

Document of
The World Bank

Report No: 21671-VA

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED LEARNING & INNOVATION CREDIT
IN THE AMOUNT OF SDR2.70 MILLION (US\$ 3.50 MILLION EQUIVALENT)
TO THE REPUBLIC OF VANUATU
FOR
SECOND EDUCATION PROJECT
JUNE 19, 2001

**Human Development Sector Unit
East Asia and Pacific Region**

CURRENCY EQUIVALENTS

(Exchange Rate Effective January 1, 2001)

Currency Unit = vatu (Vt)

Vt 1 = US\$0.007

US\$1.00 = Vt 140

FISCAL YEAR

January 1 -- December 31

ABBREVIATIONS AND ACRONYMS

ADB Asian Development Bank
AusAID Australian Agency for International Development
CDU Curriculum Development Unit (MEYS)
CRP Comprehensive Reform Program
EMP Education Master Plan
IDA International Development Association (The World Bank)
LIC Learning & Innovation Credit
MEYS Ministry of Education, Youth & Sport
MOF Ministry of Finance & Economic Development
NGO Nongovernmental organization
PASEP Primary & Secondary Education Project (IDA Credit 1964-VAN)
PHRD Professional Human Resources Development (Japan) Grant
PIP Project Implementation Plan
PMU Project Management Unit
SIL Summer Institute of Linguistics
VCC Vanuatu Cultural Center (Ministry of Interior)
VRDTCA Vanuatu Rural Development Training Centers Association
VTC Vanuatu Teachers College (MEYS)

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**VANUATU
SECOND EDUCATION PROJECT**

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MAP(S)

IBRD 31505

VANUATU
SECOND EDUCATION PROJECT
Project Appraisal Document

East Asia and Pacific Region
EASHD

Date: March 12, 2001		Team Leader: Alfonso F. de Guzman						
Country Manager/Director: Klaus Rohland		Sector Manager/Director: Maureen Law						
Project ID: P004823		Sector(s): EP - Primary Education, ES - Secondary Education						
Lending Instrument: Learning and Innovation Loan (LIL)		Theme(s): Education						
		Poverty Targeted Intervention: N						
Program Financing Data								
<input type="checkbox"/> Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other:								
For Loans/Credits/Others:								
Amount (US\$m): 3.50								
Proposed Terms (IDA): Standard Credit								
Grace period (years): 10		Years to maturity: 30						
Commitment fee: 1/2 of 1% p.a.		Service charge: 0.75%						
Financing Plan (US\$m):								
Source	Local	Foreign	Total					
BORROWER	0.25	0.00	0.25					
IDA	1.32	2.18	3.50					
Total:	1.57	2.18	3.75					
Borrower: REPUBLIC OF VANUATU								
Responsible agency: MINISTRY OF EDUCATION, YOUTH AND SPORT								
Address: P.O. Box 153, Port Vila, Vanuatu								
Contact Person: Mr. George Andrews, Director General								
Tel: (678) 22309		Fax: (678) 22849						
		Email: andrews@vanuatu.com.vu						
Estimated disbursements (Bank FY/US\$m):								
FY	2002	2003	2004	2005				
Annual	0.50	1.00	1.25	0.75				
Cumulative	0.50	1.50	2.75	3.50				
Project implementation period: 4 years								
Expected effectiveness date: 07/01/2001			Expected closing date: 06/30/2005					

A. Project Development Objective

1. Project development objective: (see Annex 1)

The objective of the proposed Learning and Innovation Credit (LIC) is to identify an efficient, replicable, and sustainable model for the provision of instruction in vernacular languages and in English and French, in rural areas of Vanuatu. Specifically, the project would pilot-test whether Vanuatu can effectively deliver a package of innovations intended to help the country move toward its objective of Education for All, defined as formal basic education of good quality through year 8. The innovations to be piloted under the project are expected to: (i) increase access, (ii) improve quality, (iii) enhance children's learning processes and therefore make them better prepared either to pursue further education or to continue learning informally throughout life, (iv) provide education of greater relevance, (v) empower people through the conservation of their unique languages, cultures, and identities, (vi) enhance social cohesion and increase respect for diversity, and (vii) develop and enhance partnerships among the key stakeholders, including the Government, the churches and other nongovernmental organizations (NGOs), parents, communities, and donors. Implemented successfully, the LIC is expected to lead to a series of follow-on Adaptable Program Credits which would generalize the successful innovations throughout the country. The logical framework for the project is in Attachment 1: Project Design Summary.

The key innovations to be tested in pilot schools under the project would be: (i) use of indigenous languages in preschool education of two years and in year 1, (ii) teaching of science and social studies in indigenous languages in years 2-6, (iii) provision of terminal lower junior secondary education (years 7-8) in Community Secondary Day Schools for those unable to attend Junior Secondary Schools (years 7-10), (iv) teaching of Bislama (the national lingua franca) as a subject in years 7 and 8, (v) greater parent and community involvement in provision of facilities, in decisions concerning the school, and specific content of education, and (vi) greater involvement of churches and other NGOs in the provision of education and development of learning materials.

2. Key performance indicators: (see Annex 1)

2.1 To indicate that the most efficient mechanism for community and NGO participation has been achieved, evidence will be gathered that:

- Education in the relevant indigenous languages has in fact been successfully introduced into all of the project's pilot schools. This implies that the Government has worked successfully with communities, churches, and other nongovernmental organizations (NGOs) to (i) develop learning materials for preschool education and year 1 in the local indigenous languages of the communities where the pilot schools are located; and (ii) identify certified teachers fluent in these languages to teach primary year 1 as well as science and social science in years 2-6.
- Communities and the Vanuatu Preschool Association (an NGO) are working together successfully, with some support from the Government, to introduce two years of preschool education in indigenous languages at all of the project's pilot schools.
- By the end of primary year 1, children learning in their own indigenous language

exhibit improved learning outcomes, based on simple cognitive evaluation measures, than children learning only in English or French in the project's control group of schools.

- Schools in selected pilot locations are built, furnished, equipped, and staffed to offer secondary years 7 and 8.

2.2 To indicate that a feasible, operational system is in place for replicating the piloted reform, evidence will be gathered that:

- In community secondary school years 7 and 8, the following have been introduced: (i) a new science curriculum with emphasis on science for the immediate environment and practical life skills; and (ii) a curriculum for the new subject of Bislama orthography.
- Teachers in all pilot schools have successfully completed training programs developed by the Vanuatu Teachers College.
- A MEYS Policy & Planning Service a monitoring and evaluation system periodically compares learning outcomes of the pilot schools' higher years with those in schools in the existing system and shares the information with Provincial Education Offices.

2.3 To indicate that technical support for education reform is in place, evidence will be gathered that:

- Grant proposals from local School Committees are processed on time.
- Construction and renovation are completed on time at agreed level of quality.
- School computers, running on solar power, are in active use by teachers.
- The national textbook-to-pupil ratio is maintained at 1:1 in mathematics.

B. Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the project: (see Annex 1)

Document number: R2000-0074

Date of latest CAS discussion: May 5, 2000

No separate Country Assistance Strategy has been prepared by the Bank for Vanuatu. There is, however, a strategy note for the Pacific island member countries of the World Bank which includes an annex on Vanuatu. The Bank's Pacific regional strategy aims to build human capital, policies, institutions, and infrastructure needed to bring about equitable and sustainable growth. The goal of the regional strategy is to reduce disparities within countries and to promote equitable access to the benefits of development through focused lending, particularly in the social sectors (education and health). With regard to Vanuatu, the Pacific regional strategy mentions that the Bank should continue to provide nonlending services to Vanuatu in several sectors in which we have a comparative advantage, including education. Since several other donors are active in Vanuatu, the Bank would provide IDA credits in a very limited number of key sectors, including education, in which we have worked with the Government for more than a decade.

2. Main sector issues and Government strategy:

Vanuatu and its education system

1. Independent since 1980 from joint British and French colonial administration, Vanuatu's 190,000 people live in the South Pacific archipelago previously known as the New Hebrides. The

country derives most of its income from agriculture (both export and subsistence) and tourism. An inherited dual-lingual education system directed mainly at preparing young people for further education and formal employment has become irrelevant to the needs of the people who speak over 100 Melanesian languages, who cherish their traditional island way of life, and who will be unable, for the most part, to find employment in the formal sector. The inherited education system also promoted an education model which, as it was expanded, proved an increasingly unsustainable burden on the Government budget. With IDA support, the Government developed a National Education Master Plan which would reform the system to provide culturally relevant and fiscally affordable basic education to all ni-Vanuatu children. This Plan would be refined and further developed under the proposed project.

2. Vanuatu is placing its hopes for recovery in an ambitious Comprehensive Reform Program (CRP) which, if carried out as planned, will affect and improve every aspect of the economy and society. The CRP was developed with broad participation and consultation with all parts of Vanuatu society and was endorsed by all political leaders, including those in the opposition, at a National Summit held in July 1997. The CRP includes major economic reforms as well as a reform of the public service and a redefinition of the role of Government. The CRP was endorsed by all the major donors at a consultative meeting on Vanuatu held in late 1997 in Noumea, New Caledonia.

3. The improvement of education is highlighted in the CRP as being at the heart of the reform process, and education is accordingly being given highest priority within the CRP. Education is viewed both as a major contributing factor to economic growth (through a literate and better skilled work force) and as the single most important tool for promoting a more equitable society (by universalizing basic education so that everyone has an equal chance at available opportunities). Goals set forth specifically in the CRP include the following: (i) to provide universal access to basic education by the Year 2010; (ii) to modify the curriculum so that children and young people obtain the knowledge and skills they need to contribute effectively to national development; and (iii) to make the education system more cost-effective, so that available resources are used as effectively as possible.

4. Through the recently completed Primary and Secondary Education Project (PASEP, financed by Credit 1964-VAN), IDA provided assistance toward expanding access through school construction, enhancing quality through curriculum development, teacher training, and textbook production, and improving management through the provision of equipment and technical assistance. While PASEP was still under way, the Government began discussions with IDA on future IDA support to the education sector. The Government was eager to continue IDA assistance for school construction, development and provision of textbooks, teacher training, and institutional strengthening; in addition, it sought IDA's advice on how its existing education system might be modified and reformed to address the sector's issues and to meet the objectives set forth for the education sector in the CRP. IDA responded by (a) requesting the Government of Japan to provide PHRD Grant TF025211 for the preparation of a new project and (b) mounting a major sector review mission in mid-1998 to assist the Government in preparing an Education Master Plan. The first PHRD Grant was disbursed mostly for (i) the evaluation of PASEP, (ii) studies of the economics of education in Vanuatu, and (iii) the hiring of technical

assistance for the development of the Education Master Plan and for a study of Vanuatu's indigenous languages. The Master Plan set the stage for the future development of Vanuatu's education system, including this proposed project. In addition to providing lending and technical assistance, IDA is being asked to continue to provide the lead coordinating role among donors in the education sector and to enhance partnerships with NGOs. IDA is viewed as the best donor for this task because of its ability to bring widespread international expertise and experience to bear on education issues, its objectivity, and its long experience working with Vanuatu in the education sector.

Lessons learned

5. From IDA's experience with PASEP and from other education lending in general and particularly in Melanesia, notably in Papua New Guinea and the Solomon Islands, lessons in mounting systemic reform have shown that for such an operation to succeed, the following must be achieved: (i) ownership by principal beneficiaries, in this project, the village communities, including parents; (ii) participation of key stakeholders in civil society, including traditional village leaders, churches, and political parties; (iii) partnership between the Government and the private sector, principally NGOs; (iv) continuing dialogue and consensus-building among political leaders and groups; and (v) coordinated donor support.

Issues in the education sector

6. The people and Government of Vanuatu place a high value on schooling but find certain elements of their current education system: (a) *inadequate*, because there are not enough student places after primary year 6; (b) costly and *inefficient*, because of high rates of repetition and dropout, because children are not learning adequately for the costs incurred, and because it takes 13-14 years to produce a student ready for higher education; (c) *inequitable*, because there are widespread regional, urban-rural, and social differences in education provision; and (d) urban- and formal-sector oriented and therefore *irrelevant*, because many among the educated cannot find employment in the very small formal economy and therefore most school leavers need to make their lives in their rural villages, an environment for which the school system has not prepared them and from which it has in fact alienated them. There are also widespread perceptions that the country's language policy in education needs to be changed, that new partnerships need to be forged to expand the resource base and improve delivery, and that education planning needs to be strengthened. The education system is being subjected to increasing resource constraints at the same time as greater demands are being placed on it. These major **issues** in the education sector, and the Government's **strategies** for addressing them, are discussed in the following paragraphs.

7. **Access.** Although classified as a low-income country, Vanuatu has managed to provide access to primary education (years 1-6) throughout the country. In some communities, however, traditional chiefs and parents resist sending their children to school because they perceive the school as providing an education which alienates children from their own culture and which is irrelevant to the children's needs for life; this problem is discussed further under "relevance" (below). In addition, an unacceptably high percentage of children who commence primary school do not finish it in six years or do not finish it at all; this problem is discussed further under

"quality" and "efficiency" (below). Finally, at present, only about 40% of children who finish year 6 are able to find places in year 7; the others are forced out of the education system after year 6. This problem causes strains on Vanuatu's social fabric, since the children from wealthy and urban families are perceived to have an advantage over children from poorer and rural families. In addition, the existing provision of secondary-education facilities is perceived to benefit some provinces more than others. The Government's strategy is three-pronged: (i) make primary education more relevant to Vanuatu's culture and needs, in order to attract those children whose parents and community leaders at present resist sending them to school; (ii) improve the quality of education to reduce repetition and dropout rates; and (iii) provide universal Education for All of eight years (plus preschool education), over the long term, to all children of the relevant age group, by gradually expanding the physical facilities, the number of teachers, and the materials available for years 7 and 8 in all provinces.

8. **Quality.** The quality of education being provided to Vanuatu's children is universally judged to be low. Children demonstrate low levels of knowledge acquisition and limited preparedness for either further education or life following school, which makes parents question the value of sending and keeping their children in school. Vanuatu's examinations system at present is used only to select children for the next higher level of education and does not yet have the capacity to evaluate children's levels of learning over time, but the results achieved by children at the end of years 6, 10, and 12 (the testing points) are judged by all observers to be lower than desired and achievable for children at those stages. Secondary-school leavers finishing year 12 in Vanuatu's Anglophone school system must study a further year (year 13) before they are judged to be prepared for higher education; in the Francophone system, they must study a further two years (13 and 14) before they may enter the (Francophone) University of New Caledonia. The Government's strategy is to improve the quality of education through continuation of three activities which were supported under the previous Bank-supported education project (PASEP) and a fourth activity which would be piloted under this proposed Learning and Innovation Credit. The three on-going activities are: (i) a wider supply of improved teaching and learning materials at all year levels, (ii) expanded and improved teacher training and teacher supervision, and (iii) improved physical facilities. The new activity to be piloted under this proposed Learning and Innovation Credit is the use of indigenous languages in preschool education and year 1. (In Vanuatu's context, the term "indigenous languages" in this document means the Austronesian languages spoken as mother tongues in Vanuatu, plus Vanuatu's variety of Melanesian pidgin, Bislama, which is widely used as a lingua franca and has become the mother tongue of a limited number of children in Vanuatu's two urban areas where people from different parts of the country have settled in close proximity.)

9. **Relevance.** It is widely perceived that Vanuatu's present education system lacks sufficient relevance, in two important ways: (i) it does not adequately conserve and pass on to the next generation the country's rich and extremely diverse wealth of languages and cultures and (ii) it does not adequately provide the skills young people need if they are to function in Vanuatu's and the wider world's society and economy. The Government's strategy over the medium and long term is, first, to conserve and use local languages in early basic education and, second, to continue and expand efforts to reform the curriculum throughout the education system for greater relevance to community and national goals. In particular, the curriculum of basic education is to

be modified so that children completing year 8 are well prepared either to reintegrate themselves into their communities (the majority) or to pursue further education successfully (the minority).

10. **Equity.** The differences in education provision among various groups (provincial; urban/rural; wealthy/poor) are both real and widely perceived. It is noteworthy that females are well represented in education at all levels except for the upper levels of secondary education. The Government's strategy, which is modest but feasible, is to universalize the provision of preschool education and years 1 through 8 over the long term. In particular, preschool education and years 7 and 8 are to be provided throughout the country close to the children's homes, which will reduce the grievances of the less-well provided provinces and the rural areas, where most of the country's poor live.

11. **Language.** Vanuatu's constitution establishes that the Government "shall protect the different local languages which are part of the national heritage," that Bislama (the Melanesian pidgin used in Vanuatu, para. 9) is the national language, and that English and French are "the principal languages of education." At present, many of Vanuatu's indigenous languages are at risk of becoming extinct, and parents and communities are deeply concerned that their cultures and their unique identities are dying with their languages. Bislama, the national lingua franca, is growing in use but is widely perceived as needing efforts at standardization, to give it the prestige befitting its status as the national language. Standards of both English and French are judged to be inadequate, with many young people learning neither language well, and very few able to function effectively in both languages. The Government intends to protect the local indigenous languages and Bislama by (i) ensuring that over the medium and long term, writing systems are developed for languages which as yet are unwritten, and dictionaries and grammars are developed for those languages which as yet do not have them, and (ii) as resources permit, producing learning materials in these languages (for literacy in year 1 and for science and social studies in the succeeding years of primary education) and using them in schools. The teaching of English and French is to be strengthened not only by producing more and better materials in these languages and by providing better preservice and in-service teacher training, but also through the use of indigenous languages for initial literacy, which experience elsewhere has demonstrated leads to improved learning thereafter, including better achievements in second languages.

12. **Efficiency.** Vanuatu's present education system is characterized by high rates of repetition and drop-out, which are major factors in the system's high costs and inefficiency. The Government's strategy is to reduce these inefficiencies both through improvements in quality and through the use of indigenous languages for initial literacy, which experience elsewhere has demonstrated leads to higher promotion and retention rates.

13. **Partnerships.** Formal education in the modern sense was introduced to Vanuatu by missionaries in the nineteenth century, and the churches are still involved in education, although the Government is now the main provider of education in Vanuatu. Several nongovernmental organizations (NGOs) (the Summer Institute of Linguistics, World Vision, the Vanuatu Community Development Trust) have been involved in developing literacy materials in local indigenous languages, mainly for adult literacy, and another NGO (the Vanuatu Preschool Association) has been involved in providing preschool education. Parents and communities are

requested to provide “voluntary” contributions to the education system but often have not been involved in an optimal sense. Given that fiscal constraints have made it increasingly difficult for the Government to provide quality education to an ever greater number of children, the Government must continue to rely on partnerships with churches and other NGOs. The Government's strategy is therefore to build closer partnerships with the churches, the nongovernmental organizations already involved in literacy and preschool activities, parents, and communities in order to address other issues of the sector (access, quality, relevance, equity).

14. **Education finance.** Economic growth in Vanuatu in recent years has been unable to keep up with the rapid rate of population growth (both have averaged around 2.8% p.a.). In this situation, the Government has found it difficult to expand and improve social services but has protected education (para. 4). The Government relies on the World Bank (IDA) and other donors for its entire *investment* budget in education: Australia and France for teacher training, technical education, materials, scholarships, and technical assistance; the European Union for school construction and technical assistance; Japan (through the PHRD grant) for technical assistance; and IDA for teaching materials, teacher training, infrastructure, and technical assistance. The United Kingdom and New Zealand are also active in the education sector, but in more narrowly targeted assistance. Economic contraction in the last two years, combined with continuing population growth, have meant that *recurrent* unit costs of education provision have declined, even though the Government has protected the education sector's share at about 27% of the recurrent budget (the single biggest sectoral allocation). In this context, the Government's strategy is both to build partnerships and seek additional resources for education and to use available resources for education more efficiently and effectively.

