



# **REPUBLIC OF VANUATU**

**UNESCAP 71<sup>ST</sup> COMMISSION SESSION**  
**25 – 28 MAY, 2015 Bangkok, Kingdom of Thailand**

*“Balancing the Three Dimensions of Sustainable Development: From  
Integration to Implementation”*

## **COUNTRY STATEMENT**

**Delivered by Hon. Maki Simelum, Minister of Finance  
and Economic Management**

29 May, 2015



MR. CHAIRMAN

Your Excellency Prime Minister of Thailand

Your Excellency President of the Republic of Kiribati

Your Excellency President of Nauru

Your Excellency President of Marshall Islands

Your Excellency Prime Minister of the Cook Islands

Your Excellency Prime Minister of Tuvalu

Honourable Ministers

Executive Secretary of ESCAP

Distinguished delegates

Ladies and Gentlemen

It gives me great pleasure in addressing this session today given its significant importance to Vanuatu and our region. First of all, I wish to extend my gratitude to ESCAP and the Government and People of Thailand for being such warm and sincere host of this event. I would like to take this opportunity to convey the Government of Vanuatu's utmost gratitude to the international community, including our own Pacific Development Member Countries for their generous support towards both the country's disaster response and the post-cyclone Pam rehabilitation and recovery processes. I assure you all that all relief assistance will be used for their intended purposes.

On the 13th of March 2015, a category-five tropical cyclone, Pam, hit Vanuatu, resulting in the loss of eleven lives and extensive damage to infrastructure, agriculture, housing, and tourist facilities. The cyclone undermined food security for more than 60 per cent of the country's population, destroyed or severely damaged more than a quarter of the housing stock, and disrupted the provision of essential services such as water, electricity, and telecommunication. With many schools damaged and several used as shelters, education has been disrupted.



Damage to hospitals and clinics has interfered with health service delivery just as the need has surged. The Damage and Loss Assessment completed in April puts the total value of the damages to property at US\$283 million. Together with estimated production losses of US\$186 million, the total estimated cost of the cyclone amounts to US\$469 million, equivalent to 61 per cent of GDP.

The disaster has set back our efforts to develop the economy. It has damaged critical infrastructure such as bridges, roads, wharves, and airports. The tourism sector—Vanuatu's main source of foreign exchange—has been hit hard, with several major hotels closed for repairs. Agriculture has suffered even more, as this year's crop has been destroyed in many parts of the country, and some areas will take years to recover; moreover, much livestock perished in the cyclone and many fishing boats were damaged. We expect our economic growth to be considerably lower this year than the robust expansion anticipated prior to this sudden and exogenous shock, even after taking into account reconstruction activity. With Vanuatu's main export sectors—tourism and agriculture—severely affected by the cyclone and with imports boosted by emergency response, recovery and reconstruction needs, and infrastructure investment, we project a sharp deterioration of our trade balance for 2015, in the order of 35 per cent of GDP. While this deterioration will be partially offset by insurance receipts, external assistance, and private capital inflows, it will put pressure on our external position, and we are concerned that our international reserves may fall to a dangerously low level.

Immediately after the event of March 13, 2015, the government deployed necessary policy measures to alleviate the negative impacts of the tropical cyclone Pam in the economy.



This includes exemptions in applying Value Added Tax on construction related materials and gardening tools and postponement of paying business licenses for the next three months ending June 2015. In support to these measures, our Pension Fund has activated 20 per cent of members' retirement benefits.

While significant increases in budget deficits and public debt are inevitable as we rebuild our economy, the government is committed to restoring its fiscal and financial buffers over time. The government will embark on fiscal consolidation as soon as economic recovery takes hold and aim to put the ratio of public debt to GDP on a declining path. To this end, the Government will take the following steps: (i) strengthen spending discipline by stricter adherence to budget allocations, strengthening internal audit, and making other improvements in public financial management, with technical assistance from PFTAC; (ii) review our infrastructure investment program to ensure that debt-financed projects fit into our country's overall development strategy and are in line with our implementation capacity; (iii) mobilize additional fiscal revenues (which are currently low in comparison to regional peers) via further improving compliance, raising non-tax revenues, and other measures. While enforcing expenditure control, we will make sure that vulnerable groups of the population are protected and sufficient funds are allocated for primary and secondary education and for health care.

