

# VANUATU

The Pacific Ocean nation that is at the crossroads of trade, finance and connectivity

## On the road to recovery

Showing strength and resilience in the aftermath of Cyclone Pam, Vanuatu is staying the course with major works and growth plans

Having enjoyed a decade of consistent growth, with an acceleration in 2014 of 3.6 percent — its fastest rate since 2008 — Vanuatu's investment potential is immense. The emerging South Pacific island that is just a 2.5 hour flight from Brisbane Australia, 3.5 hours from Sydney, and two hours from Auckland in New Zealand, was flourishing with major construction projects under way until it was struck by Tropical Cyclone Pam in March this year.

With recovery-related rebuilding underway — some 90 percent of the buildings on Efate Island, home to the country's capital Port Vila were destroyed — growth is not expected to resume until 2016, but according to the Asian Development Outlook 2015, it will rebound to 4.0 percent as infrastructure works, and tourism and agriculture growth continue.

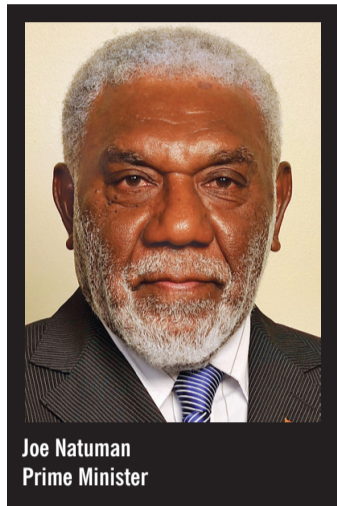
### Turning needs into action

As Joe Natuman, the prime minister of Vanuatu announced: "The council of ministers approved two reports: A World Bank spearheaded Post Disaster Needs Assessment and a Humanitarian Action plan. The reports are useful in the sense that they provide some ideas about the remaining humanitarian and life saving activities needed to be done, as well as the costs of the damage.

"A consolidated Economic Recovery Plan is now in place which will highlight the government's main priority areas for funding. This post-disaster assessment is crucial to continuing the coordinated and timely recovery program we are delivering to help Ni-Vanuatu rebuild.

"On behalf of the government of Vanuatu I'd like to thank our development partners for their continued support as we use this assessment to create and prioritize tangible actions for recovery and reconstruction."

Natuman will also be attending the seventh Pacific Islands Leaders' Meeting (PALM 7) in Iwaki on May 22 and 23. When the meeting was announced last autumn, Japanese Prime Minister Shinzo Abe high-



Joe Natuman  
Prime Minister



David Tosul  
Minister of Agriculture

lighted PALM's role in deepening and expanding the partnerships between Japan and Pacific Island countries, and said that, at PALM 7, he aims to establish new partnerships to tackle common challenges.

"Pacific Island countries have established a strong relationship with Japan in a number of areas, including climate change and disaster risk reduction," he noted. This could not therefore

**"I would like to thank our development partners for their continued support as we... prioritize tangible actions for recovery and reconstruction."**

Joe Natuman, Prime Minister

be more timely. Natuman has always been determined to get the country fighting its full potential, whatever strikes. "One thing people must understand is that, although we have gone through instability in government, since 1987 we all decided with the assistance of the World Bank and the Asian Development Bank to start a program called Comprehensive Reform Program (CRP). "That led to legislation which is very important because everybody, from government to opposition, community leaders, churches, industry people, private sector, sat down and agreed on essential policies which we called Priority Action Agenda (PAA).

"This PAA has been updated every year, and no matter what changes happen in government,

whoever comes in will continue to implement that PAA. Out of that PAA, we have another program called the Planning Long, Acting Short (PLAN). This is the plan that every ministry and department has to develop every year. There might be some minor changes, but otherwise in terms of investment or infrastructure development everything follows the policy that has been agreed to.

"Another objective of my administration is to raise the level of revenue of the government, and for that we first need to strengthen and grow our economy beyond the tourism sector. Accountability and transparency is also one of the key elements of my political cred, so no allegations of corruption within ministries or civil servants are tolerated and therefore we have to institutionally empower the prosecution of any illegal act.