15. **Education planning.** The Ministry of Education, Youth & Sports has made impressive advances both in gathering the data needed for education planning and in analyzing and using it. In such a small country, however, the available human resources are very thinly stretched. Over the medium term, the Government's strategy for education planning will continue to be reliance on externally provided technical assistance at the same time as nationals are acquiring training in education planning.

3. Learning and Development issues to be addressed by the project:

The proposed Learning and Development Credit has been designed at the request of Vanuatu's Ministry of Education. By piloting the introduction of indigenous languages at the beginning of a child's education, and the provision of years 7 and 8 nearer children's homes, it would address the key issues of the education sector listed above:

1. **Access.** The use of indigenous languages in the early years of education is expected to encourage parents, traditional leaders and communities to participate more fully in the life of the school and to diminish resistance to sending children to school and keeping them in school. As has been demonstrated in other countries, the use of local languages is also expected to result in reduced dropout, such that more children will stay in school until they complete basic education. Finally, the innovation is expected to allow more children to proceed on to years 7 and 8, offering universal basic education of a duration more in keeping with the standards of other countries in the modern world.

2. **Quality.** There is considerable evidence from around the world that children achieve literacy better when they are taught in their mother tongue. There are both cognitive and psychological reasons for this. The *cognitive* reason is that the ability to read and write is easier if children's first attempts to decipher and write words are words that the children already know. The acquisition of basic literacy in the mother tongue appears to make children better able to learn all subjects more easily thereafter, including other languages, even if these subjects are thereafter taught in a language other than the mother tongue. The *psychological* reason is that children are excited, inquisitive, self-confident, and self-motivated about learning when their mother tongue is used as the initial language of instruction, and these attitudes about learning and schooling persist throughout their later lives. Conversely, children are often confused and frightened if initially forced to become literate in a language they do not understand and may never have heard. These attitudes also persist throughout later life. Although the proposed Learning and Innovation Credit will not last long enough to measure the learning outcomes of the children participating in the pilot after six, ten, and twelve years of education, evidence from other countries suggests that they will demonstrate superior learning achievements in all subjects, including their second language. The continued assistance under the project for curriculum development and the production of learning materials, teacher training, and improved facilities are also expected to improve quality outcomes.

3. **Relevance.** The development of literacy materials in local languages will be accompanied by the inclusion of local content, lore, stories, legends, poems and songs in the curricula for preschool education and year 1. Under general guidelines established by the MEYS, science and social studies in years 2 through 6 will be taught in local mother tongues, with specific examples used by teachers in the classroom taken from local experience, to the extent possible. Efforts in curriculum development and the production of learning materials will continue to make both the curriculum and the learning materials more relevant to Vanuatu's realities and development needs.

4. **Equity.** By piloting a method which will enable poor children in rural areas who have not been extensively exposed to English or French a chance to acquire basic literacy in their mother tongues, the proposed project is expected to reduce the urban-rural and the wealthy-poor dichotomies. By piloting a new system under which *all* children will be able to attend preschool education classes established with community and government support, the proposed project is expected to improve poor children's chances in primary school, in contrast to the present system, under which privately supported preschool education facilities are more likely to cater to wealthier parents in urban areas. By introducing years 7 and 8 at the same sites as existing primary schools (years 1 through 6), the proposed project is expected to pilot a system in which inequalities among provinces will be reduced. In addition, since there are real costs in sending children away to the boarding schools where secondary education is now offered, this new system is expected to increase the chances of poor families to send their children to years 7 and 8.

5. **Language.** The system piloted under the proposed project will lead, over the medium and long term, to the development of writing systems, dictionaries, grammars, and learning materials for many of Vanuatu's as yet unwritten languages, thus fulfilling the mandate of the Constitution to protect these languages. Similarly, the development of learning materials in Bislama, the

national language, will standardize its usage. English and French will continue to be the principal languages of education, as mandated by the Constitution. Moreover, as evidence from elsewhere suggests, the standards achieved by students in these two languages are expected to improve, once children acquire literacy in their mother tongues. In a pilot in Guatemala using Indian mother tongues in early basic education in years 1 through 3 and Spanish in years 4 through 6, Indian children spoke and wrote better Spanish at the end of year 6 than did Indian children in the traditional system who learned in Spanish throughout primary school (years 1 through 6). Similarly, in Mali, children who learned in their mother tongues in early basic education (mother tongue in years 1 and 2, transition to French in years 3 and 4, and French thereafter) demonstrated better learning achievements in mathematics and in French than did children from similar backgrounds who were taught in French in years 1 through 6.

6. **Efficiency.** Evidence from other countries also suggests that repetition and dropout rates in primary education will diminish, once children acquire literacy in their mother tongues. In the Guatemala case cited above, the real financial savings from reduced repetition and dropout proved more than enough to cover the costs of developing learning materials in Indian languages.

7. **Partnerships.** Under the proposed pilot project, the Government would continue and formalize working relationships already begun with a number of stakeholders, as follows:

- to establish and maintain two years of preschool education: the Vanuatu Preschool Association (an NGO), parents, and communities;
- to develop learning materials in indigenous languages: the Summer Institute of Linguistics, World Vision (another NGO), and the Vanuatu Community Development Trust (another NGO);
- to provide specific local inputs to the general curriculum established by MEYS: parents, and communities;
- to carry out language research and to transcribe materials in a vast collection of tape-recorded oral history for use in curriculum development and the production of learning materials in mother tongues: the Vanuatu Cultural Center (a government agency) and the University of the South Pacific;
- to train teachers in the use of indigenous languages in instruction: the Vanuatu Teachers College and the Summer Institute of Linguistics;
- to assist in the management of the education system and the provision of physical facilities for the expansion of education, particularly years 7 and 8: the churches, parents, and communities; and
- to provide assistance for specific inputs: other donors, including Australia, France, the European Union, the United Kingdom, and New Zealand.

8. **Education finance.** The partnerships just mentioned reflect the Government's strategy of using the proposed Learning and Innovation Credit to mobilize nongovernmental resources effectively for education. As mentioned under "Efficiency," the use of mother tongues is expected to produce real financial savings over the medium term through a reduction in repetition and dropout rates. Finally, the model to be tested under the project, which envisions the provision of years 7 and 8 at the same location as existing primary schools instead of at secondary boarding

schools (years 7 through 10), is expected to result in some savings for the Government (economies of scale in management, no need to provide boarding facilities) and major savings for parents (no need to pay travel costs to the school, no need to pay boarding fees). Over a ten-year period of phased restructuring of the system, the cost-effective provision of initial education with significant contributions from other stakeholders and the rationalization of primary education are expected to stabilize the recurrent annual fiscal education burden to affordable levels, i.e., within the Government's likely revenue projections.

9. **Education planning.** Through technical assistance and the transfer of technical skills to nationals, the proposed Learning and Innovation project will address a number of key education planning needs, including planning for improvement of facilities, curriculum development, provision of learning materials, teacher training, school mapping, statistical projections of enrollments, statistical projections of required financial requirements for recurrent costs, and monitoring (of project outcomes) and evaluation (of project impacts). In particular, the project is expected to provide (i) information and data for the reorganization of primary schools along linguistic lines and (ii) the bases for estimating the resource requirements of a possible follow-on project for system-wide reform (an Adaptable Program Credit).

4. Learning and innovation expectations:

☐ Economic ☒ Technical ☒ Social ☒ Participation
☒ Financial ☒ Institutional ☐ Environmental ☐ Other

C. Project Description Summary

1. **Project components** (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

The proposed project would pilot the cost-effectiveness of delivering basic education through community participation (annual consultations, community works) and partnerships with NGOs (preschool education, language research and development of educational materials). To enable MEYS to replicate the pilot in other communities, the proposed project would strengthen education and management capacity at the central level (curriculum development, teacher training, sector and project management). To improve quality at the school level, the proposed project would provide small grants to support good practices in school, improve the physical environment of the school, and provide adequate equipment and learning materials.

Component	Sector	Indicative Costs (US\$M)	% of Total	Bank-financing (US\$M)	% of Bank-financing
1: Access & Quality	System Reform & Capacity Building	2.35	62.7	2.20	62.9
2: Capacity Building	System Reform & Capacity Building	1.40	37.3	1.30	37.1
Total Project Costs		3.75	100.0	3.50	100.0
Front-end fee		0.00	0.0	0.00	0.0
Total Financing Required		3.75	100.0	3.50	100.0

2. Institutional and implementation arrangements:

2.1 **Executing agencies.** Technical project implementation will be handled by Ministry of Education, Youth & Sports (MEYS), while financial administration will be handled by the Ministry of Finance and Economic Development (MOF).

2.2 **Policy management.** The Ministry of Education, Youth & Sports (MEYS) will be the responsible agency for project management. Policy guidance to the project will be provided by a Project Steering Committee chaired by the MEYS Director General with members from the Department of Economic & Social Development (of the Ministry of Finance & Economic Development) and the Department of Strategic Management (of the Ministry of Infrastructure).

2.3 **Project management.** In the Office of the Director General, the project will be managed by the Director, Policy & Planning Service who will be designated Project Director (PD). The PD will be supported by a Project Coordinator (PC) responsible for day-to-day administration. Operational guidance will be provided by a Project Development Team chaired by the Director, Policy & Planning Service with members from the Division of School Education Programs (MEYS), Division of Administrative Services (MEYS), and the Directorate of Catholic Education (NGO). Staff services will be provided by the Policy & Planning Service (which successfully managed PASEP, the first primary and secondary education project financed by the IDA Credit 1964-VAN.)

2.4 **Project activities.** The following project activities will be undertaken by the units designated:

- **Community and NGO relations** will be managed by the PD with the assistance of the PC. In the field, they will be assisted by the Provincial Education Officers (PEOs). The PC will act as executive secretary to the Vernacular Development Committee.
- **Curriculum development** will be managed by the Curriculum Development Unit at Malapoa.
- **Teacher training** will be managed by the Vanuatu Teachers College.
- **Project and sector programming** (e.g., policy studies, statistics, school mapping), **project proposal evaluation** (for school effectiveness), and **preprocurement technical work** (construction, equipment, learning materials, technical assistance) will be managed by the

- PD with the assistance of the PC and staff of the Policy & Planning Service.
- **Financial management, civil works, and monitoring and evaluation** services will be outsourced under the supervision of the PD. Consultants in the relevant areas of educational service (e.g., language of instruction, school mapping, curriculum and materials development, teacher training, school construction) will provide technical assistance. Management consultants (in project administration, procurement, and financial management) will provide technical assistance and build capacity in the Policy & Planning Service.

2.5 **Financial management.** The IDA assessment of financial management found the system basically sound but recommended enhancements. A time-bound action plan to achieve those enhancements was agreed between IDA and the Government. The details of the financial management arrangements, disbursement, special account operations, audit arrangements, and action plan are provided in Annex 6 (Procurement and Disbursement Arrangements).

The Government will establish a Special Account denominated in US dollars at the Vanuatu Reserve Bank, to be managed by Ministry of Finance. With bank statements, copies of General Payment Vouchers or Local Purchase Orders, and other supporting documents, the MOF will prepare applications for replenishment on a monthly basis. When Project Management Reports satisfactory to IDA can be produced, the replenishment may be made on a quarterly basis.

The annual project audit would be carried out by the Auditor General in accordance with terms of reference provided in Annex 6. The annual audit report shall be furnished to IDA not later than six months after the end of the Government's fiscal year, in a format to be agreed at negotiations.

3. Monitoring and evaluation arrangements:

Monitoring

3.1 **Strategy.** The project strategy includes (i) refinement of monitoring procedures and evaluation methodology during the first semester of the project (pre-schoolyear, in 2001); (ii) regular monitoring of implementation progress during the complete schoolyears of the project (i.e., 2003, and 2004); and (iii) evaluation of project outcomes during the last semester of the project in 2005. Monitoring would be the responsibility of the Project Coordinator but undertaken by those immediately responsible for any given project activity. Project evaluation would be undertaken by international consultants under the technical assistance component of the project.

3.2 **Roles.** Monitoring Project progress in the area of their responsibility will be a specific part of the TORs of every project managerial role: (1) School principals, (2) Teaching teams in community secondary schools, (3) for all financial and accounting functions, the contracted financial manager, (4) for all civil works, the contracted supervising architect or engineer, (5) the chief executive of all contracted NGOs, (6) for all teacher training activities, the Director of Vanuatu Teachers College, (7) for all revision and development of the formal curriculum, the Director of the Curriculum Development Unit, (8) for the school-level quality initiatives, the contracted consultants.

3.3 **General procedure.** All managers will be required to report twice a year to the Project Coordinator who will synthesize reports for the Project Director's report to the Project Steering Committee. This committee brings together the director generals of all ministries (the highest administrative authority of the Government) and makes recommendations to the Council of Ministers.

The following table summarizes the monitoring assignments. Multiple monitoring will be indicated where it is expected (details in the PIP):

Project Activity	Monitoring Responsibility 1	Monitoring Responsibility 2	Monitoring Responsibility 3
Curriculum & materials			
Preschool	NGO	QIU	
Primary year 1	Director, CDU	PP	RVC
Years 2-6	Director, CDU	PP	QIU
Secondary years 7 & 8	NGO	Director CDU	
Construction			
Preschool	PP		
Classroom renovation years 1-6	SAE	QIU	PP
Community secondary day schools	SAE	QIU	PC
Ministry work space	SAE	PC	PD
Teacher training			
Preschool	NGO	QIU	Director, VTC
Primary & secondary	Director, VTC	QIU	RVC
Whole school improvement initiatives	QIU	PC	
Information access and utilization	TA	PC	
Book floods & book barrels	PP	QIU	PC
Evaluation			
Vernacular program	RVC	PIU	PP
Development of vernaculars - research	VC	PD	PSC
Whole school improvement	PIU	PC	
Management			
Overall project coordination	PD	PSC	
Financial management	PC	PD	PSC
Procurement	SAE	PC	PD

Key: NGO: Nongovernmental organization; QIU: Quality Improvement Unit; TA: Technical Assistance; CDU: Curriculum Development Unit; PC: Project Coordinator; PP: Primary Principal; SAE: Supervising Architect Engineer; PD: Project Director; VTC: Vanuatu Teachers College; RVC: Representative, Vernacular Committee; NA: Not Applicable; PFM: Project Financial Management; VC Vernacular Committee; PSC: Project Steering Committee

Evaluation

3.4 The evaluation program will assess:

1. The completion percentage and quality of the renovation program for the 16 project

primary schools in relationship to the approved project budget and the annual work plans 2001-2003.

2. The degree of success of planned results as described in the Annual Work Plans for 2002, 2003 against the actual results achieved for the vernacular as language of instruction
3. The degree of success of planned results as described in the Annual Work Plans for 2002, 2003 against the actual results achieved for the development of the vocabulary, grammar and orthography of the vernaculars used in project schools.
4. The degree of success of planned results as described in the Annual Work Plans for 2002, 2003 against the actual results achieved for the school quality improvement measures, Years 2-6.
5. The degree of success of planned results as described in the Annual Work Plans for 2002, 2003 against the actual results achieved for the construction of 10 Community Secondary Day Schools.
6. The degree of success of planned results as described in the Annual Work Plans for 2002, 2003 against the actual results achieved for the revision and modification of the curriculum for years 7-8 of the Community Secondary Day Schools.

3.5 **Schedule.** All evaluation programs will be carried through in 2004. The evaluation of the program for the development of the grammar, orthography, and vocabulary of the project's vernacular languages will be carried through in 2002, 2003, 2004.

3.6 **Process.** The organizations and individuals that will carry through the evaluation will be contracted in the second half of 2003. The evaluation of the development of vernacular languages will be carried out internally under the umbrella of the Vernacular Development Committee. Because the expertise required to judge each of these languages is very narrowly concentrated to only a few individuals, and because those who are best able to judge the value of what has been achieved and what yet remains to be done are those who have themselves brought it to its present point, the project would partner external consultants with members of the Vernacular Development Committee who will be able to bring sympathetic but also dispassionate (i.e., scholarly) reviews.

3.7 **Outputs.** Qualitatively and quantitatively founded reports will make it possible for the Government to decide: (i) the elements of the project which have proved educationally successful; (ii) the degree of success of these elements ranked by order; and (iii) the cost of these elements ranked by order. A comparison of cost against benefit which will make it possible to decide the elements of the project which provide the best cost/benefit ratio and which should be the priority elements for the implementation of the Education Master Plan from 2005 onward.

D. Project Rationale

[This section is not to be completed in a LIL PAD. Rationale should be implicit in paragraph B: 3.]

E. Summary Project Analysis (Detailed assessments are in the project file, see Annex 8)

1. Economic (see Annex 4):

[For LIL, to the extent applicable]

☐ Cost benefit NPV=US\$ million; ERR = % (see Annex 4)

☒ Cost effectiveness

☐ Other (specify)

The proposed Learning and Innovation Credit will pilot a number of innovations and will

put into place mechanisms and procedures to measure the costs and benefits of these innovations, over time. Once the costs and benefits in the project's pilot schools are known, it will be possible to do a more thorough cost-benefit analysis for a larger project based on the pilot.

Some of the benefits, such as empowerment, will be very difficult to measure, although a possible proxy will be the willingness of parents and communities to support the provision of education, which is expected to result in a decrease in the resources needing to be provided by MEYS. These savings can be quantified. Similarly, the empowerment of children will be difficult to measure, although useful proxies will be (i) the expected reductions in repetition and dropout rates, the benefits of which can be quantified in monetary terms, and (ii) the expected improvement in learning outcomes, which can be quantified in test results. Since the LIC will last only four years (one year of planning/preparation and three years of implementation), it will be impossible to measure the longer-term impact of such measures, which will occur only after the LIC is finished.

Nonetheless, two quantifiable comparisons were made (Annex 4) between the innovations to be piloted under the proposed project and the existing system: (i) the cost of providing places to students in years 7 and 8 in local schools built using community-based construction methods vs. the cost of providing places in years 7 and 8 to the same students in a conventional secondary school built using Government resources; and (ii) the cost per pupil of community-built classrooms for years 7 and 8 built in the home communities vs. the cost per pupil of classrooms and boarding facilities for years 7 and 8 built at traditional junior-secondary schools like Tafea.

The following alternatives were considered during the preparation of this project:

1. **Type of assistance.** A first consideration was whether to test an innovation or to continue with "more of the same." The previous assistance, IDA-supported Primary and Secondary Education Project, is generally considered to have been successful. It provided classrooms, textbooks, and teacher training, all designed to increase access and improve education quality. It did not, however, cover all the needs in these areas. A first idea was to do a follow-on project which would provide additional classrooms, textbooks, and teacher training. It was felt, however, that the existing package of educational inputs was not working and, in fact, could not improve education standards simply by providing more of the same. In view of the positive experience of other countries around the world with early basic education in children's indigenous languages, it was decided to pilot this innovation in Vanuatu as well, to test the hypothesis that it may be one of the key factors in improving children's attendance at school, attitudes towards learning, and learning outcomes. If the innovation proves successful, it would be introduced gradually elsewhere in the country, and the traditional inputs (infrastructure, learning materials, teacher training) would be provided later, under a series of Adaptable Program Credits in support of education in Vanuatu.

