

Vanuatu National Assessment Report

5 Year Review of the Mauritius Strategy for Further Implementation of the Barbados Programme of Action for Sustainable Development

ACRONYMS

AUSAID	Australian Agency for International Development
CBDAMPIC	Capacity Building for the Development of Adaptation Measures for the Pacific Island countries
NZAID	New Zealand Agency for International Development
NDMO	National Disaster and Management office
GFDRR	Global Facility for Disaster reduction and recovery
PLAS	Planning long, Acting short
CRP	Comprehensive Reform Program
LDC	Least Development Country
GDP	Gross Domestic Product
REDI	Rural Economic Development Initiative
VMA	Vanuatu maritime Authority
NACCC	National Advisory Committee on Climate Change
NAPA	National Plan of Action
WTO	World Trade Organization
SIDS	Small Island Developing States
H1N1	Pandemic flu virus
EU	European Union
USA	United States of America
CPAP	Country Partnership Action Plan
CPS	Country Partnership Strategy
PACER Plus	Pacific closer Economic relationship plus
PIP	Provisional indicative implementation program
NAP	National Adaptation program
MCC	Millennium Challenge Corporation

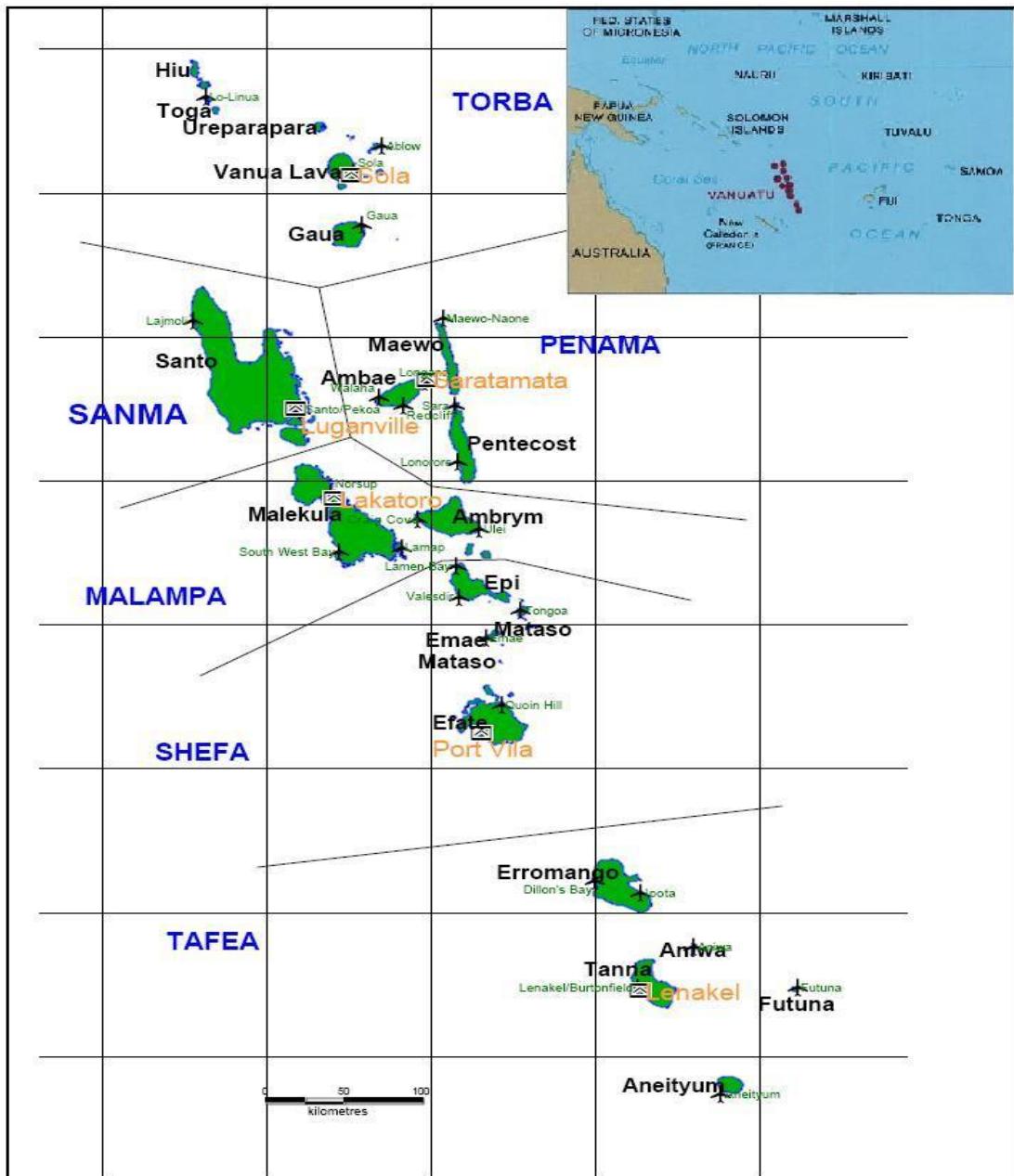
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REPUBLIC OF VANUATU



Introduction

The Mauritius Strategy for Implementation concentrates on the unique development challenges of small island developing states (SIDS). It sets out principles and specific actions required of SIDS and their development partners at the national, regional and international levels. SIDS can use this sustainable development framework to address their respective environmental vulnerabilities, focus on improving infrastructure to bridge their remoteness and their smallness and addressing other inherent development constraints.

