

Republic of Vanuatu

DECENTRALISATION IMPLEMENTATION PLAN 2018-2028

Equal Opportunity



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NOVEMBER 1, 2017
MINISTRY OF INTERNAL AFFAIRS
PMB 9036, PORT VILA, Vanuatu

FORWARD

Over the years since our political independence in 1980, successive Governments of the Republic of Vanuatu have designed and endeavour measures aimed at the attainment of full democratic governance and economic independence with prosperity for all citizens.

In view of the highly centralised and exclusive structure and systems of government inherited from the colonial era, the subject of decentralisation has a matter of both objective necessity and popular demand, taken a central place in all past independence government programmes of democratisation and economic development.

Under this Government through its 100 days plan therefore, it is crucial to elaborate and adopt a policy on decentralisation whose theme encapsulated in its title 'Equal Opportunity'. The National Decentralisation Policy provides for the strengthening of local government to facilitate more effective citizen participation in governance and accountable, delivery of public services as the basis for decentralisation.

Under this policy, Economic Area level shall be the focal point of development planning and delivery of public services. To facilitate operations at this level, Government will devolved specific functions, authority and resources to Councils which are local (economic areas) bodies appointed representatives.

Through this policy, the long term vision of the Government is to achieve a fully decentralised and democratically appointed system of governance characterised by open, predictable and transparent policy making and implementation processes at all level of public service, effective local community participation in decision making and development administration while maintaining sufficient linkages between central and local government.

To attain this vision, the Government will review and streamline current organisation structures and their supporting systems.

Government will also outline the functions to be performed at each level; national, provincial, economic area, and community and specify resources to be availed for these functions. Comprehensive legislation to back the implementation of the policy through empowering Councils to determine, manage and control the Economic Area Council's human, material and financial resources in accordance with an approved development plan and budget will be enacted.

However, Government realises that currently the capacity to attain such decentralised system of Government does not exist and has therefore, provide provisions for some of its proposed functions, powers and resources to provinces while capacities are being developed in the EACs during the transition period (2017-2020).

The timeframe for the implementation of the policy is 10 years from the time of adoption. The successful implementation of this policy will require concerted efforts and the commitment of stakeholders at all levels.

I, therefore, wish to urge all institutions and persons charged with the responsibility of implementing the various aspects of this policy to apply themselves fully to the tasks that lie ahead.

Hon. Alfred MAOH, Minister of Internal Affairs, Ministry of Internal Affairs

ACKNOWLEDGEMENT

In formulating the National Decentralisation Policy, comprehensive consultations with various stakeholders were held to build consensus and create a sense of ownership. Due appreciation is accordingly being extended to all stakeholders who participated in the formulation and preparation of this Policy document. Among those consulted were:

- (a) Minister of Internal Affairs, Parliamentary Secretary responsible for decentralisation and senior officials from the Ministry of Internal Affairs, Office of the Prime Minister, Ministry of Finance and Economic Management, Ministry of Justice and Community Services, and Department of Local Authorities acting as interim steering committee and sub-committees formed to spearhead the development of the Policy;
- (b) Chairmen and members of Provincial Area Councils who participated in the scoping mission during the months August to September 2017 for their time and directions;
- (c) Custom Chiefs, Provincial Counsellors, members of Provincial Technical Advisory Commissions, senior public servants at the provincial level, youth representatives, women representatives, church representatives, representatives of people with disability, community-based organisations (CBOs), and members of the general public who attended the provincial forums which were conducted in October 2017;
- (d) The President and members of Malvatumauri Council of Chiefs who agreed to call an extraordinary meeting in 2017 to consider and contribute to the decentralisation Policy, and also agreed to co-host the national forum in November 2017; and
- (e) Provincial Area Councils Chairman, Provincial Presidents and Counsellors, President and members of Malvatumauri Council of Chiefs; state Ministers, Members of Parliament, Senior Government officials, Non-Governmental Organisation representatives (NGOs), members of the general public, private sector representatives, and members of diplomatic corps who attended the national forum in November 2017 for their valuable contributions to the Policy.

Due appreciation is also extended to the Government of the Republic of Vanuatu under the leadership of Prime Minister and his cabinet for the foresight and commitment to elevate decentralisation as a national priority. The Government's funding to facilitate the formulation of decentralisation policy is the testament of its commitment.

WORKING DEFINITIONS

Autonomy: Independence in decision-making and in the execution of such decisions within a given framework.

Community: A group of people with shared interest living in one place, kastom area, or island of the country.

Council: A council is a body of democratically appointed from declared customary governance boundary representatives responsible for policy formulation and delivery of service in a given geographical area.

Economic Area: Geographical area specified under the Decentralisation Act so declared by the Minister to be designated as such.

Decentralisation: Transfer of responsibilities, authority, functions as well as powers and appropriate resources to provincial, economic areas and sub-area levels. This can take four forms:

- (a) de-concentration is the transfer of functions and resources to lower level units of the same administrative system while authority over decision-making and use of resources remains with the national level. In the case of government administration, this would entail the transfer of some functions performed at the headquarters of the ministry of the provincial and area offices while power and authority are retained by the national level;
- (b) devolution is the transfer of some powers and authority, functions and resources by legal and constitutional provisions to the lower levels. The transfer is within formal political structures and is institutionalised by legal means.

For example, when the national Government transfer some of its powers and authority to democratically appointed councils, local authorities or regional governments, empowering them by law, to determine local taxes, raise own revenue and decide on how to use it. Under this form of decentralisation leadership is accountable to the local population through the system of appointments;

- (c) delegation is the, transfer of functions and resources to a subordinate authority within the capacity to act on behalf of the superior authority without the formal transfer of authority in the same structure. An example is when an office of a lower level is assigned to perform some duties or tasks by the higher office. However, the lower office is still required to consult the higher office on matters that require decision-making; and
- (d) privatisation is the divestiture of state interests in public enterprises and subsequent sale of such to the private sector. In the case of public

administration however, privatisation cannot be applied since local authorities and related public offices cannot be privatised.

- Development:** Effective and efficient provision of quality services aimed at improving the standard of living in a community.
- Empowerment:** Enabling people to make decisions on issues affecting their welfare.
- Local Government:** This is a system of Government at the local level through which local people manage their affairs, for example councils, and may include traditional establishments recognised by the Government.
- Province:** Specified geographical area declared under the Decentralisation Act administered by administrators carrying National Government's regulatory functions over economic area councils.
- Economic Area:** Refers to administrative arrangements for carrying National Government implementation functions at the Economic Area levels.

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Acronyms

AAPs	Annual Action Plans
ABPs	Annual Business Plans
ACs	Area Councils
CAPs	Community Action Plans
CBOs	Community-based Organisations
DFAs	Departmental Field Assistants
DLA	Department of Local Authorities
DP	Decentralisation Policy
DPIC	Decentralisation Policy and Implementation Committee
DIP	Decentralisation Implementation Plan
DS	Decentralisation Secretariat
EACs	Economic Area Councils
EASPB	Economic Area Strategic Plan and Budget
EATAC	Economic Area Technical Advisory Commission
FBOs	Faith-based Organisations
ISP	Infrastructure Service Provision
LCs	Local Councils
LGCs	Local Government Councils
MIS	Management Information System
MCC	Malvatumauri Council of Chiefs
MP	Member of Parliament
MTEF	Mid-Term Expenditure Framework
MDGs	Millennium Development Goals
MoE	Ministry of Education
MFEM	Ministry of Finance and Economic Management
MIA	Ministry of Internal Affairs
MoJCS	Ministry of Justice & Community Services
MIPU	Ministry of Public Utilities
M&E	Monitoring and Evaluation

NDP	National Decentralisation Policy
NGOs	Non-Governmental Organisations
NSDP	National Sustainable Development Plan
OAG	Office of the Auditor General
OPM	Office of the Prime Minister
PAs	Provincial Administrators
PACs	Provincial Area Councils
PCs	Provincial Councils
PDTF	Provincial Decentralisation Task Forces
PTAC	Provincial Technical Advisory Commission
PMPs	Provincial Members of Parliament
REDI	Rural Economic Development Initiative
SGs	Secretary Generals
SWAPs	Sector-wide Approaches
SLO	State Law Office
TA	Technical Advisor
TWG	Technical Working Groups
VAT	Value Added Tax

1. Introduction

(1) *Rationale for Decentralisation*

During the period immediately following independence in 1980, the Government's provision of public services through Local Government Councils (LGCs) registered marked improvement. This was the reflection of the buoyance of the economy at the time and the general efficiency of the delivery system during this period. Since 1990s with the establishment of six Provincial Councils (PCs), however, considerable decline has been evident in the service delivery by both National Government and Provincial Councils. To improve service delivery provision and as the primary basis for the development of the Decentralisation Policy (DP), there is recognised need to address the challenges being faced by the communities in both urban and rural areas in the area of infrastructure and service provision, generally, and in terms of how decisions are made, in particular. In this respect, decentralisation has generally been associated with the following benefits:

- (a) the reduction in power, size and costs of national government;
- (b) improved efficiency in decision-making;
- (c) better coordination of development activities at the local level;
- (d) greater equity and effectiveness in the allocation of resources;
- (e) better responsiveness from government to the needs of marginalised groups;
- (f) enhanced participation in development;
- (g) improve transparency and accountability; and
- (h) more effective mobilisation of resources.

In the light of the above, the most fundamental rationale for decentralisation in Vanuatu lies in its opportunity to bring the government closer to the people by providing citizens with greater control over decision-making process and allowing their direct participation in public service delivery.

(2) *The Genesis of current Decentralisation Effort in Vanuatu*

Vanuatu's effort to decentralise its structures can be traced as far back as pre-independence. The effort in decentralising can be divided into three (3) phases:

Phase I	–	1950s-1979
Phase II	–	1980-1994
Phase III	–	1994-to-date

2.1 *Phase I: 1950s-1979*

During the colonial era, the then New Hebrides was divided into four Districts, namely, Northern, Central District No. 1, Central District No. 2, and Southern, each governed jointly by English and French District Agents. They were responsible for matters of law and order, and presided over native courts which heard disputes amongst the indigenous population that could not be resolved at the local level. They were advised by native assessors' on the application of kastom.

In 1957, the Condominium established a system of 25 Local Councils (LCs), with members chosen by consensus and a few administrative matters.¹ The LCs were primarily a British initiative, although adopted by Joint Regulation. In 1975, LCs were abolished in favour of a system of Municipal and Community Councils, developed under the French initiative.² These Councils were smaller in area, had greater powers and were directly elected. Both local government systems were existed in the final years of Condominium.

2.1.1 Phase II: 1980-1994

At independence, a system of 11 Local Government Councils (LGCs)³ was created on a provisional basis, while decentralisation remained a topic of intense political debate. The Councils were made up of a mixture of elected and appointed members (including representatives of chiefs, churches, women and youth), with a Secretary and Treasurer providing administrative functions. They had some limited powers to raise their own revenues and were mandated to engage in local social development activities as well as provision of basic services. The system drew on structures inherited from the colonial period and was seen as the legitimate form of local government.

Alongside the LGCs there were also Departmental Field Assistants (DFAs) who were in the islands implementing respective work programmes. The DFAs were accountable to the Heads of their respective departments at the national level.

The presence of the formal government administration in the local communities is very rare and in most cases non-existent, apart from some forms of education, health facilities or extension officers. For most the people the national government and even provincial governments are seen as artificial and remote, in comparison with customary and informal institutions administered at the local level by chiefs or tribal leaders. Their principal responsibility is to ensure that there is peace and harmony at all times within their communities. The chiefs or tribal leaders command a lot of respect from their subjects which are either members of their communities or tribes and/or clans. It is the chiefs or tribal leaders who are generally the custodians of group assets, including land and sea.

2.1.2 Experiences under this phase were:

- (a) Centralisation of authority, which led to inefficiency in service delivery. For example, at the LGCs level, secretary to the councils were controlled from the national level. The lower level institutions like Area, Ward and Village or Tribal Councils had neither authority to make decisions nor to source for funds. The financial resources were sourced and allocated by the National Government;
- (b) Duplication of effort at the LGCs level and the Malvatumauri Council of Chiefs system of governance from Island, Area, Ward and Village or Tribal level. The existence of dual structures at the Island Council level i.e. LGCs and the Island Council of Chiefs were:
 - (i) costly to the Government since LGCs and Island Councils of Chiefs were both funded

¹ British initiative of local councils in 1957

² French initiative of municipalities and community councils replaced the local councils of 1957

³ Local Government Councils were established and operated between 1980 to 1994

- from the National Treasury;
- (ii) a source of conflict as LGC heads operated under the authority of the National Government, while their allegiance was not with their respective Island, Area, Ward and Village or Tribal councils who were the custodian of local resources, including custom lands and seas; and
- (iii) resulted in high resistant in social and economic development in the Island, Area, Ward, and Village or Tribal areas.

