

Department of Economic and Social Affairs  
Secretariat of the Committee for Development Policy

Ex-ante impact assessment of likely consequences of graduation of  
**Vanuatu**  
from the least developed country category

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## Impact assessment: Vanuatu

### Abstract

This report surveys the preferential trade treatments and external aid extended by development and trade partners to Vanuatu. It examines the possible changes in development assistance extended by its development partners as a result of graduation of the country from the LDC category and, to extent possible, impacts of these changes on the socio-economic indicators that are used for identifying LDCs. It is not apparent that graduation will drastically affect development cooperation by donors towards Vanuatu as they have their own criteria for providing development and trade-related aid. Some donors, however, could not indicate the likely general orientation of their aid policies at the time of Vanuatu's possible graduation. Yet, it should be noted that Vanuatu will face non-zero tariff rates on its exports of certain types of tuna and copra oil, which currently enjoy duty- and quota-free entry in the European Union and in Japan, respectively, the two major export markets for the country among the developed economies.

### 1. Background

The Committee for Development Policy (CDP) has established that after a country is considered eligible for graduation for the first time the Department of Economic and Social Affairs (DESA) would prepare, in conjunction with, and as a supplement to UNCTAD's vulnerability profile, an ex-ante impact assessment of the likely consequences of graduation.<sup>1</sup> Vanuatu was considered eligible for graduation for the first time in 2006, thus triggering the preparation of this ex-ante impact assessment report. Should the country be confirmed for graduation for the second time at the 2009 review, graduation will take place in 2012.

The impact assessment is undertaken in conjunction with, and as a supplement to, UNCTAD's vulnerability profile. Whereas the vulnerability profiles focus on factors of a country's vulnerability not necessarily captured in the economic vulnerability index (EVI), the ex-ante impact assessments focus on the likely consequences of graduation for countries' economic growth and development and potential risk factors, or gains that countries may face after graduating. As such, the impact assessments should provide a better understanding of the relation between the special support measures received (preferential markets access, special treatment regarding WTO obligations, ODA and other forms of assistance) and a country's economic growth and development.

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<sup>1</sup> See Report on the ninth session of the Committee for Development Policy, 19-23 March 2007 (E/2007/33, Supplement No. 33), and ECOSOC resolution (E/2007/L.34) on the Report of the Committee for Development Policy on its ninth session (unedited). Part of data and analysis on trade and official development assistance were provided by UNCTAD.

Other important element of the impact assessment is to gather information not only through desk work, but also from its main official development partners (multilateral organizations, multilateral and bilateral donors) on the amount and/or type of preferences, benefits and assistance accorded to Vanuatu due to its LDC status.

The impact assessment of Vanuatu was finalized on 10 November 2008 to give the country the opportunity to make its voluntary presentation at the expert group meeting on 28 January 2009 prior to the triennial review of 9-13 March 2009.

## 2. Methodology

Despite a wide array of existing impact assessment methodologies to draw on, there is no internationally recognized methodology for identifying and assessing actual or potential consequences incurred by graduating countries as a result of a reduction in receiving special international support measures related to their status as an LDC.

The present impact assessment undertaken by DESA is an ex-ante assessment. In the case of LDCs identified for graduation, the interest in undertaken impact assessments lies in identifying the potential consequences of the withdrawal of the special support measures.

Different methodologies have been developed according to the purpose of the assessment, not all necessarily model-based involving strictly quantitative methods. In the case of LDCs, however, available models incorporate certain assumptions that may diverge from real-world conditions. In any case, models can only give a generalized insight into the possible outcomes of graduation under different scenarios and assumptions. More importantly, there are also data limitations with respect to the representation of individual LDCs in the databases used by existing econometric models.

A feasible option to assess the complex types of economic, social and developmental implications of a possible reduction in international support measures is to consider the importance of these measures qualitatively, that is to say not on the basis of econometric models. In doing so, the report will first identify the support measures being made available and used by Vanuatu. Once these measures are identified, properly quantified (where practical) and considered to be significant for the country, the report will address the potential reduction and/or phasing out of such measures. When feasible and supported by available data, the report will identify the sectors where these measures have been applied and evaluate the possible implications of their withdrawal.

This type of analysis is not without complications. First, involves the identification of support measures that are made available to the country concerned *exclusively on the basis of its LDC status alone*. Some of those measures can be easily identified: preferential market access granted to LDCs in such programmes as the European Union's "Everything but Arms" initiative is one of them. In this regard, information is collected on export flows

(markets and commodities) so as to identify which exports receive preferential treatment and how important these exports are for generating foreign exchange revenues (data on employment generation is often unavailable).