Vanuatu shares common features of vulnerability with other SIDS. The common features namely; narrow resource base, distance from markets, lack of economies of scale, low factor productivity, small domestic markets and vulnerability to adverse environmental disasters leads to difficulties in integrating to the regional and global economy. Vanuatu has a thin economic base which depends primarily on proceeds of tourism and agriculture, both very volatile sectors. As such the country is very vulnerable to exogenous shocks which can also affect its integration into the regional and the global economy.

This report is a review of the way MSI has been integrated into national policies, achievements made to date, constraints encountered and lessons learnt by both Government and Civil society. A brief account of the impacts of the ‘triple development threat’ (food, fuel and finance) and actions Vanuatu has undertaken in response, adjusting and enhancing resilience against exogenous shocks.

Chapter 1: Vanuatu

Vanuatu comprises more than 80 islands with a total area of 12,300 square kilometers spread over 1,300 kilometers from north to south. The current population is estimated at 250,000 of which eighty percent of the people live in the rural villages.

Vanuatu is vulnerable to natural disasters. Geographically located along the so-called ‘ring of fire’ geologic and climatic hazards is the norm. The volcanic origins of the islands infer constant risk of volcanic eruptions, earth quakes, tsunami and landslides. There is an annual cyclone season lasting six months. El Nino and la Nina weather patterns increase risk of droughts and floods. Impacts of sea level rise and climate change are visible in the islands. Villages have been re-located in low lying islands of Vanuatu in the recent past. Over time risks of cyclones, coastal flooding, coastal erosion, heavy rainfall events and droughts are predicted to increase. In sum, Vanuatu is ranked the world’s most vulnerable

country out of 111 developing countries assessed using the Commonwealth Vulnerability Index.

Vanuatu continues to be listed by UN as a Least Developed Country (LDC) despite its high per capita Gross Domestic Product (GDP) due to its status as the world's most vulnerable country.

Chapter 2: Overview of the Political, Economic, Social, and Environment Situation

Vanuatu though a small country is characterized by diversity in terms of political parties, traditional economic bases, social structures and biodiversity.

The convergence of political, economic, social and environmental issues underscore the need for more action in relation to Mauritius Plan of Action. All Actors including Government, the Private Sector and the Civil Society Sector are lagging behind in developing Sustainable Development Policies. When it comes to implementation actions, the situation is dire.

2.1 Political Situation

Vanuatu's political landscape is populated by political parties with weak institutional structures, limited legitimate financial underpinnings and perceived cultures of cronyism, corrupt dealings and inattention to succession planning. It is therefore very difficult to have cohesion. Without cohesion, it is not possible to have good policies developed through accountable or transparent policy making processes.

Since 2008, there have been three attempts to topple the current Prime Minister. However, a recent split in the Prime Minister's party may result in another shuffling of the cabinet or party at the next Parliamentary sitting.

2.2 Economic Situation

The Vanuatu economy has enjoyed growth in the last 5 years on the back of Tourism, Real Estate and Public Infrastructure Expenditures funded by Donor Partners.

The traditional economic growth has also kept pace with the population growth.

The effect of the fuel and commodity price rises of 2007 was quite marked. Fuel and major imported food items make up a large share of the CPI basket. The price levels have reduced

to 3.0 per cent in 2010 from a high 5.8 per cent in 2008 to a medium level of 4.5% in 2009¹. The Vanuatu economy has shown resilience throughout 2009 in the face of the financial crisis. This is primarily due to the resilience of economies which are not completely open to the vagrancies of the international financial market or international trade due to their reliance on the traditional economy.

2.3 Social Situation

Vanuatu faces a growing problem of urban drift, with large numbers of the unskilled poor being concentrated in informal and squatter settlements of urban and peri-urban areas. The household income and expenditure survey results of 2007 found a poverty gap ratio of 5.6% (3.8% in the rural areas and 10.4% in Port Vila) indicating severe poverty levels in the capital. Sixteen per cent of the total population was living below the basic needs poverty line and 7 per cent were experiencing food poverty.² The high incidence of poverty level in Port Vila might be impacted by rising food prices as the main stable diet of urban dwellers is rice.

The population in Vanuatu is characterized by different tribal affiliations and social structures that include matrilineal and patrilineal inheritance systems.³

The degree of women's empowerment varies across cultural groups; women from matrilineal areas often have more traditional decision-making power, mostly exercised at the household level. Across all groups, men have more access to and control of key political, economic, and knowledge resources than women.

There is a strong traditional obligation system that functions as a basic safety net while restricting individual control over resources.

2.4 Environmental Situation

Vanuatu's environmental quality is rapidly deteriorating. Natural disasters related to volcanic activities, frequent cyclones, drought, flooding and even coral bleaching are increasing in frequency and severity. Deforestation, air, land and marine pollution are growing problems. Population growth leads to more pressure for food and investment resulting not only in land degradation, overfishing but also destruction of mangroves and fish breeding areas. Invasive species of creepers, particularly merremia peltata and mikania micrantha, introduced by the US armed forces in the 1940s to camouflage air strips have become a threat to forests and bio-diversity in Vanuatu.

