



# **ANNUAL REPORT 2022**

## Our Vision

Providing the necessary conditions for Vanuatu to build a strong economy by ensuring confidence and stability in our monetary and financial system.

## Our Mission:

- Establish appropriate monetary conditions for price stability
- Establish financial conditions and adopt policies that will ensure an adequate level of foreign exchange reserves to meet external obligations
- Provide proactive and sound advice to Government
- Develop an internationally reputable financial system
- Inspire public confidence in the Reserve Bank
- Meet the currency needs of the public
- Disseminate timely and quality information
- Recruit, develop and retain a professional team dedicated to the pursuit of quality practices; and
- Ensure sound banking practices so as to provide the protection of depositors

## Our Values:

Honesty, fairness and integrity

- Dedication – getting the job done on time and to the highest standard
- Respect and loyalty – for our colleagues
- Proactive – in addressing our customer needs
- Excellence – in what we do

## Principal Purposes Of The Reserve Bank Of Vanuatu

The principal objects of the Reserve Bank as outlined by Section 3 of the Reserve Bank Act, shall be:

- To regulate the issue, supply, availability and international exchange of money;
- To supervise and regulate banking business and the extension of credit;
- To advise the Government on banking and monetary matters;
- To promote monetary stability;
- To promote a sound financial structure;
- To foster financial conditions conducive to the orderly and balanced economic development of Vanuatu; and
- To regulate and supervise domestic and international (offshore) banks.

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# Reserve Bank Of Vanuatu

PMB 9062 – PIERRE BRUNET STREET– PORT VILA – VANUATU

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EMAIL: rbvinfo@rbv.gov.vu

30 June 2023

Honorable Johnny Koanapo Nies Rasou  
Minister of Finance and Economic Management  
PMB 9031  
Port Vila

Dear Honourable Minister,

Pursuant to Section 41 (1) of the Reserve Bank of Vanuatu Act [CAP 125], I have the honor to transmit to you:

- (a) A report on the operations of the Reserve Bank of Vanuatu for the Year 2022; and
- (b) A copy of the Bank's Annual Statement of accounts for the year-ended 31<sup>st</sup> December 2022 certified by the Auditors.

Yours faithfully,



Noel Vari

**ACTING GOVERNOR**



## Governor's Foreword

Dear Valued Stakeholders of Reserve Bank of Vanuatu,

It is my pleasure to present to you the Reserve Bank of Vanuatu's Annual Report for the year 2022. This year has been a challenging and unprecedented one for our nation, as we navigated the impacts of the COVID-19 pandemic on our economy, society, and way of life.

The year 2022 was marked by significant developments triggered largely by the community transmission and outbreak of COVID-19 in early March. The lockdown policies implemented to curb the spread of the virus had a significant impact on tourism arrivals, tourism revenue, which was severely paralysed, with many establishments closing down for extended periods.

This was compounded by the already deteriorating global conditions in 2022, where Vanuatu weathered higher than expected global inflation, triggering tighter financial conditions especially in advanced economies, a direr outlook in the slowdown of China's economy, and further negative spill over effects from the Russia Ukraine War.

We observed a decelerated growth in all major economies - the US, Australia, New

Zealand and the Euro area - largely owing to unexpected drop in consumer spending and investment and wider trade gaps. Inflation in all major countries rose higher beyond expected levels, due to higher energy costs and food prices. This led to major world central banks raising their policy rates to curb the increasing global inflation.

Furthermore, the pandemic led to an influx of local migrant workers travelling out to Australia and New Zealand for seasonal work programs. Remittances from labour migration became an important source of foreign exchange and helped prop up domestic demand in 2022. But labour mobility had a ripple effect on the productivity of the domestic agricultural sector and led to relative scarcity of labour in certain economic sectors. As a result, the economy was mainly driven by construction, home building and infrastructure projects, leading to an estimated weakening of the overall economy over the first half of 2022 compared to the second half of 2021.

The Government of Vanuatu responded to these challenges with an expansionary fiscal policy, aimed at providing relief to those most affected by the pandemic, through its fiscal stimulus spending and investment in

became an important source of foreign exchange and helped prop up domestic demand in 2022. But labour mobility had a ripple effect on the productivity of the domestic agricultural sector and led to relative scarcity of labour in certain economic sectors. As a result, the economy was mainly driven by construction, home building and infrastructure projects, leading to an estimated weakening of the overall economy over the first half of 2022 compared to the second half of 2021.

The Government of Vanuatu responded to these challenges with an expansionary fiscal policy, aimed at providing relief to those most affected by the pandemic, through its fiscal stimulus spending and investment in infrastructures, which helped maintain public consumption and was an important component of the economic recovery. The fiscal expansion, funded through fiscal buffers of past budgetary surpluses in 2020 and 2021, is reflected in the monetary sector as a deterioration in its net lending position within the domestic banking system, in the first six months of 2022. The Reserve Bank of Vanuatu continued to implement various monetary measures to ensure the stability of the banking system within Vanuatu throughout 2022.

Monetary conditions remained supportive of growth, with the banking system liquidity persistently maintained at high levels owing to the Reserve Bank's accommodative monetary policy. Domestic banking sector remained sound, profitable and adequately capitalized, though non-performing loans remained a challenge as the loan moratorium period lapsed at End-September 2022. However, banks continued to make provisions for their loan books, and the majority of their loan portfolios remained as standard loans.

Overall, financial stability was maintained over the course of the pandemic and will likely remain intact over the short to medium term.

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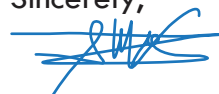
Inflationary pressures sustained in the second and third quarters of 2022 largely reflected foreign price shocks. These pressures subsided towards the end of 2022 and continuing into early 2023, though the likelihood for further world economic disruption may still be likely. Official foreign exchange reserves were equivalent to VT70,966.9 million, which is sufficient to accommodate around 10 months of import cover, as of September 2022.

Despite the challenges in 2022, the Reserve Bank remained optimistic about medium-term economic prospects. The economy has shown resilience as positive signs of recovery emerged in the second quarter from the pandemic and natural disasters, and the Reserve Bank is confident that macroeconomic conditions will emerge stronger from the crises. The Reserve Bank of Vanuatu remains committed to its mandate of maintaining monetary and financial sector stability and in promoting a sound and efficient banking and payment system that supports the sustainable development of the economy.

I would like to take this opportunity to express my gratitude to the Board of Directors, the management, and staff of the Reserve Bank of Vanuatu for their hard work and dedication throughout the year. I would also like to extend my appreciation to the government, financial institutions, and our stakeholders for their continued support and collaboration.

Thank you for your continued trust in the Reserve Bank of Vanuatu.

Sincerely,



Simeon Malachi Athy  
**GOVERNOR**



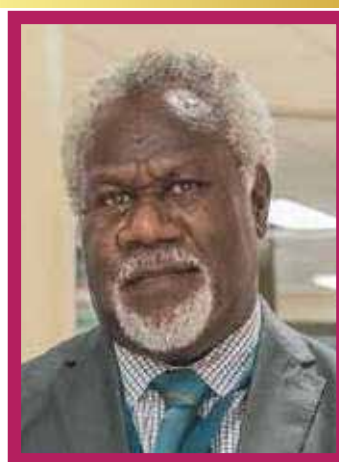




# BOARD OF DIRECTORS



**Mr. Andrew Kausiama**  
Chairman



**Mr. Simeon Malachi Athy**  
Governor

Mr. Andrew Kausiama was appointed Chairman of the Reserve Bank of Vanuatu Board of Directors, in 2020. Mr. Kausiama held the position of Governor of RBV in 1998-2003. He was appointed First Political Advisor for 2 years to the Prime Minister's (PM) office, First Political Secretary, to the PM's Office for 2 years, First Secretary to the Ministry of Trade, First Secretary, and First Political Advisor to the Minister of Finance. He was Planning and Development Officer at the Laucala Campus, University of the South Pacific (USP) for 2 years. His other roles in the past included Chairmanship of the Board of Directors (BOD) of Reserve Bank of Vanuatu from 1998 - 2003, Member, BOD for Air Vanuatu, Member BoD for Vanuatu Terminal Services, Chairman, BOD for National Housing Corporation, and Vice Chairman of the Censorship Board. He worked as a Research Officer, Senior Research Officer, Principal Research Officer, and Acting Director of Research at the Reserve Bank of Vanuatu.

Mr. Kausiama holds a Bachelor's Art Degree majoring in Economics and History Politics from USP, and a Masters of Commerce in Economics from the University of Wollongong, NSW, Australia.

## Board Chairman from November to December 2020

Mr. Simeon Athy was appointed Governor on 15 November 2013, and was reappointed in November 2018 for a second term of 5 years. He is the Alternate Governor for Vanuatu at the International Monetary Fund (IMF), Chairman of the RBV Management Committee, Chairman of the Monetary Policy Committee, Chairman of the Macroeconomic Committee, Chairman of the National Financial Inclusion Taskforce, Vice Chairman of the AML & CTF National Coordinating Committee, and at one time held the Chair of the Pacific Island Regional Initiative (PIRI).

Prior to his appointment, Mr. Athy served in various senior positions at the Reserve Bank of Vanuatu and the Vanuatu Government. He was Director of Research Department at RBV from 1999 to 2003 and served as the Director General at the Ministry of Finance and Economic Management (2003 to 2008) and Director General to the Prime Minister's Office (2008 to 2013).

Mr. Athy holds a Bachelor's Degree in Economics from the University of Papua New Guinea (UPNG).



# BOARD OF DIRECTORS



**Mrs. Serah  
Obed**  
Director

Mrs. Serah Obed was appointed to Reserve Bank of Vanuatu Board of Directors in 2020. She is the current CEO of VANWODS MFI, and involved in other consultancy work. Mrs. Obed was the Deputy Commissioner of Vanuatu Financial Services Commission (VFSC) for 19 years, ending in 2019. She has a wide experience on anti-money laundering for regulators and worked as Supervisor of the non-bank and designated non-financial business and professions; as well as experience in taxation and audit work. Prior to her work at the VFSC, she was a Senior Auditor and Principal Auditor at the Auditor General's Office. She has knowledge and significant exposure in financial and forensic accounting, financial analysis and in company financial statements and financial performance. She holds a Bachelor in Business Studies majoring in Accounting from the University of New England, Lismore, NSW, followed, by a Bachelor of Management and a Masters of Business Administration from Revans University.

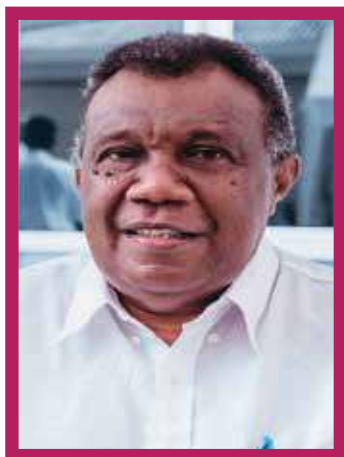


**Mrs. Votausi  
Mackenzie -  
Reur**  
Director

Mrs. Votausi Lucy-Ann Mackenzie-Reur was appointed member of the Reserve Bank of Vanuatu Board of Directors in 2020. She is a renowned nutritionist. She has co-hosted the film series Pacific Island Food Revolution since 2018. She has been the Managing Director of Lapita Café from 1999, which mass produces food products from local crops, supplied by a network of over 2000 rural farmers. She has been the Managing Director of Lapita Lodge since 2005, and the Director of Fibreglass Vanuatu Limited and Pacific Polytanks Limited for 25 years since 1997. Mrs. Votausi taught at Malapoa College for 2 years in the 1980s, and was the National Nutrition Coordinator in the Department of Health in the late 1980s to early 1990s.

Mrs. Mackenzie Reur holds a Master of Community Nutrition from the University of Queensland

# BOARD OF DIRECTORS



**Mr. Stephen  
Tahi**  
Director

Mr. Steven Tahi was appointed to Reserve Bank of Vanuatu Board of Directors in 2021. He has extensive experiences in land management and land reforms. He held principal roles in the Ministry of Lands for 14 years, and was in private practice for the past 15 years as private consultant. As a qualified valuer, Mr. Tahi provides insight on market development and trends. Mr. Tahi is acquainted with Vanuatu's legislations as a practicing lawyer, and a recognized associate of a local law firm in Vanuatu.



**Noel Vari**  
Deputy Governor

**Noel Vari (Deputy Governor / Acting Governor)** Joined the bank as Statistician, transitioned to Assistant Bank Supervisor, then Bank Supervisor, then Manager Bank Supervision, Director Financial Regulation Department and appointed Deputy Governor on December 1, 2021. Joined RBV in 1994. Obtained a Masters of Business from Sydney University in 2005, prior to this, was awarded Undergraduate Bachelor Degree in Economics from University of Papua New Guinea. Member in following committees, RBV Other Revenue Making Initiative Committee, RBV Monetary Policy Review Committee, RBV Policy Review Working Group; FI Regulatory Task Force, AML CTF Regulatory Task Force, National Payments System Project Committee, Chairman of Comprehensive Credit Reporting Project. Deputy Governor Noel has attended a plethora of trainings, meeting events and workshops, domestically, internationally, inclusive of virtual mode too.



