As previously noted, original budgets are nevertheless - in principle - a useful guide to the GoV's expenditure priorities at sub-sector level. Actual expenditure data for the period 2008-2011, also presented below, are broadly consistent with overall trends derived from the original budget data.

Figure 3 charts the declining share of MoE's direct expenditure on primary and secondary schooling and the increasing share of expenditure on post-secondary education within the total.



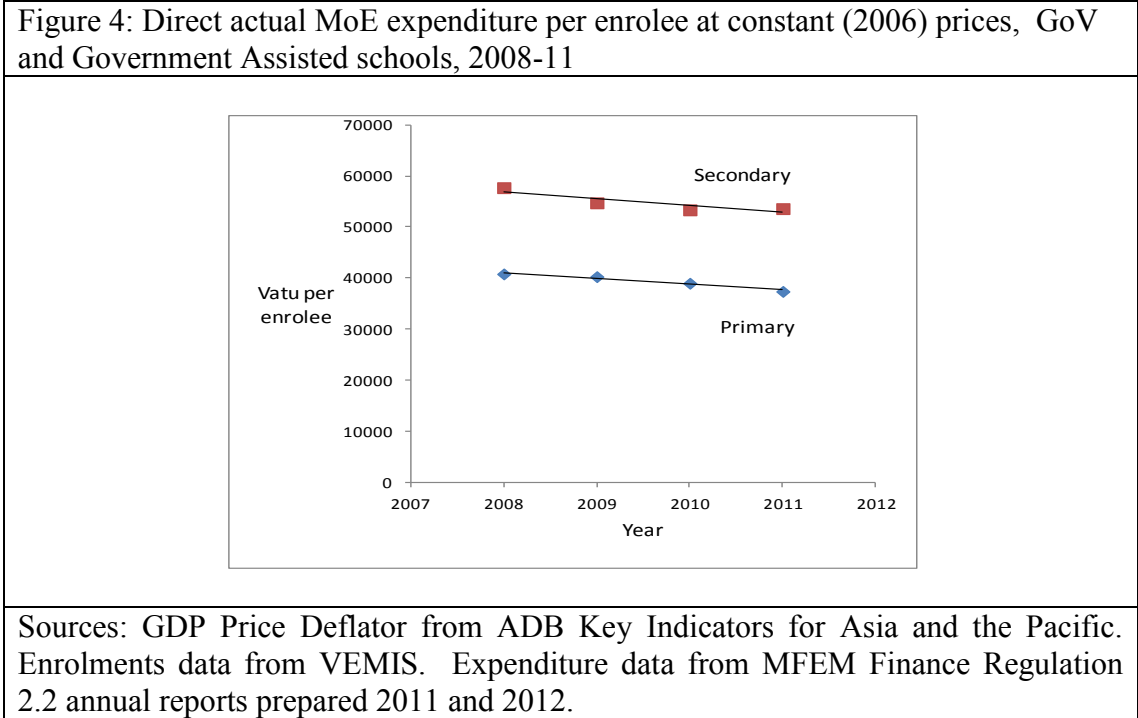
The declining share of the primary and secondary sub-sectors in MoE budgets is consistent with the picture presented by trends in actual expenditure - see Table 12.

	2008 (%)	2009 (%)	2010 (%)	2011 (%)
Primary schools	51.6	50.7	48.0	46.9
Secondary schools	30.8	30.7	27.9	28.4
Post secondary	4.7	5.6	4.7	13.4
Support services	12.9	13.1	19.4	11.3

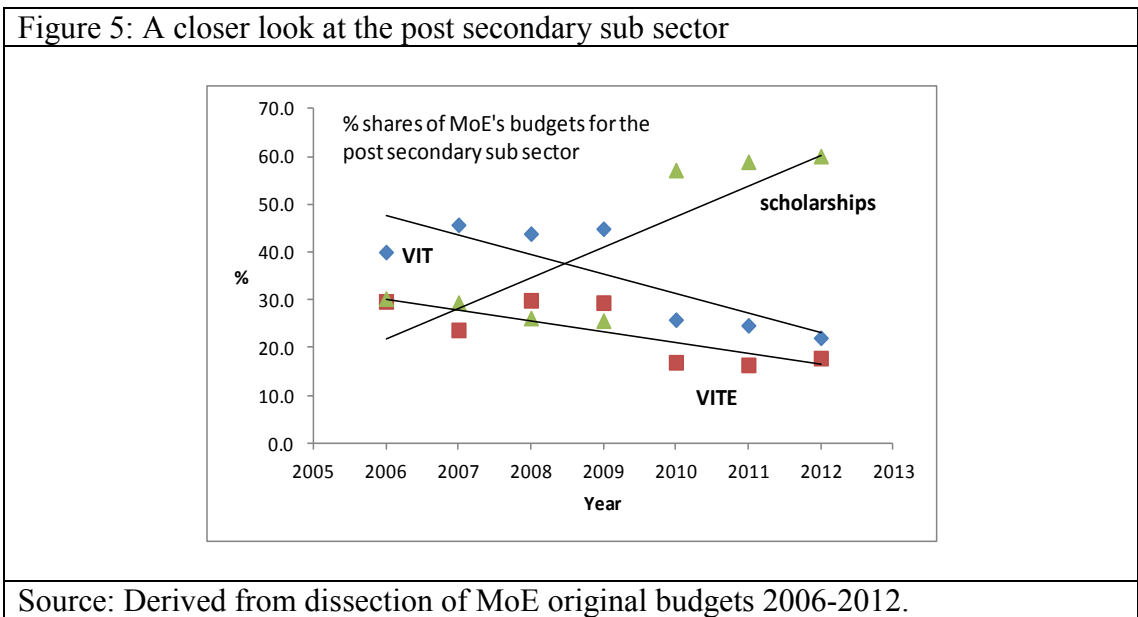
Source: Derived from MFEM Finance Regulation 2.2 annual reports 2011 and 2012.

Over the same period, 2008-2011, actual expenditure per pupil enrollee in the primary and secondary sub-sectors trended downwards in real terms - see Figure 4 (next page).

Given these trends the increasing share of the post secondary sub sector in MoE’s budgets and actual expenditure merits further examination. Under MoE’s program structure the post secondary sub sector comprises three main elements, namely spending on the Vanuatu Institute of Technology, the Vanuatu Institute for Teacher Education, and GoV-funded scholarships (including funding of the Scholarships Unit within MoE).



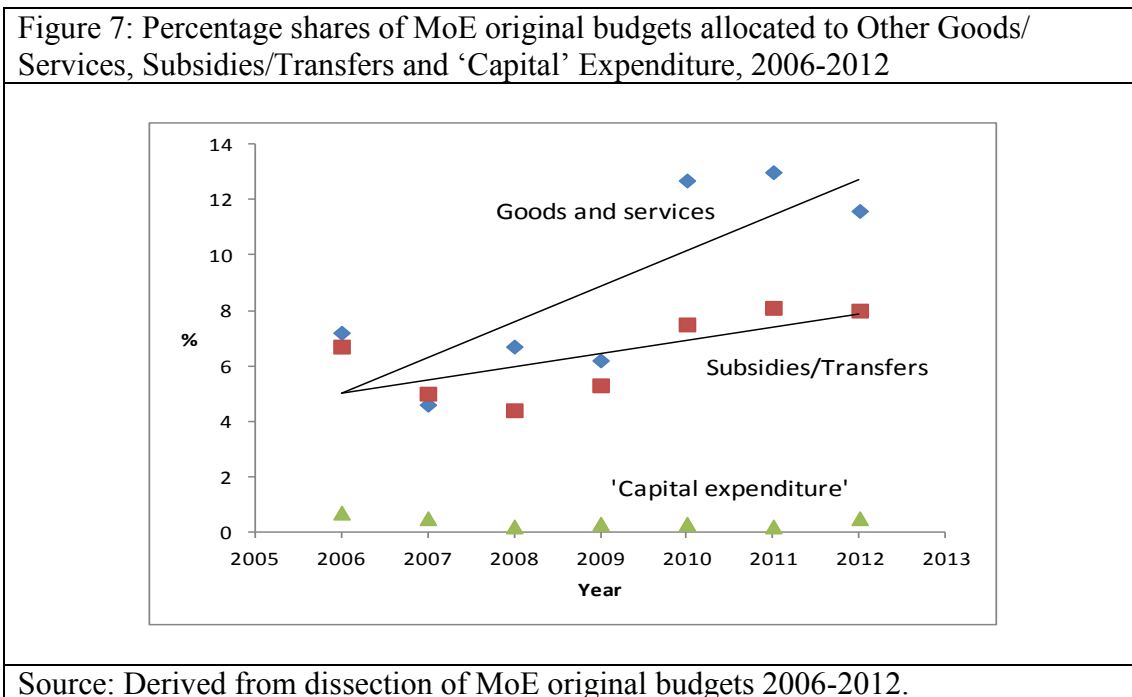
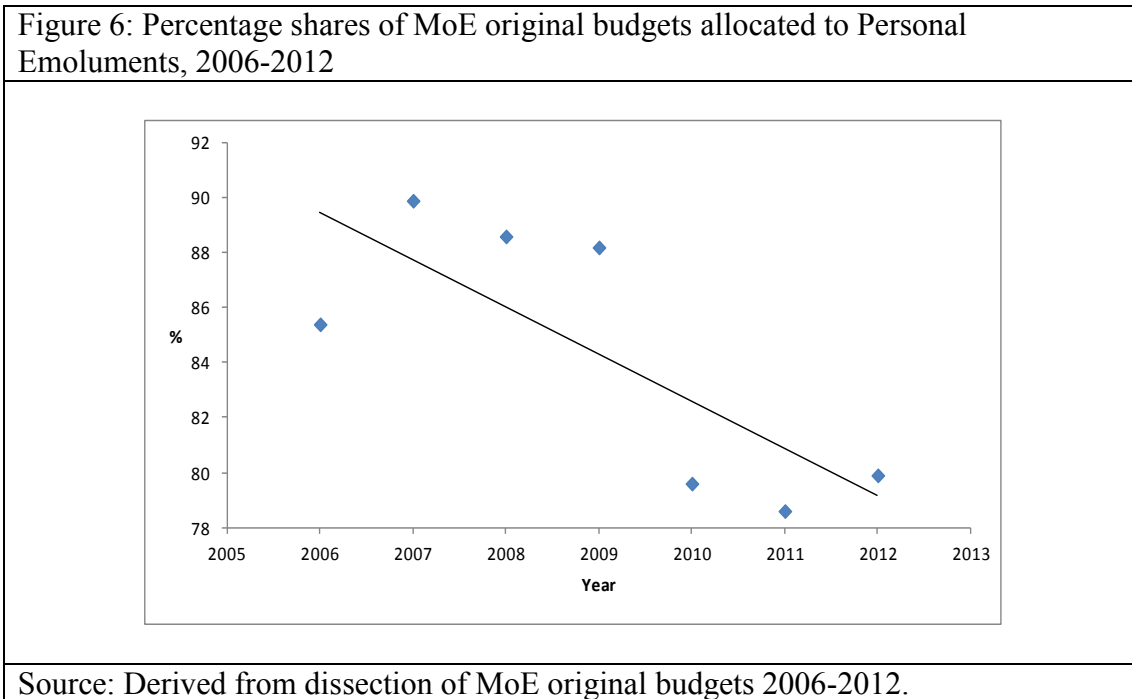
It is apparent that the increasing share of the post secondary sub sector in MoE budgets has been entirely attributable to the growth of spending on GoV-funded scholarships - see Figure 5. Moreover Figure 5 understates the scale of the shift to spending commitments for scholarships. In 2012 some VT270 million was originally appropriated for GoV-funded scholarships. It has since been estimated that a total of some VT520 million is needed to cater for 222 ongoing students (of whom 59 are expected to graduate in 2012) and a new intake of 178 students in 2012 (see also Section 2.2).





It may be speculated that the relative decline in MoE funding of VIT and VITE has been enabled, at least in part, by substantial funding of VITE in particular by the Pool Partners under the VERM - a possible example of the ‘fungibility’ of development partner funding.<sup>20</sup>

Trends in the composition of MoE budgets by economic type indicate a declining share (from 2007) of personal emoluments within total budgets and an increasing share of ‘other goods and services’ and ‘subsidies and transfers’ - see Figures 6 and 7. MoE budgets for ‘capital expenditure’ are insignificant and do not appear to be allocated for capital expenditure purposes.



<sup>20</sup> The 2012 VERM budget included provision for Pool Partner funding of VITE (including the In Service Training Unit) amounting to some VT68 million for recurrent purposes and some VT112 million for capital expenditure. The 2012 GoV budget provision for VITE was VT80 million (all recurrent).

The declining share of personal emoluments within MoE's total budget (since 2007) has been welcomed by some as an indication of intent to channel a higher proportion of available resources towards school supplies and other forms of direct support for schools. It is questionable, however, whether the trend reflects any such deliberate decision. It can also be explained, at least in part, by the fact that since the GRT's salary determination in 2006 teaching salaries have effectively (increments aside) been frozen and have declined in real terms while MoE's total budgets have grown in real terms. A future salary award for teachers could easily reverse the trend.

Major components contributing to the growth of budgets for Other Goods/Services and Subsidies/Transfers are shown in Table 13.

Table 13: Major percentage increases in budgets at current prices for Goods/Services and Subsidies/Transfers between 2007 and 2012 (see Note 1)		
	Share of MoE Total, 2012 (see Note 2)	Percentage increase on 2007
GoV-funded scholarships	35.2%	+ 648%
Teaching Service Commission (Note 3)	13.3%	+ 355%
Provincial Education Offices (Note 4)	2.4%	+ 269%
Primary school grants (Note 5)	21.5%	+ 252%
Secondary school grants	12.1%	+ 36%

Table 13 Notes and Source:  
 (1) The Table is confined to cost centres recording an increase in absolute terms of VT10 million or more between 2007 and 2012 at current prices. 2007 was selected as the base year for this table since the 2006 Budget documents did not identify a specific budget for primary school grants.  
 (2) Share of MoE's total budget in 2012 for spending on other goods/services and subsidies/ transfers.  
 (3) Other goods/services for the TSC principally take the form of severance/termination payments for teachers.  
 (4) The allocation for Provincial Education Offices shows a significant increase, however the increase was barely above VT10 million in absolute terms and is a minor proportion of the MoE total in 2012.  
 (5) The increased allocation for primary school grants reflects the substantial increases in per student grants commencing 2010.  
 Source: Derived from dissection of MoE original budgets 2007-2012.

The increase in GoV-funded scholarships substantially exceeds that for all other increases tabulated.

#### 2.1.4 Do MoE budgets get spent as intended?

At the aggregate level the answer is 'broadly, yes' insofar as MoE's total expenditure outcomes are within reasonable distance of original and/or final budgets for the year. Below the aggregate level there are progressively increasing differences between budgeted and actual expenditures as these are drilled down to the MoE program and cost centre levels.

This Section explores the question at MoE's aggregate and program levels. Divergences below these levels, including those related to actual or potential 'leakage' of expenditure, are reviewed at Section 2.2.3.

Table 14 documents MoE's budgets and actual expenditures for the years 2008-2011 at the aggregate and program levels. MoE's aggregate GoV-funded expenditures over this period were within plus 1.9% at most of its original annual budgets and within minus 0.8% to plus 1.5% of its final budgets. This relatively narrow divergence between aggregate budgets and actual expenditures almost certainly reflects - primarily - tight 'macro' expenditure control by MFEM.

At the program level there are large variations between budgets and actual expenditures (up to around 34% over budget and 25% below budget in some cases), suggesting significant weaknesses in budget planning and/or subsequent expenditure control within MoE.

Table 14: MoE original and final budgets and actual expenditure, 2008 to 2011						
	Original Budget	Supp. Approps.	Final Budget	Actual Expenditure	Actual as a % Original Budget	Actual as a % Final Budget
	Vatu million					
<b>2008</b>						
Cabinet Support	26.8	0	28.3	35.8	+33.6%	+26.5%
Exec Man./Corp Services	259.1	0	245.0	239.0	-7.8%	-2.4%
School Education	2,899.6	0	2,911.8	2,952.1	+1.8%	+1.4%
TSC	-	-	-	-	-	-
MoE Totals	3,185.5	0	3,185.1	3,226.9	+1.3%	+1.3%
<b>2009</b>						
Cabinet Support	32.7	0	32.7	36.7	+12.2%	+12.2%
Exec Man./Corp Services	248.6	0	253.1	242.5	-2.5%	-4.2%
School Education	2,929.1	0	2,924.7	2,979.6	+1.7%	+1.9%
TSC	-	-	-	-	-	-
MoE Totals	3,210.5	0	3,210.5	3,258.7	+1.5%	+1.5%
<b>2010</b>						
Cabinet Support	40.9	0	40.9	41.2	+0.7%	+0.7%
Exec Man./Corp Services	389.8	0	401.7	368.2	-5.5%	-8.3%
School Education	3,034.7	100.0	3,122.8	3,125.2	+3.0%	+0.8%
TSC	158.1	0	158.1	158.1	0	0
MoE Totals	3,623.6	100.0	3,723.6	3,692.7	+1.9%	-0.8%
<b>2011</b>						
Cabinet Support	44.1	0	44.1	44.7	+1.4%	+1.4%
Exec Man./Corp Services	129.7	0	129.7	158.4	+22.1%	+22.1%
School Education	3,478.9	96.8	3,558.0	3,542.8	+1.8%	-0.4%
TSC	110.8	0	97.5	83.0	-25.1%	-14.9%
MoE Totals	3,763.6	96.8	3,860.4	3,828.8	+1.7%	-0.8%

### 2.1.5 GoV budgets for post-secondary TVET

In the absence of consistent time series data for a wider range of post secondary TVET providers funded by the GoV this summary of budgeted funding trends over the period 2006 to 2012 is confined to the following:

- funding of VIT and VITE (within MoE);
- direct funding of TVET functions within MYDT, namely funding of the Office of TVET and the Vanuatu National Training Council<sup>22</sup>; and

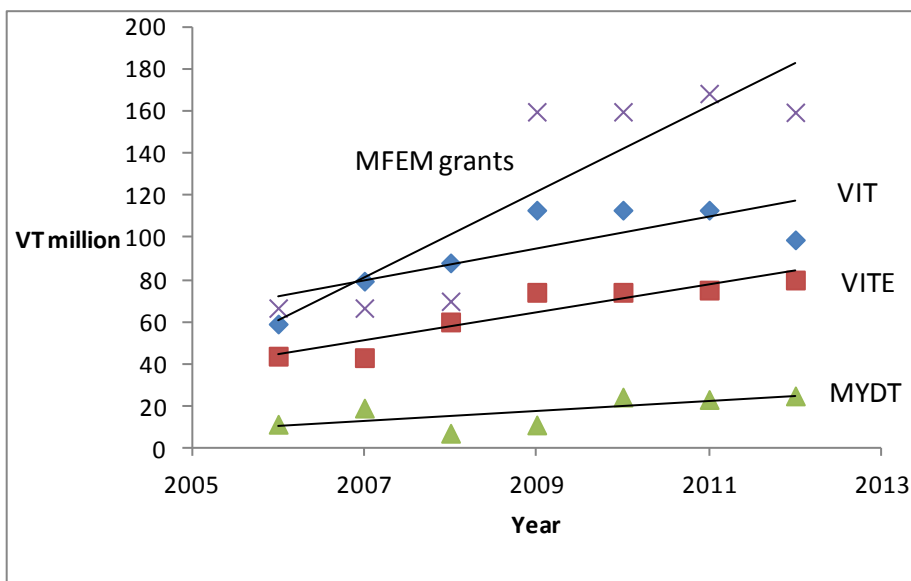
<sup>22</sup> Note that over the period 2008 to 2011 actual TVET-related expenditures by MYDT were consistently close to the original budgets for these years

- funding via grants from MFEM for the following institutions: Vanuatu Rural Training Centres, the Vanuatu Maritime College and (since 2008) the Vanuatu Agricultural College.

