

National Business Forum



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Reflection

Investments - Road to recovery

What is the current situation?



Vanuatu's economic situation- August 2020

Covid19 = Border Closure = Economic slowdown = Shrinking economy

What is happening...

- No more tourist money
- Reduced Seasonal Worker inward remittances
- No more new foreign investor money, and no investment by local investors
- No more importation of skilled workers,
- Exile of many long-term residents, many skilled workers and several wealthy retirees

This creates a steep reduction in the overall **demand** side of the economy. We feel the downward multiplier effect or reverse multiplier.

When DEMAND diminishes in an economy **EVERYBODY** is affected.

Negative Effects

Less economic activity means:

- ★ **Jobs are lost**, increased unemployment, businesses are laying off staff = reduced demand and reduced opportunities for employment and for business,
- ★ **Businesses shrink** and stop spending, increasing the negative impact on demand
- ★ **Costs and Prices are getting higher** as the lower volume of activity means loss of economies of scale, this means price per item is more expensive, leading to less purchasing power

This leads to no new investment from the private sector as the climate and the outlook is negative. **Low confidence** in the future, no enthusiasm.

This also leads to economic slowdown, the shrinking of our economy, the **VICIOUS** circle of wealth destruction and recession that could turn into a depression.

Negative Effects

Economic downturn, Recession & Depression usually lead to an increase in

- Inequality
- Poverty
- Criminal activity
- Mental health issues
- Suicide
- Social Unrest
- Bankruptcy
- Government borrowing
- Corruption
- Domestic violence

The Vicious Circle of wealth destruction is already underway.

REFLECTION

Only the private sector creates wealth, which makes it the engine of the economy.

The role of the government is not to create wealth, it always fails when government tries to, the role of Government is to enable a good environment for business to thrive.

The Government can help by promoting policies and legislation that are business friendly.

A business friendly environment indirectly translates into better education and healthcare services for the population, which in turn contributes to a business friendly environment.

The Government also has the power to negatively affect the economy through fees, taxes and red tape that make doing business costlier and more difficult.

Government can be an enabler of private investments

How the government can help

Government must invest in order to enhance the attractiveness of Vanuatu for investment, to enable a positive investment climate:

That means:

- 1 Education
- 2 Health
- 3 Security and Law Enforcement
- 4 Business Regulations
- 5 Infrastructure
- 6 Environmental protection

Government should avoid getting involved in doing business, avoid SOE *State owned Enterprise *, avoid direct subsidies to business

(as a general rule, some exceptions could exist)

Avenues to explore

- 1 **Education**
- 2 **Health**
- 3 Security and Law Enforcement
- 4 Business Regulations
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- 6 Environment protection

1 **Education**

- ❑ Universal internet access to all schools in Vanuatu,
- ❑ Investment in National Television to produce educational content that can be broadcast to kids/students throughout the nation.

- ★ Affordable internet access now exists via Satellite for rural areas
- ★ If this is not happening it is simply a lack of vision from the leaders of the Nation.

2 **Health**

- ❑ Same as above, first thing to do with health is education in order to prevent people to get sick, so promoting sport and healthy lifestyles, promoting a healthy diet.
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Avenues to explore

1	Education
2	Health
3	Security and Law Enforcement
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3 Security and Law Enforcement

- **Safety** is the second basic need after physiological (food/water/warmth) needs. Without the feeling of safety, no happiness, no investment, no growth, no prosperity, no wealth is possible,
- Increasing the quality and capacity of law enforcement should be top of the agenda, as with a growing urban population of youth, the responsiveness of the police will become important to prevent and limit the crime rate.
- Technology could be used to digitize the national identity registry, thus unlocking financial inclusion for all while effectively and efficiently controlling and mitigating the occurrence of crime.
- Knowing that you will likely be caught if you commit a crime is a powerful, effective deterrent,

Avenues to explore

- 1 Education
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4 Business Regulation

- Simplifying and/or removing unnecessary regulatory burden
 - Do we really need a Business License Act?
 - Can we open up VFIPA, Immigration, Labor, etc. to International Companies (IC in VFSC register)?
- Encourage innovation with proper regulation or by removing unnecessary regulation :
 - Developing new industries such as Blockchain, Digital Assets, Distributed Ledger Technologies, E- Business, Stablecoins (Oxfam's Unblocked Cash project)
- Investing in a significant overhaul of the legislation that regulates the IFC in order to strengthen it and foster growth, (ICs, Trusts, Forex Dealer, etc.)
 - It does bring in the country much needed foreign currency, it is part of the diversification of our economy and it provides well paid employment for our youth.
 - This is part of the mix for nations such as Singapore, Hong Kong, Caymans, Bermuda, UAE, British Virgin Islands, Cook Islands, Mauritius, Samoa, Seychelles, and many others