2.1.3 Phase III: 1994 to date

In 1994, the Government abolished the LGCs and reverted to a policy of greater regional autonomy through the creation of the current provincial system. The Decentralisation Act of 1994 created six Provinces, each covering a group of islands, together with two Municipal Councils in the urban areas.⁴ The Area Councils (ACs) are retained under the Provincial Governments (PGs) system. However the composition of ACs, and the linkages with Ward and Village or Tribal Council of Chiefs are not clearly defined.

Under this arrangement, Government established the following:

- (a) At the National level, the Department of Local Authority was established under the Ministry of Internal Affairs;
- (b) At the Provincial level, there are elected Council members with a President as the head with increasing political positions within the council to please multi party coalition as a direct reflection of the national politics;
- (c) The Provincial administrations are headed by the Secretary Generals (SGs) who are public servants; and
- (d) At the Area Council level, there are appointed Council members chaired by the Area Council of Chiefs member and representatives of women, youths, churches, and business houses.

2.1.4 Experiences under this phase include the following:

- (a) Centralisation of authority continues to be a bottleneck for effective strategic planning, budgeting and decision making at the lower levels. For example, the provincial heads of departments are controlled from the national level – and their budgetary allocations determine from there;
- (b) The absence of qualified Area Secretaries and proper planning and budgetary procedural guidelines between the area, provincial and national level has resulted in non-performances of ACs. The major reason is the lack of legal framework to clarify the roles of council of chiefs at the levels and development committees from Area, Ward and Village or Tribal Councils and political interferences at all levels; and
- (c) Lack of direct involvement of chiefs or tribal leader and their communities in development planning and budgeting at the area level. The current administrative system does not provide for the establishment for sub-structures at the sub-area level to enable local communities to participate meaningfully and actively in their development activities and local affairs.

⁴ The creation of the current provincial councils in 1994 under the leadership of former Prime Minister Maxime Korman Carlot

The experiences in this phase are similar to the second phase. However, in this phase there is noticeable political interference in administration and coordination of development programmes.

It is against the above background that the Government adopted in its 100 days plan in 2016, to immediately commence the strengthening of ACs as the platform for service delivery at the local level. While this singular Government decision is important, it ought to be appreciated in the context of experiences under a series of other initiatives that preceded it such as the Constitutional Review Committee report, Provincial Rural Economic Development Initiatives (REDI), and which were also aimed at addressing the shortcomings in the service delivery at the local level. The Decentralisation Policy and Implementation Plan forms an integral element of the National Decentralisation Programme currently effected by the Government.

(3) National Sustainable Development Plan (2015-2030)

The Government has recently adopted its National Sustainable Development Plan (NSDP), or commonly referred to as “People’s Plan” with an overall goal of: “A Stable, Sustainable and Prosperous Vanuatu”⁵. The People’s Plan founded on three pillars – societal, environmental and economic. Interestingly, the NSDP outcomes can be fully realised only with active participation and ownership by all sectors of the society. Therefore, decentralisation reforms is of paramount importance to give real meaning to the NSDP.

Within the provisions of the NSDP that runs over the 2016-2030 periods and coinciding with the Decentralisation Implementation Plan (DIP 2018-2028), the Government continues to strengthen the process of developing an integrated national development planning and budgeting system that emphasises the “bottom up” approach. The planning and budgeting process that will be developed and adopted must be within the Medium Term Expenditure Framework (MTEF) that will also stress the value of fiscal decentralisation. With the current decentralisation reforms the Government is seeking an effective budget preparation process that would secure realism and internal consistency of the budget in the context of both MTEF and activity-based budgeting.

(4) National Consensus Building on Proposed Decentralisation Reform Concept

As part of the Government’s decision to undertake a comprehensive decentralisation reforms, a nation-wide consultation was undertaken with the main objectives of building national consensus on thematic reform areas. From national consultation, the following thematic reform areas were agreed upon:

- Political and structural reforms;
- Economic and governance reforms; and
- Finance reforms.

⁵ National sustainable development plan (2016-2030) recently endorsed by the Government of Vanuatu as the long-term plan

The national consensus building was a result of a scoping mission that covered 80 percent of the 72 provincial area councils, six provincial forums, Malvatumauri Council of Chiefs, and a national forum that was attended by all sector representatives in Vanuatu.

3.1 Political and structural reforms

3.1.1 Abolish six provincial councils and replace them with economic areas and development areas

The people of Vanuatu have decided that the provincial government systems introduced in 1994 will be abolished and replaced with new economic areas. Within each economic areas, there will be development areas or development centres for investments and public service delivery within the economic areas. Each provincial council, whilst it consists of elected representatives, it does not have access to national planning and budgeting processes nor procedures, and/or any development funds. Furthermore, provincial councils and counsellors are being used by political parties and national leaders as platforms to grow political parties. Thus, provincial council systems and programs are political oriented to satisfy political interests. The focus of new economic areas will be economic growth by opening up development areas within the economic area that will provide investment opportunities and enhance service delivery in the rural areas.

3.1.2 Establish closed constituencies or polling districts

Political instability has been a major challenge to the country in the last 26 years, due to highly volatile coalition nature of governments. Open constituencies have been identified as one of factors contributing to increasing instability in the country. Through open constituencies, leadership choices are in most cases influenced by political propaganda rather than quality leadership qualities. Therefore, closed constituencies or polling districts will narrow the space for political propaganda, and provide a platform for leadership choice to focus more on leadership skills and qualities. There is provision with the Peoples Representation Act [CAP 146] that provides for the Electoral Commission to divide the constituencies into such number of polling districts as it consider fit⁶.

In addition to creating conducive environment for quality leadership choices, the proposed closed constituencies or polling districts will also ensure that all economic areas are fairly represented in the Parliament. By so doing, it will provide direct link between area planning and budgeting and the national planning and budgeting processes. Under the proposed decentralisation structures, economic area members of Parliament (MPs) will be critical at the area planning and budgeting, provincial prioritisation and parliament to ensure the resources are fairly shared within the economic areas. Thus, minimising political interferences and competitions, as witnessed under the current regime.

3.1.3 Public servants to be employed at the provincial and economic area level

The current provincial system allows for politics to facilitate the process of hire and fire of employees, both at the provincial and area levels. Therefore, building of capacity and retaining qualified people continuous to be a real challenge, as political parties in power decides on who to hire and who to fire depending on party affiliations. It is for this very reason

⁶ Representation of the peoples Act [CAP 146] allows Electoral Commission to divide Vanuatu into polling districts

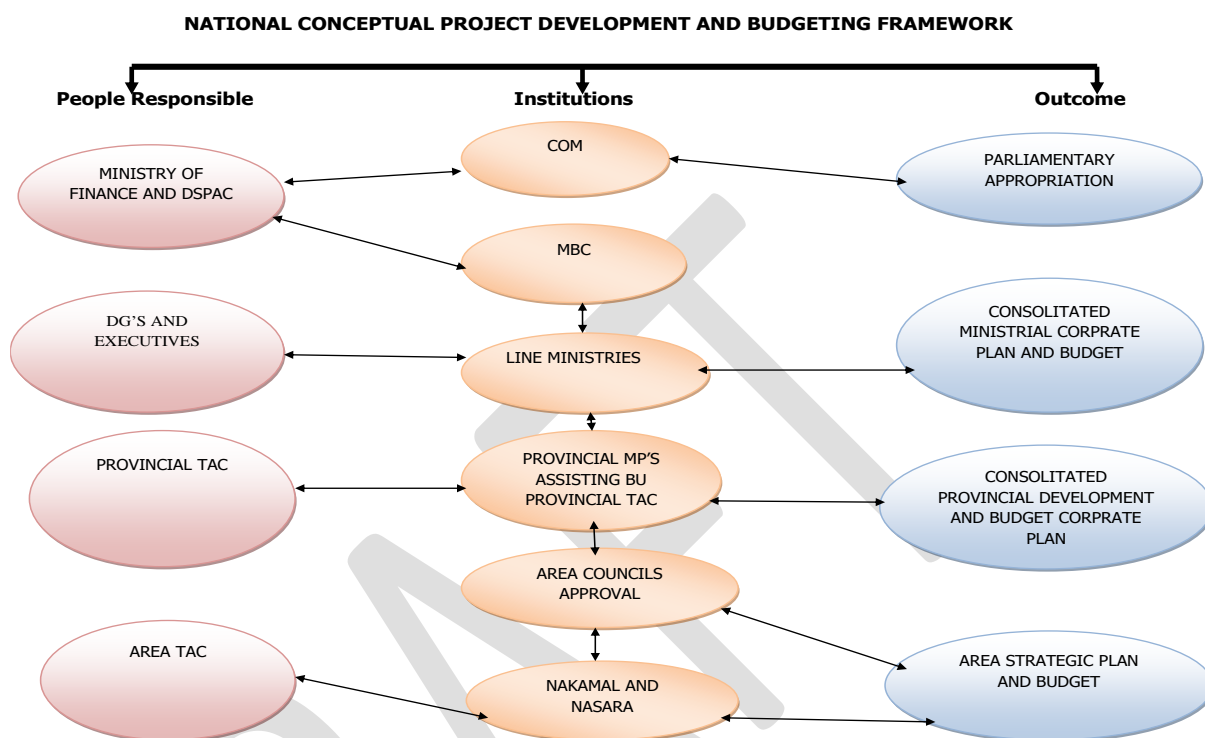
that provincial councils have witnessed high staff turn-over and also hiring of unqualified staff that result in poor performances at the provincial level.

Under the proposed regime, the role and responsibility of political parties to hire and fire will be surrendered back to the Public Service Commission (PSC). The appointment by the PSC will ensure merit-based hiring and qualified staff retention will be guaranteed to ensure quality and consistent service delivery to the people of Vanuatu. Furthermore, the proposed regime will clarify roles and responsibilities between national, provincial and economic area staff. The national leadership will focus on policy making, whereas provincial leadership will be more on regulatory functions, and economic area leadership will be more on planning and implementation. It is anticipated that by articulating clearly the roles and responsibilities at the different levels, it will greatly minimise the overlaps, duplications and inefficiencies in the structures that is costly in terms of time and resources.

3.1.4 Proposed National Conceptual Development Planning, Budgeting Framework, monitoring, evaluation and reporting

Figures 1 and 2 below show the proposed national conceptual development planning, budgeting, monitoring, evaluation, auditing and reporting frameworks under the new regime. Both frameworks have been endorsed at the provincial and national forums by the people of Vanuatu, as part of the national decentralisation reforms consultations.

Figure 1: National conceptual development planning and budgeting framework⁷



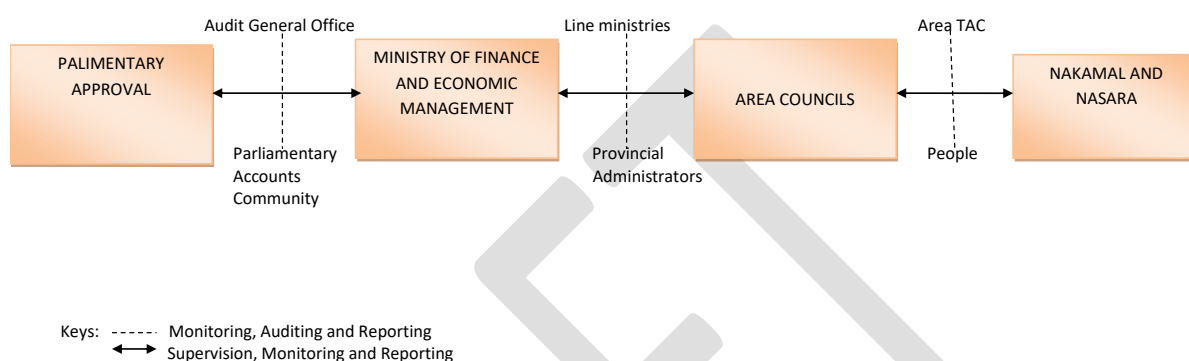
Under the proposed national conceptual development planning and budgeting framework, each nakamal or nasara under the leadership of customary authorities will lead the process of formulating community action plans (CAPs), with technical and administrative assistance from the Economic Area Councils Secretariat and Economic Area Technical Advisory Commission (EATAC). Each CAPs will be consolidated into an Economic Area Strategic Plan and Budget (EASPB) facilitated and prioritised by the Economic Area Councils (EACs).