**Dr. Michael Hililan**  
Advisor to Governor

**Dr Michael Samuel Hililan (Advisor to Governor)** Commenced his tenure with Reserve Bank of Vanuatu in January of 1989. Dr. Michael Hililan is an accomplished economist with extensive experience in monetary policy, financial sector management, and research. Holding a Doctor of Philosophy (PHD) in Economics from the University of Wollongong, his academic research lends significantly to understanding economic dynamics in Vanuatu.

With a Master of Science (MSC) in Economics from the University of Bradford and a Bachelor of Arts (BA) in Economics and Management from the University of the South Pacific, Dr. Hililan possesses a strong academic background.

Dr. Hililan has held several key positions, currently as Advisor to the Governor, prior to this, as Director of Financial Markets Department, and Director of Research and Statistics Department. His responsibilities included managing official foreign reserves, formulating monetary policy, and ensuring financial sector stability.





## Simon Tiwok

### Advisor

**Simon Tiwok** has extensive experience in policy formulation, financial markets, and central banking. Holding a Master's degree in Public Policy from Victoria University of Wellington, New Zealand, and a Bachelor's degree in Economics and Management from the University of the South Pacific, Fiji, Tiwok is vested with a sound understanding of economic principles.

He currently serves as the Head of Policy Formulation and Coordination in the Governor's Office. In this role, he leads strategic initiatives for the Bank.

He has represented capacities, including temporary alternate directorship at the Asian Development Bank (ADB) and participation in ADB Annual Meetings.



## Sereana Marum

### Director, Support Services Department

**Sereana Marum** Armed with an undergraduate Bachelor's Degree in Accounting from Lincoln University, South Island NZ, and a Master's Degree of Commerce specializing in Applied Finance and Professional Accounting from the University of Queensland, Australia, Marum shows and encourages commitment to continuous learning and professional development.

Her employment at the Bank began in early May 2006, as Settlement Manager in the Accounts Department until July 2019 when she transitioned into the role of Director of Support Services. As Director, she led six units, effectively managed work plans, budgets, and personnel under unique pressures.

Her expertise in administering foreign exchange deals through SWIFT operations, and regulatory compliance.



## **Lynrose Stephens**

### Director, Financial Markets Department

**Lynrose Stephens** is an enduring staff member of the Department of Financial Markets at the Reserve Bank of Vanuatu. She boasts a career spanning over 38 years at the Bank from her humble beginnings as a Clerk, she ascended through various roles culminating in her appointment as Director of Financial Markets. Her presence on critical committees like the Monetary Policy Committee and Management Committee points to her strategic influence within the institution. Lynrose's expertise in foreign exchange management is notable, with significant contributions to the bank's financial performance and financial standing.



## **Marinette Abbil**

### Director, Financial Regulations Department

#### **Marinette Abbil (Director of Financial Regulation)**

Mrs. Marinette Abbil is professionally invested in the field of financial regulation and supervision, graduating with a Bachelor's Degree in Management and Public Administration from the University of South Pacific Fiji in 1993, she furthered her studies with a Graduate Diploma in Business Administration from Southern Cross University and obtained a Masters of Business Administration from Emalus Campus Port Vila in 2022.

Mrs. Abbil's career journey began at the Development Bank of Vanuatu in the mid 1990s and progressing into role of Assistant Banking Supervisor and Insurance Supervisor at the Vanuatu Financial Services Commission from years 2001 to 2010.

She was in time promoted to Manager of the Insurance Unit and held the role from 2014 to 2021. In December 2021, Mrs. Abbil was appointed as the Director of the Financial Regulation and Supervision Department,

where she is responsible in overseeing regulatory compliance thus leading to the ensured stability of the financial sector.



## Gloria Siri

### Chief Risk Officer

**Gloria Siri** is a banking professional with admirable knowledge in risk management and financial regulation. Her career took off with the Bank Supervision Department in January of 2006, she quickly distinguished herself in Financial regulation and supervision operations. Pursuing further education, she obtained a Master's Degree, deepening her knowledge in central bank accounting and financial management.

From Director of Research, Statistics, and Economic Analysis to her current role as Chief Risk Officer, she has consistently demonstrated her capacity to navigate all manner of risk landscapes and drive strategic initiatives, extending to the Bank's Business Continuity.



# CORPORATE GOVERNANCE

## **I. Legal Counsel's Office**

The main function of the Legal Counsel's Office is to provide legal advice on various aspects of the Bank's functions and operations. It provides in house legal services in relation to diverse legal contractual and operations matters.

The Legal Counsel's office also plays an important role in the legislative process as regards to amendments and new legislations that the Bank administers.

Amongst other functions, the Legal Counsel also participates in various Bank committees and assists with development of the Bank's internal and other policies whilst it continues to provide secretariat functions for both the Management and the Board of Directors.

## **ii. Board of Directors**

Section 8 of the Reserve Bank Act establishes the Board of Directors who are responsible for the policy and affairs of the Reserve Bank. The Board continues to conduct its business within the parameters of the law and the Board Charter which is the Bank's principle Governance policy.

The Board is fairly constituted with 5 members two of whom are women, thus giving a gender balance on the board for the last few years.

## **a. Board Composition 2022**

### **Chairman**

Mr. Andrew Kausiama

### **Directors**

Mr. Simeon Malachi Athy (Governor)

Mrs. Votausi Mackenzie- Reur

Mrs. Serah Obed

Mr. Steven Tahi

## **iii. Meetings and Resolutions**

The Board is required to meet not less than 4 times a year. There were 7 Board meetings held in 2022. The Board is responsible for Bank policies as set out in the Act. Amongst other policies, the Board noted and approved following:

1. Audit Committee Charter
2. RBV Board Charter (Amended)
3. Reserve Bank of Vanuatu Annual Budget for 2022.
4. Reserve Bank Risk Budget for 2022
5. RBV Work from Home Policy

## **iv. External Auditor**

The Bank's current external auditor is Law Partners (Vanuatu). The external auditor is appointed in the line with section 40 of the Reserve Bank of Vanuatu Act Cap.125

**v. Corporate Social Responsibility**

The Bank under its Social Responsibility Policy continues to carry out its philanthropic activities by providing support to the society where required, communities affected by natural disasters and schools.

**vi. Laws affecting the operations of the Bank.**

There were substantial amendments to Reserve Bank Act Cap.125 in 2022 which as affected the operations of the Bank to date and undermines the governance of the Bank as the Monetary Authority.

**vii. Board view on governance and risk management within the RBV**

The Board considered the Risk policies and Business Continuity plan of the Bank and continuous update and is satisfied with the measures taken to mitigate risks.

However, the Board recognizes that the Reserve Bank Amendment Act No.10 of 2022 has exposed the Bank to elevated operational risks. The amendments have diminished the Bank's resilience in line with good governance principles.

The Board is concerned over the loss of qualified human resource at the Management level that has occurred due to the lack of consideration in the amendments done to the Reserve Bank principle legislation in 2022.

**viii. Corporate Governance**

Corporate governance is a critical component of effective central banking operations, as it ensures that the Reserve Bank of Vanuatu (RBV) operates within principles of transparency, accountability, and independence. The Reserve Bank's governance framework is designed to promote prudent decision-making, risk management, and compliance to independence legal and regulatory requirements.

One of the key attributes of good corporate governance is to maintain and safeguard the autonomy of the Reserve Bank of Vanuatu. Central banks must have the independence to conduct monetary policy without political or other interference so as not to undermine its credibility to pursue price and financial sector stability. The Reserve Bank recognizes the importance of autonomy and has implemented measures to safeguard its.

To ensure that the Reserve Bank operates with principles of transparency and corporate governance, the Reserve Bank established an Internal Auditor's Office in 2019. The function of the internal audit is to provide independent assurance to the RBV's management and Board of Directors that the bank's operations are in compliance with accounting principles and best practices, policies, procedures, and applicable laws and regulations. The Internal Auditor's Office also provides recommendations for improvements to the bank's operating systems, processes, and controls.

Additionally, the Reserve Bank has appointed a Chief Risk Officer (CRO) as oversight to RBV's risk management framework. The CRO is responsible for identifying, assessing, and managing risks likely to impact the Reserve Bank's operations, reputation, or financial position.

The CRO ensures that risk management practices are consistent with the Reserve Bank's objectives and are in compliance with relevant laws, regulations, and industry best practices.



# FINANCIAL INCLUSION EVENTS & EXCURSIONS

## **A. RBV's Participation in Awareness Related Events in 2022**

### **i. *The Shefa Day Show Case***

The Reserve Bank of Vanuatu participated in the SHEFA Day Celebrations following an invitation from the Ministry of Agriculture, Livestock, Forestry, Fisheries and bio-security (MALFFB). The 2022 celebration took place from the 17th to the 18th of June at the Independence Park in Port Vila, Efate.

As an integral component of government initiatives, it brought together various government ministries responsible for the productive sectors. The primary objective was to facilitate the distribution of government subsidies aimed at incentivizing farmers and fishermen to enhance production. Furthermore, the event served as a platform for the exchange of ideas and the dissemination of technologies that promote advancements in agriculture, marine activities, forestry, livestock management, value addition, as well as bolstering resilience and sustainability in these sectors.

The Reserve Bank participated through financial literacy awareness to both the general public and school visitation.

### **ii. *The Public Service Commission (PSC) Day***

The Reserve Bank of Vanuatu participated in a two-day Public Service Commission Day by invitation from the 24<sup>th</sup>-25<sup>th</sup> August 2022 at the Convention Centre in Port Vila. It conducted an awareness to the broader public during the occasion. The informational outreach encompassed a range of central

banking topics, including on the roles and functions of financial institutions, government bonds, currency, interest rates, exchange rates, and preventative measures against financial scams, as well as elucidation on financial oversight entities. The Reserve Bank also undertook a financial literacy awareness on basic financial literacy principles, such as budgeting, savings, and prudent spending.

## **B. Key Highlight Events 2022**

### **i. *Launching of the Electronic Police Clearance Certificate (e-PCC) Portal***

The Electronic Police Clearance Certificate (e-PCC) portal was launched in August 2022 by the Prime Minister, Hon. Ishmael Kalsakau at the RBV Building in Port Vila. It followed a collaborative effort by The Reserve Bank of Vanuatu, the Australian Government, the United Nations Capital Development Fund (UNCDF), and key government entities, including the Vanuatu Police Force, the Department of Finance & Treasury, and the Office of the Government Chief Information Officer (OGCIO). They jointly orchestrated the launching of Vanuatu's inaugural electronic Police Clearance Certificate (e-PCC) portal.

This digital undertaking was born out of a substantial surge in demand for police clearance certificates, primarily in response to the imperative need to facilitate migrate workers such as the Seasonal Workers Program (SWP) and Recognized Seasonal Employer (RSE) schemes.

The promotion of electronic and digital payments and receipts in government and state-owned enterprises, is a pivotal element within the ongoing financial inclusion agenda.

ii. Digital payment is anticipated to expand, commencing with the transition away from high-volume government manual transactions and progressively extending its reach to encompass all essential public services nationwide.

### iii. Launching of the Parametric Index-based Insurance by Pacific Insurance and Climate Adaption Program (PICAP)



Figure 1: Launching of the e-PCC by Prime Minister, Hon. Ishmael Kalsakau Maukoro, Director, Governance for Growth Mr. Shannon Ryan, Chief Information Officer (OGCIO) Mr. Gerald Metsan and the RBV Deputy Governor, Mr. Noel Vari

The United Nations Capital Development Fund (UNCDF) launched its inaugural Parametric Index-based Insurance in Vanuatu in October 2022. The parametric Index-based insurance aimed to enhance the capacity of climate vulnerable communities in responding effectively to the challenges posed by natural disasters with a particular focus on tropical cyclones. This significant initiative was a joint effort between the Reserve Bank of Vanuatu and the United Nations Capital Development Fund (UNCDF).

The product was developed by PICAP in partnership with VanCare Insurance Ltd, a private insurance company. During the occasion, VanCare Insurance Ltd successfully issued five new policies to members of the public.



Figure 2: Participants in the launching of the Parametric Micro-finance Insurance cover for Vanuatu, September 2022

The Reserve Bank will continue to engage with interested insurance companies to increase awareness about parametric index-based insurance and promote its uptake in the domestic market.

### iv. 2022 Alliance for Financial Inclusion (AFI) Global Policy Forum (GPF)

After a three-year hiatus since the previous Global Policy Forum gathering in Kigali, Rwanda in 2019, the 2022 AFI GPF took place in Dead Sea, Jordan, from the 5th to the 8th of September.

The GPF's overarching theme revolved around the contemporary financial regulatory landscape amid the ongoing pandemic crisis, aptly titled, "Moving Forward Together: Towards a Resilient, Inclusive, and Sustainable Future."

The Governor of the Reserve Bank of Vanuatu, alongside a Reserve Bank high-level delegation, participated in the 2022 AFI GPF. They engaged in all AFI Working

fringes of the AFI GPF.



*Figure 3: Members of the Pacific Islands Regional Initiatives (PIRI) at their meeting, Dead Sea, Jordan 2022*

#### **v. Alliance for Financial Inclusion (AFI) Workshop**

In December 2022, the Alliance for Financial Inclusion (AFI), in collaboration with the Pacific Islands Regional Initiative (PIRI), extended its support to the Reserve Bank of Vanuatu and local stakeholders by hosting a comprehensive three-day workshop.