2. **Years of education in the indigenous language.** Some countries, particularly those with fewer languages, provide the entire primary cycle (six years or so) in indigenous languages and transit to the use of an international language only in secondary school. Countries with many languages cannot afford to produce the whole panoply of learning materials in a multitude of

languages throughout primary education, so the number of years that an indigenous language is the language of instruction is reduced accordingly. In Vanuatu, the initial proposal was to have the first two years of formal education taught in indigenous languages. This alternative was rejected for a number of reasons: (a) it was felt that it was too great a change from the existing system; (b) it was felt that it might harm the learning of an international language by reducing the number of years in which children studied in the international language; and (c) it was felt that mathematics in any case could not be well taught in several of the indigenous languages. The alternative to be tested under the proposed project, therefore, involves using indigenous languages in the first year (Grade 1) of formal education; instruction thereafter will be in English or French. The Government is also considering the use of indigenous languages for some subjects beyond Grade 1, although the piloting of that innovation will be outside the scope of the proposed project.

3. **Type of teachers.** At present, Vanuatu uses certified teachers (i.e., those with a diploma from the Vanuatu Teachers College) throughout the primary-education system. These teachers are paid salaries according to the civil service scale. In the existing system, since the language of instruction is either English or French, teachers from any part of the country can be deployed to any other part of the country, even though they may not speak the language of the community in which they teach. Many recent graduates of the Vanuatu Teachers College are assigned to areas away from their home, but most eventually seek to return to their home areas. A requirement of the proposal to teach one or more grades in indigenous languages is that teachers be available in the community who speak the local language. One alternative would have been to hire local adults in their thirties or forties and give them intensive training as teachers. This alternative would have ensured that there would be native speakers available as teachers in every language area. It would also have reduced recurrent costs, since teachers without a diploma from the Vanuatu Teachers College would not have been civil servants and could have been paid less than certified teachers. The savings could have been used to expand access to and increase the quality of education. This alternative was rejected because the Government and the three main bilateral donors felt that certified teachers needed to be used throughout the system. The Government is confident that over time it will be able to find certified teachers locally who are native speakers of all the indigenous languages to be used in year 1.

4. **Years of preschool.** Evidence from many different countries demonstrates that a preschool experience can significantly enhance children's later achievements in formal education. The main contributions are socialization and development of readiness for learning. In Vanuatu, informal parent- and community-supported kindergartens already cater to about one third of the relevant age group, and the Ministry of Education already provides assistance to a nongovernmental umbrella group, the Vanuatu Preschool Association, which assists existing kindergartens. Existing kindergartens are taught in indigenous languages; many of them provide children with their first exposure to English or French, which under the existing system are the languages which they will be taught in when they begin year 1. Although in theory children attend kindergarten only one year, in fact many smaller brothers and sisters accompany their older siblings to kindergarten. Thus in those areas where kindergartens exist, many children attend kindergarten for two or more years before they enter years 1. The initial proposal for the Learning and Innovation Credit was to pilot a program which would, if it proved successful, introduce one

year of kindergarten, taught in indigenous languages, throughout the country, over a period of years. With the decision to restrict the use of indigenous language to only one year (year 1) of formal education, however, it was felt that two years of kindergarten taught in indigenous languages would be needed if the goal of providing initial education in indigenous languages was to be achieved.

5. **Payment of preschool teachers.** At present, kindergartens are supported by parents and communities, with some assistance from the Government. The initial proposal was to universalize kindergartens, over time, throughout the country. It was thought that kindergartens could be established in poorer parts of the country only if kindergarten teachers' salaries were paid by the government. The (nongovernmental) Preschool Association of Vanuatu, however, has given assurances that it will, over time, provide two years of preschool throughout the country, with the teachers paid by the communities, as long as the Government continues to assist with other contributions. This solution will allow the Government to use its recurrent resources to expand access and improve quality of the formal-education system.

6. **Provision of years 7 and 8.** Under the present system, an examination is given at the end of years 6 to choose which students will be allowed to continue on to years 7 and beyond. For the majority of students, therefore, years 6 is terminal. The Government has long desired to expand enrollments in years 7 and 8 (and, for that matter, in years 9 and 10). Originally, it was thought that it would be possible to build enough Junior Secondary Schools (offering years 7 through 10) so that all children completing years 6 could continue on through years 10. Projections of recurrent costs indicate, however, that Vanuatu will be unable to afford universal basic education of ten years or even eight years in the foreseeable future, given reasonable rates of economic growth. One alternative considered was to offer years 7 and 8 at existing primary schools (years 1-6). Under this proposal, communities would be requested to build facilities for years 1 and 2, which would be offered in indigenous languages, using local people specially trained as teachers. This proposal would have minimized new construction and capital investments, since the existing primary-school facilities, with some modifications, could have been used to provide years 3 through 8. It would also have minimized recurrent costs by using lower-cost local people to teach years 1 and 2 and using the existing primary-school teachers, with some upgrading, to teach years 3 through 8. The proposal would have permitted Vanuatu to achieve universal basic education of eight years within 10 to 15 years. This alternative was rejected because the Government felt that facilities built by the communities for years 1 and 2 would be of too low a standard and that facilities at existing primary schools were of too low a standard for years 7 and 8. The alternative now proposed is to continue to allow the best students completing year 6 to enter the traditional Junior Secondary Schools and to allow some of the others to attend new Government-built Community Secondary Day Schools (years 7 and 8). These schools will be built and maintained by the Government. They will allow some expansion to occur in years 7 and 8.

7. **Use of Bislama.** Bislama, a pidgin language widely spoken in Vanuatu, is not one of the country's indigenous Austronesian languages. Rather, it is a language which developed within the past two centuries as Vanuatu's peoples came into contact with traders, whalers, missionaries, and others from the outside. Its vocabulary is taken mainly from English although its grammar and

syntax are Melanesian. It is given official status in Vanuatu's Constitution as the national language. It is used as a lingua franca throughout the country. In Port Vila, the capital, and Luganville, the only other town of any size, where people from different parts of Vanuatu have settled, it is the language commonly used in business, government, and social intercourse. It is also used in some homes where the husband speaks one language and the wife another. During the preparation of the project, consideration was given to whether Bislama should be used, along with Austronesian languages, either in the pilot or thereafter. A proposal to use Bislama throughout the education system had been considered previous to the World Bank's involvement and had been rejected, with opposition coming from (a) some Anglophones, who argued that knowledge of Bislama, given its similarities to English, might make it more difficult to learn English properly, (b) some Francophones, who argued that the use of Bislama would supplant French both in education and in society, (c) some education specialists, who pointed out that Bislama was not most children's mother tongue and therefore would not improve children's learning outcomes, and (d) others who remember periods of Vanuatu's recent history during which the proposal to use Bislama was a divisive issue in the society. One alternative considered was not to use Bislama in the education system, since it is neither an indigenous Austronesian language nor one of the two languages (English and French) named in the Constitution as the principal languages of education. With increasing mobility of the population and increasing intermarriage between people of different ethnic groups, however, Bislama has become the mother tongue of some children and is the de facto common language in schools where the children speak several different mother tongues. It was agreed that in such cases, Bislama might be used in preschool and primary year 1 as the indigenous language.

2. Financial (see Annex 4 and Annex 5):

NPV=US\$ million; FRR = % (see Annex 4)

[For LIL, to the extent applicable]

The financial issue in the project would be in the Government's risking greater reliance on stakeholders, principally school communities and NGOs, including churches, for provision of education services and education financing. The economic and education efficiency gains, however, far outweigh the risk (Annex 4).

Fiscal Impact:

The proposed LIC is a pilot effort, so the incremental recurrent costs of the LIC itself will have only a limited impact on the Government's recurrent budget. As for the model to be tested under the LIC, initial projections have been done using (i) an economic growth rate of about 3% p.a. in real terms (the historic rate of growth since Independence, and also the rate of growth assumed by the IMF), (ii) the assumption that the Government's recurrent budget will continue to represent about 25% of GDP, and (iii) the assumption that the education sector will continue to receive about 25% of the Government's recurrent budget. Under these assumptions, Vanuatu can now afford universal education of years 1-6. At present, privately provided kindergarten, with some government support, reaches about one-third of the relevant age group. The gradual expansion at this level will have only a very limited fiscal impact on the Government's recurrent budget, since kindergarten teachers will continue to be paid by the communities. The Government envisages a gradual expansion of years 7-8 as resources permit. Projections indicate that universal coverage at

this level, using the model to be tested under the LIC, will be fiscally possible only in the long term. Similarly, quality improvements throughout the system (as reflected in increased unit costs) will be very gradual and only as resources permit. The Government will face continued choices and trade-offs between expansion of access and improvements in quality over the foreseeable future. Projections of enrollments and ensuing recurrent costs will be redone and refined under the LIC itself. In particular, varying assumptions of reductions in dropout and repetition (expected as a result of the innovations being piloted) will be tested to determine their effect on the time period needed for achieving universal enrollment in years 7-8 and improvements in quality.

3. Technical:

[For LIL, enter data if applicable or 'Not Applicable']

The technical issue in the project is the ability to prepare in a timely fashion and quality curricula and materials in indigenous languages. To address this issue, the project would support language research among a variety of providers, including academic institutions and NGOs, and the operation of a Vernacular Development Committee in which the Vanuatu Cultural Center is expected to play a principal role.

4. Institutional:

Since Vanuatu is a small country, its education ministry is similarly small, consisting of about a dozen professional staff. Continued technical assistance will be required to assist the ministry in carrying out the project and in coordinating the inputs of the various other organizations involved in project implementation.

4.1 Executing agencies:

Technical project implementation will be handled by Ministry of Education, Youth & Sports (MEYS), while financial administration will be handled by the Ministry of Finance and Economic Development (MOF).

4.2 Project management:

There are no significant project management risks to the project. The policy, project administration, and activity implementation arrangements are set out in Sec. C.2 (above).

4.3 Procurement issues:

4.3.1 Although the country's laws, regulations and legal practices are generally satisfactory with regard to procurement, an assessment of the procurement environment found no detailed national procurement procedures. Current procurement practice in procurement in development projects is to follow the donors' guidelines and procedures. Although they have been so far satisfactory, they do not specifically mandate any public bid opening or detail any procedures on complaint resolution. No procurement audit has been conducted.

4.3.2 Technical specifications, bidding, and contract documents have not yet been standardized. Most documents in use are for projects and follow standards required by their respective donor-financiers. (However, the Ministry of Public Works has standard technical

specifications for simple works and standard unit prices which are updated annually.)

4.3.3 As the Government's capacity for carrying out detailed technical procurement is low, most technical work in procurement is usually undertaken by foreign consultants. However, the Government is committed to capacity building and has agreed to include capacity enhancement in its Action Plan for the project, for IDA appraisal. Priority units for capacity building are: (i) the Tender Board, the central procurement authority which has limited guidelines for operations; (ii) Office of the Auditor General, for conducting external procurement audit; and (iii) MEYS, in procurement specific to this project. Further, the project preparation team at MEYS is developing a Project Management Manual which would include the procurement procedures applicable to the proposed project.

4.4 Financial management issues:

4.4.1 Having successfully implemented the Primary & Secondary Education Project (PASEP, Credit 1964-VAN), MEYS is familiar with IDA disbursement procedures. However, since IDA's financial management requirements are new for the country, there is as yet insufficient capacity for and understanding of financial management roles and responsibilities among project management staff at the central level. At the local level, the role of the community and NGO participation in the implementation of the project may not be adequately understood by the participants themselves.

4.4.2 The above-cited Project Management Manual would provide specific guidance on the procedures to be followed by project implementors at MEYS at MOF at the central level and by the School Committees and NGOs at the local level. Training on procurement and financial management would be provided to relevant staff at the central level, by consultants under the project's technical assistance program.

5. Environmental:

Environmental Category: C (Not Required)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

(Not applicable)

5.2 What are the main features of the EMP and are they adequate?

(Not applicable)

5.3 For Category A and B projects, timeline and status of EA:

Date of receipt of final draft:

(Not applicable)

5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

(Not applicable)

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

(Not applicable)

6. Social:

6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

The social innovation to be introduced under the project would be the empowerment of people, particularly poor people in rural areas who do not hear or use English and French regularly, and also particularly their children, through the conservation of their languages, cultures, and identities inherent in the use of mother tongues in education and the inclusion of local content in learning materials and the teaching process. Experience from other countries suggests that this innovation will result in far greater support from parents and communities for the education endeavor, and much improved long-term learning outcomes for the children. The proposal to pilot the provision of Years 7 and 8 in or near the home community or home island is expected to increase parents' and communities' sense of ownership in this level of education and their active support and participation. This would not only eliminate costly boarding which now burdens the residential junior secondary schools but also minimize the social disorientation among village children who "can't go home again" after years of boarding on another island.

6.2 Participatory Approach: How are key stakeholders participating in the project?

The most important stakeholders are schoolchildren, their parents, and their communities. MEYS staff have visited two of the proposed pilot areas to consult with the parents and communities about the project. In both cases, the community has agreed to the pilot and would participate in project implementation, particularly in the construction of housing for years 7 and 8 teachers. The churches, key stakeholders, have also been consulted and would be actively involved in project implementation. In addition to MEYS and the Ministry of Finance, other governmental or quasi-governmental agencies such as the Vanuatu Cultural Center and the University of the South Pacific (Faculty of Pacific Languages) have been and will continue to be involved in the development of materials in indigenous languages.

6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?

Put simply, the proposed Learning and Innovation Credit can not be implemented without the participation of NGOs, which have been consulted since February 1998, when initial discussions about the project took place in Vanuatu. The introduction of two years of preschool under the proposed project depends on the Vanuatu Preschool Association. Similarly, the development of curriculum materials in indigenous languages will build on the past experience and depends on the continued participation of NGOs such as the Summer Institute of Linguistics, World Vision, Vanuatu Community Development Trust, and the Vanuatu Rural Development Training Center Association (VRDTCA). The Malvatumauri National Council of Chiefs strongly supports the use

of indigenous languages in education and continues to enjoy considerable influence and prestige among Vanuatu's population, particularly in rural areas. The Vanuatu National Women's Council and the Vanuatu Teachers' Union are other organizations represented on the National Council for the Education Master Plan, under the aegis of which the project has been developed.

6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

To ensure that community consultation is institutionalized, membership to the Project Steering Committee which would provide policy guidance to project management would include the Directorate of Catholic Education, the largest church organization operating at the level of school community. To ensure that partnerships with NGOs is institutionalized, a Vernacular Development Committee would be organized, in the working group of which many leading educational, linguistic, and religious NGOs are already active, among them, World Vision, Summer Institute of Linguistics, VRDTCA, Vanuatu Council of Churches.

6.5 How will the project monitor performance in terms of social development outcomes?

Since this is a Learning and Innovation Credit, the monitoring mechanisms would be developed during the first year of project implementation. Internationally recruited technical expertise will be hired under the project to assist MEYS in developed these mechanisms.

It is envisaged that *learning outcomes* of children in the pilot schools will be measured and compared with those of control groups through evaluative examinations administered at the end of years 1, 6, 8, 10 and 12. During the four-year implementation period of the LIC itself, it will be possible see effects only after year 1. It is envisaged that *social outcomes* will be evaluated, over time, by comparing repetition and dropout rates in pilot schools with those in control-group schools. It is also envisaged that mechanisms will be developed to measure children's and parents' attitudes towards schooling in both the pilot schools and the control-group schools.

7. Safeguard Policies:

7.1 Do any of the following safeguard policies apply to the project?

Policy	Applicability
Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Natural habitats (OP 4.04, BP 4.04, GP 4.04)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Forestry (OP 4.36, GP 4.36)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Cultural Property (OPN 11.03)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Indigenous Peoples (OD 4.20)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Involuntary Resettlement (OD 4.30)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Safety of Dams (OP 4.37, BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)	<input type="radio"/> Yes <input checked="" type="radio"/> No

7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

The project has been designed in compliance with the objectives and provisions of OD 4.20, specifically to benefit the children of Vanuatu who are all indigenous. No involuntary resettlement

is envisaged because land and other assets needed for carrying out the project would be either voluntarily provided by the benefiting community that owns the land and other assets or acquired under open and voluntary market transactions.

F. Sustainability and Risks

1. Sustainability:

This section is not to be completed in LIL PAD.

2. Critical Risks (reflecting the failure of critical assumptions found in the fourth column of Annex 1):

Risk	Risk Rating	Risk Mitigation Measure
From Outputs to Objective		
1. As the Government's partners in providing basic education, NGOs may not always deliver their services adequately, at an acceptable level of quality, or at reasonable cost.	S	1. The project would support NGO partners by providing teacher training and supervision grants to the preschool association. Through the annual consultation with the pilot communities, the project would identify constraints to the effectiveness of church-supported schools for remedial action.
2. The international donor community might leave basic education, in the mistaken belief that IDA would provide all technical and financial assistance in this subsector.	M	2. Through the project's capacity building component, the Government would develop for the entire education sector (i) an investment plan; and (ii) a framework agreement that would map donor interests and resources to the needs identified and prioritized in the Education Master Plan. Both instruments would be specifically designed for coordinating donor assistance especially to basic education. Further, through the pilot, IDA would absorb start-up risks, presenting to donors tested alternatives for their own investment.
3. The pilot's community secondary day school might make the donor-supported secondary school construction program redundant.	N	3. The school mapping to be undertaken as part of the project's capacity building at the national level would provide the demographic guidance to the secondary school construction program. Further, should the community secondary school become the norm, the buildings of the ongoing project could be upgraded to senior secondary schools.

<p>From Components to Outputs</p> <p>4. Although substantial linguistic research documentation is available, the scarcity of teaching and learning materials in indigenous languages could threaten the educational objectives of the pilot.</p> <p>5. Bislama, the Vanuatu pidgin fast spreading as the national language, could obviate the use of indigenous languages. Further, because Bislama borrows heavily from English, the acquisition of English language skills by Bislama speakers could be retarded by linguistic interference.</p> <p>6. Since the use of indigenous languages is limited to year 1 of primary school, the gains deriving from acquisition of literacy in one's mother tongue may be limited.</p> <p>7. The model being propounded in the pilot may prove to be too expensive to achieve Vanuatu's goals of universal basic education of eight years and improved education quality.</p>	<p>H</p> <p>H</p> <p>H</p> <p>H</p>	<p>4. The project would: (i) provide grants to community School Committees for buying learning materials for their preschools; (ii) support the generation of new materials at the Curriculum Development Unit to be transmitted directly to the school via computer connectivity; and (iii) support the operation of a Vernacular Development Committee. The latter would promote the development of educational materials from the linguistic and other scholarly research at the Vanuatu Cultural Center, University of the South Pacific, and the international academic community.</p> <p>5. The project would support language and policy research for guidance on this sensitive topic.</p> <p>6. Experience will be gained from this pilot project which will help guide decisions about the appropriate mix of indigenous languages and international languages in the future.</p> <p>7. Costs will be carefully monitored during the implementation of the pilot, and enrollment and financial projections will be refined. The project has been designed as a pilot precisely to allow one model to be tested before it is generalized throughout the country.</p>
<p>Overall Risk Rating</p>	<p>S</p>	

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N(Negligible or Low Risk)

3. Possible Controversial Aspects:

As in many other countries, the issue of the language to be used in formal education is sensitive and emotionally charged. In the case of Bislama, Vanuatu's fast-growing pidgin, among nationals of Vanuatu and among international friends of Vanuatu, both ambivalence and advocacy are sharp and mixed. On the one hand, the language continues to develop, standardize, and attract more and more speakers. On the other hand, many deplore Bislama's perceived negative interference on the acquisition of English language skills among ni-Vanuatu, the gains of Bislama at the expense of Vanuatu's indigenous Austronesian languages, and Bislama's still inadequacy for use in higher levels of discourse: science, law, literature. In the context of this project, to ignore the emergent language is to turn a blind eye to a stark linguistic reality in the country. To give Bislama, already a popular language, even more prominence in the project could jeopardize Vanuatu's efforts to preserve its indigenous languages. The project's approach is measured: Bislama will be tested as an indigenous language for preschool and year 1 education, and Bislama grammar and spelling

(orthography) will be taught as a subject in secondary years 7 and 8. This cautious treatment should protect the project not only from academic controversy but also possibly from reprisal in the event of a change in the political power share and a corresponding change in policy preference.