"Regarding the overall development of the country, firstly we are focusing on infrastructure such as airports, roads, port wharfs and so on, which are the base for further economic growth, and this is what we are doing, for example in the case of the Port Vila Lapetasi International Multi-Purpose

Wharf Development Project with the assistance of the Japan International Cooperation Agency (JICA)."

"Japan has been a very important development partner for us ever since we obtained our independence. They were the first to come and rehabilitate our airport and build the new terminal. Another big project was the Sarakata Hydropower Plant, which generates electricity for Luganville in the north."

### Japanese collaboration key

Minister of Foreign Affairs and External Trade, Sato Kilman, explains that: "Japan has been key to help us develop our key infrastructure right after our independence, and that good relations have been ongoing until today, and we still are and will be good friends. The Japan International Cooperation Agency (JICA) is still very active, they are financing the construction of the new Lapetasi Wharf, and they have more projects in the pipeline for energy supply and agriculture.

"We would like to see more Japanese investors coming to Vanuatu, not only the government, but private investments. We have some important Japanese interest in agriculture in Vanuatu. We need to attract more Japanese investment into agriculture, the cattle industry, food processing and maybe fisheries. In fact, it was a Japanese company, Mitsui, who first set up the fishing company at Palekula on Espiritu Santo, called South Pacific Fishing Company (SPFC), which happened during colonial times.

"There is a big fishing base there, so any company interested in developing or studying the possibility of coming here will be welcomed. Certainly, in the marine sector we have a lot of programs with the Japanese government and business people involved in aquaculture. There are several aquaculture projects in the islands with the fisheries department, which is an important sector to develop and we are receiving a lot of Japanese technical assistance."

### Modernizing agriculture

Vanuatu's economy is primarily agricultural, with around 75 percent of the population



Government and aid agencies are working to restore Vanuatu to its former glory.

residing in rural areas. Almost all merchandise exports come from this sector, which accounts for around 15 percent of total GDP. In the aftermath of Cyclone Pam, the Ministry of Agriculture launched a relief, recovery and rehabilitation program to get farmers, fishers and foresters back on track to production.

In addition the Government of Vanuatu initiated on March 30 a Post-Disaster Needs Assessment (PDNA) economic analysis of the damage, losses and needs by a range of stakeholders (United

agriculture sector amounts to VUV 6.062 billion (\$56 million). Substantial aid is required to help farmers get the vocational training needed to rebuild the farms, and learn new skills in horticulture and aquaculture, though no significant aid to the sector has arrived as yet.

With the Ministry of Agriculture already leading the way in recovery and rehabilitation, Hon. David Tosul, Minister of Agriculture, Livestock, Forestry, Fisheries and Biosecurity (MALFFB) is keen to

no matter how far, until reaching the sea ports to export the product. The existing wharfs need to be improved and developed, there are not enough ports and the shipping services are not reaching some areas, especially in the south eastern coast where the sea gets rough.

"Most of the farms are subsistence farms, but we need to start moving them over to industrialization, which will not only increase their productivity and efficiency, but also reduce costs."

Last year, the MALFFB launched the "Corporate Plan 2014-2018" which identifies the priority areas for development. "The proposal is there, but we cannot afford to develop the master plan properly if we don't have the funds to do it," he says.

The Ministry of Agriculture's medium and long term recovery and rehabilitation strategy which will be finalized in due course will help to address this.

There is a substantial shortfall in aid, and the agriculture, livestock, fisheries, forestry and biosecurity sectors are in need of urgent government and donor attention. The fisheries sector comprises the oceanic and coastal fisheries, which are exploited for subsistence, artisanal and commercial purposes.

"We would like to ensure our fishermen can sustain the coastal fisheries. We want to ensure they do not overexploit resources and that education efforts are put in place to make them understand the importance of sustainable practices," Tosul says. "We are working on aquaculture and fish farming, and at providing boats and fish aggregating devices to the fishermen to allow them to fish deeper."