The totals for MFEM grant funding exclude annual grants paid to the University of the South Pacific (which have ranged between VT103 million to VT146 million within the period).

As noted (Section 2.1.1) GoV funding of post secondary TVET forms only a small proportion of GoV spending on the education sector as a whole. Nevertheless, budgeted funding via the above providers has been trending upwards in current price terms (see Figure 8) and also in real terms. Albeit from a small base in 2006 for MYDT in particular.

Figure 8: Budgeted expenditure (current prices) on selected post secondary TVET, 2006-2012



Note and Source:

Budgeted expenditure excludes unallocated corporate overheads and (for MYDT) budgets for youth and sports development. Source: Derived from dissection of original budgets 2006-2012.

The trend line in budgeted expenditure for MFEM grants needs to be interpreted with caution, being greatly influenced by the commencement of MFEM grant funding for the Vanuatu Agricultural College in 2009.

Earlier in 2012 AusAID contracted the Australian Council for Educational Research (ACER) to conduct a study of *Research into the Financing of Technical and Vocational Education and Training (TVET) in the Pacific* (including in Vanuatu). The study is to:

- identify the current public and private sources of capital and recurrent funding for TVET and the relevant expenditure from each source;
- identify where expenditure is directed, taking account of the participation of females and males, and through what distribution mechanisms;
- identify the TVET outcomes provided for the funds allocated
- assess the strengths and weaknesses in different contexts of different financing mechanisms being used and options for alternative financing mechanisms.

At the date of this report results for Vanuatu from this study were not available. They will, hopefully, present a fuller picture of the GoV's budgets and expenditures on post-secondary TVET.

### 2.1.6 Has public spending on education reflected strategic priorities?

GoV total budgets and expenditure have reflected a high and (moderately) increasing commitment to funding of Vanuatu's education sector as a whole over the past 6-10 years (see Sections 2.1.2, 2.1.5). The MoE's 'Education for All Analytical Report' (July 2012) stated in its report against 'Quality' that "While the percentage of government budget to education is relatively high, there has been a steady decrease over the past 6 years, suggesting a waning commitment by the government to the Education sector." That statement is inconsistent with the data provided by MFEM and this review's own analysis of budgets and expenditures.

At the sub sector level, Pool Partner funding of priorities identified in the VERM and any GoV funding directly linked to Pool Partner funding has been aligned with the main priorities articulated by the VERM, namely improved access to, quality of and management of the education sector. Beyond this, as noted earlier (Section 1), almost any pattern of, or trends in, GoV-funded public expenditure at the sub sector level could be said to be (or not to be) consistent with one or more of the GoV's stated policy priorities.

However, in addition to its own policy statements the GoV has also subscribed to international goals for the education sector, notably the goals contained within the Millennium Development Goals and Education For All initiative, notably (for both) the goal that, by 2015, children everywhere will be able to complete a full course of primary schooling. Set against this emphasis on access to a quality primary school education GoV budget trends have headed in the opposite direction - see Table 15.

Table 15: Percentage changes in sub sector budgeted expenditures, 2011 on 2007, in real terms (2006 prices)	
	Real change
Primary schools	- 0.6%
Secondary Schools	- 7.3%
VIT, VITE, MYDT and MFEM post secondary budgets	+ 90.9%
Scholarships	+ 464.1%
Source: Derived from dissection of original budgets 2007-2011, converted to 2006 prices by the GDP Price Deflator from ADB Key Indicators for Asia and the Pacific.	

Given growth of the population of school age and the majority share of education budgets absorbed by teacher salaries the GoV has very limited room for manoeuvre to re-order sub sector expenditure priorities in the short- or even medium term (see also Section 2.5). In its country case study of 2005 the World Bank concluded, inter alia, "it is difficult to avoid the conclusion that increasing amounts of public money have been spent just "holding the line" on educational provision, with very little left over to finance increases in the proportion of the school age groups attending school." Based on subsequent trends in GoV budgets and expenditures for the primary and secondary sub sectors this would appear to largely remain the case. Insofar as the GoV has reoriented GoV-funded budgets and expenditures at all since 2005 they have been reoriented away from the primary and secondary sectors towards post secondary TVET and (especially) scholarships.

## 2.2 Efficiency of public expenditure on education

Four key measures of the efficiency of public expenditure on education have been suggested<sup>23</sup>:

- a) Internal efficiency of the education system: “the rate at which a system enrolls and has its student body complete each level of schooling.”
- b) Administrative burden of education system management: “the proportion of budget allocated for system management.”
- c) Resource prioritisation for education sub-sectors: how the funding pie is divided between different levels of education.”
- d) Salary and non-salary shares of expenditure: “the amount of funds available to a system to spend on equipment, materials and facilities that are important to education quality.”

Item (a) is addressed in Section 2.2.1. Items (b) and (d) are addressed in reviewing Vanuatu’s education system management (Section 2.2.2). Item (c) has been addressed in Section 2.1 and is not examined further in this Section. An additional issue, whether budgeted expenditure on education reaches its intended beneficiaries, is explored in Section 2.2.3.

### 2.2.1 Internal efficiency of the education system

From a long-term perspective, in terms of the proportion of school-aged children attending school - Vanuatu has made significant progress over the past forty years (see Table 16).

Year	1967	2003	2009
	58%	63%	72%

Sources: Percentages for 1967 and 2003 taken from ‘Republic of Vanuatu: Country Case Study’, World Bank, (2005), page 33. The percentage for 2009 derived from National Population and Housing Census 2009, Basic Tables Report, Table 6.2.

Reliable time series data for a wider range of indicators are not available for this extended period. However, the (draft) Design for the forthcoming Vanuatu Education Sector Program contains a succinct summary of more recent trends for key sub sector indicators. This, together with the Design Team’s commentary, is reproduced verbatim below.

<sup>23</sup> ‘Public Expenditure and Cost Analysis for Education’, Education Resource Facility, AusAID (September 2010).

Table 17: Statistics on access and quality

### Statistics on Access, Equity and Quality of Primary Education

**Net enrolment rates are low and static.** As shown in Table 1, the Net Enrolment Rate (NER) for primary education – the proportion of school age children enrolled – actually fell from 88.1% in 2010 to 87.9% in 2011, making the achievement of the education MDG unlikely. The high gross enrolment rates (over 100%) reflect a high proportion of over-age children. The 7% increase in 2010 corresponded to the first year of the school grants scheme, but the increase was only 1.2% in the second year of the scheme. Net enrolment rates are also low and static for ECCE and secondary education.

**Intake rates are also low and declining.** The first rows of Table 1 below show the proportion of six year old children (the official starting age for primary school) entering school. This Net Intake Rate (NIR) is one of the lowest in the Pacific region and lower than many sub-Saharan African countries. It has not increased over the 4 years, and decreased between 2010 and 2011. NIR is slightly higher for girls than boys. The total Gross Intake Rate was 114% in 2011, showing that a significant number of children enrolling are not of the official starting age.

**Table 1: General Education Indicators, 2007-2011**

Indicator	2007	2008	2009	2010	2011
<b>NIR Primary Year 1</b>					
Girls		43%	37%	42%	38%
Boys		38%	34%	38%	36%
Total		40%	36%	40%	37%
<b>NER</b>					
ECCE	33.3%	37.9%	38.4%	40.5%	40.5%
Primary (Year 1 – 6)	86.7%	87.1%	85.5%	88.1%	87.9%
Secondary (Year 7+)	25.9%	29.2%	32.4%	31.8%	30.0%
<b>GER</b>					
ECCE	55.7%	61.4%	57.6%	58.2%	58.3%
Primary (Year 1 – 6)	109.9%	111.6%	110.8%	117.4%	118.6%
Secondary (Year 7+)	39.6%	42.5%	44.4%	42.1%	40.9%
<b>Dropout rate</b>					
Primary (Year 1 – 6)	4.6%	6.8%	2.1%	6.0%	8.0%
Secondary (Year 7+)	27.8%	27.0%	37.9%	39.9%	44.2%
<b>Repeater rate</b>					
Primary (Year 1 – 6)	12.6%	13.5%	14.4%	15.1%	12.1%
Secondary (Year 7+)	2.0%	1.8%	1.9%	2.8%	3.0%
<b>Promotion rate</b>					
Primary (Year 1 – 6)	82.8%	82.8%	80.5%	78.2%	75.6%
Secondary (Year 7+)	71.1%	79.7%	76.8%	73.3%	69.3%
<b>Survival rate to Year 6*</b>	78.7%	71.2%	96.0%	75.3%	82.5%
<b>Transition rate from Year 6 – 7</b>	90.9%	94.8%	89.8%	87.4%	84%

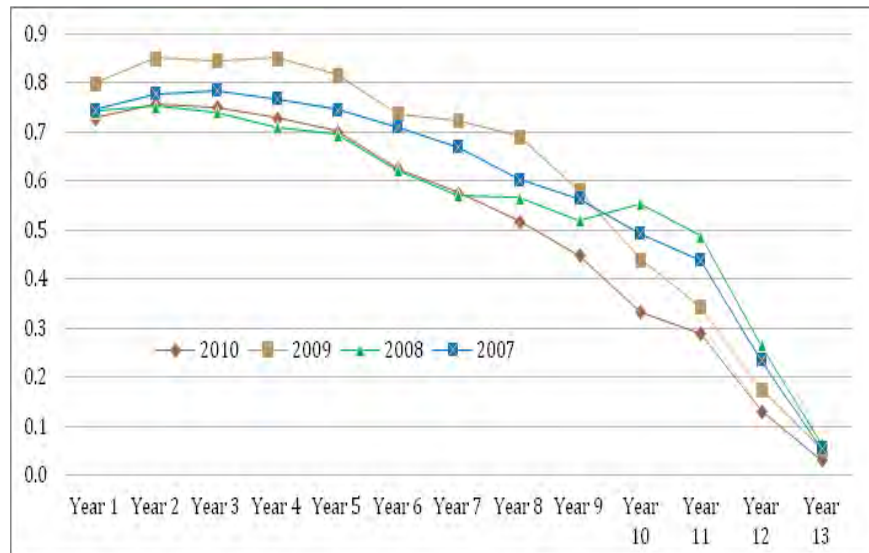
Source: VEMIS 2012

**There are high repetition and dropout rates.** One in five children in primary school are repeating their year because they failed to reach the intended standard. This is an inefficient practice as they typically gain very little from this repetition. Factors leading to drop-out are often inter-related, and include poor health and nutrition, school location and teacher absenteeism. The high number of dropouts in the early years of primary might be also symptomatic of the fact that children are not learning.

Source: Draft VESP Design (3 September 2011), page 11.

A further (related) indicator of internal efficiency is the ‘Coefficient of Efficiency’, defined by VEMIS as “The ideal (optimal) number of pupil years required (i.e. without repetition and dropout) to produce a number of graduates from a given school cohort for a cycle or level of education as a percentage of the actual number of pupil years spent to produce the same number of graduates.” Figure 9 reproduces the Coefficient of Efficiency for the years 2007-2010. It shows no obvious improving trend over this period (e.g. the coefficients of efficiency were lower in 2010 than in 2007 for every school cohort between Years 1 and 13).

Figure 9: Coefficient of Efficiency 2007-2010



Source: Reproduced from ‘Annual Statistical Report 2010-2011’, Ministry of Education (June 2012), page 41.

Pacific region data for internal efficiency indicators is limited, of variable quality and should be interpreted with considerable caution. With these qualifications Table 18 presents data compiled by the Secretariat of the Pacific Community.

	<b>Gross Enrolment Rate - Primary</b>	<b>Gross Enrolment Rate - Secondary</b>	<b>Net Enrolment Rate - Primary</b>	<b>Survival Rate to Grade 1 to Grade 6</b>	<b>Source</b> (Year of data in brackets)
	(%)	(%)	(%)	(%)	
Cook Islands	108 (2012)	84 (2012)	98 (2011)	75 (2010)	Secretariat of the Pacific Community: National Development Minimum Indicators - Population and Development, Education
Fiji	108 (2011)	96 (2011)	97 (2011)	98 (2011)	
Kiribati	90 (2011)	86 (2011)	82 (2011)	90 (2009)	
Samoa	103 (2012)	75 (2012)	94 (2011)	84 (2012)	
Solomon Islands	126 (2010)	74 (2010)	90 (2011)	92 (2009)	
Tonga	110 (2007)	88 (2007)	93 (2008)	90 (2007)	
Vanuatu	119 (2011)	41 (2011)	88 (2011)	77 (2010)	



Notwithstanding the limitations of the data in Table 18 Vanuatu's relatively poor showing in terms of the survival rate to Year 6 in particular is consistent with the findings of other studies over time.

The cost to the GoV of repetitions and drop-outs amongst primary school students is considerable. Based on data for repetitions in 2009 their cost has previously been estimated at some VT170 million for that year.<sup>24</sup> Derived from the more recent study of teacher supply and demand to 2022 the present review estimates the cost of repetitions and drop-outs at the lower but still considerable figure of VT96 million a year.<sup>25</sup>

## 2.2.2 Education system management

This Section reviews efficiency issues associated with the main inputs to the education system. Section 3.1 addresses at a broader level the extent to which weaknesses in public financial management undermine the efficiency of education system management.

### Teachers

The Thornton Study closely reviewed issues surrounding teacher numbers, salaries and efficiency. The Bennell Study reviewed teacher supply and demand in greater detail. Key teacher management issues are highlighted by the following conclusions of the Thornton Study.<sup>26</sup>

- Poor system efficiency represents a considerable cost to the MoE.
- There is no need for further employment of teachers at either primary or secondary level.<sup>27</sup>
- The system of transferring teachers at frequent intervals is financially costly and pedagogically unsound.
- The Teaching Service Commission should be given the financial and human resources needed to carry out its tasks.
- Minimum teaching requirements required by law should be enforced, offering upgrading opportunities to teachers who are trainable and reassignment of others as teaching aides.
- The teacher salary structure should be reformed to provide effective incentives that will attract, retain and motivate highly qualified teachers.
- The current system of teacher allowances is generous, favouring those with large families rather than those who are good teachers.<sup>28</sup>

<sup>24</sup> 'Study into Teacher Costs, Distribution and Effectiveness: Final Report', Barbara Thornton (January 2011), page 9. Henceforth cited as the 'Thornton Study'.

<sup>25</sup> 'Teacher Demand and Supply for Primary and Secondary School in Vanuatu 2012-2022', Paul Bennell (March 2012). Henceforth cited as the 'Bennell Study'. The Study estimated that if repetition and drop-out rates were reduced to zero by 2015 then an annual average of some 90 fewer primary teachers would be need over the period 2012-2015 compared to the status quo. At an average annual salary per primary teacher of VT1,066,386 (derived from line-by-line dissection of budgeted salaries for 2012) this represents an annual cost of VT96 million.

<sup>26</sup> Extracted from the Thornton Study conclusions (pages 33-37).

<sup>27</sup> This stands in contrast to the Bennell Study's finding that, under the status quo scenario, an annual average of some 29 additional primary school teachers would need to be recruited in the period 2012-2015. The difference can be explained readily enough: the Thornton Study was assessing the situation applicable in 2009-2010 whereas the Bennell Study was making projections for 2012 and beyond, and; in any event, the Bennell Study's projections for additional primary and secondary teacher requirements in the period to 2015 represent at most (depending on the scenario) some 10% of current GoV-funded teacher numbers.

<sup>28</sup> The present review notes that budgeted allowances for primary and secondary teachers have risen from some 6% of teachers' total emoluments in 2008 to over 10% in 2012.

- The current situation in which the GoV is paying for 20% of teachers who are not qualified and over 20% of teachers who are not certified should be stopped, these teachers to be temporarily reassigned and paid as untrained teachers if possible.
- “Considerable” savings could be made if teachers taught the required 20 hours per week at secondary level.

The present review adds three further findings of significance from a public expenditure perspective.

- *The GoV has under-provided for teacher salaries and allowances in its original annual budgets since 2009 at least.*

2010		2011		2012	
O Budget	Expenditure	O Budget	Expenditure	O Budget	Expenditure
2,452.5	2,609.9	2,576.7	2,599.2	2,562.9	See Note

Note: 2012 final expenditure yet to be recorded. However, the Vanuatu Daily Post reported (15 September 2012) that the MoE was seeking an additional VT82 million to fund outstanding teacher salaries and a further VT47 million in 2012 to fund outstanding transfer allowances for teachers. Source: MFEM reports.

This reflects in large part non-budgeted recruitment of additional teachers at the direction of Ministers for Education.

- *GoV-funded primary teacher salaries are somewhat higher than developing country norms established for the costing of the Education MDG/EFA goals.* Costing models for achievement of Universal Primary Education in developing countries have typically adopted the benchmark of primary school teacher salaries set at 3.5 times GDP per capita.<sup>29</sup> Based on Vanuatu’s 2012 budget estimates for GoV-funded teacher salaries and allowances and ADB estimates of Vanuatu’s GDP in 2011 Vanuatu’s ratio stands at some 3.74 times GDP per capita (the ratio for secondary teacher salaries is 39% higher). While apparently small, this differential is equivalent to some VT101 million of 2012 budgeted expenditure on GoV-funded primary teachers.
- *Since 2007, following the GRT salary determination of 2006, MoE spending on teachers’ emoluments declined by some 6.3% in real terms as at 2011 as measured by the GDP Price Deflator.* Since this trend is unlikely to continue indefinitely the possibility of a future upward adjustment in teacher salaries has major implications for future GoV funding requirements. For example, had the 2011 budget for primary and secondary teacher emoluments been set at the same level in real terms as in 2007 this would have entailed an additional funding requirement in 2011 of some VT354 million.

### Teacher training

GoV funding of the VITE was budgeted at some VT80 million for 2012 of which approximately 75% was budgeted for payment of VITE staff emoluments. Teacher trainees pay significant fees

<sup>29</sup> See ‘Costing the Education MDGs: A Review of the Leading Methodologies’, Martin Gurria and Alec Ian Greashberg for the World Bank (undated but post-2004); ‘Achieving Universal Primary Education by 2015: A Chance for Every Child’, Barbara Bruns, Alain Mingat and Ramahatra Rakoomalala for the World Bank (2003).

and VITE and/or its students have also received substantial funding from development partners (notably Australia). VITE's total income and expenditure for 2011 were budgeted at VT164 million.

Issues associated with the pre-service and in-service teacher training delivered through the VITE have been reviewed by the Thornton and Bennell studies in particular. Those identified of most direct relevance to the efficiency of public spending were:

- Low teaching loads for VITE staff.<sup>30</sup>
- High drop-out rates amongst the initial intakes for the new 3-year training courses introduced in 2010.
- Consequently, high unit costs of pre-service teacher training.<sup>31</sup>

Further issues were highlighted by a 2011 MoE internal audit of VITE including numerous instances of break-downs in financial management controls. The internal audit identified three issues of overriding concern:

- Due to control weaknesses and poor practices VITE is unable to produce accounting reports which management, the VITE Council and internal audit could rely upon.
- Due to poor procedures in purchases and income an amount of some VT6.4 million could not be verified.<sup>32</sup>
- “Even once all three years of students are operating it is apparent that VITE has far too many full time teachers. This needs to be remedied immediately to free up resources for other priority education initiatives.”

While not a formal recommendation of the present review, consideration might usefully be given to the option of outsourcing VITE's financial accounting and reporting requirements to a competent private sector agency.

### School grants

Administration of school grants payable to GoV/GA primary and secondary schools has been significantly improved since 2009 following the rationalisation of school bank accounts and the direct payment of school grants to the rationalised accounts commencing 2010. Some problems remain, however the joint MoE-MFEM survey on use of the primary school grants in 2010 reported that:

“100% of schools reported that they had received their grant in 2010. Almost all of the schools, 92%, said they understood the basis on which the amount of the grant was calculated and almost the same number, 89%, were satisfied with the amount although the question does not make it clear whether the satisfaction is that the amount was

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<sup>30</sup> The Bennell Study found (page 35) that “Even with a full complement of students ... the overall student-lecturer ratio will be barely only 12:1 in 2012. It is recommended that the teaching load norm at VITE should be increased to at least 15 [hours] a week and that courses and teaching staff are rationalised in order to ensure a student-lecturer ratio of at least 20:1.”