¹ Pp18, Vanuatu government, budget 2010, Vol 1&2

² Pp7, Government of Vanuatu, Annual development report, 2009

³ Marcus Cox et. Al, The unfinished state: Drivers of change in Vanuatu

To date the Environment Unit has not developed a comprehensive Environmental Policy. A State of the Environment Report is to be tabled in 2012 as required by the Environmental Management and Conservation Act requires of 2002.

Institutional weakness and lack of capacity effectively means that “development” proceeds without proper environmental checks and balances. The Tuna Processing Plant in the Black Sands area of Port Vila is an example of the above but is by all means not the only example.

The Environment Unit which is not a fully fledged department and only has four professional staff members. Equipped with the Environment Management and Conservation Act of 2002, the unit has managed to facilitate Community Conservation Areas reported to be one hundred and ninety four square kilometers in 2005. By 2008 the total declared conservation areas had been increased to 16,259 square kilometers.

Chapter 3: National Enabling Environment (Section 16 of the MSI)

3.1 National Sustainable Development Strategy (NSDS)

The Vanuatu government does not have a National Sustainable Development Strategy (NSDS) per say. However, the National Priority Action Agenda (PAA) includes sustainable development of Vanuatu's Forest and Marine resources. The PAA states that sustainable development as an important prerogative for all sections of Vanuatu Society. Human resource development is tagged as the key to sustainable development in Vanuatu by the PAA.

3.2 National Commitments to Multilateral Environment Agreements (MEAs)

Vanuatu has yet to sign the Ramsar Convention. Nor has anything been done about the Migratory Species Convention (CMS.) The same can be said of the Basel Convention, the Rotterdam Convention, the Cartagena Agreement, the Apia Convention and the International Whaling Convention.

The following Multilateral Environment Agreements have been ratified. They include; World Heritage Convention, MARPOL, UNCLOS, UNFCCC, CBD, UNCCD and POPs (Stockholm.)

Vanuatu has signed up to but not ratified the Pacific Tuna Fisheries Convention. By the same token, Vanuatu has agreed to CITES, Vienna Convention (Ozone), Montreal Protocol and the Kyoto Protocol.

3.3 Non-State Actors

Since 2004, the Vanuatu government has a Memorandum of Understanding with the umbrella body of Non-Governmental Organizations (NGOs) in Vanuatu VANGO (Vanuatu Association of NGOs). The Memorandum has of late resulted in 4 year funding for VANGO by NZAID. Other NGOs that are members of VANGO have had ongoing funding from Donors with support from the Vanuatu government covered by the MOU between VANGO and the Vanuatu government.

The initiatives of the EU under the Non State Actors (NSA) program have been well supported in Vanuatu by both the Public and Civil Society sector.

The voluntary sector in Vanuatu is very strong and the foundation of community living. But the formal institutions that represent this voluntary sector in formally established organizations are very fragile. The fragility comes from limited human and financial resources.

Chiefs, Churches, Women's Organizations and Youth Organizations are recognized for their importance by Official Policy. There are programs running to not only build capacity for all the above but also strengthen the said institutions for effectiveness.

Chapter 4: The Thematic Areas (Sections 1 – 10 and 17 of the MSI plus para 84)

The following are the Vanuatu government responses to the MSI.

4.1 Climate Change and Sea-Level Rise

Vanuatu has established the National Advisory Committee on Climate Change (NACCC) and developed the National Adaptation Program of Action (NAPA). A couple of Climate Proofing Projects have been completed and one community has been relocated.

It is envisioned with the completed NAPA, as funding comes on stream, there will be more programs to climate proof infrastructure and act proactively to mitigate against some of the climate change eventualities.

4.2 Natural and Environmental Disasters

In 2006, Vanuatu created a 10 year National Action Plan (NAP) for Disaster Risk Reduction derived from the National Disaster Act (2000). The NAP was adopted by the Vanuatu government in 2007.

In August 2007, a 3-year Provisional Indicative Implementation Program (PIP) 2008-2010 was adopted by the government as the means to implement the NAP. The Government committed VT 25 million (US \$220,887) towards the implementation subject to discussions with donors on supporting the full implementation of the PIP at a cost of approximately US \$ 3.3 million.

4.3 Management of Wastes

Waste management is still a big issue in Vanuatu. The problem of solid waste disposal is particularly pronounced in the urban areas of Vanuatu. There are currently no regulations for waste water management or monitoring of receiving environments.⁴ While Vanuatu has ratified the POPs, there is currently no systematic process in place to implement it.

Port Vila Municipal Council has sufficient powers granted under the Public Health Act of 1994 and an excellent Land fill in Bouffa, to deal with solid waste management. The problem lies in institutional weakness and limited capacity to deal effectively with Solid Wastes.

4.4 Coastal and Marine Resources

Vanuatu Coastal and Marine resources are under threat from, global warming, sea level rise, pressure from commercial fishing, marine pollution and changing land use that threaten the coastal and marine resources.

Vanuatu developed a revised Tuna Management Plan in 2009 that lays out the operational parameters for implementing sections of the Fisheries Act of 2005.

The Fisheries Department is conducting trochus re-seeding experiments, assessing stocks of beche-de-mer, coconut crabs, lobsters and giant clams and undertaking seaweed farming trials. All of the above will result in better knowledge and experience to address the pressures on coastal marine resources.