Other support measures (such as those provided by the UN in terms of budget contribution and participation at various meetings) are also easily identified. With respect to these two particular measures, information is collected on the rate of utilization and on whether the country's scale of assessment would change in view of its potential graduation.

However, in some other instances, it is not possible to make a distinction between LDC specific measures and "regular" development assistance. Some ODA flows are a case in point. Owing to the difficulty in specifying LDC-exclusive ODA, this report will identify major bilateral donors and briefly provide an overview of their development assistance strategies vis-à-vis Vanuatu. In doing so, the report will focus on the main areas where donor assistance is received thus highlighting those that could be potentially affected. This report does not assume however that all ODA reaching the country is due to its status as LDC. A similar approach is taken with respect to multilateral donors, as in the case of the European Community, among others.

Second, the exercise requires the specification of the impact one wants to measure. There is a wide variety of special support measures available targeting different instances of a country's development. Some of them may imply multiple positive impacts. For example, the extension of trade preferences would, in principle, help a country to diversify its economy, increase access to foreign exchange, promote exports, employment and growth. Others may also bring benefits that may not be easily measurable. In fact, it may be difficult to establish the macro results of special measures such as the flexibilities that LDCs may have in implementing WTO commitments or the special consideration LDCs are to receive from other WTO members in their trade relations.

Lastly, not all of the LDC specific support measures can be measured or summarized in a meaningful way into a single variable, say, the rate of economic growth. These considerations further support the use of the qualitative approach employed here. It allows the analysis to consider the various channels through which the eventual suspension and/or phase out of these special support measures—which are so distinct in nature-- may influence the sustainability of development progress achieved by Vanuatu so far.

#### *Data considerations:*

The qualitative analysis employed in this report, is supplemented by quantitative data to an extent possible. Every effort has been made to collect most up-to-date information from national, regional and international sources on socio-economic data of the LDCs concerned and on relevant trade and external aid data of their development partners. As of mid-2008, most data are available at least up to the end of 2006. The only exception is data from the Commodity Trade, perhaps the most comprehensive data-source on international trade and, more importantly, the most relevant list of commodity categories on which a

country specifies its tariff and quotas structure: the present assessment uses data from the Commodity Trade only up to 2005. While data in the Commodity Trade cover up to 2006, a close inspection has revealed inconsistencies in data reporting. The Secretary of the CDP judged the 2006 data somewhat unreliable.

Export values of Vanuatu were calculated based on imports of its trading partners reported in the Commodity Trade. This practice, however, has created another data issue; other trade statistics on exports (such as balance of payment and custom-based trade) that are based on export values reported by Vanuatu itself do not list fish as a main export item, while the data calculated based on the Commodity Trade show otherwise. According to the Asian Development Bank, this large gap between import and export values is due to significant under-reporting of the exporting country (i.e., Vanuatu in this case) and it is a common feature of fishery trade data in the Pacific Island countries.<sup>2</sup> Accordingly, the present report uses export values thus calculated based on the Commodity Trade data.

From the above, data should be considered as preliminary and treated with caution. Besides data deficiencies in the trade of fish commodities, there are also discrepancies between Vanuatu and its trading partners in the category under “ships, boats and floating structures” in the Commodity Trade, which are reported by trading partners as imported from Vanuatu.. Given the fact that Vanuatu does not have the industry related to ship building, repairing and servicing beyond small-scale operations and each of trading partners only sporadically exported them (once in a few years), these export entries are likely to reflect either cases of the re-exports from Vanuatu or wrong attribution of exporter by reporting partners. Thus, data on Vanuatu exports presented in this report was adjusted accordingly and excluded exports of ships, boats and floating structures.

### **3. Trade-related support measures and benefits**

Vanuatu is not a member of the World Trade Organisation (WTO). The country applied for WTO membership in July 1995, but in November 2001 it sent a letter to the WTO Secretariat requesting a “technical delay” in its accession procedure. Vanuatu retains observer status<sup>3</sup> and is process of accession to the WTO<sup>4</sup>.

#### **a. Overview of benefits received**

At the onset, it should be noted that Vanuatu’s exports of goods and services are heavily dependent on international services trade (largely the tourism industry) and less dependent on commodity trade in general and preferential treatments in particular (see table 1).