The workshop encompassed three key areas of focus:

- i) The formulation of a tailored MSME financing strategy for Vanuatu.
- ii) The provision of capacity-building sessions on Inclusive Green Finance (IGF) for the Reserve Bank staff.
- iii) Capacity enhancement for the FinTech regulatory sandbox.

Looking ahead, the Reserve Bank intends to forge ahead with the development of MSME financing mechanism aimed at facilitating improved access to credit for MSMEs in Vanuatu. Additionally, plans are underway to enhance the skill set and expertise within the PIRI-member countries, including Vanuatu, in putting in place a Regional Regulatory Sandbox.



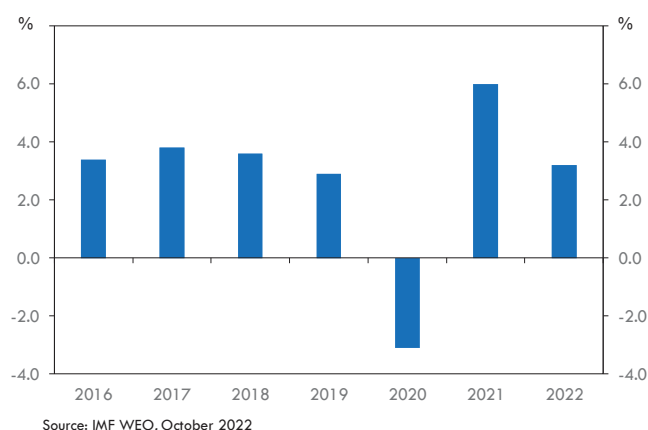
# ECONOMIC OVERVIEW

## 1.0 ECONOMIC OVERVIEW

### 1.1 INTERNATIONAL ECONOMY

Global growth decelerated lower than expected in 2022, with global inflation higher than seen in several decades. The slowdown in global growth reflected the cost of living crises, tightening financial conditions in most countries and the negative effects of both the Russian invasion of Ukraine and the

Chart 1: World GDP Growth



persistent impact of the COVID-19 pandemic. The International Monetary Fund in its October 2022, World Economic Outlook (WEO), projected global growth to slow from 6.0 percent in 2021 to 3.2 percent in 2022. Growth for advanced economies were slashed from 5.2 percent in 2021 to 2.4 percent in 2022. Similarly, growth in emerging markets and developing economies were downgraded from 6.6 percent in 2021 to 3.7 percent in 2022.

Growth decelerated in major economies during 2022. In the United States it slowed

to 2.1 percent, from 5.9 percent in 2021<sup>1</sup>. Growth reflected upward movements in consumer spending, exports, private inventory investment and nonresidential fixed investment in 2022 but were partly offset by decreases in residential fixed investment and federal government spending. In the Euro-area, preliminary estimates showed an annual growth of 3.5 percent in 2022 reflecting increased consumption and investment, however, the estimate was lower than the 5.4 percent registered in 2021. Annual GDP growth in Australia recorded 5.9 percent in September 2022, up from 4.1 percent in September 2021, and mainly driven by increased household spending. In New Zealand, the annual economic growth of 2.7 percent for the year-ended September 2022 was lower by 5.4 percent over the same period in 2021. The main growth drivers included higher production in the services and goods producing industries, higher exports of goods and services and capital investment.

Global inflation rose faster and more persistently in the period since 2021, due to high global demand; persistent supply disruptions; tight labor markets in certain countries; and surging commodity prices. Thus, inflation in major economies have risen more than doubled in 2022 compared to the previous year. Average annual inflation in the United States rose to 8.0 percent in 2022 relative to 4.7 percent in 2021. Annual inflation averaged 8.4 percent in the Euro area in 2022 compared to 2.6 percent in 2021. Similarly, annual inflation averaged 6.7 percent and 7.2 percent in Australia and New Zealand in 2022 relative to 2.9 percent and 3.9 percent in 2021, respectively.

Global financial conditions tightened and borrowing costs increased as major central banks took steps to counteract the effects of

rising global inflation. The US Federal Reserve raised the federal funds rate seven times in 2022, to 4.50 percent in December 2022. The European Central Bank (ECB) raised its three-key interest rates in July 2022 for the first time in 11 years. Policy interest rates were raised consecutively in September, October and December 2022. This raised the bench mark borrowing rates in the Eurozone to 2.5 and 2.75 percent at the end of 2022. The Reserve Bank of Australia, raised interest rates for the eighth time in December 2022 to 3.1 percent, the biggest hike for over a decade. The Reserve Bank of New Zealand undertook ninth straight rate hikes since the beginning of 2022. In November 2022, the official cash rate of 4.25 percent was at the highest point since January 2009.

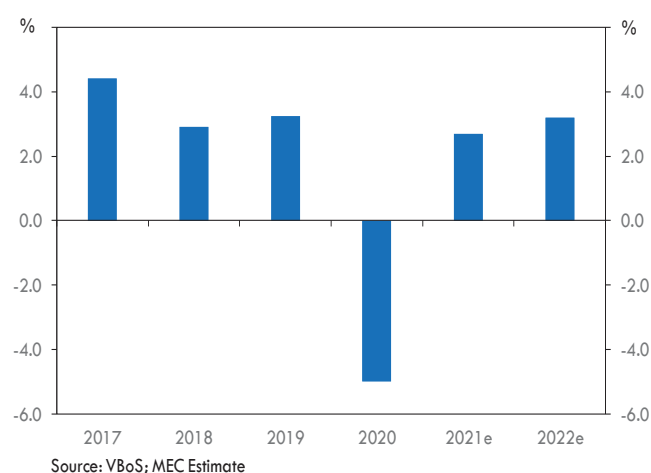
Russia's invasion of Ukraine in February 2022 triggered disruptions in global supply chains and significant increases in major commodity prices, particularly in energy prices. The movement in commodity prices in 2022 largely reflected macroeconomic factors such as rising interest rates and concerns for global recessions. Energy prices, especially for natural gas, remained high in 2022 due to cuts in supplies from Russia to Europe. Metal prices surged in early 2022, but declined towards mid to the end of 2022 reflecting the slowing global growth. Prices of agricultural commodities, in particular food commodity prices, remained elevated at the beginning of 2022 but started declining in mid-2022 due to improved supply conditions and a gradual end to Russia's blockade of Ukrainian grain exports.

## 1.2 DOMESTIC ECONOMY

The gradual recovery in the domestic economy continued into 2022 in light the re-opening of borders in Vanuatu. Forecast of real GDP growth by the Macroeconomic Committee (MEC) indicated that it strengthened to 3.2 percent in 2022 relative to 2.7 percent in 2021.

The forecast also showed a broader-based recovery, with the industries and the service sectors leading the rebound. The growth in the industry sector reflected higher public infrastructure spending. The pickup in the services sector reflected in particular the resumption of tourism, while growth in the agriculture sector reflected government policy initiatives to courage and support domestic commodity production in the productive sector.

**Chart 2: Real GDP Growth**



Fiscal and monetary policies remained accommodative throughout 2022 in support of recovery and to sustain domestic economic activity. The Government rolled out its third and final economic stimulus programs in 2022. Government stimulus expenditure programs and investment in infrastructures

helped maintain public consumption and provided a much-needed support to the promising economic recovery. Fiscal expansionary policies were financed from prior year budget savings, and reflected as deterioration in the Governments net credit position vis-à-vis the banking system throughout 2022.

Domestic monetary conditions have remained supportive of growth. The banking system liquidity remained persistently high owing to the accommodative monetary policy of the Reserve Bank. Money supply growth in 2022 was driven by both net foreign assets and domestic credit. Growth in net foreign assets slowed in 2022 owing to the ongoing international price shocks associated with the Russian war in Ukraine, the COVID-19 pandemic and slowdown in inflows via the Vanuatu Citizenship Programs of the Government which grants citizenship through investment. The upward trend in domestic credit was attributed to the combine effects of the increase in the governments net credit vis-à-vis the banking system and slight improvement in private sector credit (PSC). The gradual growth in PSC partly reflected the gradual pick-up in economic activities as borders re-opened, and, partially related to support to the banking sector through the Governments special COVID-19 Banking Facility (SCBF).

# MONETARY POLICY

## 2.0 MONETARY POLICY

The Reserve Bank of Vanuatu is the agency responsible for monetary policy in Vanuatu. The Reserve Bank conducts monetary policy to promote monetary stability and economic growth, by maintaining a low and stable rate of inflation and international reserves at a level sufficient in meeting Vanuatu's external obligations. The Reserve Bank aims to keep the annual inflation rate within a range of 0 and 4 per cent, and international reserves above a minimum threshold of 4 months of import cover.

### 2.1 MONETARY POLICY IN 2022

The Reserve Bank has been accommodative in its monetary stance especially from the onset of the pandemic in March 2020. It kept monetary policy unchanged throughout 2022 to achieve tenable monetary conditions and to provide appropriate support to domestic economic recovery.

During 2022, the Reserve Bank undertook the following monetary policy measures to supplement the Government's fiscal policy aimed at strengthening the domestic economy:

- The Reserve Bank's official interest rate (rediscount rate) was kept unchanged at 2.25 percent.
- Commercial banks' Capital Adequacy Ratio (CAR), Liquid Asset Ratio (LAR) and Statutory Reserve Deposits (SRD) were maintained at 10.0 per cent, 5.0 per cent and 5.25 per cent, respectively.
- The Imports Substitution and Export Finance Facility (ISEFF) and the

Disaster Recovery Credit Facility (DRCF) remained effective.

- The RBV elevated open market operations to mop up excess liquidity.
- The Reserve Bank extended its suspension of prudential requirements on loan classifications to September 2022.

The Reserve Bank monitors both the international and domestic macroeconomic environment, macro prudential and financial development so that the monetary policy remains appropriate to changing economic and financial conditions, and appropriate to safeguard macroeconomic stability in Vanuatu.

The Reserve Bank's twin monetary policy objectives were broadly maintained during the first six months of 2022. However, the spill-over effects of foreign price shocks has been a major challenge to keeping domestic inflation within RBV's target particularly in the second half of 2022. The foreign reserves target level, by contrast, was exceeded by a large margin during 2022.

#### 2.1a Inflation

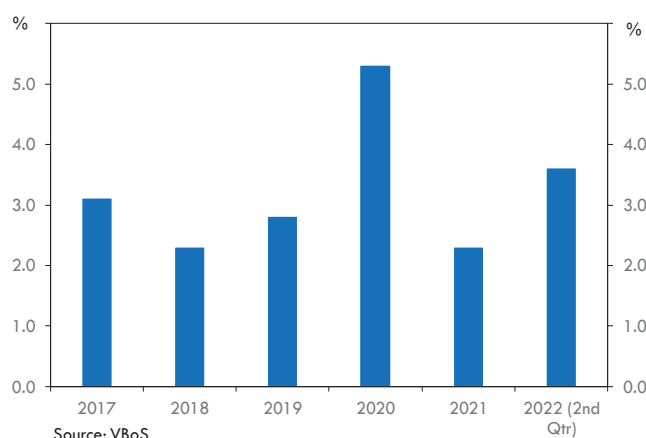
The annual headline inflation almost reached the upper limit of the Reserve Bank's internal target range in the June quarter of 2022. Headline inflation increased by 3.6 percent in the June quarter, up from 2.7 percent in the March quarter. The drivers of inflation, in the second quarter, were drinks and tobacco, food, miscellaneous, housing utilities, education, transport, health, recreation and communication. The elevated price in the drinks and tobacco expenditure group largely reflected the increase in the price of cigarettes associated with the

implementation of a new excise tax in late 2021. Price increases for the other expenditure groups were due to the combined effects of the COVID-19 lock down and from foreign price shocks. It was attributed to increase in domestic prices for root crops, fruits and vegetables, personal accessories, toiletries, electricity and water supply charges, school fees, petroleum and diesel, prescription drugs, sports membership fees, and mobile phones.

Underlying (core) inflation was negative since September 2020 and throughout 2021 picked up during the first and second quarters of 2022. In June 2022 it rose to 1.3 percent, up from 0.2 percent during the March quarter. This indicated that the overall prices of domestic goods and services, excluding food and energy prices, have increased in 2022. Inflation is expected to remain elevated and potentially above the Reserve Bank's target band at the end of 2022.

The Reserve Bank, mindful of its objective of anchoring inflation; continued to closely monitor inflationary pressures in the economy. Upward inflationary pressures were largely associated with the surge in global energy and food prices which are beyond the control of the Reserve Bank. Overall, the country's fixed exchange rate regime has helped cushion the impact of foreign prices and anchored domestic inflation well.