4.5 Freshwater Resources

Fresh Water Resources need to be protected from the pollution, climate change and changing land use and of course growing demand from an ever increasing population with higher and higher aspirations.

Vanuatu has a National Water Strategy 2008-2018 that call for a sustainable and equitable access to safe water and sanitation for the people of Vanuatu to support improved health and promote social and economic development.

4.6 Land Resources

⁴ Vanuatu National Water Strategy 2008-2018, p9. Para. 8

Vanuatu's land resources are under threat from increased pressure stemming from population growth, pollution, land use change, coastal erosion from sea level rise, and increased incidence of draught. The resolutions of the National Land Summit of September 2006 have yet to result in any new Land Strategy.

A program funded by the New Zealand and Australian governments is about to begin to work through the recommendations of the National Land Summit in the next 5 years.

Attempts to streamline the process of land ownership identification through the Customary Land Tribunal Processes have been ongoing since the Customary Lands Tribunal Act of 2001. There have been various reviews of the Lands tribunal process along the way and there is yet to be a one system that fits the diversity of customary land ownership systems in Vanuatu.

4.7 Energy Resources

Vanuatu is overwhelmingly dependent on imported petroleum for commercial energy. Biomass probably provides over 50% of gross national energy production, and solar and hydro together less than 1%. The Pacific Island Forum has the agreement of all its members to work on bulk purchasing arrangements in an attempt manage prices and stock levels.⁵

The Draft Vanuatu National Energy Policy Framework⁶ has set out the goal to have rural electricity provided to another 35,000 people by 2017.

In the meantime, Vanuatu now has an independent utility authority to supervise the regulatory regime around production and supply of energy in Vanuatu. The concession for Luganville town is now being tendered out by the utility authority and in the near future Vanuatu could be seeing more than one energy supplier in Vanuatu which would bring in competition and the dividends that usually stem from moving from monopoly control to competition.

There has been investment in using coconut oils for production of energy by the current energy supplier. The same company has also invested in wind mills. And for some time, Vanuatu has had electricity generated from hydro-electricity through the generous support of the Japanese government.

4.8 Tourism Resources

Tourism contributes 40% of Vanuatu's GDP⁷. The growth in Vanuatu's economy over the last five years has been largely due to real estate and tourism activities. The diversity of

⁵ <http://www.forumsec.org/pages.cfm/newsroom/speeches/speeches-2006/sgs-opening-statement-sis-seminar-on-bulk-purchasing-of-petroleum.html>

⁶ <http://www.sprep.org/att/irc/ecopies/countries/vanuatu/76.pdf>

⁷ The Country Strategy and National Indicative Program Vanuatu 10th EDF 2008-2013

cultures, geologic forms, biological life forms and the world's most accessible wreck dive and proximity makes Vanuatu a preferred destination for Australian and New Zealand visitors.

Vanuatu developed the National Tourism Development Mater Plan in 1994 which has resulted in Vanuatu's tourism growth over the last decade.

The most promising export in years to come will continue to be Tourism. Vanuatu's goal is to improve tourism yield while ensuring environmental and cultural sustainability. With better linkages to agriculture and fisheries, tourism can be the engine of growth for Vanuatu's economy.

Whilst the tourism institutions do an exceptional job given difficult circumstances, further efforts can be made by the Vanuatu government and the tourism industry. Such efforts can include climate proofing tourism assets; enabling greater participation of the Vanuatu communities, ensuring equitable and sustainable development from tourism and catalyzing small and Medium Enterprises using tourism as the leverage.

4.9 Biodiversity Resources

In general Vanuatu's biodiversity is poorly understood.

On larger islands human settlements are concentrated on the coastal lowlands, with the rugged mountainous interiors relatively little used and inaccessible. Consequently biodiversity is most at risk in lowland areas and small islands.

Rural communities depend on their immediate environment for subsistence living and income generation. Population growth places increasing pressures on the resources available. Food gardens expansion, additional wild foods gathering and fishing all impact on the natural resources. Simultaneously the growing need to generate higher levels of income lead to land use changes that impacts the biodiversity resources of Vanuatu.

Changes in village institutions and challenges to community governance structures increase risks to biodiversity. Traditional resource management systems maintained biodiversity over thousands of years. Subtle changes in the primacy of the community or extended family viz-a-viz the individual or immediate family threatens effective biodiversity management.

Other threats to biodiversity vary from island to island but generally include;

- invasive species,
- burning
- land use activities and clearing in freshwater catchments
- land based pollution of marine environments

- . erosion and inadequate waste management and
- failure of local communities to place high value on species they do not use.

Vanuatu's Constitution decrees that land and associated resources are the property of the traditional landowners. Consequently local landowners are integral to protecting or conserving biodiversity. Communities and landholders are actively encouraged to practice resource conservation using local knowledge of resources and traditional practices that have evolved over generations. The Vanuatu National Conservation Strategy of 1993 was very effective in enabling communities to set up both marine and terrestrial conservation areas that continue today. There have been recent efforts by Provincial governments to formalize the Community Conservation Areas by enacting Provincial By-Laws to enforce the community conservation rules over the said areas.