The forests of Vanuatu occupy around 70 percent of the total land area. Before Cyclone Pam, forests and forest products played a significant role in providing and supporting basic livelihood needs for Ni-Vanuatu, including food, clean water, fuel, medicine and income.

"In forestry, the land belongs to the custom owners, so investors need to ask them for the right to plant trees. To facilitate this and leverage the opportunity that forestry offers, we are working on encouraging joint venture agreements so custom owners get the benefit of allowing investment and operations on their land, either by renting the land or becoming part of the project and getting dividends from it. This will make things easier, not only for local investors, but also for foreigners."

**"We would like to attract more Japanese investment into agriculture, cattle industry, food processing and fisheries."**

Sato Kilman, Minister of Foreign Affairs and External Trade

Nations agencies and programs, the World Bank, SPC/GIZ, FAO, donors, non-governmental organizations). The exercise pulled together information into a single, consolidated report, including the economic value of the damage and losses in the agriculture, forestry, fisheries and livestock sectors — the sector that was the hardest hit.

The total effect to the entire

press on with mechanization and infrastructural development.

"In terms of infrastructure, I would like to see wharfs and roads that allow farmers to get their produce from the bush to the sea," he says.

"At the moment, the government is budgeting for the main urban connection roads, but farmers have to carry their products on their shoulders,

VISIT **VANUATU** THINK RETURN ON INVESTMENT

Vanuatu ranked as the happiest place in the world

60% of Vanuatu's workforce is trilingual

Huge untapped potential in non-mineral resources



WELCOME  
BIENVENUE  
WELKAM



**DID YOU** Vanuatu is **Tax Free!**

Constantly improving infrastructure

Best organic beef

High speed Fibre Optic Cable



First instance through to aftercare support

**VANUATU INVESTMENT PROMOTIONAL AUTHORITY**

Tel: +678 24096 | Cell: +678 711 1310 | ceo@vipa.org.vu | [www.investvanuatu.org](http://www.investvanuatu.org)

Promoting honesty and excellent facilities for a healthy financial center in the Asia Pacific Region



Thanks to more than 40 years of professional experience and a clean bill of health from the OECD, the Vanuatu Financial Services Commission can be trusted to deliver a well-regulated offshore financial services industry that benefits every one of its stakeholders. VFSC welcomes new business to the country so they can see first-hand our integrity and exceptional service.

**VANUATU FINANCIAL SERVICES COMMISSION**  
info@vfsc.vu | www.vfsc.vu



Vanuatu is a land of surprises and smiles, not to forget a welcoming and business friendly government that is on the lookout for investment throughout the economy. Skilled workers and tax free operations make this a prime Pacific destination.



# Vanuatu: Pacific Ocean finance center

*Vanuatu is improving its financial legislation to great success for businesses, and for its rapidly improving international reputation*

Vanuatu is in the midst of an investment boom, with major partners Australia, New Zealand, and also Papua New Guinea and Fiji all keen to get into a country that is bucking the worldwide trend for dissipating growth after the global financial crisis by posting expected figures for 2015 of 4 percent upwards.

And with foreign direct investment (FDI) into the country from the Asian Development Bank since it joined in 1981 from 11 loans totaling some \$67.07 million, and 61 technical assistance projects totaling \$22.05 million, the confidence of its partners is that of a green light for inflows.

However, this FDI comes with a few caveats from investors, such as a firm commitment from the government in regards to public-private partnerships (PPP), the vehicle of choice for the curious investor who wants guaranteed support for their capital, and reassurance that the government will match the spending it has committed to.

Investments can really help propel Vanuatu toward serious growth, if they are targeted in the correct manner — toward improving rural transport, energy supplies, education and health — the direct contribution for rural communities will

mean more human capital can be utilized to its fullest extent. This will create more growth through increased demand, and also help the government reduce its spending burden, as state coffers are not overflowing, thanks to the islands status as a tax haven.

