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## **Vanuatu: Recent Economic Developments**

This Recent Economic Developments report on Vanuatu was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with this member country. As such, the views expressed in this document are those of the staff team and do not necessarily reflect the views of the Government of Vanuatu or the Executive Board of the IMF.

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VANUATU

Recent Economic Developments

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Approved by the Asia and Pacific Department

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Contents		Page
Summary Indicators.....		3
I. Overview.....		5
II. Output and Expenditure.....		5
A. Economic Structure.....		6
B. Aggregate Supply and Demand.....		6
C. Sectoral Developments.....		7
III. Prices and Population.....		9
A. Prices.....		9
B. Population.....		9
IV. Public and Finance.....		9
A. Developments in 1998.....		10
B. Developments in 1999.....		11
C. The 2000 Budget.....		12
V. Financial Sector.....		13
A. Money and Credit.....		13
B. Interest Rates.....		15
C. Bank Supervision.....		15
VI. External Sector Developments.....		16
A. Balance of Payments.....		16
B. Trade Balance.....		17
C. Services Account.....		18
D. Income and Transfers.....		18
E. Financial Account.....		19
F. External Public Debt.....		19
G. Exchange and Trade System.....		20

VII. Structural Issues: The Comprehensive Reform Program .....	20
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Tables

1. Gross Domestic Product by Type of Economic Activity in Constant 1983 Prices, 1995–99 .....	23
2. Gross Domestic Product by Type of Economic Activity in Current Prices, 1995–99 ..	24
3. Agricultural Production, 1995–99 .....	25
4. Electricity Production by Union Electrique du Vanuatu in Port Vila and Luganville, 1995–99 .....	26
5. Imports of Petroleum Products, 1995–99 .....	27
6. Tourism Statistics, 1995–99 .....	28
7. Consumer Price Index, 1995–2000Q1 .....	29
8. Population Growth, 1989–99 .....	30
9. Central Government Fiscal Operations, 1996–99 .....	31
10. Central Government Revenue, 1996–99 .....	32
11. Central Government Current Expenditure, 1996–99 .....	33
12. Operations of the Vanuatu Commodities Marketing Board, 1995–99 .....	34
13. Operations of the Vanuatu National Provident Fund, 1995–99 .....	35
14. Factors Affecting Reserve Money, 1995–March 2000 .....	36
15. Monetary Survey, 1995–March 2000 .....	37
16. Operations of Commercial Banks, 1995–March 2000 .....	38
17. Distribution of Commercial Banks' Assets and Liabilities in Foreign Currencies, 1995–March 2000 .....	39
18. Commercial Bank Credit to Residents by Sector, 1995–March 2000 .....	40
19. Selected Interest Rates, 1995–March 2000 .....	41
20. Development Bank of Vanuatu Loan Approvals, 1995–99 .....	42
21. Balance of Payments, 1996–99 .....	43
22. Composition of Exports, 1995–99 .....	44
23. Composition of Imports, 1995–99 .....	45
24. Direction of Trade, 1995–99 .....	46
25. Services Account, 1996–99 .....	47
26. Income Account, 1996–99 .....	48
27. Official Transfers, 1996–99 .....	49
28. Long-Term Capital Account Transactions, 1996–99 .....	50
29. External Public Debt and Debt Service, 1995–99 .....	51

Figures

1. Nominal GDP and Export Earnings by Sector .....	52
2. Population and Population Growth Rates of Selected Countries and Territories in the South Pacific .....	53
3. Fiscal Indicators, 1995–99 .....	54
4. Monetary Indicators, 1995–2000Q1 .....	55
5. Interest Rate Indicators, 1995–2000Q1 .....	56
6. External Sector Indicators, 1995–99 .....	57
7. Exchange Rate Indices, 1995–April 2000 .....	58

### Vanuatu: Summary Indicators

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Area	
Size (in thousands of sq. km.)	12.2
Population per sq. km.	15.8
Population characteristics (1999) 1/	
Total population (in thousands)	193,200
Average annual rate of growth during 1989-99	3.1
Population age structure (in percent)	
0-14	40.2
15-64	56.6
65 and over	4.2
Life expectancy at birth (in years)	
Male	63.6
Female	66.5
Adult illiteracy rate (1999, in percent)	66.0
Crude birth rate (per thousand)	31.2
Crude death rate (per thousand)	7.5
Per capita income (1999, in U.S. dollars)	1,106

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Sources: Data provided by the Vanuatu authorities; *World Development Indicators 2000*.

1/ Total population is the preliminary result of the 1999 census; other population characteristics data are for 1998.

Vanuatu: Summary Indicators (continued)

	1995	1996	1997	1998	1999 Estimation	2000 Q1
<b>Output and prices</b>						
	(Percent change)					
Real GDP	3.2	0.4	0.6	6.0	-2.5	...
Nominal GDP	6.7	1.5	2.2	8.4	0.7	...
Consumer prices (period average)	2.2	0.9	2.8	3.3	2.8	...
<b>Government finance</b>						
	(In percent of GDP)					
Revenue and grants	29.1	26.8	26.9	25.8	26.4	...
Total expenditure	32.1	28.9	27.7	36.9	27.7	...
Overall balance	-3.0	-2.1	-0.8	-11.2	-1.4	...
<b>Money and credit (end of period)</b>						
	(Twelve-month change in percent of broad money)					
Broad money (M2)	11.6	10.1	-0.3	12.6	-9.2	-4.3
Net foreign assets	16.4	7.3	-1.4	12.7	-18.6	-7.5
Domestic credit	8.9	12.9	-1.3	22.2	11.1	8.3
Credit to private sector	6.4	8.0	-2.0	10.6	14.6	2.3
<b>Interest rates</b>						
	(In percent)					
Vatu deposit rate (end of period) 1/	4.2	4.2	3.6	4.1	3.3	...
Lending rate (end of period) 1/	12.6	12.7	11.9	13.1	12.5	...
<b>Balance of payments</b>						
	(In millions of U.S. dollars)					
Trade balance	-51.2	-53.6	-45.6	-42.5	-51.9	...
Exports, f.o.b.	28.3	30.2	35.3	33.9	25.3	...
Imports, f.o.b.	-79.4	-83.8	-80.9	-76.4	-77.2	...
Services, net	46.4	59.7	49.8	71.1	51.9	...
Income, net	-36.7	-18.1	-11.6	-8.3	-12.8	...
Current transfer, net	23.2	20.7	9.6	6.6	2.3	...
Current account balance	-18.2	8.7	2.2	26.9	-10.5	...
(In percent of GDP)	-7.7	3.9	1.0	12.5	-4.9	...
Capital account, net	31.6	-29.8	-24.8	-42.3	-49.1	...
Financial account, net	25.3	10.7	22.7	14.7	60.2	...
Net errors and omissions	-33.4	4.7	-2.4	9.7	-2.5	...
Overall balance	5.3	-5.7	-2.4	9.1	-1.9	...
<b>Gross official reserves (end of period)</b>						
In millions of U.S. dollars	48.3	44.0	37.0	44.3	42.7	...
In months of imports 2/	7.6	6.5	6.1	7.3	6.7	...
<b>External debt</b>						
	(In percent)					
External debt/GDP 3/	20.0	18.8	19.5	25.4	29.9	...
External debt-service ratio 4/	0.3	0.3	0.3	0.2	0.4	...
<b>Exchange rates (period average)</b>						
Exchange rate regime:	Pegged to an undisclosed basket of currencies					
Vatu per U.S. dollar (period average)	112.1	111.7	115.9	127.5	129.1	131.4
REER (trade-weighted) 5/	95.0	100.7	108.0	106.5	103.0	103.4
REER (tourism-weighted) 5/	109.2	104.8	108.9	117.0	114.9	115.3

Sources: Data provided by the Vanuatu authorities; and Fund staff estimates and projections.

1/ Weighted average rate of interest for total bank deposits and loans.

2/ Imports for domestic consumption; i.e., excludes imports for reexports.

3/ Medium- and long-term public debt only.

4/ In percent of exports of goods and nonfactor services.

5/ Real effective exchange rate, period average; 1990=100.

## I. OVERVIEW

1. Vanuatu maintained macroeconomic stability during the 1990s, with annual inflation averaging 2–3 percent after 1993, international reserves equivalent to 6–7 months of imports, and a low debt service ratio and modest ratio of debt to GDP (Summary Indicators). However, real GDP growth slowed from an average of about 4 percent annually during the first half of the decade to an estimated 1 percent a year during 1996–99 (Table 1), despite the receipt of considerable foreign assistance and the implementation of structural reforms in 1998–99 under the Comprehensive Reform Program (CRP), supported by the Asian Development Bank (AsDB) and other donors. With population growth averaging more than 3 percent annually, GDP per capita declined over the period, reaching an estimated US\$1,100 in 1999.

2. A variety of shocks have affected Vanuatu's recent economic performance. In 1998, public demonstrations against alleged mismanagement led the government to authorize massive withdrawals from the Vanuatu National Provident Fund (VNPF), the country's public retirement savings program. The withdrawals led to a sharp increase in liquidity, a consequent bulge in consumption, and significant rise in imports. These factors and a large increase in development spending caused real GDP to grow by an estimated 6 percent, although the inflation rate rose only slightly, to about 3 percent. Higher development spending and one-time expenditures associated with the VNPF payout and the restructuring of government-owned banks boosted the fiscal deficit to an estimated 11½ percent of GDP, of which 6⅓ percent was financed domestically. However, unrecorded net inflows contributed to a balance of payments surplus of US\$9 million, boosting gross official reserves to more than 7 months of imports.

3. In 1999, adverse weather conditions brought about a marked decline in agricultural output, and service disruptions resulting from damage to the national airline's aircraft reduced tourist arrivals. These factors and a fall in development expenditure contributed to a decline in real GDP estimated at 2½ percent, while the inflation rate decreased slightly, to 2.8 percent. Delays in development projects and the absence of one-time expenditures led to a sharp decrease in government outlays, and the overall budget deficit fell to an estimated 1⅓ percent of GDP. However, unrecorded net outflows contributed to a balance of payments deficit of about US\$2 million, reducing gross official reserves to the equivalent of about 6⅔ months of imports.

## II. OUTPUT AND EXPENDITURE<sup>1</sup>

4. Vanuatu is a small economy located in the southwest Pacific Ocean, comprising some 83 islands with a total population of about 193,000 as of mid-1999. More than 75 percent of

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<sup>1</sup> Official data on national accounts are available only through 1995. The assessments in this section are based on the official data through 1995 and estimates of national accounts for the years 1996–99 provided by the authorities. No data are available on GDP by expenditure for years after 1995.

the population is engaged in subsistence agriculture, mainly small-scale production of copra, kava (a natural relaxant), cocoa, and beef. Services, particularly tourism, government, and an offshore financial center, dominate the formal sector, and there is a wide disparity in incomes between the formal and subsistence sectors. A high rate of illiteracy, estimated at 66 percent of the population (Summary Indicators), has been a major curb on development and has contributed to a low real GDP growth rate, estimated to average less than 3 percent a year during the 1990s. As the rate of population growth averaged 3.1 percent a year from 1989 to 1999, real GDP per capita is estimated to have fallen over the decade.

### **A. Economic Structure**

5. Agriculture and tourism represent the main activities in Vanuatu, as in many other Pacific Island economies. Commercial agriculture and forestry account for about 13 percent of GDP at current market prices, with copra, cocoa, and, more recently, kava representing the main products, together with beef and wood products (Table 2). Subsistence agriculture represents another 7 percent of GDP. Services account for more than 70 percent of GDP, with about 40 percent of GDP coming from trade, hotels, and restaurants, which are closely linked to tourism. Also within the service sector, about 8 percent of GDP derives from finance and insurance, which includes the offshore financial center. The industrial sector, which includes manufacturing, construction, and utilities, has represented about 9–10 percent of GDP in recent years. Agriculture and forestry, particularly copra, cocoa, kava, beef, and wood products, provide most merchandise export earnings. Travel receipts, reflecting income from tourism, have grown substantially in recent years and in 1999 were twice the size of merchandise exports (Figure 1, lower panel).

6. Vanuatu's economic structure changed during the 1990s (Figure 1, upper panel). Tourism grew in importance, and the share of GDP from trade, hotels, and restaurants rose from about 32 percent in 1990 to nearly 40 percent in 1999. By comparison, the share of industry fell from about 15 percent of GDP in 1990 to less than 10 percent in 1999, and the share of transport, storage, and communication also declined. Within the agricultural sector, kava production expanded relative to that of other products, including subsistence agriculture.

### **B. Aggregate Supply and Demand**

7. Vanuatu's economy grew slowly during the last half of the 1990s, with estimated real GDP growth averaging only 1 percent a year during the period 1996–99 (Table 1). Following two years in which real GDP is estimated to have grown by less than 1 percent, real GDP is estimated to have risen by about 6 percent in 1998. On the supply side, output from agriculture and forestry is estimated to have grown by nearly 7 percent, reflecting a nearly 90 percent increase in real kava production, in response to rising foreign demand, and a 6 percent rise in copra output (Table 1). Services are estimated to have grown by about 5½ percent in real terms, as trade, hotels, and restaurants are reported to have expanded by an estimated 6 percent, and government services are estimated to have risen by more than 12 percent, reflecting a large increase in development outlays associated with loans

supporting the Comprehensive Reform Program (CRP) and specific projects. The industrial sector is also estimated to have grown by about 9 percent in real terms, mainly because of a large increase in electricity production. On the demand side, the government decision to allow unlimited withdrawals from the Vanuatu National Provident Fund (VNPF) led to a sharp increase in liquidity, a noticeable rise in private consumption, and a marked increase in consumer imports. The acceleration of development spending also contributed to higher government investment.

8. In 1999 GDP is estimated to have declined by about 2½ percent. Real value added in agriculture and forestry is estimated to have fallen by more than 11 percent, reflecting adverse weather conditions. In addition, the real value of services declined slightly, reflecting some decrease in tourist earnings following service disruptions resulting from damage to the national airline's aircraft and about a 1 percent decrease in real government services, as delays in project implementation contributed to a noticeable decrease in development spending. On the demand side, the slowdown in government expenditure, with a consequent decrease in government investment and moderation in government consumption, represented the main development. The estimated decline in real GDP is mirrored in the drop in imports of petroleum products, which fell even more sharply, by nearly 20 percent, in 1999 (Table 5).

### C. Sectoral Developments

9. **Agricultural production** has been particularly affected by the weather, although other factors have also played a role. After growing at an estimated rate of more than 5 percent annually in real terms from 1995 through 1998, excess rainfall and the effects of cyclone Danni contributed to a fall in agricultural production estimated at more than 11 percent in 1999. Lower producer prices contributed to the sharp decrease in value added for copra, estimated at more than 28 percent. In 1999 marketed copra output fell by 30 percent, to 31 metric tons (Table 3). Value added from kava fell by about 30 percent, and the volume of kava exports decreased by 40 percent, reflecting the decision by the Vanuatu Commodities Marketing Board to restrict export licenses in response to the decline in quality and surge in output observed in 1998. Adverse weather and a decline in the producer price also contributed to the 40 percent decline in cocoa production. However, cattle output increased by about 5 percent, and the volume of processed beef rose by almost 9 percent.

10. The composition of agricultural production has changed in recent years. Copra and cattle have remained the principal products, accounting for about 40 percent of all value added in real terms. However, kava production has grown sharply in recent years, and in 1998 export proceeds from kava exceeded those for beef. This development may have tempered the effects of the Asian crisis on Vanuatu's economy, since the United States is the major importer of Vanuatu's kava, while Bangladesh and Japan are the major markets for the country's copra and beef, respectively. During 1999, a private consortium moved to establish a coconut oil mill, which would generate higher value added from copra production, and the mill began production during the first half of 2000.



11. Real value added in the **industrial sector** declined by an estimated 15 percent between 1995 and 1999, reflecting declines in manufacturing, electricity, and construction (Table 1). Real value added in manufacturing is estimated to have fallen by more than 15 percent in 1997 and has since stagnated. Real value added in electricity has varied from year to year but remained below its 1995 level, as maximum demand has increased little since 1997, despite a significant rise in installed capacity in 1999 (Table 4). Construction output is also estimated to have declined in the years after 1995 and has been affected by the large fluctuations in government development expenditure from year to year.

12. Against this background, the Vanuatu Foreign Investment Board (VFIB) was established in 1998 to promote foreign investment by simplifying the approvals process. Although the VFIB has shortened the time for processing proposals, the limited scope of VFIB jurisdiction, which does not override the regulatory authority of localities, means that some projects can still face administrative obstacles. Through end-1999, the VFIB received 171 applications and approved 156, with total planned investment of about 13 billion vatu (equivalent to about US\$100 million). About 30 percent (2.1 billion vatu) of the planned investments were in manufacturing. Although actual investment for all projects has averaged less than 20 percent of planned levels, about half of the planned investments in manufacturing has been implemented.