Each EASPB once administratively endorsed by an EAC who will then formally submits to the Provincial Members of Parliaments (PMPs) facilitated by the Provincial Administrators (PAs). The PMPs ultimate role and responsibility is to provide a provincial overview of the EASPB and recommend priority development areas and budget to ensure realistic planning and budgeting and fairness via internal prioritisation. The prioritised development plans and budget from PMPs will be integrated into line ministries' consolidated corporate plans that will be submitted to the Ministerial Budget Committee (MBC) and later Parliament for budget appropriation.

⁷ Proposed national conceptual development planning and budgeting framework recently endorsed by the people of Vanuatu at the national forum

Figure 2: Proposed National Monitoring, Evaluation, Auditing and Reporting Conceptual Framework⁸

NATIONAL CONCEPTUAL DEVELOPMENT PROJECT AND BUDGET IMPLEMENTATION AND REPORTING



Equally critical to the national development planning and budgeting framework, is the proposed national monitoring, evaluation, auditing and reporting framework that will keep track of implementation of EASPB activities as appropriated by the Parliament. Between the Nakamal and Nasara, the role will be played by the general population and the Economic Area Technical Advisory Commission (EATAC), as they would have been part of the development planning and budgeting at the Economic Area level. Similarly, between the EAs and the Ministry of Finance and Economic Management (MFEM), monitoring, evaluation, auditing and reporting will be undertaken by Provincial Administrators and Line Ministries, who under the proposed regime will be regulators. Between MFEM and the Parliament, the roles will be played by the Office of the Auditor General and the Parliamentary Accounts Committee. This is to ensure that there is a strong and robust monitoring, evaluation, auditing and reporting system in place.

⁸ Proposed national monitoring, evaluation, auditing and reporting framework approved by the people of Vanuatu at the national forum

3.2 Economic and governance reforms

Under the current decentralisation structures, administration and coordination are supposed to be core functions with the ultimate objective of effective and efficient service delivery at the local level. However, overtime political interests and aspirations have greatly influenced and shy away from its well-intended core functions and objectives. Therefore, a new emphasis on what the proposed structure of decentralisation will deliver in terms of core functions, and ensures effective and efficient service delivery at the local level. This is where the economic areas come into play. The focus or emphasis under the proposed decentralisation regime is on empowerment at all levels, and at the same time minimise political space.

3.2.1 Economic areas (EAs)⁹

The current provincial ACs will be abolished and replaced by EAs, which in addition to administrative and coordination roles, it will also take on development and budgetary roles at the local level. In a country like Vanuatu where the ownership and use of custom land is vested in custom, it is only fair and appropriate to allow people with those customary roles and responsibilities to be fully integrated into development planning and budgeting. The proposed new decentralisation regime will certainly provide structures and space to enable such interactions to occur between custom and formal systems of governance in a meaningful and respectful ways.

3.2.2 Development areas (DAs) or development centres (DCs)¹⁰

Within each EAs, there will be development areas or development centres allocated to be planned, managed and administered by the Economic Area Councils (EACs). The prime objectives of development areas or development centres are to avail land for investment and service delivery into the rural areas, and also broaden the country's economic base. Currently it is only Port Vila, Efate and Luganville, Santo that remain the only development centres contributing over 90 percent of the Government's revenues strictly through value added tax (VAT) and import duties (tariffs). The proposed regime entails both social and economic benefits to rural Vanuatu at large. For example, creating opportunities at the EA level via DAs or DCs will minimise rural-urban migration, increase market opportunities, and increase flow of cash into the local the economy. Moreover, the regime will mobilise land and people and create opportunities for infrastructure development to meet the growing demands at a reasonable costs – in terms of capital and maintenance.

3.2.3 Economic area council governance representatives¹¹

Currently the representatives of the provincial area councils are open to political control and influences, administered by an Area Secretary who is politically appointed. Therefore, most of the Area Secretaries are not technically qualified, and in some cases, the area councils are not functioning well. However, under the proposed regime each EA governance will be strongly aligned to the declared customary governance boundaries by Malvatumauri Council of Chiefs under its 2011 customary governance strengthening and/or rehabilitation road map.

⁹ Economic area refers to an economic area that is administered within same jurisdiction

¹⁰ Development areas or development centres refers to land allocated and set aside strictly for development purposes within an economic area

¹¹ Representatives of different sector of population appointed by Minister of Internal Affairs to administer an economic area for and on behalf of customary authorities

For example, Pentecost has decided to remain one economic area with three customary governance boundaries. Therefore, each custom governance boundary will choose its representatives to the EAC based on customary values, principles and proven leadership skills. Each sector of the population will provide its nomination to the custom authorities, who will then undergo the final screening prior to official recommendations to the Hon. Minister of Internal Affairs, who will make the final appointments to the EAC. Again, the emphasis under the proposed regime is to empower people to choose their best representatives based on quality and proven leadership, and not political affiliations.

3.2.4 Fiscal decentralisation and revenue mobilisation

3.2.4.1 *Provincial grants*¹²

The six (6) Provincial Councils annually on equal basis receives 33.3 million vatu direct grants from the national Government to cover both administrative and overhead costs. In addition, Provincial Councils are mandated by their own bylaws to collect other revenues such as business licenses, airport departure taxes, to name a few as part of their overall annual budget. However, under the proposed regime, the 33.3 million vatu will be shared amongst the newly established economic areas proportionate to population, whereas, revenues in the forms of taxes at the economic area level will kept within each area. By so doing, it will indirectly stimulate interests and commitment by the area to create more business opportunities within the area.

3.2.4.2 *Members of Parliament community allocation funds*¹³

Each Member of Parliament has on annual basis community allocation funds of four million vatu. Of the four million vatu, two million vatu is directly managed by Parliament, whilst another two million vatu goes directly into a member's personal account every payday. The community allocation funds have been raised by the people in terms of its primary objective and also how its impacts on the social and economic development can be measured. As far as people in the rural areas are concerned, there is very little to show where and how the community allocation funds have been spent for the last 37 years. During the consultations at the area council, provincial and national level, there is consensus for MP's community allocation funds to be removed from the management of MPs and directly into the economic area as development funds.

3.2.4.3 *Savings as a result of political structural reforms*¹⁴

With open constituencies and coalition governments over the years, costs of stability has been on continuous increase every year. At the moment, there are political support staff that are well beyond the required capacity for each ministry. In addition, there are appointments of Parliamentary Secretaries with political staff that are almost equivalent to ministers. This is to please everyone in politics. It is anticipated that with the closed constituencies or polling districts, it will in itself overtime cut down on the costs of political stability.

It is anticipated that further to closed constituencies or polling districts, a review of whole of government machineries will assist the government of reduce its workforce, especially at the

¹² Direct provincial grants from the national government on an annual basis

¹³ Member of Parliament community development funds

¹⁴ Savings that may be available as part of whole of government machinery reviews

political level. The savings from this process on downsizing of political staff can be contributed into the economic area council development funds.

3.2.4.4 Line ministry and department annual appropriated budget¹⁵

The line ministries and departments have within their annual budget allocations for provincial activities, which do appear on paper, but are not accessible at the provincial level, due to lack legal frameworks to facilitate the devolution processes. In the meantime, there is an allowance for discretionary voluntary decisions by the superiors at the national level either to devolve or withhold the powers to the lower levels. For example, there is an annual budget for road maintenance of over 800 million vatu. Of that amount, each province has been allocated its share. However, in practice, the Ministry of Public Utilities (MIPU) still retain powers to decide how and where the funds could be spent, and in most cases, it is entirely depended on who is in power at that particular moment.

Under the proposed decentralisation regime, the funds appropriated by parliament and allocated to provinces, will be spent in accordance with the economic areas planning and prioritisation by Provincial MPs at the provincial level. This will ensure fairness in planning and guaranteed resource allocations on an annual basis, regardless of changes in political power, as the case under the current regime.

(5) Outline of the Implementation Plan

Following this introductory chapter, *Chapter 2 presents the main elements* of the Decentralisation Policy that is being operationalized by this document. *Chapter 3* presents the Decentralisation Implementation Plan's nine main components. This is followed by *Chapter 4* that sets out the main strategies for the implementation plan which clearly stipulated milestones. *Chapter 5*, in turn, presents the institutional framework for the implementation of the Decentralisation Policy, focusing on national and local-level structures and institutions. Lastly, *Chapter 6* outlines the potential challenges, risks and opportunities in the implementation of the Decentralisation Policy. Appendix 1 gives matrices on the existing provincial administrative boundaries, customary boundaries, number and names of villages within an area, area council headquarters, land boundaries, status of the land, and the type of buildings. Appendix 2 gives matrices on implementation of the nine components of the Decentralisation Implementation Plan.

2. Main Elements of Decentralisation Policy of Vanuatu

(1) The Government Vision and Objectives for Decentralisation

The vision for Government for decentralisation is

'to achieve a fully decentralised and democratically appointed system of governance characterised by open, predictable and transparent policy making and implementation processes, effective community participation in decision-making, development and administration of their local affairs while maintaining sufficient linkages between the centre and the periphery.'

¹⁵ Line ministry or department annual budget appropriated by the Parliament for provincial offices subject to head office discretions

In order to achieve the vision above, the Government will pursue the following Policy Objectives:

- (a) empower local communities by devolving decision-making authority, functions and resources in order to improve efficiency and effectiveness in the delivery of services;
- (b) design and implement mechanisms to ensure a “bottom up” flow of integrated development planning and budgeting from the EACs to the National Government;
- (c) enhance political and administrative authority in order to effectively and efficiently deliver services to the lowest level;
- (d) promote accountability and transparency in the management and utilisation of resources;
- (e) develop the capacity of the EACs and communities in development planning, financing, coordinating and managing the delivery of services in their areas;
- (f) build capacity for the development and maintenance of infrastructure at local level;
- (g) introduce an integrated budget for area development and management; and
- (h) provide a legal and institutional framework to promote autonomy in decision-making at the EACs level.

(2) *What Decentralisation Implies?*

The DP advocates devolution as the guiding governance principle. Under this system of governance, the Area Council is the focus of development and service delivery. Accordingly, the Policy provides for the strengthening of the local government through the re-activation of mandates at this level as well as transfer of additional responsibilities. The practical effect of implementation of the DP in Vanuatu is to clarify/define the principal mandates in the delivery chain of public services and re-assign them with matching resources to different levels of government, focussing on the improvement of overall delivery. Set within the context of a unitary state, the implementation of the DP implies a new operational relationship between the National, PCs and EACs. The National Government's principal role will continue to that of the execution of its constitutional leadership functions over the entire national territory as well as all the hierarchical levels of public service. In this respect, National Government will retain the responsibility of overall policy-making and regulatory functions such as setting quality standards; ensuring nation-wide development coordination; mobilising the required development resources; supporting the building of capacities for implementing institutions, including those at the area and sub-area levels. It will also retain exclusive responsibility for strategic functions such as Foreign Affairs, Defence and Security. With regard to project implementation, National Government will retain the responsibility for projects of national and international significance such as trunk roads and bridges linking areas.

Provincial Administration will continue to serve as the primary extension of National Government at the provincial level. It will mainly be concerned with the activities dealing with coordination, monitoring and ensuring compliance with Government policies by area-level institutions. Provincial Administration will also be responsible for implementation of projects that cut across areas within a province.

At economic area-level, appointed Councils will take on-board the functions to be devolved from the current Provincial Councils. In view of the fact that services provided at this level primarily determine the quality of citizens' lives as enshrined in such instruments as the Millennium Development Goals (MDGs), the area will become the focus of development activities and service delivery. The most practical effects of the Policy are, therefore, directed at this level. Political reforms targeted at this level will increase the mandates of the EACs and

provide for enhanced participation of citizens in local development affairs. Administrative reforms shall be instituted to rationalise the use of financial and human resources that are available at this level. In particular, administrative reforms that focus on the provision of direct financial support to the area shall be effected so as to enhance the performance and accountability of this critical level in the service delivery chain. Financial resources will be transferred directly from the Ministry of Finance to the EACs to support their service delivery plans. In addition, EACs will continue to raise their own revenues from local sources.

Area Development and Coordinating Committees (EATACs) shall be strengthened as formal multi-functional developmental institutions that shall be run by citizens at the area and sub-area level. ADCCs are intended to facilitate local-level dialogue on development matters and are primarily intended to facilitate practical involvement of people in project formulation and implementation. They will also support EACs through the generation of timely, reliable and accurate data for service delivery planning. In addition, EATACs shall monitor the performance of EACs and provide a mechanism for holding councils accountable to the people in the execution of agreed annual investment plans. In this regard, EATACs' mandates shall include the preparation and approval of integrated sub-area development plans and budgets before they are transmitted to the area level, where they will form a key input into the area planning and budget processes.

