



Asian Development Bank & Vanuatu

FACT SHEET

Table 1. Vanuatu: Development Indicators

Non-MDG	
Population in millions	0.24 (2010)
Annual population growth rate (%)	2.3 (2008–2010)
Adult literacy rate (%)	84.8 (2009)
Percent of population in urban areas	25.2 (2009)
MDG	
Percent of population living on less than \$1.25 a day	...
Percent of population living below the national poverty line	15.9 (2006)
Under-5 mortality rate per 1,000 live births	16.0 (2009)
Percent of population using an improved drinking water source	83.0 (2008)

... = data not available, MDG = Millennium Development Goal.

Sources: ADB. 2011. *Basic Statistics 2011*. Manila
SPC. 2011. Pacific Regional Information System;
World Bank. 2011. World Development Indicators Online.

Table 2. Vanuatu: Economic Indicators, 2006–2010

Economic Indicator	2006	2007	2008	2009	2010
Per capita GNI, Atlas method (\$)	1,960	2,130	2,490	2,620	...
GDP growth (% change per year)	7.2	6.8	6.3	4.0	3.0
CPI (% change per year)	2.1	4.0	4.8	4.5	3.4
Unemployment rate (%)
Fiscal balance (% of GDP)	0.4	(1.4)	2.2	1.0	(2.1)
Export growth (% change per year)	(1.1)	(21.8)	41.6	33.2	...
Import growth (% change per year)	7.4	23.7	38.9	(1.9)	...
Current account balance (% of GDP)	(5.7)	(7.4)	(7.1)	(2.2)	(2.4)
External debt (% of GNI)	19.8

() = negative, ... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2011. *Asian Development Outlook 2011*. Manila;
ADB staff estimates;
World Bank. 2011. World Development Indicators Online.

Since joining the Asian Development Bank (ADB) in 1981, Vanuatu has received nine loans totaling \$51.3 million and technical assistance for 58 projects amounting to \$18.71 million. More than 50% of the loans were for infrastructure rehabilitation and more than 40% of the technical assistance was for institutional support and capacity building. Due to a non-borrowing policy, no loan projects are in the portfolio, which consists of four active technical assistance projects amounting to \$2.95 million.

Vanuatu has a population of 234,000, 75% of which live in rural areas, where infrastructure is poor. With an annual growth rate of 2.3%, Vanuatu has become one of the fast growing populations in the Pacific. After a long period of low growth and falling per capita incomes, Vanuatu's economy has shown signs of improvement in recent years. Vanuatu experienced very strong economic growth from 2003 to 2008, which averaged nearly 6%. Political stability in this period led to improved confidence in the economy with construction activity, tourism, services, and a robust real estate sector being the main drivers of economic growth. The achievement of strong economic growth has also occurred on the back of improved economic policy and effective fiscal management. Inflation has been contained at single-digit levels.

Vanuatu's economy has not been as severely impacted by the 2009 global financial crisis as some of its neighbors. The nation had little exposure to international financial markets, and the balance sheets of the local financial institutions remained sound. Economic growth is estimated to have moderated to 3.8% in 2009 and 3.0% in 2010, driven mainly by agriculture and construction spending.

Vanuatu is making substantial progress in reforming many of the key areas affecting the private sector. It has made great strides in deregulating international air access, opening up telecommunications to competition, and embarking on commercial and legal reforms.

The government's development strategy prioritizes private sector development and employment creation; macroeconomic stability and growth; good governance and public sector reform; primary sector development; provision of better basic services, especially in the rural areas; education and human resource development; and economic infrastructure and support services.

ADB's country strategy in Vanuatu aims for rapid, inclusive, and private sector-led economic growth. The ongoing activities include the Expanding Access to Financial Services Project, the Interisland Shipping Support Project, the Port Vila Urban Development Project, and the State-Owned Enterprise Rationalization Program. There were no contract awards and disbursements in 2010. Cumulative contract awards and disbursements amounted to \$47.91 million and \$48.99 million, respectively.