<sup>31</sup> The Bennell Study found (pages 35-36) that “With an expected student enrolment of 323 in 2012, government unit costs per student will be VT247,680 per annum. Assuming at least 25% non-completion, the expected unit cost per graduate will be almost one million vatu.” That is, unit costs for pre-service teacher training approach those for GoV-funded overseas scholarships.

<sup>32</sup> “VITE is unable to locate the Cash Book for the years 2009-2010, presumably stored on a flash drive that went missing or was misplaced by the [VITE] Bursar.” VITE Final Audit Report Management Letter, MoE (15 February 2011), page 3.

correctly calculated or that the amount was adequate. In fact, in Section 8, most schools seemed happy with the [School Grant Program] and only a small number complained that the grant was too small.”<sup>33</sup>

From a broader public expenditure perspective the more important question is whether the school grants in their current forms are an efficient means of achieving their objectives. This question and related grants issues have been explored in some depth in previous papers prepared by the review Team Leader.<sup>34</sup> Key points are:

- The fee relief for parents provided by the increase in primary school grants since 2009 has been an expensive means of increasing gross enrolments in GoV/GA schools. Gross enrolments increased from 36,852 in 2009 to 40,288 in 2011. Average GoV and Pool Partner funding of the primary grants in 2010 and 2011 was some VT309 million a year over the two years. Even if the entire increase in enrolments were attributable to the increased grants (unlikely), this represented a cost to the GoV, Australia and New Zealand of some VT90,000 per additional enrolled student. This is in addition to the costs of teaching the additional enrollees, estimated by MoE to be some VT50,700 per primary student in 2011. The impact of the increased grants on *net* enrolment rates and net intake rates appears to have been minimal to date (see Section 2.2.1).
- Insofar as the increased primary school grants have simply displaced (on a non means-tested basis) more than VT300 million of primary school funding previously contributed by parents they have not increased the total funding available to individual schools, merely redistributed the source of that funding, hence have - for these schools - done nothing to resource improvements in the quality of education. Primary schools that were previously levying fees and other parental contributions of less than VT8,900 per student, particularly those in rural areas, have experienced a net addition to their financial resources. However, the analysis of Section 2.1.1 suggests that, on average, primary schools in both urban and rural areas are continuing to charge fees and/or levy other forms of parental contribution.
- Given the GoV commitment to increase its funding of the primary school grants by 25% each year the total cost to the GoV will, under plausible assumptions, at least double the share of these grants in MoE’s non-salary operating budget by 2017. How this is to be funded without detriment to other components of MoE’s non-salary operating budget does not appear to have been addressed (see also Section 2.5).

The review’s suggestions for targeting school grants more effectively are contained in Section 3 (Findings and Recommendations).

#### Procurement and distribution of school supplies

School stationary and textbooks are funded from a variety of sources, notably the GoV via MoE, development partners and individual schools from their school grants.

With technical assistance the MoE has been moving towards a demand-driven model for the purchase and distribution of stationary supplies based on order forms completed by individual

<sup>33</sup> ‘Primary School Survey: Use of Grants Under the UPE Policy in 2010’, MoE/MFEM, (August 2011), page 10. Remaining administrative issues include that payments rely heavily on completion by schools of a VEMIS return and that the rates set for secondary grants (Years 7-8, 9-14) are essentially determined in practice by the global budget available.

<sup>34</sup> See ‘Costing the Minimum Quality Standards for Primary Schools and Related Issues’, John Mellors, (November 2011) ‘Vanuatu School Grants Program: Current Issues and Proposals’, John Mellors, (March 2012).

schools, followed by public tendering of supplies ordered to procure and distribute them. Schools retain the option of purchasing these supplies locally if they deem this more cost effective.

This approach is a significant improvement on earlier central purchasing and distribution unrelated to needs as perceived by individual schools. Moreover the application of public tendering procedures has considerable potential to provide better value for money. However, the approach experienced a significant set-back in 2012 when the Minister for Education declined (for whatever reason) to sign a contract authorised by the Contracts and Tenders Board following a competitive tender process. This has undermined the credibility of MoE efforts to introduce a demand-driven approach to meeting the needs of schools cost effectively.

As regards the supply of school text books it is understood that when the new curriculum for Years 1-3 is finalised MoE will undertake responsibility for tendering the printing and distribution to all schools of texts associated with the new curriculum, and that provision for this has been or will be made within development partner funding. Tendering for supply of the new texts is expected to encompass both production and distribution. There is no proposal at present that schools be required to pay for these new texts from their school grants on the basis that all schools need to be supplied a full set of texts for the new curriculum. The most significant expenditure issue associated with the supply of textbooks to support the new curriculum is the current absence of reliable estimates of the scope and quantity of text books and related teaching aids required.

#### School construction and maintenance

The (draft) VESP Design summarised issues associated with school construction and maintenance in the following terms:

“Poor infrastructure is also deterring enrolment and lowering student achievement. Investment in new infrastructure has failed to keep up with demand and has led to overcrowding in classrooms, especially in urban areas. Preliminary estimates by the Ministry of Education in March 2102 indicated an immediate need for an additional 158 new classrooms and the refurbishment of a further 72 existing classrooms, whilst the growing student population will require an estimated additional 37 standard classrooms per annum.

Lack of maintenance has increased the need for refurbishment and rebuilding. Only 44% of classrooms are rated in ‘good’ condition and more than 12% are temporary structures constructed entirely from temporary materials. Few schools have adequate water and sanitation facilities; few provide access for physically disabled children.

None of the MoE budget is allocated to school construction or specifically for maintenance, though more recently schools are allowed to use part of the school grants for maintenance. All new school infrastructure is funded by donors or the school communities through fundraising.”<sup>35</sup>

From a public expenditure perspective there are three key forms of inefficiency/potential waste:

- Despite development partner technical assistance over several years the GoV has yet to finalise and endorse an asset management plan for GoV-funded schools.

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<sup>35</sup> Draft VESP Design, (September 2012), page 13. The Draft Design also noted that an audit of expenditure of Pool Partner funding in 2010 found poor internal controls, weak compliances and several instances of fraud in relation to procurement (including, the review understands, procurement of services for school infrastructure upgrading).

- Related to this, no systematic consideration appears to have been given by either the GoV or development partners to the ongoing recurrent maintenance expenditure implications of either past or proposed future investment in new classroom construction funded by development partners (see also Section 2.5).
- Land leases currently used to secure land tenure for GoV-funded schools are too financially onerous for the GoV to provide a financially sustainable long-term solution.<sup>36</sup>

### Planning, budgeting, financial management and internal audit

The review's Team Leader has assessed MoE's budgeting and financial management capacities on prior occasions.<sup>37</sup> Key points, reiterated by the present review, are summarised in Table 20.

Planning	<ul style="list-style-type: none"> <li>• No MoE Corporate Plan as such has been updated in recent years. The highly-detailed draft Annual Work Plans would benefit from a clearer distinction between inputs and outputs, stronger prioritisation of activities and consolidation of associated funding estimates.</li> <li>• The MoE Policy and Planning Unit's routine activities focus primarily on the preparation of plans and progress reports to meet the needs of Development Partners.</li> </ul>
Budgeting	<ul style="list-style-type: none"> <li>• The medium-term expenditure implications of the VERM do not appear to have been assessed in any systematic or ongoing manner.</li> <li>• Annual budgeting effort has been largely directed at negotiating and costing activities to be funded by Development Partners. The annual recurrent MoE budgets funded by the GoV have continued to be determined by reference to last year's expenditure plus or minus minor variations with no obvious linkage to the expenditure priorities implicit in the VERM.</li> <li>• MFEM reports that "Over the past three years the MoE budget submissions have been only basically or half-completed" by the submission deadlines. However, it also reports that inputs by senior MoE staff to the deliberations of the Ministerial Budget Committee have been good.</li> </ul>
Financial management & reporting	<ul style="list-style-type: none"> <li>• Recurrent budget provisions are frequently vired within MoE from one account code to another, with or without the knowledge of the relevant MoE manager. This suggests continuing weaknesses in the realism of MoE budget estimates at the program and activity levels and/or their subsequent management (see also Section 2.2.3).</li> <li>• MoE Directors are in principle required to prepare detailed (perhaps excessively detailed) monthly progress and financial reports. However, compliance with this requirement appears patchy.</li> <li>• MFEM reports that MoE did not submit annual financial statements for either 2009 or 2010.</li> <li>• Internal audits of individual schools typically identify numerous weaknesses against financial planning and management control indicators.</li> </ul>

<sup>36</sup> Source: briefing note on funding capital works by development partners for the education sector in Vanuatu (2012).

<sup>37</sup> See 'Financial management Assessment for Implementation of the Vanuatu Education Sector Strategy', John Mellors, (August 2007), and 'Vanuatu Education Sector: Current Planning and Financial Management Capacity Constraints and Potential Strengthening Needs', John Mellors, (November 2011).

Table 20 (continued): Key features of MoE planning, budgeting, financial management and internal audit

Internal Audit	<ul style="list-style-type: none"> <li>• The capacity of MoE’s Internal Audit Unit has undoubtedly been strengthened since 2007. Based on a limited sample the Unit’s audits of individual schools (around 100 anticipated for 2011 as a whole) are of a good standard as are other ‘one-off’ internal audits.</li> <li>• The extent to which internal audit findings and recommendations are subsequently addressed at either school or MoE levels is doubtful - there are indications that findings adverse to individual officers are not pursued by MoE with any vigour.</li> </ul>
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A recent assessment of Vanuatu’s PFM systems included an informal (and, as acknowledged, subjective) assessment by MFEM analysts of sector performance against the 2009 PEFA ratings for Vanuatu generally.<sup>38</sup> The resulting assessments for MoE were as follows insofar as they were applicable to and better or worse than the 2009 ratings for Vanuatu as a whole.

Table 21: Informal MFEM assessments of MoE performance against the 2009 PEFA ratings

Performance Indicator		Vanuatu	Education
4.	Stock and monitoring of expenditure payment arrears	A	Worse
6.	Comprehensiveness of information included in budget documentation	B	Worse
7.	Extent of unreported government operations	C+	Better
16.	Predictability in the availability of funds for commitment of expenditures	A	Worse
18.	Effectiveness of payroll controls	C+	Worse
19.	Competition, value for money and controls in procurement	D+	Better
20.	Effectiveness of internal controls for non-salary expenditure	C+	Better
21.	Effectiveness of internal audit	C	Better
25.	Quality and timeliness of annual financial statements	A	Worse

Note: PEFA ratings are on a scale from A (good) to D (poor).

A further point is noted in relation to financial reporting. The VIT and VITE Acts (both of 2001) contain identical provisions at their Section 27 in relation to financial reporting and auditing, namely that each institution must:

- prepare an annual statement of accounts for each year;
- to be audited by the Auditor General (or persons nominated by the AG) within three months of the end of that financial year.

It appears that both institutions (alongside probably many others) have been consistently in breach of these legislated requirements.

### Summary

The World Bank’s Comparative Study of 2005 suggested that:

<sup>38</sup> PEFA = Public Expenditure and Financial Accountability. A methodology developed to assess on a rigorous and consistent basis over time the quality of a country’s public financial management systems and practices.

“With its lack of a clear, prioritized strategy, limited resources and scarce implementation capacity, Vanuatu is trying to do too much ... productivity in education is essentially stagnant ... Even when allowance is made for success in enrolling the larger numbers of students because of population growth, it is difficult to avoid the conclusion that more effective management of resources and inputs could raise productivity.”<sup>39</sup>

The present review concludes that this remains the case today.

### **2.2.3 Does budgeted expenditure reach the intended beneficiaries?**

Some 80% of MoE’s budgeted expenditure in 2012 was for personal emoluments while 82% of that 80% was for primary and secondary teacher emoluments. Following a major ‘cleansing’ of the teacher payroll in 2009 it appears that the great majority, if not all, teachers and other MoE employees being paid are entitled to be paid.<sup>40</sup>

Payment of school grants amounted to approximately 27% of MoE’s non-salary recurrent expenditure in 2011. The rationalisation of school bank accounts and accompanying revised arrangements in 2010 for payment of school grants direct to schools have markedly strengthened the likelihood that this component of MoE’s non-salary recurrent spending reaches its intended beneficiaries (i.e. schools).

Thus it can be said that the greater part of MoE’s budgeted expenditure reaches its intended beneficiaries, at least down to the school level.

For the remainder of MoE expenditure this is far more problematic. First, data on original budgets and actual expenditures at MoE cost centre level indicate that in 2011 some one-third of MoE’s 58 cost centres in that year recorded divergences of 10% or more between their original budgets and actual expenditures. By definition, to the extent that budgeted expenditure is not spent by the cost centres concerned it does not reach its intended beneficiaries.

Second, several instances have come to light of unbudgeted expenditure. These include (in 2012):

- Post-Budget recruitment of additional teachers.
- Post-Budget awards of additional scholarships.
- Payment of VT10 million to custom owners of the land occupied by Matevulu College following their threat to close-down the College.
- Payment of VT17 million to settle a claim by the (defunct since 2005) supplier Snoopy’s Stationary, despite Supreme Court rulings in 2009 striking out the claim.
- VT4 million to host the 2012 Education Ministers meeting in Vanuatu.

MFEM analysis of MoE expenditure also records substantial virements and transfers between MoE accounts, noting that “Virements and Transfers over the first 5 months of this year [2012] already totalled up to VT227 million. Much of these virements are to make available funds for the shortfall in the Scholarship budget for 2012.”<sup>41</sup>

<sup>39</sup> ‘Republic of Vanuatu: Country Case Study’, World Bank, (2005), page 40.

<sup>40</sup> The Thornton Study (page 5) reported “healthy correlations between VEMIS and teacher salary allocations”. Whether individual teachers are being paid their correct salary and allowances entitlements is a separate issue.

<sup>41</sup> ‘Ministerial Budget Committee 2012 Budget Analysis: Ministry of Education’, MFEM, page 4.



Assessment of the extent to which this is occurring is complicated by a disturbing feature of MoE's internal financial management practices, namely that formal virements between accounts are not necessarily undertaken.

The most recent major example of this has been, in 2012, the charging to MoE's account for primary school grants of unbudgeted expenditures unrelated to school grants (including the unbudgeted VT10 million payment to custom owners of the Matevulu College land noted above). As a result, MFEM data on GoV-funded expenditure on primary school grants derived from Smartsteam recorded (Account Code 54EN) as at October 2012 full expenditure of the budgeted amount for GoV-funded primary school grants (VT164.2 million). However, analysis by MoE of the Local Purchase Orders charged to Code 54EN indicated expenditure on these grants of only VT105.6 million, the balance having been spent for other purposes.

The extent to which unbudgeted expenditures are being charged to whichever accounts have unexpended budget balances, rather than to accounts to which funds have been formally vired, cannot be quantified without detailed examination of individual Local Purchase Orders. This lies well outside the scope of the present review. However, such an exercise is needed to better address the question 'does budgeted expenditure reach the intended beneficiaries' (see Section 3: Findings and Recommendations).

## 2.3: Equity of public expenditure on education

This Section addresses the question ‘who benefits from public expenditure on education in Vanuatu?’ It is addressed from the perspective of the six Provinces, urban and rural areas, gender and income levels with overall conclusions then summarised.

### 2.3.1 Education performance and funding at Province level

Table 22 summarises a range of primary and secondary education indicators by Province:

	Source	Torba	Sanma	Penama	Malampa	Shefa	Tafea
% of Vanuatu total population	1	4.0	19.6	13.2	15.7	33.6	13.9
% of population aged 15 and over never attended school	1	25.9	17.2	19.8	13.9	8.6	42.1
<b>Primary sector (Years 1-6)</b>							
Population aged 6-11 (2009)	1	1,562	7,015	4,855	5,735	9,415	5,951
Pop aged 6-11 as a % Vanuatu total (2009)	1	4.5	20.3	14.1	16.6	27.3	17.2
Primary enrolments as a % of Vanuatu total (2011)	2	4.0	21.1	14.4	17.0	24.6	19.0
% Net enrolment rate (2011)	2	73.7	87.4	87.5	89.0	90.5	90.0
Ratio of GoV/GA schools to population aged 6-11 (2011/2009)	1/2	1:67	1:76	1:77	1:66	1:129	1:81
Students per teacher (2011)	1	21.1	26.1	28.2	18.3	27.5	26.3
Estimated GoV/GA teacher salaries as a % of MoE total (2012 Budget)	Review Est.	4.4	19.3	15.3	18.3	26.4	16.3
Estimated teacher salaries per student (GoV/GA schools) (2011) (VT'000)	Review Est.	42.2	35.2	40.9	41.5	41.4	33.0
% of schools rated in poor condition (2008)	3	18	19	18	19	13	18
<b>Secondary sector (Years 7+)</b>							
Population aged 12-19 (2009)	1	1,797	8,928	5,925	6,673	14,445	5,686
Pop aged 12-19 as a % Vanuatu total (2009)	1	4.1	20.5	13.6	15.3	33.2	13.1
Secondary enrolments as a % of Vanuatu total (2011)	2	3.2	20.3	12.3	14.3	36.1	13.2
% Net enrolment rate (2011)	2	36.1	45.1	39.4	38.4	46.6	39.1
Ratio of GoV/GA schools to population aged 12-19 (2011/2009)	1/2	1:183	1:287	1:183	1:162	1:324	1:173
Students per teacher (2011)	2	17.2	17.2	12.9	16.8	15.5	15.8
Estimated GoV/GA teacher salaries as a % of MoE total (2012 Budget)	Review est.	1.2	22.4	13.2	14.0	35.6	13.0
Estimated teacher salaries per student (GoV/GA schools) (2011) (VT'000)	Review Est.	34.0	64.6	59.9	57.4	57.7	57.5
% of schools rated in poor condition (2008)	3	0	1	18	1	2	18
Sources: (1) National Census 2009; (2) Annual Statistical Report 2010-2011, MoE (June 2012); (3) MoE Digest of Education Statistics 2008.							

There are some obvious disparities between these indicators at Province level, for example:

- Torba and Tafea Provinces have by far the highest percentages of the population aged 15 years or more that have never been to school.
- The ratio of both primary and secondary students to primary and secondary GoV/GA schools in Shefa Province is far above that for other Provinces, perhaps suggesting some degree of primary and secondary school over-crowding in Shefa.
- There are wide variations by Province in the ratio of the number of secondary schools to the number of the population aged 12-19 years old, with Shefa and Sanma featuring well above the average.

Perhaps more surprising in a nation as diverse as Vanuatu is the *absence* of major disparities in most indicators for most Provinces, especially at the primary school level:

- At the primary level, allowing a margin for survey and other estimation error:
  - Enrolments as a percentage of Vanuatu's total primary enrolments are broadly consistent with each Province's share of the population aged 6-11.
  - With the exception of Torba, primary net enrolment rates are broadly similar across each of the other Provinces.
  - The number of primary GoV/GA schools per member of the population aged 6-11 is similar for each Province except Shefa.
  - Primary student:teacher ratios are all in the range 20 to 30 per teacher except (by a small difference) in Malampa.
  - GoV/GA primary teacher personal emoluments per Province as a share of the MoE total mirror fairly closely the number of enrollees in GoV/GA primary schools in each Province.
  - Estimated primary teacher salaries per student are also similar across four Provinces (Sanma and Tafea being below the norm for reasons that may merit further enquiry).
- At the Secondary level there is more apparent diversity but some of this is explainable in terms of differences between Provinces in their endowments of junior and senior secondary schools. The best example here is Torba which, without senior secondary schooling, features behind other Provinces against the indicators of secondary enrolment rate as a percentage of the Vanuatu total, net enrolment rate and estimated teacher salary per student.
  - Nevertheless, the majority of indicators fall within broadly similar bounds for most indicators.
  - The indicators for 'percentage of secondary schools rated in poor condition (2008)' must be regarded with some caution.