The proposal to use indigenous languages in formal education is very popular among virtually all groups of nationals. Others fear that its use may hinder children's acquisition of English or French by reducing the number of years in which children learn in these languages. Evidence from elsewhere suggests (i) that becoming literate in one's mother tongue speeds and improves the acquisition of a second language, and (ii) that it is not the number of years during which a child studies a language but rather the initial ease with which the child first becomes literate and the sense of self-confidence the child acquires when first exposed to formal education.

G. Main Loan Conditions

1. Effectiveness Conditions

- 1.1 The Project Management Unit has been established, including the appointment of the Project Director, Procurement Specialist, and Financial Management Specialist;
- 1.2 The Project Management Manual has been adopted by MEYS

2. Other [classify according to covenant types used in the Legal Agreements.]

Technical Covenants:

2.1 The Borrower shall establish and thereafter maintain until the completion of the Project within its Ministry of Education, Youth and Sport (MEYS) the Project Management Unit, headed by a qualified and experienced officer, with staff in sufficient numbers including a financial management specialist and a procurement specialist, and assigned with such funds, staffing, facilities and responsibilities as shall be required to assist in the overall carrying out of the Project.

2.2 The Borrower shall maintain until the completion of the Project within MEYS the Curriculum Development Unit, headed by a qualified and experienced officer and assigned with such funds, staffing, facilities and responsibilities as shall be required to assist in the carrying out the curriculum development activities of the Project.

2.3 The Borrower shall maintain until the completion of the Project a Committee on Vernacular Languages chaired by the Director General of MEYS or his designee with representatives, inter alia, of the Vanuatu Cultural Center, Vanuatu Teachers College, University of the South Pacific, National Council of Churches, and the Summer Institute of Linguistics for purposes of providing overall guidance in the carrying out the vernacular language development activities of the Project.

2.4 The Borrower shall take all such action as shall be necessary to ensure until the

completion of the Project the effective and efficient operation of the Vanuatu Teachers College and Vanuatu Cultural Center.

2.5 The Borrower, through MEYS, shall adopt and thereafter cause the Project Management Unit to apply the Project Management Manual in the carrying out of the Project.

2.6 The Borrower shall take all such action as shall be necessary to ensure that land and other assets required for carrying out the Project or any part thereof shall be either voluntarily provided for by the owners of such land and other assets in the benefiting community, under arrangements satisfactory to the Association, or be acquired under open and voluntary market transactions.

2.7 For purposes of carrying out an educational improvement activity (construction or repair of preschool or primary teaching facilities, teacher housing facilities, and pedagogic training measures to improve education quality), the Borrower shall make available to a School Committee or School Council, as the case may be, a grant or grants under an agreement or agreements to be entered into between the Borrower and the School Committee or School Council, under terms and conditions which shall have been approved by the Association, that shall include:

- (i) the selection of a School Committee or School Council and approval of an educational improvement activity shall be done pursuant to the provisions of the Project Management Manual;

- (ii) the aggregate grant amount per School Committee or School Council shall not exceed Vt 5,000,000 and may be provided in cash and in kind;

- (iii) the proceeds of the grant(s) shall be used to finance exclusively: (a) the building materials and community labor directly associated with the construction or repair of preschool and primary teaching facilities, respectively; (b) construction of housing facilities for secondary school teachers; and (c) educational materials and equipment, and training programs associated with the relevant educational improvement activity;

- (iv) the proceeds of the grant(s) shall not be used to finance local taxes and duties or the cost of leasing or purchasing land therefor; and

- (v) works and goods under an educational improvement activity shall be procured in accordance with community participation procedures for goods and works.

2.8 The Borrower shall exercise its rights under each of the grant agreements in such a

manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any grant agreement or any provision thereof.

2.9 Except as the Association shall otherwise agree, the Borrower shall not amend, abrogate or waive the Project Management Manual.

2.10 The Borrower shall:

- (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association the carrying out of the Project and the achievement of the objectives thereof;
- (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about April 30, 2003 a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) above, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and
- (c) review with the Association, by June 30, 2003 or such later date as the Association shall request, the report referred to in paragraph (b) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

2.11 The Borrower shall prepare under terms of reference satisfactory to the Association, and furnish to the Association, on or about December 31, 2004 a report of the accomplishment of the implementation of the Project, setting out plans for carrying out the activities initiated under the Project after the Project period.

Financial Covenants:

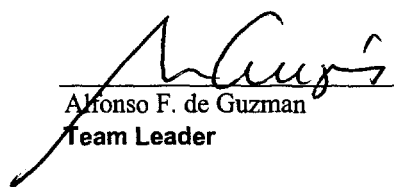
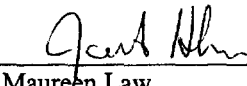
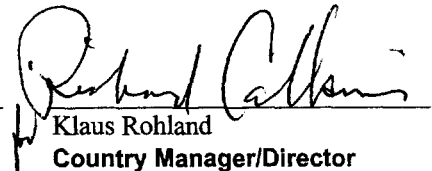
H. Readiness for Implementation

- ☒ 1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
- ☐ 1. b) Not applicable.
- ☐ 2. The procurement documents for the first six months' activities are complete and ready for the start of project implementation; and a framework has been established for agreement on standard bidding

- documents that will be used for ongoing procurement throughout the life of LIL
- ☒ 3. The LIL's Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
- ☐ 4. The following items are lacking and are discussed under loan conditions (Section G):

I. Compliance with Bank Policies

- ☒ 1. This project complies with all applicable Bank policies.
- ☐ 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.

		
Alfonso F. de Guzman Team Leader	Maureen Law Sector Manager/Director	Klaus Rohland Country Manager/Director

Annex 1: Project Design Summary
VANUATU: SECOND EDUCATION PROJECT

Hierarchy of Objectives	Key Performance Indicators	Monitoring & Evaluation	Critical Assumptions
Sector-related CAS Goal: Children of the relevant age group successfully go through the reformed basic education system.	Sector Indicators: By about the completion of the reform (15th year), 80% of relevant age group attain 8 years of basic education.	Sector/ country reports: Ministry of Education, Youth & Sports (MEYS) annual report to Parliament	(from Goal to Bank Mission)
Follow-on Development Objective: A reformed basic education system performs in an effective manner throughout Vanuatu.	By the end of the follow-on project (8th year): ___% of 4-year olds enrolled in preschool Grades 7-8 offered at ___% of target locations ___% of schools offering grades 7-8 assume school maintenance costs	MEYS annual report to Parliament	MEYS budget can be maintained at 25% of the national budget; primary education share can be maintained at 50% of MEYS budget
Project Development Objective: Effective and replicable basic education system is successfully piloted in rural locations: (i) preschools for children aged 4 and 5 in vernacular languages; (ii) Basic education (primary grades 1-6, secondary years 7-8) in English or French.	Outcome / Impact Indicators: Education in the relevant indigenous languages introduced in all pilot schools. All relevant NGOs or churches in pilot communities are actively involved in pilot.	Project reports:	(from Objective to Goal)
Output from each Component: 1. The most efficient mechanism for community and NGO participation in preschool education, primary school grades 1-6, and junior secondary years 7-8 is running in pilot communities.	Output Indicators: 1.1 At end of primary year 1, children learning in their own indigenous language perform better than those in control schools. 1.2 Selected pilot schools offer secondary years 7-8.	Project reports: 1. Specific evaluative study conducted by project management	(from Outputs to Objective) 1. As active partners of MEYS in basic education, NGOs and churches can deliver the services adequately, at an acceptable level of quality, and at reasonable cost.

2. A feasible, operational system (using lessons learned in the pilot) is in place for replicating the piloted reform.	2.1 Relevant curriculum materials in science and Bislama for secondary years 7-8 are in selected schools. 2.2 Teachers in all pilot communities have attended project training. 2.3 MEYS monitoring system reports learning outcomes to Provincial Education Offices.	2. Project periodic and annual progress report to MEYS	2. Australia, China, Japan, France, NZ, UK would also support curriculum, teacher training, education, management for preschool and basic education, rather than leave them for World Bank financing only.
3. Technical support for education reform is in place.	3.1 Grant proposals from communities are processed on time. 3.2 All construction and renovation are completed on time at agreed quality. 3.3 School computers, running on solar power, are used by teachers. 3.4 Book-pupil ratio achieved in previous Bank project is maintained at 1:1 in mathematics.	3.1 - 3.3 Project procurement consultant reports 3.4 Project periodic and annual report to MEYS	3. The European Union secondary school construction program is consistent with the reformed education structure as piloted.
Project Components / Sub-components: 1. Education access and quality in the pilot project 1.1 Conduct annual consultations with communities. 1.2 Support community works for preschool construction, renovation of primary schools, construction of teacher housing. 1.3 Provide grants for school-proposed quality subprojects. 1.4 Support establishment of preschools by NGOs. 1.5 Equip schools for quality: computers, solar power, radio, video recorders. 1.6 Provide textbooks, other learning materials. 1.7 Construct community day junior secondary schools.	Inputs: (budget for each component) Grants, civil works, equipment, furniture, materials, technical assistance: US\$2.23 million.	Project reports: Community: Formative evaluation reports from monitoring system; engineering progress reports; periodic audit of expenditures on maintenance; audit report of communities' financial records NGOs: Periodic progress and audit reports to project management.	(from Components to Outputs)

<p>2. Capacity building for replicating the pilot project</p> <p>2.1 Support language research and educational materials development by NGOs.</p> <p>2.2 Develop vernacular curriculum for preschool, primary grades 1-6, community secondary years 7-8.</p> <p>2.3 Train teachers in content, pedagogy, effective instruction in vernacular.</p> <p>2.4 Support policy-program planning, school mapping, facilities surveys, monitoring and evaluation, physical facilities improvement.</p>	<p>Grants, materials, training, technical assistance, civil works, maintenance and operation: US\$1.58 million</p>	<p>Curriculum Development Unit (CDU) periodic report to project management, annual progress report to MEYS.</p>	<p>2.1 Bislama would not overwhelm vernaculars or retard acquisition of English language skills.</p> <p>2.2 Vernacular materials can be developed of adequate curricular content, in a timely fashion, of acceptable quality.</p>
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Annex 2: Detailed Project Description

VANUATU: SECOND EDUCATION PROJECT

Project Development Objective & Design

The proposed project aims to identify an efficient, replicable, and sustainable model for the provision of instruction in vernacular languages and in English and French, in rural areas of Vanuatu. Specifically, the project would test in selected pilot schools whether the Government and other interested stakeholders – parents, communities, churches and other NGOs (especially those engaged in schooling or language research), and international donors – can work together to introduce successfully preschool and primary education in vernacular languages, improve education quality, and expand educational coverage to junior secondary year 8.

Pilot schools under the project would have the following principal features (table):

1. Language of instruction in the vernacular during the first three years of education, when children are aged 4-6. The first two years of education in vernacular languages would be at preschool, the third year will be year 1 of the regular primary school.
2. Language of instruction in English or French during the next five years of primary school, years 2-6 and continuation of the vernacular as the language of instruction in the subject areas of science and social science.
3. Language of instruction in English or French in the two years of community secondary day school, years 7-8 and continuation of the vernacular in science and social science.

Age	Grade	Level	Language of Instruction
4	(lower)	Preschool	Vernacular
5	(upper)	Preschool	Vernacular
6	Year 1	Primary	Vernacular
7	Year 2	Primary	English or French, with science & social science in vernacular
8	Year 3	Primary	English or French, with science & social science in vernacular
9	Year 4	Primary	English or French, with science & social science in vernacular
10	Year 5	Primary	English or French, with science & social science in vernacular
11	Year 6	Primary	English or French, with science & social science in vernacular
12	Year 7	Community Secondary	English or French, with science & social science in vernacular
13	Year 8	Community Secondary	English or French, with science & social science in vernacular

The criteria for the choice of vernacular languages in the project are the following: (i) the language has a substantial number of speakers; (ii) the language already has a written grammar and dictionary; (iii) texts had been written in the language; and (iv) it is possible to conduct the pilot in two schools: one using English as language of instruction in subsequent years, the other using French.

The use of Bislama as a vernacular would be piloted in two schools on the outskirts of Port Vila, where the community comprises migrants from many of Vanuatu's outer islands, numerous mother tongues are spoken, and the only common language is Bislama. One school will use English as the language of instruction in primary years 2-6, the other French. In the new community secondary schools, standardized Bislama spelling (orthography) and grammar would be taught as a subject.

A small number of control schools with characteristics comparable to the pilot schools would be selected, including schools that introduced instruction in the vernacular beginning 1999. No project interventions would be introduced in these schools. They would be monitored in parallel, and their data will be compared with project schools.

By Component:

Project Component 1 - US\$2.35 million

Part A: Expanding Access and Improving Quality through the Pilot

To provide access to primary school for all children of the relevant age group and achieve efficiency in that provision, the proposed pilot project would introduce instruction in the vernacular during the two years of preschool, in year 1 of primary school, in science and social science of years 2-6 of primary school. To make the provision of primary education economical and sustainable, the pilot would engage the participation of the school community and form partnerships with nongovernmental organizations (NGOs), including churches. To improve education quality, the pilot would support greater parent-teacher collaboration and provide school equipment and materials. To extend access, the pilot would establish community secondary schools for years 7 and 8.

1. Community Participation

(a) Annual consultations. Communities that would participate in the pilot have been selected from areas the vernacular languages of which have been chosen as the languages of instruction. (See criteria for the selection of languages, above.) The pilot communities would be visited, and their suggestions would be sought on actions they would take to ensure the success of the project in their location. This consultative process would ensure that the views and interests of the intended beneficiaries are fully taken into account. The consultation would be conducted annually by officials and staff of MEYS. The collaboration of NGOs such as the Summer Institute of Linguistics (SIL) and religious organizations such as the Directorate of Catholic Education would be sought in undertaking the consultations. The recommendations derived from such meetings with the community would be formally reported to MEYS which would require the project to respond, as appropriate. The project would support the cost of operational travel and subsistence of MEYS and NGO personnel during the annual consultative visits to the pilot communities.

At the education levels covered by the project, community participation would be encouraged by offering the following tasks for community members to undertake themselves: (i) building or repair of preschool classrooms; (ii) renovation of classrooms of primary school years 1-6; and (iii) building housing for teachers of the community secondary day school years 7-8. To

support this activity, the project would provide grants to the school committee of school council, a local community group usually composed of parents of school-going children.

(b) Construction or repair of preschools. The proposed project would take advantage the strong relationship MEYS has with the community. For about 14 communities selected by the project following the above criteria, one- or two-room preschool buildings would be built or repaired, following project-approved traditional architecture, building methods, and local materials. The structure would be erected on community-owned land, labor would be provided by the community and supported by a project grant to the school community or school council, and materials would be donated by the community or provided by the project.

(c) Repair of primary years 1-6 classrooms. About 42 classrooms of the pilot schools would be renovated. Labor would be provided by the community and supported by a project grant. Architectural plans (where needed), construction materials, supervision, and classroom furniture would be provided by the project. The maintenance manual developed during the European Union-supported renovation of primary schools and construction of secondary schools would be used in the pilot schools. The project would support the costs associated with the purchase of construction materials, the direct cost of supervision (travel and per-diem of field staff), the purchase of furniture, and technical assistance.

(d) Construction of housing for community secondary school teachers. On the site of each of the 10 pilot community secondary day schools, two teachers houses would be built, following local norms. Labor for the construction would be provided by the community, supported by a project grant, and materials would be donated by the community or provided by the project.

2. Quality at School Level

To release the social and intellectual energy potential in cooperation and participation in basic education, a “whole school improvement process” would be introduced in the pilot schools. In physical terms, the process would involve creating in the classroom an environment conducive to learning: furniture and interior spaces would be changed or rearranged, to reflect a departure from the concept of individual learners relating to the teacher in a hierarchical relationship, toward a sense of cooperation and shared learning. This would be carried out under the classroom repair subcomponent of the project (above).

In social terms, the process would require parents’ and other community members’ involvement in assisting their children to learn as well as collaborative relationships among teachers working under the active leadership of the head teacher or principal. Teachers and school principals would be encouraged to work with their school committee or school council to prepare proposals for undertaking specific activities for school improvement. The proposals would be submitted to the PMU for evaluation. The project would support the expenditures of meritorious projects and administrative expenses (materials, travel, communication) associated with the promotion of the quality initiative, training in proposal preparation, and the evaluation of proposals.

3. Partnerships with NGOs

The Government does not operate any preschools. The Preschool Association of Vanuatu (Pri-Skul Asosiesen blong Vanuatu), the country's leading private, not-for-profit NGO, is an

umbrella organization which provides guidance and support to two-year community preschools run by the community largely from contributions. The association reaches about one-third of children in the 4-5 age group. During the 1999/2000 schoolyear under a one-year agreement with MEYS, the association received support for the training and supervision of teachers who are usually paid by the community. This collaboration has led to the MEYS adoption of a policy on November 16, 2000 and issuance of guidelines officially sanctioning the establishment and operation of early child development centers (preschools) by the private sector. The project would build on the success of that initial collaboration by supporting a renewed agreement with better defined objectives, nature and scope of work, and educational expectations.

Under that renewed agreement, the association would be provided with technical assistance to operate the preschools in the pilot communities, using the curriculum developed by the association and the vernacular of the community as the language of instruction. The association may also be provided with instructional resources, including toys and activity kits which would not be provided by the project. The learning materials to be provided by the project would focus on preparation for reading in the vernacular. Teachers would be given training in effective teaching in the vernacular and in subject content, with emphasis on reading readiness for grade 1 of primary school. The project would support the cost of learning materials, teacher training, and technical assistance.

4. Educational Equipment & Learning Materials

(a) Digital technology. In this Information Age, Vanuatu's teachers and students should have the tools with which to access and process data as their counterparts do elsewhere in the world. For teachers to become self-motivated and committed learners whose own improvement would be reflected in the improvement of the learning of children in their classroom, the following interventions would be introduced: (i) Teachers would be provided with computers, software, peripherals, and connection to the worldwide web and trained on their proper use. (ii) Maintenance support would be provided. (iii) Electricity would be provided by a solar power system. (iv) A video recorder and a library of education videos would be provided for each school, and teachers would be trained in their use. (v) A radio would be provided to each teacher of sufficient quality so that broadcasts in the teaching language used by each teacher may be accessed regularly and easily. (vi) Educational material and resources developed at the CDU would be electronically transmitted to the school. The specifications for computers and other electronic equipment to be procured would emphasize resistance to damage; the equipment would be installed in locations safely away from damp and dust. The project would support the purchase of equipment and materials, provision of training and technical assistance on effective use and preventive maintenance.

(b) Printed materials. To support the curricular innovations being introduced by the project, the pilot schools would be provided with the needed instructional materials. For teachers' use, encyclopedias, dictionaries, and other references in the form of paper (books) or digital media (disks) will be provided to each school library in English or French. For students' use, the following would be provided: (i) age-graduated children's encyclopedias, dictionaries, and other references; (ii) "book flood"--the prescribed textbooks for each subject and grade at the ratio of one set of textbooks per student (1:1) and samples of textbook series in English and French from overseas publishers; and (iii) "book barrels"--age-differentiated children's reading books circulated

among pilot schools. The provision of print educational materials would be managed by the CDU. The project would support the direct costs associated with the procurement of the materials and their distribution as well as administrative costs incurred at the CDU and technical assistance for the program.