13. **Services** account for more than 70 percent of GDP at current prices. Traditionally, finance and industry have played a major role in the economy, as Vanuatu has maintained a significant offshore financial center. However, tourism has grown strongly in recent years, and output from trade, hotels, and restaurants, which strongly reflects tourist activity, now represents more than half of all value added in the service sector. Tourist related activities are estimated to have grown by about 6 percent in 1998 and to have contracted in 1999. The decrease in 1999 resulted largely from damage to Air Vanuatu's aircraft during a hailstorm, which disrupted tourist arrivals during the last half of the year. The number of tourist arrivals rose by 9 percent in 1998 and fell by about 8 percent in 1999 (Table 6).

14. Australia represents the main source of visitors to Vanuatu, accounting for more than half of all arrivals. New Zealand and New Caledonia, accounting for about 12 percent and 9 percent of arrivals, are the next most important sources of visitors. Hotel accommodations have increased only marginally since 1996, and capacity utilization averaged 52 percent for rooms and 46 percent for beds in 1999. These figures represent averages, however, and capacity utilization was reported to be much higher for superior-grade properties than for simpler hotels and guest houses.

15. The National Tourist Office forecast a 7 percent rise in visitors during 2000, on the assumption that the unusual problems experienced in 1999 will not recur. In addition, several projects have been announced that are likely to increase tourist arrivals and proceeds in coming years. An additional cruise ship from Australia was scheduled to arrive beginning in the second half of 2000. In addition, a new luxury grade hotel, under construction during 2000, is expected to open in 2001. Modernization of the Port Vila airport to accommodate

larger aircraft has also been underway. This could allow a significant rise in tourist arrivals, since the capacity of Air Vanuatu, the major carrier, has recently averaged 85 percent.

### III. PRICES AND POPULATION

#### A. Prices

16. Inflation, as measured by the consumer price index for the main urban centers, has remained moderate in recent years. After rising by 1–3 percent a year during 1995–97, the consumer price index rose somewhat faster, by 3.3 percent in 1998 (Table 7). The slight acceleration reflected several factors, including the sharp increase in liquidity associated with the VNPF payouts, the de facto depreciation of the vatu vis-à-vis the U.S. dollar (as a result of an adjustment in the weights of the currency basket), and the replacement of the manufacturing turnover tax by a value added tax during the second half of the year, whose effects were slightly moderated by a 22 percent reduction in import tariffs. Inflation slowed to 2.8 percent in 1999, reflecting the decline in economic activity and absorption of excess liquidity. The inflation rate slowed further during the first quarter of 2000, to less than 1 percent on an annual basis, reflecting continued sluggishness in most commercial activities.

#### B. Population

17. Vanuatu has experienced a high rate of population increase since independence. Preliminary results of the 1999 census indicate that population growth averaged 3.1 percent a year during the 1989–99 period, an increase from the 2.5 percent yearly average recorded during 1979–89. (Table 8). Vanuatu's rate of population growth far exceeds the averages for all lower-middle income countries and for East Asia and Pacific countries. It is also relatively high for Pacific Island countries (Figure 2). The high rate of population growth explains the decline in Vanuatu's per capita GDP since 1990 and has made raising the overall growth rate a prime policy objective.

18. Although population has grown throughout the country, growth has been especially rapid in urban areas. The two main towns, Port Vila and Luganville, experienced average population growth of 4.6 percent and 5 percent a year, respectively, during 1989–99, compared with an average annual growth rate of 2.7 percent in rural areas. The rapid growth in the urban centers has reflected, among other factors, migration from outer islands that has contributed to a growing unemployment problem in these centers.

### IV. PUBLIC AND FINANCE<sup>2</sup>

19. Vanuatu's fiscal sector comprises the central government and some public sector institutions. Although there are also a number of municipalities and provincial governments, comprehensive data are not available for these units of the general government sector.

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<sup>2</sup> Fiscal data reported as percentages of GDP for the years 1996–99 are based on estimates of GDP provided by the authorities (see footnote 1 of Section II) and are therefore also estimates.

20. The implementation of the Comprehensive Reform Program (CRP—see section VII, below) has led to important reforms in the fiscal sector, especially in tax policy and institutional strengthening. Traditionally, international trade taxes have represented the largest share of revenues, representing about 60 percent of all receipts through 1997, with taxes on goods and services being the next most important sources (Figure 3). However, since 1998, with changes in the tax regime (see paragraph 23 for details) introduced under the CRP, the importance of international trade taxes as the major source of revenue has diminished steadily. General public services and education have represented the main components of budgetary expenditure.

21. Until very recently, domestic demand for government securities has been limited to the commercial banks, which have been interested only in holding small volumes of short-term government securities. Because the authorities have been reluctant to amass large volumes of nonconcessional debt, for most of the 1990s the government ran a current budget surplus, with financing limited to concessional external borrowing for development projects.

22. During the period 1992–97, the central government's current balance (excluding grants and interest payments) recorded a fairly steady average surplus of around 1½ percent of GDP, with revenue at around 24 percent of GDP and current expenditure, excluding interest payments, limited to about 22½ percent of GDP. In 1998, the confluence of several factors, including changes to the tax system, economic developments, and one time expenditure outlays to meet the costs of restructuring some of the public sector financial institutions and the financial problems in the Vanuatu National Provident Fund (VNPF), led to significant departures from the experience of the recent past. As a result of the combined effects of these factors, the current balance (excluding interest payments) fell from a surplus of 2½ percent of GDP in 1997 to a deficit of 1½ percent of GDP in 1998, while the overall fiscal deficit rose sharply from ¾ percent of GDP to 1¼ percent of GDP (Table 9). In 1999 revenue was maintained at about 24½ percent of GDP, despite the economic slowdown, as the VAT became fully operational. On the expenditure side, the absence of the one-time expenditures that occurred in 1998 and a decline in development outlays reduced total expenditure by 9⅓ percent of GDP. The current balance (excluding interest payments) registered a surplus of about 2⅔ percent of GDP, and the overall deficit contracted to 1⅓ percent of GDP.

#### **A. Developments in 1998**

23. In August 1998, Vanuatu's tax system underwent significant changes. The existing 4 percent turnover tax on businesses was replaced by a 12½ percent value-added tax (VAT). Financial services were exempt from the VAT, where the 4 percent turnover tax remained in force. Moreover, import duties and business license fees were reduced and simplified, with the average effective import duty falling from 29 percent to less than 23 percent, and export taxes were abolished. The impact of these changes was not fully felt in 1998, since they became effective only in the second half of the year, and the tax administration system took time to adapt to the new tax regime.

24. In the event, total tax revenue in 1998 rose from 20½ percent of GDP in 1997 to 21¾ percent of GDP (Table 10). Although the VAT was only introduced in the second half of the year, total tax revenue from goods and services rose from 6½ percent of GDP in 1997 to 9¾ percent of GDP in 1998. Reflecting the changes in the structure of import tariffs, international trade taxes fell to 11⅓ percent of GDP in 1998 from 13⅓ percent of GDP in the previous year, although they remained the largest source of revenue (45 percent of total nongrant revenue).

25. Public expenditure rose dramatically in 1998. Much of the increase was due to large capital outlays and funding for VNPF payouts (Table 13) and the restructuring of financial institutions. Capital expenditure rose from 2½ percent of GDP in 1997 to 9 percent of GDP in 1998, reflecting an increase in donor funds following the start of the Comprehensive Reform Program (CRP). The liquidation of the Development Bank of Vanuatu (DBV) and restructuring of the government-owned but commercial National Bank of Vanuatu (NBV) cost the government 4½ percent of GDP. In the course of the year, the government reduced its staff by 7 percent through attrition and sizable layoffs. However, the action led to no significant overall savings, as the associated restructuring of staff positions effectively raised average salary levels.

26. The deficit of 11⅓ percent of GDP in 1998 was financed using both external and domestic resources. While concessional foreign borrowing raised 5 percent of GDP, domestic financing contributed 6⅓ percent of GDP, of which 1¾ percent of GDP was from nonbank sources. As a result, public debt rose to 32½ percent of GDP, with external debt amounting to 24½ percent of GDP.

## **B. Developments in 1999**

27. The revenue collected in 1999 was again about 24½ percent of GDP, despite a weaker economy. Domestic taxes on goods and services rose by more than 2½ percent of GDP from the 1998 level, to 12⅓ percent of GDP. Much of this improvement was due to the effects of the VAT introduced in the second half of 1998, as VAT receipts totaled 8⅓ percent of GDP. Moreover, domestic indirect taxes edged out international trade taxes as the largest source of revenue. International trade taxes fell despite a rise in imports, reflecting lower tariffs and a change in the customs administration system that was only partially completed during the year.

28. Total expenditure fell by 9⅓ percent of GDP, reflecting the end of the one-time outlays in 1998 and shortfalls in capital spending. Current expenditure increased slightly, due to an increase in the wage bill, as the hiring of additional personnel in health and education raised total government employment by about 2 percent. Wages and salaries continued to remain the single largest item in current expenditure (Table 11). However, capital expenditure dropped by 6 percent of GDP as a result of delays in project implementation. The overall deficit of 1⅓ percent of GDP was more than financed by foreign borrowing of 2⅓ percent of GDP, which allowed domestic debt of about 1 percent of GDP to be retired.

29. In 1999, plans to corporatize the Civil Aviation, Postal, and Marine authorities were completed, and implementation is expected to take place during 2000. The corporatization of these three entities is expected to cost the government between ½ and 1 percent of GDP in nontax revenue on a net basis. In addition, plans have been made to convert the state-owned Vanuatu Commodities Marketing Board (VCMB) into a limited liability corporation. In 1999, the VCMB's profits more than doubled over the previous year, due to the large increase in copra exports (Table 12).

30. During 1999, government accounts began to be prepared on the basis of Government Finance Statistics (GFS) classification on a monthly basis. However, the government is yet to release expenditure data disaggregated on the basis of a functional classification consistent with GFS categories.

### C. The 2000 Budget

31. The budget statement for 2000 set out the economic and financial performance targets for the next three years of the new government that took office in November 1999. Its main objectives include the following:

- achieving a average real growth rate of 4 percent over the period 2000–02;
- limiting inflation to 3 percent and maintaining a competitive real exchange rate;
- raising nongrant revenue to about 25 percent of GDP;
- generating a current budget surplus; and
- keeping the overall budget deficit within 2 percent of GDP

32. The 2000 budget also intends to keep net domestic financing to zero and annual debt service to less than 8 percent of revenue (excluding foreign grants). In addition, the budget statement also provides medium-term quantitative targets for various expenditure items. Current expenditure is to be reduced from around 80 percent of total expenditure (the average of current expenditure in the 1997–99 budgets) to 75 percent, while development spending is targeted to be raised from 20 percent of total expenditure (the average of development expenditure in the 1997–99 budgets) to 25 percent. This reallocation is to be achieved through reductions in the outlays of administrative and economic ministries from 16 percent to 9 percent of total expenditure, while the budget for the ministry of education is to be raised from 22 percent to 26 percent of total expenditure, and that of the ministry of health from 11 percent to 14 percent of total expenditure.

33. Against these medium-term targets, the budget for 2000 envisages an overall deficit of 6¾ percent of GDP, with a current surplus (excluding interest payments) of 1⅓ percent of

GDP. Tax revenue is expected to decline by about 1 percent of GDP to 20½ percent of GDP, due mainly to a reduction in turnover tax on financial transactions. Current expenditure is also budgeted to decline by about 1½ percent of GDP from the 1999 level to about 23 percent of GDP. Most of this reduction is planned in salaries and transfers. With the anticipated completion of development projects left unfinished from 1999, capital expenditure is expected to rise by 7 percent of GDP to close to 10 percent of GDP. This will raise the overall deficit—for which foreign financing has been identified—by 5 percent of GDP, from 1½ percent of GDP observed in 1999.

## V. FINANCIAL SECTOR

34. Vanuatu's domestic financial sector includes the Reserve Bank of Vanuatu (RBV), four main commercial banks (the government-owned NBV and three subsidiaries or branches of foreign banks),<sup>3</sup> a number of trust and insurance companies, the Vanuatu National Provident Fund (VNPF), and several smaller financial institutions. Data on the domestic monetary institutions, including the now-defunct DBV, which was merged into the NBV in 1998, are reported in Tables 15–20. In addition, Vanuatu has a prominent offshore financial center (OFC) comprising some 63 banks with offshore banking licenses and a number of other international and local companies registered in the center. Offshore banks may not accept local deposits from Vanuatu citizens or make loans domestically. The number of offshore banks has declined since the mid 1990s, when the number totaled about 80.

35. The scope for independent monetary policy in Vanuatu is limited by the exchange rate peg and the absence of capital controls. In addition, because foreign currency deposits represent a large share—recently, about 2/3—of total broad money, the impact of monetary policy on the economy is necessarily restricted. Nevertheless, in the last two years the RBV has attempted to use its available instruments to affect monetary conditions, raising interest rates and tightening reserve requirements in 1998 in response to the VNPF crisis, and then moving to increase liquidity during the last half of 1999 in response to the apparent weakening of economic activity.

### A. Money and Credit

36. The growth of broad money, which averaged about 11 percent during 1995 and 1996 and reflected mainly large increases in foreign currency deposits, fluctuated considerably during the years 1997–99 (Table 15 and Figure 4). In 1997, total broad money declined by about ¼ percent. This reflected a decline of about 1½ percent in net foreign assets that exceeded the absolute rise in net domestic assets, itself a result of changes in other items net, as domestic credit declined.

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<sup>3</sup> The three foreign-owned banks are the ANZ Bank, Banque d'Hawaii, and Westpac, the latter being a branch of Westpac Bank in Australia. There is also the smaller European Bank, which is domestically licensed but engages mainly in offshore transactions.

37. Total broad money grew by about 12 percent in 1998, reflecting increases of 13 percent in foreign currency deposits and 10½ percent in vatu broad money. The surge in broad money during 1998 followed the massive withdrawal of deposits from the VNPF, which injected substantial liquidity into the economy, and the sharp rise in the government's budget deficit, resulting from the VNPF payout, a rise in development spending, and actions related to the reorganization of the NBV and DBV. Domestic credit rose by about 16¼ percent during the year, as private sector credit grew by 5 percent and the government's net position vis-à-vis the banking system shifted from net deposits of more than 750 million vatu to net credit of more than 500 million vatu. Net foreign assets grew as well, reflecting increases in the net foreign assets of both the monetary authorities and the commercial banks.

38. To absorb the liquidity injected by the VNPF withdrawals and assist in the sale of government bonds (which were needed, in part, to fund the VNPF payout), in early 1998 the authorities replaced the previous statutory reserve deposit (SRD) requirement of 10 percent against vatu assets with a 16 percent prescribed reserve asset (PRA) requirement, toward which the banks could count their holdings of government bonds, as well as RBV notes, demand deposits, and cash. Around the same time the RBV began issuing its own Reserve Bank notes, having a 91 day maturity. In addition, during May the Reserve Bank raised its minimum lending rate from 5 percent to nearly 11 percent. This action helped restore confidence and reduced pressure on the exchange rate. In November 1998 the Reserve Bank reintroduced the SRD at the rate of 10 percent on vatu deposits and reduced the PRA to 6 percent. In addition, a repurchase facility, covering short-term government bonds and RBV notes, was issued late in the year to provide more efficient liquidity management.

39. Reflecting both the RBV's efforts and the slowdown in economic activity, total broad money declined by about 9¾ percent in 1999, reflecting a decline of 10½ percent in foreign currency deposits and about 8½ percent in vatu broad money. The decline in total broad money resulted from a sharp decrease in net foreign assets, equivalent to nearly 5 billion vatu. Net foreign assets of the monetary authorities declined by about 4½ percent, while those of the commercial banks plunged by more than 21 percent, as the commercial banks decided in the last quarter of the year to repatriate substantial funds held abroad, following the lifting of long-standing foreign exchange guidelines in October. Net domestic assets rose by more than 18 percent during 1999, reflecting a nearly 17 percent rise in domestic credit, including a 21 percent increase in private credit. Nevertheless, the decline in net foreign assets was more than three times the rise in net domestic assets.

40. The RBV instituted several changes in monetary instruments during 1999. In April, the PRA was abolished, and the SRD was raised to 10 percent of average vatu deposits plus 5 percent of foreign currency demand deposits. In addition, later in the year, as the economic slowdown became apparent, the Reserve Bank moved to ease monetary conditions by repurchasing some outstanding RBV notes, in effect increasing liquidity.

41. During the first quarter of 2000 total broad money decreased slightly. Net foreign assets rose, as the commercial banks reversed much of their actions during the last quarter of 1999 and placed additional assets abroad. The rise in net foreign assets of the commercial

banks exceeded a decline in net international reserves of about ½ billion vatu. Net domestic assets fell, however, reflecting a 1¼ percent decline in domestic credit marked by a significant drop in credit to the private sector.

## **B. Interest Rates**

42. Interest rates in Vanuatu are market determined and have been characterized by a large spread between deposit and lending rates, averaging more than 8 percentage points (Figure 5). To some extent the spread reflects the limited number of institutions in the market. However, the commercial banks have noted that high political uncertainty has required them to earn an above-normal rate of return and thus introduce a considerable risk premium into their charges. In addition, they have commented that high costs of doing business, reflecting unusually high utility charges, also contribute to the interest rate spread.