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<sup>2</sup> Gillett, Robert and Cris Lightfoot (2001). The Contribution of Fisheries to the Economies of Pacific Island Countries: A Report Prepared for the Asian Development Bank, the Forum Fisheries Agency, and the World Bank,

<sup>3</sup> See [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/org6\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm) for members and observers in WTO.

<sup>4</sup> Handbook on LDCs, table 2.

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**Insert table 1**

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Vanuatu, though not a WTO member, is a beneficiary of the General System of Preferences (GSP) of the WTO, under which developed countries are allowed to apply preferential or duty-free rates to imports from developing countries, while the most favoured nation (MFN) rates remain being applied to other countries. Another preference system that are available for LDCs is the Global System of Trade Preferences (GSTP), which entered into force in 1989 with benefits extended only among the 43 signatory developing countries, where a signatory LDC is not required to make concessions on a reciprocal basis. Vanuatu is not a signatory.

Market access concessions to Vanuatu are also offered though the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), which was signed in 1981 between Australia, New Zealand and island countries of the South Pacific (Forum Island Countries (FICs)). It allows duty-free access for the products of FICs to the markets of Australia and New Zealand, subject to "rules of origin" regulations. It should be noted that LDC status or otherwise would in no way impact the application of the trade preferences specified in the Agreement.<sup>5</sup> It appears that the textiles and footwear industries have been a major beneficiary of SPARTECA while Australia and New Zealand have not been major destinations of Vanuatu's exports.

Within the free-trade zone of the Melanesian Spearhead Group (Fiji, Papua New Guinea, Solomon Islands and Vanuatu), Vanuatu exports three products (bovine meat, kava and vanilla) on a preferential duty-free basis to other member states. A loss of LDC status would not affect the application of the preferences extended to the country.

Vanuatu is a member of the Africa, Caribbean and Pacific – European Union (ACP-EU) Partnership Agreement. Under the 2000 Cotonou Partnership agreement the EU provided ACP countries with trade preferences and development finance among other things. The trading arrangements underwent, on the 1<sup>st</sup> of January 2008, major changes to make it fully consistent with WTO rules.<sup>6</sup> Under the new regime, Economic Partnership Agreements (EPAs), or the Everything-But-Arms (EBA) initiative for LDCs that are not signatories of an EPA becomes an arrangement that ensures duty- and quota-free access to the EU market. As of July 2008, Vanuatu and EU have not yet reached an EPA. Due to its LDC status, Vanuatu's products thus enter to the EU market under EBA initiative.

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<sup>5</sup> The Permanent Representative of Australia to the United Nations, a letter sent to Mr. Sha Zukang, the Under-Secretary General for Economic and Social Affairs, the UN, 1 July 2008.

<sup>6</sup> See WTO Decision of 14 November 2001, European Communities – the ACP-EU Partnership Agreement.

b. Possible impact of graduation

Vanuatu is not a member of the WTO and, thus, as far as the trade benefits within the WTO are concerned, there do not appear to be any discernible, adverse impacts on Vanuatu exports even after the country graduates from the list of LDCs. The only possible adverse impact the country may face is the loss of available support from the WTO and its members in facilitating LDC's accession to the organization, some flexibilities regarding implementation of WTO obligations, and any other special measure in favour of LDC that may derive from the Doha negotiations, which, for the time being, are stalled. The graduation may negatively affect the country, however, through changes in the preferential treatment given to LDCs within the WTO-compatible agreements.

**4. Specific trade preferences related to the LDC category**

As examined above, Vanuatu enjoys preferential treatment within the frameworks of WTO-compatible bilateral and multilateral trade agreements. Some of country's major exports, such as specific types of tuna and of copra, are likely to face tariffs in some markets when Vanuatu graduates from the LDC list.

c. Main export products and markets

According to Commodity Trade Statistics for the latest 3 years (2004-2006) for which data are available, the main export products are frozen tuna, and copra and copra oil, whose major destinations are Thailand, Japan and some EU countries (see table 2).

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Insert table 2

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Over the period of analysis, Thailand was consistently the largest export destination of Vanuatu's products. Japan was among the 6 largest importers and Belgium and Germany were among the 10 largest in all of these years.

Thus, for the sake of analysing potential impacts on Vanuatu's export if and when the country graduates, the present report examines the structure of preferential treatment extended by four countries which seem to be a consistent destination for Vanuatu's exports: Belgium, Germany, Japan, and Thailand.

## b. Possible impact of loss in preferences

Among the countries listed above, Belgium, Germany and Japan offer preferential treatment for Vanuatu's exports (see tables A.1 and A.1 supplement in annex). It is not clear, however, that Thailand offers preferential treatment for Vanuatu for some specific products.