5. Community Secondary School Construction

To expand coverage in junior secondary education, about 10 community secondary day schools would be built, each for about 70 year 7 and 8 students, 35 in each year. The school would consist of two classrooms, each of 75 sq.m., constructed as one unit. A library and electronic media provision will be part of one classroom, and a science laboratory provision, part of the other. The school would be staffed by two teachers who will be jointly responsible for its governance. The school would be located at the geographic center of a catchment area, which may be on the site of the project primary school. Prototype building plans have been prepared. The project would support the cost of construction, furnishing, equipping the school as well as associated technical assistance (architectural design, construction supervision), and provision of learning materials.

Project Component 2 - US\$1.40 million

Part B: Capacity Building for Replicating the Pilot

The proposed project would develop the ability of MEYS to replicate the pilot. This capacity enhancement would be achieved largely through the provision of technical assistance to the following key activities at the central level where educational impact is strategic.

1. Vernacular Language Development

(a) **Technical guidance.** To provide oversight to the project's vernacular education program, a Committee on Vernacular Languages would be established. Among other things, the committee would advise the project on matters of language research, educational materials development, and training of teachers on effective teaching in the vernacular. The Chairman of the Committee would be nominated by the Director General of MEYS and would include in its membership other governmental organizations (the Vanuatu Cultural Center), institutions of higher learning (Vanuatu Teachers College, University of the South Pacific, University of New Caledonia), and NGOs (Summer Institute of Linguistics). The Vernacular Development Committee would have an oversight and policy-setting role. Direct specific responsibility for each language would be assigned to institutions or individuals, to facilitate the bridging between linguistic research and education. A working papers series consisting of linguistic works which have direct educational purposes would be published by the Vanuatu Cultural Center with project support.

(b) **Language research & development of materials in vernacular.** To mobilize the knowledge and skills available in the field, educators and linguists affiliated with NGOs (e.g., SIL, VRDTCA), other governmental agencies (e.g., Vanuatu Cultural Center), or academic institutions (e.g., the University of the South Pacific, University of New Caledonia) would be encouraged to conduct research on transforming technical research on vernacular languages into simplified materials for teachers' school use. Among the materials needed are reading books ("big books" and shell books), translations of selected year 1 materials, dictionaries and grammars for each

language, and materials on general secular topics. The latter would demonstrate to teachers and children that their vernacular has practical usefulness. While curriculum development would remain the responsibility of the Curriculum Development Unit (CDU) of MEYS, qualified individuals either directly or through NGOs would be contracted to provide the needed expertise. (See curriculum development, below.) The project would support the costs associated with the provision of technical assistance, printing of materials, and incremental operational cost (travel, subsistence) incurred by the Committee on Vernacular Languages.

2. Curriculum Development

To achieve educational efficiency, the current school curriculum would be modified to reflect the following innovations in the pilot schools: (i) use of the vernacular as principal language of instruction at the initial levels of formal education; (ii) use of Bislama orthography at the junior secondary level. Curriculum improvement would be undertaken in the grade level and subject area indicated:

(a) Preschool years 1-2. The preschool curriculum, currently used in preschools operated by the Preschool Association of Vanuatu for children aged 4 and 5, reviewed and adopted by the National Commission on Education in late 2000, would be used in project preschools. Because of the critical importance of language transition in bilingual education, during the first year of implementation of the project, curriculum issues and options in language transition would be identified through the project's monitoring system. This would allow for the adoption of appropriate policy and other measures in time for the official introduction of vernacular instruction during the second year of implementation.

(b) Primary school years 1-6. The curriculum for year 1 would be modified as needed for instruction in the vernacular. The present mathematics books in English or French may be used as material in class although instruction would be in the vernacular. Using those materials would provide the needed early exposure of the children to the written and spoken forms of those metropolitan languages, experience critical for children's later "bridging" or "transiting" to those languages of wider communication. Science and social science, for which there are workbooks, not textbooks, would be taught in the vernacular. The teachers guides in these subjects, provided in English or French under PASEP (the Primary and Secondary Education Project financed by Credit 1964-VAN), would be the teachers' primary resource.

(c) Community secondary years 7-8. The development of community secondary day schools, an important innovation of the project, is eagerly awaited by communities. In this regard, the specific objective of the project is to provide a program of study developed especially to meet the needs of children who would spend their adult lives as subsistence farmers, the way of life of 70% of all ni-Vanuatu, outside of the urban centers of Port Vila and Luganville, outside of the developing centers on Malakula and Tanna. The expected curricula and the teaching-learning materials in all subjects that would proceed from them would be expected to provide a more relevant, more practical education.

The curricula to be developed would include language, mathematics, science, and social science. A technology curriculum would bring together fields of experience previously classified as woodwork and home economics, to develop a sense among students of the value of nonformal, lifelong learning. A separate curriculum for the teaching of an orthographically and grammatically

correct Bislama would also be developed.

A project task team would be organized in the Curriculum Development Unit to lead in undertaking the curriculum task. The Vanuatu Rural Development Training Centers Association, (VRDTCA), an NGO offering a similar nonformal program for adolescents who have not been selected to the years 7-10 Junior Secondary Schools, would be contracted to collaborate in developing the needed curricula. The project envisions that completers from the community secondary day school who need to continue their education could do so at one of the rural training centers (RTC) for which VRDTCA is the umbrella organization.

Curriculum work would be undertaken either by local and regional educators, individually or in teams, to be organized at the CDU at Malapoa or by NGOs, including religious denominations, civic associations, and institutions of higher learning, which would be contracted by the project for the purpose. Curriculum materials produced by the project would be subject to review and approval of the National Curriculum Commission. The project would support the cost of the curriculum development contracts, attendant operating costs at the CDU (supplies and materials) for the duration of the contracts, and local and regional expert services under the technical assistance program.

3. Teacher Training

The teacher training program would improve language and communication skills of teachers, in the vernacular; enhance their mastery of subject content; and improve pedagogical skills. Appropriate training would be provided to the following groups of teachers: (i) preschool teachers recruited by the Preschool Association of Vanuatu (from the community but usually untrained), in preparation for reading (prereading) and instruction in the vernacular; (ii) teachers of primary year 1 who would teach in the vernacular; (iii) teachers of primary school years 2-6, in the subject areas of science and social science in the vernacular; and (iv) teachers assigned to years 7 and 8 of the new community secondary day schools, in science and social science in the vernacular, the use of standard Bislama orthography, and in the content of and pedagogy for the other subject areas of junior secondary education taught in English or French. Teaching assignments and selection of teachers for training would be determined by nomination of school heads (or by the preschool association) to the Provincial Education Officers (PEOs) who would verify the qualifications of nominees. All nominations would be approved by the Director General.

All teachers in project schools would have gone through formal preservice training at Vanuatu Teachers College (VTC) or elsewhere. Under the project, extended inservice courses during the long vacation would be provided to meet project requirements for the following: (i) primary year 1 teachers; (ii) the teachers of science and social science in years 2-6; and (iii) the teachers assigned to years 7-8 of the community secondary day schools. The training courses would be developed and taught at VTC. Such additional professional expertise as may be required would be recruited as individual short term technical assistance. Preschool teachers would also have received training through the Vanuatu Preschool Association prior to joining the project. They would also be sent to training courses over the long vacation, to equip them with the new skills required for the project. The courses would be provided through the association. The project would support the cost of developing the training programs; and the cost of sending teachers to the training programs.

4. Project & Sector Management

A Project Management Unit (PMU) would be organized and attached to the MEYS Policy & Planning Service of the whose director would be designated Project Director. The PMU would be staffed with MEYS personnel and supported by specialist-consultants from the project's technical assistance program. Managing the project at the MEYS Policy & Planning Service would provide that unit with the capacity to manage further pilots or expand the benefits of the pilot to more language communities in other provinces. The terms of reference of key staff of the PMU have been prepared.

(a) Policy and program studies. To refine the provisions of the Education Master Plan drafted with IDA assistance in 1998-99, an overall education investment program would be prepared and a framework agreement for the sector would be developed. These adjustments to the master plan would be discussed with the international donor community and submitted for approval of the Government. Enrollment and other education statistics would also be compiled and education growth scenarios would be built using appropriate software including that developed by UNESCO. The information on education demand (enrollment projections) and supply (prospective investment by the development partners) would be used to update the information in the master plan, review the relevance of the plan's recommendations, and prepare the follow-on education project. The principal investigators of the above studies are expected to be ni-Vanuatu or regionally based social scientists contracted through the project's technical assistance program and working with key staff of, and in order to build capacity in, the MEYS Policy & Planning Service. Where necessary, staff would be provided with training for managing the above study tasks. The project would support the cost of technical assistance and staff training for the studies.

(b) School mapping. Preschool locations would be mapped, redundant primary schools (i.e., schools with overlapping catchment areas and therefore low enrollments) would be identified for possible consolidation, and locations serving the greatest number of primary schools for expansion into years 7-8 would be determined. The goal would be to achieve efficiencies in the preschool-primary-secondary feeder school system. This microplanning exercise would also reveal if a second project in the same language areas as the first project schools could be implemented without further language development work and thereby realize some savings for the Government. The activity would be undertaken by the MEYS Policy & Planning Service using as baseline the data gathered in earlier surveys, notably the MEYS primary and secondary school study of 1999. The project would support the materials, travel, and subsistence cost of the staff on trips to the outer islands for the mapping.

(c) Site, facility, resource surveys. Prior to any construction or renovation, a physical facilities survey would be undertaken, to: (i) inventory the state of repair of buildings of each pilot school; (ii) determine the scope of work to bring the facilities to the level that would enable the project's education quality measures to proceed; (iii) verify land ownership; and (iv) identify suitable sites for construction. The survey would be contracted to architectural or engineering individuals or firms. Simple architectural plans with easy-to-follow construction details would be provided to the communities building preschools or renovating primary school classrooms. Architectural plans would be provided for the construction of junior secondary classrooms. The project would support contract costs associated with the survey and related technical assistance.

(d) Monitoring and evaluation. The indicators of project performance would be reviewed and adapted for the proposed project. Based on information to be gathered periodically from the pilot schools of the project, calculations would be made of the following: (i) the cost of providing a secondary school place under PASEP (Credit No. 1964-VAN) compared with the cost of such a place in the project's proposed expansion into years 7-8 in community secondary day schools; (ii) increment or percentage that the places provided through the community secondary day schools would add to the national coverage provided through the existing junior secondary schools offering grades 7-10; (iii) the magnitude of reduction in public costs (no boarding) and in private costs (no travel) the pilot would achieve; (iv) recurrent costs, especially teachers salaries and school operating expenses; (v) comparison of education outputs between children in project schools and children in nonproject schools. Further, periodic evaluative studies would be undertaken of the project's vernacular education program, curriculum development, and teacher training. The monitoring and evaluation tasks would be the responsibility of the MEYS Policy & Planning Service which would be supported by technical assistance.

(e) Office for Policy & Planning Service. To provide suitable accommodation, immediately for the management and operation of the project, and over the longer term, for the new tasks to be assumed by the Policy & Planning Service, a small office building would be built on the MEYS campus and provided with furniture, computers, and other office equipment.

Annex 3: Estimated Project Costs
VANUATU: SECOND EDUCATION PROJECT

Project Cost By Component	Local US \$million	Foreign US \$million	Total US \$million
Component 1: Access & Quality in Pilot	0.88	1.22	2.10
Component 2: Capacity Building	0.52	0.73	1.25
Total Baseline Cost	1.40	1.95	3.35
Physical Contingencies	0.12	0.16	0.28
Price Contingencies	0.05	0.07	0.12
Total Project Costs	1.57	2.18	3.75
Total Financing Required	1.57	2.18	3.75

Project Cost By Category	Local US \$million	Foreign US \$million	Total US \$million
(1) Works	0.65	0.25	0.90
(2) Goods	0.17	0.88	1.05
(3) Services -- Consultants	0.19	0.93	1.12
(4) Training	0.25	0.02	0.27
(5) Grants	0.27	0.10	0.37
(6) Maintenance & Operation	0.04	0.00	0.04
Total Project Costs	1.57	2.18	3.75
Total Financing Required	1.57	2.18	3.75

¹ Identifiable taxes and duties are 0 (US\$m) and the total project cost, net of taxes, is 3.75 (US\$m). Therefore, the project cost sharing ratio is 93.33% of total project cost net of taxes.

Annex 4: Cost Effectiveness Analysis Summary

VANUATU: SECOND EDUCATION PROJECT

1. The main innovation to be tested under the proposed Learning and Innovation Credit is whether: (i) a new system using indigenous languages in preschool (two years) and year 1 can be introduced successfully in Vanuatu's school system; and (ii) the pilot would be a workable approach for the gradual expansion of capacity at secondary years 7 and 8.

2. The proposed Learning and Innovation Credit will last four years, of which the first year will be devoted to planning and preparation. In the second year of the Learning and Innovation Credit, a first cohort will enter and complete the first year of kindergarten in the project's selected schools. In the third year of the project, this cohort will enter and complete the second year of kindergarten. In the fourth and final year of the project, the cohort will enter and complete year 1. Therefore, at the end of the project, it would theoretically be possible to compare year 1 graduates who have been learning primarily in their native indigenous language to other children of similar background who have been learning in English or French. To evaluate the effectiveness of using indigenous languages in basic education, however, it will be necessary to compare a cohort which has completed basic education under the new system with a control group who has completed basic education under the existing system. In particular, a comparison will need to be made between the two groups in terms of learning outcomes (as measured by scores in mathematics and English or French in the year 6 examination) and internal efficiency (repetition and drop-out rates). Although a comparison could be made after year 1, no widely used evaluation mechanism presently exists in Vanuatu for comparisons at this level, and a meaningful comparison will require at least six years of basic education. It is therefore outside the scope of the proposed Learning and Innovation Credit to compare the benefits and costs of using indigenous languages in basic education. It is proposed, however, that monitoring and evaluation mechanisms and procedures be developed under the Learning and Innovation Credit which can be used to compare, over the longer term, the learning outcomes and efficiency rates of schoolchildren in the new system with the learning outcomes and efficiency rates of schoolchildren in the existing system.

3. At present, Vanuatu's education system aspires to provide basic education of six years to all children of the relevant age group. At the end of year 6, an examination is administered which selects which children (approximately 40% of the students completing year 6) are able to fill the limited number of spaces available in year 7. The Government wishes to expand enrollments in years 7 and 8 in conjunction with the innovation (use of indigenous languages) being introduced at the beginning of basic education, with the goal of gradually enlarging the definition of "basic education" to mean provision of years 1-8 (instead of the present definition, which is years 1-6).

4. At present, years 7 and 8 are offered at boarding institutions in different parts of the country, located relatively far away from most children's homes. These institutions, called Junior Secondary Schools, offer years 7 through 10. They are of a more sophisticated construction standard than are the primary schools (years 1 through 6) located relatively close to most children's homes. The provision of years 7 through 10 is expensive for both the Government and for parents. The Government builds the schools and thus incurs the capital cost as well as paying teachers' salaries and other recurrent costs. Parents pay tuition and boarding fees as well as travel costs between home and school at the beginning and end of each term.

5. The Government proposes to use a more cost-effective way of expanding enrollments in years 7 and 8. Although Junior Secondary Schools will continue to exist, most students completing year 6 would

attend years 7 and 8 in new Community Secondary Day Schools built closer to most children's homes, for the most part at the site of existing primary schools. The standard of construction would be closer to that of the primary schools. No boarding facilities would be built. Grants would be provided to the communities to build teachers' houses which normally are built by the Government at Junior Secondary Schools.

6. Although a small country in terms of both area and population, Vanuatu is extremely diverse in terms of ethnic groups and languages. It is hard for children (and adults) traveling to a different part of the country to find lodging, since commercial provision of lodging is limited to the two larger towns and to tourist resorts. Boarding facilities are thus necessary for all students who travel very far from home. On the other hand, children (and adults) who stay close to home can usually find lodging with relatives or friends of the same ethnic group. Schools built close to the students' homes therefore do not require boarding facilities. The proposed new Community Secondary Day Schools will therefore require fewer square meters of space per student than the traditional Junior Secondary Schools.

7. The benefits in terms of learning outcomes of the two types of schools, Junior Secondary Schools and Community Secondary Day Schools, are not known, since no Community Secondary Day Schools yet exist. Under the Innovation and Learning Credit, evaluation mechanisms and procedures, including a year 8 completion examination, would be developed which will allow the respective learning outcomes to be measured and compared. It is believed that the benefits will be similar. In fact, in a nearby country with similar racial and ethnic makeup (Papua New Guinea), learning outcomes of students at Papua New Guinea's equivalent of the Secondary Day Schools are superior to those of students at Papua New Guinea's equivalent of the Junior Secondary Schools. The reason is not known, but local observers believe that the improved learning achievements derive from the fact that youth who are still relatively young remain closer to home and their parents and are learning in an environment which requires fewer adjustments than does moving to a location where the culture and language are quite different and where they seldom see their parents.

8. An earlier World Bank-supported education project in Vanuatu provided additional places, including boarding, in years 7 and 8 (as well as in year 9 and 10) in new Junior Secondary Schools of the traditional model. Information on capital costs, total and per student, is available for Rensarie Junior Secondary School, built in 1992 on the island of Malakula. Once adjusted for inflation, these costs can be compared to estimated capital costs for places in years 7 and 8 in the proposed Community Secondary Day Schools. A local architect who was Project Manager for the earlier project has calculated that construction costs in year (Vanuatu's currency) have increased and will increase by 50% over the period 1992-2001.

9. The costs of providing places in years 7 and 8 at Community Secondary Day Schools are estimated at Vt 13,500,000 per school, as follows:

- (a) 150 square meters of student space at Vt 65,000 per square meter equals Vt 9,750,000;
- (b) a grant to the community of Vt 500,000 for the construction of two staff houses, each of 50 sq.m.;
- (c) provision of furniture and equipment at Vt 15,000/sq.m. times 150 sq.m. equals Vt 2,250,000; and
- (d) 8% for supervision (an additional Vt 780,000 for government construction, Vt 40,000 for community construction, and Vt 180,000 for furniture and equipment, totaling Vt 1,000,000).

10. Comparative data are shown in the following table:

Costs (vatu)	Rensarie Junior Secondary School, Malakula (Actual 1992)	Community Secondary Day School (Estimate 2001)
Construction cost	277,000,000	11,070,000
Furniture and equipment	28,000,000	2,430,000
Total	305,000,000	13,500,000
Adjusted Rensarie costs: 50% estimated increase in costs 1992/2001	457,500,000	
Total building area (sq.m.)	3,644	250
Cost per sq.m.	125,549	54,000
No. of students	280	70
Sq.m. per student	13	3.57
Capital cost per student	1,633,929	192,857

11. A Community Secondary Day School will therefore be able to provide a place to a student in year 7 or 8 about 8.5 times as efficiently as was done under the previous World-Bank-assisted education project in Vanuatu ($1,633,929/192,856 = 8.5$).

12. It is estimated that recurrent costs to parents will also be substantially less when their children in years 7 and 8 attend the proposed new Community Secondary Day Schools instead of the existing Junior Secondary Schools. The tuition fee, Vt 15,000, will be the same in both types of school, but there will be differences in boarding and travel costs.

13. Students attending Junior Secondary Schools pay Vt 30,000 in boarding fees. The Community Secondary Day Schools will be built without boarding facilities. Investigation to date indicates that approximately one third of Community Secondary Day School students will live at home and two thirds, from somewhat further away, will board with relatives or friends. Those boarding with relatives or friends will be expected to contribute in cash or kind to the cost of their upkeep; this contribution is estimated to be Vt 10,000.