43. Until 1998 the RBV seldom sought to influence interest rates. In 1998, however, the Reserve Bank raised its minimum lending rate during the spring, contributing to an increase in both deposit and lending rates. Average rates rose by about 1¼ percentage points on bank loans and ½ percentage point on bank deposits between end-1997 and end-1998 (Table 19). Interest rates subsequently decreased during 1999, following the RBV's moves to relax monetary conditions. Between end-1998 and end-1999, the average bank lending rate fell by about ¾ percentage point, and the average rate on bank deposits decreased by more than 1 percentage point. The average lending rate remained unchanged during the first quarter of 2000, although deposit rates increased, reflecting a decrease in excess reserves during the quarter. The tightening of monetary conditions also raised average rates on vatu deposits above the rates on foreign currency deposits during the first quarter of 2000.

## **C. Bank Supervision**

44. Two different institutions have been responsible for bank supervision in Vanuatu since independence in 1980. The RBV has been charged with supervising domestic banks, while the Financial Services Commission (FSC) has responsibility for offshore banks. The division of supervision between the two agencies reflects the separate statutes governing domestic and offshore institutions. Domestic banks are established under the Financial Institutions Act, while offshore banks are governed by the Banking Act. The division of supervision between the RBV and FSC has made it difficult for the Reserve Bank to have a global view of the country's financial sector, and both agencies have recognized the need to increase coordination and information sharing.

45. The RBV, which established its Bank Supervision Unit in 1996 following the failure of a commercial bank (the Ohlilan Bank), has since expanded its supervisory operations. In February 2000, the RBV converted the Supervision Unit into the Bank Supervision Department, following passage of the Financial Institutions Act (FIA) in October 1999. The FIA strengthened the legal status for the Reserve Bank's supervisory activities, by formalizing its prudential guidelines and empowering the RBV to take control of a troubled bank to protect its depositors. The RBV now conducts its supervisory activities through a



combination of off-site supervision and on-site inspections. The current plan is to conduct annual inspections of NBV and the two independent subsidiaries of foreign banks (Westpac, as a branch of Westpac Bank in Australia, is supervised through its parent organization). By comparison, the FSC conducts the supervision of offshore financial institutions mainly through off-site monitoring. Legislation is now being prepared to strengthen the FSC's regulation of offshore banks.

46. As part of the reforms implemented under the Comprehensive Reform Program (CRP), Vanuatu agreed to liquidate the former DBV and transfer its bad loans, and those of the NBV and the VNPF, into an Asset Management Unit (AMU). These transfers took place in 1998, and the DBV was absorbed into the NBV at that time. The AMU has since been attempting to recover monies from the bad loans. However, most of its income has been used to cover outstanding loan obligations of the DBV and payments due to the VNPF from its acquisition of VNPF assets.

47. Since 1999, Vanuatu's financial sector has experienced difficulty as a result of allegations concerning money laundering. During the last half of 1999 several international banks decided to suspend U.S. dollar transactions with Vanuatu, in response to these allegations. A delegation of bankers and government officials visited several of the banks early in 2000, and this prompted most of these banks to restore dollar transactions with some internationally-recognized financial institutions in Vanuatu. Recently, Vanuatu has been classified as a Category III country—having low-quality bank supervision—in a recent report by the Financial Stability Forum (FSF). A mission from the Asia-Pacific Group (APG) of the Financial Action Task Force on Money Laundering (FATF) visited Vanuatu early in 2000 to assess the country's efforts to combat money laundering, and the mission's report is expected to be released soon.

## **VI. EXTERNAL SECTOR DEVELOPMENTS**

### **A. Balance of Payments<sup>4</sup>**

48. Vanuatu's balance of payments has been characterized by a substantial trade deficit, financed by a large surplus in the services account and inflows of foreign aid and foreign direct investment, much of which represents reinvested earnings. Periodically, however, there have been large capital outflows, as commercial banks and nonbank residents have placed funds abroad. Except in 1999, the current account has tended to record a surplus, reflecting large net inflows from services and the excess of net official current transfers (inward) over net private transfers (outward), while the capital and financial account has typically recorded a deficit. In 1999 the current account balance recorded an unusual deficit

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<sup>4</sup> Vanuatu's balance of payments data show sizable errors and omissions and large increases in the value of outward private current transfers in recent years that may reflect data misclassifications. Therefore, the balance of payments data should be treated with caution.

of US\$10.5 million, following a surplus of US\$26.9 million in 1998 (Table 21 and Figure 6). The large shift into deficit reflected a worsening of the trade balance, a sharp decline in net service income due to weather-induced shocks, and a deterioration in the income account and net current transfers. By contrast, the capital and financial account recorded a significant surplus of US\$11.1 million, reflecting the repatriation of funds by the commercial banks, following a deficit of US\$27.6 million in 1998.

49. Aggregating these elements, the overall balance of payments has recorded deficits in most recent years, except for 1998 (Table 21). In 1998, the overall balance recorded a significant surplus of US\$9.1 million, as a large positive entry in errors and omissions offset a sharp deterioration in the capital and financial account that exceeded the improvement in the current account. In 1999, the overall balance turned negative again, recording an overall deficit of US\$1.9 million. In view of these trends, gross official reserves have declined from the levels observed earlier in the 1990s. At end-1999, gross official reserves totaled US\$42.7 million, equivalent to about 6.7 months of imports.

## **B. Trade Balance**

50. Vanuatu's exports and imports each include a significant amount of products for reexport. Excluding these items, domestic exports, which totaled US\$30.6 million in 1998, fell by 29 percent to US\$21.7 million in 1999, mainly owing to a sharp decline in export proceeds of two major export commodities, copra and kava (Table 22). Exports of copra, the principal export commodity, fell by 20 percent to US\$10.7 million, reflecting unfavorable weather conditions and a decline in shipments related to the construction of the country's first coconut oil mill in Espiritu Santu and the resulting diversion of copra from direct shipment to storage for subsequent oil extraction. Kava exports plunged by 64 percent to US\$2.4 million, as volume fell by more than half, owing to a decline in the issuance of export licenses by the Vanuatu Commodities Marketing Board (VCMB) to protect indigenous producers and product quality. In addition, unit values declined somewhat, reflecting excess supply from Fiji. Earnings derived from timber exports also fell considerably, as a sharp decline in prices (mainly for softwood products) offset a rise in the volume of hardwood exports. Beef exports, which had fallen in 1998, recovered to near the levels of 1995-97, as the Japanese market stabilized and trade among Melanesian island states expanded under the Melanesian Spearhead Group (MSG) Trade Agreement.

51. Imports for domestic consumption fell by 5 percent to US\$73.9 million in 1998, partly because of the de facto depreciation of the vatu. Imports subsequently recovered by 3.5 percent in 1999 to US\$76.5 million, reflecting in part higher consumption from the large withdrawals from the VNPF during 1998, and the disbursement of the first installments from the CRP loan. Higher imports of food and live animals, crude materials other than fuels, and miscellaneous manufactured goods were responsible for most of the increase (Table 23). Imports for reexports fell sharply, however, limiting the increase in total recorded imports to less than US\$1 million, or 1 percent.

52. The direction of Vanuatu's exports changed considerably during the 1995–99 period, while that for imports remained relatively stable (Table 24). During this period, the share of exports to the European Union (EU) fluctuated between 22 percent in 1996 to nearly 48 percent in 1997, reflecting shifts in regional demand for Vanuatu's main exports. In 1999, the share of exports to the EU rose to almost 44 percent from about 34 percent in 1998, reflecting the decline in copra and kava exports to other areas. The share of exports going to Japan also increased, to 19 percent from 11 percent in 1998, mainly because of higher beef exports. This restored Japan's place as Vanuatu's second largest market. As regards imports for domestic consumption, Australia has been Vanuatu's largest supplier, representing more than 40 percent of all imports since 1995. In 1999, Australia's share of imports rose slightly, to almost 44 percent. New Zealand, France (including New Caledonia), Fiji, and Japan accounted for about 34 percent of imports for domestic consumption in 1999, with other countries representing about 22 percent.

### **C. Services Account**

53. The services account, reflecting income from tourism and other sources, represents the main source of Vanuatu's foreign exchange earnings. Net service earnings rose by 43 percent in 1998 to US\$71.1 million, reflecting a 23 percent gain in service receipts to US\$125.5 million (Table 25). Net service income then fell by 27 percent in 1999 to US\$51.9 million, as receipts increased marginally and payments jumped by 40 percent to US\$76.2 million. On the receipts side, income from tourism, which had risen by 21 percent in 1998, fell by 8 percent in 1999 to US\$55.5 million. This decline reflected the disruption in operations of Air Vanuatu, the major carrier serving the country, after its aircraft was severely damaged during a hail storm in April. Partly offsetting this decline were increases in receipts from government services, communications, and miscellaneous business services. On the payments side, outward travel, government services, financial services, and particularly miscellaneous items, including miscellaneous business services, all rose sharply in 1999.

### **D. Income and Transfers**

54. The income account of the balance of payments has recorded a deficit in recent years (Table 26). The reason is that investment income payments, particularly on foreign direct investment, have substantially exceeded receipts from the net foreign holdings of commercial banks and the Reserve Bank of Vanuatu (RBV). Despite a small decline in income payments for foreign direct investment, the net deficit in this account rose from US\$8.3 million in 1998 to US\$12.8 million in 1999. This reflected a sharp increase in investment income payments by commercial banks.

55. Current transfers typically record a surplus, reflecting the substantial volume of foreign grants received from bilateral donors, which ranged from US\$22 million to US\$28 million during the years 1996–99 (Table 27). The net surplus is considerably smaller, however, reflecting outward current transfers by residents, presumably mainly long-term employees engaged in the foreign investment and offshore financial sectors. In recent years,

recorded levels of these outward transfers have increased sharply, reaching US\$25 million in 1999. Accordingly, net current transfers have declined steadily during the period, falling from almost US\$21 million in 1996 to about US\$2 million in 1999. Ostensibly these private transfers reflect payments for such items as credit card and mortgage obligations in foreign countries by resident expatriates. However, the sharp rise in these payments beginning in 1997 has prompted the authorities to review the compilation of balance of payments data, to ensure that these are truly payments for current account activities, and not misclassified capital transfers. From 1997 through 1999 net capital transfers, which are typically negative, also surged, rising from US\$25 million to US\$49 million, as outward transfers grew by about twice the increase in inward transfers. The sharp increase from 1997 to 1998 may have reflected concerns related to the VNPF crisis. Anxiety surrounding the change in government late in 1998 may also have contributed to the high level of net capital outflows in 1998 and the further increase in 1999.

#### **E. Financial Account**

56. The financial account in the balance of payments has typically recorded a surplus, reflecting substantial foreign direct investment, primarily in the form of reinvested earnings (Table 28). However, the surplus has varied considerably from year to year, mainly reflecting commercial bank decisions about how much of their assets to place abroad. Foreign direct investment declined by 27 percent from 1996 to US\$24.0 million in 1997 and averaged about US\$20 million in each of 1998 and 1999, reflecting largely a reduction in reinvested earnings on existing investments. Commercial bank investment activity has fluctuated considerably over the period, recording deficits of more than US\$20 million in 1996 and US\$15 million in 1998 and a surplus of about US\$1 million in 1997. The large negative movement for the banks in 1998 may have reflected earlier allegations of money laundering against some financial institutions, which prompted an outflow from the banks that more than offset the large inflow to government from the disbursement of first two installments of the Asian Development Bank's CRP loan. In 1999, the commercial banks recorded a surplus of US\$36 million in this sub-account, reflecting the movement onshore of substantial assets from abroad during the last quarter of the year. This movement reversed during the first quarter of 2000, as banks placed some assets abroad.

#### **F. External Public Debt**

57. Vanuatu's external public debt has increased over recent years. Nevertheless, its external debt indicators have remained comfortable. External debt rose from US\$43 million in 1995 to US\$64 million in 1999 (Table 29), mainly reflecting disbursements from the AsDB loan supporting the Comprehensive Reform Program (CRP). As a result, the ratio of external debt to GDP rose from about 19 percent at end-1996 to nearly 30 percent at end-1999. However, most of the external debt comprised concessional loans from the AsDB, the World Bank (International Development Association), and bilateral donors. Therefore, debt service has remained very low in recent years, averaging less than 1 percent of exports of goods and services throughout the period 1996-99.

### **G. Exchange and Trade System**

58. The vatu has been determined on the basis of an undisclosed transactions-weighted (trade and tourism receipts) basket of currencies of Vanuatu's major trading partners since February 1988. The authorities adjusted the weights in the basket during 1998, implying a de facto nominal and real depreciation vis-à-vis the U.S. dollar. The exchange rate remained relatively steady against the dollar during 1999 but has fluctuated against other currencies, appreciating somewhat relative to the New Zealand dollar and depreciating opposite the Japanese yen (Figure 7).

59. Vanuatu has accepted the obligations of Article VIII, Sections 2, 3, and 4, and maintains an exchange system free of restrictions on current transactions. In recent years, however, it has applied foreign exchange guidelines to limit capital transactions when net official reserves fell close to the equivalent of six months' imports. The guidelines in effect during most of the period from 1998 through the first half of 2000 stipulate that all foreign exchange requests to the Reserve Bank must be related to current transactions only, and that the banks must settle capital transactions with their own foreign exchange resources. These guidelines were removed in October 1999 but were reimposed in February 2000.

60. Import duties were reduced and simplified to an eight-rate structure ranging from zero to 30 percent in July, 1998. The customs service charge of 5 percent for imports was eliminated or absorbed into the duty rates in August, 1998. Consequently, the average effective import duty rate was estimated to fall to 22.8 percent from 29 percent. Export taxes and duties for most goods were abolished in 1998. The restrictions on kava exports were eliminated in April 1999.

61. To promote international trade, Vanuatu has engaged in negotiation of several trade agreements. It continues to discuss with the other Melanesian Spearhead Group (MSG) of Countries about the proposed establishment of the MSG Free Trade Area arrangement, which is likely to become effective for Vanuatu and Solomon Islands in 2003. Vanuatu has benefited from the STABEX program and is expected to receive more assistance from the proposed Suva Convention. It also maintains on-going dialogue with its major trading partners on assisting its application to accede to the World Trade Organization (WTO). Vanuatu's application remains outstanding, however, in part because of certain requests made by larger WTO members such as the United States and the European Union. The authorities consider these requests to be against the Special and Differential Treatment clause of the WTO Agreement, and recently they expressed their concern to the WTO on its accession procedures. In addition, the Vanuatu government is also in the process of discussing with the New Caledonian authorities to establish a new bilateral trade agreement.

### **VII. STRUCTURAL ISSUES: THE COMPREHENSIVE REFORM PROGRAM**

62. In June 1997, the government authorities approved the Comprehensive Reform Program (CRP) developed with the support of the Asian Development Bank (AsDB). The overall objectives of the program are (1) to strengthen institutions relating to good

governance and reform in the public sector, including the civil service; and (2) to carry out structural adjustments in the economy through policy and institutional changes, to foster private-sector led and sustainable growth.

63. The CRP comprises three broad aspects: public sector reforms, economic reforms, and reforms aimed at promoting equity and social development. The public sector reforms include improving institutions of governance, increasing transparency and accountability in public sector management, reducing the size of the public sector and rationalizing its economic operations, and strengthening financial and economic management. The economic reforms involve promoting the private sector and its growth, improving the Reserve Bank's monetary management and strengthening its supervisory capabilities, restructuring state-owned financial institutions, establishing an NGO network to channel credit to rural areas, reforming the tax system, and improving infrastructure and service delivery. Measures to improve equity and social development include establishing the Social Equity Task Force to monitor key reforms in the social sector and mitigate the adverse effects of adjustment on vulnerable groups, and creating the Transition Service Unit to assist workers made unemployed by economic restructuring.

64. The implementation of the CRP began in mid-July 1998 and has been planned for three phases: Phase I (1997–98), Phase II (1999), and Phase III (beginning in 2000). The AsDB and other major donors provided substantial financial and technical assistance in Phases I and II. During these phases the program focused on establishing and implementing the reform framework, especially strengthening the capacity to promote stability, investor confidence, and private-sector-led growth. **Substantial progress was achieved in the following areas:**

- A legislative framework was established for better governance and further improvements in public services. For example, the government enacted the new Government Act, the Leadership Code Act, and the new Ombudsman Act.
- The number of ministries was cut from 34 to 9, and civil service employment decreased by 7 percent.
- Several state-owned financial enterprises, including the NBV and the Development Bank DBV, were restructured or closed. The VNPF Act was amended to promote financial reforms.
- Autonomy in the public service increased, and efficiency improved.
- Principles of fiscal management were been established. The government enacted the Public Finance Law to reform the budgetary process, and the Economic Management Act and the Expenditure Review and Audit Act to strengthen fiscal oversight and accountability to Parliament.