Equally as important in the decentralised system of governance, the citizenry, through their organised local government, will assume greater responsibilities in the governance process aimed at improving quality of lives. Local communities, through their councillors, will be facilitated to participate effectively in the planning and resource allocation processes, in addition to playing a strategic role in monitoring the performance of their councils as a way of enhancing transparency and accountability at the local level. The essence of the DP is, therefore, to bring Government close to the people and provide them with the opportunity to influence its operations.

(3) *Phases in the Implementation of Decentralisation Plan*

The implementation of the National Decentralisation Plan covers a period of 10 years from the date of its adoption. Government has divided the 10 years into three phases as follows:

Phase One: August 2017 to August 2020¹⁶

This phase will be largely preparatory and activities included the approval of National Decentralisation Policy (NDP), and its official launch and the approval of an interim Decentralisation Implementation Plan (DIP). The Decentralisation Secretariat will also be established during this period. The preparation of the comprehensive Decentralisation Policy Implementation Plan will also be initiated during this phase.

Phase Two: August 2021 to August 2024¹⁷

This period focused on the finalisation of the Decentralisation Policy Implementation Plan (DPIP) and the beginning of the implementation phase of the Policy Components such as the development of new organisational structures for all ACs.

¹⁶ Transitional phase (2017-2020)

¹⁷ Pre-implementation phase (2021-2024)

Phase Three: August 2024 to August 2028¹⁸

This shall be the principal implementation Phase during which most elements of the Policy will be undertaken. This phase will include strengthening of institutions of decentralisation at all levels.

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¹⁸ Full implementation phase (2024-2028)

3. Main Components of the Decentralisation Implementation Plan

(1) *Aim of the Decentralisation Implementation Plan*

In broad terms, the purpose of the Decentralisation Implementation Plan (DIP) is to provide a roadmap that will guide the efforts of all stakeholders through articulation of their roles in the implementation of the Decentralisation Policy. Specifically, this entails the following:

- (a) to clearly articulate components of the DIP;
- (b) to define the steps, prioritisation, and the sequence of the components/activities;
- (c) to provide guide for the preparation of detailed annual work plans for each component;
- (d) to provide the background and rationale for the proposed interventions, their timing and duration;
- (e) to indicate linkages between the major activities;
- (f) to estimate the DIP resource requirement for its effective implementation;
- (g) to outline the institutional framework for the implementing the Policy and how the implementation process and inputs from the various stakeholders will be coordinated, monitored and evaluated; and
- (h) to indicate the financing mechanisms for the Plan.

(2) *The Components of the Plan*

The key components of DIP have been derived from an assessment of the objectives and aim of the National Decentralisation Policy, as promoted by the current Government in its 100 days plan. The plan presents the rationale, objectives, strategies, and expected outputs, and activities for the following nine components:

- 1. Sensitisation and Civic Education;
- 2. Legal and regulatory reforms;
- 3. Institutional and human resource capacity building;
- 4. Local development planning and budgeting;
- 5. Fiscal management and accounting;
- 6. Fiscal decentralisation and revenue mobilisation;
- 7. Sector devolution;
- 8. Infrastructure development and services provision; and
- 9. Monitoring and evaluation.

With the exception of Component 7 (Sector Devolution) and its immediate supportive elements in components 2 and 6 (Legal and Regulatory Reforms/Fiscal Decentralisation respectively) which comprise the core of the decentralisation implementation process, the rest of the components comprise activities which are provided for and are ongoing through regular mandates of the different implementing agencies. Details of each component are as follows;

3.2.1 Sensitisation and Civic Education

3.2.1.1 *Rationale*

Considering the time it has taken since the approval of the Decentralisation Initiative in 2015 and given the complexity of changes that have been affected, the Government recognises the need to sensitise all the stakeholders on the Policy in terms of its contents and implications on how the country will be governed.

It is equally important to sensitise people on how the mode of service delivery will be altered by the Policy of Decentralisation, particularly the roles and responsibilities of different stakeholders. In this regard, the Government maintains that the sharing of information is vital for the success of the Policy. Sensitisation, civic education and the consolidation of a democratic culture are considered important to the extent that they create awareness and understanding among stakeholders to enable them to play their roles more effectively.

3.2.1.2 *Objective*

The main objective of the component on Sensitisation and Civic Education is to increase stakeholders' awareness, knowledge, understanding, participation and ownership of the decentralisation processes in order to achieve smooth and effective implementation Policy.

3.2.1.3 *Outputs*

The following are the expected outputs of Sensitisation and Civic Education component:

- (a) Functional Communication Strategy;
- (b) Enhanced awareness about the Decentralisation Policy and processes within the Government, among co-operating partners, and among all key stakeholders; and
- (c) Effective participation in decision-making and development process by communities and ACs officials.

3.2.1.4 *Strategies*

- (a) Conducting nation-wide sensitisation on Decentralisation Policy and DIP;
- (b) Production and dissemination of materials on decentralisation; and
- (c) Facilitation of the mounting of civic education programmes.

3.2.1.5 *Activities*

Sensitisation and Civic Education

- (a) develop a communication strategy for sensitisation;
- (b) conduct decentralisation sensitisation workshops at the national, provincial and area levels;
- (c) prepare civic education materials;
- (d) prepare and disseminate decentralisation materials;
- (e) conduct civic education programmes, focussing on the training of area level personnel and local council of chiefs; and
- (f) train area and local community leaders in human rights, elements of a democratic culture and power sharing in a unitary state.

3.2.2 Legal and Regulatory Framework

3.2.2.1 *Rationale*

The decentralisation Policy's objective (h) aims to *provide legal and institutional framework to promote autonomy in decision-making at the area level*. The current

policies and pieces of legislation governing the operations of the public service, in general, and sector Ministries/departments, in particular, were developed without devolution but with de-concentration in mind. Some of them are at variance with the requirements of devolution as enshrined in the DP. The aim of this component is, therefore, to create an enabling environment for the implementation of the DP in Vanuatu. The policies and sectoral laws conflicting with the decentralisation policy must be identified and reformed accordingly to achieve a supportive legal framework for decentralisation.

3.2.2.2 *Objective*

The main objective of the component on Legal and Regulatory Framework is to develop a comprehensive legal and regulatory framework that facilitates the implementation of the Decentralisation Policy.

3.2.2.3 *Outputs*

- (a) A comprehensive legal and regulatory framework that facilitates the implementation of the Decentralisation Policy; and
- (b) An effective decentralised management system.

3.2.2.4 *Strategy*

Assessment of legal and regulatory framework for its compatibility with the decentralisation policy.

3.2.2.5 *Activities*

Legal and Regulatory Reforms

- (a) review existing laws, government policies, procedures and regulations to make them compatible with Decentralisation Policy; and
- (b) draft bills on reviewed legislation to achieve compatibility with the Policy and facilitate enactment of legislation.

3.2.3 Institutional and Human Resource Capacity Development

3.2.3.1 *Rationale*

Objective © of the Decentralisation Policy aims to *enhance local political and administrative authority in order to effectively and efficiently deliver services*. The need to enhance institutional capacity for the implementation of the DP is relevant at all levels of Government. On the human resource front, the DP document demonstrates the challenges facing human resource development and management, acknowledging the need for capacity enhancement for personnel managing the key institutions responsible for implementing the decentralisation process. These key institutions include the Decentralisation Secretariat, Government Ministries and Departments, Provincial Administration, Economic Area Councils (EACs) and Economic Area Technical Advisory Commission (EATACs). Management capacity in some of these institutions, especially at the provincial and area levels is particularly weak, suggesting the need for retooling staff at these levels in light of the new functions, focussing on policy formulation, service regulation, coordinating, training etc. Councils still remain characterised by weak capacity in integrated planning and

budgeting, strategic planning and performance management. Similarly, weak revenue collection mechanisms and limited internal auditing capacity combine to pose a major institutional and human resource capacity challenges as the country prepares for implementing the DP. However, despite the weak capacities in the Councils, some sector ministries such as Education, Health, Cooperatives, Agriculture, Public Works Department, and Vanuatu Police Force have developed levels of competencies as a result of restructuring. Through sector devolution, Government intends to rationalise the utilisation of such capacities by transferring them into unified management structures under the ACs.

In the light of the above, the Component of Institutional and Human Resource Capacity Development aims at:

- (a) development of appropriate organisational structures and the establishment and installation of management information systems, providing the necessary equipment, especially for the EACs, and defining the roles of different institutions in the implementation of the Policy; and
- (b) developing a holistic approach to human resource capacity building in all the key institutions that shall be involved in the implementation of the DP.

3.2.3.2 Objectives

The main objectives of the component on the Institutional and Human Resource Development are as follows:

- (a) To create and strengthen institutional capacities to implement, manage and support decentralised governance, development and service delivery;
- (b) To develop the management and technical capacities of the human resources of the key institutions that are responsible for implementing the decentralised process so that they can effectively perform their roles; and
- (c) To enhance the role of traditional authority through better definition and clarification²⁹ of its relationship with other institutions in the implementation of the Decentralisation Policy.

3.2.3.3 Outputs

Strengthened national human resource capacities;

- (a) Enhanced institutional capacities and systems;
- (b) Appropriate organisational structures and systems at all levels of government for local governance, service delivery and development;
- (c) Strengthened training institutions and other relevant bodies that provide capacity building services relevant to decentralisation;
- (d) Better defined roles and responsibilities of service institutions; and
- (e) Strengthened institutional structures that are supportive of the decentralisation policy.

3.2.3.4 Strategy

Development of the requisite institutional and human resource capacities for effective delivery of services.

3.2.3.5 Activities

- (a) review the operations, composition and relationships of Area Development Committees, Economic Area Technical Advisory Commission (EATACs), Provincial Administration, Provincial Technical Advisory Group (PTAGs), sector Ministries and departments, and National Government administration vis-à-vis Decentralisation Policy;
- (b) define the coordination and reporting systems between central, provincial and area levels;
- (c) review the functional managerial requirements of the central ministries/departments, provincial administration and areas i.e., Director Generals, Directors, Principals, Heads of departments, Secretary Generals, and Area Secretaries;
- (d) develop an appropriate organisational/management structures and systems for Economic Area Councils;
- (e) establish EACs and its administration and develop suitable organisational framework at the sub-area, village or tribal groupings;
- (f) determine the information requirements for planning at the area and provincial levels;
- (g) procure information management hardware and software for management information system (MIS) at the provincial and area level;
- (h) link area MIS with provincial and national MIS;
- (i) undertake systems development;
- (j) develop comprehensive Pay Policy for Area Councils;
- (k) strengthen learning/training institutions to enable them to build DIP capacity requirements;
- (l) define the role of traditional authority in DIP;
- (m) strengthen the management and coordinating capacity of ministries, provincial administration and area administration through restructuring and training;
- (n) strengthen the Decentralisation Secretariat and other implementing agencies to effectively spearhead the implementation of Decentralisation Policy;
- (o) train Area and Provincial MIS personnel in collecting, analysing, processing, entering data and use of the data for decision-making;
- (p) conduct a comprehensive assessment of human resource capacity needs for National Government, Provincial Administration and Area Administration structures in line with the Decentralisation Plan;
- (q) develop and implement a human resource management plan that enables staff to move from national government to area council and vice-versa without loss of benefits; and
- (r) develop a comprehensive Public Service Training Policy reflecting decentralisation concerns.

3.2.4 Local Development Planning and Budgeting

3.2.4.1 Rationale

Decentralisation Policy objective (b) aims to *design and implement a mechanism to ensure a “bottom up” flow of integrated development planning and budgeting from the Economic Area to the National Government*. Objective (e) of the Policy also aims to *develop the capacity of local authorities and communities in development planning, financing, coordinating and managing the delivery of services in their areas*. Objective (g) aims to *introduce an integrated budget for area development and management*. The three policy objectives emphasise the need for bottom up planning process; the need to link planning and budgeting within the context of area strategic plans; the need for community input in the planning process; and the central position of the area in the service delivery and development process. The effective implementation of the Policy calls for a solid local development planning and budgeting system with linkages from sub-area units to area, provincial, and national levels.

3.2.4.2 Objective

The main objectives of the component on Area Council Planning and Budgeting is to develop and implement a new integrated planning and budgeting system that is supportive of the National Decentralisation Policy.

3.2.4.3 Outputs

- (a) An integrated local development planning and budgeting system;
- (b) Strengthened Economic Area Planning Units;
- (c) Operational participatory approaches to planning and budgeting;
- (d) Development of Area Socio-economic Profiles and Strategic Development Plans; and
- (e) Functional computerised database system at the area level.