Under the EU tariff schemes, Vanuatu is currently eligible for duty-free exports of copra or copra (coconut) oil with preferential tariff under the EBA initiative. Among the EU countries, Belgium imported about \$7.6 million of some types of crude coconut oil (HS 151311) and Germany about \$3.2 million in 2006. The total export value of copra oil to the two countries amounted for about 22 per cent of Vanuatu's exports of goods reported in table 1.<sup>7</sup>

Vanuatu's graduation from the list of LDCs will not affect the preferential treatment provided by the EU immediately. This is because EU will continue to offer benefits from EBA preferential treatment for up to 3 years after graduation. Thus if Vanuatu graduates from the list in 2012 -- the earliest graduation date according the graduation procedure set forth by the General Assembly<sup>8</sup> -- changes in preferential treatment will not be in effect until 2015.

From 2015 onwards, Vanuatu may receive preferential treatment under the EU's GSP. On the assumption that the margins of preference under the current GSP scheme remain unchanged, Vanuatu would face tariffs up to 4.4 per cent on its copra exports to the EU<sup>9</sup>, unless the country applies to the so-called GSP-plus<sup>10</sup> after it graduates from the list. If applies and is qualified for the GSP-plus, its copra exports may still have duty-free entry if the current GSP-plus is unchanged (see table A. 1 in annex for the tariff rates).

The share of Vanuatu in the copra oil was about 19.7 and 1 per cent in Belgium and Germany, respectively, in 2005. Along with Vanuatu, other copra exporters receive preferential treatment in the EU market and they may benefit from the relative cost advantage the loss of Vanuatu's preferential treatment may give to them. (see table 3).

With the exception of Papua New Guinea and Fiji, these countries have relatively small share of the Belgian and German market and may not be able to increase output to take over Vanuatu's market share. More important perhaps are the largest suppliers (for example, Indonesia and the Philippines) which despite not necessarily receiving

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<sup>7</sup> It should be noted, however, that this share in Vanuatu's exports is likely to be overstated because, as mentioned before, fish exports are not well captured in trade statistics in island states in the Pacific.

<sup>8</sup> See Handbook on the LDCs, section xx.

<sup>9</sup> EU tariff rates are defined at the HS 10-digit level and tariffs are applied on two types (HS 1513119100 and 1513119900) under crude coconut oil under HS 151311 in the GSP scheme will be subject to non-zero tariff rates if Vanuatu become a non-LDC and exports these commodities. Unfortunately, the Commodity Trade Statistics database does not show what types and quantities of crude coconut oil Vanuatu are currently exporting to Belgium and Germany at the HS 10-digit level.

<sup>10</sup> It is also known as the special incentive arrangement for sustainable development and good governance. This provides additional benefits for countries implementing certain international standards in human and labour rights, environment protection and good governance.

preferential treatment may be efficient producers with enough spare capacity to expand their presence in the European market. In this case, while a loss of export earnings would be small relative to overall export value, graduation from LDC status could have a negative impact on some of smaller islands in the country for which copra is the sole cash product.<sup>11</sup>

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Insert table 3 here  
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In case of exports to Japan, the loss of LDC status may affect Vanuatu's export of boneless beef (HS 020230) and certain types of fish (under HS 03034200, 03034400, 030379091 and 030379099). These products enter the Japanese market duty free under the special preferential tariffs given to the LDCs. After graduation, Vanuatu would face tariffs up to 3.5 per cent on the basis of Japan's current tariff schedule.

In the case of beef, Vanuatu has a small presence in the Japanese market (see table 4). Despite facing much larger and probably more efficient producers (Australia, New Zealand and the United States) the higher tariff will affect the country's exports to Japan to some extent, but its impact is likely to be minimal. This is because Vanuatu's beef is regarded as "speciality" – i.e. being organic -- beef and does have a captive, though small, market.<sup>12</sup>

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Insert table 4 here  
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Turning to tuna, it is unlikely that the higher tariff rates will significantly affect export quantities of various types of tuna to Japan, either. Since the 1980s, several measures and regulations have been introduced into the management of tuna fisheries at the international and regional levels which has affected fishing patterns and the distribution of catches among countries. As a result, the largest tuna fishing nations, which use the large-scale long liners and are major competitors in the Japanese market-- Japan, Taiwan, Province of China and the Republic of Korea -- reduced the size of their fleets while many smaller coastal fishing states began to increase catching activities, using the so-called purse-seine fishery. In this regard, it may be possible that these larger producers may not be able to expand output and take over Vanuatu's market share. On the other hand, Vanuatu may be less competitive relative to a few other LDCs, which will continue to enjoy duty- and quota-free market access to Japan. These countries, however, do not

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<sup>11</sup> Department of Trade, Industry and Investment (2008). *Vanuatu: Diagnostic Trade Integration Study, 2008 Report* (Integrated Framework Partnership 2008: Port Vila), pp. 85-87.