- Indirect instruments of monetary policy, in the form of Reserve Bank bills, were introduced.
- The tax system was reformed by introducing a value-added tax, removing the business turnover tax, and simplifying and reducing import duties and business license fees.
- The Foreign Investment Act was established, to create a favorable environment for private sector operations. Passage of the Amendment Bill during June 1999 improved the transparency of regulating foreign investment.
- Several equity-enhancing and social projects have been implemented. The Social Equity Task Force was established to monitor key reforms in the social sector and mitigate the adverse impacts of economic adjustments on vulnerable groups. The Transition Service Unit was created and helped 93 percent of the 652 civil servants whose jobs were eliminated to find alternative employment, undergo training, and obtain business development advice.

65. Phase III of the CRP started during 2000. In this phase the government is focusing on the following goals: entrenching and deepening the reforms already introduced, extending government reforms to embrace the Parliament and the legal sector, and promoting economic growth. In addition, the government aims to strengthen the focus on social reforms, to ensure that the benefits of CRP are shared and that reform is sustained, and to improve economic conditions and the delivery of services at the village level. Accordingly, during the first half of 2000 the government appointed a CRP Review Committee comprising DGs to review the CRP Matrix, as a way of broadening and deepening reforms through the foreseeable future. Nevertheless, progress in implementing the CRP has slowed since mid-1999, and the release of the second tranche of the AsDB loan supporting the CRP has been delayed.

Table 1. Vanuatu: Gross Domestic Product by Type of Economic Activity  
in Constant 1983 Prices, 1995-99

(In millions of vatu)

	1995	1996	1997	1998	1999
	Official Est.	Official Est.	Official Est.	Official Est.	Official Est.
Agriculture, fishing, and forestry	3,152	3,297	3,458	3,691	3,274
(Percent change)	1.6	4.6	4.9	6.7	-11.3
Copra	666	823	868	920	661
Cattle	561	581	621	588	620
Cocoa	135	76	146	124	74
Kava	242	250	262	494	347
Other commercial agriculture	137	133	115	116	118
Subsistence agriculture	1,304	1,309	1,315	1,320	1,325
Forestry and logging	106	125	131	129	129
Industry	1,691	1,488	1,220	1,328	1,428
(Percent change)	-10.6	-12.0	-18.0	8.9	7.5
Manufacturing	670	675	568	587	587
Electricity	503	440	315	408	423
Construction	519	373	337	333	418
Services	9,277	9,391	9,583	10,097	10,034
(Percent change)	2.7	1.2	2.0	5.4	-0.6
Trade, hotels, and restaurants	4,772	4,924	5,204	5,523	5,506
Transport, storage, and communications	1,404	1,318	1,229	1,237	1,206
Finance and insurance	1,040	1,023	1,031	1,024	1,033
Real estate and other services	867	875	886	888	888
Government services	1,488	1,541	1,524	1,714	1,693
Less: Imputed banking charges	-294	-289	-291	-289	-292
Gross domestic product	14,119	14,176	14,261	15,116	14,736
(Percent change)	3.2	0.4	0.6	6.0	-2.5

Sources: Statistics Office; and Reserve Bank of Vanuatu.



Table 2. Vanuatu: Gross Domestic Product by Type of Economic Activity  
in Current Prices, 1995-99

(In millions of vatu)

	1995	1996	1997	1998	1999
	Official Est.	Official Est.	Official Est.	Official Est.	Official Est.
Agriculture, fishing, and forestry	4,970	5,151	5,386	5,691	5,417
(Percent change)	-7.5	3.6	4.6	5.7	-4.8
Copra	838	1,132	1,174	1,189	1,049
Cattle	900	935	997	968	1,085
Cocoa	136	79	155	141	212
Kava	522	536	566	1,129	756
Other commercial agriculture	266	254	235	240	250
Subsistence agriculture	2,035	1,903	2,018	1,904	1,946
Forestry and logging	274	312	241	118	119
Industry	2,671	2,433	2,081	2,264	2,461
(Percent change)	-17.5	-8.9	-14.5	8.8	8.7
Manufacturing	1,094	1,106	925	970	989
Electricity	539	562	467	609	594
Construction	1,038	765	689	685	877
Services	16,722	17,136	17,804	19,430	19,709
(Percent change)	2.3	2.5	3.9	9.1	1.4
Trade, hotels, and restaurants	8,663	9,027	9,840	10,752	10,927
Transport, storage, and communications	1,977	1,824	1,513	1,697	1,697
Finance and insurance	1,918	1,957	2,042	2,068	2,127
Real estate and other services	1,790	1,832	1,883	1,893	1,930
Government services	2,922	3,055	3,108	3,610	3,635
Less: Imputed banking charges	-549	-559	-583	-591	-608
Gross domestic product	24,362	24,720	25,271	27,385	27,587
(Percent change)	-2.4	1.5	2.2	8.4	0.7

Sources: Statistics Office; and Reserve Bank of Vanuatu.

Table 3. Vanuatu: Agricultural Production, 1995-99

	1995	1996	1997	1998	1999
(In metric tons; unless otherwise indicated)					
Copra (thousand tons)	30.4	38.3	40.3	43.0	30.8
By center 1/					
Vila	0.2	0.4	0.5	0.2	0.5
Santo	30.2	31.5	39.9	42.7	30.3
By type of processing					
Smoked	4.1	4.4	4.2	1.8	1.9
Hot air/sun dry	26.3	34.0	36.2	41.2	29.0
Cocoa	1,778	939	1,757	1,501	891
Kava 2/	52.0	64.0	124.0	749.0	234.0
Beef 3/	3,894	3,698	3,826	3,565	3,875
Pork 4/	43.2	36.1	28.9	30.0	33.2
Milk (in thousand liters) 5/	411	375	381	...	...
Chicken meat 6/	235	264	424	...	...
Eggs ( thousand of dozens)	274	239	240	...	...
(In thousands of vatu per metric ton)					
Memorandum items:					
Copra prices					
Average domestic price paid to producers 7/	27.8	30.4	29.8	28.7	35.2
Average f.o.b. price received	38.6	39.7	42.6	40.1	49.2
Cocoa prices					
Average domestic price paid to producers	86	94	99	106	86
Average f.o.b. price received	123	118	136	184	126

Sources: Reserve Bank of Vanuatu; Vanuatu Commodities Marketing Board (VCMB); and Department of Agriculture and Horticulture.

1/ Data by center relates only to the copra received by VCMB. In 1996, data exclude copra received by Carmille Trading, which was in operation just for 1996.

2/ Tons of exports on a dried weight volume basis. Kava exported for pharmaceutical purposes is dried whereas kava for the beverage market is sold fresh (green).

3/ Total volume slaughtered in Port Vila and Lunganville abattoirs.

4/ Port Vila abattoir only.

5/ Production from Melektree Dairy.

6/ Production of Toa Enterprise and Chicken City on Efate.

7/ Includes transport allowance.

Table 4. Vanuatu: Electricity Production by Union Electrique du Vanuatu  
in Port Vila and Luganville, 1995-99

	1995	1996	1997	1998	1999
	(In kilowatts)				
Installed capacity at end of year	13,040	14,320	14,320	14,320	18,340
Maximum demand	7,980	8,320	8,540	8,550	8,680
	(In thousands of megawatt hours)				
Output for the year	40,204	44,129	39,906	41,714	43,864
Sales	35,411	39,074	34,929	36,997	38,561
Sales revenue (in millions of vatu)	829.9	958.0	1100.6	1179.1	1141.0
Average revenue per kilowatt hour (in vatu)	23.44	24.52	31.51	31.87	29.59

Source: Energy Unit, Ministry of Lands, Energy and Geology and Mines, based on extracts from the *Annual Technical Report* of Union Electrique du Vanuatu.

Table 5. Vanuatu: Imports of Petroleum Products, 1995-99

(In thousands of barrels of oil equivalent) 1/

	1995	1996	1997	1998	1999
Regular gasoline (petrol)	33.2	32.8	32.6	32.8	22.9
Distillate/diesel	144.3	143.5	145.0	128.0	104.5
Kerosene	6.1	6.5	6.4	5.4	4.1
Aviation fuel 2/	1.4	1.4	1.1	0.7	0.8
Liquid petroleum gas (LPG)	10.8	11.7	12.8	11.3	10.8
Total	195.7	195.9	197.9	178.2	143.1

Source: Energy Unit, Ministry of Natural Resources.

1/ The conversion factor is one kiloliter = 6.29 barrels of oil for petrol, distillate, kerosene, and aviation gas; in the case of LPG, the conversion factor is one ton LPG/butane = 10.9 barrels of oil equivalent (boe).

2/ Excluding jet fuel for reexport.

Table 6. Vanuatu: Data on Tourism, 1995-99

	1995	1996	1997	1998	1999 Est.
Visitor arrivals	43,721	46,123	49,624	52,085	50,746
(Percentage change)	3.8	5.5	7.6	5.0	-2.6
Australia	24,401	26,690	28,976	32,498	29,513
New Zealand	6,436	5,689	6,108	6,180	6,268
New Caledonia	4,971	5,409	5,431	5,824	4,804
Other Pacific countries	2,417	2,600	2,998	2,080	2,224
Europe	2,352	2,644	2,894	2,337	2,939
North America	1,157	1,223	1,172	1,297	1,302
Japan	981	927	948	965	883
Other countries	967	884	999	871	741
Not stated	39	57	98	33	2,072
Of which: Tourists	31,340	33,652	36,194	39,441	36,162
(Percentage change)	4.9	7.4	7.6	9.0	-8.3
Average length of stay of visitor (days)	9.1	9.1	8.8	8.2	...
Room-night capacity (thousands)	222.9	249.2	230.6	235.2	254.9
(Capacity utilization, percent)	51.9	50.7	55.3	59.1	51.9
Bed-night capacity (thousands)	523.2	580.0	541.7	559.6	586.2
(Capacity utilization, percent)	41.1	40.2	46.1	47.2	46.1
Cruise-ship passengers	56,665	56,534	30,530	25,119	44,853
(Percentage change)	39.6	-0.2	-46.0	-17.7	78.6

Sources: Immigration Department; Customs Department; and Statistics Office.

Table 7. Vanuatu: Consumer Price Index, 1995-2000Q1 1/

(Percent change)

	Weights 2/ (percent)	1995	1996	1997	1998	1999	2000 Q1
Food (home consumption)	30.5	4.1	-1.1	0.7	3.3	1.4	1.3
Beverages and tobacco	10.4	6.8	2.4	1.3	4.3	4.2	0.0
Clothing and footwear	4.7	9.1	4.6	6.7	-0.6	1.0	0.2
Rent, water, fuel, and electricity	20.7	-9.0	-4.5	5.8	0.6	0.0	0.0
Household articles	8.3	7.4	3.0	0.7	7.7	4.1	0.0
Transport and communications	13.2	6.5	4.2	5.4	5.1	2.8	0.2
Recreation, health, and education	12.3	5.1	8.1	0.9	3.1	2.1	0.2
Total	100.0	2.2	0.9	2.8	3.3	2.8	0.5

Source: Statistics Office.

1/ Period average. Figures for 2000Q1 are percent changes relative to 1999Q1.

2/ The weights are derived from 1985 Household and Expenditure Survey and have been revalued in terms of the 1990Q1 prices.

Table 8. Vanuatu: Population Growth, 1989-99

	Urban			Rural	Total
	Total	Port Vila	Luganville		
January 1979	15,784	10,601	5,183	95,467	111,251
May 1989	26,294	19,311	6,983	116,650	142,944
1996 1/	40,100	30,000	10,100	131,000	171,100
1997 1/	44,300	33,700	10,600	133,100	177,400
1998 1/	47,000	35,900	11,100	135,000	182,000
July 1999 2/	41,499	30,139	11,360	151,720	193,219
Memorandum items:					
Average annual growth, 1979-89	5.2	6.2	3.0	2.0	2.5
Average annual growth, 1989-99	4.7	4.6	5.0	2.7	3.1
Average annual growth, 1979-99	5.0	5.4	4.0	2.3	2.8

Source: Statistics Office.

1/ Official estimates.

2/ Preliminary report.

Table 9. Vanuatu: Central Government Fiscal Operations, 1995-99

	1995	1996	1997	1998	1999
(In millions of vanu)					
Total revenue and grants	7,093	6,623	6,797	7,054	7,278
Revenue	6,317	6,146	6,199	6,683	6,753
Tax 1/	4,813	5,068	5,162	5,932	5,925
Nontax	1,504	1,078	1,037	751	828
Foreign grants 2/	777	477	598	371	525
Total expenditure	7,816	7,142	6,996	10,111	7,652
Current expenditure	5,765	6,406	6,365	7,659	6,796
Wages and salaries	3,179	3,330	3,400	3,645	3,741
Purchases of goods and services	1,507	2,060	1,983	1,900	1,909
Transfers 3/	895	855	806	696	612
Interest payments	183	161	176	161	247
Other 4/	...	...	...	1,257	287
Capital expenditure	2,052	735	631	2,452	856
Overall balance	-723	-519	-199	-3,057	-375
Identified financing	723	519	199	3,057	375
Foreign (net)	784	68	68	1,373	643
Borrowing	808	93	108	1,374	680
Repayments	-23	-25	-40	-1	-37
Domestic (net)	-61	451	131	1,684	-268
Banking system	-61	449	30	1,227	-65
Other 4/	...	2	101	457	-203
(In percent of GDP)					
Total revenue and grants	29.1	26.8	26.9	25.8	26.4
Revenue	25.9	24.9	24.5	24.4	24.5
Foreign grants	3.2	1.9	2.4	1.4	1.9
Total expenditure	32.1	28.9	27.7	36.9	27.7
Current expenditure	23.7	25.9	25.2	28.0	24.6
Capital expenditure	8.4	3.0	2.5	9.0	3.1
Overall balance	-3.0	-2.1	-0.8	-11.2	-1.4
Foreign financing (net)	3.2	0.3	0.3	5.0	2.3
Domestic financing (net)	-0.3	1.8	0.5	6.2	-1.0

Sources: Data provided by the Vanuatu authorities; and Fund staff estimates.

1/ Net of tax rebate for import duties paid by Union Electrique du Vanuatu (UNELCO).

2/ Cash grants only.

3/ Excludes transfers to the Development Fund.

4/ Change in nonbank holding of government bonds.

5/ The authorities' definition of recurrent revenue includes import duties due from UNELCO. Recurrent expenditure includes transfers to the Development Fund, principal debt repayments, and bond redemption provisions, but excludes subsidies to the VCMB.



Table 10. Vanuatu: Central Government Revenue, 1995-99

	1995	1996	1997	1998	1999
	(In millions of vatu)				
Total revenue	6,316	6,146	6,199	6,683	6,753
Tax revenue	4,932	5,314	5,459	5,932	5,925
Taxes on goods and services	1,633	1,652	1,615	2,622	3,370
Taxes on tourist services 1/	204	215	243	188	103
Wholesale/retail turnover tax	303	465	468	415	43
Licenses 2/	773	678	665	358	124
Work permit fees	25	27	21	46	37
Registration fees	328	266	218	298	285
Companies	191	159	126	167	180
Shipping	80	61	44	64	50
Land	56	46	48	67	55
Value Added Tax	...	...	...	814	2,285
Other	0	0	0	503	493
Taxes on international trade	2,873	3,144	3,327	3,100	2,436
Import duties	2,789	3,060	3,228	3,023	2,434
Beer, wine, and spirits	272	264	237	235	222
Tobacco and tobacco products	222	198	225	314	329
Vehicles	105	136	142	162	151
Motor oil	592	883	981	849	655
Other	1,597	1,578	1,644	1,463	1,077
Export duties	85	84	98	77	2
Copra	33	36	44	43	2
Other	52	48	55	34	0
Other taxes	426	518	517	210	119
Airport tax	120	141	155	122	111
Wharfage tax	53	51	70	6	6
Other 3/	252	326	291	82	2
Less: Tax Rebate	120	246	297	0	0
Nontax revenue	1,504	1,078	1,037	751	828
Public enterprises 4/	114	98	109	86	87
Dividend, interest, and rent	129	136	76	222	166
Fines and fees 5/	126	121	116	...	167
Other 6/	1,135	723	736	...	409
	(In percent of tax revenue)				
Taxes on goods and services	33.1	31.1	29.6	44.2	56.9
Taxes on international trade	58.3	59.2	60.9	52.3	41.1
Import duties	56.5	57.6	59.1	51.0	41.1
Export duties	1.7	1.6	1.8	1.3	0.0
Other taxes	8.6	9.8	9.5	3.5	2.0
	(In percent of GDP)				
Total revenue	25.9	24.9	24.5	24.4	24.5
Tax revenue	19.8	20.5	20.4	21.7	21.5
Taxes on goods and services	6.7	6.7	6.4	9.7	12.2
Taxes on international trade	11.8	12.7	13.2	11.3	8.8
Import duties	11.4	12.4	12.8	11.0	8.8
Export duties	0.3	0.3	0.4	0.3	0.0
Other taxes	1.3	1.1	0.9	0.6	0.4
Nontax revenue	6.2	4.4	4.1	2.7	3.0
Memorandum items:					
Effective import duties (in percent of imports)	27.1	29.1	30.8	29.0	22.8

Sources: Data provided by the Vanuatu authorities; and Fund staff estimates.