Our Central Bank has lowered its policy interest rate and reduced the statutory reserve deposit requirement to support economic recovery and ensure that banks have sufficient liquidity. We will continue to support the economy and the banking system while maintaining adequate safeguards. In the same vein, our supervisory policies will make certain that banks continue to follow prudential norms for loan quality assessment with adequate risk management.



Once the recovery takes hold and the situation normalizes, the government will undertake a diagnostic assessment of bank balance sheets and, if necessary, seek to replenish bank capital.

Vanuatu continues to promote inclusive growth through structural reforms. Private sector development and employment creation are top priorities in our Priorities and Action Agenda. Our infrastructure plans target development in several islands and will improve connectivity across the country. The recently established—via a public-private partnership—submarine cable connection will provide additional opportunities. We will continue our commitments to implement the National Financial Inclusion Strategy in bringing financial services to remote areas of the country, including via mobile banking and micro-credit. We are developing strategies for providing low-cost housing to the needy. In cooperation with the World Bank, we are working on improving access to electricity in rural areas as well as in and around Port Vila.

Mr. Chairman, Vanuatu recognises and supports the work emanating from the ESCAP trust fund and appreciates the assistance it has provided. Furthermore, my Prime Minister was also at the launching of the Samoa Pathway and Vanuatu continue to support its implementation and its resolution in the region and look forward to ESCAP's contribution to this at the region and national level.

Mr. Chairman, Vanuatu is to graduate in the next couple of years however, our vulnerability is the main challenge here and one in which we cannot turn a blind eye to.



As a country that is ranked one of the most prone to natural disasters in the world, my government is seeking the support of members and the international community to lend their continued support and technical assistance both during and after our transition period. Furthermore, the Vanuatu government has sought the assistance of the UN system for assistance for its transition strategy. In this regards, we look forward to working with the secretariat in ensuring that we do reach our graduation status.

Mr. Chairman Vanuatu acknowledges this years them of Balancing the Three Dimensions of Sustainability, from integration to implementation and sees the importance of supporting the SAMOA Pathway.

Mr. Chairman, Distinguished delegates Vanuatu only two years ago launched its National Energy Road Map 2013 – 2020 which was timely for our vulnerable small island state. The Road Map provides a consistent set of guiding institutional framework, policies and plans for investment and growth in the energy sector.

Mr. Chairman, given the uncertainty of our ever changing environment, the Vanuatu Government strongly supports the renewable energy approach that not only we are taking but other SIDs, Vanuatu is now benefiting from hydro-power, bio-fuel and wind energy..

Mr. Chairman, the role of ICT can not be neglected in addressing our impedements, ICT contributes to the social and economic development by enabling access to and exchange of information and services in particular during disasters.



Mr. Chairman, the challenges we face have become our opportunities, the political will and stability has seen ICT become a centre piece in government priorities and has seen the vast increase in universal connectivity. Government's backed social development project to provide broadband access to schools and health centres across our scattered islands will see connectivity of 98% of all schools by 2018. We have opened up the market, improved coverage from 16% to 90% and established fair, independent regulation and a fully integrated government broadband infrastructure. Vanuatu has also become the first in the Pacific to have its first internet exchange, where we will establish a computer incidence response team to collaborate at a regional level on raising awareness of cyber security and dealing with cyber crime.

Mr. Chairman as we move forward, may I reiterate and confirm our preparations in finalizing our national sustainable development goals to which we look forward to and working hand-in-hand with the Samoa Pathway as well as the SDG's post 2015.

Mr. Chairman, Your Excellencies, Distinguished Delegates, Ladies and Gentlemen.

Tankiu tumas