3.2.4.4 Strategy

Capacity building for integrated planning and budgeting.

3.2.4.5 Activities

An integrated local development planning and budgeting system

- (a) review and update existing planning and budgeting manuals, planning and budgeting procedures that conform to the DP;
- (b) synchronise area and national planning and budgeting cycles;
- (c) introduce participatory planning and budgeting for development activities at the area and sub-area level;
- (d) train EACs, EATAC community members in the development planning and decision-making;
- (e) develop area strategic plans to incorporate planning concerns at the sub-area level; and
- (f) integrate physical planning and socio-economic planning approaches in the Strategic Plans for Areas and Provinces.

3.2.5 Financial Management and Accounting

3.2.5.1 Rationale

Objective (d) of the DP is intended to *promote accountability and transparency in the management and utilisation of resources*. The Policy stresses the need to ensure that putting in place an effective financial management system and accounting systems that promote accountability and transparency is an important component of this IP.

3.2.5.2 Objective

The main objectives of the component on Financial Management and Accounting is to promote accountability and transparency in the management and utilisation of public resources.

3.2.5.3 Strategy

Development of financial management and accounting oversight capacities for decentralised functions.

3.2.5.4 Outputs

- (a) A computerised financial management and accounting system for Area Councils;
- (b) Reliable Internal Audit Guidelines and mentoring EACs by the provincial and the department of Finance at the national level;
- (c) Office of the Auditor General (OAG) strengthened in auditing accounts of the EACs; and
- (d) Strengthened capacity of the finance unit of the EACs.

3.2.5.5 Activities

Computerised financial management and accounting system

- (a) Develop and implement an area financial management and accounting system and practices;
- (b) Install financial management and accounting system procedures for EACs to ensure accountability and transparency;
- (c) Strengthen the capacity of finance units of EACs through rationalisation and recruitment of qualified personnel and training;
- (d) Develop Internal Audit Guidelines for use by EACs;
- (e) Strengthen Internal Audit units in EACs;
- (f) Strengthen the role of provincial in supporting the operations of EACs through advisory backstopping;
- (g) Strengthen the OAG to enable it to better manage the volume of audit work coming from EACs; and
- (h) Strengthen the oversight capacity of communities through EATACs and local stakeholders through the development of community participatory approaches.

3.2.6 Fiscal Decentralisation and Revenue Mobilisation

3.2.6.1 Rationale

The major fiscal decentralisation challenges include the limited financial resources at the disposal of the government, coupled with significant imbalances in tax

assignments between national and local government. In the short run, a financial mechanism for transferring resources from the national Government and cooperating partners to EACs has to be worked out. Similarly, the ability of the EACs to mobilise local revenues must be strengthened.

3.2.6.2 Objective

The main objectives of the component of Fiscal Decentralisation and Revenue Collection is to establish and operationalize a comprehensive local government financing system and enhance capacity of EACs to effectively mobilise the required resources for effective service delivery.

3.2.6.3 Outputs

- (a) Functional inter-governmental fiscal transfer formulae;
- (b) Enhanced revenue collection capacity of EACs;
- (c) Strengthened resource mobilisation capacity from internal and external sources; and
- (d) Enabling legislation for resource mobilisation and management.

3.2.6.4 Strategies

- (a) Work towards the financial empowerment of EACs through fair and equitable sharing of public resources for effective service delivery; and
- (b) Enhance internal capacities of EACs to raise and manage own resources.

3.2.6.5 Activities

Development of an Intergovernmental Fiscal Framework by a specifically instituted Team (reporting to the Decentralisation Secretariat) that shall address local government finance and fiscal issues, focussing on the following:

- (a) review current government sources of revenue and transfers and recommend potential sources of revenue for EACs;
- (b) recommend measures to address the imbalance in tax assignments between national and local government;
- (c) establish formula for revenue sharing and commence transfer of grants directly to EACs;
- (d) establish a special Equalisation Fund;
- (e) establish a system for regular reviews of, and recommendations on, periodic revisions of the level of personnel levy and other charges;
- (f) strengthen the enforcement of legislation to ensure adherence to timely release of funds to EACs by Ministry of Financial and Economic Management (MFEM);
- (g) develop and apply effective revenue collection mechanisms for use by EACs; and
- (h) enhance the human resource capacity in EACs in revenue collection.

3.2.7 Sector Devolution

3.2.7.1 Rationale

Objective (a) of the Decentralisation Policy aims to empower local communities by devolving decision-making authority, functions and resources from the National to the lowest levels with matching resources in order to improve efficiency and

effectiveness in the delivery services. This objective provides the justification for a sector devolution component in the Implementation Plan. Vanuatu has opted for devolution as its preferred form of effective service delivery at the local level while at the same time maintaining sufficient linkages between the centre and the periphery. This means that devolution is not an alternative to centralisation. The two approaches will complement each other in promoting development and service delivery. The National Decentralisation Policy (NDP) stipulates the functions to be performed at the national government level, at provincial administration level and at the area level.

3.2.7.2 Objective

The main objective of the component on Sector Devolution is to achieve timely and effective devolution of designated functions from the sector Ministries to EACs for effective service delivery.

3.2.7.3 Outputs

- (a) Guidelines on sector devolution;
- (b) Devolution Plans for Sectors; and
- (c) Effective decentralisation system of governance at all levels.

3.2.7.4 Strategies

Work towards the right-sizing of the national and provincial governments, and the empowerment of EACs through effective devolution of power and responsibilities from the national and provincial.

3.2.7.5 Activities

- (a) prepare guidelines for use by Ministries in developing their sector devolution plans;
- (b) develop sector devolution master plan;
- (c) classify sector ministries into phases for devolution;
- (d) conduct orientation workshops on sector devolution for Ministries;
- (e) establish Technical Working Groups (TWGs) and Sector Task Forces within each Ministry to spearhead the devolution process;
- (f) establish Sector Devolution Task Forces for each EA level to steer the process at the area level and to act as a focal point for discussions with sector Ministries;
- (g) facilitate consultations between Ministries, EACs and other stakeholders to ensure that their respective concerns on both sides are factored into Sector Devolution Plans;
- (h) conduct workshops/meetings to assess progress on sector devolution; and
- (i) rationalise staff establishments in both national and local authorities.

3.2.8 Infrastructure Development and Services Provision

3.2.8.1 Rationale

Objective (f) of the Decentralisation Policy Document aims to *build capacity for development and maintenance of infrastructure at local level*. The management of infrastructure service provision (ISP) has over the years been largely confined to the national government at the exclusion of other important actors' such as ACs, the private sector and communities. Consequently, the socio-economic infrastructure

such as water, solid waste disposal systems, roads, health and educational facilities are poorly developed. This component focuses on the development of policy guidelines and capacity building for infrastructure development and management for effective service delivery. It also focuses on the facilitation of the attainment of basic infrastructural requirements for the effective discharge of devolved functions by all ACs, particularly the newly created ones.

3.2.8.2 Objective

The main objective of the component on ISP is to develop a supportive policy and institutional framework in order to improve the quality of devolved services.

3.2.8.3 Outputs

- (a) A comprehensive policy for the development, provision and management of infrastructure services;
- (b) Improved national capacity for infrastructure service provision; and
- (c) Improved physical capacity by ACs to discharge devolved functions.

3.2.8.4 Strategies

- (a) Work towards the development of an enabling policy environment for the effective infrastructure service provision; and
- (b) Strengthen national capacity for effective infrastructure services provision.

3.2.8.5 Activities

Infrastructure Policy and Capacity Building

- (a) development of a comprehensive policy on ISP and its management;
- (b) facilitation of rapid assessments at the local levels by ACs on infrastructure requirements and resource needs;
- (c) development and financing of accelerated area infrastructure development programme to support implementation of decentralised service provision; and
- (d) targeted training for the enhancement of ISP capacity building at all levels of government.

3.2.9 Monitoring and Evaluation

3.2.9.1 Rationale

The inclusion of Monitoring and Evaluation component into the Plan arises from the fact that there is need for stakeholders to know progress made, constraints/challenges faced, and proposed solutions in the implementation of the decentralisation policy. The Decentralisation Secretariat will, therefore, develop a decentralisation monitoring and evaluation system. The M&E system will enable the public, Government and its Development Partners to find out whether the policy is being implemented as planned, any changes experienced, problems encountered and possible solutions, and adjust according to the realities on the ground vis-à-vis policy objectives. The aim is to provide regular, verifiable and reliable information in such areas as financial management and accounting, overall operations of ACs, and impact assessment. There is also recognised need to align the M&E system to the existing monitoring and evaluation systems used by relevant arms of Government such

Parliament, MFEM, OAG and other line ministries. In addition, the development of an effective reporting mechanism that secure effective transmission of information among the various stakeholders at different levels is also considered important.

3.2.9.2 Objective

The main objective of the component on Monitoring and Evaluation is to develop and institutionalise an appropriate monitoring and evaluation system that will facilitate effective surveillance over the implementation of the National Decentralisation Policy.

3.2.9.3 Outputs

- (a) An effective national results-based monitoring and evaluation system;
- (b) Functional and effective Monitoring and Evaluation Units at all levels; and
- (c) A well-conceived review/evaluation mechanism and processes for decentralisation.

3.2.9.4 Strategies

- (a) Work towards the design and implementation of an effective monitoring and evaluation system for effective implementation of the DP; and
- (b) Work towards strengthening the oversight role of the communities and other stakeholders through their effective participation in M&E of decentralisation functions.

3.2.9.5 Activities

Effective national results-based monitoring, evaluation and reporting system

- (a) review the current national monitoring and evaluation framework in light of the DP;
- (b) design and institutionalise an effective national results-based monitoring and evaluation framework that captures DP issues;
- (c) develop M&E training manuals for the application of the monitoring and evaluation system and for use by various levels of policy implementation;
- (d) promote local community participation in monitoring and evaluation of development activities at the AC levels;
- (e) establish Provincial Assessment Teams (PATs) in all Provinces; and
- (f) facilitate annual reviews of implementation programme.

3.2.10 Programme Management and Coordination

3.2.10.1 Rationale

The DIP puts Decentralisation Secretariat (DS) at the centre of all institutions in the implementation of the Decentralisation Policy where it is supposed to define and coordinate the implementation process. In order to achieve this task, the Secretariat needs an appropriate institutional location from which to discharge its functions. Equally important the Secretariat also needs to attract and retain qualified and competent staff as well as have access to adequate resources to meet operational costs most of which are not likely to be budgeted for by different implementing institutions especially Areas and Provinces. This component is therefore essential to

facilitate building the required staff, operational, and resource capacity required to implement the DP.

3.2.10.2 *Objective*

The main objective of this component is to improve the delivery capacities of the DS through the development of a supportive work and operational environment.

3.2.10.3 *Strategy*

Development of an enabling operational environment for the DS.

3.2.10.4 *Outputs*

- (a) An effective DS capable of attracting and retaining competent personnel for the task of driving and managing the decentralisation process; and
- (b) Improved programme delivery in all areas of decentralisation implementation.

3.2.10.5 *Activities*

- (a) support operational and staff costs of the DS; and
- (b) undertake a baseline survey to determine existing operational capacities at various levels of Government.

4. Main Strategies for the Implementation of the Decentralisation Plan

(1) *Background*

The implementation of decentralisation is not new to the public sector in Vanuatu. Ministries such as Agriculture, Cooperatives, Health, Education, and Vanuatu Police Force have embarked upon sector-wide approaches (SWAPs) aimed at improving the quality of service delivery to local communities in the areas. In addition, a number of donors have complemented Government effort by working towards service delivery at the local level through the building of capacities at the ACs level. Donor-supported projects have included the then AusAID Land Use Planning Project, AusAid and NZAid Provincial REDI project, to name a few.

(2) *Approaches to Policy Implementation*

Government has considered three approaches to implementing the Decentralisation Plan. These are presented below.

4.2.1 *Pilot Approach*

Under this approach devolution is applied selectively both geographically (in terms of the number of areas within a province to be covered) and thematically (with respect to the functions to be devolved). This approach has the advantage of minimising risks and acquiring lessons for replication to the rest of the other ACs. However, it may politically unacceptable to exclude any areas from the decentralisation process.

4.2.2 *Nation-wide Approach*

Under this approach, devolution is implemented uniformly throughout the 72 ACs. This approach applies to all areas targeting the realisation of agreed minimum level of service delivery. Whereas the approach poses substantial risk in the event of failure, its strength lays in the fact that it meets the requirements of political fairness.