1/ Hotel/restaurant sales tax.

2/ Business licenses, vehicle licenses, fishing licenses and agreement fees, liquor licenses, arms and prospecting licenses, air traffic rights, and cocoa licenses.

3/ Gaming tax, video tax, rent tax, cheque levy, beer duty, and lotteries tax.

4/ Gross income of water supplies and Post and Telecommunications.

5/ Police and immigration fees, primary education fees, hospital fees, fines, and forfeits plus other miscellaneous fees and sales.

6/ Other port and marine revenue, other property income, miscellaneous customs revenue, miscellaneous civil aviation and revenue under Heading 185, excluding lottery and fishing agreement fees. Includes revenue from asset sales.

Table 11. Vanuatu: Central Government Current Expenditure, 1995-99

	1995	1996	1997	1998	1999
<b>Economic Classification</b>					
	(In millions of vatu)				
Wages and salaries	3,179	3,330	3,400	3,645	3,741
Purchases of goods and services	1,507	2,060	1,983	1,900	1,909
Interest payments 1/	183	161	176	161	247
Transfers	895	855	806	696	612
VCMB subsidies	0	0	0	0	0
Other 2/	895	855	806	696	612
Total current expenditure 3/	5,765	6,406	6,365	7,659	6,796
	(In percent of current expenditure)				
Wages and salaries	55.2	52.0	53.4	47.6	55.0
Purchases of goods and services	26.1	32.2	31.2	24.8	28.1
Interest payments	3.2	2.5	2.8	2.1	3.6
Transfers 4/	15.5	13.3	12.7	9.1	9.0
<b>Functional Classification</b>					
	(In millions of vatu)				
General public services	2,241	2,425	2,122	...	...
Public order and safety	589	599	502	...	...
Education	1,356	1,466	1,396	...	...
Health	598	687	825	...	...
Economic affairs and services	796	998	1,001	...	...
Agriculture, fisheries, and forestry	234	243	235	...	...
Mining, manufacturing, and construction	141	366	389	...	...
Transportation and communications	269	287	288	...	...
Other	85	102	89	...	...
Other expenditure 5/	185	231	519	...	...
Total current expenditure	5,765	6,406	6,365	7,659	6,796
	(In percent of current expenditure)				
General public services	38.9	37.9	33.3	...	...
Public order and safety	10.2	9.3	7.9	...	...
Education	23.5	22.9	21.9	...	...
Health	10.4	10.7	13.0	...	...
Economic affairs and services	13.8	15.6	15.7	...	...
Other expenditure	3.2	3.6	8.2	...	...
<b>Memorandum item:</b>					
	(In millions of vatu)				
Transfers to the Development Fund	80	60	50	70	...

Sources: Data provided by the Vanuatu authorities; and Fund staff estimates.

1/ Including service charges on loans.

2/ Excluding transfers to the Development Fund.

3/ Excluding technical assistance.

4/ Excluding VCMB subsidies.

5/ Excluding principal repayments of loans and bond redemptions, and transfers to the Development Fund.

Table 12. Vanuatu: Operations of the Vanuatu Commodities Marketing Board, 1995-99 1/

	1995	1996	1997	1998	1999
Trading balance	186.5	188.8	264.3	242.7	421.5
Copra	140.6	144.5	232.1	138.8	437.6
Cocoa	21.0	22.3	30.0	84	1.4
Kava	24.9	22.0	2.2	19.9	-16.9
Other, net 2/	-122.5	-128.0	-138.9	-108.4	-88.5
Gross overall balance	64.0	60.8	135.8	134.3	333.7
Transfers from government	...	...	...	...	...
Net overall balance	64.0	60.8	135.8	134.4	333.7

Source: Data provided by the Vanuatu authorities.

1/ Year ending in September.

2/ Includes various receipts and administrative expenses.

Table 13. Vanuatu: Operations of the Vanuatu National Provident Fund, 1995-99 1/

	1995	1996	1997	1998	1999
	(In millions of vatu)				
Annual contributions	473	470	489	497	436
Withdrawals	57	101	122	3,360	38
Accumulated members' credit	2,944	3,401	3,855	1,008	1,504
Investment portfolio	2,824	3,190	3,620	690	1,122
Government bonds and loans	822	822	922	200	60
Development Bank	200	195	190	0	0
Real estate	123	120	118	116	94
Housing loan scheme	719	755	897	0	0
National Housing Corporation	50	50	50	0	0
Deposits with commercial banks	475	772	881	88	531
Offshore deposits	0	0	0	0	0
Net current assets	30	34	57	-182	4
Fixed assets	350	357	383	468	433
Other (private sector investments) 2/	55	85	122	0	0
Accumulated loss	-120	-211	-235	-318	-382
Number of employers	3,423	2,048	2,197	2,216	2,346
Employees covered	32,996	35,349	37,326	39,114	41,837

Source: Vanuatu National Provident Fund (VNPF).

1/ The VNPF was established in 1986 and its coverage of the Vanuatu labor market is now universal.

2/ Includes private sector equity holdings and loans, and Luganville municipality bonds.

Table 14. Vanuatu: Factors Affecting Reserve Money, 1995-March 2000  
(In millions of vatu; end of period)

	1995	1996	1997	1998	1999	2000 March
Net foreign assets	5,507	4,853	4,595	5,736	5,486	4,964
Reserve Bank of Vanuatu	5,506	4,852	4,594	5,735	5,485	4,963
Assets	5,510	4,870	4,599	5,753	5,509	4,973
Liabilities	5	18	4	17	23	9
Treasury foreign assets	1	1	1	1	1	1
Net domestic assets	-1,853	-1,353	-1,104	-2,061	-993	-1,322
Net claims on government	-1,542	-1,331	-1,207	-457	-499	-530
Claims on public enterprises	327	353	260	36	33	0
Claims on commercial banks	3	2	1	0	316	75
Other items, net	-641	-377	-158	-1,640	-843	-867
Reserve money	3,654	3,500	3,493	3,675	4,493	3,642
Currency outside banks	1,566	1,571	1,662	2,042	1,936	1,743
Currency held by banks	203	193	257	194	309	174
Commercial banks' deposits	1,835	1,659	1,535	1,248	1,864	1,413
Private sector deposits	51	77	39	191	384	312

Source: Reserve Bank of Vanuatu.

Table 15. Vanuatu: Monetary Survey, 1995-March 2000

	1995	1996	1997	1998	1999	2000 March
	(In millions of vatu; at end of period)					
Net foreign assets	22,783	24,443	24,093	27,147	22,285	24,195
Monetary authorities	5,507	4,853	4,595	5,736	5,486	4,964
Commercial banks	17,276	19,590	19,498	21,411	16,799	19,231
Net domestic assets	5,409	6,887	7,155	7,888	9,323	7,958
Domestic credit	8,362	9,437	9,335	10,850	12,681	-11,943
Government (net)	-1,197	-849	-762	534	290	777
Monetary authorities	-1,542	-1,331	-1,207	-457	-499	-530
Commercial banks	345	482	445	991	789	1,307
Claims on private sector	9,145	9,879	9,678	10,172	12,306	11,077
Claims on nonfinancial public enterprises	414	407	419	144	85	89
Other items, net	-2,953	-2,550	-2,180	-2,962	-3,358	-3,985
Total broad money	28,192	31,330	31,248	35,035	31,609	32,153
Narrow money	4,261	4,186	4,471	4,800	4,543	4,284
Currency outside banks	1,566	1,571	1,662	2,042	1,936	1,743
Demand deposits (vatu)	2,695	2,615	2,809	2,758	2,607	2,541
Quasi-money	23,931	27,144	26,777	30,235	27,066	27,869
Time and savings deposits (vatu)	6,162	6,714	6,318	7,118	6,371	6,315
Time and savings deposits in foreign currency	15,775	18,166	18,327	20,508	18,006	18,496
Demand deposits in foreign currency	1,994	2,265	2,132	2,609	2,689	3,058
Memorandum items:						
Total foreign currency deposits	17,769	20,430	20,459	23,117	20,695	21,554
Total vatu deposits	8,857	9,329	9,127	9,876	8,978	8,856
Total vatu broad money	10,423	10,900	10,790	11,918	10,914	10,599
	(Percentage changes) 1/					
Total broad money	11.4	11.1	-0.3	12.1	-9.8	-0.4
Narrow money	8.0	-1.8	6.8	7.4	-5.4	-1.5
Quasi-money	12.1	13.4	-1.4	12.9	-10.5	-0.2
Foreign currency deposits	18.1	15.0	0.1	13.0	-10.5	0.2
Vatu broad money	1.6	4.6	-1.0	10.5	-8.4	-1.7
Net foreign assets	15.4	7.3	-1.4	12.7	-17.9	...
Monetary authorities	13.3	-11.9	-5.3	24.8	-4.4	...
Commercial banks	16.1	13.4	-0.5	9.8	-21.5	...
Net domestic assets	-2.9	27.3	3.9	10.2	18.2	-4.1
Domestic credit	12	12.9	-1.1	16.2	16.9	-1.2
Private sector credit	6.2	8.0	-2.0	5.1	21.0	-4.6
GDP/Narrow money	6.1	6.1	6.1	6.0	5.9	...
GDP/Vatu broad money	2.4	2.3	2.3	2.4	2.4	...

Source: Data provided by the Vanuatu authorities; and Fund staff estimates.

1/ For March 2000, relative to the same period in 1999.

Table 16. Vanuatu: Operations of Commercial Banks, 1995-March 2000  
(In millions of vatu; end of period)

	1995	1996	1997	1998	1999	2000 March
Reserves	2,033	1,829	1,742	1,238	2,145	1,595
Cash on hand	203	193	257	194	309	174
Balances with Reserve Bank	1,830	1,636	1,485	1,044	1,836	1,421
Net foreign assets	17,276	19,590	19,499	21,411	16,799	19,231
Assets	20,921	22,738	25,462	24,657	21,171	22,909
Liabilities	3,645	3,148	5,963	3,246	4,372	3,678
Net credit to government	345	482	444	991	789	1,307
Claims	506	492	496	1,131	930	1,419
Vatu 1/	506	492	496	1,131	930	1,419
Foreign currency	0	0	0	0	0	0
Deposits	161	10	52	140	141	112
Vatu	157	10	50	140	140	112
Foreign currency	4	0	2	0	1	0
Claims on public enterprises	87	55	159	131	53	89
Vatu	87	55	159	131	53	89
Foreign currency	0	0	0	0	0	0
Claims on private sector	9,050	9,771	9,555	10,582	12,157	10,932
Vatu	7,932	8,387	8,090	9,001	9,137	9,001
Foreign currency	1,118	1,384	1,465	1,581	3,020	1,931
Monetary liabilities	26,627	29,759	29,586	32,993	29,673	30,410
Demand deposits	4,690	4,880	4,941	5,367	5,296	5,599
Vatu	2,695	2,615	2,809	2,758	2,607	2,541
Foreign currency	1,994	2,265	2,132	2,609	2,689	3,058
Time and savings deposits	21,937	24,879	24,645	27,626	24,377	24,811
Vatu	6,162	6,714	6,318	7,118	6,371	6,315
Foreign currency	15,775	18,166	18,327	20,508	18,006	18,496
Credit from the monetary authorities	3	97	262	19	316	75
Other items, net	2,162	1,870	1,550	1,341	1,954	2,669

Source: Reserve Bank of Vanuatu.

1/ Includes commercial banks' holdings of Vanuatu government bonds.

Table 17. Vanuatu: Distribution of Commercial Banks' Assets and Liabilities  
in Foreign Currencies, 1995-March 2000  
(In millions of vatu; end of period)

	1995	1996	1997	1998	1999	2000 March
<b>Assets</b>	<b>22,126</b>	<b>24,304</b>	<b>26,773</b>	<b>25,835</b>	<b>24,024</b>	<b>24,547</b>
Residents	1,255	1,611	1,747	1,858	3,295	2,076
Loans	1,118	1,384	1,465	1,581	3,020	1,931
Others	137	227	282	277	275	145
Nonresidents	20,871	22,693	25,026	23,977	20,729	22,471
Home office	14,415	14,309	14,879	14,301	12,565	14,565
Banks	6,348	7,942	8,207	7,633	7,267	7,074
Other	109	442	1,940	2,043	897	832
<b>Liabilities</b>	<b>21,944</b>	<b>24,452</b>	<b>26,145</b>	<b>26,619</b>	<b>24,427</b>	<b>24,867</b>
Residents	18,580	21,593	21,161	23,793	20,807	21,666
Foreign exchange deposits	17,773	20,430	20,464	23,118	20,696	21,551
Private	17,638	20,274	20,391	23,109	20,692	21,547
Other	135	156	73	9	4	4
Other	807	1,163	697	675	111	115
Nonresidents	3,364	2,859	4,984	2,826	3,620	3,201
Deposits	2,550	2,376	4,330	2,439	3,160	2,948
Home office	697	95	8	45	223	55
Other	117	388	646	342	237	198
Net foreign exchange position	182	-148	628	-784	-403	-320

Source: Reserve Bank of Vanuatu, *Quarterly Economic Review*.



Table 18. Vanuatu: Commercial Bank Credit to Residents by Sector and by Currency, 1995-March 2000 1/  
(In percent of total credit)

	1995	1996	1997	1998	1999	2000 March
Agriculture and fisheries	3.9	4.5	3.6	3.7	2.2	2.2
Vatu	3.9	4.0	3.5	3.5	2.1	2.1
Foreign currency	0.0	0.5	0.0	0.2	0.1	0.1
Mining and manufacturing	3.9	4.0	4.6	4.1	2.5	2.5
Vatu	3.1	3.6	3.9	3.7	2.2	2.2
Foreign currency	0.8	0.4	0.7	0.5	0.4	0.3
Construction	20.3	16.4	12.1	17.1	23.4	25.4
Vatu	17.7	13.9	11.7	11.3	17.5	18.8
Foreign currency	2.6	2.5	0.4	5.8	6.0	6.6
Transport	5.8	6.7	6.6	7.7	6.3	7.2
Vatu	5.8	6.6	6.4	7.4	6.3	7.2
Foreign currency	0.0	0.1	0.2	0.3	0.0	0.0
Public utilities	0.1	0.1	0.0	2.2	2.1	2.3
Vatu	0.1	0.1	0.0	2.2	2.1	2.3
Foreign currency	0.0	0.0	0.0	0.0	0.0	0.0
Wholesale and retail trade	13.7	14.2	17.6	12.9	11.2	14.3
Vatu	12.9	12.9	14.7	12.0	10.8	13.9
Foreign currency	0.8	1.3	2.8	0.9	0.4	0.4
Tourism	3.9	6.0	7.1	5.1	3.7	3.3
Vatu	1.6	2.7	3.4	3.8	2.7	3.0
Foreign Currency	2.3	3.3	3.7	1.4	1.0	0.3
Entertainment and catering	3.8	4.8	4.2	3.2	1.6	1.9
Vatu	3.8	4.7	4.0	3.2	1.4	1.7
Foreign currency	0.0	0.1	0.2	0.0	0.2	0.2
Professional and other services	2.5	4.1	1.9	1.2	1.7	2.0
Vatu	2.2	3.7	1.8	1.2	1.6	1.9
Foreign currency	0.3	0.4	0.1	0.0	0.1	0.1
Personal 2/	29.7	29.4	35.1	37.1	39.6	32.6
Vatu	25.5	25.7	29.1	32.7	23.4	24.5
Foreign currency	4.3	3.7	6.1	4.4	16.2	8.1
Financial institution 3/	0.2	0.7	0.4	0.2	0.1	0.1
Vatu	0.2	0.4	0.2	0.2	0.1	0.1
Foreign currency	0.0	0.3	0.2	0.0	0.0	0.0
Other	11.5	9.1	7.0	5.4	6.0	5.9
Vatu	10.3	7.7	6.2	4.0	4.8	4.3
Foreign currency	1.2	1.4	0.8	1.4	1.2	1.6
Total credit to the private sector	99.3	99.5	99.6	99.9	99.7	99.9
Vatu	87.1	85.6	84.5	85.1	74.9	82.1
Foreign currency	12.2	13.9	15.1	14.8	24.8	17.8
Public enterprises	0.7	0.5	0.4	0.1	0.3	0.1
Vatu	0.7	0.5	0.4	0.1	0.3	0.1
Foreign currency	0.0	0.0	0.0	0.0	0.0	0.0
Total credit	100	100	100	100	100	100
Vatu	87.8	86.1	84.9	85.2	75.2	82.2
Foreign currency	12.2	13.9	15.1	14.8	24.8	17.8

Source: Reserve Bank of Vanuatu, *Quarterly Economic Review*.

1/ Excluding commercial credit to the government.

2/ Including housing and land purchases.

3/ Including public financial institutions.