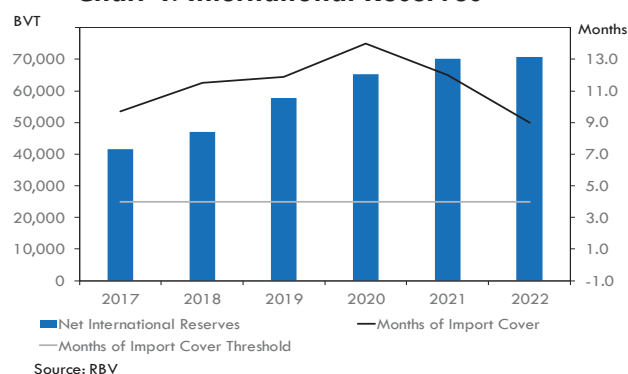
**Chart 3: Domestic Inflation**



## 2.1b International Reserves

Growth in net official foreign reserves moderated in 2022, due to high import costs arising from the ongoing impact of international price shocks and a reduction in inflows via the Government citizenship programs. At the end of 2022, the level of official reserves was sufficient to finance at least 9 months of imports. Overall, foreign reserves remained adequately above the Reserve Bank's minimum threshold of 4 month of import cover throughout the year. Inflows through remittances, Government financing and export of goods helped sustain foreign reserves level in 2022.

**Chart 4: International Reserves**





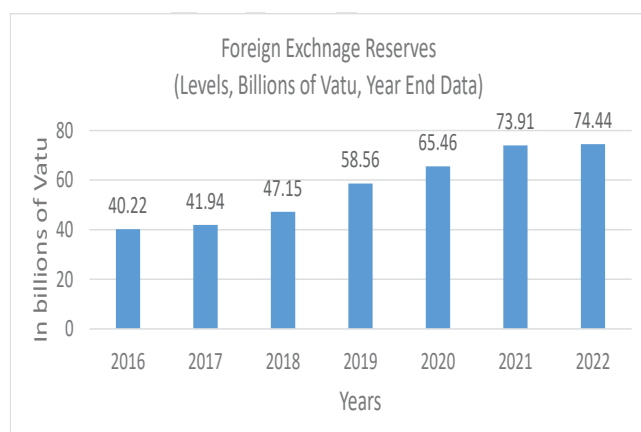
# OFFICIAL FOREIGN RESERVES & EXCHANGE RATE

## Foreign Reserves Management

The Reserve Bank of Vanuatu is mandated under the Reserve Bank of Vanuatu Act (CAP 1250) to manage official foreign exchange reserves of the country. Foreign reserve management is a core function of the Reserve Bank and is performed with the primary objectives of safety, liquidity and profitability. The Reserve Bank's Board Approved Investment Guidelines establishes the parameters for managing key risks including credit risk, interest rate risk, liquidity and exchange rate risks. The Reserve Bank ensures that there is an adequate level of foreign exchange reserves at all times to meet Vanuatu's external obligations.

The total foreign exchange reserves of the Reserve Bank showed a steady increase over the years. In 2022, foreign exchange reserves increased by VT525 million, bringing it to another record level of VUV74.4 billion. This record level is sufficient to cover 9 months of imports and is well above the 4-month import cover target of the Reserve Bank.

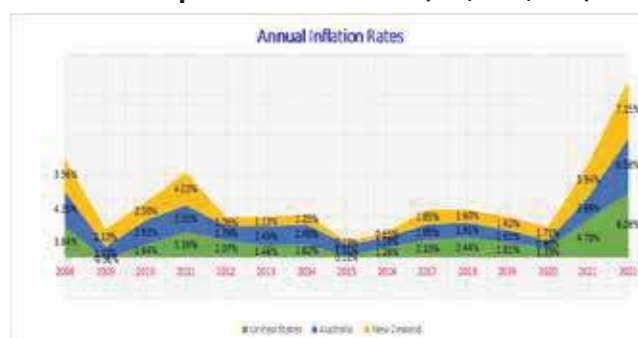
**Chart 5: Levels of Foreign Exchange Reserves**



Management of foreign reserves is done entirely in-house. The foreign reserves are invested in highly marketable fixed income securities (Government, supranational and corporate bonds) and short term money markets (CP, NCD, treasury bills, and fixed term deposits). Management of reserves are done under 3 main investment portfolio; US dollar portfolio, Australian dollar portfolio and New Zealand dollar portfolio. Smaller holdings are kept in Euro and Pound Sterling

The global economy continued to be weakened since the Russia - Ukraine war in early 2022 through significant disruptions in trade supplies, food and fuel price shocks, continuous lockdowns in China, which all contributed to global high inflation and which led to aggressive tightening in interest rates by major central banks. As indicated in Chart 6, the US Federal Reserve Bank Board raised its Fed funds rate seven times during 2022, from a low of 0.50% to 4.5%. Similarly, the Reserve Bank of Australia raised its official cash rate 8 times during the year from a low of 0.10% to 3.10% in 2022. The Reserve Bank of New Zealand has a target inflation rate between 0 and 3 percent so it reacted swiftly to raising its official cash rate from a low of 0.25% to 4.20% by end of 2022 in an effort to combat inflation.

**Chart 6: Major Inflation Rates (US, AU, NZ)**



The above graph displays the inflation trend in United States, Australia, and New Zealand.

**Table 1: Major Central Bank's Policy Rates**

Central Banks	2018	2019	2020	2021	2022
Federal Reserve Bank	2.50%	1.75%	0.25%	0.25%	4.50%
Bank of Japan	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%
European Central Bank	0.00%	0.00%	0.00%	0.00%	2.50%
Bank of England	0.75%	0.75%	0.10%	0.25%	3.50%
Reserve Bank of Australia	1.50%	0.75%	0.10%	0.10%	3.10%
Reserve Bank of New Zealand	1.75%	1.00%	0.25%	0.75%	4.20%

Managing foreign reserves in a low yield environment was a major challenge for the Reserve Bank in 2022. Major Interest rates began to pick up during the second half of 2022 where as bond yields began picking up in late 2021 (Chart 7) . Due to the inverse relationship between bond price and bond yield, the Reserve Bank faced a significant challenge when bond yields began to rise towards the end of 2021.

During the second half of the year 2022, the Reserve Bank refocussed its investment strategy by selling non - fit bonds and reinvesting the recalled funds in short term investments. As a result, the bond holdings were reduced from 45 % to 20% of total reserves during the year while short term investments were increased to 70% of total foreign reserves.

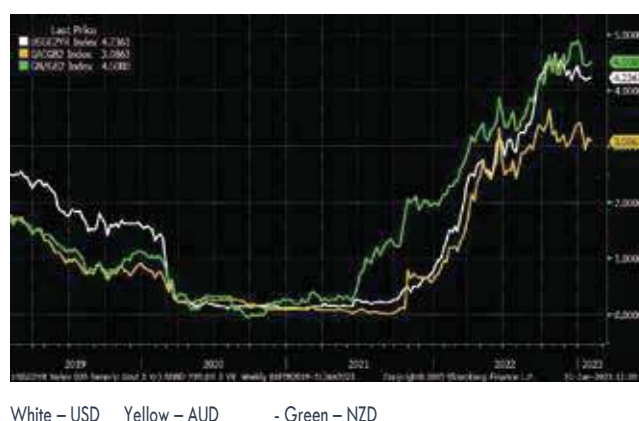
Consequently, the rate of return on the Reserve Bank's investment in 2022 increased to 2.02% from 1.34% in 2021.

**\*When interest rates rise, price of bonds decline and when interest rates decline, price of bond increases.**

**Table 2: Reserve Bank of Vanuatu Rate of Return on Investments**

Year	Rates of Return on Investments
2017	2.14%
2018	2.25%
2019	2.19%
2020	1.55%
2021	1.34%
2022	2.02%

**Chart 7: Bond Yields**



During the Financial year, the Reserve Bank allocated all its risk budget to interest rate risks while maintaining the currency (exchange rate) risks close to zero. To manage exchange rate volatilities and currency risks, the Reserve Bank continued to align its currency allocation with its neutral position. Regular currency hedging was carried out throughout the year to ensure large deviations from the neutral position, being caused by major foreign exchange inflows and outflows, were reduced and mantianed with an approved deviation benchmark of 3.0 percent.

## VATU Exchange Rate

The Reserve Bank continued to set the Vatu exchange rate on a daily basis, in line with its pegged exchange rate regime. The rates are communicated to its main customers before 9.00 am each morning. The exchange rates were also published in the Reserve Bank website.

The Vatu exchange rate is pegged to an undisclosed basket of foreign currencies. Hence, the movements in the Vatu exchange rate often mirrored the bilateral movements between the major currencies which are in turn caused by developments in the financial markets. During the financial year, the Vatu strengthened against all the major currencies except the US dollar.

(See. Table.3.)

**Table 3: Month end average rate of the VATU currency**

Month	USD	NZD	GBP	AUD	EUR	CAD	CNY	SDR
January	112.81	76.17	152.97	79.12	127.78	89.37	17.75	146.35
February	113.20	75.43	153.20	80.73	128.35	88.99	17.83	147.68
March	111.64	76.57	147.12	82.25	123.08	88.18	17.60	143.18
April	111.93	75.84	144.92	82.60	121.23	88.70	17.43	142.26
May	115.34	73.74	143.46	81.26	121.91	89.69	17.22	144.17
June	115.43	73.47	142.45	81.23	122.14	90.19	17.25	144.30
July	117.59	72.84	141.11	80.58	119.87	90.91	17.47	144.76
August	116.74	73.08	140.65	81.22	118.19	17.18	17.18	143.21
September	119.73	71.14	135.77	80.55	118.66	90.00	17.09	144.69
October	123.06	69.96	139.04	78.26	121.06	89.79	17.13	147.86
November	120.01	72.51	139.04	79.02	122.55	89.24	16.72	146.21
December	117.61	74.71	143.20	79.34	124.34	86.56	16.84	146.04

# CURRENCY OPERATION

Mission: Meet the Currency Needs of the Public.

The Reserve Bank of Vanuatu continued to perform its statutory function as the sole issuer of the Vatu currency in accordance with section 20 of the Reserve Bank Act [Cap 125]. It continued to withdraw the paper banknotes and the demonetized coin series from public circulation. These roles ensure adequate supply of the Vatu currency to the public, to assure quality of Vatu notes and engender confidence in and its acceptance as a medium of exchange.

## Notes and coins in circulation

As part of its ongoing currency operations, the Reserve Bank is obligated to ensure the quality of banknotes and coins in public circulation, and works closely with commercial banks to guarantee the fitness level of the Vatu cash. In 2022, VT 680

million worth of notes and coins were withdrawn as unfit from public circulation while VT4, 485million worth of new cash were injected into circulation.

## Counter Transactions

Total counter transactions increased from the previous year by 13 percent to VT33,774million simultaneously pushing up the total currency in public circulation by VT3,931million to a record high of VT18,532million from 14,601million in the previous year.

Looking at the currency in circulation according to denominations, the VT5,000 and VT10,000 notes continue to maintain their lead position as the highest value denominations in public circulation at 43.7and 18.1 percent respectively.

**Table 4: Counter Transactions in Million Vatu**

Period in Years	Issues	Withdrawals
2007	4,576	5,311
2008	5,501	5,772
2009	5,425	5,636
2010	5,373	5,836
2011	5,960	6,676
2012	6,956	7,458
2013	6,699	8,039
2014	7,150	7,941
2015	7,355	8,329
2016	8,344	9,069
2017	10,495	11,784
2018	12,224	13,232
2019	15,136	14,137
2020	15,547	14,115
2021	15,625	14,266
2022	18,910	14,864

The Reserve Bank continued to exchange and pay good value for the demonetized Vatu coins and the VT100 paper notes and encourages the public with any of these old notes or coins to present them at the Reserve Bank or any of the commercial banks in exchange for legal tender cash.

## Counterfeits

One of the main advantages in support of the change over from paper base banknotes to polymer was the unique characteristics of the polymer substrate, which acts as a security feature in itself to safeguard the Vatu notes from counterfeiting.

The Reserve Bank continues to advise the general public on the importance to be vigilant at all times in their use of the Vatu currency so as to safeguard the quality and integrity of their Vatu notes and coins.

It is a criminal offence under the Reserve Bank of Vanuatu Act [CAP 125] to reproduce counterfeit Vatu banknotes or be in possession of their reproductions and perpetrators may be prosecuted.

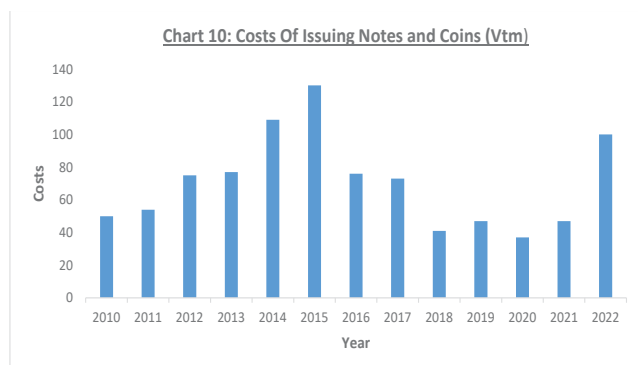
### Costs of Issuing Notes and Coins

For the financial year ending 31 December 2022, the cost of currency issued by the Reserve Bank increased by 113.3 percent from previous year. This is due to demand for replacement of cancelled polymer notes and the high cost associated with coins' stock replenishment. With fewer note replacement, there has been a downward trend in the cost of currency issue since the release of new polymer notes in 2014 and the new coin series in 2015 reflecting the longer durability of polymer notes with increased cost savings.

Information on collectible items can also be accessed through the Reserve Bank Numismatic Online shop where collectors can also purchase numismatic items. The Reserve Bank continued to receive royalties from the international sales of commemorative coin proof sets with renowned international mints with whom the Reserve Bank has signed agreements and contracts. Numismatic income for the year ending 2022 was VT2.1 million.