4.10 Transportation and Communication

Vanuatu has gone through dynamic change in the recent past with regards to communication. In 2008, Digicel was launched in Vanuatu after many years of a phone service being provided by a monopoly. Around eighty five percent of the Country is now covered by mobile phone network. The competition within the telecommunications sector has delivered previously unknown levels of mobile phone ownership and use.

Radio Vanuatu coverage has also been restored in 2008 leading to a greater sense of inclusiveness nationwide.

The natural form of transportation should be shipping. But to date, there are rural remote villages which only get visited by a boat once every six months. ADB and NZAID are preparing to review and rehabilitate the inter-island wharves in Vanuatu. The Port Vila main wharf has been upgraded by the Japanese. But there is a need for a Port Management Master Plan for Port Vila Harbour.

With regards to Air Transport, there is a total dependence on Air Vanuatu to connect the islands. International Flights have become more frequent since Vanuatu decided to follow the Open Sky Policy in 2005.

The MCC and AusAID's Transport Sector Support Program have recently started to upgrade the road network and are building the Public Works Capacity to maintain the infrastructure.

4.11 Health

The Ministry of Health has developed a Policy since 2003 that includes Disaster Control, Coordination and Command Arrangements. The risks identified and planned for include,

cyclones, volcanic eruptions, earth quakes, flooding, industrial accidents, town fires, road accidents, hazardous chemical accidents, marine oil spills, aircraft accidents, infectious disease epidemic and extended periods of drought from climate change.

While the Policies and procedures have been developed, the question remains whether there has been sufficient training and preparation to be able to execute the emergency provisions of the Health Policy.

Chapter 5: Cross-cutting Issues (Sections 11 -15 and 18– 19 in the MSI)

5.1 Science and Technology

Vanuatu has Melanesian Sciences and Technologies that can be useful in building up resilience in the communities. The Vanuatu cultural Center declared two years, 2007 and 2008 as years of Traditional Economy. The two years were times to focus on traditional knowledge, traditional sciences that can be leveraged to enable food security and disaster preparedness.

Outside of Traditional Sciences, Vanuatu is an open economy with great flexibility. The Telecommunications Act was amended in 2007 that encouraged the advent of Digicel in addition to the former monopoly telecommunications supplier. Access to telecommunications has had profound impact on livelihood, expansion of business opportunities, and changes in perceptions of gender roles.⁸

5.2 Graduation from LDC Status

In January 2009, the Vanuatu government argued to the UN Committee for the Economic and Social Commission (ECOSOC) that Vanuatu should continue in its status as a Least Developed Country (LDC). The argument was that per Capita GDP increase does not in itself reflect a substantive change in the lives of all the people. Facts including vulnerability to natural events such as cyclones, volcanic eruptions need to be considered in the question of whether to graduate Vanuatu out of its LDC status.

However, considering Vanuatu's economic performance in spite of the global crises, Vanuatu could lose its LDC status.⁹

By the same token maintaining LDC status does not mean that there should be any complacency.

⁸ PP (v-VII) Pacific Institute of Public Policy, social and Economic impact of introducing telecommunications throughout Vanuatu

⁹ [Australia Broadcasting Corporation](http://www.governmentofvanuatu.gov.vu/component/content/article/78-vanuatu-status.html),
<http://www.governmentofvanuatu.gov.vu/component/content/article/78-vanuatu-status.html>

5.3 Trade: Globalisation and Trade Liberalisation

Vanuatu has completed the Trade Diagnostics as part of the Trade Integrated Framework. It is now positioning itself for the Enhanced Integrated Framework funds.

Vanuatu has yet to accede to the WTO. Otherwise, Vanuatu is open to trade with very little restrictions. The Melanesian Spear Head Group Trade Agreement is the current benchmark and has led to voluntary tariff reduction below the WTO requirements.

Vanuatu has to position itself to trade with premium niche products such as organic beef, sandal wood oil, tamanu oil and canarium nuts. Otherwise, the distance to markets, high cost of doing business, vulnerabilities to natural disasters, narrow resource base and difficulty of gaining economies of scale mean that Vanuatu cannot export very much in the way of goods.

It is possible for Vanuatu to improve in the arena of export of Services. There is work going on to ensure that Vanuatu can grow the captive insurance sector. Tourism is now one of the main stays of the Vanuatu economy. There is potential for Banking and Accounting Services to pick up again.

In the recent past there has been some set back with Vanuatu Offshore Finance Center due to the efforts by Australia to trace tax dodgers in Australia.

5.4 Sustainable Capacity Development and Education for Sustainable Development

Sustainable Development is a Cross Cutting issue that is inbuilt into all of Vanuatu's National Policies ranging from the National Forestry Policy to the National Conservation Strategy to Decentralization Policy. Land issues that tie up much of the public agenda in Vanuatu more often than not stem from the conflicting land use between sustainable and non-sustainable use.

However, in the area of education, little has been done to develop Sustainable Development curriculum.

All the work happening in terms of institutional strengthening and capacity building have a bearing on Sustainable Development. The Church Partnership Program, the Vanuatu Kastom Governance Partnership Program, the Land Program, the Vois blong Yumi Program, Wan Smol Bag Partnership and the Governance for Growth Program are funded by AusAID to build capacity for Sustainable Development.¹⁰

5.5 Sustainable Production and Consumption

Vanuatu did not suffer social upheavals as other countries did as a consequence of the Food Crisis of 2007. Some urban based families had difficulty coping with the increase in the cost of grains and the increased cost of fuel. But on the whole there was minimal if any impact from the Food Crisis that hit the rest of the world.