Table 19. Vanuatu: Selected Interest Rates, 1995-March 2000

(in percent per annum; end of period)

	1995	1996	1997	1998	1999	2000 March
<b>Vatu deposits</b>						
Savings	2.0 - 6.5	2.0 - 4.0	0.5 - 3.25	0.5 - 5.0	0.5 - 3.5	0.5 - 3.5
One month	4.5 - 6.5	3.0 - 6.0	3.0 - 6.0	2.0 - 6.0	1.25 - 6.0	1.25 - 6.0
Two-six months	3.0 - 7.5	4.5 - 6.3	3.0 - 6.0	2.25 - 6.0	1.25 - 6.10	1.25 - 7.0
More than six months	3.0 - 8.0	5.3 - 6.0	3.0 - 6.3	2.0 - 6.0	1.25 - 6.10	1.25 - 8.25
<b>Vatu advances</b>						
Commercial	10.5 - 16.0	10.5 - 16.0	10.5 - 19.0	11.75 - 18.0	10.75 - 18.0	10.75 - 18.0
Personal	12.0 - 17.0	12.0 - 17.0	12.0 - 17.0	10.25 - 23.0	10.0 - 21.0	10.0 - 25.0
Housing	11.3 - 16.0	10.5 - 14.0	10.5 - 14.0	8.75 - 17.0	8.75 - 16.25	8.00 - 12.50
Foreign exchange deposits (\$A) 1/	5.3 - 7.0	4.8 - 4.9	3.0 - 4.2	2.5 - 4.3	2.3 - 4.75	3.0 - 5.0
<b>Weighted averages 2/</b>						
Bank loans	12.7	12.7	11.9	13.1	12.3	12.3
Bank deposits	4.3	4.2	3.6	4.1	3.0	3.3
Fixed deposits	5.5	5.7	5.1	5.3	3.8	4.6
<b>Memorandum items:</b>						
Interest spread 3/	8.4	8.5	8.3	9	9.3	9.0

Source: Data provided by the Vanuatu authorities.

1/ Quoted in Vanuatu; one-month maturity.

2/ Weights used are the amounts of deposits and advances at various rates of interest shown in the banks' quarterly returns.

3/ Defined as the difference between the weighted averages of interest rates on bank loans and on deposits.

Table 20. Vanuatu: Development Bank of Vanuatu Loan Approvals, 1993-98

(in millions of vatu)

	1993	1994	1995	1996	1997	1998 April
Agriculture 1/	17.9	100.6	37.9	10.3	0	0.2
Industry and tourism	36.9	41.5	124.9	2.8	0	0.1
Transportation	89.4	19.9	55.7	11.7	0	0
Housing	34.4	12.6	10.5	0.8	0	0
Small loans	0	9.4	6	3	0	0.6
Others 2/	50.3	45.1	42	40.1	14.7	0.5
<b>Total</b>	<b>228.9</b>	<b>229.1</b>	<b>277</b>	<b>68.7</b>	<b>14.7</b>	<b>1.4</b>
<b>Memorandum items:</b>						
Outstanding loan portfolio	793	910	1,070	932.7	838.3	827.3
Operating profit (loss) for the year 3/	-128	-80	-47	-63.1	35.3	...
Arrears (in percent of outstanding loans)	43	24	24	13.5	18.7	21

Source: Data provided by the Vanuatu authorities.

1/ Includes stock breeding and fishing.

2/ Includes trade and professional services.

3/ Not applicable in 1998, because the Development Bank was merged into the National Bank of Vanuatu during that year.

Table 21. Vanuatu: Balance of Payments, 1996-99  
(In millions of U.S. dollars)

	1996	1997	1998	1999
<b>A. Trade balance</b>	-53.6	-45.6	-42.5	-51.9
Exports (f.o.b.)	30.2	35.3	33.9	25.3
Domestic exports	24.3	30.8	30.6	21.7
Reexports	5.9	4.5	3.3	3.6
Imports (f.o.b.)	-83.8	-80.9	-76.4	-77.2
Domestic consumption	-81.0	-77.8	-73.9	-76.5
Imports for reexports	-2.8	-3.0	-2.6	-0.7
<b>B. Services</b>	59.7	49.8	71.1	51.9
Receipts	103.3	101.7	125.5	128.0
Travel	24.4	50.0	60.6	55.5
Payments	-43.6	-52.0	-54.3	-76.2
<b>C. Income</b>	-18.1	-11.6	-8.3	-12.8
Receipts	21.7	20.0	21.0	20.8
Payments	-39.8	-31.5	-29.3	-33.6
<b>D. Current transfers (net)</b>	20.7	9.6	6.6	2.3
Official current transfers (net)	22.5	24.3	28.8	27.4
Private current transfers (net) 1/	-1.8	-14.7	-22.2	-25.1
<b>E. Current account</b>	8.7	2.2	26.9	-10.5
<b>F. Capital and financial account</b>	-19.1	-2.1	-27.6	11.1
Capital account	-29.8	-24.8	-42.3	-49.1
Private capital transfers (net)	-29.8	-24.8	-42.3	-49.1
Financial account	10.7	22.7	14.7	60.2
Foreign direct investment	32.7	24.0	20.4	20.1
Portfolio Investment	-1.1	-0.7	-0.5	-1.0
Other investment, of which:	-20.9	-0.6	-5.2	41.1
Government	0.6	0.3	10.6	4.7
Commercial banks	-20.7	0.8	-15.0	35.7
Other sectors	-0.8	-1.6	-0.8	0.7
<b>G. Basic balance (E+F)</b>	-10.4	0.1	-0.7	0.6
<b>H. Net errors and omissions</b>	4.7	-2.4	9.7	-2.5
<b>I. Overall balance (G+H)</b>	-5.7	-2.4	9.1	-1.9
<b>Memorandum items:</b>				
Gross official reserves	44.0	37.0	44.3	42.7
Months of import cover 2/	6.5	6.1	7.3	6.7
Months of import cover 3/	5.9	5.5	6.7	5.8
Exchange rate (Vatu per U.S. dollar, period average)	111.7	115.9	127.5	129.1

Source: Reserve Bank of Vanuatu.

1/ Reported to comprise mainly credit card payments by expatriate residents to foreign creditors.

2/ Based on gross official reserves.

3/ Based on net official reserves.

Table 22. Vanuatu: Principal Exports, 1995-99  
(In millions of U.S. dollars)

	1995	1996	1997	1998	1999
Domestic exports, f.o.b.	22.8	24.2	30.8	30.6	21.7
Copra	9.8	11.1	17.3	13.4	10.7
Volume (metric tons)	28,520	30,026	47,247	40,344	27,732
Unit value (dollar/ton)	344	370	366	331	387
Cocoa	1.1	1.6	2.1	1.3	1.2
Volume (metric tons)	1,035	1,247	1,247	1,615	1,104
Unit value (dollar/ton)	1,086	1,256	1,661	801	1,046
Beef	3.8	3.8	3.6	2.5	3.2
Volume (metric tons)	1,502	1,584	1,898	1,298	1,577
Unit value (dollar/ton)	2,536	2,430	1,901	1,964	2,029
Timber	2.2	3.2	4.4	4.1	2.4
Volume (metric tons)	3,257	7,259	13,490	11,789	13,806
Unit value (dollar/ton)	690	441	328	347	176
Kava	0.4	0.6	0.9	7.0	2.5
Volume (metric tons)	52	64	105	749	334
Unit value (dollar/ton)	8,234	8,951	8,384	9,297	7,492
Other	5.3	4.0	2.5	2.4	2.3
Reexports	5.5	5.9	4.5	3.3	3.6
Total	28.3	30.2	35.3	33.9	25.3

Source: Data provided by the Reserve Bank of Vanuatu.

Table 23. Vanuatu: Composition of Imports, 1995-99  
(In millions of U.S. dollars)

	1995	1996	1997	1998	1999
Imports, c.i.f.	95.1	97.5	96.9	91.5	92.5
For domestic consumption	91.6	94.1	93.2	88.4	91.6
Food and live animals	14.4	19.1	18.5	17.8	18.6
Beverages and tobacco	3.3	3.6	3.4	3.6	3.6
Crude materials, excluding fuels	1.0	1.3	1.3	1.4	2.2
Mineral fuels	7.7	8.7	10.0	7.4	6.9
Animal, vegetable, and oil fats	0.3	0.5	0.5	0.5	0.5
Chemicals	6.3	6.4	5.8	5.3	5.4
Basic manufactures	18.7	16.0	14.3	12.7	12.3
Machinery and transportation equipment	27.0	22.0	24.2	24.8	24.1
Miscellaneous manufactured goods	11.0	14.2	11.0	9.9	12.0
Goods not specified	1.9	2.3	1.5	1.9	1.6
Reexports	3.4	3.4	3.6	3.1	0.9
	(In percent of total)				
Food and live animals	15.7	20.3	19.8	20.2	20.3
Beverages and tobacco	3.6	3.8	3.6	4.1	3.9
Crude materials, excluding fuels	1.1	1.3	1.4	1.5	2.4
Mineral fuels	8.4	9.3	10.7	8.3	7.5
Animal, vegetable, and oil fats	0.4	0.6	0.5	0.6	0.5
Chemicals	6.9	6.8	6.2	6.0	5.9
Basic manufactures	20.4	17.0	15.3	14.3	13.4
Machinery and transportation equipment	29.5	23.4	25.9	28.1	26.3
Miscellaneous manufactured goods	12.0	15.1	11.7	11.2	13.1
Goods not specified	2.1	2.4	1.6	2.1	1.8

Source: Data provided by the Reserve Bank of Vanuatu.

Table 24. Vanuatu: Direction of Trade, 1995-99

(In percent of total value)

	1995	1996	1997	1998	1999
<b>Exports, f.o.b. 1/</b>					
Australia	10.4	3.5	2.3	3.1	2.7
European Union	37.4	21.6	47.8	33.6	43.7
New Caledonia	6.0	4.4	4.3	3.4	4.3
Japan	24.0	16.2	10.1	11.2	19.4
Bangladesh	10.2	30.9	16.9	18.0	5.3
Other	12.0	23.3	18.6	30.7	24.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Imports, c.i.f. 2/</b>					
Australia	40.1	44.5	42.8	43.0	43.6
Japan	7.7	5.6	7.6	6.4	5.4
France (including New Caledonia)	13.6	15.0	12.4	13.6	9.0
Fiji	6.2	7.6	6.0	5.2	6.0
New Zealand	12.1	11.9	11.4	10.8	13.9
Other	20.3	15.4	19.9	21.1	22.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Data provided by the Reserve Bank of Vanuatu.

1/ Domestic exports.

2/ Imports for domestic consumption.

Table 25. Vanuatu: Services Account, 1996-99  
(In millions of U.S. dollars)

	1996	1997	1998	1999
Services, net	59.7	49.8	71.1	51.9
Receipts	103.3	101.8	125.4	128.1
Transportation	18.0	17.1	22.5	23.3
Freight	0.4	0.8	1.3	1.4
Passenger	7.7	7.8	12.0	9.4
Other	9.9	8.5	9.2	12.5
Travel	51.2	50.1	60.6	55.5
Communications	1.8	2.4	3.5	5.1
Constructions	0.3	0.3	0.3	0.6
Government services	8.6	7.3	6.0	9.2
Insurance	0.3	0.4	0.7	0.8
Financial services 1/	4.7	3.7	6.5	6.5
Miscellaneous business services	2.3	2.4	3.3	6.7
Other	16.1	18.1	22.1	20.2
Payments	43.6	52.0	54.3	76.2
Transportation	21.3	21.8	19.3	16.4
Freight	15.2	15.5	13.0	10.9
Passenger	0.0	0.0	0.0	0.0
Other	6.1	6.3	6.3	5.5
Travel	6.3	8.2	7.8	11.4
Communications	0.9	1.3	0.9	1.2
Construction	0.1	0.2	0.3	0.8
Government services	3.2	4.4	4.1	8.9
Insurance	1.1	1.6	1.6	1.7
Financial services	3.0	3.1	4.7	6.9
Miscellaneous business services	3.5	4.2	3.4	7.1
Other	4.3	7.3	12.2	21.8

Source: Data provided by the Reserve Bank of Vanuatu.

1/ Includes commissions.



Table 26. Vanuatu: Income Account 1996-99  
(In millions of U.S. dollars)

	1996	1997	1998	1999
Income, net	-18.1	-11.6	-8.3	-12.8
Receipts	21.7	20.0	21.0	20.8
Compensation of employees	1.1	1.1	1.6	2.1
Local employees of embassies and international organizations	0.8	0.8	1.1	1.3
Foreign direct investment income	0.0	0.0	0.0	0.0
Portfolio investment income	0.5	0.3	0.7	1.3
Other investment income	20.1	18.5	18.7	17.4
Monetary authorities	2.1	2.2	2.4	2.9
Government	0.3	0.3	0.1	0.0
Commercial banks	13.7	13.2	12.9	11.7
Other	4.0	2.8	3.3	2.8
Payments	39.8	31.6	29.3	33.6
Compensation of employees	1.8	2.1	2.0	3.2
Salaries of short-term technical assistance personnel	0.7	0.9	1.0	1.7
Foreign direct investment income	31.4	24.2	20.5	20.4
Dividends and distributed branch profits	0.6	1.7	2.5	2.4
Re-invested earnings and undistributed branch profits	30.7	22.4	18.0	18.0
Other investment income	6.7	5.3	6.8	10.0
Monetary authorities	0.0	0.0	0.0	0.0
Government	1.4	0.1	0.2	0.8
Commercial banks	4.5	4.2	4.5	8.2
Other	0.7	1.0	2.0	1.0

Sources: Data provided by commercial banks and the Reserve Bank of Vanuatu.

Table 27. Vanuatu: Official and Private Transfers, 1996-99  
(In millions of U.S. dollars)

	1996	1997	1998	1999
Total current transfers	20.7	9.6	6.6	2.3
Official current transfers, net	22.5	24.3	28.7	27.4
Official grant aid	21.3	23.3	28.0	26.8
Technical assistance	6.3	7.6	8.4	12.9
Aid in cash	5.4	5.4	5.5	4.5
Aid in kind	9.6	10.4	14.2	9.4
Other official transfers	2.0	2.0	1.7	1.7
Company registration fees	1.4	1.5	1.0	1.0
Shipping registry	0.5	0.4	0.6	0.4
Fishing licensing fees	0.2	0.3	0.4	0.4
Other	-0.1	-0.2	-0.2	-0.2
Current official transfer payments	-0.8	-1.1	-0.9	-1.1
Contributions to international organizations	-0.4	-0.5	-0.5	-0.7
Other	-0.4	-0.6	-0.5	-0.4
Private current transfers	-1.8	-14.7	-22.2	-25.1
Inward transfers from family members	12.5	10.4	9.2	11.0
Outward transfers of resident expatriates 1/	-14.3	-25.0	-31.4	-36.1
Total capital transfers	-29.8	-24.8	-42.3	-49.1
Private capital transfers	-29.8	-24.8	-42.3	-49.1
Migrants and other private transfer receipts	8.2	5.2	13.7	17.5
Migrants and other private transfer payments	-38.0	-30.0	-55.9	-66.7

Source: Data provided by the Reserve Bank of Vanuatu.

1/ Reported to comprise mainly credit card payments by expatriate residents to foreign creditors.

Table 28. Vanuatu: Financial Account, 1996-99

(In millions of U.S. dollars)

	1996	1997	1998	1999
Financial Account	16.5	25.1	9.6	62.1
Foreign direct investment	32.7	24.0	20.4	20.1
Equity capital				
Reinvested earnings	30.7	22.4	18.0	18.0
Other capital	2.0	1.6	2.4	2.1
Portfolio investment	-1.1	-0.7	3.5	-1.0
Assets	-1.1	-0.7	3.5	-1.0
Liabilities				
Other investments	-20.9	-0.6	-5.2	41.1
General government	0.6	0.3	10.6	4.7
Banks	-20.7	0.8	-15.0	35.7
Other sectors	-0.8	-1.6	-0.8	0.7
Reserve Assets 1/	5.7	2.3	-9.1	1.9
SDR	-0.1	-0.1	-0.2	-0.4
Reserve position with the fund	0.3	0.1	-0.3	-1.3
Foreign exchange	5.5	2.3	-8.6	3.6

Source: Data provided by the Reserve Bank of Vanuatu.

1/ Reserve assets are not included in the financial account of the balance of payments (Table 21).

