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Policies Matter: Reforms Bring Progress in Vanuatu

The Millennium Challenge Corporation's (MCC) investments aim to address poverty reduction by breaking down fundamental barriers to growth and generating additional income for beneficiaries—both during and after MCC Compact programs end.

The \$65.69 million Millennium Challenge Compact with the Government of Vanuatu (GOV), signed in 2006, supported Vanuatu in rehabilitating the two most important roads on Efate and Santo Islands. These 149.7 kilometers of rehabilitated roadways have become a gateway to economic growth and community activity.

To achieve a full and lasting impact, MCC's investments cannot happen in isolation. This is why MCC and its partner countries look closely at the environment in which MCC investments are being made, and plan reforms to policies that might limit the investment's impact and sustainability. These reforms can include changes to national policies, laws, regulations, or even ways of doing business. Below are some examples of reforms that have accompanied MCC investments in Vanuatu. These reforms are necessary to unlock the full potential of MCC programs and are designed to help improve the broader conditions for sustainable growth and investment in Vanuatu.



The Engineering Support Unit pictured in the background surveys rehabilitation work on one of the national roads. The unit is being integrated into Vanuatu's Public Works Department, and employees are becoming permanent members of the public service.

Preserving the National Roads

Ensuring the sustainability of the investments made through the MCC Compact is a top priority for the Government of Vanuatu. In the first year of the compact, the GOV increased the annual budget allocation for road maintenance by U.S. \$5 million. In its 2011 budget, the GOV further increased this maintenance budget to approximately U.S. \$5.5 million.

Building Capacity for Sustainability

MCC and the Government of Vanuatu designed the implementation of the roads project. The country-led process was carried out not just to improve transportation networks in Vanuatu, but to improve the government's capacity to manage road projects in the future. The project was specifically designed to work with and strengthen existing government entities to ensure that impacts of these and future road investments are sustainable.

MCA-Vanuatu, the local entity designated to implement the compact, worked with the Government of Vanuatu's Public Works Department and Public Service Commission, and recruited and trained an Engineering Support Unit specifically dedicated to the successful implementation of the compact program. This unit, part of the Public Works Department, is comprised of an engineering representative, environmental and social impact officers, and four site supervisors. As the compact ends, these staff members will continue their work in the Public Works Department as permanent members of the public service, ensuring the capacity built through the MCC Compact continues to protect road investments and improve project management.

In an effort to strengthen the Public Works Department and the Ministry of Infrastructure and Public Utilities, the GOV appointed an additional manager to implement change and institutional strengthening. In addition, two road maintenance crews were established to support the preservation and safety of the two rehabilitated national roads. The road construction contractor provided road maintenance training. MCA-Vanuatu has also contracted a Road Asset Maintenance Manager to provide expertise in both short- and long-term maintenance strategies, financial planning and advice, and capacity-building to the Public Works Department.

This additional expertise is strengthening maintenance management of not only the MCC-funded roads, but Vanuatu's entire road network. Notably, other donors are now offering to continue more long-term road maintenance initiatives in part due to the capacity built through the compact.

As the Vanuatu Compact comes to a close, the Government of Vanuatu is also taking steps to ensure that the broad management experience gained by MCA-Vanuatu over the life of the compact is retained. The GOV has announced that the new Vanuatu Projects Management Unit will build on the project and contract management capacities developed within MCA-Vanuatu and take responsibility for overseeing and implementing large development projects within Vanuatu, including those funded by other donors.

Commitment to Sound Policies and a Sound Model

Vanuatu's Public Roads Act, a piece of legislation now outdated, is in the process of being replaced by a new public roads bill. The new bill will better protect the MCC-funded roads and establish penalties for damage to the roads; it is expected to be presented to Parliament for approval by mid-2011. The bill will be accompanied by improved drainage and building codes and supporting regulations.

Numerous pieces of legislation will be affected by the creation of a new Public Roads Act; such legislation includes the Road Traffic Control Act (with a focus on road safety), Land Reform Act, Land Acquisition

Act, Environmental Management and Conservation Act, Land Surveyors Regulations, Physical Planning Act, and Chapter 25 regarding public roads of the Laws of Vanuatu.

Incentives for Reform

The Government of Vanuatu is proactively utilizing MCC's eligibility criteria to guide policy reform. The Department of Strategic Policy Planning and Aid Coordination has integrated the MCC eligibility criteria into national and institutional planning and has already seen successes.

Notable 2010 reforms include:

- ★ A substantial increase in efforts and resources directed towards immunizing children against polio, measles, tetanus, tuberculosis and whooping cough;
- ★ Implementation of the Free School Policy at the basic education level (years 1-8);
- ★ Establishment of a Utility Regulatory Authority to protect consumer prices, quality and reliability of regulated services, and implementation of a long-term land reform program; and
- ★ Establishment of a Law Reform Commission and Human Rights Commission.

The policy reforms established through the MCC's Vanuatu Compact are creating a more conducive environment to economic growth and poverty reduction throughout the nation.

For more information, visit www.mcc.gov/vanuatu.