## Investing in a nation's future

In effect, the government needs to increase the level of investment the country sees even further, whilst striving to provide the best quality services for its population. The environment for FDI and for investors needs to be one that is supportive, and as Simeon Malachi Athy, governor of the Reserve Bank of Vanuatu explains, the legislation needs to be in place already to facilitate this relationship.

**“By ensuring the safety of depositors and their funds, the better we cover a supporting role on the sideline.”**

Simeon Malachi Athy, Governor of the Reserve Bank of Vanuatu

He says, “On a legislative level there is still the need to develop specific laws for the promotion of micro, small and medium enterprises.

“However, from the Reserve Bank, for the first time, we are

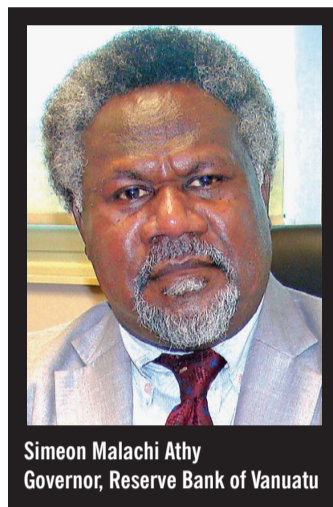
working on a facility to promote exports and encourage institutional investors, which will be launched within a month. This is to support the other banks; so the more we do to ensure the safety of the depositors and the funds the better we can cover a supporting role on the sideline.

“Similar to other Central Banks we want to support all economic sectors,” he continues, “And we believe in SMEs and we believe that we can make a bit of difference to help building up different opportunities for them.

“So, the commercial banks will be able to use this new facility, which will lead to them at a very soft rate just to help build those new industries. Besides that, we have a financial inclusion unit within the bank

to serve development.

“We have plans to establish legislations like consumer protection, fair competition and fair-trading, which are important to provide conditions that are conducive especially for rural development.”



Simeon Malachi Athy  
Governor, Reserve Bank of Vanuatu

For example, the World Bank recently left Vanuatu's rank in the ease of doing business table the same, highlight the disparity in certain government policies, where on the one hand businesses are encouraged to enter the jurisdiction, but on the other are slowed down by excessive red tape.

To this end, the Industrial Act has raised many concerns of industry in the country, and the new bill that will follow the consultation period will have been shaped not only by the islands' legislators, but also by its business community, highlighting the efforts of the government to remove barriers to increasing Vanuatu's economic output.

This pro-business piece of legislation, alongside the new Investment Act, will strengthen the role of the Vanuatu Investment

Promotion Authority, allowing it to promote the benefits of investing in Vanuatu. However, these are not the only steps the government is taking, with the Reserve Bank also playing a key role in the successes the country hopes to see.

As Athy explains, “As any Central Bank we want to build and maintain confidence in our system and show the world the potential of investing in the country and its reliability in terms of a place to do business, and we do that by trying to measure and ensure the soundness of our system.”

“We are trying to meet the requirements of the OECD in terms of prevention of money laundering or delinquency financing. We are doing our very best, but apart from the Reserve Bank, other government departments beyond the financial sector also play an important role, for example in terms of law enforcement, customs prosecution, immigration and more.

“When we talk about transparency, we must take into consideration that it is a very inclusive issue where many different players have an important role.”

## Building the future

As George Andrews, Commissioner of the Vanuatu Financial Services Commission (VFSC) says, “The previous Corporate Act had been designed to help broaden the appeal of Vanuatu as an investment destination, and the new one that coming into force will support it.

“The Third Corporate Plan presented the broad direction for the VFSC for the five year period of 2009 to 2013. The vision, mission, and four key outcomes of the commission were carried over to the Third Corporate Plan. In essence, we are to provide world-standard registry services by operating within an effective legal structure, supported by a strong banking sector and modern communications technology, complying with guide-

lines and best practice.”

The progressive tax and business reforms the government are making are also not solely developed for international investors, they stretch to protect and help develop the country's poorer residents and drive its businesses that are thriving further forward to success.