Data for comparable indicators by Province at the post secondary level are unavailable. Table 23 presents what is known in relation to scholarships. There is no explanation currently available for the (apparently) disproportionate shares of Penama and Malampa in the total of all scholarships awarded in 2011.

	Source	Torba	Sanma	Penama	Malampa	Shefa	Tafea
% of Vanuatu total population aged 20-24 (2009)	1	3.7	19.1	10.3	12.6	42.6	11.8
% of scholarships awarded (all funding sources) (2011)	2	0.5	7.2	32.5	33.9	15.2	10.6
Sources: (1) National Census 2009; (2) Annual Statistical Report 2010-211, MoE (June 2012)							

Indicators for secondary schooling and scholarships should be interpreted having regard to the fact that an unknown number of students migrate between Provinces to access education opportunities at the secondary and post-secondary levels in particular. More generally, the shift of population shares in the age 20-24 range towards Shefa in particular is quite striking.

The above data for teacher salaries by Province capture around 79% of total MoE spending on primary and secondary education and are therefore fair reflections of how this spending is distributed across Provinces. Given that a significant proportion of MoE's non-salary expenditure is in the form of primary and secondary school grants allocated on a per-student basis without variations across Provinces, spending on teachers by Province is a reasonable proxy for total MoE spending by Province on primary and secondary schools.

Overall, while there are a few wide discrepancies between Provinces in the above education indicators the majority suggest no systematic differentials across the Provinces. The GoV appears to have been substantially even-handed in its distribution of funding across Provinces to the primary sector in particular. It seems probable that differentials *within* Provinces, from school to school and as between rural and urban areas, are at least if not more marked. Consideration of the rural-urban divide follows.

### 2.3.2 The rural-urban divide

Arising from the World Bank's country case study in 2005 its authors concluded that "like other countries in the region that are made up of dispersed, remote islands, the quality of education in rural areas and rural students' access to secondary school are highly inequitable. Enrolment, even in primary school, is uneven; a significant percent of rural students never attend school."<sup>42</sup>

As at the 2009 National Census some 75% of Vanuatu's total population was classified as living in rural areas, the remainder living in urban areas (Port Vila and Luganville). The proportions of the rural/urban populations aged 0 to 24 years were similar (some 77% living in rural areas).

The most recent data available that distinguish rural and urban areas suggest that little has changed since the World Bank assessment in relation to school attendance or educational attainment as between the two areas (see Tables 24, 25 and 26). It is apparent that net enrolment rates, highest levels of education participation and (as measured) literacy rates continue to be significantly higher in the urban areas of Port Vila and Luganville.

<sup>42</sup> Opportunities to improve social services in Vanuatu: Summary Report', World Bank (2006)

Year	2005	2006	2007	2008	2009
Rural (%)	89	86	86	85	80
Urban (%)	94	81	90	92	91

Source: Derived from Table 8 of 2010 MDG Report for Vanuatu, Government of Vanuatu (September 2010).

	Rural	Urban	Vanuatu
<b>Percentage of enrolments</b>			
School enrolment of 6-13 year olds	84.8	90.8	85.9
<b>Percentages of the population who have attended:</b>			
Never been to school	21.7	5.0	17.2
Primary education	56.2	38.8 (see Note 1)	51.5
Secondary education	18.9	46.5	26.4
Tertiary education	2.3	7.7	3.8
Vocational/professional education	0.9	2.0	1.2
<b>Percentage literacy rates (see Note 2)</b>			
For persons aged 15 and over	80.5	97.7	84.8
For persons aged 15-24 years	89.0	99.2	92.1

Notes and Source:  
 Note (1): This figure, taken from the 2009 Census Analytical Report summary indicators table appears to be an error. The same summary table for the same indicator shows all six Provinces exceeding 45%.  
 Note (2): Measured by ability to read and write a simple sentence in any one or more languages.  
 Source: VNSO, 2009 Census Analytical Report Summary Table.

Percentages of the survey:	Rural	Urban
Never attended	26.1	7.5
Still attending	7.3	12.3
Primary	42.0	30.0
Secondary	14.9	34.4
Post Secondary	2.6	6.1
Not stated	7.1	9.7

Source: Derived from (draft) 2010 HIES Table 5-4.

Further indicators of the rural-urban divide are the proportion of teachers neither qualified nor certified and the condition of classrooms in the two areas, both being factors influencing the quality of education. The Thornton Study found that “a greater percentage of teachers in rural areas are neither qualified nor certified which inevitably implies a lower quality of education for rural children.”<sup>43</sup> The percentage of classrooms rated as being in poor condition was in the range of 24% to 31% for rural schools over the period 2007-2009 whereas the corresponding percentage for urban schools was consistently under 5%.<sup>44</sup>

<sup>43</sup> Thornton Study, page 11. Note that the teachers for which this finding applied comprised both GoV-paid and other (unpaid or community-paid) teachers.

<sup>44</sup> Annual Statistical Report 2009, Ministry of Education, Figure 25 (page 48).

### 2.3.3 Gender

Amongst the population aged 15 or more females improved their levels of educational attainment over the period 1999 to 2009, especially at the secondary and tertiary levels.

	No school or Kindergarten only	Primary	Secondary	Vocational (see Note)	Tertiary
1999 - percentage of females	56.6	49.5	44.7	40.6	36.0
2009 - percentage of females	55.2	50.1	47.9	36.5	42.4

Notes and Sources: Derived from 1999 and 2009 National Census data. Data for the vocational training sub-sector was presented in different ways as between the two Censuses hence female percentages for this sub-sector should be treated with considerable caution.

The above trends at primary and secondary levels are borne out by more recent data indicating:

- There is little differences between the sexes in the percentages of those aged between 5 and 17 years who are enrolled in schools (Figure 10, next page - reproduced from Bennell Study Figure 3.2, page 15).
- Gender parity indices for net enrolment rates at primary and secondary schools levels over the period 2007 to 2011 typically hover within 2 percentage points of parity in favour of girls at primary level and (since 2009) more strongly in favour of girls at secondary level (Table 28).

The overall consensus amongst prior studies has been that, in recent years, gender differentials at primary and secondary levels for enrolment and related data are typically small.<sup>45</sup>

Year	2007	2008	2009	2010	2011
Primary Grades 1-6	1.02	1.04	1.02	1.01	1.02
Secondary Grades 7-13/14	1.00	1.00	1.07	1.12	1.15

Notes and sources: The Gender Parity Index (GPI) divides the female value for any indicator by the male value. A GPI with a value of 100 or very close to it indicates gender parity; a value over 100 indicating a difference in favour of females and a value less than 100 a difference in favour of males. Source: VEMIS.

Data for the vocational training and tertiary education sub-sectors are less comprehensive but suggest that, with the exception of teacher and nurse training, intakes at these levels continue to be dominated by males (see Table 29 below).

<sup>45</sup> “...Vanuatu is doing well in terms of gender equity at primary”. Thornton Study page 6. 011), page 6. “Gender differences are small for nearly all key enrolment and other key schooling parameters ...”, Bennell Study, page 14.

Figure 10: Percentage attending school in the 5-18 age group, 2009

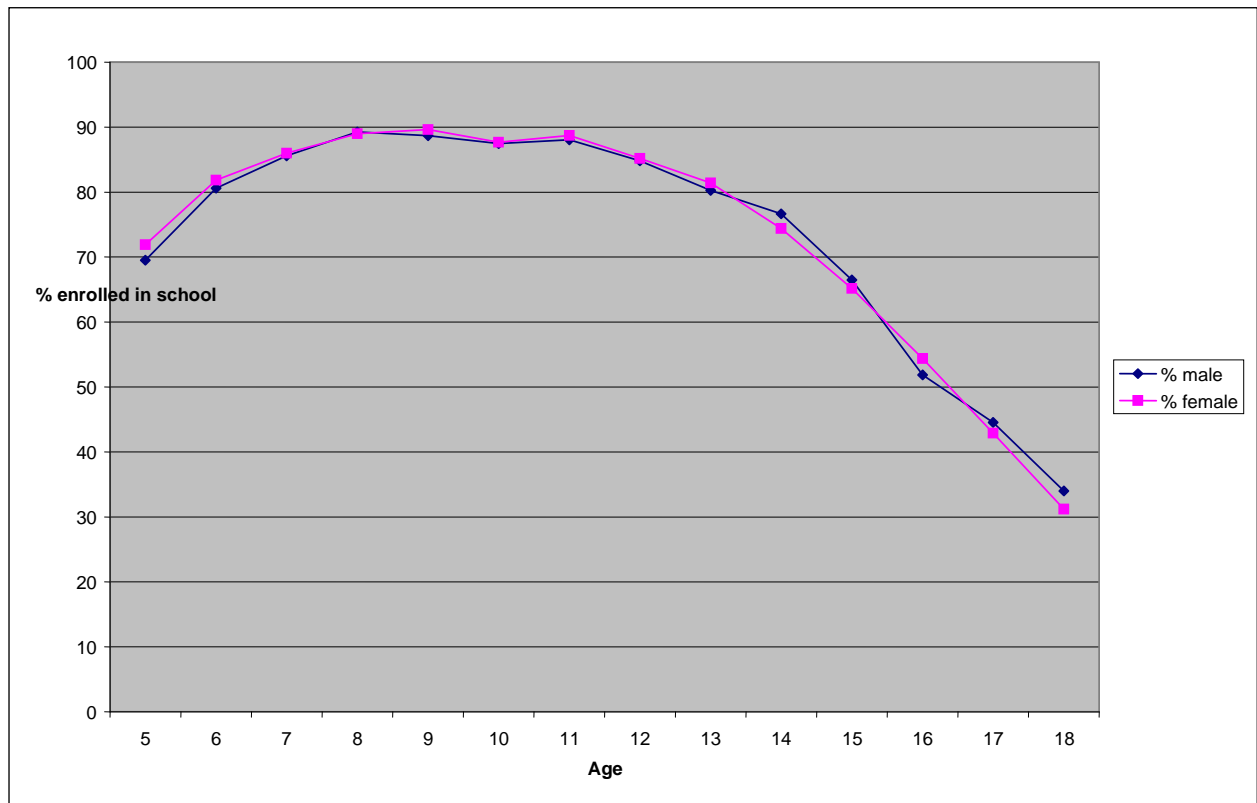


Table 29: Female percentage shares of enrolments in post secondary education and rural training centres, 2011

Scholarships (all funding sources)	45.5
<b>Post Secondary Institutions:</b>	
Vanuatu Maritime College	20.3
Vanuatu Institute of Teacher Education	54.4
Vanuatu Institute of Technology	41.2
Vanuatu Nursing College	51.2
Vanuatu Police Training College	27.1
Australia Pacific Training College	34.9
TVET Training Centres	43.1
Total enrolees in the above post-secondary institutions	38.5
Rural Training Centres	29.6
Source and Note: VEMIS. No data were available to VEMIS in respect of the USP Extension Centre.	

Limited data are available contrasting the relative performance of males and females at school/college. The most comprehensive relate to literacy and numeracy achievement at primary level. The indicators available suggest that females generally out-perform males, albeit only slightly in some cases (see Table 30).

Table 30: Percentage indicators of literacy/numeracy achievement			
	Females	Males	Notes
2009 Census: percentage of persons aged 15-24 able to read and write a simple sentence in one or more languages	93%	92%	1
VANEGRA: percentage of those tested after 3 years' primary schooling able to read fluently (2009):			2
Anglophone	11%	7%	
Francophone	16%	10%	
VANSTA: percentage of achievements awarded nationally for moderate or better achievement of the learning outcome at end of Year 4 (2009):			3
Anglophone Literacy	27%	19%	
Anglophone Numeracy	42%	40%	
Francophone Literacy	28%	17%	
Francophone Numeracy	31%	31%	
<p>Note (1): Beyond age 24, literacy rates for females diverged below those for males, the divergence increasing with age. Source: National Census 2009.</p> <p>Note (2): Vanuatu Early Grade Reading Assessment Baseline Surveys, Anglophone and Francophone Streams, undertaken in 2010.</p> <p>Note (3): 'Vanuatu Standardised Tests of Achievement for Literacy and Numeracy at the end of Year 4, Monitoring Literacy and Numeracy Achievements in Vanuatu', (2010).</p>			

### 2.3.4 Education and income/wealth

Data on the relationship between education outcomes and household income/wealth in Vanuatu is dated and open to varying interpretations.<sup>46</sup> However, two broad findings appear to be beyond dispute:

- There are substantial differentials in income and wealth in Vanuatu as between rural and urban areas in particular.
- Participation in schooling, especially at the secondary and tertiary levels, is strongly correlated with household income/wealth.

As regards the first finding, the World Bank's country case study of 2005 constructed a household wealth index derived from 1999 Census data. The study found that "The average wealth index for urban areas is 432% of the average rural household wealth index, which is similar to the [1998] HIES result."<sup>47</sup> Data from the 2006 HIES indicated that average household monthly income in urban areas was some 60% higher than in rural areas while average per capita monthly expenditure was some 79% higher.<sup>48</sup> Comparable data from the (Draft) 2010 HIES indicate continuing income and expenditure differentials favouring the urban areas although of lesser magnitude than in 2006.

As regards the second finding, the conclusions of the World Bank's 2005 study merit (abbreviated) reproduction:

"[The data] ... suggest that the current education system is hardly beginning to redress the legacy of inequity in educational attainment among adults. What is happening is that:

<sup>46</sup> For example, does high household wealth underpin high levels of educational attainment or does educational attainment generate high household wealth?

<sup>47</sup> 'Republic of Vanuatu: Country Case Study', World Bank, (2005), page 6. There are some doubts as to the robustness of the wealth indices and no subsequent attempt has been made to update wealth data.

<sup>48</sup> Source: derived from page vii, 'Main Report on the Household Income and Expenditure Survey 2006', VNSO.



- As is well known, access to education beyond primary school is severely restricted ... because of a shortage of secondary capacity;
- And, what is rarely documented, the limited supply of secondary places (and beyond) is strongly filled by students from the wealthiest 20% of Vanuatu society.

This effect is likely to be the product of two major influences. First, the wealthiest families are overwhelmingly located in Port Vila and Luganville where they have access to the best primary schools and the most extensive supply of secondary schools. Second, secondary school is expensive.<sup>49</sup>

Other data tend to support this assessment. The recent study on child poverty and disparities in Vanuatu reproduced the following findings on attendance at schooling by household wealth quintiles: poorest 20% of households 73%; middle wealth households 77%; wealthiest 20% of households 89%.<sup>50</sup> The (draft) results of the 2010 HIES indicate that average monthly education expenditure per household in urban areas was nearly double that in rural areas.<sup>51</sup>

### 2.3.5 Who benefits from public expenditure on education?

At the broadest level, all people of Vanuatu. “Vanuatu cannot reach its potential if the knowledge, understanding, skills and capacity of its human resources are not developed in every appropriate way (intellectually, academically, physically and spiritually). The basis for effective development in all other areas of the economy is education.”<sup>52</sup> This view is supported by a wealth of international research concluding that education is a critical factor determining whether a household is likely to be in poverty.

When it comes to assessing who within Vanuatu benefits most from public expenditure on education the picture is more complex. Drawing together findings from Sections 2.3.1 to 2.3.4 it can be concluded in general terms:

- There is no evidence of significant imbalance between males and females in access to either primary or secondary education although for those seeking tertiary scholarships it would (currently) be better to be a male.
- There is no systematic pattern of differentials as between Provinces in access to or the quality of primary education. The data do, however, suggest systematic differences favouring urban relative to rural areas in terms of access to and the quality of primary schools, and in terms of educational attainment.
- Access to secondary and post-secondary (including tertiary) education is clearly more favourable for the relevant age groups residing in urban areas.
- Access to education at all levels and levels of educational attainment are correlated with household income/wealth (the richer the household, the higher the level of education access and attainment).

Whether these patterns are ‘equitable’ or otherwise requires subjective judgments since ‘equity’ is very much in the eye of the beholder.<sup>53</sup> Moreover judgments as to the ‘equity’ of access to

<sup>49</sup> ‘Republic of Vanuatu: Country Case Study’, World Bank, (2005), page 38.

<sup>50</sup> ‘National Report Vanuatu: Global Study on Child Poverty and Disparities’, University of New South Wales and UNICEF (2012), Figure 3.8.

<sup>51</sup> 2010 Household Income and Expenditure (draft) Report, Table5-7.

<sup>52</sup> MFEM.

<sup>53</sup> Equity: “1. The quality of being equal or fair; impartiality; even-handed dealing. 2. That which is fair and right.” Shorter Oxford English Dictionary.

education (who benefits) should not be framed in isolation from the issue of ‘who pays’, not just by way of school fees but more broadly in terms of the incidence of taxation in Vanuatu. In the absence of income taxation in Vanuatu (much less a progressive scale of income taxation) and the country’s reliance upon consumption taxes in various forms, its poorer households are contributing a relatively higher share of their household incomes to GoV taxation revenue than richer households, GoV revenue that funds GoV public expenditure on education.<sup>54</sup> Any attempt to quantify the relationship between ‘who benefits’ and ‘who pays’ would entail data collection and analysis extending far beyond the scope of the present review.

Insofar as the current pattern of beneficiaries is considered to be unduly skewed in favour of richer households in urban areas the review makes the following suggestions.

- Research findings consistently suggest that the *social* returns to public investment in education are higher for investment in the primary sector relative to secondary and post secondary sectors.
- Insofar as the GoV wishes to narrow differentials in access to *quality* education at the *primary* level it has four main instruments at its disposal:
  - The allocation of its own and development partner funding to support increased in-service training for unqualified/uncertified teachers in rural areas sufficient to increase, over time, the proportion of teachers in rural areas with at least basic qualifications for teaching.
  - Review of procedures for the allocation to, and term of, GoV-funded teacher deployment to primary schools as between rural and urban areas, and related to this the review of primary school teacher pay and incentive structures (see also Section 2.1.2).
  - The introduction to the structure of the primary school grants and to the allocation of funding to Provincial Education Offices of some element related to the relative needs of individual schools (see below).
  - The allocation of its own and development partner funding for investment in improved school infrastructure as between rural and urban areas with a bias towards rural areas.
- Insofar as the GoV wishes to narrow differentials in access to *quality* education at the *secondary* level, having regard to the constraints imposed by geography and minimum viable intakes (especially at senior secondary level), the most promising instruments at its disposal are review of the structure of secondary school grants and, related to this, the possibility of introducing bursaries/scholarships for access to senior secondary schooling.
- Insofar as the GoV wishes to narrow differentials in access to post secondary education (including tertiary scholarships) its best approaches would be to: actively encourage female participation in all forms of TVET; rigorously enforce merit-based selection procedures for both males and females in relation to TVET and tertiary education opportunities; and apply strict gender parity in its awards of GoV-funded tertiary scholarships.

As an instrument for narrowing differentials in access to primary and secondary education the current structure of the GoV’s school grant mechanisms merits particular attention. At both levels, and particularly at primary level since the introduction of substantially increased per-student grants for Years 1-6 in 2010:

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<sup>54</sup> Taxes on the use of goods (including Value Added Tax and Excise duties) and on international trade (overwhelmingly import duties) were forecast to supply some 96% of the GoV’s total taxation revenue in 2012.

- The current grant structures are unrelated to parents' ability to contribute (and in the case of primary school grants, have displaced at least VT300 million per year in funding that households were previously contributing - willingly or otherwise).
- They are also unrelated to the funding needs of individual schools in terms of recurrent and investment requirements needed to reach minimum standards.