ADB's current country partnership strategy, 2010–2014 for Vanuatu focuses on private sector development, water and sanitation, and infrastructure. Promoting good governance, improving the environment for women, managing environmental and climate change issues, and improving regional cooperation remain crosscutting priorities. The country partnership strategy, 2010–2014 can be found at www.adb.org/Documents/CPSs/VAN/2010-2014/CPS-VAN-2010-2014.pdf

Impact of Assistance

Recent ADB assistance has focused on improving the environment for the private sector to grow and flourish in Vanuatu. Key issues that require policy action include poor or costly infrastructure services, weak governance and intrusive state interventions, a complex and outdated legal framework, little access to finance, and difficulties in mobilizing land for economic and productive uses.

ADB is strengthening its assistance to Vanuatu through closer collaboration with the government and other development partners. An ADB–World Bank joint Development Coordination Office has been launched in June 2010 in Port Vila. The shared field presence will support ADB's responsiveness to the development needs of Vanuatu, and will support aid coordination and aid effectiveness.

ADB provides ongoing assistance for improving access to finance opportunities in Vanuatu. The expansion of the telecom network through Digicel and technological advances have increased the variety of technological options available to provide access to financial services in rural areas including the use of mobile phones to deliver financial services, the equipping of mobile National Bank of Vanuatu officers with wireless handheld "point-of-sale" units for electronic transactions and bringing National Bank of Vanuatu branches in rural areas permanently online.

A state-owned enterprise reform is being implemented with the Australian Agency for International Development (AusAID). It is central to the improved economic governance supported through AusAID's Governance for Growth Program and the Partnership for Development, signed in 2010 between the governments of Australia and Vanuatu.

ADB has begun preparations for an interisland shipping project in cooperation with New Zealand Aid Programme and a water and sanitation project with AusAID, both of which are intended to accelerate economic growth and enhance service delivery in Vanuatu through infrastructure facility improvement.

Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in the financing of ADB projects. The additional funds are provided in the form of grants, official or commercial loans, and syndications.

As of year-end 2010, cumulative direct value-added cofinancing for Vanuatu amounted to \$1.1 million for four technical assistance projects.

From 1 January 1968 to 31 December 2010, contractors and suppliers were involved in 186,186 contracts for ADB loan projects worth \$97.66 billion. During the same period, contractors and suppliers from Vanuatu were involved in 105 contracts for ADB loan projects worth \$4.04 million.

From 1 January 1968 to 31 December 2010, consultants were involved in 11,643 contracts for ADB loan projects worth \$4.63 billion. During the same period, consultants from Vanuatu were involved in three contracts for ADB loan projects worth \$3.34 million.

From 1 January 1968 to 31 December 2010, consultants were involved in 22,350 contracts for ADB technical assistance projects worth \$3.15 billion. During the same period, consultants from Vanuatu were involved in 22 contracts for ADB technical assistance projects worth \$2.10 million.

A summary of procurement contracts awarded to companies and consultants from Vanuatu for goods and works, and consulting services can be found at www.adb.org/Documents/Fact_Sheets/Vanuatu/procurement.asp

Table 3. Vanuatu: 2010 Loan, Technical Assistance, and Grant Approvals (\$ million)

Loans		Technical Assistance	Grants	Total
Sovereign	Nonsovereign			
–	–	0.50	–	0.50

– = nil.

Cumulative Lending (as of 31 Dec 2010) : \$51.3 million
Cumulative Disbursements (as of 31 Dec 2010) : \$49.0 million

Table 4. Vanuatu: Cumulative ADB Lending as of 31 December 2010

Sector	Loans (no.)	Amount (\$ million)	% ^a
Agriculture and Natural Resources	1	1.10	2.15
Education	–	–	–
Energy	–	–	–
Finance	2	6.00	11.71
Health and Social Protection	–	–	–
Industry and Trade	–	–	–
Public Sector Management	1	20.00	39.02
Transport and ICT	2	9.15	17.85
Water Supply and Other Municipal Infrastructure and Services	1	10.00	19.51
Multisector	2	5.00	9.76
Total	9	51.25	100.00

– = nil, ICT = information and communication technology.