¹⁰ AusAID, Australian Development Assistance to Vanuatu 2008-2009

Growth of Vanuatu's traditional economy, which is the process of production and consumption outside of the monetary economy, has kept pace with the population growth. There is great flexibility and responsiveness in the traditional economy. Immediately after the food crisis, the prices of vegetables and fruit went up in the markets. But prices normalized as production went up to meet growing demand for locally produced foods.

In effect, Vanuatu would be very close to sustainable production and consumption to support basic needs.

5.6 Knowledge Management and Information for Decision-Making

Vanuatu has the University of the South Pacific Law Campus. It also hosts the Australia Pacific Technical College's Tourism School. The Vanuatu Institute of Teacher Education and Training is fully operational as does the Vanuatu Institute of Technology.

The Pacific Islands Institute for Public Policy is also based in Vanuatu.

The Vanuatu Priority Action Agenda calls for an educated, healthy and wealthy Vanuatu. As a consequence of the PAA, there is an e-government program that is currently being implemented. The e-government process will link up all government departments and create a dynamic platform for faster information exchange for effective decision making throughout all government establishments regardless of geographical location.

5.7 Culture

Vanuatu Cultures are in flux. Vanuatu Constitution provides for the Chiefs whose prerogative is to protect and promote the cultures of Vanuatu. A National Arts Festival was celebrated in 2009 which demonstrated the vibrancy and diversity of cultures in Vanuatu.

Vanuatu has enlisted the Roimata Domain as one of UNESCO's World Heritage sites.

The Traditional Economy years, 2007 and 2008, refocused national attention on the Cultures of Vanuatu as essential attributes for sustainable development.

There is currently a National Language Policy to safeguard and protect the indigenous languages of Vanuatu.

The National Language Policy follows from the National Self Reliance Strategy of 2005 which among other things, calls for the teaching of "Custom" or Culture in Schools¹¹.

¹¹ Vanuatu National Self Reliance Strategy 2020,
<http://www.vanuatuculture.org/documents/Vanuatu%20national%20self%20reliance%20strategy%202020.org>

Chapter 6: Implementation (Section 20 in the MSI)

6.1 Access to and the provision of Financial Resources

Vanuatu has been receiving substantial funding support from Donor Partners including the EU, USA, Australia, New Zealand, China, Japan and the Multi-lateral Donors. The inflow of funds quadrupled between 2007 and 2008¹².

Vanuatu signed the Cairns Compact which calls for donor coordination such that Financial Resources are used effectively to leverage Sustainable Development of Vanuatu.

6.2 Science and Development and Transfer of Technology

Very little has been done to transfer appropriate technology into Vanuatu. The only piece of work of note is the support of the Chinese government in researching and identifying rice varieties with good yield in Vanuatu. The Chinese have then taught some demonstration farmers the art of rice cultivation. This will help in facilitating greater food security in Vanuatu.

6.3 Capacity Development

Vanuatu has enjoyed support from all donor partners in relation to Capacity Building towards Sustainable Development. The Japanese are re-developing the main wharf in Port Vila, Vanuatu. The Millennium Challenge Corporation of the USA has been building roads and other infrastructure in Vanuatu. The French have been building bigger air strips in Vanuatu. And the Chinese, the Australians and New Zealanders have also been building better roads in Santo and Malekula.

In all Vanuatu has made great strides in the way of Capacity Development.

The advent of Pacific Blue flights and the Digicel Mobile Phones into Vanuatu have catalyzed much activity and added great capacity to the economy as a whole.

6.4 National and International Governance including trade and finance

Vanuatu has recently signed a Tax Information Exchange Agreement with the Australian Government. This will assist Vanuatu's standing in the eyes of the OECD which listed Vanuatu in a gray list in relation to Vanuatu's Offshore Finance Center.

¹²ADB Vanuatu Economic Report 2009: Accelerating Reform, 2009, Page 13

6.5 Monitoring and Evaluation

Vanuatu has not systematically monitored policies and programs against the Mauritius Strategy. There is a need for further resources to make monitoring and evaluation an essential part of the Vanuatu governments' role in Monitoring the Plan of Action that stemmed out of Mauritius.

Chapter 7: Progress with the Millennium Development Goals (MDGs)

Vanuatu's progress against the MDG is mixed, although difficult to gauge due to significant gaps in data¹³. However there have been some major improvements in data collection over 2007 to 2009 which are relevant for MDG monitoring. On the goals for Vanuatu, there is no incidence of extreme poverty or hunger. Therefore, MDG 1 will definitely be met by 2015. Even the urban poor have access to social networks that can support them so that the same are not hungry. But on the whole, there is hardship in Vanuatu and this may continue after 2015 as Vanuatu continues to remain vulnerable from extreme weather patterns and global warming.

Vanuatu will potentially achieve universal primary education by 2015. The recent Sector Wide Approach Strategy in Education and the drive to have universal access to primary education is going well and having great uptake. The Vanuatu Education Management Information System (VEMIS) will be able to bring the data together to categorically state the potential to achieve universal primary education in a couple of years.