4.2.3 *Capacity Ladder Approach*

Under this approach, the physical implementation of devolution is applied on the basis of each areas' assessed attainment of the required capacity to perform devolved functions according to its graded status (municipality or area council). Having reached such a capacity, areas would practically assumed devolved functions. Areas with demonstrable capacity will assume responsibility for devolved functions and resources. On the hand, areas which perform poorly will be required to put in place measures to facilitate performance of their functions. In the meantime, additional measures to build their capacities would be operationalized. This approach acts as an incentive to the stronger areas and also as motivating factor to the weaker ones to build their capacities and assume more responsibilities. Overall, it contributes to mitigate potential risk of weakening the delivery of services especially in the initial years of devolution.

(3) *Government Preferred Approach*

Government has adopted the pilot approach in the implementation of the DP. Under this approach, the Government has decided to implement the decentralisation policy in three economic areas per province per year, and sector Ministries will play a leading role in the devolution of their identified functions in consultation/collaboration with the Decentralisation Secretariat.

(4) Funding Modalities

Government will pursue a multi-pronged approach to mobilise financial resources for the implementation of DIP as presented below.

4.4.1 National Government Funding

Through various means, Government will mobilise funds that will be transferred to EACs through a fiscal transfer formula to be developed by the DS and the Ministry of Finance and Economic Management (MFEM). The greater part of the finances for decentralisation will accrue from a realignment of existing national government funds disbursed to ministries to support their service delivery activities. Various fiscal transfer formulae will be developed covering different sectors such as health, education, agriculture, water, and roads to suit the implementation requirements of these sectors. The funds will be disbursed from the MFEM directly to EACs.

4.4.2 Economic Area Councils' Own Revenue

EACs shall generate their own revenue through the services that they provide. As much as possible, cost-recovery rates/charges shall be levied.

4.4.3 Private Sector

The private sector shall be encouraged to participate fully in infrastructure development and services delivery. Different forms of Private-Public Partnership (PPP) arrangements shall be explored to ensure that the private sector contribute to the generation of the required resources.

4.4.4 Community-cum-Users Provision

As much as possible and in the spirit of partnership, collaborate arrangements shall be worked out by respective EACs to enable served communities to contribute towards the provision of services. The involvement of communities in services delivery is particularly relevant in the delivery of services that are highly localised and which are relatively small-scale infrastructure. Government believes that this option offers good promise in meeting the social services demands of the communities. To secure the effectiveness of this option, Government shall ensure that stakeholders are directly involved at all the decision-making levels of preparation/planning, implementation and monitoring and evaluation. This means that participation mechanisms shall have to be well defined and individual roles and responsibilities clearly specified. Similarly, as part of the capacity building component of DIP, training opportunities for users groups and their intermediaries shall be made available, mainly with the help locally-based government agencies/and or NGOs that operate at the area level. Moreover, technical advice shall be made readily available regarding low-cost and environment-friendly local technological options.

4.4.5 Donors and Non-Governmental Organisations (NGOs)

External support from cooperating partners shall be solicited and any regulatory and/or legislative inhibitions that may constraint EACs to directly enlist for such assistance shall be reviewed accordingly. A Decentralisation Trust Fund shall be established by the MFEM into which cooperating partners can put their financial contributions to support DIP.

There is, nevertheless, recognition that a number of measures ought to be pursued to secure a more effective involvement of external partners at this level. In particular, there is need to ensure that support DIP would operate within the institutional framework and prioritised components that are set by the Government.

(5) Milestones in Policy Implementation

Success in the implementation of the DP from 2018 onwards shall be based on the attainment of a set of milestones as presented below.

4.5.1 Milestone for 2018-2020

During annual period of 2018 to 2020, DIP will work towards the attainment of the following milestones:

- (a) Secured EAC and development land with fully furnished offices;
- (b) Completed general sensitisation of all the identified key stakeholders to an extent that demonstrably allows their effective participation in the commencement of the implementation process;
- (c) Existence of a functional financing mechanism to guide the transfer of funds from the MFEM (as well as from cooperating partners) to EACs. This would entail the presence of guidelines for financial management and accountability that are aligned to Government mechanisms;
- (d) Completed Sector devolution plans with clearly identified devolved functions for the different levels of Government;
- (e) An Institutional Development Plan that focuses on adapting the appropriate organisational structures of EACs;
- (f) Established Devolution Task Forces in the three levels of government;
- (g) Functional structures for community participation in decision-making and planning process;
- (h) Existence of guidelines for integrated planning and budgeting for use by EACs in line with MTEF and Annual Business Plans (EABPs);
- (i) Well developed and operational institutional arrangements for human resource management; and
- (j) Operational M&E system intended to measure progress made in the implementation of the Policy.

4.5.2 Milestone for 2021-2024

During 2021 to 2024 period, DIP will work towards the following milestones:

- (a) Commencement of sector devolution in all ministries;
- (b) Sensitisation extended to specific issues arising from the implementation process;
- (c) EACs' Integrated Budget prepared (with assistance from devolving Ministries); and
- (d) Implementation of capacity building activities commenced.

4.5.3 Milestone for 2025-2028

During 2025 to 2028 period, DIP will work towards the following milestones:

- (a) Consolidation of programmes on sensitisation, civic education and democratic culture, including the continuation of training of EACs personnel and local

communities in local participation and decision-making, human rights, elements of democratic culture and power sharing;

- (b) Consolidation of the legal and regulatory framework in the context of sector devolution;
- (c) Continuation of the process of rationalisation of staff between EACs, Province and National Government;
- (d) Continuation of the institutional and human resource development programme, focusing on the strengthening of the management and technical co-ordinating capacities of both provincial administration and EACs through training, study tours, and attachments;
- (e) Installation and operationalization of MIS and requisite equipment for EACs;
- (f) Continuation of the programme on the strengthening of area planning units through recruitment and training of personnel;
- (g) Continuation capacity strengthening processes in the fields of revenue generation, including area-level revenue deepening and broadening;
- (h) Continuation of transfer of functions and rationalisation of staff as well as separation of staff from the national government, provincial and EACs; and
- (i) Continuation of the promotion of community participation in monitoring and evaluation of development activities at the EA and custom governance area levels.

4.5.4 *Inter-component Relationships*

In view of the fact that a significant proportion of decentralisation related activities cited prior commenced under other initiatives of Government before finalisation of the DIP, it follows that the arrangement of the DIP components relating to these activities reflect the degrees of attainment of the respective activities. The components area are also arrayed according to the primary objective of commencing devolution by 2018. Accordingly, nearly all components commence at the inception of the DIP period. Nonetheless, the components are also rolled out according to the order in which their outcomes and inputs are related. For instance, the component on sensitisation underpins the whole reform by provision of awareness to all stakeholders without which little progress can be made on any other component. The component must be however be progressively defined by the outputs of other components as they begin yielding outputs and thus continues through the implementation period. Details on the relationships are established in the matrix at the annexure 1.

5. Institutional Framework for Implementation of Decentralisation Policy

The effective implementation of the Decentralisation Plan is dependent, to a large extent, on the appropriateness of the structures at the different levels of the government system and how they are harmonised. These are presented below

5.1 National Level

5.1.1 Office of the Prime Minister and Parliament

Office of the Prime Minister, as the highest office that manages the Public Service, will be responsible for ensuring that all the Ministries comply with planned implementation activities. It will monitor the general progress in the Ministries regarding sector devolution. In the context of this responsibility, the Department of Strategic Planning and Aid Coordination (DESPAC) under the Cabinet Office will lead the organisational restructuring and strategic planning as part of reforming the whole Government machineries which is part of the Institutional Development component of DIP. To complement Cabinet Office, the Ministry of Justice will lead institution for the review and reform of the legal framework for decentralisation, under the ambit of the Law Commission. Parliament, in turn, shall enact the required legislation.

5.1.2 Decentralisation Policy Implementation Committee

The Decentralisation Policy Implementation Committee (DPIC) shall be the highest body within the Government system that shall serve as the steering body in charge of the implementation of the Decentralisation Policy. Chaired by the Parliamentary Secretary to the Ministry of Internal Affairs, it shall consist of carefully selected high-level officials, mainly the Parliamentary Secretaries and Director Generals. In its steering function, the Committee will discuss technical issues in the implementation of the DP and provide guidance to all implementing agencies. The DS shall provide logistical and secretarial support to the DPIC. DPIC will ensure that the implementation of the DP is effectively coordinated with and integrated into the rest of the Public Service Reform Programme.

5.1.3 Ministry of Internal Affairs

The Ministry of Internal Affairs is the main arm of the Government that shall oversee the implementation of the DP through the Department of Local Authorities (DLA) and will report regularly basis to the DS. Within the transitional phases the MIA under DLA shall operate at all three levels of government, namely, at the national, provincial, and area levels.

5.1.4 Decentralisation Secretariat

The Decentralisation Secretariat (DS) will be established in December 2017 to spearhead, plan, coordinate, facilitate, and monitor the implementation of the DP. The Secretariat, a civil service unit headed by a Director/Manager, is answerable directly to the Parliamentary Secretary of MIA. The Secretariat has a collaborative and consultative relationship with Government Ministries/Departments, Provincial Administration, and ACs based on its prescribed functions. It is envisaged that the Secretariat will be phased out when the requisite capacities are built at all levels of the Government. The roles and functions of the DS as follows:

- (a) servicing DPIC in the implementation of the Policy;
- (b) developing a comprehensive implementation plan and strategy in support of the DP;
- (c) initiating studies on specific aspects of decentralisation, sub-national planning and financial management in support of DP implementation;
- (d) developing and coordinating an extensive information, education, and communication program which raises awareness about decentralisation;
- (e) supporting sector/ministry decentralisation units in the development and implementation of sector specific DPs;
- (f) facilitating the establishment and installation of area and sub-area planning systems in all areas;
- (g) facilitating the establishment of financial and management institutions and structures at the Area level which support local governance and decentralised development;
- (h) supporting capacity building initiatives in the implementation of the DP with regard to area management, planning and financial systems;
- (i) monitoring and evaluating the implementation of the DP; and
- (j) performing any other duties as required by the DPIC.

Figure 1 presents the institutional location of the Secretariat. The Government recognises that the task of implementing the DP requires to be supported by a clearly defined institutional framework that would effectively facilitate greater interface between and among the various actors. DIP also needs to be supported by a strong DS that, while housed in the MIA, would still require an appropriate degree of latitude to manage its mandated strategic and day-to-day functions. Government also recognises that the additional load on the MIA during the operationalization of the nine components of the DIP calls for a well-focused review of the Ministry's organisational structure and institutional strengths so as to put in good stead for the mammoth task of implementing the DP. In this regard, consideration of having a Parliamentary Secretary dedicated to the task of decentralisation policy implementation shall be explored alongside the re-examination of the best model within which the DS could best discharge its mandated responsibilities.

5.1.5 Sector Ministries

In implementing the planned activities, the DPIC will assign Government Ministries, Departments and Units specific responsibilities. Different Ministries and Departments, in consultation/collaboration with the DS, will take active parts in either of both roles i.e., implementing those activities that fall within their official mandates and/or devolving or, de-concentrating their functions to ACs or Provinces respectively. In order to facilitate discharge of their mandates, devolving Ministries will form Ministerial Devolution Task Forces to articulate the functions to be devolved as well as to prepare and manage the Ministries devolution plan.