A good case in principle could be made for means-testing the eligibility of students for school grants by reference to parental/household income. However, this is almost certainly not practical in the Vanuatu context. The more realistic approach may be to restructure the grants in a cost-neutral way such that, while every primary/secondary student continues to attract an equal per-student grant, the schools in which they enrol receive a supplementary grant based on objective assessments of relative school improvement needs and schools' commitment to achieving them. See Section 3 Recommendation 5.

This approach could be complemented at the secondary level by the introduction of strictly merit-based bursaries/scholarships - most preferably means-tested if at all practicable - for junior secondary students to attend senior secondary schools (especially students from rural areas lacking close access to senior secondary schooling).

## 2.4 Impacts (performance outcomes)

This Section addresses the question ‘has public expenditure on education had its intended impacts relative to strategic priorities and policy objectives’? It does this by reference to the three key strategic goals specified by the Vanuatu Education Road Map (2009):

- **Strategic Goal 1 (Access):** To increase equitable access to education for all people at all levels of education in Vanuatu (Section 2.4.1).
- **Strategic Goal 2 (Quality):** To improve the quality of education in Vanuatu (Section 2.4.2).
- **Strategic Goal 3 (Management):** To improve and strengthen the management of the education system in Vanuatu (Section 2.4.3).

Consideration is also given to Vanuatu’s prospects for achieving the MDG/EFA goals in relation to education. The main focus is upon impacts at the primary and secondary school levels.

The following assessments should be considered with a major qualification in mind, namely that the links between public expenditure on education and education outcomes are partial at best. A wide range of other factors (e.g. the values placed by parents and communities upon formal education of children, the extent to which subsequent incomes from employment are linked to formal educational attainment) influence participation in formal education and the outcomes thereof - see following Box.

### **Public expenditure has not been the main determinant of educational performance**

“Many authors (e.g. Mingat & Tan, 1992; Filmer & Pritchett, 1999) have tested cross-country, econometric models relating education performance to public expenditure and other supply-side and demand-side variables. They have all found that factors other than expenditure have significant coefficients and explain a high proportion of the variance in performance, but that public expenditure (as a share of GNP or of public expenditure) has little explanatory power.

CAPE research using recent EdStats data from the late 1990s confirms these results. Demand side factors (income, and especially adult literacy) exert a powerful influence on enrolment and completion rates; low unit costs significantly favour enrolment (but not completion); but expenditure at best only weakly contributes to these outcomes.

These results do not mean that primary education could achieve the same outcomes without public expenditure, nor that more public expenditure could not improve educational outcomes. The correct interpretation is that (i) expenditure (deflated by GDP) is a poor measure of effective inputs into schooling because its quality and efficiency is so variable, and (ii) the children of poor households will not complete their schooling unless their parents’ demand for education for their children is raised – *inter alia* by policy action.”

Source: reproduced verbatim from ‘Can we attain the Millennium Development Goals in Education and Health through public expenditure and aid?’ Overseas Development Institute Briefing Paper (April 2003).

### 2.4.1 Impacts on access

From a long-term perspective public expenditure on education has undoubtedly raised the proportion of children of school age who attend school. Moreover this has been achieved against the backdrop of high growth rates in Vanuatu's population of school age.

Recent trends are less encouraging when set against the VERM strategic goal for access. Table 31 tracks recent access at primary and secondary levels.

Year	2008	2009	2010	2011	VERM Target for 2015
Net Intake Rate Year 1	40%	36%	40%	37%	Not stated
Net Enrolment Rate Years 1-6	87%	85%	88%	88%	100%
Net Enrolment Rate Years 7+	26%	29%	32%	32%	100%

Source: VEMIS.

Net Intake and Enrolment Rates at primary level have been static (at best) over the period 2008-2011. Some emphasis has been placed in recent reporting on the upsurge in primary gross enrolment rates in 2010 and 2011 following the substantial increase in per-enrollee primary school grants commencing 2010. However, based on the above data that upsurge has not been translated into any increase in correct-age entry enrolments and may well prove to have been a 'one-off' event. There is little point in enrolling more children of every age in the education system if subsequently, via drop outs and for other reasons, education outcomes are not noticeably improved.

Net enrolments rates for Years 7 plus continue to fall substantially below any measure of universal access to secondary education.

Reliable time series data for enrolments in post secondary education are not available. VEMIS has, however, reported the number of scholarship recipients (not graduates) for the period 2006-2011 - see Table 32.

Year	2006	2007	2008	2009	2010	2011
GoV-funded	103	105	120	107	172	326
Development Partner funded	157	151	158	161	251	267

Source: Annual Statistical Report 2010-2011, MoE, (June 2012), page 32 Table 1-40.

The substantial percentage increase in recipients of GoV-funded scholarships over the period 2006-2011 (+ 316%) is consistent with the expenditure trends documented in Section 2.1. This has clearly improved 'access' to GoV-funded scholarships, albeit from a low base and of questionable cost-benefit in social terms. While lesser, the substantial percentage increase in DP-funded scholarship recipients over the same period is - as reported by VEMIS - primarily attributable to a substantial increase in scholarships funded by New Zealand in 2010 and 2011.

## 2.4.2 Impacts on quality

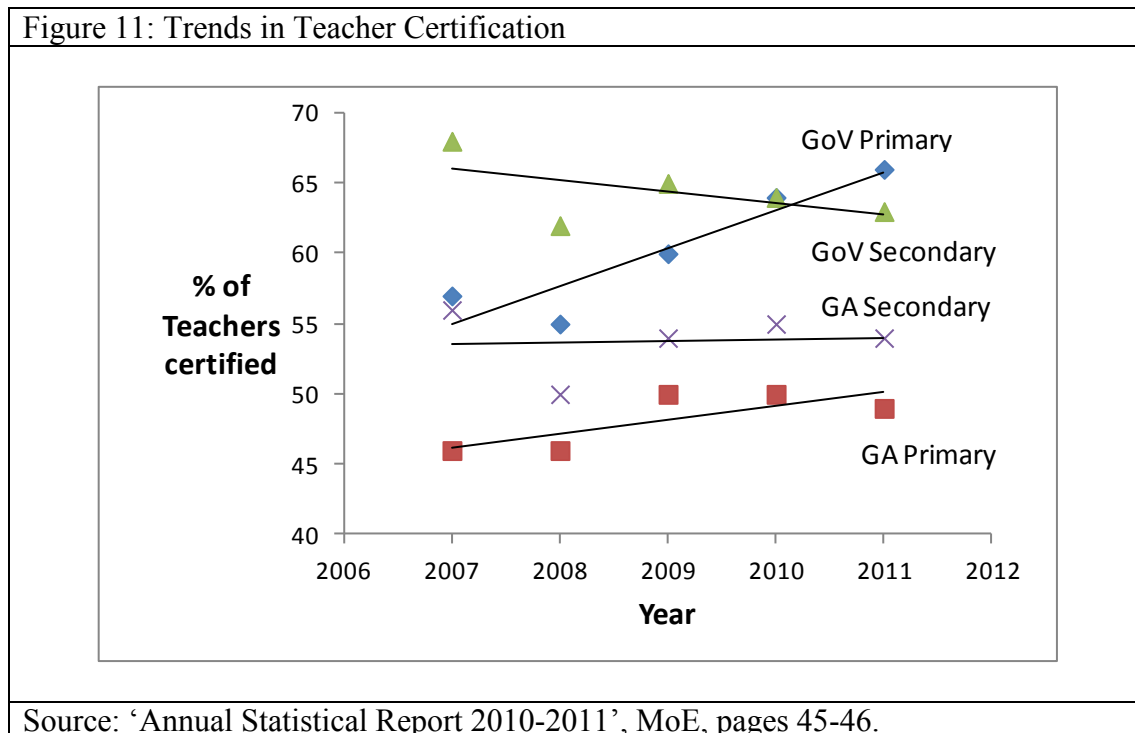
### Quality of inputs

Notwithstanding substantial improvements in the quality and scope of VEMIS data in recent years it remains difficult to assess trends in the ‘quality’ of inputs to Vanuatu’s education system from one year to the next, not least because the presentation of data in the annual reports derived from VEMIS statistics varies from one year to the next. Table 33 reproduces time series data for four indicators of input ‘quality’ as recorded by VEMIS.

Year	2007	2008	2009	2010	2011
1. % of Government Primary School Teachers certified	52.5%	50.9%	56.0%	58.9%	58.7%
2. % of teachers attending in-service training:					
ECE	46%	41%	41%	38%	31%
Primary	35%	34%	36%	31%	26%
Secondary	24%	17%	15%	9%	6%
3. Student:textbook ratio (Primary)	3.1	2.7	2.9	2.5	2.7
4. Classroom:student ratio (Primary)	22.8	22.6	22.6	23.0	22.9

Source: Rows 1,3,4 reproduced from ‘Annual Statistical Report 2010-2011’, Ministry of Education (June 2012), page 34. Row 2 derived from VEMIS annual statistics 2009, 2010-2011. Row 1 covers both GoV-paid and unpaid teachers.

Figure 11 charts trends in the certification of GoV-paid teachers (only) at primary and secondary levels, for GoV-funded and Government Assisted schools respectively,



There appears to have been some improvement over the five years in the proportion of primary school teachers who are certified (i.e. as defined by VEMIS, teachers who have met the requirements for a formal qualification to teach), especially in GoV-funded primary schools. However, at 58.7% in 2011 for both GoV-paid and unpaid teachers this indicator falls well short of the VERM target of 100% by 2015 while the trend in GoV-funded secondary schools appears to be downwards.

The other three indicators of input quality at Table 33 show no obvious improvement and, in the case of attendance at in-service training, a marked regression. The largely unchanged student to textbook ratio since 2008 is somewhat surprising given the (largely development partner funded) ‘book flood’ initiatives of recent years.

### Quality of outcomes

The VERM specified three indicators of outcome quality in relation to early grade reading, the Year 4 literacy level and the Year 4 Numeracy level. However, in each case both the baseline and the performance target were “to be established by end 2010”. The PAA Action Plan 2011-2015 specified the following indicators for output/outcome quality. These are reproduced in Table 34 together with this review’s assessment of progress against each.

Indicator	Baseline	Target	Comments												
Primary Completion Rate (% of students starting Year 1 who reach Year 6)	75.8% (Year 2007)	100%	Target year unspecified. See Note.												
Repetition Rate Years 1-6	To be determined	To be determined	Over the years 2009-2011 the Drop-out Rate rose (8.0% in 2011) while the Repetition Rate fell marginally (12.1% in 2011).												
Grade 1-3 students reading at an appropriate grade level	10% Anglophone 8% Francophone (from 2009 EGRA)	100% by 2015	No subsequent measurement to date.												
<p>Note: The data on Year 1-6 survival rates 2009-2011, while said to be sourced from VEMIS in both cases, differ substantially for 2011 as between the (draft) VESP Design and the MoE 2010-2011 Annual Statistical Report:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>Draft Design (page 11)</th> <th>MoE Report (page 41)</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>96.0%</td> <td>96.7%</td> </tr> <tr> <td>2010</td> <td>75.3%</td> <td>74.6%</td> </tr> <tr> <td>2011</td> <td>82.5%</td> <td>69.5%</td> </tr> </tbody> </table>					Draft Design (page 11)	MoE Report (page 41)	2009	96.0%	96.7%	2010	75.3%	74.6%	2011	82.5%	69.5%
	Draft Design (page 11)	MoE Report (page 41)													
2009	96.0%	96.7%													
2010	75.3%	74.6%													
2011	82.5%	69.5%													

Table 35 summarises a fuller range of ‘quality’ indicators at primary and secondary levels - insofar as they are suggestive of the education sector’s ‘quality’ in retaining and graduating students.

Drop-out, Repeater and Promotion Rates						
Year	Primary, Years 1-6			Secondary, Years 7 plus		
	Drop-out Rate	Repeater Rate	Promotion Rate	Drop-out Rate	Repeater Rate	Promotion Rate
2009	2.1%	14.4%	83.9%	37.9%	1.9%	60.1%
2010	6.0%	15.1%	78.8%	39.9%	2.8%	57.2%
2011	8.0%	12.1%	79.9%	44.2%	3.0%	52.9%
Trend	↑	↓	↓	↑	↑	↓
Survival Rates						
Year	To Year 6		To Year 10		To Year 13	
2009	96.7%		61.3%		16.0%	
2010	74.6%		39.4%		9.7%	
2011	69.5%		33.7%		5.1%	
Trend	↓		↓		↓	

Source: 'Annual Statistical Report 2010-2011', Ministry of Education (June 2012), various tables.

The MoE's Analysis Report in relation to the Education for All Goals also addressed the issue of outcome quality by reference to literacy and numeracy. With reference to the results of the 2009 VANSTA survey of literacy and numeracy capabilities at the end of Grade 4 it concluded:

“From a cursory review of available literacy data, there remains a significant proportion of the adult population that lack basic literacy skills. ... To assess the achievement of this goal accurately, the MoE would need to refer to available baseline data (2000 or nearest possible data) and calculate improvements to date. ... EFA Goal 4 is often interpreted to cover both literacy and numeracy. Formal, in-school learning assessments suggest that students are failing in large numbers to achieve basic skills in both areas.”<sup>56</sup>

It is not possible to draw evidence-based conclusions regarding the impacts of public expenditure on the quality of education outcomes in Vanuatu pending the establishment of robust time series data in relation to literacy and numeracy in particular. The limited data available do suggest, however, that increased access to primary and secondary education in recent years may have been at the expense of improved quality.

### 2.4.3 Impacts on management performance

The VERM set the following indicators for management performance of the education system while the PAA Action Plan 2011-2015 supplemented these with a variety of performance targets. The VERM indicators are summarised in Table 36 along with this review's comments against each. The PAA's indicators were wholly task-related, not output/outcome-related and have therefore been omitted.

<sup>56</sup> 'Education For All Analytical Report', Ministry of Education (July 2010). Commentary on EFA Goal 4: Literacy (the report's pages were not numbered).



	Baseline (year)	Interim target (year)	Program target (2015)	Comment
Primary schools using Government-approved bank accounts (%)	0 (year not specified)	100%	100%	Percentage 2012 not precisely assessed but clearly close to 100%. A major achievement (largely thanks to MFEM).
Non-payroll share of the education budget (%)	12% (2009)	Increase	Increase	20% in 2012 based on original MoE Budget (but see Section 2.1.3)
Approved sub-sector policy statements	Not specified	5 (2012)	9	Not a meaningful target - impact not assessed
Annual work plan developed	Not specified	By 31 December	By 31 December	Not a meaningful target - impact not assessed

More broadly, the impacts of GoV and development partner funding on MoE's management performance in recent years present a mixed picture.

On the one hand:

- The introduction of increased grants for primary school students and associated rationalisation of school bank accounts were successfully accomplished (with substantial input by MFEM).
- A training program for school principals and bursars in basic financial management and record keeping has been initiated, albeit that implementation fell in abeyance in 2011.
- MoE's internal audit capacity has undoubtedly been strengthened.
- Staffing of the Ministry's Finance Unit has been significantly increased.
- While much remains to be done, the quality of data gathered by VEMIS and of the reports it generates is improving.
- With technical assistance, the supply and distribution of school textbooks and other supplies is improving.

On the other hand:

- Implementation of the annual work plans agreed between MoE and the Pool Partners in support of the VERM has, in overall terms, consistently lagged behind work planning targets.
- Policy statements for components of the education sector continue to be (almost invariably) uncoded. Related to this, there is virtually no linkage between strategic objectives on the one hand and the determination of annual budgets for MoE (let alone the education sector as a whole) on the other. Medium-term budgeting for the education sector as a whole or major components within it is non-existent (see also Section 2.5).
- Most concerning of all, from a public financial management perspective, the substantial divergences between annual budgets and expenditure outcomes at the Program and cost centre levels strongly suggest that MoE's internal budget planning and expenditure control remain weak.

The findings of earlier reviews to the effect that annual GoV-funding of the education sector essentially rolls on from one year to the next ‘treading water’ and divorced from stated ‘priorities’, remain the case.<sup>57</sup>

#### **2.4.4 Progress towards MDG/EFA Goals 2**

The MDG/EFA Goals 2 are essentially the same, both aiming for the achievement of universal primary education by 2015:

- MDG Goal 2A: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.
- EFA Goal 2: Ensure that by 2015 all children, particularly girls, those in difficult circumstances, and those belonging to ethnic minorities, have access to and complete, free, and compulsory primary education of good quality.

Vanuatu has formally adopted this Goal 2 in both its forms.<sup>58</sup>

Vanuatu’s 2010 report on progress towards achievement of the MDG Goals reported that “Considerable progress has been made towards achieving universal primary education through integration of the MDGs into education policy and the coordinated effort of development partners and the Ministry of Education.” While noting considerable challenges and the need for ongoing commitment to the Goal the report concluded that Vanuatu would “probably” achieve the Goal by 2015.<sup>59</sup> However, this conclusion was not altogether supported by the report’s accompanying data. The Ministry of Education’s more recent report on progress towards achievement of the EFA Goals presents a more realistic assessment of prospects for achieving EFA Goal 2:

“In terms of access to and completion of primary education, there remains a gap in achievement of 100% net enrolment rates at the national level and in all provinces. It is a concern that no discernible progress can be seen from 2007-2011 in increasing net enrolment rates at the national level.”<sup>60</sup>

It now seems highly improbable that Vanuatu will achieve the MDG/EFA Goals 2 by 2015.

#### **2.4.5 Has public expenditure had its intended impacts?**

In this review’s assessment, confined to the primary and secondary sub-sectors, the answers in terms of GoV and Development Partner funding of education are:

- Access: yes in terms of Gross Enrolment Rates, no in terms of Net Intake and Net Enrolment rates.
- Quality: few indications of improvements in input quality; no indications of improvement in output/outcome quality.
- Management performance: some indications of improved performance, substantially outweighed by negative assessments of progress towards improved public financial management in particular.

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<sup>57</sup> Earlier reviews including: ‘Report on Vanuatu-Country Case Study’, World Bank (2005); ‘Financial Management Assessment for Implementation of the Vanuatu Education Sector Strategy’, John Mellors, (August 2007).

<sup>58</sup> Albeit that it is tacitly acknowledged that, for a variety of cultural and other reasons, full achievement of UPE is unlikely for the foreseeable future.

<sup>59</sup> ‘Millennium Development Goals 2010 Report for Vanuatu’ (September 2010), page 26.

<sup>60</sup> ‘Education For All Analytical Report’, Ministry of Education (July 2010).

## 2.5 Financial projections

### 2.5.1 Introduction

This Section seeks to address the question ‘can the GoV afford to meet the goals of Universal Primary and Basic Education?’ The review addresses this with reference to the five-year period 2013 to 2017. Projections are presented for individual components of MoE spending (Sections 2.5.2 to 2.5.6) then drawn together in Section 2.5.7.

Primary and secondary teacher numbers and costs are and will remain by far the largest component of MoE’s overall expenditure. The projections of these, and costs related to them, are presented for two scenarios modelled by the recent study of teacher demand and supply for the primary and secondary sub-sectors: ‘status quo’ and ‘constrained UPE/UBE targets’.<sup>61</sup> The study in fact modelled three scenarios with key parameters as follows.

	Intake rate			Repetition rate		Drop-out rate	
	2011	2015	2020	2015	2020	2015	2020
<b>Primary</b>							
Status quo	117	117	117	No change	No change	No change	No change
UPE target	117	100	100	0	0	0	0
Constrained	117	106.5	100	Half 2011	0	Half 2011	0
<b>Junior Secondary</b>							
Status quo	76	76	76	No change	No change	No change	No change
UPE target	76	100	100	0	0	5	2.5
Constrained	76	88	100	Half 2011	0	Half 2011	0
<b>Senior Secondary</b>							
Status quo	60	60	60	No change	No change	No change	No change
UPE target	60	75	75	0	0	5	2.5
Constrained	60	70	80	Half 2011	0	Half 2011	0

Source: Reproduced from Bennell, page 19

Projections for the ‘UPE target’ scenario, which essentially equates to the MDG/EFA goals for 2015, have not been prepared since they are most unlikely to be achieved (see Section 2.4). It was for this reason that, sharing this view, the Bennell study introduced its ‘constrained’ scenario incorporating more moderate progress towards the UPE targets.