Athy explains that, “We have a financial inclusion unit within

we wrote to the Ministry of Education to ensure that they include financial education subjects in the curricula.

“We are still working to achieve that because it is very important that people learn this knowledge at an early stage in their development.”

As a tax haven, Vanuatu is an open country for business, without the burden of corporate tax, income tax, duty or other

**“We are to provide world-standard registry services by operating within an effective legal structure.”**

George Andrews, Commissioner, VFSC

the bank serving development. We plan to establish legislation like consumer protection, fair competition and fair-trading which are important to provide conditions that are conducive for rural development.

“Education is also a basic necessity for our population, and within that context

tax, which stands it apart from other nations in the region.

And now with the reforms of the legislation that govern the flow and movement of capital, alongside the further reforms made to the provision of infrastructure spending, Vanuatu looks set to continue its rise toward prosperity.

## VFSC is responsible for all non-banking financial activities

Twelve priorities were added for the five-year period, which are as follows:

- Servicing the commission's clients
- Enhancing corporate governance
- Creating a new legislative framework
- Improving financial management
- Facilitating fee collection

- Expediting the process for liquidating companies
- Recruiting specialist staff and providing professional development for staff
- Promoting Vanuatu's finance center
- Enhancing supervision and compliance
- Rationalizing the commission's core business
- Storing and classifying records required by law
- Installing new management information systems

# Running for the gold medal in economic diversity

*Looking toward the Pacific Mini Games in 2017, Vanuatu is using sports as a way to create interest in yet another offer, island tourism.*

Tropical Cyclone Pam wreaked havoc throughout the Pacific Rim countries that it made landfall on, destroying communities, buildings and well-laid preparations for the future. Vanuatu bore the brunt of the lethal storms 300 kph (185 mph) winds, with many accounts estimating that up to 90 percent of the buildings in Port Vila have been made uninhabitable or unsafe for humans. From this wreckage the people of Vanuatu are now beginning the road back toward a fully operational country and society. The question for many people is how Pam will effect the preparations, and eventual holding, of the Pacific Mini Games of 2017, on which work was due to commence the week the cyclone hit.

The Pacific Mini Games, held every four years in the intervening years of the bigger Pacific Games, is a chance for the smaller island nations of the region to flex their sporting muscles, and also as an opportunity for them to highlight their tourism offering to a wider, international audience. 2017 will take on a special significance for Vanuatu as it looks to move on from the destruction caused by Cyclone Pam in 2015, and the country will inevitably be



Ham Lini  
Deputy Prime Minister

looking to other countries to help with the supply of materials, capital and knowledge to better help them cope with the challenges of hosting such an event.

The Chief Executive of the 2017 Mini Games, Joe Bomal Carlo, explains how the cyclone has caused such major damage to venues throughout the capital, and that it is not yet clear how, and indeed if they can move forward with games preparations.

“The financial implication is the major issue here because most of the running of the games will be on the Vanuatu government. Its priority is not sport; its priority is more getting the country back on track nationally,

With the economic downturn and all that, then the cyclone, it really is the main task to move forward from here. As they're going to be following up all these issues, we will sort out our end and see our house is in order before we move ahead so it's really back to the drawing board of what's happening with the 2017 games.”

With the need for investment in multiple areas now even starker, the sector that will be able to bounce back in the short term is the tourism sector, one that already provides a great deal of the country's income. With the pull and hard work of the local population, many resorts are already running at full capacity, and even though Pam made ground contact, there are many islands throughout the archipelago that emerged unscathed.

As Air Vanuatu spokesperson Tiffany Carroll says about the disaster and Vanuatu's recovery, “We're encouraging our passengers with existing bookings to consider Santo as a holiday destination instead of Port Vila and Tanna. Santo is a magical island and we've got international flights there weekly. It was basically unscathed from the cyclone, all the resorts are fully operational, they've got power,

they've got everything there and it's business as usual.”