The Reserve Bank acknowledges and encourages the growing interests from local collectors in numismatic items.

**Chart 8: Cost of Issuing Notes and Coins**



### Numismatics

The Reserve Bank's numismatic operation continued to be coordinated through the Numismatic Business Centre at the Reserve Bank of Vanuatu premises for interested customers who call into the Reserve Bank.



# REGULATION & SUPERVISION

The Reserve Bank regulates and supervises banks, insurance entities, and other financial institutions, including the National Provident Fund (VNPF) and the Vanuatu Rural Development Bank (VRDB). The effects of COVID-19 continued to impact the domestic financial sector, despite the re-opening of borders in July 2022 and remained a key challenge to maintaining a stable and efficient financial system. Supervision of institutions throughout 2022 were limited to regular off-site assessment, and virtual meetings, given the ongoing COVID-19 safety protocols.

Regardless of the difficulties, slow but sure recoveries in other sectors of the economy led to gradual improvements in the financial sector and performances of several institutions.

## BANKING SECTOR

### 1. Financial System Regulation and Development

Financial system regulation and supervision remained one of the core functions of the Reserve Bank, and more so during the year given challenges of operating under the COVID-19 pandemic. The need to remain vigilant against emerging financial threats and to ensuring that supervised financial institutions remain sound and prudent became more crucial during the pandemic. In light of this, the Reserve Bank continued its enhance monitoring of banks in 2022 so as to ensure continued financial sector stability and confidence in the financial system of Vanuatu.

### 2. Banking Industry

The economic fallout from border restrictions imposed under the COVID-19 pandemic and delays in major public infrastructure projects continued into 2022. Nevertheless, major economic sectors exhibited recovery during the second half of 2022 complemented by the reopening of Vanuatu's international borders in July. Accordingly, the banking sector financial performance improved compared to the previous year.

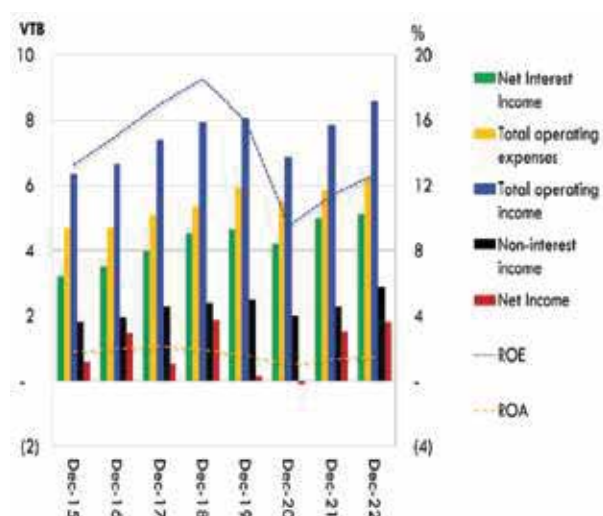
The Reserve Bank maintained enhanced monitoring of banks' risk profiles and operation through off-site surveillance. No on-site examination was conducted during the year during the community transmission phase of the pandemic. Bank specific issues were mostly dealt with through available electronic communication channels.

The Reserve Bank maintained minimum capital adequacy requirement at 10.0 percent and loan repayment holiday period was extended on a quarterly basis until September 2022 coinciding with the end of the State of Emergency imposed during the pandemic.

In terms of AML&CTF, on-site surveillances were put on hold in respect of the COVID-19 social distancing protocols. However, ongoing due diligence and offsite monitoring continued in 2022.

Risk reviews for both prudential and AML&CTF purposes were conducted using Risk Based Supervision Approach.

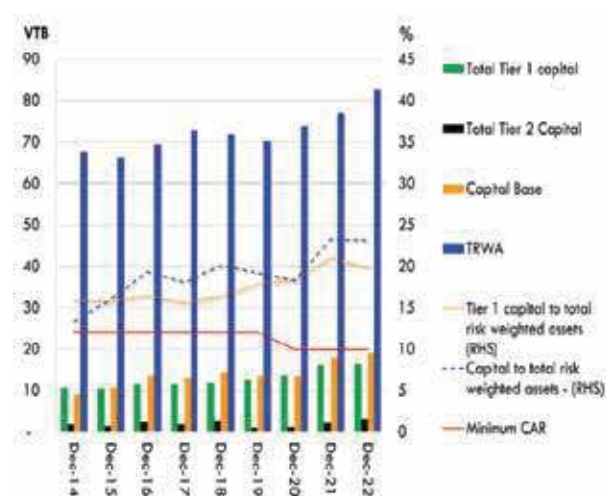
**Chart 9: Earnings - Domestic Banks**  
(Levels, Billions of Vatu)



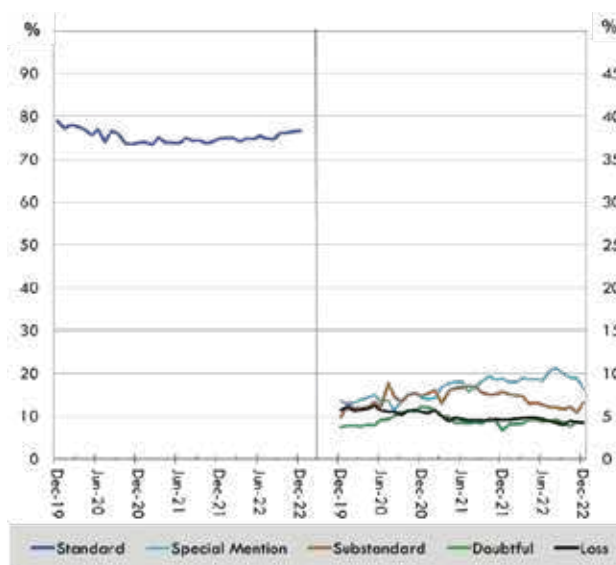
The banking industry comprised of 5 domestic banks and 10 international banks. The domestic banking industry continued to remain sound despite evidence of COVID-19 related stresses in earnings and in compliance with statutory obligations. Furthermore, the industry remained well capitalized despite slight increase in risk weighted assets. Much of the capital growth resulted from significant improvement in earnings to pre-pandemic levels. Similarly, the industry continued to hold sufficient liquidity well above the minimum requirement. Nevertheless, the quality of the banks' lending book remained a concern due to higher than expected level of non-performing assets. While non-performing loans registered a decline during the year, the full impact of COVID-19 pandemic and the impact of high inflation on the quality of the loans and advances is yet to be fully realized. Banks continue to accumulate general provisions to prepare for future unforeseen deterioration in assets during the year. In addition, specific provisions for

year. In addition, specific provisions for identified credit losses continued to increase. Despite high levels of non-performing loans, the majority of the industry's loans and advances were performing at the end of the reviewed financial year.

**Chart 10: Capital Adequacy & Tier 1 Ratio**  
(Levels, Billions of Vatu)



**Chart 11: Asset Quality - Domestic Banks**  
(Share of Total Loans, By Loan Category)



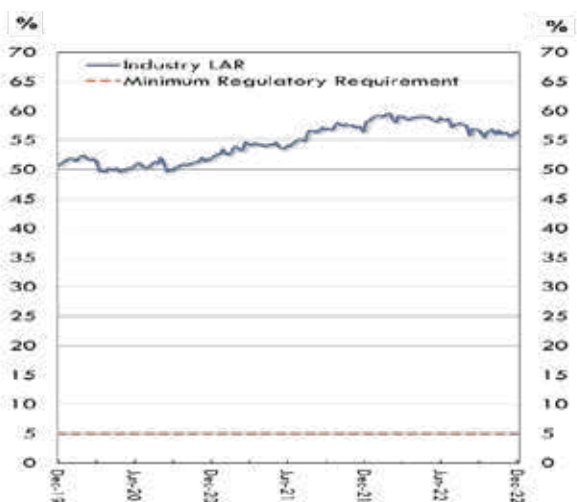
The challenges of de-risking and the EU's black listing of Vanuatu remained a concern in 2022 as difficulties in establishing new

bank correspondent relationships continued. Furthermore, existing correspondent relationships are maintained at relatively higher cost as well as tighter due diligence processes.

The Reserve Bank continued to receive enquiries for both domestic and international banking licenses in 2022.

**Chart 12: Liquid Asset Ratio - Domestic Banks**

(Percentage of Total Assets)



## OTHER FINANCIAL INSTITUTIONS SECTOR

The category entities under other financial institutions includes the Vanuatu National Provident Fund (VNPF), Credit Corporation Vanuatu Limited (CCVL), the Credit Unions, Vanuatu Rural Development Bank (VRDB) and Electronic Money and Payment Service Providers.

The VNPF continued to operate as per the current VNPF Act. The Fund is in the process of slowly addressing the recommendations of the 2016 Commission of Inquiry (COI) and of the Regulatory

Task Force (RTF) in 2017 through amendments that were passed in Parliament in 2020. However, the recommendations of the Commission of Inquiry regarding the strengthening of prudential supervision remained outstanding. Two of the most significant risks to the Fund relate to gaps in legislation and supervisory framework, and investment risk. The impact of COVID-19 on the financials of the Fund in 2021 was minimal compared to 2020. However, its liquidity assets showed a declining trend over the year due to the introduction of the 47 years' early withdrawal as per VNPF (Amendments) Act No. 8 of 2020 and from other operational expenses. Member contributions continued to grow, registering VT2.5 billion at the end of 2021 due to the inclusion of the informal sector while total benefit payments stood at VT2.0 billion.

The operations of CCVL continued within statutory obligations though, credit risk remained a challenge. The level of non-performing loans of the institution improved significantly over the year. It resumed active lending in 2022 after lending was halted throughout 2020 due to the negative impact of COVID-19 pandemic. The Reserve Bank's on-site surveillance was scaled back in respect of COVID-19 social distancing protocols. However, offsite monitoring, in particular on credit risk continued in 2022.

Credit Unions, with three active entities, comprise the smallest financial institutions sector supervised by the Reserve Bank, although its role is considered important in the Reserve Bank's goal of greater financial inclusion in Vanuatu. The Reserve Bank continued to work with the credit unions in 2022 in the implementation of a number of policy measures, including prudential return template, good governance framework, fit and proper management and in understanding inherent risks. The Reserve Bank continued work on

the new draft Credit Union bill in 2022.

The Vanuatu Rural Development Bank (VRDB), formerly known as Vanuatu Agriculture Development Bank (VADB), went through an organisational restructuring in 2021 following amendment to the VADB (Amendment) Act No. 16 of 2021. One of the major objective of the legislative review was to strengthen the Reserve Bank's prudential supervisory powers over the VRDB. It was also partly in line with Government's decision for the VRDB to focus on the primary sector and the Reserve Bank's overall financial sector reform initiatives. Part of the restructuring included change in the VRDB's Board of Directors including the management. The Reserve Bank appointed an Administrator over the VRDB, as per the Financial Institutions Act, with the consent of the bank's shareholder, following a report of VRDB's external auditor which identified significant irregular payouts to the former Board of Directors, management and staff of the VRDB. The contract of the Administrator will be terminated once all its Terms of Reference (TOR) are achieved.

The Reserve Bank issued conditional licenses to two (2) e-money and payment service providers namely; WanTok Money and Kwik Pay Services in 2022 despite the absence of a proper supervisory framework. Digital financial services and e-money form an important part of Vanuatu's financial inclusion strategy which was reinforced under the new National Payment System Act giving powers to the Reserve Bank over the domestic payment system and e-money. In absence of a proper supervisory framework, the Reserve Bank had relied on Non-Objection Letters to payment providers and signed MOUs between different authorities as guides. The Reserve Bank continued to monitor and follow up on the progress of the conditions of these licenses including two other Mobile Network Operators (MNOs) which were

previously issued with Non-Objection Letters by the Reserve Bank.

## **INSURANCE SECTOR**

The insurance industry continued to show consistent solvency level post Covid-19 and insured losses from 2020 tropical cyclone (TC) Harold. The continuous catastrophic weather patterns had seen a declining trend in overall premiums as insurers become more selective and prudent in their overall risk appetite. However, the ongoing recovery projects post TC Pam and TC Harold may gradually impact growth in business in the medium to longer term.

### **Onsite/Offsite Monitoring**

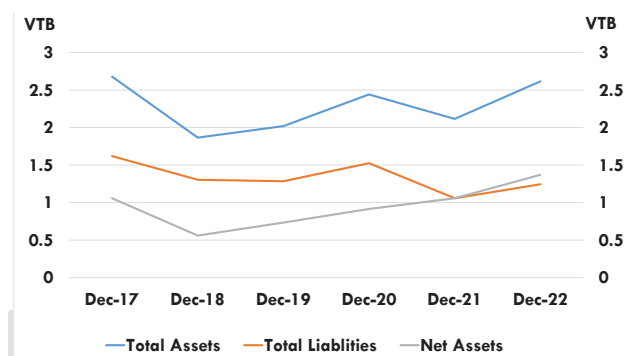
Onsite surveillance, which was put on hold since enforcement of COVID-19 restrictions, began as restrictions eased up, leading to resumption of prudential consultations. Despite the restrictions, offsite surveillance had continued to be conducted through periodic returns and other ad-hoc reports.