14. Travel costs for students attending Junior Secondary Schools are variable, ranging from Vt 5,000 to Vt 50,000. Local officials estimate that a hypothetical average is about Vt 25,000. Travel costs for students attending Community Secondary Day Schools, however, will be low: zero for those who live at home, and about Vt 5,000 for those who board with relatives or friends.

15. Comparative costs in 2001 vatu are shown in the following table:

Projected Annual Costs	Junior Secondary School	Community Secondary Day School
Tuition fee	15,000	15,000
Boarding	30,000	10,000
Total	45,000	25,000
Travel	25,000	5,000
Total including travel	70,000	30,000

16. Out-of-pocket costs to parents to send their children to years 7 and 8 in Community Secondary Day Schools are thus estimated to be less than half than the costs of sending their children to Junior Secondary Schools. Put another way, a family could afford to send two children to a Community Secondary Day School for the present cost of sending one child to a Junior Secondary School. An uncosted benefit is the emotional satisfaction and peace of mind in knowing that their children are close to home and living with relatives or friends in a family situation, rather than farther away and living in boarding facilities.

	Present Value of Flows		Fiscal Impact	
	Economic Analysis	Financial Analysis¹	Taxes	Subsidies
Project Costs				

¹ If the difference between the present value of financial and economic flows is large and cannot be explained by taxes and subsidies, a brief explanation of the difference is warranted, e.g. "The difference between financial and economic costs arises from price controls on the inputs."

Summary of benefits and costs:

Main Assumptions:

Cost-effectiveness indicators:²

² These indicators should compare the project with a suitable comparator, e.g. unit project costs of alternative project designs or international standards.

Annex 5: Financial Summary
VANUATU: SECOND EDUCATION PROJECT

(Not applicable to this LIL.)

Annex 6: Procurement and Disbursement Arrangements

VANUATU: SECOND EDUCATION PROJECT

Procurement

1. **Procurement assessment summary.** An assessment of the general and project procurement environment carried out during project preparation found that laws, rules, and regulations as well as current practices in procurement were basically satisfactory. However, regulations, documents, contracts, and procedures consistent with IDA's guidelines were lacking, and capacity to carry out detailed procurement compliant with IDA standards was low. Heretofore, experience in procurement among the groups indicated below has been as follows:
 - (a) **Officials.** Most of technical work, including procurement, is carried out by foreign consultants, usually following guidelines and documents prescribed by donor agencies. With Government officials having only minimum exposure to the procurement exercise, the country's dependence on foreign consultants has become an unavoidable risk.
 - (b) **Civil servants.** Although civil service salaries are roughly half of those in the private sector for the equivalent qualifications and positions and no additional allowance is provided to project staff who are civil servants, these factors at present do not negatively impact on staff commitment to public service in general or project work in particular, including the carrying out procurement activities.
 - (c) **Private sector.** The country's private sector is not yet well developed. Consequently, competition among domestic bidders is not expected to yield satisfactory outcomes with respect to economy and efficiency. On the other hand, the Government's investment policies attract foreign investors, and donors' bidding rules attract foreign participants (through local representatives) to bidding conducted for Government projects.
 - (d) **Civil society.** The community's exposure to procurement has been as provider of direct labor for small civil works and maintenance of selected public facilities.
2. Based on past procurement experience, lack of capacity of the staff of the implementing agency, and the great dependence of the staff of the implementing agency on consultants in carrying out procurement, the assessment has recommended prior-review thresholds (para. 21) that will enable adequate monitoring of procurement activities.
3. The assessment has determined only an average risk level. Nonetheless, IDA's annual supervision is recommended, to cover at least ex post procurement review of at least 20% of contracts subject to post review. The total contracts/expenditures to be reviewed under prior and post reviews should cover at least 60% of the total expenditures for that period of supervision.
4. **Guidelines.** Procurement of works, goods, and contract services funded wholly or partly by the IDA credit will comply with *the Guidelines for Procurement under IBRD Loans and IDA Credits* dated January 1995 and revised January and August 1996, September 1997 and January 1999 (the Procurement Guidelines), and the "Procurement Note on Shopping Method" agreed at negotiations (Attachment 6-1). Employment of consultants and the format for consultant contracts will be based on the *Guidelines for Selection and Employment of Consultants by World Bank Borrowers* dated January 1997, revised September 1997 and January 1999 (the Consultant Guidelines).
5. **Procurement plan, strategy & documents.** The Procurement Plan in the form of Gantt charts and electronic spreadsheet tables agreed at negotiations is incorporated into the Project Implementation Plan (PIP). The tables will be used for managing procurement processes during project implementation,

including monitoring complaints and delays. The procurement plan should be updated annually or at any other time as necessary. Each update requires IDA's prior approval.

6. The following IDA standard documents and their subsequent revisions will be used for all international competitive bidding for goods, works, and consultant services:

Procurement of Goods, January 1995, revised March 2000 and January 2001
Standard Bid Evaluation Form, Procurement of Goods or Works, April 1996
Procurement of Works, Smaller Contracts, January 1995
Standard Request for Proposals, Selection of Consultants, July 1997, revised April 1998 and July 1999
Sample Form of Evaluation Report, Selection of Consultants, July 1998.

7. A standard request for quotation acceptable to the IDA will be used for shopping, and standard individual consultant contracts acceptable to IDA will be used for all individual consultant assignments. In addition, a standard request for quotation and contracts for procurement of small works acceptable to IDA will be used. Specimens for these documents are appended to the PIP.

Procurement methods (Table A)

8. **Works (US\$0.90 million equivalent).** The civil works category consists of the following construction activities: (i) office facilities for the MEYS Policy & Planning Service, and (ii) about 20 classrooms for the 10 community secondary day schools. The contract for the construction of the MEYS Policy & Planning Service office (US\$120,000 equivalent) will be awarded through international competitive bidding (ICB) procedures.

9. Contracts for the construction of about 20 classrooms for the community secondary day schools will be packaged into 10 small contracts, each with an estimated amount of US\$78,000. Since the contracts are small, the works dispersed in several islands which may not be attractive to foreign bidders, and there are qualified domestic contractors, the contracting will be carried out in accordance with the procedures for the procurement of small works. Under this procedure, fixed, lump-sum contracts will be awarded after evaluating written offers obtained from at least three qualified contractors quoting from clear, written technical specifications and drawings. Land for the community secondary day schools will be identified and documented, and architectural plans and designs will be agreed with IDA not later than December 31, 2001.

10. **Goods (US\$1.05 million equivalent).** The purchase of equipment and furniture and fixtures, including computers and peripherals for community secondary day schools up to a maximum amount of US\$300,000 equivalent will be carried out through ICB procedures.

11. Educational materials and supplies, book flood and book barrel materials that will be procured by PMU, including printed materials for the Vanuatu Cultural Center (VCC) as well as printing and printed materials which will be procured by the Curriculum Development Unit (CDU), up to an aggregate amount of US\$500,000, may be procured in accordance with international shopping procedures. Written quotations must be obtained from at least three reputable providers from at least two different countries on the basis of detailed specifications, delivery dates, and destinations.

12. Goods to support community participation grants (para. 18) will consist of local materials for the construction of preschools, renovation of primary schools, and construction of teachers' housing. Up to an

aggregate amount of US\$250,000 equivalent, such goods will be procured using community participation procedures for goods. Written quotations should be obtained from at least three reputable suppliers on the basis of a detailed description and quantity of goods as well as the desired delivery time and place. The procurement of these goods will be conducted by an engineering consultant (para. 14) of the Project Management Unit (PMU).

13. **Consultants' services (US\$1.12 million equivalent).** Quality- and cost-based selection (QCBS) procedures will be used for contracting the consulting firms that will: (i) develop the whole-school quality improvement initiatives in the project schools (packages 35–37 of the Procurement Plan); and (ii) conduct the evaluation of those initiatives as well as of the vernacular and community day secondary programs (packages 39, 41–42). These contracts are estimated to cost US\$425,000 (Table C).

14. Following procedures for the selection of individual consultants under time-based contracts, qualified individuals will be contracted for: (i) architectural design, specification, and supervision of the project's preschool construction, primary school renovation, community day secondary school and teacher housing construction, and MEYS Policy & Planning Service office construction (packages 21–24, about US\$90,000); and (ii) project management and coordination, procurement, and financial management (packages 43–45, about US\$350,000). Procurement assistance to community groups constructing preschools, renovating primary classrooms, and constructing teachers' houses will also be provided by the above civil works consultants. Based on the findings of the site, facility and resource surveys undertaken in Component 2 of the project, the consultants will provide detailed engineering drawings, purchase construction materials, and assist the community with supervision of construction and training in preventive maintenance.

15. Single-source contracting will be carried out for the following activities and for the reasons indicated:

- (a) **Development of preschools.** The National Pre-School Association of Vanuatu, an NGO with a unique position of long involvement with the Government in developing and extensive coverage of preschool education, will be contracted by the PMU for curriculum development, organization, and supervision of preschools, up to a maximum amount of US\$12,000 equivalent (package 16).
- (b) **Development of vernacular languages.** The Vanuatu Cultural Center, a chartered Government unit, will be the home institution of the Committee on Vernacular Languages, responsible for the development of vernaculars for use as languages of school instruction and publication and dissemination of the vernacular materials. In support of the project's vernacular program, the committee may contract language development research (package 38) up to a maximum cost of US\$65,000 with the Summer Institute of Linguistics (SIL), an NGO already engaged in language development and literacy in many parts of the country. Alternatively, the committee may hire individual language researchers, following the selection of individual consultants under Part V of the Consultant Guidelines. The terms of reference for the SIL or for individual consultants will form part of annual proposals to be submitted by the committee to the PMU. The proposals will be evaluated by a group organized for the purpose and approved by the Director of Policy & Planning for the Director General. The assessment of readiness of languages to be used in school instruction, to be conducted by peer reviewers (package 40, about US\$10,000), will be also organized by the committee for 2004.
- (c) **Revision of curricula.** The Curriculum Development Unit (CDU), reporting to the Director, School Education Programs, MEYS, responsible for the revision and development of the curriculum for the preschool level through years 1–10, will be responsible for all curricula to be

revised and modified through the project (packages 17–20, about US\$168,000). CDU may contract the services required for the revision of the year 7 and 8 curricula with the Vanuatu Rural Development Training Centers Association (VRDTCA), an NGO with long-standing involvement and collaboration with the Government in education. Alternatively as more individual experts may be required from time to time to enhance its capacity, CDU may hire individuals to assist in the curriculum development, following selection of individual consultants under Part V of the Consultant Guidelines. The terms of reference for VRDTCA or for individual consultants will form part of annual proposals to be submitted by the committee to the PMU. The proposals will be evaluated by a group organized for the purpose and approved by the Director of Policy & Planning for the Director General.

16. **Training (US\$0.27 million equivalent).** The Vanuatu Teachers College (VTC), a sub agency of MEYS, is the only provider of teacher training in the country. Training expenditures for consultants and support to participants, in an amount not exceeding US\$270,000 equivalent, will be carried out by the college for the project. VTC will recruit individual trainers, following the selection of individual consultants under Part V of the Consultant Guidelines. The terms of reference for the consultants will form part of annual proposals to be submitted by VTC to the PMU. The proposals will be evaluated by a group organized for the purpose and approved by the Director of Policy & Planning for the Director General. The selection of teacher trainees at the levels of preschool, primary, and community secondary as well as those staff for training in the use and preventive maintenance of school equipment including computers and solar power systems will be in accordance with criteria and procedures acceptable to IDA. Support to participants attending the project's training program (meals, per diems, transportation, materials) will be provided in accordance with Government procedures acceptable to the IDA. A Memorandum of Understanding with the VTC acceptable to IDA will govern the use of credit funds.

17. **Community participation grants (US\$0.37 million equivalent).** Under the project, the eligible recipient of a grant on behalf of the community will be the School Committee or School Council officially sanctioned by MEYS. The typical grant that may be allocated to a School Committee or School Council may amount to Vt 10,000 (US\$70 equivalent), up to a maximum of Vt 5,000,000 (US\$35,000 equivalent). Grants, totaling about US\$70,000, may be awarded to support community-originated proposals which aim to extend access to basic education at the community level (preschool, primary, and community secondary education) to all children in respective age groups or to make basic education economical or sustainable. Proposals for grant support will be reviewed by an evaluation committee organized at the PMU and approved in writing by the Director of Policy & Planning Services for the Director General, based on criteria acceptable to IDA. This written approval shall be attached to an Grant Agreement (GA) between the local School Committee or School Council and the PMU, which will detail all procurement procedures involved with the grants implementation, in the format agreed with the IDA.

18. Grant funds will also cover community works of up to US\$300,000 in aggregate, for very small-scale, labor-intensive arrangements with members of the community for the following activities under Component 1 of the project: (i) construction of one- or two-room preschools using local (bush) materials; (ii) renovation of primary classrooms; and (iii) construction of teachers housing. The construction materials for the above will be supplied separately by the project (para. 12).

19. The architectural plans and designs for the above very small civil works are those Government-approved plans and designs acceptable to IDA. The GA covering these works will include the following: (i) specified lump-sum, fixed price amount based on a written estimate of work to be rendered by identified laborers from the community; and (ii) description in reasonable detail, including basic specifications, required completion date, and relevant drawings, where applicable. The wages for

community labor will follow the rates for the location and type of labor established by the Ministry of Public Works.

20. **Maintenance & operation (US\$0.04 million equivalent).** The project-generated recurrent costs associated with regular administrative activities (office supplies, upkeep of building and grounds, equipment maintenance, internal travel) will be provided by regular Government appropriations to MEYS, in accordance with applicable public service laws, rules, and regulations, as agreed with IDA during negotiations.

Table A: Project Costs by Procurement Arrangements
(US\$ million equivalent)

Expenditure Category	Procurement Method ¹				Total Cost
	ICB	NCB	Other ²	N.B.F.	
1. Works	0.12 (0.10)	0.00 (0.00)	0.78 (0.69)	0.00 (0.00)	0.90 (0.79)
2. Goods	0.30 (0.30)	0.00 (0.00)	0.75 (0.65)	0.00 (0.00)	1.05 (0.95)
3. Services	0.00 (0.00)	0.00 (0.00)	1.12 (1.12)	0.00 (0.00)	1.12 (1.12)
Consultants					
4. Training	0.00 (0.00)	0.00 (0.00)	0.27 (0.27)	0.00 (0.00)	0.27 (0.27)
5. Community Participation	0.00 (0.00)	0.00 (0.00)	0.37 (0.37)	0.00 (0.00)	0.37 (0.37)
Grants					
6. Maintenance & Operation	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.04 (0.00)	0.04 (0.00)
Total	0.42 (0.40)	0.00 (0.00)	3.29 (3.10)	0.04 (0.00)	3.75 (3.50)

^{1/} Figures in parenthesis are the amounts to be financed by the IDA Credit. All costs include contingencies.

^{2/} Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.

Table A1: Consultant Selection Arrangements (optional)
(US\$ million equivalent)

Consultant Services Expenditure Category	Selection Method							Total Cost ¹
	QCBS	QBS	SFB	LCS	CQ	Other	N.B.F.	
A. Firms	0.43 (0.43)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.43 (0.43)
B. Individuals	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.69 (0.69)	0.00 (0.00)	0.69 (0.69)
Total	0.43 (0.43)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.69 (0.69)	0.00 (0.00)	1.12 (1.12)

1\ Including contingencies

Note: QCBS = Quality- and Cost-Based Selection

QBS = Quality-based Selection

SFB = Selection under a Fixed Budget

LCS = Least-Cost Selection

CQ = Selection Based on Consultants' Qualifications

Other = Selection of individual consultants (per Section V of Consultants Guidelines),
Commercial Practices, etc.

N.B.F. = Not Bank-financed

Figures in parenthesis are the amounts to be financed by the Bank Credit.

Prior review thresholds (Table B)

21. **Procurement review by IDA.** The prior-review thresholds for expenditures are set out in Table B. It is expected that about 36% of total expenditures would be subject to prior review. The following prior review thresholds were confirmed at negotiations:

	<u>Threshold</u>
Works	US\$100,000
Goods	US\$ 50,000
Consultants, individuals	US\$ 50,000
Consultants, firms	US\$100,000

22. All terms of reference of consulting services are subject to the IDA's prior review. The contracts subject to prior review are identified in the Procurement Plan, which should be updated annually and approved by IDA.

23. **Procurement capacity development.** The agreed Action Plan (Table D) is the outcome of IDA's assessment of the implementing agency's procurement capacity. The assessment recommends specifically the following:

- (a) **Procurement administration.** Qualified procurement administrators should be designated to maintain and enforce adherence to the procurement procedures set forth in the Credit Agreement. Their responsibilities include managing and arranging specific procurement plans and schedules, preparing and standardizing bidding documents, providing guidance on the selection of tender team and committee membership, and certifying to compliance of all project procurement processes. At the current load level, IDA recommends one procurement administrator to assist the Project Director/Project Coordinator and another to assist the Tender Board on community procurement. The terms of reference for procurement administrators are in Attachment 6-2.
- (b) **Training and capacity building** in procurement should be arranged as scheduled in Table D. Training sessions of about four days will be conducted by IDA procurement staff. The training will cover all procedures applicable to this project, including preparation and updating of procurement plans. The following should attend the training sessions: Project Director/Coordinator, procurement administrators, MEYS internal audit unit, Office of the Auditor General, and the Tender Board. In addition, regular, twice yearly meetings on procurement should be called for all members of the project management team as part of institutional capacity development.

Table B: Thresholds for Procurement Methods and Prior Review ¹

Expenditure Category	Contract Value Threshold (US\$ equivalent)	Procurement Method	Contracts Subject to Prior Review (US\$ millions)
1. Works	100,000	NCB/PSW	0.10
2. Goods	50,000	ICB/IS	0.60
3. Services			
(a) Individuals	50,000	Individual/Single Source	0.51
(b) Firms	100,000	QCBS	0.43
4. Training	50,000	Individual	0.00
5. Grants	0	-	0.00

Total value of contracts subject to prior review: US\$1.64 million

Overall Procurement Risk Assessment

Average

Frequency of procurement supervision missions proposed: One every 12 months (includes special procurement supervision for post-review/audits)

¹ Thresholds generally differ by country and project. Consult OD 11.04 "Review of Procurement Documentation" and contact the Regional Procurement Adviser for guidance.

Disbursement

Allocation of credit proceeds (Table C)

24. **Flow of funds.** In MEYS, the Director of Policy & Planning Service, in his capacity as Project Manager as the head of the Project Management Unit (PMU), shall be responsible for authorizing expenditures in accordance with the agreed budgets. The Project Manager shall submit either General payment Vouchers (GPV) or Local Purchase Orders (LPO) to MOF where they would be verified. MOF shall issue payment orders to the central bank to credit the payee's account at the latter's bank and to debit the project Special Account.

Table C: Allocation of Credit Proceeds

Expenditure Category	Amount in US\$million	Financing Percentage
(1) Works	0.70	85%
(2) Goods	0.92	100% foreign expenditures; 100% local expenditures ex factory; 80 local expenditures procured locally
(3) Services -- Consultants	1.10	100%
(4) Training	0.27	100%
(5) Grants	0.30	100% of amounts disbursed
(6) Unallocated	0.21	
Total Project Costs	3.50	
Total	3.50	

Use of statements of expenditures (SOEs):

25. Disbursements shall be made against SOEs for the following: (a) works under contracts costing less than \$100,000 equivalent each; (b) goods under contracts costing less than \$50,000 equivalent each; (c) contracts for the employment of consulting firms valued at less than \$100,000 equivalent each and contracts for the employment of individuals valued at less than \$50,000 equivalent each; and (d) training; all under such terms and conditions as the Association shall specify by notice to the Borrower.