^a Total may not add up because of rounding.

Table 5. Vanuatu: Project Success Rates

Sector	% ^a	No. of Rated Projects/Programs
Agriculture and Natural Resources	–	1
Finance	–	2
Public Sector Management	–	1
Transport and ICT	100.00	1
Water Supply and Other Municipal Infrastructure and Services	100.00	1
Multisector	50.00	2
Total	37.50	8
Year of Approval		
1980s	25.00	4
1990s	50.00	4

– = nil, ICT = information and communication technology.

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2010.

Partnership

ADB regularly consults with government counterparts and development partners to reconfirm development priorities, constraints, and challenges. ADB supports government dialogue and consultation with stakeholders, including traditional leaders, local government leaders, the private sector, churches, and community groups.

ADB also cooperates with civil society organizations in Vanuatu to strengthen the effectiveness, quality, and sustainability of the services it provides.

In recent years, ADB's program has been based on nonlending resources. However, progress in debt reduction in recent years increased the government's willingness to return to borrowing in 2009. The Asian Development Fund loan allocation for 2011–2012 has been provisionally set at \$12.25 million. Any future lending will be based on a thorough debt sustainability analysis, with consideration given to innovative approaches, such as loan buy-down mechanisms and the use of cofinancing partnerships to reducing financing costs. Flexibility will allow ADB to respond to reform opportunities and to complement the grant resources of other agencies, especially in transport and infrastructure.

Operational Challenges

Economic growth in Vanuatu has been largely confined to urban enclaves and generated few jobs in rural areas. Despite its fast growth in recent years, it remains a fragile state exposed to natural disasters, political instability, and the vagaries of the global economy.

A number of binding constraints hinder the expansion of the economy. In many sectors of the economy, infrastructure services are poor, or high cost, or both. In addition, the distance from major markets limits prospects for international trade and opportunities to exploit economies of scale. A weak interisland distribution system also limits opportunities for domestic trade.

Weak institutions and regulations make it difficult to provide high-quality public services in Vanuatu. Indigenous enterprises find it difficult to access credit to operate or expand businesses. Difficulties with land tenure create problems for foreign investors and local businesses. Commercial laws are outmoded and their enforcement difficult. High civil service wages, low accountability, and a culture of impunity impede the delivery of responsive public services.

Access to finance is poor, as currently only about 13% of rural adults have bank accounts and an estimated 92,000 people need financial services. Without access to secure and convenient financial services, rural households remain dependent on subsistence farming.

Land issues have the potential to create substantial conflict in the medium term. Problems include new leases taken without full understanding of the agreements, problematic lease structures, upfront lease payments, and a danger that heirs of the current owners will consider that lease agreements unfairly favored past generations.

Internal migration continues to fuel the expansion of urban squatter settlements, and unemployment continues to grow.

Future Directions

ADB's country program in Vanuatu seeks to support rapid, inclusive, and private sector-led economic growth. ADB's country partnership strategy, 2010–2014 prioritizes the energy, transport and information and communication technology, water supply, and other municipal infrastructure and services sectors. Private sector development remains the cornerstone of the strategy. ADB's strategy supports the Government of Vanuatu's Priorities and Action Agenda, 2006–2015, as

Table 6. Vanuatu: Projects Cofinanced, 1 January 2006–31 December 2010

Cofinancing	No. of Projects	Amount (\$ million)
Technical Assistance Grants	1	0.75

Table 7. Vanuatu: Share of Procurement Contracts

Item	2009		2010		Cumulative (as of 31 Dec 2010)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods and Works	0.05	0.00	0.00	0.00	4.04	0.00
Consulting Services	0.01	0.00	0.13	0.03	5.44	0.07

0.00 = less than 0.01%.