<sup>12</sup> A meat processing factory is partly owned by Japanese investors, with a well-established distribution channel in Japan.

have large fleets to take over the Vanuatu's position in the tuna market in Japan.<sup>13</sup> In fact it is worth mentioning that at the moment, the most significant threat to Vanuatu's tuna exports is high oil prices, which make tuna-catching operations less economically viable and are likely to reduce the number of operations or fleets to save fuel cost.

## 5. Official Development Assistance

In 2006, the latest year for which complete data are available, Vanuatu received \$48.8 million as official development assistance, which corresponds to about 14 per cent of country's GNI in the same year. Over the last decade, the shares of ODA in GNI have fluctuated between 21.0 and 11.5 per cent, with weak declining trends largely reflecting growing GNI (instead of declining ODA) over time.

Official development assistance to Vanuatu has largely been targeted to translate the Vanuatu Government's Prioritised Action Agenda (PAA) into sustainable development. The PAA lists the national priorities as follows:

- implementing structural reforms aimed at making public action more efficient
- developing the productive sector, in particular agricultural and tourism sectors
- improving access to basic services, in particular health care, primary education and professional training.

Historically, official donors have focused their assistance in education, public and social infrastructure and economic infrastructure (see annex table 3). More recently, they have shifted, somewhat, their aid flows to multi-sector projects and production sectors, reflecting the national priorities listed in the PAA, while retaining the importance attached to education and public infrastructure.

Grants from abroad accounted for, on average, about 9 per cent of total Government revenue for the period 1995 – 2007 (see table 5). Improvement of Government's ability to collect taxes and generally robust economic performance in recent years, tax revenues have been increasing.

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Insert table 5 here

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<sup>13</sup> According to the Forum Fisheries Agency – an organization set up to provide expert fisheries management and development advice and services to its 16 member countries and one territory in western and central Pacific region -- the national fleet of Vanuatu caught about \$90 million worth of tuna in 2004, compared with Japan with \$800 million, Taiwan Province of China \$460 million and the Republic of Korea 320 million. See Forum Fisheries Agency, "Summary tables for value of catch" at <http://www.ffa.int/node/864>, accessed on 21 May 2008.

a. Bilateral

Australia, New Zealand and France are three largest donors to Vanuatu, reflecting their geographical proximity to and/or historical ties with the country (see table A. 2 in annex). Japan and the United States also provide significant amounts of ODA to the country. China seems to be an important actor as well, but its ODA flows to Vanuatu are not reported by ODA/DAC. It appears, however, that China's ODA has more focused on projects aimed at economic development.<sup>14</sup>

The "top 3" bilateral donors refer to the PAA in their strategy papers with Vanuatu and state their commitment to focusing their aid programmes on supporting the country's prioritized national goals. In fact, ODA from these countries focuses on social infrastructure and services (see tables A. 3 and 4 in annex). None of the donors' strategy papers mention LDC status as a reason for their assistance for the country. These countries (together with Japan and the United States) have their own criteria for development assistance and do not depend on the LDC criteria set forth by the CDP.

Australia's ODA aims at assisting Vanuatu develop its own capacity to manage its development, including broad-based growth and improving the welfare of the general population, which are reflected in the Vanuatu Government's short- to medium-term development goal through the PAA. The Government of Australia states, in its letter to the Under-Secretary General of Economic and Social Affairs, that the country "would not alter its levels of development assistance, technical cooperation ..."