5.1.6 Technical Working Groups

It is the Government's position that when an activity in the DIP falls within the mandate of a given Ministry, the activity should be implemented by the Ministry. Notwithstanding this arrangement, it is recognised in the view of the close interrelationships between various activities that fall under different Ministries, that successful implementation of the DIP will call for a coordinating mechanism at the operational level to ensure the realisation of the planned activities. In this regard, the DS shall facilitate the

establishment of Technical Working Groups (TWGs) to collectively superintend over the business of each component of the DIP. The membership of each TWG shall be drawn from the relevant implementing Ministries, institutions that are direct beneficiaries of the outputs of the DIP component as well as experts in the respective fields from both the public and private sector. Each TWG shall be chaired individually or jointly, by Ministries with principal mandates in the component e.g., Ministry of Justice and Community Services shall chair the Legal Reforms TWG while MFEM shall chair the fiscal decentralisation TWG. The DS shall provide secretarial services to the TWGs. It is envisaged through this arrangement that the DS shall serve to actively connect the policy planning process at the Office of the Prime Ministry and the implementation processes in the Ministries. The main mandates of TWGs shall include the following:

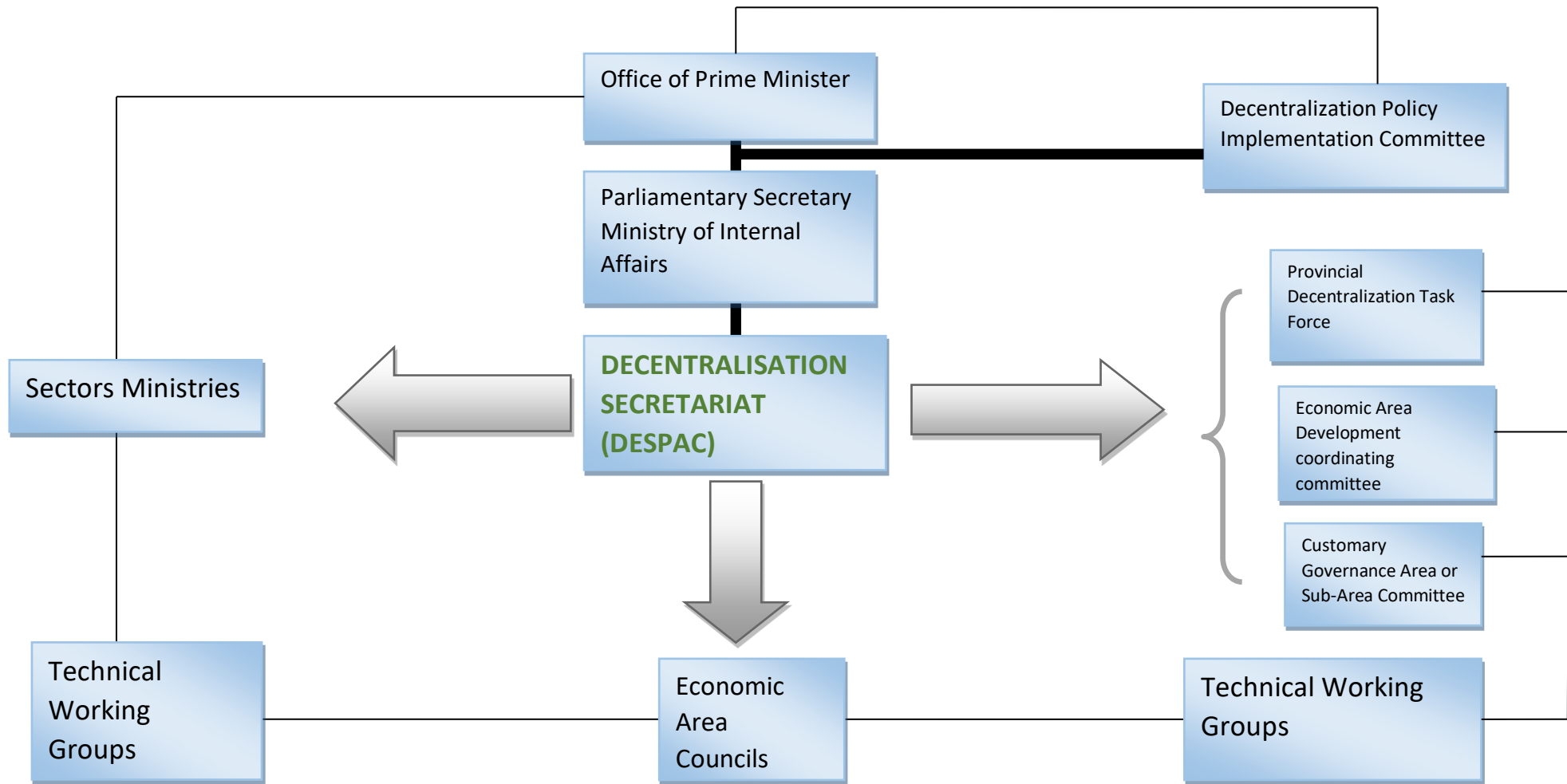
- (a) Facilitate the preparation of Annual Action Plans (AAPs) for specific components;
- (b) Develop and agree the strategies for undertaking the tasks under their respective components;
- (c) Provide a platform for sharing information resources in the implementation of the component area; and
- (d) Generate information from monitoring the implementation of the agreed AAPs.

The following are indicative of the TWGs that shall be formed:

- (a) *Sector Devolution Technical Working Group* that shall discuss and agree on a course of action on all matters pertaining to sector devolution;
- (b) *Legal Framework Technical Working Group* that would discuss existing legislation and regulatory frameworks with the aim of making these instruments facilitate the implementation of DP;
- (c) *Financing Decentralisation Technical Working Group* shall deal with issues of fiscal decentralisation; sharing of revenues between national and local governments; and management and accounting for finances transferred to local authorities;
- (d) *Local Development Planning and Budgeting Technical Working Group* that will deal with local level planning systems, community participation in the planning process, and integrated planning and budgeting;
- (e) *Institutional Development and Capacity Development Technical Working Group* that shall deal with issues of organisational restructuring; strengthening of institutions; and human resource capacity building; and

Monitoring and Evaluation Technical Working Group that shall deal with all matters pertaining to the effective monitoring and evaluation of the decentralisation process.

Figure 3: Institutional Location of the Decentralization Secretariat



5.2 Provincial Level

The key institution at the provincial level is the Office of the Secretary General (SG) who is the chief administrator at the provincial level. The Office of the SG will be responsible for the following functions:

- (a) Responsible for capacity building at the Economic Area level;
- (b) Provide regulatory and audit functions to the EA level;
- (c) Share information resources with areas and the national level on the state of policy implementation;
- (d) Preparing provincial progress reports on policy implementation programmes; and

Coordinating and overseeing the implementation capacity building programs in their respective provinces in collaboration with the DS.

5.3 Economic Area level

The Economic Area shall be the focus of development and service delivery. The implementation of the DP at the area level with following institutions:

5.3.1 Economic Area Councils (EACs)

Council is the legal body at the economic area level mandated to provide services and promote development in the area, as well as to make by-laws for the area. Through the Economic Area Technical Advisory Committee (EATAC), the Council will spearhead the implementation of the DIP at the area level.

The area will be involved in undertaking development activities in such areas as health, water and sanitation, education, housing, roads, environment, agriculture extension work for food security, etc.

5.3.2 Economic Area Technical Advisory Commission (EATAC)

The EATAC will continue to provide a coordinating forum for the area. It will facilitate the practical implementation of decentralisation and make recommendations to Councils for necessary action.

5.4 Custom Governance Boundary Level

The following actors shall be involved in the implementation of the DP at the sub-area level.

5.4.1 Custom Authorities (CAs)

The CAs will be established in all areas. Their role will involve resource mobilisation, revenue collection, community sensitisation, and prioritisation of projects for inclusion into the area strategic development plans. They will also play a key role in the monitoring and evaluation of implementation activities and also actively participate in the appointments of representatives at the EACs.

5.4.2 Civil Society Organisations

Civil Society Organisations include NGOs, community-based organisations (CBOs), Faith-based organisations (FBOs), etc. Their role in the implementation of the DIP shall be varied and will depend on their individual competencies and interests. Generally, they shall be important partners in service delivery as well as in the promotion of local development, through inter alia, local-level training; community mobilisation; information dissemination; and promotion of income-generating activities within the wider EA strategic plans.

5.4.3 Traditional Authority

Traditional authority (chiefs or tribal/clan heads) will play an important role in community mobilisation and policy/information dissemination by virtue of the fact that they are the custodians of various resources such as land and that they command accepted loyalty and compliance from their subjects.

5.4.4 Private Sector

The private sector shall be involved in service delivery either directly or through a combination of partnership and modalities.

5.4.5 Communities

The communities are the ultimate beneficiaries of the decentralised local governance. Community participation is important at the local level in terms of decision-making, identification, planning, implementing, monitoring and evaluation of local projects. The extent to which communities will be facilitated to effectively demand accountable governance will be the extent to which the implementation of the DP succeeds. Participatory mechanisms will therefore be defined to allow for enhanced participation in the decentralisation process.

6. Decentralisation Policy Implementation: Challenges, Risks and Opportunities

There are numerous challenges and risks to implementing decentralisation in Vanuatu that the Government will have to overcome. There are also opportunities that Government can take advantage of it in the implementation process.

6.1 Challenges and Risks

The challenges facing the Government of the Republic of Vanuatu in the implementation of the DP include the following.

- (a) to make the key stakeholders and actors understand the content and meaning of the Policy;
- (b) to overcome resistance to DP reform as to any change process;
- (c) to sustain political commitment to decentralisation;
- (d) to enhance acceptance of the changes to be made in some of the existing legislation and administrative orders to enable smooth implementation of the Policy;
- (e) to effectively coordinate the efforts of all the actors in the implementation of the Policy to ensure harmony and minimise conflict and duplication;
- (f) to mobilise adequate technical and financial resources for the implementation of the decentralisation policy;
- (g) to guarantee sustainable financing of area mandates for both local and national government sources;
- (h) to sustain continuous capacity building for all stakeholders to implement the Policy;
- (i) to build the confidence of the public in the public service, and local government in particular, for improved service delivery in implementing the Policy;
- (j) to enforce compliance with government procedures in general and especially relating to decentralisation in particular;
- (k) to ensure the cross-cutting issues including gender, environment, health and human rights issues are mainstreamed into the decentralisation implementation process; and
- (l) the principal risk to implementing decentralisation in Vanuatu in possible change in Government policy.

6.2 Opportunities

Despite the above challenges and risks that the Government has to contend with in the implementation of the DIP, there are also opportunities that Government can take advantage of for effective implementation of the Plan. These opportunities include:

- (a) Strong political will of the government;
- (b) The existence of major reforms at the macro level that are supportive of the ideals and principles of decentralisation (e.g. MCC 19 resolutions, health, education, the Constitutional Review process, etc.);
- (c) The strong desire by local communities to be part of the decision-making process;
- (d) Willingness on the part of Councils to take on the devolved functions in addition to their existing mandated functions;
- (e) The lessons generated from ministerial experiences in implementing decentralisation in the context of de-concentration that can be applied to current implementation process;
- (f) The rich experiences on decentralisation from other countries in the region that Vanuatu can benefit from;

- (g) The availability of management development and public administration training institutions in the country and abroad that can be engaged in capacity building for decentralisation;
- (h) The goodwill of cooperating partners to support the decentralisation process; and
- (i) The existence and experiences of the current Provincial Councils to be taken into account in the decentralisation implementation process.

6.3 Essential Factors in the Implementation of the Policy

The successful implementation of a decentralisation programme is dependent on a number of factors that include the following:

Sustained Political Will: Decentralisation is basically a political process that involves changes in the power relationships between national and local level government. It also involves changes in responsibility for various elements of the development process and therefore, invokes changes in resource allocation and control. Successful implementation of decentralisation is therefore, much dependent on political will of both national and local governments and willingness on the part of the citizens to embrace the devolved powers, responsibilities and resources. The process needs to be allowed time to be embraced and to mature since constant changes in the political framework can hinder the effective implementation of decentralisation. Effective implementation of decentralisation also calls for political stability.

Financial Sustainability: Decentralisation is a costly process that requires an assurance of sustained financing. Without such assurance, commence such as long term reform becomes risky. It is therefore imperative that the Government and the cooperating partners declare long-term financial commitment to decentralisation.

Broad Participation: The success of decentralisation initiative is largely dependent on the extent to which citizens participate in its operationalization. Support for decentralisation must be deliberately and carefully mobilised among all critical actors, especially local communities, civil society based organisations, traditional authorities, political leaders, civil service bureaucrats, and the private sector.

Flexibility: There is need to adopt a flexible approach in the implementation of a decentralisation policy to allow for learning, exploitation of new opportunities, overcome challenges, and accommodate new ideas during implementation. Flexibility must however be adopted within a clearly articulated vision to avoid loss of direction in such a complex reform.

Inter-governmental Relationships: Effective implementation of the DP requires clear definition of the roles and relationships of the institutions involved to avoid duplication and conflict. Although the functions of the three levels of Government (National Government, Provincial Council, and EACs) are spelt out in the DP, there is need to collaborate and complement each other in the implementation process through clearly articulated and accepted principles and mechanisms (such as EATAC, Office of the Provincial SG, and DS) that advocate constructive and mutually beneficial relations between the different implementing agencies of decentralisation. The DS will collaborate and consult with Ministries, Provincial Councils, and EACs in the development of such principles and mechanisms.

7. Conclusion

The operations and functions of Government's administrative systems are important to the overall implementation of the Decentralisation Implementation Plan. The decentralisation implementation plan must be implemented in harmony with other supporting policy documents such as the Constitution and the Decentralisation Act to ensure clear and concise implementation approach.

The Economic Area Councils are the key drivers of poverty reduction and development, due to structure and connection to the grassroots and their traditional governance structures across the country. The concept of decentralisation has been viewed as an effective mechanism of extending and deepening the democratic practices (participation) and facilitating for increased service delivery. In order to promote people-based development by increased participation and service delivery in Vanuatu. More time and effort must be put into the formulation of the implementation plan, and equally pro-activity to implement and practice the principles of decentralisation. Authority for planning, managing and decision-making at lower levels must be exercised, and funds must be dispersed to the lowest levels of government for the attainment of service delivery. This will ensure decentralisation is not just a theory, but also a practical concept that yields all intended objectives for sustained social and economic development.