It should be noted that the following projections focus on expenditure to be funded by the GoV through MoE. It will become apparent (Section 2.5.7) that the GoV is likely to have limited if any capacity to fund significant ‘development’ expenditures over the period to 2017 and

<sup>61</sup> ‘Teacher Demand and Supply for Primary and Secondary Schools in Vanuatu 2012-2022’, Paul Bennell, March 2012.

therefore assumed that these will continue to be funded by development partners, notably via Pool Partner funding of the VESP.

## 2.5.2 Teacher numbers and emoluments

Table 38 presents projections of teacher numbers and personal emoluments in GoV-funded and Government Assisted schools, 2013 to 2017, for the ‘status quo’ and ‘constrained UPE’ scenarios.

	2013	2014	2015	2016	2017
<b>Primary teacher numbers</b>					
- status quo (number)	1,461	1,492	1,531	1,569	1,611
- constrained UPE (number)	1,440	1,456	1,483	1,508	1,449
<b>Primary teacher emoluments</b>					
- status quo (total Vatu million)	1,558.0	1,591.0	1,632.6	1,673.2	1,717.9
- constrained UPE (Vatu million)	1,535.6	1,552.7	1,581.4	1,608.1	1,545.2
<b>Secondary teacher numbers</b>					
- status quo (number)	698	699	701	714	730
- constrained UPE (number)	745	789	848	936	1,020
<b>Secondary teacher emoluments</b>					
- status quo (total Vatu million)	1,025.8	1,027.3	1,030.2	1,049.4	1,072.9
- constrained UPE (Vatu million)	1,094.9	1,159.6	1,246.3	1,375.6	1,499.1
<b>Total teacher emoluments</b>					
- status quo (total Vatu million)	2,583.8	2,618.4	2,662.9	2,722.5	2,790.8
- constrained UPE (Vatu million)	2,630.5	2,712.2	2,827.7	2,983.7	3,044.3

Sources: Bennell (March 2012), especially pages 66-67; and 2012 budget dissection line by line to calculate average personal emoluments for primary and secondary teachers in 2012.<sup>62</sup>

Features of the constrained UPE/UBE scenario to note are:

- Primary teacher numbers and emoluments are projected to be lower than under the status quo scenario. This reflects the projected reductions in the primary Gross Enrolment and Repetition Rates.
- There is a projected increase of some 37% between 2013 and 2017 in secondary numbers and emoluments, compared to only a 5% increase under the status quo scenario. This reflects the projected increases in Transition Rates from primary to junior secondary and from junior to senior secondary under the constrained UPE/UBE scenario.

## 2.5.3 School grants

The following projections for GoV funding of school grants are based on the enrolment numbers projected for the status quo and constrained UPE/UBE scenarios, the 2012 rates of per-student

<sup>62</sup> The Bennell study (page 41) indicated average annual emoluments for primary and secondary teachers as VT894,200 and VT1,219,100 respectively in 2011. The line-by-line dissection of individual teacher emoluments for the 2012 budget indicated significantly higher annual averages consistent with the aggregate provisions for emoluments in the 2012 budget. These were VT1,066,386 and VT1,469,678 respectively and have been used in the above projections. The Bennell study also indicated (page 41) that “Given the current grading structure, the annual increase in teacher pay can be assumed to be around 1% per annum.” The above projections assume that pay per teacher remains unchanged in real terms.

grant and the GoV's commitment to increase its share of funding of grants for Year 1-6 students by 25% each year until Pool Partner funding is phased out.<sup>63</sup>

	2013 VT million	2014 VT million	2015 VT million	2016 VT million	2017 VT million
<b>Years 1-6</b>					
Status quo	195.3	244.1	305.2	381.5	409.7
Constrained UPE	195.3	244.1	305.2	381.5	396.0
<b>Years 7-8</b>					
Status quo	27.8	28.0	28.2	28.4	28.6
Constrained UPE	29.3	31.4	34.0	37.2	39.8
<b>Years 9-14</b>					
Status quo	80.1	80.7	81.2	81.8	82.4
Constrained UPE	84.5	90.3	97.8	106.9	114.4
<b>Total school grants</b>					
Status quo	303.2	352.8	414.6	491.7	520.7
Constrained UPE	309.1	365.8	437.0	525.6	550.2

Source: Review projections drawing on Bennell study projections for junior and senior secondary school enrolments.

It is to be noted from Table 39:

- Under the status quo scenario GoV funding of Year 1-6 grants simply increases by 25% per year. The projected increase in Year 1-6 enrolments is such that while Pool Partner funding would decline over the period a (small) Pool Partner contribution would still be required in 2017.
- Under the constrained UPE scenario, lower Year 1-6 enrolments (with the projected decline in the Gross Enrolment and Repetition Rates) are such that the GoV would assume full funding responsibility for the related grants in 2017.
- The increases in the GoV funding requirements for Years 7-8 and (especially) Years 9-14 under the constrained UPE/UBE scenario reflect the increased Transition Rates projected for this scenario.
- The total GoV funding requirement for school grants is projected to increase by over 70% between 2013 and 2017 under both scenarios but in absolute terms the annual differences in funding as between the two scenarios are not great.
- The projections make no provision for the increase in the grant rate for Year 7-8 students sought by MoE in its budget submission for 2013.<sup>64</sup> The financial implications of such an increase are canvassed briefly in Section 2.5.8.

#### 2.5.4 VIT and VITE

Pending further study of the TVET sub sector the review has no informed basis for projecting future GoV funding requirements for VIT under either a status quo or some alternative scenario. For present purposes it is assumed that VIT maintains its 2012 funding level through MoE of some VT99 million in constant price terms throughout the period to 2017 under any scenario.

Having regard to findings of the Bennell Study the projections for VITE are equally problematic.

<sup>63</sup> 2012 rates per student were: VT 8,900 Years 1-6, VT3,668 Years 7-8, VT8,125 Years 9-14.

<sup>64</sup> Not agreed (to date) by the Ministerial Budget Committee.

On the one hand the Study examines (pages 30, 38-40) likely requirements for VITE graduates. in some detail. The study projects the average annual VITE graduate ‘supply and demand’ numbers for 2012 to 2015 as follows:

- Supply annually, 2012-2015 average: 297 graduates.
- Demand annually, 2012-2015 average, primary and all secondary: status quo scenario 316 graduates; constrained UPE/UBE scenario 415 graduates.

That is, supply and demand for VITE graduates is roughly in balance for the status quo scenario but demand significantly exceeds supply for the constrained UPE/UBE scenario.

On the other hand, the Study’s table at page 42 projects average VITE costs for diploma training (at constant prices) under the constrained UPE/UBE scenario at an unchanging VT79.4 million per year throughout the period 2012 to 2020. This is marginally below the MoE 2012 budget provision for VITE of VT80 million.<sup>65</sup> A possible explanation for this apparent discrepancy is that the Study’s projection of VITE costs has been framed primarily by reference to current VITE capacity.<sup>66</sup> For want of a stronger basis the review projects that GoV funding of the VITE through MoE will also remain unchanged at VT80 million each year (at 2012 prices) throughout the period to 2017.

### 2.5.5 Scholarships

The GoV funding requirement for scholarships is currently in dispute. Reflecting continuing awards of overseas scholarships without regard to the funding provisions for scholarships set by MoE’s annual budgets the funding requirement in 2012 as estimated by MoE is some VT507.5 million as against an original 2012 budget provision of VT 270 million.<sup>67</sup> In these circumstances there is considerable uncertainty as to assumptions to be made in relation to future GoV funding of scholarships. However for projection purposes it is assumed that:

- for the status quo scenario, annual future funding will be held to some VT350 million, being the 2012 provision plus VT80 million in 2013 as recommended by MFEM to the Ministerial Budget Committee;<sup>68</sup>
- for the constrained UPE/UBE scenario a further VT19 million is added in 2013 (rising thereafter) to provide for the Bennell study’s recommendation (page 40) that “the number of overseas scholarships for teaching degrees ... should be increased appreciably to around 15 new awards per year for the next five years ...”.

	2013	2014	2015	2016	2017
Status quo scenario	350.0	350.0	350.0	350.0	350.0
Constrained UPE scenario	369.0	388.1	407.1	407.1	407.1

<sup>65</sup> But note the latter figure includes some GoV funding for the in-service training unit.

<sup>66</sup> As might be suggested by, for example, by the Study’s statement at page 39 that “[a] shortfall could be made up by the re-deployment of Centre School teachers to primary schools.”

<sup>67</sup> Based on MFEM commentary on MoE’s budget submission for 2013.

<sup>68</sup> The difference between the MoE budget request and the MFEM suggested amount will presumably need to be absorbed by some combination of offsetting savings elsewhere in MoE’s budget (e.g. ‘corporate overhead’), the return of failing students and tight control of the new intake in 2013 and beyond.

Source for Table 40: Review estimates based on the above assumptions. Note that the annual cost per student of an overseas scholarship is subject to widely differing estimates. The MoE Annual Statistical Report for 2010-2011 (page 56) put expenditure per scholarship student in 2011 at VT563,160 but this estimate may have included both domestic and overseas scholarships. Based on MoE's original budget and supplementary budget request in 2012 to fund a total of 400 overseas students in 2012 the cost per overseas student per year equates to some VT1.27 million. This figure has been adopted for the constrained UPE scenario.

### 2.5.6 School maintenance

While detailed data are not available GoV spending on school maintenance appears to be some VT36 million per annum at most in recent years and - in reality - probably much less.<sup>69</sup> The Bennell study was not tasked to assess non-teacher issues hence did not address school maintenance issues. However, given past and anticipated capital expenditure on new and refurbished classrooms the issue of how existing and new classrooms will be routinely maintained in future cannot be ignored.<sup>70</sup>

VEMIS data on the number and condition of classrooms have been presented in different ways in respect of the years 2008 to 2011 and while they distinguish between primary and secondary schools they do not distinguish between GoV-funded schools (for which the GoV has maintenance responsibility), Government Assisted and other schools. They are also subject to some surprising variations over time.<sup>71</sup>

Based on the 2010-2011 estimate of classroom numbers, the number of new and refurbished classrooms to be delivered through the VESP, the unit cost per classroom of routine classroom maintenance as estimated by the VESP Design Team, and a number of heroic assumptions this review estimates the total GoV funding requirement for routine classroom maintenance to be a minimum of VT121.5 million annually. This is almost certainly an underestimate but is the best that can be made for current projection purposes.

The following 'status quo' projection of GoV-funded routine maintenance for GoV-funded schools assumes it will continue at a maximum of VT36 million a year. The alternative scenario assumes that this amount is increased annually from 2014 by equal increments to reach funding of VT121.5 million in 2017.

	2013	2014	2015	2016	2017
Status quo scenario	36.3	36.3	36.3	36.3	36.3
'Needs based' scenario	36.3	57.6	78.9	100.2	121.5

Source: Review estimates based on the stated assumptions.

<sup>69</sup> This figure assumes that all GoV funding of Provincial Education Office subsidies/transfers and all MoE 'capital expenditure' has been used for school maintenance. This is certainly not the case in practice but better data are not currently available.

<sup>70</sup> The (draft) VESP Design foreshadows total Pool Partner funding of some A\$12.8 million over 5 years to construct 158 new primary classrooms, refurbish 72 primary classrooms and routinely maintain a further 666 classrooms. The issue of who will undertake funding responsibility for the subsequent routine maintenance of the new and refurbished classrooms does not appear to have been addressed.

<sup>71</sup> Notably that the 2008 VEMIS report listed the grand total number of classrooms in that year as being 6,807 classrooms whereas the 2010-2011 report puts the total in 2011 as being 3,261 classrooms (including ECE).

### 2.5.7 MoE ‘corporate overhead’

For projection purposes this review adopts a broader definition of ‘corporate overhead’ than the programs ‘Cabinet Support’ and ‘Executive Management and Corporate Services’ contained within MoE’s program structure. In addition to these ‘corporate overhead’ is defined as including also a number of cost centres the funding of which is not allocated to individual schools (at least initially), notably: curriculum development, the Examinations and Assessment Unit, the Office of the Director of Education Services, personal emoluments for the Provincial Education Offices, primary/secondary teachers’ incidentals and the Teaching Service Commission.

On this broader definition, GoV funding of MoE’s corporate overhead is equivalent to some 24% of its funding of teacher emoluments in 2004. For projection purposes it is assumed that:

- this relativity remains unchanged over the next five years;
- the future funding requirement for corporate overhead will (at least broadly) reflect the future growth of teacher numbers.<sup>72</sup>

Table 42 presents the projections for GoV funding of MoE corporate overhead derived from these assumptions.

	2013	2014	2015	2016	2017
Status quo scenario	625.3	633.6	644.4	658.8	675.4
Constrained UPE scenario	636.6	656.4	684.3	722.1	736.7

Source: Review estimates derived from assumptions as stated and Table 38.

### 2.5.8 Can the GoV afford UPE/UBE?

The answer obviously depends upon the aggregate budgetary resources available to the GoV and the share of these resources the GoV is prepared to allocate to MoE in pursuit of the UPE/UBE goals.

Table 43 summarises the GoV funding requirements projected in Sections 2.5.2 to 2.5.7.

	2013	2014	2015	2016	2017
Status quo scenario	4,077.6	4,170.1	4,247.2	4,438.3	4,552.2
Constrained UPE/UBE scenario	4,160.5	4,359.1	4,614.0	4,917.7	5,038.8

Source: Review estimates summed from earlier sub-sections.

As to the resources available to the GoV, the review has projected the following scenario:

<sup>72</sup> As a proxy for the anticipated ‘throughput’ of the primary/secondary education systems. Note that all projections are for GoV funding requirements. They therefore exclude, for example, substantial Pool Partner funding for curriculum development.



- Annual real growth of Vanuatu's GDP is maintained at the annual average rate of the five years 2007-2011, namely 3.9% per year<sup>73</sup>; the GoV's recurrent revenue share of GDP (excluding grants) is maintained at the average annual rate of the five years 2007-2011, namely 18.9%<sup>74</sup>; and the MoE's share of GoV recurrent revenues is maintained at the 2007-2011 five-year average of 25%<sup>75</sup>.

Figure 12 charts the implications of the resulting resource envelopes for MoE in terms of the projected deficits between these resource envelopes and the projected funding requirements of the status quo and constrained UPE/UBE scenarios.

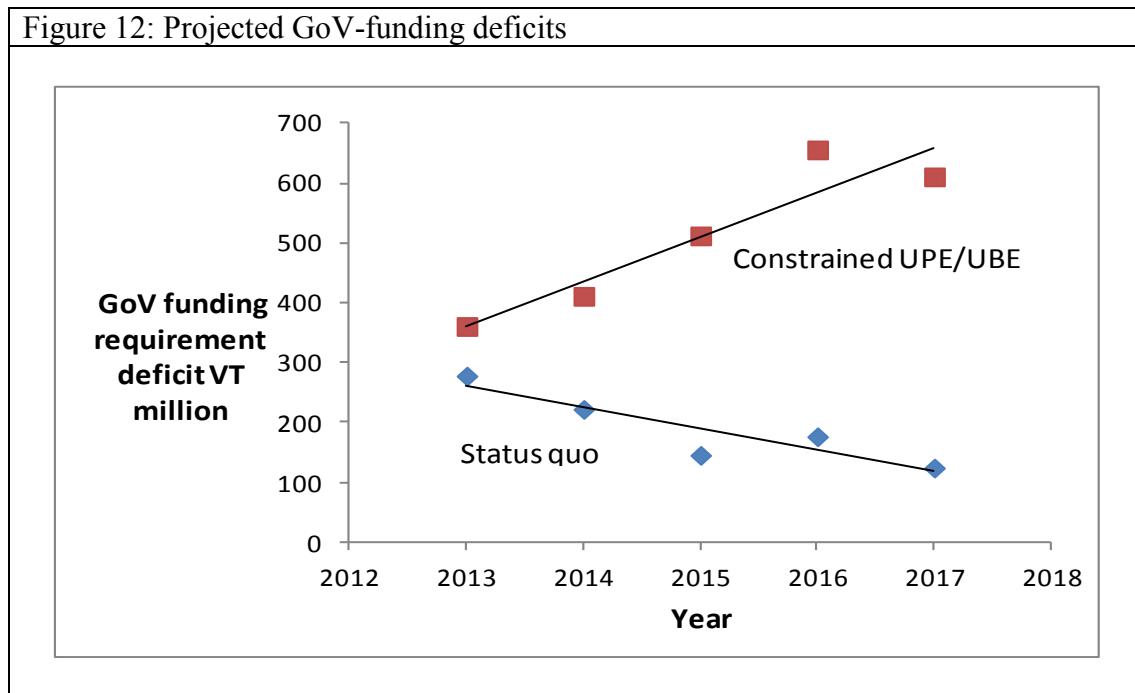


Figure 12 illustrates that the projected GoV funding deficit declines under the status quo scenario but rises under the constrained UPE/UBE scenario. Over the five year period as a whole:

- The total GoV funding shortfall for the five years 2013-2017 is projected to be some 4.6% above the projected resource envelope for MoE under the status quo scenario;
- And some 12.4% above the MoE resource envelope under the constrained UPE/UBE scenario.

Parallel computations indicate that, with an unchanged projected annual real GDP growth rate of 3.9% a year and an unchanged GoV recurrent revenue share in GDP of 18.9%, MoE's share of total GoV recurrent revenue would need to increase from the projected average of 25% to around 28% to eliminate a GoV funding deficit under the constrained UPE/UBE scenario.

So can the GoV afford to fund the (constrained) UPE/UBE goals over the period 2013-2017? Of course any number of alternative Resource Envelope scenarios can quite readily be projected. The above projection simply illustrates the point that, using plausible assumptions, the GoV will be hard-pressed to do so. Under these assumptions, to 'balance the books' for the constrained UPE/UBE scenario over the five year period 2013-2017, the GoV would need to find total savings within MoE of some VT2,550 million or an annual average of some VT510 million.

<sup>73</sup> Source: ADB Statistical Indicators for Vanuatu.

<sup>74</sup> Source: ADB Statistical Indicators for Vanuatu.

<sup>75</sup> Source: MFEM data.

At least three further conclusions follow from all this:

- Under any plausible scenario the GoV will be struggling to meet its commitments for recurrent funding of primary and secondary education. There is no significant ‘slack’ that would enable it to assume a greater responsibility for funding of development costs such as funding the capital costs of new classrooms.
- The GoV funding ‘struggle’ could be alleviated to some extent if the GoV were to adopt less ambitious timeline targets for the extension of primary/secondary education, even as compared to the constrained UPE/UBE scenario.
- Under any circumstances the proposal that has been mooted to increase per-student grant rates for Year 7-8 students would add significantly to the GoV funding challenge - see Table 44.

	2013	2014	2015	2016	2017
At current VT3,668 per head	27.8	28.0	28.2	28.4	28.6
At an increase to VT8,900 per head <sup>76</sup>	67.5	68.0	68.4	68.9	69.4
Difference	39.7	40.0	40.2	40.5	40.8

<sup>76</sup> Equivalent to the Year 1-6 rate, which would exceed the current Year 9-14 rate and therefore inevitably lead to pressure for an increase in that rate also.

## Section 3: Findings and recommendations

### 3.1 Findings

The review's main findings are presented in the form of answers to a series of questions (including those posed in the review's terms of reference).

#### ***Is budgeted expenditure on education allocated in line with strategic objectives?***

At the aggregate level MoE's budgets and expenditures as a proportion of total GoV-funded recurrent expenditure have been trending upwards over the past decade, albeit with fluctuations from year to year. Its budgets have also been on a (slightly) upward trend as a proportion of Vanuatu's GDP. Both trends are consistent with the high priority attached by successive governments to raising access to and the quality of education.