Special account:

26. The Government would establish a Special Account (SA) at the Reserve Bank (the central bank of Vanuatu), denominated in US dollars, with an authorized allocation of US\$ 300,000, under the name of the MOF, and with an initial authorized allocation of US\$ 100,000.

27. **Replenishment of SA.** Based on the SA bank statements, copies of General Payment Voucher (GPV) or Local Purchase Orders (LPO), and other necessary supporting documents, the MOF would prepare applications for replenishment on a monthly basis. With the preparation of satisfactory Project Management Report (PMR), the replenishment of the SA may be based on quarterly PMRs.

Financial Management

28. **Financial management assessment summary.** An assessment of the financial management

capability and control environment of the Ministry of Education, Youth and Sport (MEYS) and Ministry of Finance and Economic Development (MOF) was carried out before appraisal. Although the assessment found financial management practices basically sound, it also found some weaknesses. An action plan agreed with the Government to strengthen the financial management capacity is provided in Table D. The objective of the action plan is to ensure that the project would develop a sound financial management system prior to the project's effectiveness.

29. The following are the financial management risks and how they are expected to be addressed:

- (a) **There is little capacity and understanding of roles and duties among project management staff.** This risk would be addressed by: (i) adoption of a Project Management Manual (PMM) which would cover the procedures to be followed by everybody involved in the project; (ii) provision of training on procurement and financial management for relevant staff of the PMU; and (iii) provision of on going consultant assistance to the PMU in the implementation of the project.
- (b) **The role of the community and NGO participation in the implementation of the project may not be adequately understood by the participants themselves.** This risk will be addressed by providing guidelines for both community and NGO on their respective roles as participants of the project. The guidelines will be part of the PMM.

30. The following summary assessment is provided as a background to the financial management action plan (Table D) and financial management arrangements (below):

- (a) **Laws and regulations.** The laws and regulations currently governing public procurement and financial management are the following: (i) Public Finance and Economic Management Act no. 6 of 1998; (ii) Government Contracts and Tenders Act no. 10 of 1998; (iii) Tenders Regulations Order no. 4 of 1999; (iv) Financial Regulations of the Republic of Vanuatu; and (v) Expenditure Review and Audit Act no. 3 of 1998.
- (b) **Budget process.** The Government has (i) a recurrent budget and (ii) a development budget called the Government Investment Program (GIP). The former budget covers civil servant salaries, office supplies, transportation allowance, and other routine expenditures, including the Government's contribution to projects funded by external donors. The GIP covers the expenditures funded by donors. The fiscal year is from January to December. In May, governmental ministries propose their budget for the coming year to the Department of Economic & Social Development of MOF. The proposals are appraised by officers designated for each sector to ensure consistency with country strategies and sector priorities. In September, the proposals are sent for government-wide coordination to the Ministries Budget Committee (MBC) which prepares the Estimates of Recurrent Revenue and Expenditure (ERRE). The MBC is chaired by MOF with members from the MEYS, Ministry of Health, and Ministry of Public Works. In October, the ERRE is presented to the Parliament for discussion. The budget is presented to Parliament where it is examined in detail and adopted, usually toward the end of the year, for implementation at the beginning of the coming year.
- (c) **Procurement management.** MEYS has prior experience with procurement, especially for projects financed by international financial institutions (IFIs) including IDA (World Bank), ADB, and AusAID. Most of the procurement procedures follow international competitive bidding (ICB).
- (d) **Disbursement process.** An Accounting Officer is assigned to each departmental budget for recurrent expenditures. For donor-financed projects, the preparation of accounts for payment is carried out by the implementing agency concerned, usually by the project manager and then is sent

to MOF. (In the proposed project, the project manager is the Director, Policy & Planning Service, MEYS.) Payments are made through a General Payment Voucher (GPV) or a Local Purchase Orders (LPO). The Accounting Officer sends the GPV or LPO to MOF where it is verified, paid, and recorded.

- (c) **Accounting and records management.** International Accounting Standards (IAS) are the generally accepted accounting principles for financial reporting in the country. The double-entry cash basis accounting system is in use. Computerized record keeping is done only at the central level at the MOF. The Director General of Finance ensures that all government accounts are maintained in a form satisfactory to the Minister of Finance and that enables the prompt completion of monthly and annual reports of accounts. Previous projects show evidence of satisfactory record-keeping within MEYS and MOF. However, no documentation has been found on the management of the record.
- (d) **Audit, support, and control.** Audit is conducted centrally by the Office of the Auditor General, with focus on compliance. Although there are regulations for internal audit, internal audit function has not been established in MEYS or MOF. No specific procurement audit is conducted due to lack of capacity at the auditing agency. Legal advice is provided by the Office of the Attorney General.
- (e) **Staffing and capacity building.** In the previous project (PASEP, Credit 1964-VAN), procurement and financial management were carried out by a team of consultants working for MEYS, as are current donor-financed projects in MEYS. Since no capacity has been built, the proposed project would also require consultant involvement. This time, the consultant would also be responsible for building the needed financial management capacity at MEYS. The career system and salary structures are maintained by the Public Service Commission (PSC), which recruits and hires civil service employees. The typical educational attainment in the public service is Year 10. A civil servant may be seconded to a particular project, in which case his or her salary would be paid by the project. Upon project completion, the civil servant returns to his or her original position and salary. General training is provided by the PSC, usually using modules developed by the Government Training Center. Through DFID (UK) assistance, a Financial Sector Training Unit (FSTU) has been established for MOF at the National Technical Institute of Vanuatu (INTV). The unit offers a four-month course on financial management and accountancy and has the capability to design new training courses by bringing in specialists.

Financial management arrangements:

31. **Institutional arrangements.** In general, the technical and the financial administration of the project will be handled by the Project Management Unit (PMU) in MEYS, in coordination with the Ministry of Finance (MOF). The latter would have more responsibilities over financial administration (recording of transactions, reviewing of payments, management of records). Although recording and record management will also be done in the PMU, the primary recording and original documents keeping will be MOF responsibilities.

32. A PMU would be organized for the project. The Director of Policy & Planning Service, MEYS would be Project Manager and head of the PMU responsible for the project implementation. A Project Coordinator would be assigned to manage all of the consultant hiring for the project. Among the consultants would be the Project Coordinator himself, some technical staff, procurement staff, and the Accounting Officer responsible for financial management. Specifically, the Accounting Officer would: (i) assist the Project Manager with the preparation of GPVs or LPOs for submission to MOF; (ii) record

project transactions, obtain and record statements from the Reserve Bank for records reconciliation; and (iii) prepare PMR (financial report). The consultant will work closely with both MEYS and MOF on a daily basis. The consultant would also have the responsibility for developing financial management skills at the implementing agencies.

33. **Accounting and PMM.** The general accounting system for the project would follow the Government accounting system as prescribed in the Financial Regulations of the Republic of Vanuatu. The flow of funds for the project is in Attachment 6.4. Accounting procedures specific to the project would be included in a Project Management Manual (PMM). The PMM would document the system and procedures to be followed by PMU, MEYS, and MOF staff (including consultants) who would be involved in the project, to ensure that the financial management practice of the project are sound. The PMM would set out internal controls, organizational structure and job descriptions, budgeting, procurement, disbursement, accounting, reporting, and auditing arrangements for all project transactions, including arrangements for the participation of the community and of NGOs. The PMM was drafted by a team of consultants who assisted the Government in the preparation of the project. As part of the awareness, coordination and capacity building for the project, training on the PMM would be conducted for staff involved in the project upon project effectiveness.

34. **Project Management Report (PMR).** A simplified format for the PMR was agreed during appraisal. The PMR would include the financial reports, project progress reports, and procurement management report. The quarterly PMR would be prepared by PMU in coordination with MOF and submitted to IDA not later than 45 days after the end of each quarter. The traditional SOE method of disbursement will be used. Within one year after effectiveness, a review will be conducted to determine the feasibility of adopting PMR-based disbursement.

Auditing arrangements:

35. **Previous project audits.** The audit for the successfully implemented IDA Primary and Secondary Education Project (Credit 1964-VAN) was conducted by the Office of the Auditor General and accepted by IDA.

36. **Audit of this project.** The detailed TORs for the project audit is attached below. The project audit shall be carried out by the Auditor General in accordance with the above-cited TORs. The Auditor General has been chosen a project auditor on the basis of the following: (i) experience with the previous project (Credit 1964-VAN); and (ii) unsatisfactory experiences of other donor-financed projects of the MEYS which encountered problems with the appointment of private auditors. The annual project account and special account shall be prepared by the Government, represented by both MEYS and MOF. The annual audit shall be furnished to IDA not later than six months after the end of the Government's fiscal year.

Table D: Action Plan for Procurement & Financial Management

Issue or Problem	Remedial Action	Responsible	Due Date
A. Project Organization and Staffing 1. Establishment of PMU 2. Appointment of government staff to PMU 3. Appointment of consultants (Project Manager, Financial Management Specialist, Procurement Specialist for PMU)	1. Decree establishing PMU 2. Decree appointing staff to PMU 3. Contract awarded to consultants	MEYS MEYS MEYS	By Credit effectiveness (1, 2, 3)
B. Project Management Manual Manual documenting procedures to be followed by PMU, covering job descriptions, procurement and financial management (FM) arrangements, records management, fixed assets and inventory management, bookkeeping, reporting, monitoring, evaluation of FM system, including community and NGO participation, technical specifications.	1. Draft <i>Project Management Manual</i> (PMM) 2. Issuance of final PMM acceptable to IDA, detailing (i) budget process, (ii) procurement methods, and (iii) monitoring and reporting of procurement and financial management	MEYS MEYS	By Appraisal By March 30, 2001
C. Training Training of Government staff of the PMU and MOF and those who would be involved in project implementation to acquire necessary skills to carry out their respective duties as described in the <i>Project Management Manual</i> .	FMS training	PMU for staff of MEYS and MOF	By December 31, 2001

Procurement Note on Shopping Method

1. **General.** This note gives guidance on the shopping procedures applicable to this project, as an elaboration of paras. 3.5 and 3.6 of the Procurement Guidelines. Shopping is intended to be a simple and rapid procurement method.
2. **Number and origin of quotations to be compared.** Paras. 3.5 and 3.6 of the Guidelines require the purchaser to obtain and compare at least three quotations to establish reasonableness of price. Under international shopping, borrowers request quotations from suppliers from at least two different countries, including the borrowers'. Quotations for foreign goods located in the borrower country and offered by a firm located in the borrower country, are considered as quoted from abroad for purposes of satisfying the "two different countries" rule. This is applicable, to items such as computers, furniture, educational, printing, and construction materials, etc., that are normally imported by dealers of the foreign manufacturers who are also able to provide after-sales services.
3. **Firms to be invited.** The borrower exercises due diligence to satisfy itself that the firms invited to quote are reputable, well established, and are suppliers of the goods or services being purchased as part of their normal business. In case the borrower receives unsolicited quotations, these may be accepted after carrying out a similar due diligence exercise to verify the nature and reputation of the quoting firms.
4. **Form of requests.** The purchaser requests quotations by letter, fax, telex, electronic messaging, etc., with proof of receipt for record keeping. The request includes the description and quantity of the goods as well as the required delivery time and place for the goods or services, including installation requirements, if any. The request indicates the date by which the quotations are needed. In extremely urgent cases, such as restoration of vital services, quotations for civil works may be requested in the form of unit rate prices (if work quantities are available with a reasonable degree of reliability), "cost plus fee" arrangements (when quantities cannot be reasonably determined in advance), or lump sum based on cost estimates carried out by the borrower, or if not possible, even by the prospective contractors themselves.
5. **Prices and currencies.** Prices for goods supplied from within the country (including previously imported items) are requested to be quoted EXW (ex works, ex factory, ex warehouse ex show room or off-the-shelf, as applicable), including all customs duties and sales and other taxes already paid or payable on raw materials and components. For goods offered from abroad (i.e., not previously imported), prices are requested CIF or CIP. Prices for civil works are requested inclusive of all taxes and duties payable by the contractor. Prices can be quoted in any of the currencies of Bank member countries.
6. **Submission of quotations.** Quotations should be submitted in writing, i.e., by fax, telex, letter, or electronic messaging, with copies to be kept for records. No bid or performance securities are required. There is no requirement for strict time and date for submission of quotations or for public opening, but normally requests for quotes indicate the expected date of submission of quotes, typically within one or two weeks of the initial request. In other cases, if the purchaser has not received at least three quotations within the time set, it verifies with the missing suppliers whether they intend to do so and how soon. Unless there is extreme urgency or there are already three or more quotations available, the client may give a reasonable amount of additional time, say three more days, to get additional quotations. At this point the client may proceed with the comparison of the proposals received.
7. **Comparison of quotations.** Quotations are compared after adding to the quoted price for goods the estimated cost of inland transportation and insurance, if any, to the final destination. For purposes of

comparison, prices are converted into local currency at the exchange rate on the day of invitation of the quotes or the day of comparison. The lowest priced offer is selected. Purchasers may exercise discretion in selecting a quotation that is not the lowest priced, if there is good justification. For example, a slightly higher price may be justified by faster delivery or immediate availability in cases of extreme urgency, when late delivery may result in heavy consequences for the purchaser. In such cases, the delivery requirement should be clearly indicated in the request for quotation.

8. **Record of award.** The client documents the award decision and its rationale and keeps it for review and audit by the Bank. The record contains also the list of firms invited and the list and value of the quotations received and documents clearly that the award is based on sound economic criteria.

9. **Currency of payment.** Purchase orders specify the currency of payment which is the currency of the quote. The Bank accepts payments in any currency of the member countries.

Terms of Reference for Procurement Administrator

1. **Qualifications and experience:** (i) A graduate in either of the following: engineering, economics, finance, or similar advanced degree from a recognized university; (ii) At least 10 years of experience in procurement of which about 5 years should be in a management position held in an international or national public or private sector organization, preferably in a developing country; (iii) Experience with World Bank-funded projects would be an advantage; and (iv) Good computing skills.
2. **Reporting and counterparts.** The Procurement Administrator (PA) reports directly to the Project Director. The PA will have a Vanuatu counterpart, assigned by the Project Director.
3. **Responsibilities.** The PA will manage the procurement program for the project, provide to others the needed technical support and guidance in all aspects of procurement in accordance with the project guidelines as described in the project documents and Development Credit Agreement. The PA will be expected to ensure high quality and transparent problem-solving of procurement issues and to facilitate smooth and speedy implementation of the project. In addition, the PA will coordinate with the Financial Manager in the PMU to ensure overall integration of plans and reports.
4. Specifically, the PA will: (i) Update the procurement plan on a regular basis and monitor the implementation of the procurement plans for works, goods, and consultants agreed with the Bank; (ii) Work with technical specialists to review and update procurement schedules; (iii) Ensure compliance with the World Bank Guidelines that apply to the project; (iv) Assist the Project Director in ensuring that procurement arrangements are consistent with project implementation and development objectives and discuss issues, options, and possible solutions with the Project Director; (v) Prepare requests for proposals, invitations to bid (including specifications and selection criteria) and process bid evaluations; (vi) Prepare the documents required to obtain clearance from the World Bank for awarding of contracts and follow-up actions; (vii) Prepare the contracts with suppliers, contractors, or consultants and conduct follow up for delivery of goods, works, or services according to schedule; (viii) Organize the receipt of goods at entry, customs clearance, and delivery to the final destination; (ix) Maintain records of goods received, their quality and quantity, compliance with contract specifications, and accounts for actual deliveries; (x) In coordination with Project Management, handle warranty and insurance claims; (xi) Maintain a proper filing system for all relevant procurement documents of the project and prepare needed reports and documents for the World Bank review missions; (xii) Coordinate with the PMU Financial Officer on contractual payments; (xiii) Train other parties concerned on procurement: other project staff, audit agencies and units, members of tender board; and (xiv) Carry out other procurement-related tasks assigned by the Project Director.
5. **Reports.** The PA will prepare a quarterly progress report (physical and financial) and assist the Project Director in the compilation of the quarterly project progress report.

Terms of Reference for the Audit of Special Purpose Project Financial Statements

Objectives

The overall objectives of the audit are: (i) to enable the auditor to express a professional opinion on the project financial statements, the operation of the overall financial management system including internal controls, and compliance with financing agreements; (ii) to provide project management with timely information on financial aspects of the project to enable follow-up action; and (iii) to assess the achievements of project objectives as measured by performance indicators.

The audit should cover the entire project, i.e., covering all sources and application of funds by all implementing agencies. The auditor should visit the various implementation units and other agencies as considered necessary for the audit.

Scope

The audit will be carried out in accordance with International Standards of Auditing and with the Audit Manual for World Bank Financed projects issued by East Asia and Pacific Region of the Bank (July 1998). It will include such tests and controls as the auditor considers necessary under the circumstances. Specific areas of coverage of the audit will include the following:

(1) An assessment of whether the project financial statements have been prepared in accordance with consistently applied International Accounting Standard (IAS) and give a true and fair view of the operations of the project during the year and the financial position of the project at the close of the fiscal year. Any material deviations from IAS, and the impact of such departures on the project financial statements as presented would be stated;

(2) An assessment of the adequacy of the project financial management systems, including internal controls. This would include such aspects as the adequacy and effectiveness of accounting, financial and operational controls, and any needs for revision; level of compliance with established policies, plans and procedures; reliability of accounting systems, data and financial reports; methods of remedying weak controls or creating them where there are none; verification of assets and liabilities; and integrity, controls, security and effectiveness of the operation of the computerized system (if any);

(3) An assessment of compliance with provisions of the financing agreement, especially those relating to accounting and financial matters. This would inter alia include verification that:

- (a) all external funds have been used in accordance with the conditions of the financing agreement, with due attention to economy and efficiency, and only for the purposes for which the financing was provided.
- (b) counterpart funds have been provided and used in accordance with the relevant financing agreement, with due attention to economy and efficiency, and only for the purposes for which they were provided;
- (c) the accounting and internal control systems are adequate to monitor expenditures and other financial transactions and ensure safe custody of project-financed assets;
- (d) expenditures charged to the project are eligible expenditures and have been correctly classified in accordance with the financing agreement;

- (e) goods and services financed have been procured in accordance with the relevant financing agreement;
- (f) the borrower and project implementing entities have maintained adequate documentation of all relevant transactions;
- (g) clear linkages exist between the accounting records including accounts books and the Project Financial Statements;
- (h) where a Special Account has been used, it has been maintained in accordance with the provisions of the financing agreement;
- (i) the expenditures submitted to the Bank, including those submitted in PMRs, are eligible for Bank financing, and identification of any ineligible expenditures;
- (j) the annual financial statements can be reconciled with the relevant year to date amounts appearing in the PMR for the fourth quarter of the year;
- (k) in the absence of PMR satisfactory to the Bank, statements of expenditures (SOE) shall be used as the basis for the submission of withdrawal applications accurately reflect expenditures and activities on the project;
- (l) project expenditures as reported by the project implementation agencies are reconciled with the amounts withdrawn from the Special Account and the amounts deposited to the special account are reconciled with the amounts disbursed from the IDA Credit.

(4) An assessment of the achievements of the planned results of the projects as measured by the performance indicators as stipulated in the relevant financing agreement.