Table 8. Vanuatu: Contractors/Suppliers Involved in ADB Loan Projects, 1 January 2006–31 December 2010

Contractor/Supplier	Sector	Contract Amount (\$ million)
Telsat Pacific	Transport and ICT	0.010
Nomads Moorings	Transport and ICT	0.003

ICT = information and communication technology.

Table 9. Vanuatu: Top Individual Consultants Involved in ADB Technical Assistance Projects, 1 January 2006–31 December 2010

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Individual consultants	7	0.15

well as its Planning Long, Acting Short action program, and contributes to ADB's goal of poverty reduction.

ADB's assistance is harmonized with that of its main development partners, most notably New Zealand Aid Programme, AusAID, the Japan International Cooperation Agency, and the World Bank Group. ADB's assistance is focused on areas where ADB has a strong proven performance record, and for which the government needs ADB's assistance. The strategy is built on evaluation and lessons learned from past operations, and recognizes the need to support incremental policy change to keep projects simple and to ensure a high level of stakeholder participation. ADB's operations will focus on interisland shipping, urban development of Port Vila, and private sector development. Development of renewable energy will be pursued through regional technical assistance activities.

Table 10. ADB Assistance to Developing Member Countries, 2009–2010^a

	2009 (\$ million)	2010 (\$ million)	Change (%)
Lending	13,215.89	11,462.27	(13.27)
ADF, Sovereign	2,210.31	2,212.57	0.10
OCR, Sovereign	10,567.71	8,196.96	(22.43)
OCR, Nonsovereign	437.87	1,052.73	140.42
Public Sector	134.30		
Private Sector	303.57	1,052.73	246.78
Equity Investments	220.00	243.00	10.45
Grants ^b	1,113.52	1,052.86	(5.44)
Technical Assistance	267.00	326.54	22.30

() = negative, ADF = Asian Development Fund, OCR = ordinary capital resources.

^a Excludes terminated loans, equity investments, technical assistance, and grants.

^b Excludes grant cofinancing not administered by ADB.

About Vanuatu and ADB

ADB Membership

Joined 1981

Shareholding and Voting Power

Vanuatu is the 35th largest shareholder among regional members and the 43rd largest shareholder overall. It shares both positions with Solomon Islands.

Figures are as of 1 April 2009, before ADB's Board of Governors voted to adopt the fifth general capital increase. The process is ongoing, and the final figures are expected to be available by 30 June 2011. Current subscription levels are available from the Office of the Secretary.

Shares held 236 (0.01%) Votes 13,468 (0.30%)

Jaeyung Song is the Executive Director and **Wilson Leonard F. Kamit** is the Alternate Executive Director representing Vanuatu on the ADB Board of Directors.

The Pacific Liaison and Coordination Office (PLCO) was opened in 2005 and provides the primary operational link between ADB and the government, private sector, and civil society stakeholders in its activities. PLCO engages in policy dialogue and acts as a knowledge base on development issues in Nauru, Solomon Islands, and Vanuatu.

Eugene Zhukov is the Regional Director of PLCO.

The Vanuatu government agency handling ADB affairs is the Ministry of Finance and Economic Management.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2010, lending volume was \$11.46 billion (106 projects), with TA at \$175 million (243 projects) and grant-financed projects at \$982 million (40 projects). In addition, \$3.67 billion in direct value-added loan, grants and TA cofinancing was generated. From 1 January 2006 to 31 December 2010, ADB's annual lending volume averaged \$10.3 billion. In addition, TA and investment grants funded by ADB and special funds resources averaged \$692.6 million and \$175.4 million in TA over the same period. As of 31 December 2010, the cumulative totals excluding cofinancing were \$167.1 billion in loans for 2,328 projects in 42 countries, \$4.4 billion in 163 grants, and \$3.15 billion in TA grants, including regional TA grants.

Contacts

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Useful ADB websites

Asian Development Bank
www.adb.org

Country website
www.adb.org/vanuatu

Asian Development Outlook
www.adb.org/documents/books/ado/2011/ado2011-spc.pdf

Annual Report
www.adb.org/Documents/Reports/Annual_Report/2010/default.asp