Table 29. Vanuatu: External Public Debt and Debt Service, 1995-99  
(In millions of U.S. dollars)

	1996	1997	1998	1999
<b>Total external debt outstanding (disbursed) 1/</b>				
Beginning-of-period stock	42.9	42.0	39.6	53.6
Net flow	-0.9	-2.4	14.0	10.5
Disbursements	1.0	0.6	10.8	5.0
Amortization	-0.4	-0.4	-1.2	-0.5
Adjustment 2/	-1.5	-2.7	4.4	6.0
End-of-period stock	42.0	39.6	53.6	64.1
<b>Debt service</b>	<b>0.8</b>	<b>0.7</b>	<b>1.5</b>	<b>1.1</b>
Principal	0.4	0.4	1.2	0.6
Interest	0.4	0.4	0.3	0.5
<b>Memorandum items:</b>				
External debt/GDP (in percent)	18.8	19.5	25.4	29.9
Debt service ratio (in percent) 3/	0.6	0.52	0.9	0.7

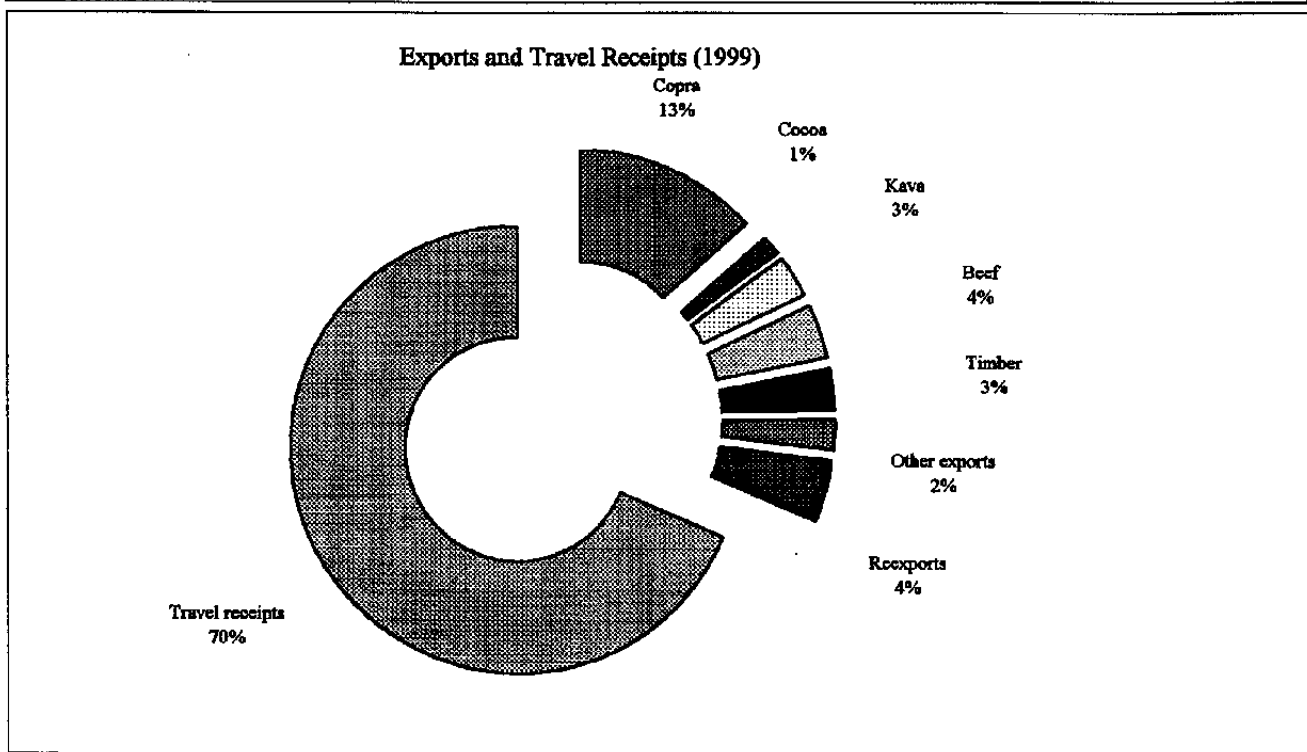
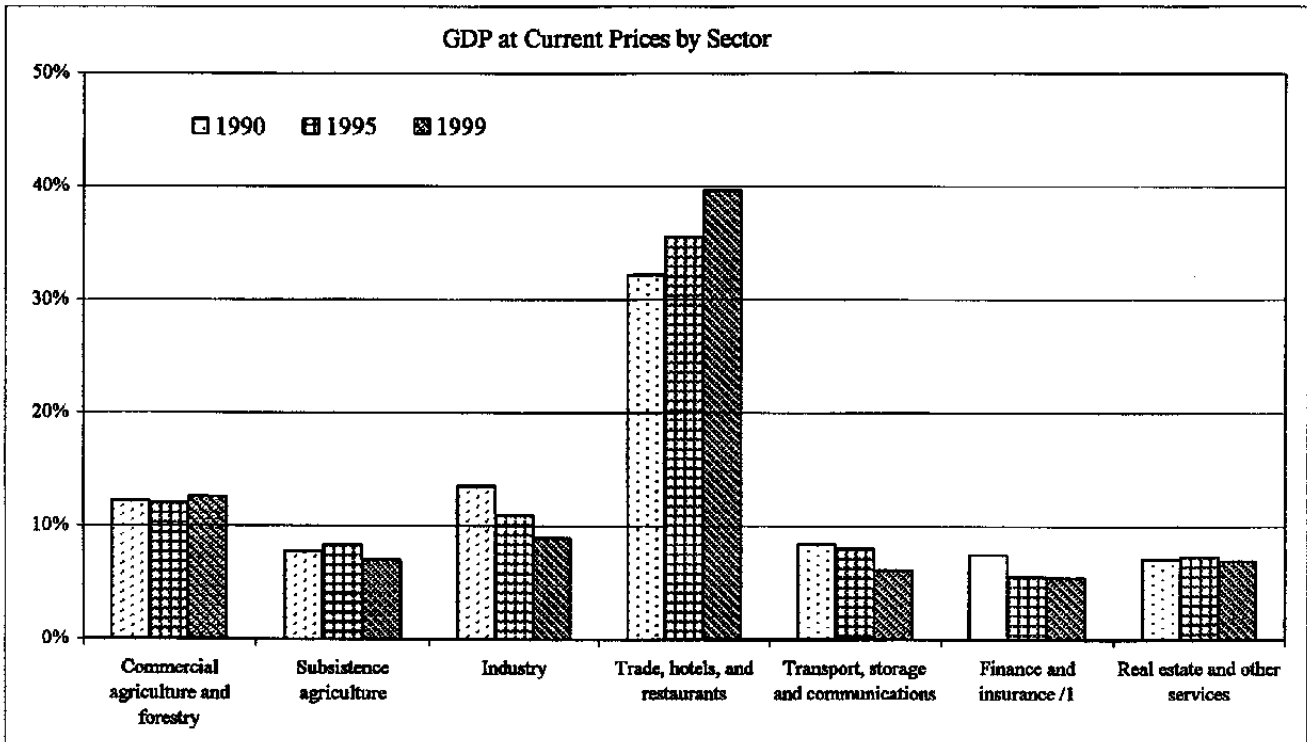
Source: Data provided by the Vanuatu authorities.

- 1/ Medium- and long-term public debt only.
- 2/ Includes valuation changes and write-offs.
- 3/ In percent of exports of goods and services.

Figure 1.

VANUATU

Nominal GDP and Export Earnings by Sector



Source: Data provided by the Vanuatu authorities.

1/ Finance and insurance less imputed bank service charges.

Figure 2.  
VANUATU

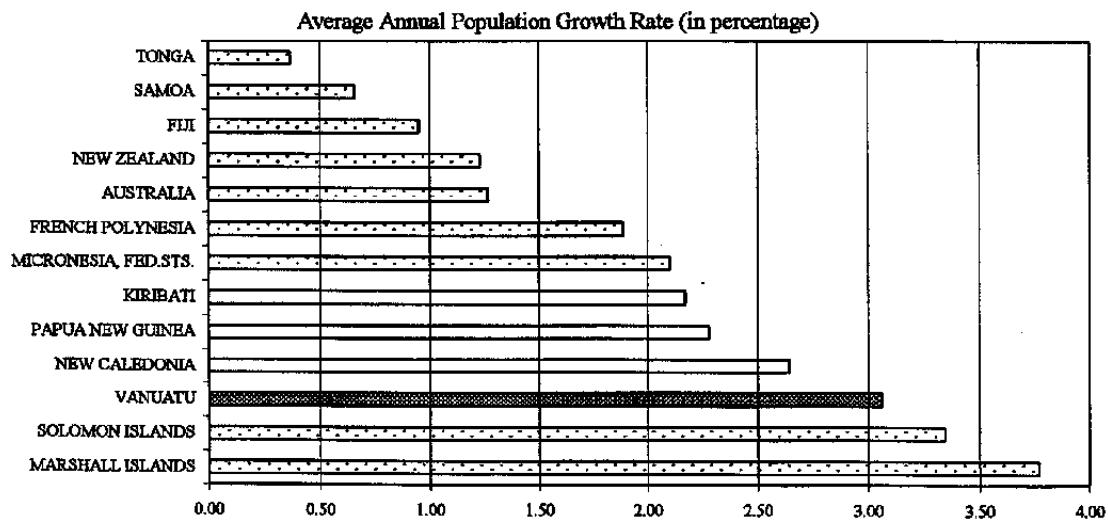
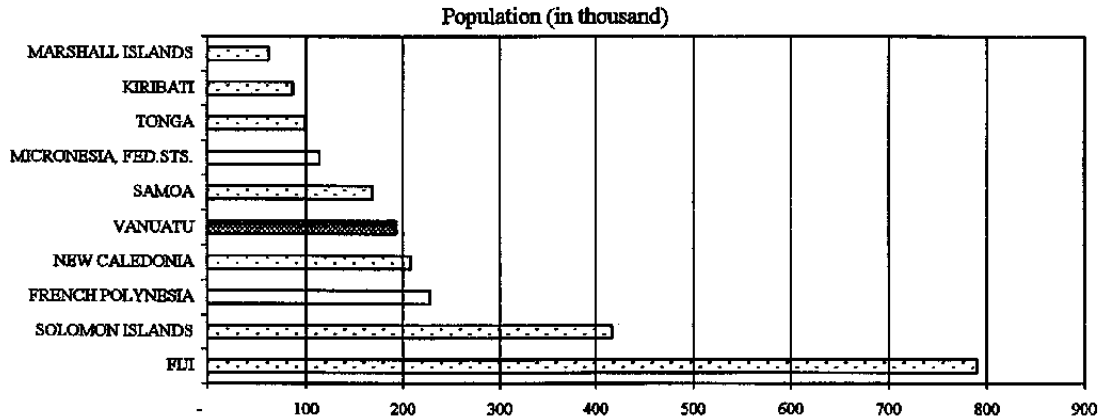
Population and Population Growth Rates of Selected Countries and Territories in the South Pacific

Population and Population Growth Rates of Selected Countries and Territories in the South Pacific

	Population (1998)	Average Annual Growth Rates 1988-1998
AUSTRALIA	18,751,000	1.27
FIJI	790,430	0.95
FRENCH POLYNESIA	227,370	1.89
KIRIBATI	86,000	2.17
MARSHALL ISLANDS	62,000	3.77
MICRONESIA, FED.STS.	113,470	2.10
NEW CALEDONIA	207,290	2.64
NEW ZEALAND	3,792,200	1.23
PAPUA NEW GUINEA	4,602,760	2.28
SAMOA	169,100	0.66
SOLOMON ISLANDS	416,240	3.34
TONGA	98,700	0.37
VANUATU 1/	193,219	3.06

Sources: World Development Indicators, 2000; and data provided by the Vanuatu authorities.

1/ For Vanuatu, population is as of 1999, and average annual growth is for the period 1989-99.



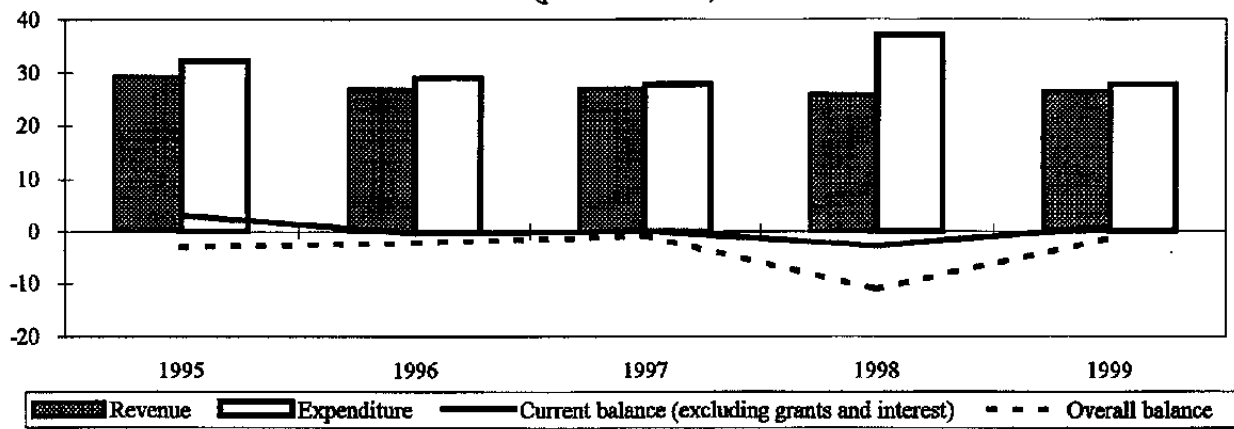
Source: Data provided by the national authorities.

Figure 3.

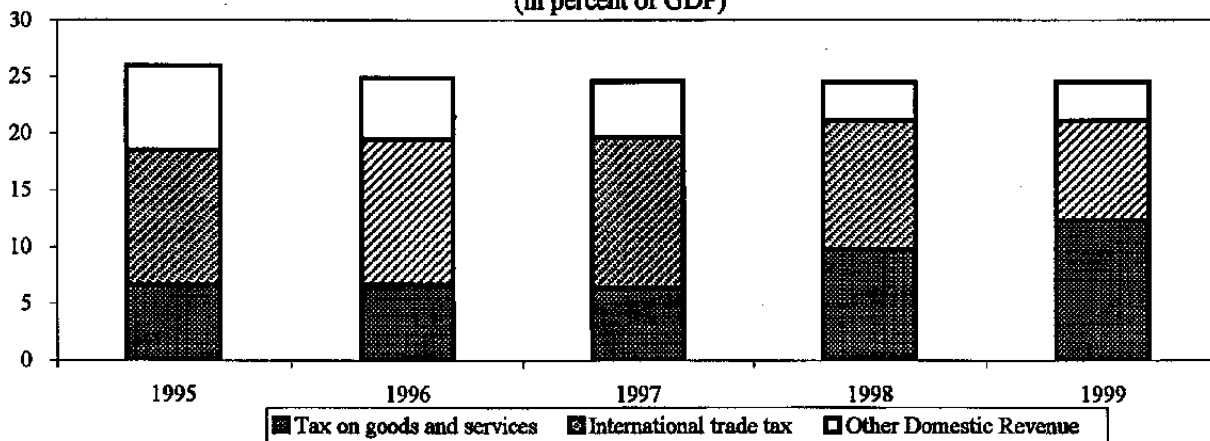
VANUATU

Fiscal Indicators, 1995-99

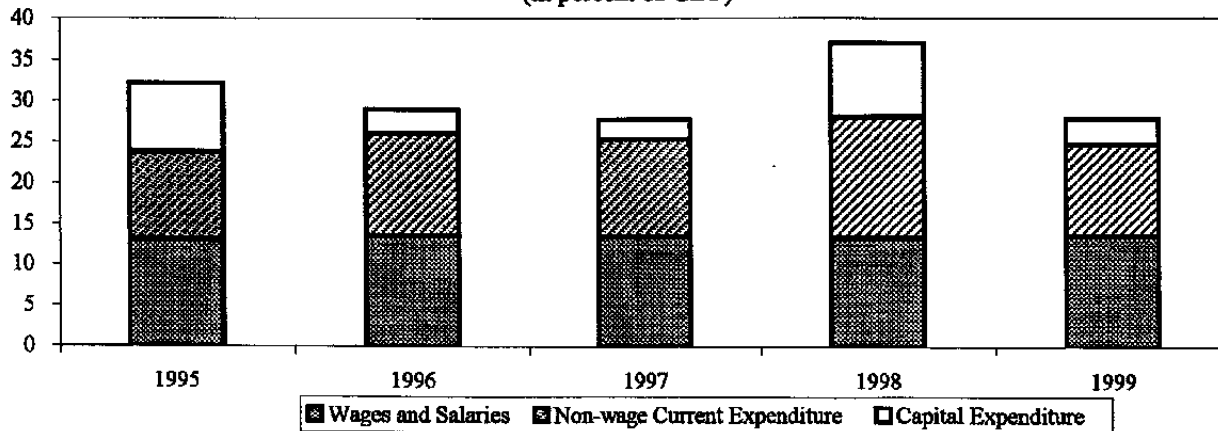
Overall Fiscal Developments  
(percent of GDP)



Composition of Domestic Revenue  
(in percent of GDP)