Avenues to explore

- 1 Education
- 2 Health
- 3 Security and Law Enforcement
- 4 **Business Regulations**
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4 Business Regulation

- Creating new categories of Visa:
 - Business Visa, (showing us as open for business)
 - Easy Residency Visa, (making it cheap and simple)
 - Digital Nomad Visa (attracting talent and the wealthy)

- Investing in regulations that would lead Vanuatu to E-government, digital identity, digitization of all public administration

- Increasing competition in the banking sector for the benefit of consumers:
 - Not charging twice for the registration of a mortgage (2.1%) when you change lenders,
 - Modifying legislation so lenders can execute more quickly their rights over a mortgage, thus reducing borrowing rates as it reduces the cost for banks to exercise their rights

- Increase competitiveness in the market in order to lower the cost of living by not adopting protectionist policies.

Avenues to explore

- 1 Education
- 2 Health
- 3 Security and Law Enforcement
- 4 Business Regulations
- 5 Infrastructure**
- 6 Environment protection

5 Infrastructure

- ❑ **Establishing** a GVT top 100 assets register
- ❑ **Managing** that asset register by **selling** surplus and non-performing assets to unlock private investment and **using the proceeds to buy or build** new, valuable and **useful** assets.
- ❑ **Building new** roads, schools, hospitals, telecoms infrastructure, playgrounds, national parks, footpaths/bikepaths, prisons, libraries, etc
- ❑ **Renovation** of National Assets; airports, buildings, government houses, roads, libraries, museums, schools

In addition to building the foundations for long term growth, investing now in infrastructure is key to providing employment and wages to the population...and thus helping the economic demand side by pumping cash into the hands of the people.

Avenues to explore

- 1 Education
- 2 Health
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- 5 Infrastructure
- 6 **Environment protection**

5 Environmental Protection

Vanuatu's environment, our land, is the most valuable national asset of them all, and it belong to future generations as much as it does to the present generation.

Strengthening legislation and enforcing compliance

- Addressing the problem of pollution of lagoons and Port Vila Harbour
- Addressing the problem of waste management
- Continuing the efforts made so far in relation to the No Plastic initiative
- Establishing a list of all the environmental risks and threats, in particular in regard to biodiversity, animal and plant life, land, soil, beaches, air, water and forest.

No one will invest in a polluted slum!.

The time for action is now

Covid19 has gutted tourism which was our main economic growth driver.

We need economic diversity to be more resilient. Agriculture, Finance Centre, Construction, Digital Economy, Manufacturing, etc.

Our government posted surpluses for the past 3 years. Our debt is now at 39% of GDP.

As a developing nation, we can expect significant GDP growth over the coming years, making our current Debt-to-GDP ratio quite small.

In comparison: Debt-to-GDP is 237% in Japan, 109% in Singapore, 106% in the US, 117% in Barbados, 47% in Fiji (expected to rise to 80% after large deficits in 2020-21 due to Covid19)

Way Forward

The road to Recovery and Prosperity requires government investment in these 6 areas.

1. Education
2. Health
3. Security and Law Enforcement
4. Business Legislation
5. Infrastructure
6. Environnement

Private Sector, Investors (Foreign or Local), they simply need the exact same things that the Vanuatu population needs. If the government focuses their effort on these areas, the investments will naturally flow into Vanuatu and the Virtuous circle will replace the Vicious one.

Prosperity, wealth, growth, are ingredients that are necessary when you are a small nation with a unique culture and you want to preserve what you are

Last Words

Vanuatu is a wonderful country, a young, independent, developing nation. Yumi 40.

A melting pot of 83 islands populated by generous and loyal people.

Despite our remoteness and our limited natural resources, Vanuatu can stand up and achieve greatness for the world by being a shining example and leading the way in certain key areas. We are a nation of survivors, used to natural disaster such as Cat5 Cyclones. We know how to be resilient and to stand up and rebuild and live another day.

Community is strong. We are a unique community, a community that mixes people from all over the world with a diversity of language and education, and ethnicity. Vanuatu is an open country, proud to be friendly and to be welcoming.

Vanuatu people are also humble and wise. I trust that Vanuatu will avoid the dark path of Nationalism, Nativism and Protectionism as these are leading to a deeper and longer recession /depression and even more difficult times ahead if such paths are taken.

Thank you



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