### **Industry Performance**

The insurance industry comprised of three local insurance companies, two external insurers, one re-insurer, five international insurers, seven captives, five brokers, five insurance managers one loss adjustor and nine agents. Three new licenses were issued comprising two insurance agency business and one general insurer.

The domestic financial position reported growth in overall admissible assets by 24 percent to VT2.6 billion compared to VT2.1 billion recorded in the preceding year.

**Chart 13: Assets & Liabilities Insurance Sector**



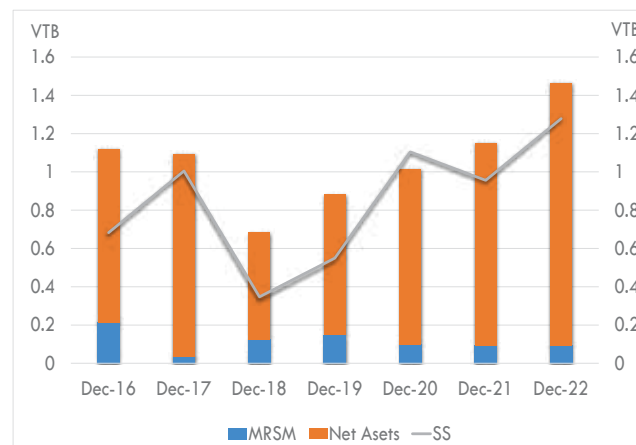
The increase was driven by growth in cash on hand/deposits by 30 percent to VT2.2 billion (VT1.6 billion: Dec-21). Other components showing increase were Prepayments by 27 percent and Premiums receivable by 8 percent. Other asset components which had declined was Reinsurance recoveries, by 14 percent.

Similarly, insurance liabilities increased by 30 percent to VT2.202 billion compared to VT1.057 billion in the preceding year. This was influenced by similar increase in other liability components such as in amounts due to related parties by 14 percent, unexpired risks by 19 percent and trade and other creditors by 51 percent.

### Margin of Solvency

Over the year ended 31 December 2022, the total industry surplus (admissible assets) increased significantly by 121 percent to VT2.1 billion compared to VT956 million recorded in 2021. Required Minimum Solvency declined by 9 percent to VT95 million compared to VT101 million in the preceding year.

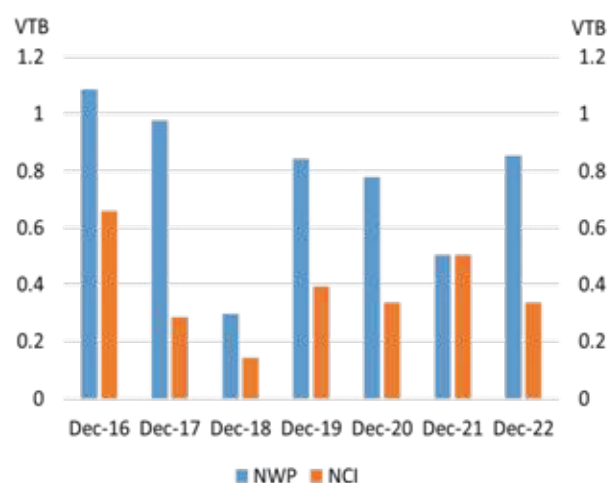
**Chart 14: Solvency Surplus (Levels, Billions of Vatu)**



### Net Written Premium & Net Claims Incurred

The industry recorded Net Written Premium at VT854 million in December 2022, indicating an increase of 70 percent. The increase reflected growth in gross premium of 9 percent to VT1.6 billion. Net Claims Incurred declined by 34 percent to VT334 million compared to VT503 million recorded in the previous year. Net claims comprises outstanding claims & paid claims during the reporting period.

**Chart 15: Net Premium & et Claims Incurred (Levels, Millions of Vatu)**





## **Underwriting Result - Risk Type Distribution**

As at end of December 2022, underwriting results declined by 5 percent to VT1.4 billion compared to VT1.5 billion recorded in the preceding year. This was influenced by a decline in premiums in specific classes of business such as Aviation by 100 percent, Professional Indemnity and Directors & Officers by 49 percent, Marine by 61 percent, Engineering by 22 percent, General Accident by 9 percent, Motor by 5 percent and Medical by 3 percent.

Commercial lines continued to depict highest gross premium at VT1.006 billion compared to personal lines recording total gross premium at VT474 million. The commercial lines comprise of corporate risks such as Fire/Property, Industrial Special Risk (ISR), Material Damage, General Accident, Third party Motor Vehicle, Marine, Workers Compensation and Liability risks. Personal lines on the other hand, comprised Home & Contents, Personal Accident, Medical, Private Motor, Term life and Funeral. Individual lines depicting high gross premium is Fire/Property at VT591 million, followed by Motor Third Party at VT250 million and Household/Contents at VT169 million.

## **New developments**

### **Parametric Insurance Product:**

As part of the Vanuatu financial inclusion strategy and support for innovative products to reach the marginalized population, a public/private sponsored parametric (index based) cyclone product was launched into the market in October 2022. This parametric cyclone product is intended to provide financial assistance in the aftermath of tropical cyclones, based on predetermined wind-speeds. The cyclone insurance product

has many potential benefits in terms of affordability, quicker access to pay-outs post disasters, and more importantly, filling the current gap in the market which is not catered for by the existing insurance players.

### **Review of Banking Prudential Standards and Returns:**

The Reserve Bank continued to work very closely with the Pacific Financial Technical Assistance Centre (PFTAC) and the International Monetary Fund since June 2022 on the review and drafting of six prudential standards in accordance with IFRS 9 and Basel III standards but taking into account the Vanuatu context. This task will continue into the following year.

### **Comprehensive Credit Data Reporting:**

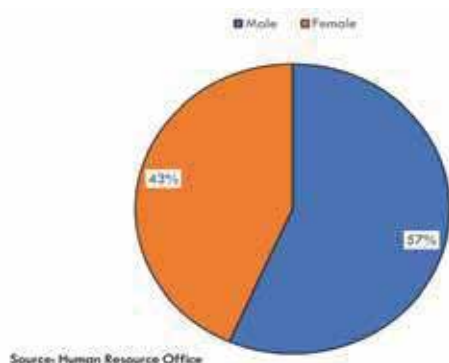
This project is purposely to upgrade the existing "negative only data" credit bureau by providing comprehensive credit reporting data including payment history data and to provide a supportive legislative and regulatory environment.

The Reserve Bank in collaboration with International Finance Corporation (IFC) has since established a Steering Committee, chaired by Reserve Bank to manage and guide the consultation process.

# HUMAN RESOURCE DEVELOPMENT

**Recruitments & Promotions:** The Reserve Bank's staff complement in 2022 stands at 106 staff. The Reserve Bank continued to advocate for equal employment opportunities to all citizens: and has a gender composition of 60 males to 46 females.

**Chart 16: Employee Gender Composition**



The Reserve Bank employed twelve (12) new staff in 2022. The Governor's Office welcomed three (3) staff, two Financial Inclusion Analysts and a Gardener; the Department of Economic Research & Statistics welcomed a (1) Statistician to their statuses, while the Financial Regulations Department welcomed two (2) Insurance Supervisors. The Department of Support Services added to their ranks, a (1) newly recruited Budget Officer, a (1) Banking & Teller Officer, two (2) ICT Officers and two (2) Security Guards. These recruitments formed an important addition to human resources of each Department/Unit within the Reserve Bank.

The Reserve Bank promoted five (5) staffing member whom demonstrated high potential

from undertaking increasing responsibilities: namely the Property & Assets Officer of the Support Services Department, being promoted to Property & Assets Supervisor.

The Economics, Research and Statistics Department, undertook four (4) promotional changes which contributed assertively to the departments growth and delivery of expected outputs. A Statistician was promoted to Economist (External and Real Sector); the Economist Monetary/Fiscal Sector was promoted to Senior Economist Monetary/Fiscal; the Senior Economist Monetary/Fiscal Sector was promoted to Senior Research Analyst, and the Economist External/Real Sector was promoted to Senior Economist External/Real Sector.

**Resignation/Expiration of Employment Contracts & Secondment:** In 2022, two (2) senior management staff departed Reserve Bank, one particularly due the outcome of the recent RBV Amendment Act. The other was assigned to secondment at the Executive Director's Office of the IMF in Washington DC, on a tenure of 2 years. There were two resignations and one staff termination in 2022.

**Development of Workforce:** The COVID-19 pandemic interrupted the Reserve 'Banks training development program for the year 2020 and 2021. However, in light of the country's border re-opening in July 2022, the Reserve Bank of Vanuatu reengaged its staff to training overseas, mostly by invitations through workshops and relevant areas of capacity building. This year, an

approximate number of fifteen (15) staffs attended training overseas. Similarly, staff benefited from participating in mandatory virtual trainings with providers such as the International Monetary Fund (IMF), World Bank (WB) and other central bank training facilities. Moreover, staff were engaged to in-house trainings, as part of the Reserve Bank's capacity building and a refresher to everyone.

The Governor and Deputy Governor were also able to attend official trips overseas in the latter part of 2022 as borders re-opened.

The Reserve Bank successfully hosted the 37<sup>th</sup> South Pacific Central Bank Governors Annual Meeting in person under the theme 'Rebuilding Our Economies Post-COVID-19'. The meeting brought together the Governors of eight member central banks around the region including Australia and New Zealand to deliberate and contribute on discussions and experiences on rebuilding economy post COVID-19. The event was held at Ramada Resort, Port Vila, from November 3-4, 2022.

**Staff Counselling:** In line with the Reserve Bank's mission to recruit, retain and develop professionals: The Human Resources Office, initiated an outset to guide its staffing members by providing counselling sessions to all newly recruited and existing members. The sessions aimed to help employees better manage stress, personal issues or work related problems. It also provided a platform to discuss/remind staff on the Reserve Bank's policies, and provide a conducive space to answer to any questions.

**Study Leave:** The year 2022 saw one (1) staff departing for study leave (15 months), an awardee on fulltime scholarship at the University of Canterbury, New Zealand; undertaking a Masters of Applied Finance and Economics. The Reserve Bank looks forward to the return of such staff in continuing to fortify and strengthen the Reserve Bank's human resources capacity which extends to the harnessing of their enhanced technical and specialized skills and abilities, enabling the staff to engage in meeting the prime objectives of the Reserve Bank of Vanuatu.

The Reserve Bank also witnessed a few staff taking the initiative to enrol in courses at the University of the South Pacific, (Emalus Campus) to upgrade their skills and knowledge in programs of their interests.

**Student Attachment Program:** The Reserve Bank recruited 12 students, under its Student Attachment Program who applied seeking formal work exposure, for a period of two weeks' interval from December 1st to December 30th. This is an initiative to support students in gaining work experience and in providing guidance where necessary, in pursuit of their choice of career path.

**Occupational Health and Safety:** The Reserve Bank of Vanuatu continued to advocate for a safe and conducive workplace for its staff, in-house tenants, and customers. Vanuatu experienced the community transmission of COVID-19 in March 2022, which abruptly forced the Institution/s to adopt new era of work. The challenges and experiences gained during that time; equips the Reserve Bank's Business Continuity Plan (BCP) members, to continue reviewing its policies, while strengthening the instruments already in place for preparation to any unforeseeable event.

# FRANKLIN KERE LIBRARY

## ENGAGEMENT

### RBV Kere Library

The RBV Kere Library remains a cornerstone for accessing information and disseminating knowledge, with a continued focus on education and learning throughout the year. Its initiatives prioritized promoting financial literacy through community engagements and school excursions. These efforts aimed to foster positive change and lifelong learning within schools, the general public, and rural communities.

In 2022, the library hosted visitors from 2 schools and 2 communities:

**Table 5: Franklin Kere Library Community Engagement**

No.	Institution	Class/Group	Number of Students/Visitors
1.	Eratap Centre School	Year 7	33
2.	Port Vila International School	Year 11	9
3.	World Vision Youth Program	Youths	55
4.	Pele Women's Group	Community	60

The library also continued to actively participate in the Reserve Bank's awareness programs, assisting with student and staff research needs. Furthermore, it maintained connections with international bodies such as the Pacific Regional Branch of the International Council of Archives (PARB ICA), the International Council of Archives (ICA), the International Federation of Library Associations and Institutions (IFLA), and accessed resources from the International Monetary Fund (IMF) and World Bank (WB) eLibrary.

### Logistics Events

The Logistics Unit played a crucial role in coordinating logistics for all Reserve Bank events throughout the year. From conferences to workshops, both in-house and off-site, the Unit ensured timely and quality arrangements, including venue logistics and transportation. Notably, after nearly three years of virtual meetings, the Reserve Bank of Vanuatu hosted the 37th South Pacific Governors Meeting at Ramada Resort, focusing on the theme "Rebuilding our Economies – Post-COVID."

### Property and Assets

Despite challenges posed by COVID-19, the Reserve Bank effectively managed its properties, equipment, and assets during the financial year. Several planned projects were successfully executed, while others were deferred to 2023. The following projects were completed:

RBV – DRC Standby Generator set including New Chairs and CCTV Upgrade

RBV – Northern Property Acquisition

RBV HQ CCTV Upgrade

RBV Refit – BPS & FIU Offices & L6 Offices

RBV PBEG Projects

Overall, property and asset management underwent a smooth workflow, ensuring a safe and functional environment.