At the sub sector level, Pool Partner funding of priorities identified in the VERM and any GoV funding directly linked to Pool Partner funding has been aligned with the main priorities articulated by the VERM. Beyond this it is difficult to compare GoV budget and expenditure trends at sub sector levels to the GoV's stated priorities at these levels because:

- the GoV has articulated via multiple policy statements for the education sector as a whole and sub sectors within it an extensive number of 'priorities' covering all sub sectors;
- in almost all cases these sub-sector 'priorities' have not been costed or integrated within an annual or medium-term budget framework for the education sector as a whole.

In addition to its own stated priorities the GoV has subscribed to the MDG and EFA goals, both of which place principal emphasis on improving the quantity and quality of primary education. Assessed against this priority, GoV-funded budgets and expenditures have been heading in the opposite direction. Table 45, reproduced from Section 2.1, demonstrates the point.

Table 45: Percentage changes in sub sector budgeted expenditures, 2011 on 2007, in real terms (2006 prices)	
	Real change
Primary schools	- 0.6%
Secondary Schools	- 7.3%
VIT, VITE, MYDT and MFEM post secondary budgets	+ 90.9%
Scholarships	+ 464.1%
Source: Derived from dissection of MoE original budgets 2007-2011, converted to 2006 prices by the GDP Price Deflator from ADB Key Indicators for Asia and the Pacific.	

The *development* challenges facing the primary school sub sector in particular are being addressed almost exclusively by development partner funding.

#### ***Are education budgets executed as intended?***

Yes, broadly speaking, at the level of MoE as a whole. Below that level, non-salary expenditure patterns increasingly diverge from original budgets in the descending hierarchy of MoE programs and cost centres.

MoE's aggregate GoV-funded expenditures over the period 2008-2011 were within plus 1.9% at most of its original annual budgets and within minus 0.8% to plus 1.5% of its final budgets. This relatively narrow divergence between aggregate budgets and actual expenditures almost certainly reflects - primarily - tight 'macro' expenditure control by MFEM. At the program level there are large variations between budgets and actual expenditures (up to around 34% over budget and 25% below budget in some cases). At the cost centre level data on original budgets and actual expenditures at this level indicate that in 2011 some one-third of MoE's 58 cost centres in that year recorded divergences of 10% or more between their original budgets and actual expenditures. This indicates significant weaknesses in budget planning and/or subsequent expenditure control within MoE.

### ***Does education spending reach its intended beneficiaries?***

Some 80% of MoE's budgeted expenditure in 2012 was for personal emoluments while 82% of that 80% was for primary and secondary teacher emoluments. Following a major 'cleansing' of the teacher payroll in 2009 it appears that the great majority, if not all, teachers and other MoE employees being paid are entitled to be paid. Thus it can be said that the greater part of MoE's budgeted expenditure reaches its intended beneficiaries. Problems in relation to teacher emoluments are not primarily problems of teachers receiving pay to which they are not entitled (although the administration of allowances in particular appears haphazard). The bigger problem by far is lack of funding to remunerate teachers recruited in numbers that exceed budget provisions.

Payment of school grants amounted to approximately 27% of MoE's non-salary recurrent expenditure in 2011. The rationalisation of school bank accounts and accompanying revised arrangements in 2010 for payment of school grants direct to schools have markedly strengthened the likelihood that this component of MoE's non-salary recurrent spending reaches its intended beneficiaries (i.e. schools).

As for the balance, it appears clear, however, that significant unbudgeted expenditures are incurred and that some of these, at least, are charged to cost centres/account codes unrelated to the purpose of the unbudgeted expenditures. By definition, to the extent unbudgeted expenditures are incurred and funded at the expense of original budgets the originally budgeted expenditure is not reaching its intended beneficiaries.

### ***Is education spending efficient?***

Prior studies over the years have highlighted the high-cost nature of Vanuatu's education system including historic, linguistic, geographic and other features of Vanuatu contributing to this. The Pacific region indicators available suggest that, notwithstanding the relatively high share of education in the GoV's recurrent spending the 'efficiency' of the primary sector in terms of net enrolment rates and survival rates to the last primary grade are at the lower end of regional norms. Moreover the available data suggest that efficiency has not improved in recent years. Section 2.2 has reviewed the evidence in relation to both the 'internal' efficiency of the education system and the efficiency of system management. It has concluded that:

- As measured by intake, enrolment, repeater and drop-out rates over the period 2007-2011 the internal efficiency of both primary and secondary sectors has been essentially static.
- While some useful improvements in management of the education system have been made substantial weaknesses remain, especially but not limited to teacher recruitment, training and deployment practices.

### ***Has education spending had its intended impacts?***

From a long-term perspective Vanuatu's public expenditure on education has certainly had a substantial positive impact on *access* to primary and secondary education, the proportion of the population aged 6 to 19 years rising from 58% in 1967 to 72% at the 2009 National Census notwithstanding rapid population growth.

Recent trends are less encouraging when set against the VERM strategic goal for access. Net Intake and Enrolment Rates at primary level have been static (at best) over the period 2008-2011. Net enrolments rates for Years 7 plus continue to fall substantially below any measure of universal access to secondary education. Survival rates to Years 6, 10 and 13 fell over the period 2009-2011.

It is not possible to draw evidence-based conclusions regarding the impacts of public expenditure on the *quality* of education outcomes in Vanuatu pending the establishment of robust time series data in relation to literacy and numeracy in particular. The limited data available suggest that increased access to primary and secondary education in recent years, in terms of total numbers enrolled, may have been at the expense of improved quality.

### ***Is education spending equitable?***

The review finds:

- There is no evidence of significant imbalance between males and females in access to either primary or secondary education although for those seeking tertiary scholarships it would (currently) be better to be a male.
- There is no systematic pattern of differentials between Provinces in access to or the quality of primary education. The data do, however, suggest systematic differences favouring urban relative to rural areas in terms of access to and the quality of primary schools, and in terms of educational attainment.
- Access to secondary and post-secondary (including tertiary) education is clearly more favourable for the relevant age groups residing in urban areas.
- While the data are dated, access to education at all levels and levels of educational attainment are correlated with household income/wealth (the richer the household, the higher the level of education access and attainment).

Whether these patterns are 'equitable' or otherwise requires subjective judgments. Moreover judgments as to the 'equity' of access to education (who benefits) should not be framed in isolation from the issue of 'who pays', not just by way of school fees but more broadly in terms of the incidence of taxation in Vanuatu.

### ***Can Vanuatu afford the goals of universal primary and basic education?***

Not over the next five years unless:

- Vanuatu's annual real growth rate of GDP is significantly faster than the average for the period 2007-2011; and/or
- The GoV's recurrent revenue share of GDP is significantly increased; and/or
- MoE's share of GoV recurrent revenue rises beyond its already high share of around 26%.

The review's projections suggest that, if none of these change, achievement of the constrained UPE/UBE scenario (at current prices) would add an *annual* average of some VT510 million (12%) to MoE's recurrent funding requirement over the period 2013-2017 compared to the status quo. The principal driver of the higher costs associated with the constrained UPE/UBE scenario is the projected increase in the transition rate from primary to secondary schooling.

Under any plausible scenario the GoV will be struggling to meet its commitments for recurrent funding of primary and secondary education. There is unlikely to be any 'slack' that would enable the GoV to fund an increase in the per-student school grant for Years 7-8 students, much less to assume greater responsibility for funding of development costs such as the capital costs of new classrooms.

***What are the principal weaknesses in public financial management of the education sector?***

The review suggests that there are five key weaknesses of public expenditure management contributing to poor outcomes from GoV spending on the education sector.

- The GoV is trying to do too much relative to current and prospective funding availability. Every education sub-sector is a 'priority' in policy terms which means that in public expenditure terms there are no effective priorities. The medium-term public expenditure implications of stated policy priorities are not assessed, let alone reconciled as between one 'priority' and another.
- In the absence of systematic GoV consideration of its education sector expenditure priorities, GoV recurrent budget allocations are typically determined on the basis 'last year's budget plus or minus a small amount'. Serious debate concerning expenditure priorities is confined to the allocation of development partner funding while GoV recurrent funding broadly rolls on from one year to the next on a 'business as usual' basis.
- Other than at an aggregate level within ceilings enforced by MFEM, the GoV and MoE have lost control of education expenditures relative to budgets. There are myriad symptoms of this. If the GoV/MoE cannot control at a program and cost centre level their expenditures relative to budgets they have no prospect of relating inputs to outputs/outcomes or of holding managers accountable for the results of public spending.
- Despite the best endeavours of MoE senior management it appears that decisions and instructions from a political level pay scant regard to either stated policy priorities or funding availability.
- Whether reflecting capacity constraints or other causes legislative requirements (and regulations/instructions pursuant to legislation) in relation to financial reporting on public expenditure at the level of Ministries, Provinces and schools are persistently and comprehensively ignored by most players at most levels. Consequently the GoV, the Parliament and communities at large have very little basis for assessing how public expenditure has actually been spent.

With the partial exception of the last point the review suggests that these weaknesses are not primarily a function of either funding or 'capacity' constraints. They are almost entirely within the competence and ability of the GoV to address if it wishes to do so.

### 3.2 Recommendations

Prior studies and reviews by both technical advisors and GoV agencies have previously recommended a range of measures aimed in various ways at improving the efficiency ('value for money') of Vanuatu's public expenditure on education. The review endorses and recommends the following in particular.

**Recommendation 1:** That the Government of Vanuatu actively seek to implement and/or enforce the following recommendations of prior reviews:

- a) Amend the Teaching Service Act to vest teacher appointment powers solely and unambiguously in the hands of the Teaching Service Commission.<sup>77</sup>
- b) Strengthen the administrative resources of the Teaching Service Commission.
- c) Transition to application of correct age entry to Year 1 of primary schooling.
- d) Strictly apply the salary rates specified for unqualified/uncertified teachers.
- e) Enforce stricter administration of teacher housing allowances.
- f) Rotate teachers between schools less frequently and, possibly, provide some preference in teacher appointments for appointees originating from specific rural/remote locations.
- g) Review teacher pay structures and conditions aimed at rewarding good performance (possibly implemented over time by application to new teaching service entrants).
- h) Enforce transparent public tendering and outsourcing of school supplies including strict adherence to the provisions of the Public Contracts and Tenders Act.
- i) Strictly apply merit-based principles for the award of GoV-funded scholarships, re-call scholarship recipients failing intermediate stages in their progress to an award and provide for representation of the PMO and MFEM on the National Education Commission.
- j) Define a financially sustainable policy on the issue of leases for school sites.
- k) Ensure that appointments to education-related governing and advisory bodies are made strictly on merit.
- l) Improve the coding of expenditure transactions conducted through school bank accounts to better track the uses to which funding is being put by schools.

The review notes that none of these actions would entail a significant cost (indeed some would produce savings) yet, overall, could be expected to markedly improve the 'value for money' of public spending.<sup>78</sup>

In addition to these actions the review has identified five priorities for action from a public financial management perspective and a recommendation associated with each. These are presented in descending order of priority as the review sees them.

*Strengthen control of annual funding inputs:* It is a cardinal principle of public financial management that before governments can hope to influence outputs, much less outcomes, they should establish firm control of financial inputs. As this review has documented, while the GoV

<sup>78</sup> It is understood that draft amendments to the Teaching Service Commission Act 1983 to give effect to Item (a) of Recommendation 1 (and other reforms of the teaching service) have been prepared but have yet to be presented to the Council of Ministers. As regards Item (i) of Recommendation 1, the PMO and MFEM could probably be given 'observer' status on the NEC without need for legislative amendment. However, if they are to be formally represented as members of the NEC then Section 47 of the Education Act, 2001, would need to be amended. Perhaps by amendment of Section 47(6) to delete the requirement that "The 3 other members of the Commission must be representatives of the non-government sector."

(through MFEM) has exercised good control of MoE expenditure at an aggregate level expenditures below that level are not well-controlled for reasons both within and beyond the control of the MoE. In addition to addressing the issue of unbudgeted teacher appointments the GoV, MFEM and MoE can gain better control of annual expenditure inputs in four main ways.

**Recommendation 2:** Strengthen control of annual funding inputs by the following means.

- a) Via MoE and MFEM, systematically review proposed funding allocations to MoE cost centres for 2013 and annually thereafter to ensure these reflect realistic assessments at each cost centre level of what is to be spent (within the aggregate funding ceiling) rather than the prior year's cost centre budget.
- b) In conjunction with (a) undertake a thorough review of actual expenditures at the cost centre level in 2012 to determine the extent to which actual expenditures were posted to the correct cost centres/codes.
- c) Ensure in 2013 and beyond that any unbudgeted expenditure to be funded from within MoE's original budget ceiling is formally vired within Smartstream to the appropriate cost centre/code from the cost centre/code providing the funding source.
- d) Introduce a requirement via an MFEM directive that any proposed unbudgeted expenditure exceeding (say) VT5 million in any given year is to be formally submitted to MFEM and/or the Ministerial Budget Committee for approval of both that expenditure and how it is to be funded.

Item (b) should be undertaken as part of a wider tracking survey to better establish the extent to which the GoV's budgeted recurrent expenditures have been reaching intended beneficiaries.

*Identify and align genuine policy priorities with GoV-funded recurrent education spending over the medium-term:* The review has documented the wide array of policy 'priorities' for the education sector articulated by the GoV in recent years together with the fact that, with the partial exception of increased school grants in 2010, these have not been costed in a meaningful way. The review has further noted that, based on relatively simple forward projections of costs associated with the UPE/UBE goals, the GoV faces a substantial funding challenge in meeting its recurrent funding obligations associated with these goals. There is a pressing need to take stock of the GoV's multiple policy priorities for the education sector, raise awareness at a political level of their expenditure implications, and seek to quantify how the highest priority objectives are to be funded over the next 3-5 years.<sup>79</sup>

<sup>79</sup> This is not recommending the development of a formal medium-term expenditure framework for the education sector. The record of attempts to do this for education systems in other countries is very mixed. It is recommending that GoV agencies allocate additional effort to quantifying the medium-term expenditure implications of policy alternatives, using if necessary the simplest projection methods and assumptions.



**Recommendation 3:** Consider the following means of better aligning GoV recurrent expenditures with GoV policy priorities for the education sector.

- a) Refine projections of the likely resource envelope for the education sector over the period to 2017, identifying in consolidated form both the GoV's likely recurrent resources and expected inputs by the principal development partners.
- b) Having regard to the projected resource envelope rigorously review, via the Ministerial Budget Committee, existing policy statements and their objectives to distinguish between those that are to be funded, by whom and to what extent, from those that are of an 'aspirational' nature.
- c) As part of this process, from amongst the Minimum Quality Standards defined for primary schools select a sub-set that can (realistically) be funded and implement them via New Policy Proposals.
- d) Ensure that, insofar as future policy statements of objectives require medium-term funding to achieve them, these are adequately costed with funding sources quantified, and that these costings are submitted to the Ministerial Budget Committee for review and endorsement prior to public statements of the policies.
- e) Via the PMO, MFEM and the Ministerial Budget Committee ensure that not only New Policy Proposals but also proposed allocations of ongoing GoV-funded recurrent expenditures are consistent with the GoV's highest medium-term funding priorities.

Underlying each of these suggestions is the need to shift the focus of education sector planning from what is desirable in the long term to what is affordable in the medium term.

*Reverse the trend of declining real GoV-funded expenditure on Vanuatu's primary education sub-sector:* There has been ample research over the years demonstrating that the social (as distinct from private) returns to investment in education are highest at the primary level. In the Vanuatu context, public investment in the primary sector is likely to favour rural areas in particular which may be regarded as improving the equity of public spending as well as primary outcomes. The draft design of the VESP orientates Pool Partner funding towards the ECE and primary sectors in particular. The GoV should also aim to reorientate its recurrent spending back towards the primary sector.

**Recommendation 4:** Seek to reverse the trend of declining real GoV-funded expenditure on primary schooling by, within the aggregate medium-term resource envelope:

- a) Steadily reducing GoV net funding of scholarships to no more than VT250 million by 2017 and beyond - the budgeted amount for 2010 - by either cutting the future number of scholarship awards and/or introducing substantial co-payments (possibly via loans) by scholarship recipients.
- b) Not increasing in real or nominal terms the rates of per student school grants for either Year 7-8 or Years 9 plus students.

Compared to the status quo and based on MoE's supplementary funding request for 2012 item (a) would save around VT260 million a year in and from 2017 at 2012 prices. In projected 2017 price terms item (b) would save around VT16 million a year by 2017 and avoid additional expenditure on Year 7-8 grants of around VT48 million.<sup>81</sup>

<sup>81</sup> There is nothing in the Education Act, 2001 (specifically, Sections 33 and 34) that would require amendment to implement Item (b) of Recommendation 4, or to implement Item (a) of Recommendation 5. The School Grants

*Target 'discretionary' GoV-funded spending on education better:* How teachers are trained, deployed and remunerated are major aspects of targeting. For example, evidence suggests that the 'best' primary school teachers (however assessed) should be steered towards teaching of Year 1 students. This aside, from a public expenditure perspective MoE's 'discretionary' expenditure comprises primarily its expenditure on school grants, non-salary expenditure on Provincial Education Offices and other goods and services.<sup>82</sup> Between them these categories accounted for some 10% of MoE's direct budgeted recurrent expenditure on the primary and secondary sub-sectors in 2012.

Primary school grants have displaced, on a non means-tested basis, a minimum of VT300 million from funding of the primary sub-sector that was previously supplied by parents in cash. Whatever the equity merits (or de-merits) of this, particularly in terms of the rural-urban divide, they constitutes a major funding commitment by the GoV which in their present form neither target individual school needs nor reward schools for the performance improvements they are able to achieve. The (lower rates of) per-student grants for secondary school students are similarly non-targeted.

Funding of the Provincial Education Offices, especially non-salary funding including provisions intended for school maintenance, are with rare exceptions identical across the six Provinces. Again, budget provisions for non-salary expenditure do not appear related in any way to an assessment of needs at the Province level.

**Recommendation 5:** Consider the following steps to improve targeting of non-salary primary school funding within aggregate resource availability.

- a) Freeze the current per-student school grant for Years 1-6 (VT8,900 per student) at the current amount for the next five years and redirect the savings in real terms to establishment of a schools improvement fund accessible on a competitive basis by individual primary schools based on criteria for assessment of their relative improvement needs, past performance in addressing them and parental/community commitment to co-financing them.
- b) In conjunction with the proposed VESP support for classroom construction and school maintenance, rigorously assess the current allocation of non-salary funding of Provincial Education Offices to better align its school maintenance component with the highest priority school maintenance needs across Provinces.

The review projects that item (a) could, in 2017 price terms, deliver annual savings to the GoV of some VT60 million in 2017 for funding of the primary schools improvement fund but the precise amount is less important than the principle. Access to the schools improvement fund could be determined in the following way:

- A fixed pool of grant money each year, allocated by Province on a primary schools enrolment basis, open to competitive bidding by schools for matching funds.
- Applications by individual primary schools based on school improvement plans identifying improvement priorities that cannot (in the school's view) be funded from per-

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Scheme approved by the Minister for Education on 22 January 2010 foreshadows, but does not obligate, increased school grants for Year 7-8 students and maintaining the value of school grants in real (inflation adjusted) terms.

<sup>82</sup> MoE 'discretionary' spending on scholarships has been addressed above.

student grants and how the desired improvements are proposed to be funded - including via 'voluntary' community/parental contributions.

- Initial assessment of school 'bids' for the improvement funds to be undertaken by SIAs/ZCAs, reviewed by PEOs and then subject to recommendations (within available funds) by the SBM Unit in MoE.
- Criteria against which funding applications would be assessed to include:
  - potential contribution to minimum quality standards (what and how);
  - scale of intended community contribution in cash or kind (as a proxy for scale of community support);
  - past compliance with requirements for financial management of grants.

