The greatest proportion of PSDI’s spending in Vanuatu is on business law reform, which accounts for 38% of the $2.35 million in PSDI assistance the country has received. This proportion increased dramatically over the past two years—it was 78%, or $464,000, of 2014-2015 spending and 37%, or $171,000, of 2015-2016 spending—with the creation of a multiple entity business registry, which was launched in August 2015. Prior to 2014-2015, financing growth initiatives had received the most funding, with the $605,000 spent in total used to strengthen the institutional capacity of the Vanuatu Financial Services Commission, support the creation of a secured transactions framework, and pursue microfinance related activities. State owned enterprise (SOE) reform has received 12% of overall funding but just 4% of 2015-2016 spending after preparation of an SOE policy and act was completed and ongoing support moved to identifying SOE reform priorities and providing training for SOE directors. Spending on economic empowerment of women initiatives and support for competition reform each amounted to 21% of 2015-2016 funding, representing business development awareness raising with local womens groups and a review of Vanuatu’s competition framework.

PSDI provided assistance to strengthen the capacity of the Vanuatu Financial Services Commission (VFSC), Vanuatu’s main non-bank regulatory and supervisory body (both off- and on-shore). PSDI also reviewed the International Financial Centre's structure and operations, and recommended actions for its corporate strategy.

PSDI supported the creation of Vanuatu’s secured transactions framework reform through the drafting and passage of the Personal Property Securities Act, which the Government of Vanuatu passed in July 2008. Through PSDI, an electronic registry was installed in April 2009 to record the filing of security interests. PSDI also supported a registry upgrade in February 2012. Lenders are using the new framework, but further support to identify applications of movables finance is necessary to maximize its benefits. Initially, the most active users of the new framework have been wholesaler businesses, which have increased their credit limits tenfold by securing their loans. Lately, banks have made greater use of the framework, especially in taking general security interests. In 2012, PSDI completed a diagnostic for the Reserve Bank of Vanuatu and VFSC on the legislative framework for microfinance. The diagnostic identified legal provisions to ensure that unregulated microfinance institutions taking deposits are adequately regulated to protect the interests of deposit holders.

Also in 2012, PSDI assisted the Vanuatu Women’s Development Scheme to strengthen its strategy and governance. PSDI facilitated workshops with the management and board and introduced the organization to international microfinance practices.

Since mid-2014, PSDI has been assisting with the drafting of a new trustee bill to improve Vanuatu’s compliance with international commitments and its reputation as an offshore financial center. PSDI is also working with VFSC on issues related to the Financial Action Task Force guidelines—standards for anti-money laundering and countering terrorism financing—to ensure the international companies regime is best practice.

In mid-2014, PSDI began working more closely with lenders to increase their use of the secured transactions framework. This includes identifying transactions where movable assets could be used as collateral, such as financing civil construction contractors using accounts receivable as collateral.

PSDI will undertake a review of the registry implementation to ensure the transition to an online service is progressing smoothly. It is anticipated that further work on the reform of trustee laws will continue through 2016 along with support for PSDI’s financing growth work in the development of a capital markets reform agenda.
STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS

At the Government of Vanuatu’s request, PSDI completed a public–private partnership assessment for a proposed new slipway in the fourth quarter of 2014. The study confirmed that no public investment in slipway facilities was required as private investors were already expanding existing infrastructure and competition existed in the sector.

PSDI supported preparation of an SOE reform policy, which was approved by Cabinet in October 2013. The policy has guided the development of an SOE bill that will place SOEs on a firm commercial footing and enhance governance, monitoring, and accountability frameworks. The bill has been drafted with substantial PSDI input and oversight. It was considered by Cabinet and the Government plans to introduce the bill to Parliament in November 2016.

Throughout 2014, PSDI supported a separate Asian Development Bank (ADB) technical assistance (TA) project on SOE reform in Vanuatu. The project concentrated on eight SOEs identified as reform priorities, for which it developed restructuring proposals, assisted in bringing audited accounts up-to-date, and identified and costed community service obligations (CSOs). On completion of the project, four of the SOEs were selected for either liquidation or partial privatisation. Cabinet papers were prepared and in some cases approved by Cabinet, but following the change of Prime Minister and Minister of Finance in June 2015, Cabinet determined to reconsider all recent decisions. PSDI is now working with the Ministry of Finance to progress the privatization/liquidation of two of the SOEs. It is expected that the transactions will be complete in 2016–2017.

In collaboration the ADB TA, PSDI provided governance training for SOE directors, capacity building for the SOE Monitoring Unit, and the development of an SOE director performance assessment tool.

COMPETITION

Following a request from the government, PSDI commenced a review of the country’s competition law and policy requirements in August 2015. An issues paper titled Competition Policy and Law for Vanuatu was delivered to the government in early 2016 and a workshop with government representatives was held in June 2016.

ECONOMIC EMPOWERMENT OF WOMEN

An analysis of the constraints to women’s economic empowerment has been included as a chapter in PSDI’s forthcoming private sector assessment for Vanuatu.

ANALYTICAL WORK


A new private sector assessment for Vanuatu, including a financial sector assessment, is scheduled to be published in late 2016.

ASIAN DEVELOPMENT BANK

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PSDI works with ADB’s 14 Pacific developing member countries to improve the enabling environment for business and address constraints to private sector development in support of sustainable and inclusive economic growth.

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