### Asset Registry

The Asset Registry section diligently manages the Reserve Bank's assets through regular inventories and quarterly updates. Purchased

## **Cleaning**

Our cleaning team maintains a clean, healthy, and safe working environment through daily upkeep and quarterly deep cleaning. This commitment ensures that the Bank environment supports well-being of Bank staff, tenants and visitors alike.

## **Security Officers**

The number of security officers increased, in response to the growing needs of the Reserve Bank. They continue to demonstrate professionalism in maintaining, caring for, and ensuring the safety of the Reserve Bank's staff and assets. Particularly noteworthy was their vital role during the community lockdowns, notably in the first and second quarters of 2022. As frontline workers, security personnel were trained to implement preventive measures, ensuring adherence to the Reserve Bank's Standard Operating Procedures (SOPs).

## **Maintenance & Gardening**

The Maintenance & Gardening Unit diligently oversees the upkeep of properties, grounds, and gardens throughout the year. A significant maintenance project included the refurbishment of Sister Property's Toilet/Bathroom to meet BCP requirements. Despite challenges posed by frequent rainfall, ground works and landscaping maintenance have been consistently carried out.

## **Drivers**

Our drivers play a crucial role in ensuring the smooth delivery of mails and meeting other essential transportation needs of the Reserve Bank, thereby preventing any disruption in workflow. Their significance was particularly evident during the lockdowns in the first and second quarters of 2022, as they ensured the safe transportation of essential staff to and from work.

## **Information and Communications Technology**

The Reserve Bank of Vanuatu also places high importance on Information and Communications Technology (ICT) to ensure that key systems and processes that support the operations of the Reserve Bank continue without disruption. The Reserve Bank engages annually an independent external auditor to vet its systems, policies and ICT processes. To promote resilience, the Reserve Bank ensures that internal ICT policies are enforced and reviewed according to ICT standard practices. Similarly, the Reserve Bank operates a disaster recovery site which will be further developed to accommodate the Reserve Bank's overall Business Continuity Plans. To date, the Reserve Bank's core operations have been simulated from this site and areas of improvement have been noted for attention.

Network and data security is vital and the Reserve Bank continuous to ensure that this is maintained and managed efficiently. As part of its ongoing operations, ICT is responsible for managing: day-to-day domain issues, firewall, update services, data storage, email services and maintaining the core banking systems. In addition, the unit is also responsible for maintaining and updating the Reserve Bank's official website, and ecommerce site.

In response to continued cyber threats and vulnerability assessments, a few of the Reserve Bank's core systems and network have undergone Security audits. And as per policies, they are required to be attested annually in compliance with international security standards.



## **Going forward**

In strengthening the Reserve Bank's business continuity plan, the unit is progressively implementing its Disaster Recovery Plan – Furthermore, the Reserve Bank has relocated some of its services to approved secure cloud providers and likewise technical resources will be sought from qualified service providers whenever required. Overall, the Reserve Bank will continue to review its ICT strategies in line with the Reserve Bank's overall Strategic Plan.

# CHRONOLOGY OF MONETARY & FISCAL POLICY

## CHRONOLOGY OF MONETARY AND FISCAL POLICY

NO.	BRIEF DESCRIPTION OF MAJOR EVENTS	EFFECTIVE DATE
1.	A private company, Dynamic Supply Company Limited Vanuatu which partners with local producers, exported over 1 tonne of Tahitian lime fruits to New Zealand. This marked its sixth export consignment since partnering with eight Tahitian lime farmers in the island of Efate with support of the Department of Agriculture and Rural Development (DARD). Tahitian lime has been increasing and over 3 tonnes were exported to New Zealand under the previous five consignments. Tahitian lime is one of the priority crops identified for EDF11 support. <a href="#">Vanuatu Daily Post</a>	13 January 2022
2.	The Vanuatu Rural Development Bank (VRDP) launched two new loan products, the “Yumi Growem” and SME financing. “Yumi Growem” loan was developed in collaboration with the Vanuatu Government. It was designed as a fast economic stimulus product to support productivity and growth of rural businesses. Under the loan product, the VRDB offers loans at highly discounted interest rate to clients in the primary sectors of agriculture, industry and services. The SME financing product, on the other hand, was designed as “catalyst” funding to assist SMEs, either just starting out, or, seeking additional working capital to expand. Under the two products, clients can borrow between VT50,000 and VT3 million at an interest rate of 4% and loan term of up to 36 months, depending on the size of business and loan servicing ability. <a href="#">Vanuatu Daily Post</a>	19 January 2022
3.	The Government through the Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity (MALFFB) launched a 70/30 subsidy to qualified fisherman and farmers. Under the scheme, the Government provides 70% of the purchase price for agricultural and marine equipment for candidates that meet the schemes criteria. The scheme is intended to stimulate rural economic activity and empower rural communities as part of the Government’s response to the COVID-19 pandemic. The first 18 boats to qualify under the subsidy were put to a tender process in late 2021 and a local company Vila Marine Limited was selected as the supplier. <a href="#">Vanuatu Daily Post</a>	22 January 2022

4.	The Vanuatu Government, with support of the National Export Development Program Task Force, launched a second export batch of root crops to Brisbane. This followed on from root crop export trialled in November 2021 which was hailed as a breakthrough. <a href="#">Vanuatu Daily Post</a>	<b>27 January 2022</b>
NO.	<b>BRIEF DESCRIPTION OF EVENTS</b>	<b>EFFECTIVE DATE</b>
5.	Interchange Limited (ICL), a Vanuatu-based consortium that provides telecommunication infrastructure, made dividend payment of VT43,125,000 to the Vanuatu Government, Vanuatu Post Ltd and the Vanuatu National Provident Fund (VNPF) as shareholders. Dividend payment to the VNPF, as the major shareholder, amounted to USD 187,500, while the Vanuatu Post Ltd and Vanuatu Government each received USD 62,500. This is the third dividend payment by ICL to shareholders. ICL is a locally owned company that owns and operates the country's only international submarine cable, connecting Port Vila to Suva, Fiji, where it connects the South Pacific to global communications. <a href="#">Vanuatu Daily Post</a>	<b>28 January 2022</b>
6.	The Minister of Finance and Economic Management formalized an additional USD 46.8 million funding for the South Santo Road Investment project. The funding was in addition to the initial USD 66 million grant endorsed for the 65-km road upgrade. The South Santo Road Investment, also known as the Vanuatu Climate Resilient Transport Project (VCRTP), is funded by the World Bank at VT12 billion. <a href="#">Vanuatu Daily Post</a>	<b>29 January 2022</b>

7.	The Vanuatu National Agriculture Census and Business Establishment Census were launched on February 25, 2022. The Business Establishment Census was the first of its kind to be launched in Vanuatu whereas it took 15 years to 2022 for the second Agriculture Census to be launched. The launching of the two projects were delayed by the recent pandemic. The Vanuatu National Agriculture Census was launched under the theme "Collecting Quality Primary Data to Build a Stronger Economy" while the launch of the Business Establishment Census was under the theme "Empowering Business through Data". <a href="#">Vanuatu Daily Post</a>	<b>26 February 2022</b>
8.	The Vanuatu National Provident Fund (VNPF) introduced an Emergency COVID-19 Assistance Scheme (ECAS) as financial assistance to members during the COVID-19 pandemic. The VNPF allocated a total of VT300 million for the scheme. Members can draw up to VT50,000 as loan from their respective Investment Account, Medisave Account, or, in a worst-case scenario, borrow from their Retirement Account under certain conditions. <a href="#">Vanuatu Daily Post</a>	<b>12 March 2022</b>
9.	The Asian Development Bank (ADB) released a \$5 million (VT566 million) grant from its Pacific Disaster Resilience Program (Phase 3) to assist the Vanuatu Governments response to the COVID-19 pandemic. The ADB-supported Pacific Disaster Resilience Program fills a financing gap common to many Pacific developing member countries during a disaster, providing a predictable and quick-disbursing source of financing for early response and recovery activities. <a href="#">Vanuatu Daily Post</a>	<b>16 March 2022</b>
<b>NO.</b>	<b>BRIEF DESCRIPTION OF EVENTS</b>	<b>EFFECTIVE DATE</b>

10.	The World Bank's Board of Executive Directors approved a US\$25 million loan for a new project to improve the resilience, services and infrastructure of new settlements and several existing informal settlements around Vanuatu's capital, Port Vila. The Vanuatu Affordable and Resilient Settlements Project will establish a new exemplary urban expansion area and improve infrastructure in several existing settlements in Port Vila. The work will ensure urban settlements are safer and better equipped to provide residents with access to critical services such as schools, sanitation, and roads. <a href="#">Vanuatu Daily Post</a>	19 March 2022
11.	The Government announced the third economic stimulus package of VT1.2 billion for a period of six months to offset the impact of the pandemic and natural disasters. Of the total, VT300 million was allocated as Employment Stabilization Payment for workers affected by lay-offs, VT255 million as tuition fee subsidy to support parents in schools on Efate and Santo affected by the COVID-19 lockdowns, VT450 million as grant for Small and Medium-Sized Enterprises (SMEs) and the remaining balance as a Shipping Subsidy, and a price subsidy for root crops and other commodities. <a href="#">Vanuatu Daily Post</a>	26 March 2022
12.	The Asian Development Bank (ADB) and the Government signed a grant agreement on 8 April 2022, totalling \$2.9 million for the greater Port Vila Urban Resilience Project. The purpose of this project was to improve resilience in the greater Port Vila area through capacity building, institutional strengthening, and the construction of two multipurpose emergency shelters. The additional financing of \$2.29 million from the Global Environment Facility (GEF) and \$700,000 from ADB's Ireland Trust Fund for Building Climate Change and Disaster Resilience in Small Island Developing States will help improve urban service delivery and allow the ongoing project to be expanded to fund the construction of a third gender-responsive, multipurpose emergency shelter in the Freshwota-Tassiriki Ward in Port Vila. This will serve as a market building and will have capacity to house 153 people during emergencies; the piloting of nature-based coastal protection, including the planting of mangroves; and climate change modelling to guide the development and updating of key urban planning documents. <a href="#">Vanuatu Daily Post</a>	12 April 2022
13.	Electricity prices in Port Vila were increased by 4.25% or +2.45VT/kWh from VT57.63/kWh in March 2022 to VT60.08/kWh in April 2022. The increase largely reflected monthly rise in the average imported diesel fuel price/litre by	25 April 2022



	10.71% in mid-March 2022 from February 2022, due largely to increasing global fuel prices from the ongoing conflict between Russia and Ukraine. <a href="#">Utilities Regulatory Authority of Vanuatu</a>	
NO.	BRIEF DESCRIPTION OF EVENTS	EFFECTIVE DATE
14.	A labour coalition was established between the Ministry of Tourism Trade Commerce and Ni-Vanuatu Business (MTTCNVB) and the Ministry of Internal Affairs (MOIA) to address shortage of skilled workforce in Vanuatu's tourism and hospitality sector. The Department of Tourism, Department of Labour, and Vanuatu Tourism Office collaborated to facilitate the registration and training of Ni- Vanuatu in the tourism and hospitality sector as part of preparation for border reopening. <a href="#">Vanuatu Daily Post</a>	10 May 2022
15.	<p>The European Council stated it partially suspended Vanuatu's visa waiver agreement with the 27 European countries in the Schengen area, in a press release dated 3 March 2022. According to the statement, holders of Vanuatu passports sold from May 25, 2015 will now apply for a visa when entering any European country, even for only a few days. The suspension followed:</p> <ol style="list-style-type: none"> <li>1. The extremely low rejection rate, which raises doubts as to the reliability of the security and due diligence screening</li> <li>2. The absence of physical presence or residence requirements, short processing periods and lack of information exchange with applicants' countries of origin or residence</li> <li>3. The granting of citizenship to applicants listed in Interpol databases</li> <li>4. The nationalities of origin of successful applicants, which include several countries whose nationals require a visa to enter the EU.</li> </ol> <p>The visa waiver agreement between the EU and Vanuatu started in 2015. <a href="#">Vanuatu Daily Post</a></p>	19 May 2022
16.	Domestic prices for diesel fuel were raised in May following another increase in March. The price of diesel rose by VT34.12 per litre to VT217.12 per litre on March 26th, up from VT183 per litre recorded on March 13th. The wholesale price of diesel increased to VT129 per litre and pump prices at VT141 per litre.	26 May 2022