The idea that by increasing tourism into the country, the government will be able to rebuild has much support throughout the country. This idea is fully supported by the General Manager of the Vanuatu government's tourism portal, Linda Kalpoi, who has seen firsthand both the destruction the cyclone wrecked, and the kindness of strangers and neighbors in the country.

“Most people in Vanuatu would depend on tourism and that is why it is very important for tourism to come back, especially when agriculture has also been damaged during the cyclone and as we know agriculture will take quite a few years to come back but tourism we can turn around in the next three months or so.”

Vanuatu government spokesman Kiery Manasseh explains that, “If you want to have Vanuatu rebuilt, the best way to do that is to visit the country and spend some tourist dollars in our industry here.”

## Sports as development

“We are trying to increase the number of tourists and encourage investment,” explains Ham Lini, deputy prime minister of Vanuatu about the efforts to improve the economy, “Not only from foreigners, but also we want

the Ni-Vanuatu to participate more in the development of this sector, so that there are more businesses run by locals. We also need to develop our transport infrastructure; this is a basic necessity as it helps to grow the entire economy, since all sectors need wharfs or roads for export-

**“Our culture makes us unique and attractive, and keeping it is very important for us.”**

Ham Lini, Deputy Prime Minister

ing, transporting goods within the nation or bringing in more tourists. In a place like Vanuatu everything is connected.” The Vanuatu Inter-Island Shipping Project, funded by NZAid and a Vanuatu government loan from Asia Development Bank will help in many ways to address these issues. The Inter-island Shipping Project will eliminate some of the tremendous challenges both the shipping owners and the people on the outer islands of Vanuatu experience.

The plan to use sports to increase not only the health and therefore wealth of Vanuatu, but also to increase the country's visibility on the international scene is one that has been tried and tested. Also, by linking the growth to locals as well as international investors, the

government is trying to attain long-term economic expansion.

William Nasak, director general, Ministry of Sports and Youth Development explains that his role is one of matching the many sectors involved, “while the Sports Commission and the National Youth Council

implement the policy and we have four main objectives: Sports for development, sports development, youth empowerment and youth employment. With sports for development basically what we are trying to do is getting more of the population of Vanuatu involved, not only looking at the elite but trying to use sports as a way to get people to pass healthy life style messages, teamwork, self-improvement and other values that are not so easy to teach inside a classroom only, and we believe sports are a right channel to pass those messages.”

The government is also working to massively increase the number of jobs that are available in the sector, to help alleviate the issues of unemployment and the undoubted health

problems that arise from inactivity. “In the area of employment we are working on the creation of internship programs for different sectors,” he says.

“We believe when our young people come out of school they are focused on getting their certifications, formal education or scholarships, but they lack other skills that are needed. We are working with the Department of Education to try to get them to actually include in the programs other subjects in areas of vocational training. Together with this, we also have a youth employment desk, where young people can go with their qualifications and skills and we try to look for a job for them.”

Most importantly for Vanuatu they want to keep their indi-

vidual culture and way of life, but use it as a way to help increase the lives of all the population. For example on the island of Pentecost the ‘land diving’ tradition started, which is believed to have influenced bungee jumping. And by mixing tourism and sports together with the drive for sustained help from external donors, they are on the right path.

As Ham Lini, deputy prime minister says: “I would like to see Vanuatu maintaining its culture, peace and harmony. This is very important because we live in a globalized world where little countries like Vanuatu can easily be swallowed. Our culture makes us unique and attractive and keeping it is very important for us.”

This report was produced by Global Insight and can also be read online at: [www.japantimes.co.jp/international-reports](http://www.japantimes.co.jp/international-reports)



**PACIFIC MINI GAMES  
VANUATU 2017**

With over 1,500 athletes from 22 member states competing in 15 events, the Pacific Mini Games is going to be a feast of sporting glory! One Ocean, One People, One Games.

Ministry of Youth & Sports  
Development and Training,  
Government of Vanuatu  
Tel: +678 25298

**ONE OCEAN, ONE PEOPLE**