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Vanuatu

Comprehensive reform program in the Republic of Vanuatu: a major challenge, through the eyes of a ni-Vanuatu

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Introduction

Whether the Comprehensive Reform Programme (CRP) currently being implemented in Vanuatu can be judged a success or failure is far too premature to determine at this stage. This paper does not intend to go into any structural criticisms of the CRP as such. However, it seeks to provide a background commentary to complement the two major papers by Dr Terry Dwyer, 'Harmful tax competition and the future of offshore financial centres, such as Vanuatu' and Dr Patrick de Fontenay, 'The financial sector in Vanuatu: reform and new challenges'.

The paper starts with a basic brief background of political, social and economic development since independence in 1980, leading to the introduction of the CRP and will briefly outline some of the major challenges and constraints in the implementation of this reform. Last, but not least, it will raise issues and ideas that could potentially move the process forward in Vanuatu.

Background

Vanuatu has a very interesting history. There are three distinct chapters in the development process of both the economy and the government from the colonial era up to recent times. In colonial days, the system was more centralised, then decentralisation came after independence in 1980, and currently there is a private sector led growth focus under the CRP.

The centralised condominium system established in 1906 by the British and the French did not successfully operate in the New Hebrides due to lack of recognition and appreciation of the high cultural, social and geographical diversity within the country. The majority of the ni-Vanuatu were not being reached under the Condominium arrangements, thus decentralisation was most favoured. This had been one of the major catalysts towards the push for independence in Vanuatu.

Since independence, the government had adopted the decentralisation phenomenon as the country's priority. Decentralisation policies and legislation were developed, enacted and implemented. Through decentralisation policies and legislation, it was hoped that both the economic and the governing power would be brought down right to the village level through the establishment of 12 Local Governments, each with a headquarter. These Island Local Governments were later restructured into six Provincial Governments.

Whilst decentralisation may have been seen by many as the most appropriate system for Vanuatu, hope was cut short by the ever-growing corruption and mismanagement of resources within the Administration. Politics and greed have been the major contributors, along with other factors, in the downfall of the decentralisation processes. Improper and illegal handouts to wantoks and voters have led to the mentality amongst rural ni-Vanuatu of becoming more dependent on the Government. These have resulted in more corruption and mismanagement of the country's resources by leaders to keep the people happy and retain their seats in Parliament. Many people have resorted to criminal activities for survival especially in the two major towns of Port Vila and Santo.

This was due to the fact that there were no or very few check and balance mechanisms being established within the system that could be utilised to safeguard the system from wrongful deeds. The establishment of the Ombudsman's Office in 1995 saw the exposure of the maladministrative practice and corruption by the leaders and the Administration. However, Ombudsman recommendations were not considered seriously by the successive governments

and very few of those recommendations were implemented. It was these Ombudsman reports that were a driving force behind the CRP.

Vanuatu was at this stage on the verge of bankruptcy. The Vanuatu Government had not much choice but to accept the CRP package in the hope of rescuing the country from the political, social and economic crisis. Under this reform, private sector led growth is the main focus.

Comprehensive Reform Programme

Vanuatu is well into the third year of a three-year CRP funded by the Asian Development Bank (ADB). Although CRP is a government initiative, it is aimed at all sectors at all levels from the highest political decision making entity, such as the Parliament, to the village grassroots. In effect, the Reform Programme was designed to be comprehensive since it is addressing the economic, political and social aspects of Vanuatu's society and especially its government.

Generally, CRP is envisaged to encompass five key areas

1. Strengthening public institutions and enacting the basic laws to establish the framework for governance.
2. Restructuring of the Public Service to improve its effectiveness and efficiency.
3. Strengthening the institution of Parliament.
4. Strengthening of the legal sector to ensure the enforcement of laws.
5. Extensive financial and economic reform in order to improve performance of the economy and raising standard of living.

The implementation was to happen in three phases. Phase One addressed Points 1 and 2. Phase Two dealt with Point 5. This phase was supposed to be completed by the end of 1999. It was dealing with enhancing economic growth and developing a dynamic private sector, as well as looking to improving social equity and sustainability. Phase three was scheduled to begin this year and was supposed to address the following key areas

1. Enactment of reforms already made.
2. Extending governance reforms to embrace Parliament and legal sector.
3. Implementing a range of social reforms to ensure that the benefits of CRP are shared and that reform is sustained.
4. Achieving improvement to economic conditions and to service delivery at the village level.

Whilst there were three distinctive implementation phases in the design of the programme, there were overlaps and shortfalls that have prevented the successful accomplishment of the various phases as planned.

Major challenges

Vanuatu and its government have been challenged by a number of political, social and economic factors that need to be dealt with:

- Meeting a balance between the Government's commitment under the CRP agreement with ADB as the major donor agency and the priority needs of the country in terms of policy and legal development. Amongst many laws, the Public Service Act (1998), the Foreign Investment Act (1999) and the Leadership Code Act (1999) were top priority under the CRP.
- Creating a new tax system—Value Added Tax (VAT) was introduced which saw abolishment of the previous tax systems such as custom duties.
- Maintaining sustainability of the programme – it is not evident enough whether or not there is a real political will and support for the CRP as political instability and continuous changes that are contradictory to the agreed principles under the programme. The management of the CRP process raises a lot of questions. The process is dominated by short term consultancies and trainings which raises the sustainability issue.

Constraints

The progress and process of implementation of the CRP have been faced with a number of constraints that may determine whether or not this initiative will be a success.

- Timeframe—a three years arrangement under the CRP is too short to ensure that the programme is working and will continue to work in the future.
- Political instability—acceptance, support and commitment by all the sectors and at all levels in Vanuatu to ensure sustainability of the programme.

Amongst other issues, timeframe and political instability are critical in determining the sustainability of the programme in the long term.

The way forward

The economic and political downfall in Vanuatu that resulted in the acceptance of the CRP package was due to lack of the following convictions and principles:

- Responsible government and political stability
- Review of the constitution, land reform and land tribunal, and review of the poor social services
- Identification of the major gaps and development of supplementary legislation that will enhance the opportunities in achieving the major goals and objectives of the reform.

For CRP to work in Vanuatu and continue to work in future, the issues highlighted above need to be considered and dealt with immediately.

Conclusion

One may gather from the reports that Vanuatu is well into its season of reform. Whilst the reform programme is pronounced to be of subsequent benefit to the people of Vanuatu, the Government as a whole is only just starting to get accustomed to the political, economical and

societal implications of the reform. The reform came about when Vanuatu was at the crossroads trying to figure out which direction to take as 20 years of independence is fast approaching.

There are many important issues that the nation has to meet at this juncture such as the review of the constitution, land reform and the land tribunal, poor social services and formalising local dialects into the education system. Unfortunately, these have to wait and give way for the CRP phases to be implemented. In any event, one would hope that by undertaking this CRP process, Vanuatu will come out a reformed nation in every sense of the word. Time will tell whether or not CRP was a step in the right direction for Vanuatu and whether the management of the reform will be successful.

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Note

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