	The price of petrol at pumps increased from VT173 per litre to VT195 per litre, a rise of VT22 per litre. The continuous hikes in domestic diesel and petrol prices were driven by external price shocks. <a href="#">Vanuatu Daily Post</a>	
17.	Parliament ratified the PACER PLUS Agreement making Vanuatu the 10th country to endorse the regional agreement. Countries that ratified the agreement include Australia, New Zealand, Cook Islands, Kiribati, Samoa, Solomon Islands, Tonga, and Tuvalu. PACER PLUS is a regional trade agreement that aims to promote regional economic integration through trade, avoid barriers to trade, liberalize trade, and promote economic integration between member states. <a href="#">Vanuatu Daily Post</a>	30 May 2022
NO.	<b>BRIEF DESCRIPTION OF MAJOR EVENTS</b>	<b>EFFECTIV DATE</b>
18.	The World Bank approved US (\$) 10 million (VT1.18 billion) to support Vanuatu's ongoing efforts to strengthen climate change adaptation, disaster risk reduction, health management and debt transparency. This financing reinforces the World Bank's commitment to increasing resilience in Vanuatu through the Climate Change Resilient Transport Project. <a href="#">Vanuatu Daily Post</a>	24 June 2022
19.	Interchange Limited (ICL) made dividend payment of VT35.6 million for the financial year ended 2022 to its shareholders including the Vanuatu Government, Vanuatu Post Ltd and the Vanuatu National Provident Fund. <a href="#">Vanuatu Daily Post</a> ,	July 6, 2022
20.	Domestic diesel fuel prices rose further by VT12 on July 14th, 2022 to VT229/litre, up from the previous price of VT217/litre. According to the Department of Energy, the price change was applicable at all retail fuel outlets supplied by the Société de Services Petroliers (SSP) around the country. <a href="#">Vanuatu Daily Post</a>	July 13, 2022
21.	The Vanuatu National Provident Fund (VNPF) in partnership with the Government announced that Total Energies Fiji has won the tender as part of the VNPF's investment to build a fuel depot in Vanuatu. <a href="#">Vanuatu Daily Post</a>	July 16, 2022

22.	The Vanuatu National Provident Fund (VNPF) received an equivalent of VT15 million in dividend payment from the Unit Trust of Fiji (UTOF). VNPF invested around VT200 million in UTOF in 2018 and has since been receiving dividend from its investment. The dividends are declared twice a year. The VNPF received dividend payments of over VT10 million in 2019 and VT16 million in 2020. <a href="#">Vanuatu Daily Post</a>	July 27, 2022
23.	The Vanuatu Government and the World Bank launched the Vanuatu Affordable and Resilient Settlement (VARS) project, set to reform unplanned urban settlements in Vanuatu and effectively improve the standard of living for many families. The project is the first of its kind in the Pacific region with a total cost of VT2 billion as grant from the World Bank. The money will cover unplanned urban settlements, particularly 23 unplanned settlements identified by Vanuatu authorities. <a href="#">Vanuatu Daily Post</a>	July 30, 2022
24.	The National Green Energy Fund (NGEF) launched its first-ever product catalogue that has in it a list of approved solar home systems and micro-grids eligible for funding by NGEF. The catalogue contains different approved products for beneficiaries such as households, Micro, Small and Medium Enterprise and public institutions. The NGEF financing products include loans, risk facilities, grants and a mixture of the three products with lending being the priority product. <a href="#">Vanuatu Daily Post</a>	August 3, 2022
NO.	<b>BRIEF DESCRIPTION OF MAJOR EVENTS</b>	<b>EFFECTIVE DATE</b>
25.	The Government of Vanuatu and the Asian Development Bank (ADB) signed a grant agreement worth of over VT395 million to address the needs of the poor and vulnerable groups affected by the COVID-19 pandemic. The funds are from the Asian Development Fund 13 thematic pool supporting the transformative gender outlined in Vanuatu's Sustainable Development Goal 5. Extra funding also includes VT169 million from the Japan Fund for Prosperous and Resilient Asia and the Pacific, as well as \$250,000 from the Ireland Trust Fund for Building Climate Change and Disaster Resilience in Small Island Developing States. <a href="#">Vanuatu Daily Post</a>	August 11, 2022
	On the advice of the Council of Ministers, His Excellency Nike Nike Vurobaravu,	August 18,



26.	the President of the Republic of Vanuatu dissolved Parliament of the 12 <sup>th</sup> Legislator amidst a motion of no-confidence lodged against the Government of Prime Minister Bob Loughman. <a href="#">President of the Republic of Vanuatu Press Release</a>	2022
27.	The European Development Fund released VT30 million to the Department of Agriculture and Rural Development (DARD) as support to its national coconut seed distribution program. The 10-year coconut planting program will end in 2025. The 2022 program was to distribute 250,000 seed nuts throughout Vanuatu, depending mainly on individual interested farmers. <a href="#">Vanuatu Daily Post</a>	September 13, 2022
28.	The Vanuatu Rural Development Bank (VRDB) issued 600 new loans totalling more than VT500 million for the year to September 2022, to the tourism, agriculture, fisheries and industry sectors. The VRDB is supporting the Government's vision of enabling more financial resources to small business and grassroots across all provinces of Vanuatu. VRDB has opened a new branch in Santo to process loan requests of rural businesses in the northern provinces. The VRDB is also focusing on investing in technology to provide faster service to customers. <a href="#">Vanuatu Daily Post</a>	September 16, 2022
29.	The Ministry of Tourism, Trade, Commerce and Ni-Vanuatu Business (MTTCNVB) rolled out the Government copra subsidy of VT75 million as part of its third economic stimulus package. The subsidy is capped at around VT40,000 per tonne and will last either until funding exhaustion or when the international price for copra reaches the subsidized level and sufficient for the buyers to set prices without the need for the subsidy. <a href="#">Vanuatu Daily Post</a>	September 17, 2022
NO.	BRIEF DESCRIPTION OF EVENTS	EFFECTIVE DATE
	The first ever Business Establishment Census (BEC) in Vanuatu was conducted by the Vanuatu Bureau of Statistics between September and November 2022. The census provides baseline data on business establishment, government agencies,	September 17, 2022

30.	non-profit organizations and other entities that provide employment in Vanuatu. The data will be used for business profiling and structure, industrial classification and economic analysis. It will help policy makers make informed policies and priorities. Over 70 numerators and 12 supervisors were engaged in the data collection phase. Data were collected from both the informal and formal businesses in the industry and services sectors in all six provinces in Vanuatu. The EDF-11 provided funding for the census at a cost of around VT50 million and technical assistance was provided by the ADB. <a href="#">Vanuatu Daily Post</a>	
31.	Investment by the Vanuatu National Provident Fund (VNPF) in the Unit Trust of Fiji (UTOF) has increased to VT500 million following its initial investment of over VT200 million in 2018. The increase brings VNPF's total investment in UTOF to FJ\$14,009,009.10, equivalent to VT745 million. <a href="#">Vanuatu Daily Post</a>	September 22, 2022
32.	The Department of Energy announced a drop in the prices for diesel fuel in Vanuatu by VT27/litre on the 1st of October 2022 to VT226/litre from the current price of VT236/litre. The decline reflected the slowdown in global fuel prices since July 2022. The change will take effect on Vanuatu's domestic fuel prices in October. <a href="#">Vanuatu Daily Post</a>	September 30, 2022
33.	Vanuatu officially became a full member of the PACER Plus on the 11th of October 2022. <a href="#">Vanuatu Daily Post</a>	October 11, 2022
34.	The inaugural Grand Manaro Trek 2022 on the island of Ambae was hailed a success. The event was coordinated by the Vanuatu Tourism Office (VTO) and the Department of Tourism. According to the Acting Director for the Department of Tourism, interest and demand for tour experience such as the Grand Manaro Trek will soon become a bucket list for many. According to VTO, adventure tourism is a growing tourism segment, worth around USD683 billion (VT75 trillion) in 2018, with higher return per tourist and up to 65% of revenue generated stays in country. <a href="#">Vanuatu Daily Post</a>	October 22, 2022
35.	The Green Climate Fund (GCF), established under the United Nations Framework Convention on Climate Change, approved a VT2.6 billion grant for a project to improve water security in Vanuatu. The project aims to improve sanitation for 86,650 people across the six provinces of Vanuatu. It was developed by the Government of Vanuatu's Department of Water Resources (DoWR) in partnership with other organizations. The project will enhance climate	October 22, 2022



	resilience across 700 drinking water safety and security plans, upgrade water infrastructure to 270 communities, and provide additional capacity to the DoWR in its operations and its work on water security and sanitation across Vanuatu. <a href="#">Vanuatu Daily Post</a>	
NO.	BRIEF DESCRIPTION OF EVENTS	EFFECTIVE DATE
36.	The Office of the Government Chief Information Officer (OGCIO) confirmed that it has identified a series of cyber-attacks from outside Vanuatu on certain government online services such email, network shares and VoIP services. The attackers, using well-crafted methods, targeted loopholes on some of the country's agencies' online services that are regarded as critical infrastructure or which host essential services. The Deputy Chief Officer, John Jack affirmed that the OGCIO is working to identify the source of the attack, and called for government agencies to activate their business continuity plans and take precautionary measures to mitigate against cyber risks. <a href="#">Vanuatu Daily Post</a>	October 27, 2022
37.	The Pacific Encounter's arrival in Port Vila, marked the return of the first cruise ship after two and a half years following lockdowns imposed under the pandemic. Pacific Encounter celebrated its arrival to Vanuatu by funding a new ambulance for ProMedical – a pre-hospital and ambulance service - and 200 volleyballs to support community health and wellbeing. Both the Australian cruise ship company Carnival and P&O have worked hard with the Vanuatu Government for the return of cruise tourism to Vanuatu. Minister responsible for tourism Matai Seremaiah assured the government's support to continue working with Carnival and P&O to strengthen the level of tourism coming into Vanuatu. <a href="#">Vanuatu Daily Post</a>	November 10, 2022
38.	To recognize the importance of coconut oil exports, the Minister responsible for Tourism, Trade, Commerce and Ni-Vanuatu (MTTCNVB), Matai Seremaiah officiated over the sealing of 3 shipping containers of organic crude oil, containing 61 tones, valued at around VT4, 790,230 to be exported to Melbourne, Australia by the Vanuatu Basket, a local company focused on value adding to agricultural products. The sealing marked an excellent working relationship and collaboration between the private sector and the Government. Vanuatu has two organic coconut oil producing facilities, the Vanuatu Basket and Coconut Oil Production Santo Limited (COPSL). <a href="#">Vanuatu Daily Post</a>	November 15, 2022

39.	The European Union (EU) announced a VT400 million funding support for the agriculture and trade sectors through the Vanuatu Value Chain (VaVac) program. The announcement was made by the Director of the Middle East, Asia and the Pacific in the European Commission Directorate General for International Partnership, Peter Ustubs during his visit to Vanuatu. He said that a strong rural economy creates opportunity and enable the climate resilience development of rural communities. Mr. Ustubs was satisfied that the collaboration would improve prosperity of the people of Vanuatu given the country's vulnerability to natural disasters. The collaboration will support farming and fishing communities, with a special focus on improving production, distribution, marketing in the beef, fruit, vegetables, and coconut value chain. <a href="#">Vanuatu Daily Post</a>	November 24, 2022
NO.	BRIEF DESCRIPTION OF EVENTS	EFFECTIVE DATE
40.	The Department of Energy (DoE) confirmed that the price of petrol at the pumps dropped by VT22 per litre on November 23rd from VT215/litre to VT193/litre. However, diesel prices rose by VT18 (VT211/litre to VT229/litre as of 25th November 2022. The prices are based on the cost fluctuations of the Means of Platts Singapore (MOPS) (the regional pricing bench mark adopted in the downstream oil industry), including foreign exchange rate movements and other charges. <a href="#">Vanuatu Daily Post</a>	November 25, 2022
41.	The New Zealand (NZ) Government announced a further VT665 million funding for the completion of the South Paray Wharf in Port Vila, Samanson Wharf in Santo and Port Sandwich in Malekula, as part of the Vanuatu Inter-Island Shipping Support Project (VISSP). <a href="#">Vanuatu Daily Post</a>	November 25, 2022
42.	The Vanuatu National Provident Fund (VNPF) collected over VT16 million in voluntarily contributions from almost 500 seasonal workers under the recognized seasonal employer (RSE) scheme in New Zealand in 2022. It was higher than VT9 million in contribution from 220 workers in 2021. Voluntary contribution from the domestic informal sector amounted to VT10 million. The informal sector initiative started in 2018 and had shown a significant improvement recently. The	December 16, 2022

	VNPF has plans to cover seasonal workers from the Seasonal Workers Programs in Australia. VNPF has registered over 8,000 voluntary members in the informal sector since 2018. <a href="#">Vanuatu Daily Post</a>	
43.	The Ifira Ports Development and Services (IPDS) paid VT40 million dividend to its shareholders. A total of VT19.6 million was paid to the government and VT20.4 million to Ifira Trustees Ltd. <a href="#">Vanuatu Daily Post</a>	December 22, 2022
44.	The Department of Energy (DoE) confirmed that the price of petrol has increased by VT3 commencing December 19, 2022, from VT193 to VT196 per litre. to the increase reflected a change in global price and fuel stock receipt on August that is now available at the pumps. However, diesel prices have decreased from VT229 to VT210 per litre. <a href="#">Vanuatu Daily Post</a>	December 22, 2022
45.	The government awarded the China Civil Engineering Construction Corporation (CCECC) the contract to construct the South Santo Road project. Mr. Laim Qing, CCECC Managing Director said, the first component cost of VT5 billion covered the cost of 11 new bridges, two box culverts and three rehabilitated bridges. These will be constructed within a timeframe of two years. The cost is part of the VT13 billion 66km road project extending from Saint Michel in Luganville to Tasiriki village in South Santo. <a href="#">Vanuatu Daily Post</a>	December 24, 2022