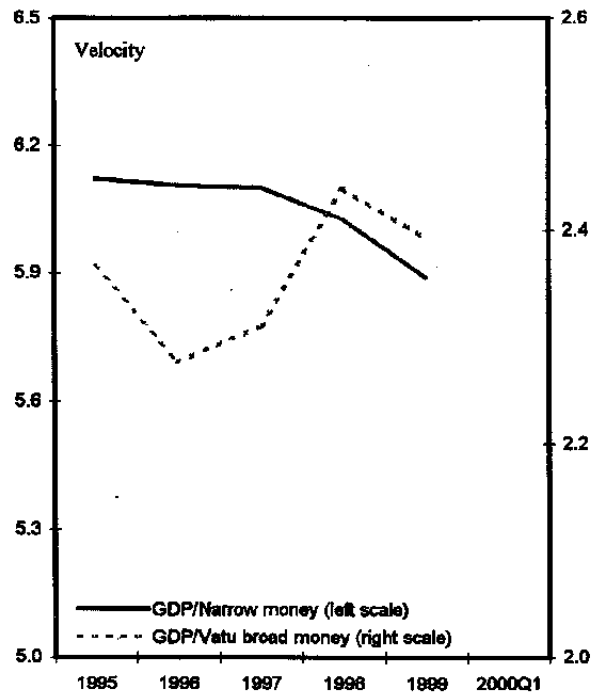
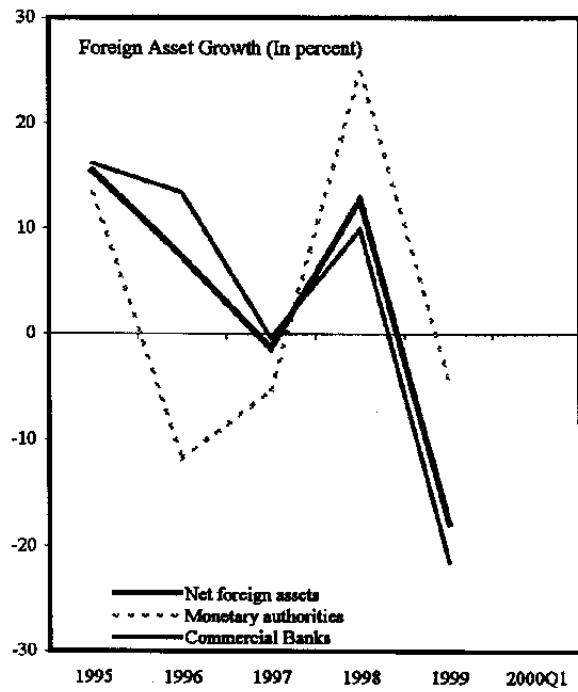
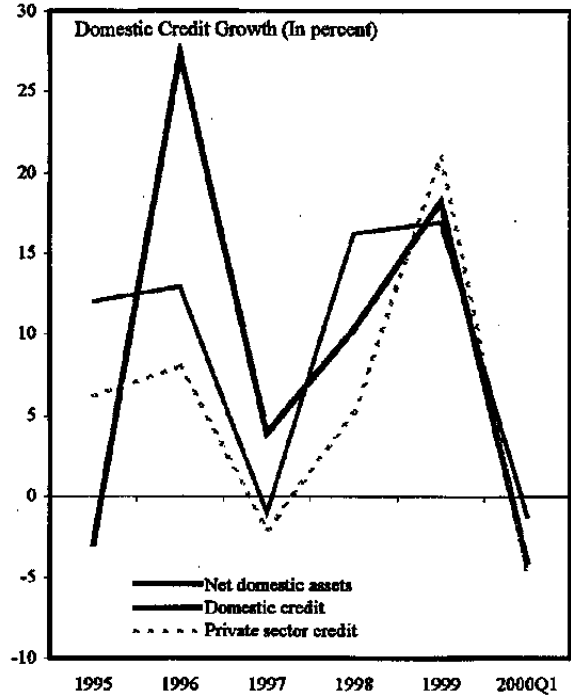
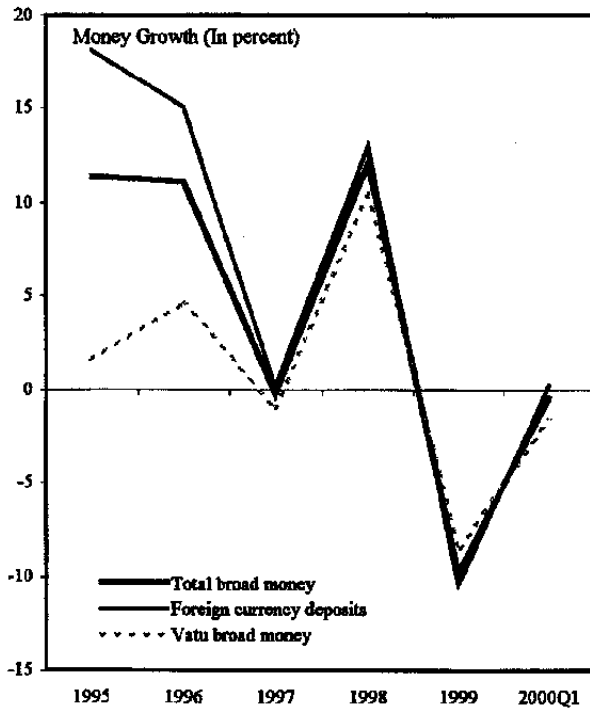
Composition of Expenditure  
(in percent of GDP)



Source: Data provided by the Vanuatu authorities.

Figure 4.  
VANUATU

Monetary Indicators, 1995 - 2000Q1

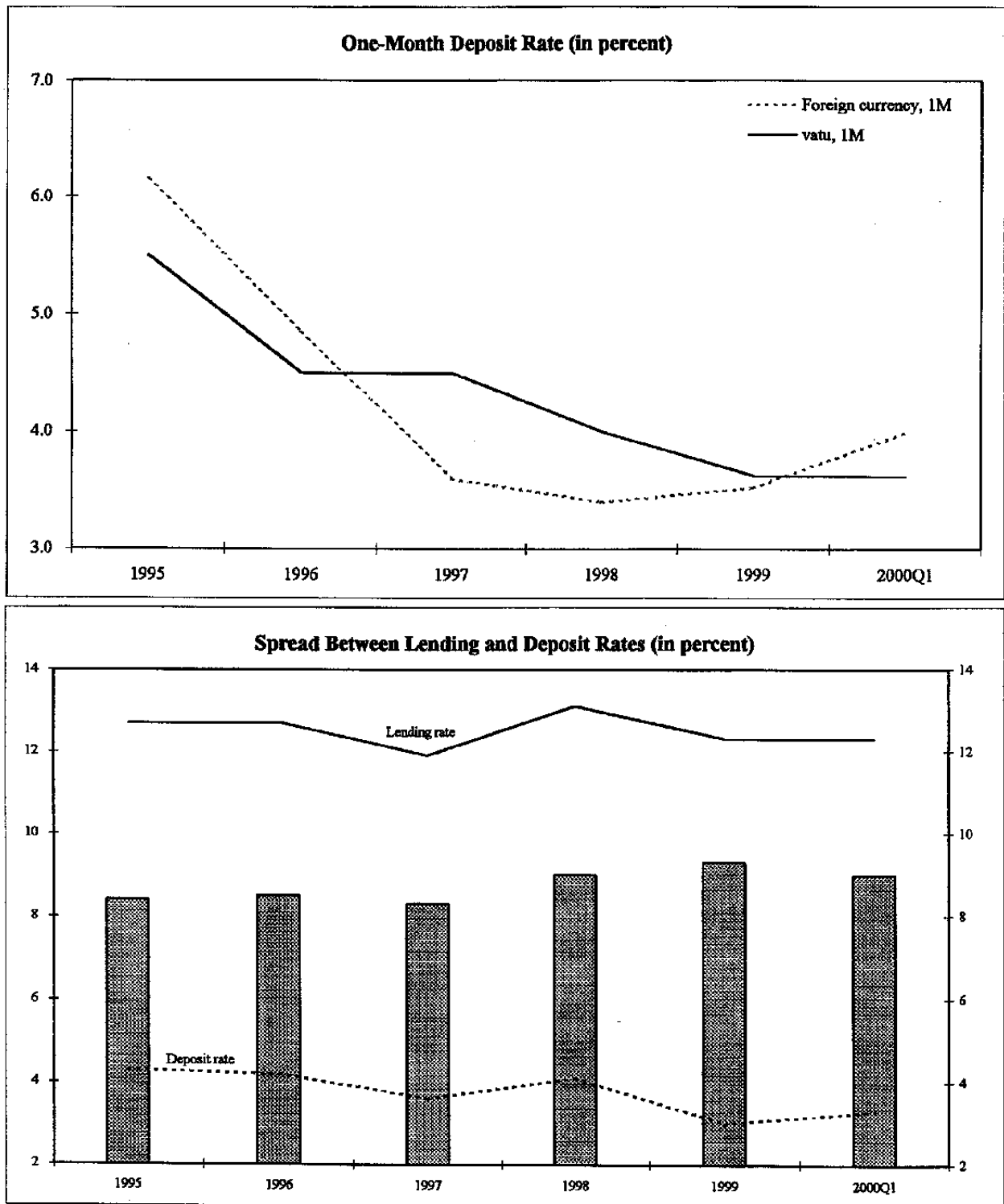


Source: Data provided by the Vanuatu authorities.



Figure 5.  
VANUATU

Interest Rate Indicators, 1995 - 2000Q1

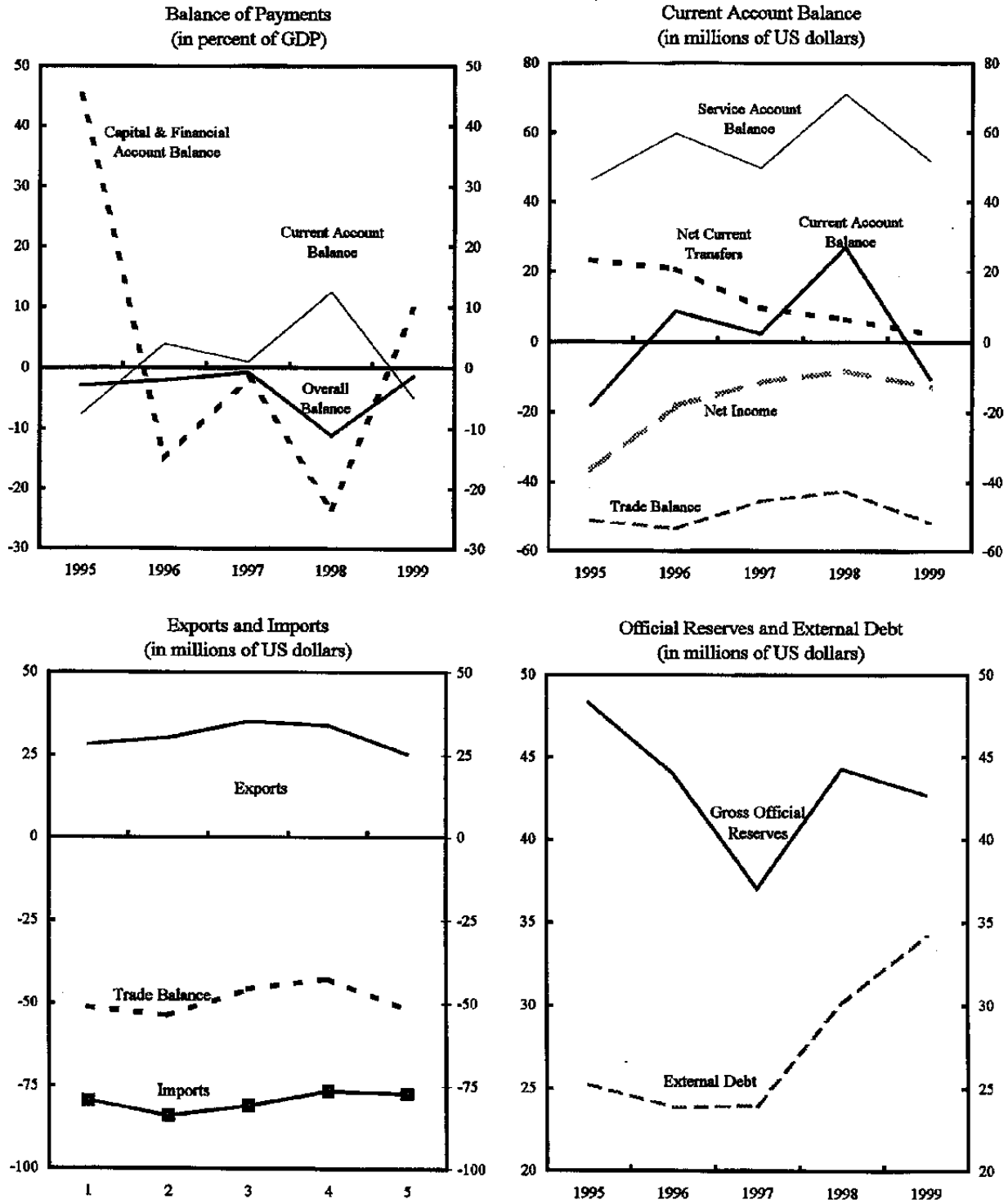


Source: Data provided by the Vanuatu authorities.

Figure 6.

VANUATU

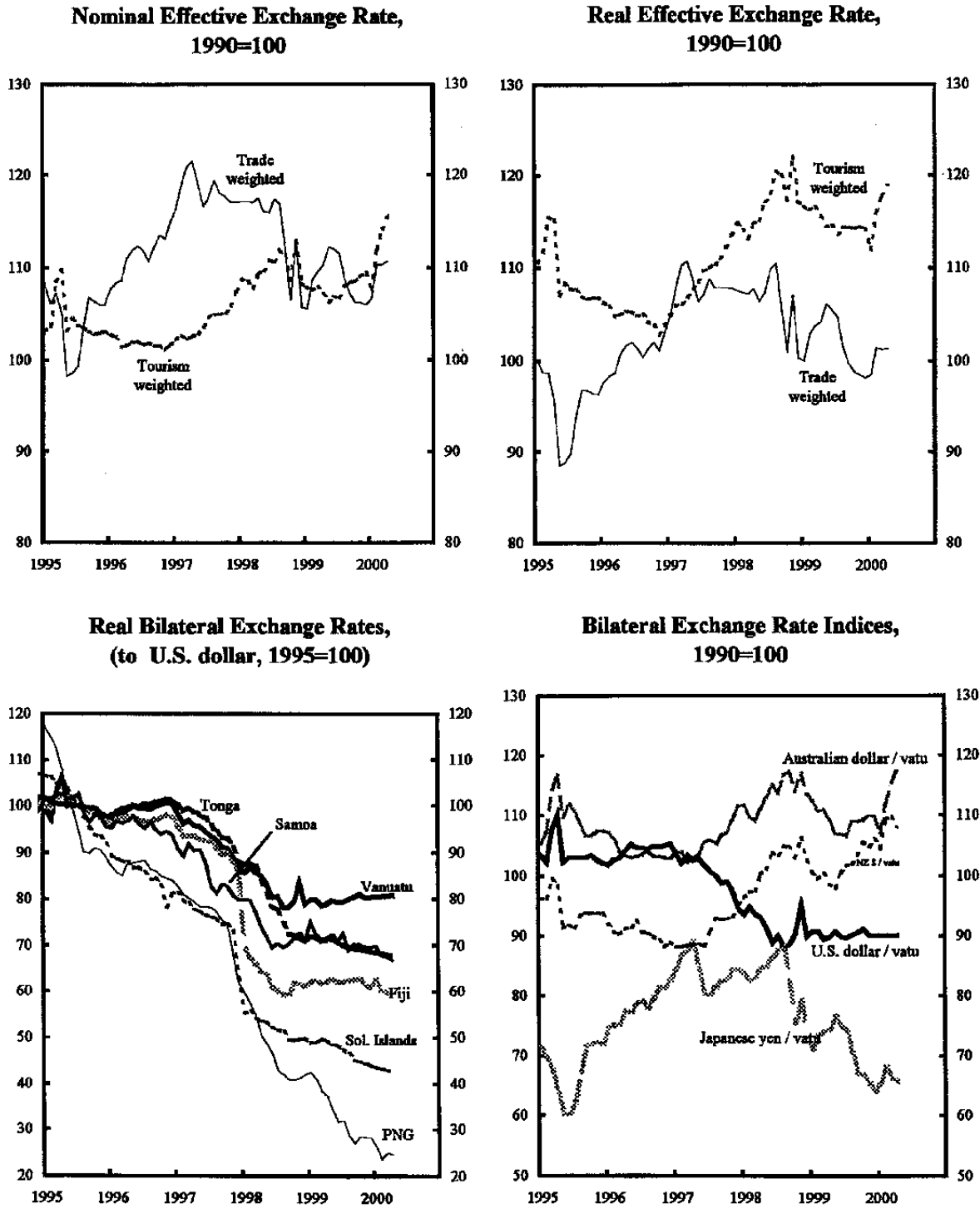
External Sector Indicators, 1995-99



Source: Data provided by the Vanuatu authorities.

Figure 7.  
VANUATU

Exchange Rate Indices, 1995 - April 2000



Sources: Data provided by the Vanuatu authorities; and IMF staff estimates.