With regards to Gender Equity and Women's Empowerment, there is a great potential that Vanuatu will achieve parity by 2015. There are no gender discriminate laws in Vanuatu. The 2008 Family Protection Bill legislate gender equity. There are inherent weaknesses in access to justice and some people claim that women are disadvantaged by the Traditional Chiefly Controlled Restorative Justice Systems. But on the whole by 2015, Vanuatu should be able to ensure gender equality from the various reforms that are going on.

Vanuatu should reduce Child Mortality as the economy has been growing for the last five years. The government has been extending services, particularly primary health services with support from the Global Fund. The focus on service delivery by the Vanuatu government and the increased donor funds to fund the Health Strategy of 2006 should lead to Vanuatu meeting its MDG 4 Commitment.

Vanuatu is well on its way to meeting its commitment to Improving Maternal Child Health by 2015. The Health Strategy of 2006 has primary health as an essential part of it. And there is sufficient funding to enable access to pre-natal checks which lead to the great possibility that MDG 5 will be met.

The difficulty of getting universal HIV tests will make it difficult to meet MDG 6. Furthermore, while Vanuatu, with funding from Global Fund, is making head way in combating Malaria, there are always emerging health issues that threaten such as H1N1 that require greater resources. To

¹³ Pp.6, Government of Vanuatu, 2008 Annual Development Report, 2009

defend the whole population given the difficulties with limited infrastructure to service all the remote villages and islands would require greater investment in infrastructure.

Vanuatu does not have as Sustainable Development Strategy per say. But all the Strategies including the National Conservation Strategy, the Commitments to Biodiversity Conservation, the Forestry Policy along with the commitments to renewable Energy positions Vanuatu well to meet MDG 7.

Vanuatu has made great inroads into enabling Partnerships for Development. There are great bi-lateral relationships with Australia, the EU, Japan, USA, New Zealand and China. But along with that the multilateral institutions all have partnership agreements with Vanuatu such as the CPAP with UNDP or CPS with the ADB. The commitments to the Pacific Plan and PACER Plus are sufficient testament that Vanuatu will meet MDG 8 by 2015.

Chapter 8: Impact and Responses to the Recent Global Crises

In general, there has been very little impact of the global Financial Crisis in Vanuatu.

8.1 The Global Financial Crisis

Vanuatu's financial institutions never had any exposure to the vagrancies of the international financial markets. All the institutions were sufficiently covered in terms of liquidity. There is no financial market in Vanuatu and there has been no trading of Synthetic Securities. Consequently the financial institutions were not adversely impacted.

There has been a slow down of the real estate market as the Australian economy slowed down in 2008. But to a large extent this slow down was off-set by remittances from the Recognized Seasonal Employment Scheme with New Zealand and the Public Sector investment in Infrastructure funded by the Millennium Challenge Corporation.

The Reserve Bank did respond at the end of 2008 by cutting interest rates and thereby releasing more liquidity into the system in a proactive measure to withstand any shocks.

8.2 The Global Fuel and Food Crises

The Global Food and Fuel Crisis of 2007 had some impact in increasing the cost of food and fuels in Vanuatu.

But the people of Vanuatu, bolstered by the Traditional Economy have been able to overcome the food crisis by growing more local foods. With more investments in market places, Vanuatu should become more resilient in a couple of years as a result of the Food Crisis.

As commodity prices went up in 2007, the end result was greater benefits for the rural population of Vanuatu as Copra Prices went up in 2008. However, the situation has since normalized and the windfall gains in increased commodity prices are no longer there.

The Fuel Crisis of 2007 on the other hand is still having its impacts as transportation costs increased and have not readjusted.

There is not much scope in responding to the increased cost of transportation. This is because Vanuatu cannot be a price setter, with regards to fuel for boats, trucks and aircraft.

With regards to electricity generation, Vanuatu is poised to generate more and more of its energy from coconut oil, wind generators and hydro power. As the renewable energies come on stream, there will be less and less dependence on imported diesel and petrol. But there is no foreseeable possibility of oil independence for Vanuatu.

8.3 The Global Crises in Summary

The global crises have affected Vanuatu society by making it more expensive to provide transportation services to all the remote and rural areas of the country. The Vanuatu government had declared 2007 and 2008 as years of the Traditional Economy which meant that there was some focus on consolidating the resilience of the country before the financial crisis and the global economic down turn. At the same time, the events in Fiji led to more tourists from the main destinations of Australia and New Zealand choosing to have a holiday in Vanuatu instead of choosing long haul destinations. Furthermore, there had been previous to the confluence of the crises commitment to invest in infrastructure activities funded by the donor partners. These projects came on stream as the construction sector in Vanuatu was responding to the loss of demand for real estate. Of course the loss of real estate demand was a consequence of the bursting of the housing bubble in the USA which had reverberations into the Australian market.

The important lesson learnt is that greater integration and openness may not be the best way to safeguard the livelihoods of the people. Without a certain cultural resistance to the modern changes in market places, Vanuatu people would have suffered terribly out of the Food and Fuel Crises, the Financial Crises and the Global Economic Downturn.

Chapter 9: A Way Forward for Vanuatu

The Mauritius Plan of Action National Action Report shows that Vanuatu has strengths that can be better harnessed towards implementation of Strategies.