Project Financial Statements

MEYS as the implementing agency (in this case represented by PMU) together with MOF shall prepare the consolidated project accounts which should include (i) Annual Project Expenditures and Financing; and (ii) Cumulative Project Expenditures and Financing. Sources of funds would show IDA and GOV counterpart funds separately. Project expenditures would be summarized by main project components and disbursement categories both consolidated for the current fiscal year and accumulated to date. The consolidated project account shall also include the Financial Statements of the Special Account covering: (i) deposits and replenishments received from the Association; (ii) withdrawals from the special account; and (iii) the remaining balances at the end of the fiscal year

The auditor should provide an opinion as to the degree of compliance with the Association's procedures and the exactitude of the balance of the Special Account at year-end. The audit should examine the eligibility and integrity of financial transactions during the period under review and fund balances at the end of the period, the operation and use of the special account in accordance with the financing agreement, and the adequacy of internal financial controls.

Special Account. The auditor must assess a reconciliation report between the project expenditures made from the special account and the withdrawals from the special account. Reconciliation should also be made with the amounts paid from the prefinancing account and direct payments (if any). The auditor should assess a reconciliation report between the amounts deposited to the special account and disbursed by the Association to the special account.

Project Management Reports. Disbursement on PMRs is a matter of specific concern to the

Bank. To provide the necessary degree of reassurance with respect to PMRs, the auditor should:

- (a) examine the PMRs prepared during the year, the amounts disbursed on them and the movements and the balances on the Special Accounts and project bank account during the year to ascertain how well the system is working in general;
- (b) assess the methods used to compile PMRs to ascertain that information given in PMRs accurately reflects underlying records and documents;
- (c) compare the format and content of PMRs prepared during the year, with those of the annual financial statements for the year, verifying that the year to date figures in the final quarter PMR are reconcilable with the annual statements;
- (d) carry out tests to assess whether PMR based disbursement has been used only for expenditures eligible for Bank funding and list departures which have occurred; and
- (e) refer specifically in the audit opinion to the reliability of PMRs as a basis for disbursement and the management of the Special Account.

Statements of Expenditures. In the absence of PMR satisfactory to the Bank, the auditor is also required to audit all SOEs (paid from the special account and/or other accounts) used as the basis for the submission of withdrawal applications. The auditor should apply such tests and controls as the auditor considers necessary under the circumstances. These expenditures should be carefully compared for project eligibility with the relevant financing agreements, and with reference to the Project Appraisal Document for guidance when considered necessary. Ineligible expenditures identified as having been included in withdrawal applications and reimbursed by the Association should be noted separately by the auditor. The total withdrawals under the SOE procedure should be part of the overall reconciliation of Association disbursements described above.

Audit Report

The audit report shall contain the auditor's opinion on the fairness of the project financial statements, including an opinion on the Special Account and a separate paragraph commenting on the accuracy and propriety of expenditures withdrawn under the PMR based disbursements or SOE procedures and the extent to which the Association can rely on PMRs or SOEs respectively as a basis for loan disbursement. The report should refer to the auditor's TOR. The auditor should submit the report to the project executing agency who should then promptly forward one copy of the audited accounts and report to the Association. It should be received by the Association no later than *six months* after the end of the project's fiscal year.

Management Letter

In addition to the audit reports, the auditor will prepare a "management letter," in which the auditor will:

- (a) give comments and observations on the accounting records, systems, and internal controls that were examined during the course of the audit; and identify specific deficiencies and areas of weakness in systems and internal controls and make recommendation for their improvement;
- (b) give comments on economy, efficiency, and effectiveness in the use of resources;
- (c) report on the achievement of the planned results of the project;
- (d) report on the degree of compliance of each of the financial covenants on the financing

agreement and give comments, if any, on internal and external matters affecting such compliance;

(e) communicate matters that have come to attention during the audit which might have a significant impact on the implementation of the project, and

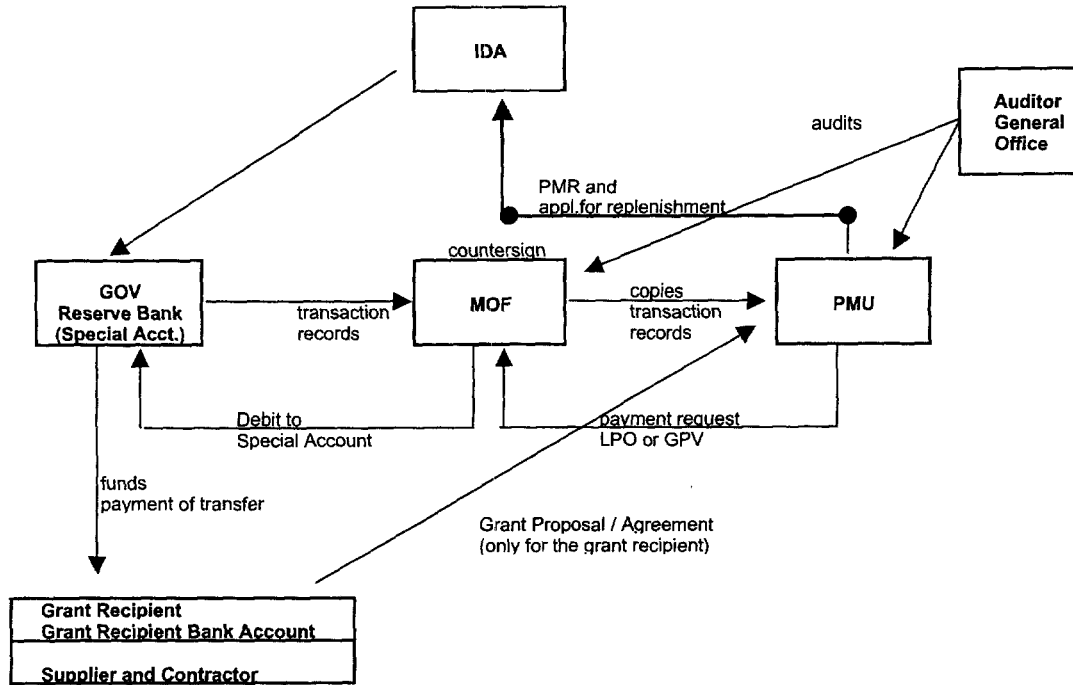
(f) any other matters that the auditors considers pertinent.

General

The auditor should be given access to all legal documents, correspondence, and any other information associated with the project and deemed necessary by the auditor. Confirmation should also be obtained of amounts disbursed and outstanding at the Association.

The auditor should be familiar with the Association's *Audit Manual for World Bank Financed Projects* issued by East Asia and Pacific Region which provide guidance to auditors conducting audits of Association financed projects.

Vanuatu Second Education Project Flow of Funds



Annex 7: Project Processing Schedule
VANUATU: SECOND EDUCATION PROJECT

Project Schedule	Planned	Actual
Time taken to prepare the project (months)	15	15
First Bank mission (identification)	11/15/99	11/15/99
Appraisal mission departure	01/26/2001	01/26/2001
Negotiations	02/12/2001	02/12/2001
Planned Date of Effectiveness	07/01/2001	

Prepared by:

Alfonso F. de Guzman and David A. Klaus

Preparation assistance:

Administrative Budget (US\$)

Fund Source	FY98 Master Plan Preparation	FY99 Master Plan Preparation	Total Master Plan Preparation	FY00 Project Preparation	FY01 Project Preparation	Total Project Preparation
Bank Budget (BB)	72,000	44,300	116,300	31,500	177,400	208,900
Japan PHRD Grant (JGF)	160,400	90,600	251,000	4,100	26,000	30,100
Australia Trust Funds	19,500	13,800	33,300	17,000	19,700	36,700
New Zealand Trust Fund	0	0	0	35,300	13,700	49,000
Total	251,900	148,700	400,600	87,900	236,800	324,700

Bank staff who worked on the project included:

Name	Speciality
Task Team:	
Alfonso F. de Guzman	Senior Education Specialist, task team leader
Novira K. Asra	Financial Management Officer, financial management arrangements
Jacqueline Baptist	Economist, economic analyses
Carlos R. Escudero	Chief Counsel, development credit documents
David A. Klaus	Lead Human Resource Specialist, economic and technical analyses
Parivash Mehrdadi	Program Assistant, project documentation
Rosa Muleta	Disbursement Officer, disbursement arrangements
Karin I. Nordlander	Senior Counsel, development credit documents
Rizal H. Rivai	Procurement Specialist, procurement assessment, arrangements
Consultants:	
Jean-Michel Charpentier	Linguist, language policy and vernacular education
Terry Crowley	Linguist, linguistic mapping
Geoffrey H. Feast	Architect, site and facilities surveys
Peter D. Gibbons	Educator, project preparation
Anne Glover	Educator, vernacular education planning
Andrew Ikupu	Educator, vernacular education planning
Roger D. Jenkins	Accountant, Accounting and auditing processes and documentation
Nigel Wakeham	Architect, school mapping and educational facilities planning

Annex 8: Documents in the Project File*
VANUATU: SECOND EDUCATION PROJECT

A. Project Implementation Plan

Vanuatu, Republic of. Accounting and Financial Management System (January 2001). (Prepared by Roger D. Jenkins) Port Vila, Ministry of Education, Youth & Sports. Spreadsheets. (Electronic file in EASHD.)

_____. The Location and Distribution of the Primary and Secondary Schools of Vanuatu (August 1999). (Prepared by Doreen Leona and Peter D. Gibbons) Port Vila, Ministry of Education, Youth & Sports. Typescript.

_____. Participation Readiness Status: An assessment of Sangalai School, Uliveo Island, Maskelynes, and Uripiv School, Uripiv Island, Malampa Province (November 2000). (Prepared by Helen Tamtam, Pierre Gambetta, and Peter D. Gibbons) Port Vila, Ministry of Education, Youth & Sports. Typescript.

_____. Pilot Project Implementation Plan (draft, May 2000). Vernacular Education in Pre School and Primary; Improvement of Quality in the Primary School; Extension of Access in Years 7 and 8. (Prepared by Peter D. Gibbons) + 18 updates (November 2000-January 2001). Typescript. (Electronic file in EASHD.)

_____. Site Facility and Resource Survey: Vinamangwe & Ndui Ndui Primary Schools, N.W. Ambae, Vanuatu (November 2000). (Prepared by James Ferrie & Partners, Architects) Port Vila, Ministry of Education, Youth and Sports. Typescript.

_____. Vernaculars in Education in Vanuatu (January 2000). (Prepared by Terry Crowley) Port Vila, Ministry of Education, Youth & Sports. Typescript.

B. Bank Staff Assessments

Asra, Novira K. Review of Financial Management System (draft, December 20, 2000). Washington, DC, The World Bank. Typescript. (Electronic file in EASHD.)

Charpentier, Jean-Michel. Report on Mission to Vanuatu, 27 September-11 October 2000. Washington, DC, The World Bank. Typescript.

_____. Criticisms and Proposals concerning the "Master Plan" (November 1999). (Translated by John Lynch). Washington, DC, The World Bank. Typescript.

Ikupu, Andrew, and Anne Glover. Vanuatu Vernacular Education Project (December 1998). Washington, DC, The World Bank. Typescript.

Rivai, Rizal H. Procurement Assessment Report (draft, December 22, 2000). Washington, DC, The World Bank. Typescript. (Electronic file in EASHD.)

Wakeham, Nigel. Vanuatu: Second Education Project, Implementation Specialist's Report (June 1999). Washington, DC, The World Bank. Typescript.

C. Other

Vanuatu, Republic of. The Education Master Plan of the Republic of Vanuatu (draft of November 1999).

(Prepared by David A. Klaus) Executive summary + 11 technical annexes. Port Vila, Ministry of Education, Youth & Sports. Typescript. (Electronic file in EASHD.)

_____. Revised Financial Projections to the Education Master Plan of the Republic of Vanuatu (May 2000). (Prepared by Roger D. Jenkins) Port Vila, Ministry of Education, Youth & Sports. Typescript.

*Including electronic files

Annex 9: Statement of Loans and Credits

VANUATU: SECOND EDUCATION PROJECT

Dec-2000

Project ID	FY	Purpose	Original Amount in US\$ Millions		Cancel.	Undisb.	Difference between expected and actual disbursements*	
			IBRD	IDA			Orig	Frm Rev'd
P004820	1991	HOUSING	0.00	3.40	1.95	0.00	1.82	1.82
P004814	1989	EDUCATION	0.00	8.00	0.13	0.00	-0.57	0.00
Total:			0.00	11.40	2.08	0.00	1.24	1.82

VANUATU STATEMENT OF IFC's Held and Disbursed Portfolio Dec-2000 In Millions US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1996	Le Meridien Port	2.58	0.00	0.00	0.00	2.58	0.00	0.00	0.00
Total Portfolio:		2.58	0.00	0.00	0.00	2.58	0.00	0.00	0.00

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic
	Total Pending Commitment:	0.00	0.00	0.00	0.00

Annex 10: Country at a Glance

VANUATU: SECOND EDUCATION PROJECT

POVERTY and SOCIAL

	Vanuatu	East Asia & Pacific	Lower-middle-income
1999			
Population, mid-year (millions)	0.19	1,837	2,094
GNP per capita (Atlas method, US\$)	1,170	1,000	1,200
GNP (Atlas method, US\$ billions)	0.22	1,833	2,513

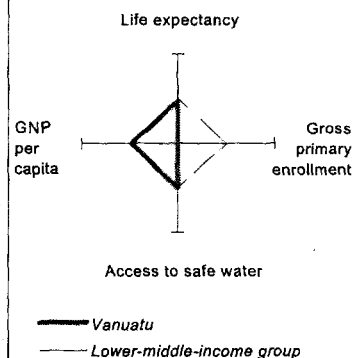
Average annual growth, 1993-99

Population (%)	2.8	1.2	1.1
Labor force (%)	..	1.3	1.2

Most recent estimate (latest year available, 1993-99)

Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	20	34	43
Life expectancy at birth (years)	65	69	69
Infant mortality (per 1,000 live births)	36	35	33
Child malnutrition (% of children under 5)	..	22	15
Access to safe water (% of population)	87	84	86
Illiteracy (% of population age 15+)	..	15	16
Gross primary enrollment (% of school-age population)	..	119	114
Male	..	121	114
Female	..	121	116

Development diamond*



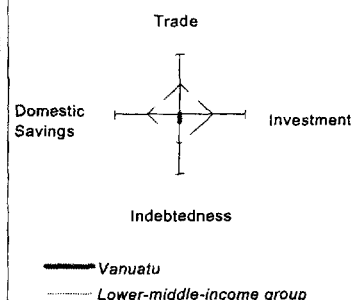
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1979	1989	1998	1999
GDP (US\$ billions)	0.12	0.14	0.24	..
Gross domestic investment/GDP	..	37.2	..	..
Exports of goods and services/GDP	..	37.3	..	..
Gross domestic savings/GDP	..	9.2	..	..
Gross national savings/GDP	..	24.3	..	..
Current account balance/GDP	..	-8.7	-15.7	..
Interest payments/GDP	0.3	0.5	0.2	..
Total debt/GDP	4.1	21.5	26.2	..
Total debt service/exports	..	2.4	1.4	..
Present value of debt/GDP	..	..	15.2	..
Present value of debt/exports	..	..	29.4	..

(average annual growth)

	1979-89	1989-99	1998	1999	1999-03
GDP	2.7	1.6	2.1	-2.0	..
GNP per capita	-0.8	-2.8	-0.9	-5.2	..
Exports of goods and services	-6.5	..	..	..	..

Economic ratios*



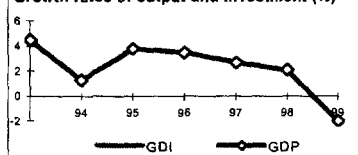
STRUCTURE of the ECONOMY

	1979	1989	1998	1999
(% of GDP)				
Agriculture	22.0	19.2	..	..
Industry	..	12.7	..	..
Manufacturing	3.9	5.4	..	..
Services	..	68.1	..	..
Private consumption	..	60.9	..	..
General government consumption	..	29.9	..	..
Imports of goods and services	..	65.3	..	..

(average annual growth)

	1979-89	1989-99	1998	1999
Agriculture	1.9	4.3	..	..
Industry	1.2	1.9	..	..
Manufacturing	15.1	..	..	..
Services	3.3	0.2	..	..
Private consumption	4.1	..	..	..
General government consumption	-1.2	..	..	..
Gross domestic investment	5.5	..	..	..
Imports of goods and services	-1.1	..	..	..
Gross national product	1.7	-0.1	2.1	-2.0

Growth rates of output and investment (%)



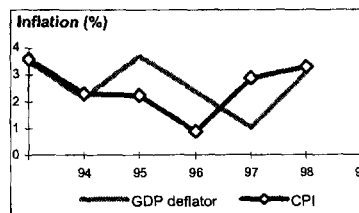
Note: 1999 data are preliminary estimates.

This table was produced from the Development Economics central database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will

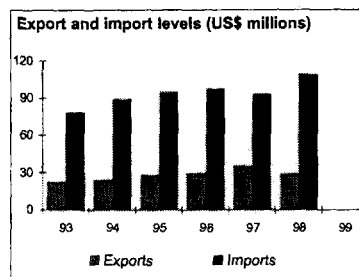
PRICES and GOVERNMENT FINANCE

	1979	1989	1998	1999
Domestic prices				
(% change)				
Consumer prices	4.0	7.7	3.3	..
Implicit GDP deflator	..	4.2	3.1	..
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	..	27.8	..
Current budget balance	..	..	4.0	..
Overall surplus/deficit	..	..	-13.3	..



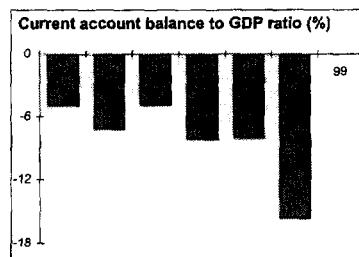
TRADE

	1979	1989	1998	1999
(US\$ millions)				
Total exports (fob)	30	..
Copra	13	..
n.a.
Manufactures
Total imports (cif)	109	..
Food
Fuel and energy
Capital goods
Export price index (1995=100)
Import price index (1995=100)
Terms of trade (1995=100)



BALANCE of PAYMENTS

	1979	1989	1998	1999
(US\$ millions)				
Exports of goods and services	..	54	111	..
Imports of goods and services	..	77	131	..
Resource balance	..	-23	-20	..
Net income	..	-6	-31	..
Net current transfers	..	17	13	..
Current account balance	..	-12	-38	..
Financing items (net)	..	20	37	..
Changes in net reserves	..	-8	1	..

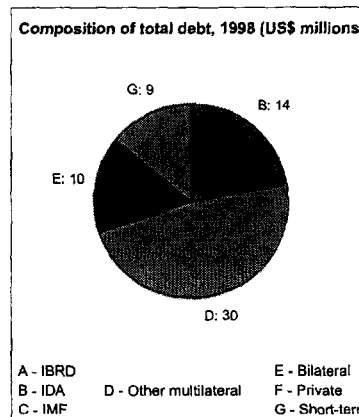


Memo:

Reserves including gold (US\$ millions)	..	35	45	..
Conversion rate (DEC, local/US\$)	68.8	116.0	127.5	129.1

EXTERNAL DEBT and RESOURCE FLOWS

	1979	1989	1998	1999
(US\$ millions)				
Total debt outstanding and disbursed	5	30	63	72
IBRD	0	0	0	..
IDA	0	3	14	14
Total debt service	1	2	2	2
IBRD	0	0	0	..
IDA	0	0	0	..
Composition of net resource flows				
Official grants	15	16	7	..
Official creditors	0	5	12	..
Private creditors	0	0	0	..
Foreign direct investment	0	9	27	..
Portfolio equity	0	0	0	..
World Bank program				
Commitments	0	8	0	..
Disbursements	0	1	1	..
Principal repayments	0	0	0	..
Net flows	0	1	1	..
Interest payments	0	0	0	..
Net transfers	0	1	1	..



Note: This table was produced from the Development Economics central database.

9/9/00

MAP SECTION