Simultaneously, efforts should be made to encourage civic awareness and responsibility. This might best be done by encouraging systematic traditional governance systems representation that feeds into the process of government service delivery. Sub-area, village or tribal councils should have limited, legally defined responsibilities to assist with the provision of government services and to monitor and report on the outcomes of government services and the performance of government employees. History demonstrates that a state that is responsive to the needs of its citizens and accountable to them is the only proven mechanism for sustainable development.

The Decentralisation Policy and the 10 years Implementation Plan (2018-2028), identifies nine major components with their rationales, objectives, strategies and activities as the high-level roadmap in the successful implementation of the decentralisation initiative. The success of the decentralisation policy remains entirely in the hands and commitment of the Government and the people of Vanuatu.

8. Annexures

IMPLEMENTATION MATRIX FOR DECENTRALISATION PLAN COMPONENTS

[illegible]

Component 3: Institutional and Human Resource Capacity Development

Objectives

1. To create and strengthen institutional capacities to implement, manage and support decentralized governance, development and service delivery
2. To develop the management and technical capacities of the human resources of the key institutions responsible for implementing the decentralisation process so that they can effectively perform their roles
3. Define the role of traditional authority and its relationship with other institutions in the implementation of the Decentralisation Policy

Outputs

1. Appropriate organizational/institutional and management structures and systems developed at all levels of government for local governance, service delivery and development
2. Strengthen training institutions and other relevant bodies that provide capacity building services relevant to decentralisation
3. Roles of Service Commissions and traditional authorities reviewed and redefined
4. Comprehensive human resources capacity building program for decentralisation in place

Strategy

1. Assessment of institutional and human resources capacities for the adequacy in the implementation of the Decentralisation Policy

ACTIVITIES	ESTIMATED TOTAL COSTS (VT)	OPERATIONAL TIME FRAME(2017-2024)																												IMPLEMENTATION AGENCY				
		2017				2018				2019				2020				2021				2022				2023				2024				
3.1 Review the operation, composition and relationships of ADCs, ADCCs, PDTF, and DPIC vis-à-vis Decentralisation Policy	10,000,000																															DS/MIA/MFEM/OPM		
3.2 Define the coordination and reporting systems between national, provincial, areas, and sub-areas	5,000,000																																	
3.3 Review the functional managerial requirements of the Areas i.e., Area Administrator’s role in relation to the devolved local government system	N/A																																	
3.4 Develop appropriate organizational/management structures and systems for Councils	N/A																																	
3.5 Establish Area Development Committees in every sub-areas and develop suitable organizational	50,000,000																															DS/MIA/PCs/ACs		

Component 4: Local Development Planning and Budgeting

Objectives

To develop and implement a new integrated planning and budgeting system that is supportive of the National Decentralisation Plan

Outputs

1. An integrated and participatory local development planning and budgeting system
2. Established Area Planning Units
3. Operational participatory approaches to planning and budgeting
4. Development of Area Socio-economic and risk Profiles and Strategic Development Plans
5. Functional computerized database system developed and installed at the Area Level

Strategy

1. Undertake capacity building for integrated planning and management system

ACTIVITIES	ESTIMATED TOTAL COSTS (VT)	OPERATIONAL TIME FRAME(2017-2024)																								IMPLEMENTATION AGENCY								
		2017				2018				2019				2020				2021				2022				2023				2024				
4.1 Review and update existing planning and budgeting manuals planning and budgeting procedures that conform to the DP	5,000,000																														DS/MFEM/MIA/OP M			
4.2 Synchronize sub-area, area, provincial and national planning and budgeting cycles	5,000,000																																	
4.3 Introduce participatory planning and budgeting for development activities at the area and sub-area level	10,000,000																																	
4.4 Train Area Development Committee members in development planning and decision-making	20,000,000																																	
4.5 Develop area strategic plans taking into account the concerns at the sub-area levels	72,000,000																																	
4.6 Integrate physical and socio-economic planning approaches in Strategic Plans of Area and Provinces	5,000,000																																	
COMPONENT TOTAL	117,000,000																																	

Component 5: Financial Management and Accounting

Objectives

To promote accountability and transparency in the management and utilization of resources

Outputs

1. A computerized financial management and accounting system for Area Councils
2. Strengthened financial regulations and management manual for Councils
3. Reliable Internal Audit Guidelines and mentoring for Councils by Provincial Government Officers
4. Office of the Auditor General strengthened in auditing accounts of Councils
5. Enhanced capacity of the finance officers of the Councils
6. Enhanced oversight of communities over local development

Strategy

1. Development of the financial management and accounting/oversight capacities for decentralized functions

ACTIVITIES	ESTIMATED TOTAL COSTS (VT)	OPERATIONAL TIME FRAME(2017-2024)																								IMPLEMENTATION AGENCY
		2017			2018			2019			2020			2021			2022			2023			2024			
5.1 Strengthen current area financial management and accounting information system and practices	5,000,000																									DS/MFEM/MIA/SLO
5.2 Install financial management and accounting systems/procedures for Councils to enhance accountability and transparency	50,000,000																									
5.3 Strengthen the capacity of finance officers of the Councils through rationalization and recruitment of qualified personnel and training	10,000,000																									
5.4 Update Internal Audit Guidelines for use by Councils	2,000,000																									DS/MIA/OAG
5.5 Strengthen Internal Audit Units in Councils	20,000,000																									
5.6 Strengthen the role of Provincial administration in supporting the operations of Councils through advisory backstopping	10,000,000																									
5.7 Strengthen the OAG to enable it to better manage the volume of audit work coming from Councils	10,000,000																									
5.8 Strengthen the oversight capacity of communities through ADCs and local stakeholders through community participatory approaches	10,000,000																									DS/MIA/NGOs/Councils
COMPONENT TOTAL	117,000,000																									

Component 6: Fiscal Decentralisation and Revenue Mobilization

Objectives

To establish and operationalize a comprehensive local government financing system and at the same time enhance the capacity of Councils to mobilize resources and to enlarge their economic base

Outputs

1. Operational inter-governmental fiscal transfer formulae
2. Enhanced Revenue collection capacity of Councils
3. Strengthened capacity for resource mobilization for internal and external sources
4. Supportive legislation supporting timely release of funds from National Government to Councils

Strategies

1. Work towards the financial empowerment of the Councils through fair and equitable sharing of public resources for effective service delivery
2. Enhance internal capacities of Councils to raise and manage own resources

ACTIVITIES	ESTIMATED TOTAL COSTS (VT)	OPERATIONAL TIME FRAME(2017-2024)																								IMPLEMENTATION AGENCY
		2017			2018			2019			2020			2021			2022			2023			2024			
6.1 Review current government sources of revenue and transfers and recommend potential sources of revenue for Councils	6,000,000																									DS/MFEM/MIA/Councils
6.2 Recommend measures to redress the imbalance in tax assignments between national and local government	6,000,000																									
6.3 Establish formula for revenue sharing and commence transfer of grants directly to Councils	3,000,000																									
6.4 Establish a special Equalization Fund	72,000,000																									
6.5 Establish a system for regular reviews of, and recommendations on, periodic revisions of the level of personal levy and other charges	6,000,000																									DS/MFEM/MIA/OPM/Moj
6.6 Strengthen the enforcement of legislation to ensure adherence to timely release of funds to Councils by MFEM	6,000,000																									
6.7 Develop and apply effective revenue collection mechanisms for use by area councils	2,000,000																									DS/MFEM/MIA
6.8 Enhance the human resource capacity in area council revenue collection	30,000,000																									
COMPONENT TOTAL	131,000,000																									

Component 7: Sector Devolution

Objective

To achieve timely and effective devolution of designated functions from sector Ministries to Councils for effective service delivery

Outputs

- Guidelines on sector devolution
- Devolution Plans
- System of Transfer and Rationalization of staff

Strategy

- Work towards rightsizing of the national and provincial government and the empowerment of Councils through effective devolution of power and responsibilities from national ministries

ACTIVITIES	ESTIMATED TOTAL. COSTS (VT)	OPERATIONAL TIME FRAME(2017-2024)																								IMPLEMENTATION AGENCY								
		2017				2018				2019				2020				2021				2022				2023				2024				
7.1 Prepare guidelines for use by ministries in developing their sector devolution plans	10,000,000																														DS/Ministries/MIA			
7.2 Develop sector devolution plan	15,000,000																														DS/MIA/Ministries			
7.3 Classify sector ministries into phases for devolution	5,000,000																														DS/DPIC/MIA/OPM			
7.4 Conduct orientation workshops on sector devolution for ministries	10,000,000																														DS/DPIC/MIA/OPM			
7.5 Establish Technical Working Groups (TWGs) and Sector Task Forces within each Ministry to spearhead the devolution process	30,000,000																														DS/Ministries/MIA/OPM			
7.6 Establish Sector Devolution Task Forces for each Council to steer the process at the area level and act as a focal point for discussions with sector ministries	30,000,000																														DS/Ministries/MIA/OPM/Councils			
7.7 Facilitate consultations between Ministries, Councils and other stakeholders to ensure that their respective concerns are factored into Sector Devolution Plans	50,000,000																														DS/Ministries/MIA/OPM/Councils			
7.8 Conduct workshops/meetings to	20,000,000																														DS/Ministries/MIA/OPM			

Component 8: Infrastructure Development and Service Provision

Objective

To improve infrastructure service delivery through the development of a supportive policy and institutional framework

Outputs

1. A comprehensive policy for the development, provision and management of infrastructure services
2. Improved national capacity for infrastructure service provision
3. Improved physical capacity by area to discharge devolved functions

Strategies

1. Work towards the development of an enabling policy environment for effective infrastructure service provision
2. Strengthen national capacity for effective infrastructure services provision

ACTIVITIES	ESTIMATED TOTAL COSTS (VT)	OPERATIONAL TIME FRAME(2017-2024)																								IMPLEMENTATION AGENCY								
		2017				2018				2019				2020				2021				2022				2023				2024				
8.1 Development of a comprehensive policy on ISP and its management	10,000,000																														DS/MIA/MIPU/Provincial & area councils			
8.2 Facilitation of rapid assessments at the area council levels on infrastructure requirements and resource needs	10,000,000																																	
8.3 Development and financing of accelerated area infrastructure development programme to support implementation of decentralized service provision	670,000,000																																	
8.4 Targeted training for the enhancement of ISP capacity building at all levels of government	80,000,000																																	
COMPONENT TOTAL	770,000,000																																	

Component 9: Monitoring and Evaluation

Objective

To develop and institutionalize an appropriate monitoring and evaluation system that will facilitate effective surveillance over the implementation of various development projects in line with the NDP

Outputs

1. An effective national results-based monitoring and evaluation system
2. Functional monitoring and evaluation units at all levels
3. Improved feedback mechanism

Strategies

1. Work towards the design and implementation of an effective monitoring and evaluation system that will take into consideration implementation of the DP
2. Work towards strengthening the oversight role of communities and other stakeholders through their effective participation in M&E of development projects

ACTIVITIES	ESTIMATED TOTAL. COSTS (VT)	OPERATIONAL TIME FRAME(2017-2024)																								IMPLEMENTATION AGENCY								
		2017				2018				2019				2020				2021				2022				2023				2024				
9.1 Review the current national monitoring and evaluation framework in light of the DP	25,000,000																														DS, MFEM, MIA, OPM			
9.2 Design and institutionalize an effective national results-based monitoring and evaluation framework that captures DP issues	As in 9.1																																	
9.3 Develop monitoring and evaluation training manuals for the application of the M&E system and for use by various levels of policy implementation	20,000,000																																	
9.4 Promote local community participation in monitoring and evaluation of development activities at the area and sub-area level	30,000,000																																	
9.5 Establish Provincial Assessment Teams (PATs) in all provinces	20,000,000																																	
9.6 Facilitate annual reviews of implementation programmes	20,000,000																																	
COMPONENT TOTAL	115,000,000																																	

Component 10: Programme Management and Coordination

Objective

To enhance the Decentralisation Secretariat implementation capacity through the development of a supportive work and operational environment

Outputs

1. An effective decentralisation secretariat capable of attracting and retaining competent personnel for the task of driving and managing the decentralisation process
2. Improved programme delivery in all areas of decentralisation implementation

Strategy

1. Create an enabling operational environment at the DS to attract and retain appropriate personnel

[illegible]