The time is right for Civil Society, Private Sector and Government to shift paradigms. Commercial principles such as returns on investment could be a good way to gauge results against efforts in reflecting on the Mauritius Plan of Action. In effect the efforts from this day forward must produce real outputs on the ground. Documents and publications are not sufficient. Behavioral change is necessary at the level of individuals, communities, island and province.

International donors are important. The Paris Declaration and the Cairns Compact set the framework for Vanuatu and donors to work as effective partners. It is important for Vanuatu's Development Partners to keep on track with funding, capacity building and institutional strengthening to continue work that have been initiated thus far.

Now turning to Vanuatu as a whole the issues are as follows:

1. There is a systemic misfit or disjoint between what is visible to the donors and what is invisible to donors. Vanuatu will not meet the Mauritius commitments as long as the official publications and record omit the actions and behavior of eighty per cent of the population who operate at the subsistence or non-formal or traditional economy.

There is untold potential in this larger "black market" or "opaque market" that must be harnessed to advance the Mauritius Action Plan

The evidence of the strength of the traditional economy is in the fact that Vanuatu did not suffer from social upheaval as a result of the Food, Fuel Crises, Financial and Economic Crises that will continue to overshadow the international economic climate.

2. Vanuatu's Social Capital is essentially robust. The Cohesive Social Capital can be harnessed better to underwrite Sustainable Development and Preparation for Adverse Weather Patterns, Global Warming and Sea Level Rise. The Systems function well to keep traditional and religious institutions going. There can be better engagement to enable public service delivery to the disadvantaged peoples of Vanuatu.

The Microfinance services of VANWDOS Microfinance and the National Bank of Vanuatu are already tapping into this robust Social Capital to underwrite exceptionally high loan repayment rates hitherto unknown in mainstream Commercial Banking.

3. Political institutions and the practice of politics need to latch onto Bridging Social Capital such that the ills of divisive Politics in Vanuatu can be shed. There is the beginning of Transformative Leadership in Politics in Vanuatu that is re-engaging with core institutions that can build cohesive social capital. The said institutions are the Chiefs, the Churches, the Women and the Youth. Older political parties must commit themselves to rejuvenation, transformation and re-growth by engaging the Cohesive Capital that led Vanuatu's independence. But this time, instead of relying on Covert Power of Conventions and Racial Politics, there needs to be re-engagement with the Hidden Power. The Hidden Power is the Power of Faith in each individual that he or she has a purpose to contribute to the wellbeing of the whole. This faith in humanity transcends the culturally prescribed boundaries and appeals to a higher human virtue that people can and do excel in the face of adversity.
4. The faith in people must release the untold potential that is currently circumscribed by cultural mores and norms. Vanuatu can and will be a gender equitable place by 2015. The

women are finding their voices and are beginning to shape the country by emerging in the micro-economic and income generating sphere. For three decades, Vanuatu has not optimally utilized the strengths and tenacities of the women folk of Vanuatu to address the challenges of Vanuatu including the challenges for Sustainable Development. But the time of change is at hand. Women must be engaged to drive and direct the implementation of plans that have been articulated in this report.

5. By the same token, the youth comprise the majority of the people of Vanuatu. The youth are risk takers, have a positive outlook in life, and have incredible levels of energy. When engaged effectively, the youth provide the engine for innovation and the adaptability necessary to confront global challenges including climate change, sea level rise and adverse weather events.
6. With regards to international engagement, Vanuatu has some comparative advantages. These include;
 - a. High value tourism,
 - b. Best organic beef in the world,
 - c. Excellent organic coffee,
 - d. The most accessible Captive Insurance Market,
 - e. Exceptional Workers who can be engaged on a short term basis by Australia and New Zealand,
 - f. Carnarium Nuts,
 - g. Tamanu Oil
 - h. Sandalwood Oil; and
 - i. Virgin Coconut Oil to name a few.

With surgically precise support and cultivation, the above products could underwrite Vanuatu's sustainable and equitable economic growth over the long term.

7. The surgically precise intervention that is necessary to cultivate the above lie in a shift away from industries that require expropriation of large tracks of land back to engaging with traditional land management that enables everyone to be an employer and everyone to be an employee. The traditional systems of Vanuatu allow the sharing of benefits equitably. And there is long term commitment to securing resources for everyone as opposed to the short term profit maximization paradigm that sometimes drives modern businesses.
8. Finally in order to finance development of Vanuatu's niche products and services, the government has already set up the architecture in the way of the Personal Properties Securities Act. This along with microfinance services will enable the majority of ni-Vanuatu to engage fully in helping themselves as communities.

In conclusion, Vanuatu has implemented some development strategies as laid out in the Mauritius Strategy in its national development plans. It has advanced itself in terms of sustaining stable economic growth over the last five years and has built resilience against adverse impacts

of the global economic crisis. Vanuatu can position itself to achieve a sustainable level of development and making growth more inclusive by effectively identifying its inherent comparative advantage and tailoring precise and implementable policy.

Vanuatu should take advantage of the sustainable development framework of the Mauritius Strategy to address its respective environmental vulnerabilities and improve infrastructure to bridge the remoteness of its islands. It should make the best use of the development assistance both from bilateral and multilateral partners under this strategy.

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