*Over the medium- and longer-term term, actively pursue and resource devolution of funding responsibilities and accountabilities to the school/community level:* Over the years the GoV with development partner support has dramatically raised access to education. For the future, the review is convinced that better efficiency and effectiveness will need to be driven primarily by better transparency of public spending and accountability for performance outcomes. The stakeholders best-placed, in principle, to monitor funding and assess performance outcomes are the ultimate clients, notably at primary and secondary levels individual schools and their communities.

Devolution of funding management and related responsibilities to the school/community level will realistically need to proceed at a measured pace over the next decade at least. It will need to be accompanied by ongoing, systematic and adequately funded training and community awareness activities to strengthen capacity at the school/community level to manage resources and account for the use of public funds. But in a country as diverse as Vanuatu and with the limitations it faces in the capacity of its national agencies this is the only viable direction for long-term improvement in public expenditure and effectiveness.

**Recommendation 6:** Over the medium-term, actively pursue devolution of funding responsibilities and accountabilities to the school/community level including by:

- a) Clearly defining and communicating which levels of service delivery (MoE/TSC central, Provincial Education Offices/Boards, individual schools) will be responsible for funding and accounting for what over the medium term.
- b) Through the School Based Management Task Force, continuing to roll-out basic training in financial management and record keeping to schools, School Improvement Advisors and Zone Curriculum Advisors.
- c) Designing and delivering via VITE a financial management module as part of pre-service teacher training.
- d) Exploring longer-term devolution options (e.g. a role for school councils in teacher appointments and/or performance review).

## Section 4: Monitoring and Evaluation

### 4.1 Introduction

The Terms of Reference for this review included a requirement that the review “also report back on the availability and quality of public expenditure monitoring information and evaluative capacity currently available to the Ministry of Education (and other Education sector partners where relevant). Recommendations should be made on the capacity building needs of MoE in terms of setting up a fully functioning internal monitoring and evaluation system.” However, this requirement substantially overlaps with and potentially duplicates:

- the current (NZ-funded) review of information management in Vanuatu’s education sector;
- activities and resourcing proposed by the (draft) VESP Design to strengthen strategic monitoring and evaluation in the MoE.

The draft policy implementation strategy for a New VEMIS envisaged by the current review of information management proposes a series of eight upgraded and integrated software modules of which three are directly related to needs for improved monitoring and evaluation of public expenditure:

- Module 3: Pre-school and school asset data base.
- Module 7: Financial module - education accounting, including an aggregate view of income and expenditure by institutions by various classifications, island, province, and country-wide.
- Module 8: Per-student cost and analytical framework for analysing the allocation of public resources for education.<sup>83</sup>

The Draft VESP Design envisages a comprehensive program of support to strengthen MoE M&E capacity including:

- Appointment of a strategic M&E Advisor.
- “The M&E strategic adviser will take the lead on developing documentation, initially clarifying the scope and purpose of the M&E system and crystallising this into a few overarching evaluation questions.”
- “The results framework will be finalised through consultation to ensure that the targets are achievable and useful.”
- “Each data collection tool/ testing instrument will be detailed and accompanied by a description of how it will inform decision-making.”
- “The documentation will include sections on evaluation and reporting. It will include a schedule for evaluation studies and a set of evaluation questions to guide these studies.”
- “The M&E strategic advisor will create a 5 year plan for capacity development in monitoring and evaluation. This will commence with an analysis of stakeholder needs, and will feed into a tailored program of capacity building inputs to continue through the life of the program.”<sup>84</sup>

The present review does not attempt to duplicate or pre-empt these current/prospective reviews of M&E needs. Rather it offers some initial observations for their consideration.

<sup>83</sup> ‘Draft Policy Implementation Statement: Approach to Upgrading and Expanding the Current Information System, Working Paper for Discussion Version 2’ (October 2012), pages 11-13.

<sup>84</sup> Draft VESP Design Annex 9: ‘Monitoring and Evaluation’ (September 2012).

## 4.2 Current status of M&E

There have been some encouraging developments in relation to monitoring and evaluation of MoE programs and activities:

- As noted earlier (Section 2.4.3), while much remains to be done the quality of data gathered by VEMIS and of the reports it generates is improving.
- Related to this, the range of indicators VEMIS is capable of tracking has expanded significantly since preparation of the Vanuatu Education Sector Strategy in 2006.
- The joint MoE-MFEM evaluation of the use of primary school grants in 2010 was a valuable exercise in its own right and established a good precedent for similar joint evaluations in the future.<sup>85</sup>
- The rationalisation of school bank accounts has provided a potentially valuable source of data for the monitoring of school incomes and (with future work on the coding of account transactions) expenditures.

Despite progress of this kind significant weaknesses remain.

- Successive policy documents relating to the education sector have contained targets and indicators that are either (realistically) non-measurable or have yet to be measured.<sup>86</sup>
- They have also included a range of ‘task-related’ indicators (e.g. develop approved sub sector policy statements by a certain date) that would more appropriately be monitored through internal work plans.
- While of interest individually the indicators reported by the MoE’s annual statistical digest (drawn largely from VEMIS) are, overall, a confusing mix of input, output and outcome indicators with little attempt to evaluate the relationships between these.
- Different reports present differing data for the same indicators, in many cases said to be drawn from the same source (notably VEMIS).<sup>87</sup>
- There is no systematic process within MoE for tracking progress against strategic plans or for evaluating program outputs and outcomes on a regular (rolling) basis. Evaluations of the sector as a whole and individual programs/activities within it have typically been led and undertaken by external technical assistance funded by the development partners. Where MoE has itself prepared or contributed to overviews of progress towards achievement of education sector goals these have generally been in response to the requirements of multilateral agencies rather than to meet MoE needs.<sup>88</sup>
- M&E activity remains primarily focused on the primary and secondary sub sectors. While this is understandable given the dominance of these sub sectors within overall GoV funding of education, basic data (not to speak of measurable performance indicators) remain lacking in relation to the ECE and post-secondary sub sectors.
- Most importantly of all, and as a corollary of the continuing disconnect between policy planning and budgeting (see Section 2.2.2), the monitoring and evaluation of public expenditure on the education sector and sub sectors within it remains rudimentary. Moreover such expenditure monitoring as occurs at anything approaching a strategic level appears to be undertaken largely by MFEM rather than MoE. The findings of such

<sup>85</sup> ‘Primary School Survey Use of Grants under the UPE Policy in 2010’ (August 2011).

<sup>86</sup> For example the (Draft) PAA Action Plan 2011-2015 defined 21 Policy Objectives and Strategies for National Strategic Priority 6 ‘Education and Human Resource Development’. Of the 35 associated progress indicators no baseline and/or target was specified for around half of them.

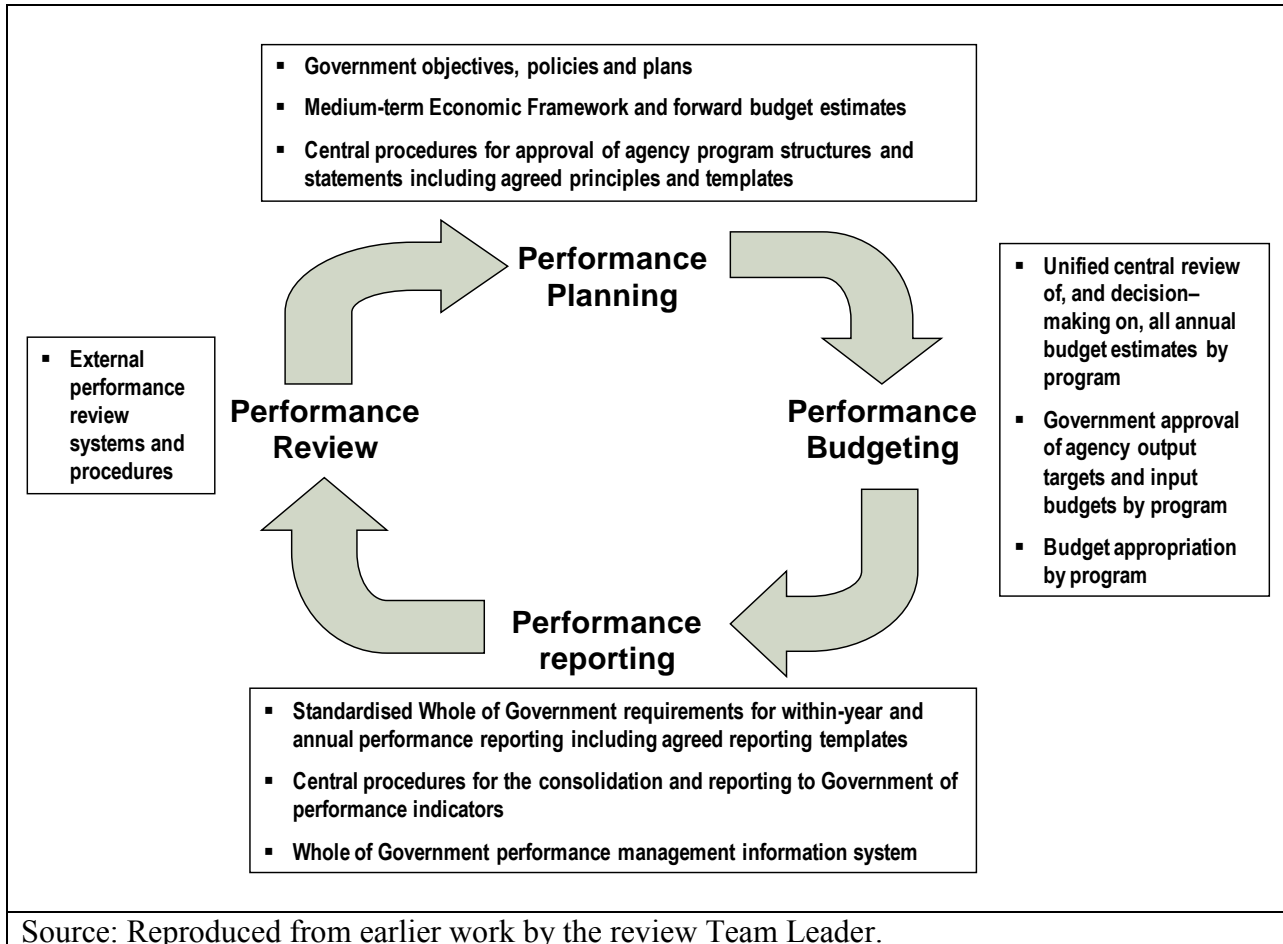
<sup>87</sup> Several instances of this have been noted by the present review, including in relation to such basics as total MoE expenditure in a particular year and education spending as a proportion of GDP.

<sup>88</sup> Notably Vanuatu’s 2010 report on progress towards the MDG goals and its 2012 report on progress towards the EFA goals.

monitoring and evaluation as occurs do not appear to play any role in the determination of MoE's annual budgets or the allocation of resources as sub sector level.<sup>89</sup>

### 4.3 Some suggested priorities for improvement

From a public expenditure perspective the key elements of an integrated monitoring and evaluation system for public expenditure are as depicted in the following chart.



Many of these elements are currently lacking in Vanuatu, not only in relation to the education sector but across GoV spending as a whole.

The following suggestions are advanced from the following perspectives:

- The GoV's and MoE's capacities to strengthen M&E of the education sector will remain 'stretched' for the foreseeable future (5-10 years). Priorities for improvement should acknowledge this and aim for the realistically attainable rather than the 'perfect'.
- The most important current M&E weakness is the weakness in linkage between GoV public expenditure inputs and education sector outputs/outcomes.

<sup>89</sup> As the current review of information management in the information sector has noted "A viable, reliable and authentic information system is critical for not only monitoring and evaluating progress but also as the basis for policy making and costing, evidence-based planning and informed decision making, and wider financial forecasting. Financial forecasting is an essential element of effective resource management; in its absence, expectations and planning are likely to be disconnected from the realities of available resources." (Draft Policy Statement on Information Management in the Education Sector Version 2 (October 2012), page 9.

Further development of M&E systems for the education sector should be guided in part by the following suggestions.

- 1) Continue to improve the reliability of data currently generated by VEMIS before attempting to expand its scope.
- 2) Clearly define, rationalise and consolidate the range of indicators to be measured and tracked through VEMIS. In particular:
  - clearly identify the performance indicators to be tracked against that sub-set of policy objectives that the GoV and development partners intend to explicitly fund over the medium-term;
  - clearly identify who intends to use these indicators, how and for what purpose.
- 3) Following from (2), identify the key input and output indicators to be developed and used as input to an annual budget process that reviews proposed allocations of both GoV and development partner funding against stated priorities and progress towards their achievement (see also Section 3, Recommendation 3).
- 4) Derived from (2) and (3), ensure that MoE's (and other education-related) submissions to the Ministerial Budget Committee are accompanied and supported by annual reports in relation to progress against 'core' targets for the education sector.
- 5) Related in part to (4), require Ministries (including MoE) to report annually, via their 'Tome 3' Budget documentation, not only performance indicators for the current financial year but also achievement against stated targets for the prior financial year.
- 6) Develop a rolling forward program of joint MoE-MFEM public expenditure evaluations at sub-sector and program levels linked to (but not confined to) VESP program outcome targets.
- 7) Demonstrate that, over time, the results of more systematic M&E are reflected in the GoV's financial resource allocations to education sub-sectors (within any given expenditure cap for the sector as a whole).

From a longer-term perspective the GoV needs to consider how it will migrate the current 'program' structures of its Ministries (including the MoE), which are essentially based on organisation structures rather than programs in a meaningful sense, towards more meaningful program structures better enabling monitoring and evaluation of expenditure inputs to program outputs/outcomes.

As for other GoV Ministries/agencies, the MoE's current account code structure for budget planning and financial management bears no relationship to its performance objectives (or targets) for the education sector. The present structure is summarised as follows:

Code and "program"	Number of cost centres	2012 GoV-funded Budget for "program" (VT million)
MEA Cabinet Support	1	44.1
MEB Executive Management/Corporate Services	12	144.3
MEC School Education	46	3605.1
MED/MEE - Codes not used at this level	-	-
MEF Teaching Service Commission	1	107.7

- Some 92% of MoE's total GoV-financed expenditure is allocated to a single "program" (School Education).
- Individual cost centres vary in significance from (for example) '54EK School Solar Panel Maintenance', 2012 budget VT0.74 million, to 'MEFB Teaching Service Commission', 2012 budget VT108 million.
- Both 'cost centres' and 'programs' are essentially aligned with the Ministry's organisation structure - neither are aligned with 'programs' in the real sense - a set of related activities directed towards a common objective.

The consequence of this is that is difficult to align and consolidate, for budgeting and reporting purposes, GoV-funding and development partner funding of the education sector against expenditure priorities and outputs/outcomes planned for the education sub-sectors.

Many factors influence whether and over what time frame it is sensible to contemplate the introduction of a meaningful program planning and budgeting system that systematically plans and manages expenditure inputs from all sources by reference to planned/actual outputs and performance targets. Account code structures and the capacity of the associated financial management information system to support them are but one influence. But if it were agreed that MoE's current account code structure is incapable of supporting program-based budgeting, monitoring and evaluation then first steps would be to:

- a) map a meaningful financial program structure reflecting sub-sector priorities;
- b) map an account code structure reflecting (a);
- c) examine MoE's willingness and Smartstream's capacity to migrate (or cross-talk) to a more meaningful program structure.



## **Annex 1: Abbreviated Terms of Reference**

The final report should include:

### **PART I – Introduction and Sector Overview**

This section should set the context and the scope of the PER and include:

- Institutional structure of the sector and responsibilities for expenditure allocation and management
- Current Education sector priorities (the stated high-level strategies/objectives), indicators and perceived challenges
- Trends in policy in the sector
- Status of sector strategy development and associated analytical work

### **PART II – Analysis of Public Expenditure in the Education Sector**

The work should then focus on four areas which will constitute the core of the PER. For clarity, these should be examined separately.

#### *i) Resource Allocation*

Short analysis of allocation (and trends in allocations) of overall resources to Education sector:

- Vis-à-vis other sectors
- Vis-à-vis international and regional norms and averages
- Vis-à-vis the balance between primary, secondary and tertiary etc
- In nominal, real and per capita terms

In depth analysis of resources allocated to Education sector: Is the intra-sectoral allocation in line with strategic priorities?

#### *ii) Resource Disbursement*

In depth analysis, assessing whether the resources allocated actually reached the intended spending unit.

#### *iii) Budget Execution*

In depth analysis, assessing whether the spending units succeed in executing the budget they received.

These analyses in (ii) and (iii) will include an examination of the management of procurement, payroll and allowances.

#### *iv) Impact of expenditures*

In depth analysis of whether actual expenditures had the intended impact (compared with strategic priorities, programmes, sub-programmes and activities). Analysis of who benefits from

public services provided, by (where possible) geographical distribution (province, rural/urban), gender, income level. Where feasible, this would be complemented by an estimate of the costs per client at different levels of service (primary, secondary, tertiary etc).<sup>90</sup>

Intra-sectoral allocation, resource disbursement, budget execution and impact of expenditures should examine the available data and trends in the data over the past 3 years and should be broken down (where possible) by:

- Institution and administrative level (central Government, province level, district level)
- Sub-sector/programme
- Source of resources (central government, donors etc.)
- Recurrent/development and type of expenditure (e.g. wages and salaries, goods and services, maintenance, construction etc.)
- Geographical distribution (urban/rural, province)

### **Part III – Findings and Recommendations**

Following from an analysis of public expenditure in the Education sector, the report should draw conclusions on the effectiveness of public expenditure in the Education sector. It should then go on to assess the reasons behind any weaknesses identified. Proposals should relate directly to the four focus areas in Part II.

#### *Findings*

- Conclusions of the effectiveness of spending in the Education sector, including:
  - Proportion allocated in line with strategic objectives
  - Proportion disbursed in line with allocations
  - Proportion of received budgets which are executed
  - Proportion of spending reaching intended users and uses
  - “Leakage” analysis of the system
  - In-depth analysis of the reasons behind any weaknesses identified above

#### *Recommendations*

- Structured proposals to address weaknesses identified / make improvements to the effectiveness of Education sector spending in achieving its strategic priorities
- Recommendations addressing any weaknesses identified in the four focus areas above
- A needs assessment of the resources (financial and non-financial resources) required to meet these recommendations (given existing policy objectives)
- Comparison of financial impact of current and possible future policy scenarios with likely resource availability
- Recommendations on adapting policy and/or financial allocations to ensure consistency

### **PART IV – Capacity building needs of the Education sector**

#### *Monitoring and Evaluation System*

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<sup>90</sup> Some the analytical requirements will need to be approached on a 'best endeavours' basis and subject, in particular to the current availability of data or new data that can reasonably be gathered during the assignment. For example, detailed analysis of impacts by income levels and urban/rural areas are likely to be severely constrained by data limitations.

During the course of the study, the consultants are required to use existing sources of information wherever available. The consultants should also report back on the availability and quality of public expenditure monitoring information and evaluative capacity currently available to the Ministry of Education (and other Education sector partners where relevant). Recommendations should be made on the capacity building needs of MoE in terms of setting up a fully functioning internal monitoring and evaluation system.

- Recommendations on the implementation of a permanent monitoring and evaluation process internal to MoE, PMO and MFEM.
- Recommendation for an evaluation cycle, including a recommended calendar
- A needs assessment of the support required to achieve these recommendations, taking into account the constraints likely to be encountered in implementation.

#### *Implementation of recommendations*

Detailed proposal on the structure of an implementation process to meet recommendations, taking into account the current structure and priorities of the Education sector, including recommendations: (i) From Part III, to improve the efficiency of public expenditure in Education (ii) From Part IV, to build capacity for internal monitoring in MoE.

## **Annex 2: Principal documents reviewed**

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