New Zealand's programme goals for the 2006 – 2010 are to reduce poverty and hardship, particularly in rural areas and to support a more stable and prosperous Vanuatu, with three priority areas; education, governance and economic development. [to be completed: needs to add country's ODA policy after graduation]

The France-Vanuatu framework partnership document is the current action guide for French cooperation in Vanuatu for 2006-2010. In the PAA framework, France's aid concentrates on two sectors – agriculture (the safety of the food supply) and education – partly because the former is the targets stated in the MDGs and partly because Vanuatu is essentially a rural and agricultural country. It is not clear how France will respond to the country's potential graduation in 2012. IN its reply to DESA's inquiry France indicated that "it's very premature at this stage to lay down precise orientations on the state of the co-operation of France in 2012."<sup>15</sup>

Japan, on the other hand, explicitly mentions, in its annual report on foreign policies, Vanuatu as an LDC and associates the status with large unfulfilled needs for a variety of socio-economic services. ODA from Japan has carried more weights on infrastructure development and productive sectors, relative to the ODA composites of the 3 largest donors. Currently, Japan's ODA centres around 5 areas, namely economic growth –

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<sup>14</sup> Government of France, "France diplomatie: Framework partnership document France-Vanuatu

<sup>15</sup> "French co-operation with Vanuatu and Guinea Equatorial from the point of view of a possible graduation of these countries from the list of least developed countries." 1 July 2008.

infrastructure investment; sustainable development – environment, health and education, and; good governance – improving administrative capacity and institutional building (see table A. 4 in annex). As indicated in its reply to DESA, Japan has developed its own criteria of ODA allocation and Vanuatu's graduation is unlikely to affect the development aid it extends to that country. As a general guideline, graduated countries would face higher interest rates on yen loans beyond the special rate applied to LDCs. Japan's aid to Vanuatu, however, has comprised only grant and technical cooperation. Apparently, no loans have been extended.

The United States of America had officially stated that UN designations did not affect its ODA policies. In May 2004, Vanuatu became one of 16 countries selected by the US Millennium Challenge Account.<sup>16</sup> In 2006, the Millennium Challenge Corporation and the Government of Vanuatu agreed a compact, in which the US would provide about \$65.7 million over next 5 years. Vanuatu, in exchange, is committed to improve transport infrastructure and Government's ability to maintain the infrastructure. Improved infrastructure is expected to strengthen growth of the tourism and agricultural sectors and, in turn, to increase per-capita income by 15 per cent by 2010 and to create positive impacts on 65,000 rural poor.

In sum, should Vanuatu graduate, it seems that the change in status is unlikely to affect the overall aid policies of bilateral donors towards the country, at least immediately. This is partly because donors have their own criteria for aid provisions. It is important to take into account however that Vanuatu's graduation –if confirmed-- will take place in 2012 at the earliest and some donor countries feel that it is currently premature to state the orientation of their aid policies at the time of Vanuatu's graduation.

#### d. Multilateral

The European Commission is, by far, Vanuatu's largest multilateral donor. In the framework of the 10<sup>th</sup> European Development Fund (EDF) (2008 – 2013), the Commission signed Country Strategy Papers with Vanuatu, together with other 12 Pacific Island states in October 2007. The main focus of the EDF is to “support to Economic Growth and the creation of employment, including Human Resources Development (vocational training and capacity building). For the period of 10<sup>th</sup> EDF, the EC would make available to Vanuatu an amount of €1.6 million (plus €1.6 million to cover unforeseen needs, such as emergency assistance), which is destined to cover macroeconomic support, sectoral policies and others.<sup>17</sup> In exchange, the Government of Vanuatu is to; (i) take developing long-term sector policies in agriculture and tourism; (ii)

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<sup>16</sup> In January 2004, Congress of the United States of America established the Millennium Challenge Corporation (MCC) to administer the Millennium Challenge Account for foreign assistance. The mission of the MCC “is to reduce poverty by supporting sustainable, transformative economic growth in developing countries that create and maintain sound policy environments.” United States Government Accountability Office, “Report to the Chairman, Committee on Foreign Affairs, House of Representative” Millennium Challenge Corporation: Vanuatu Compact Overstates Projected Program Impact” (GAO-07-909), July 2007, p.1.

<sup>17</sup> It should be noted that these allocations are not entitlements and may be revised by the EC, following the completion of mid-term (in 2010) and end-of-term (in 2012) reviews.

provide better support services to business, with emphasis on rural areas; (iii) remove obstacles to commodity exports; and, (iv) facilitate long-term secure access to land.

According to the European Commission's reply to DESA inquiry, Vanuatu's potential graduation would have a limited effect on aid allocation largely because, for the Community, income-per-capita and objective-needs criteria are far more important factors than the LDC status when deciding ODA allocations.

The Asian Development Bank's (ADB) country partnership strategy for Vanuatu aims at sustainable, inclusive and private sector-led economic growth.<sup>18</sup> ADB's program has been based on non-lending resources – i.e., grants and technical cooperation – in recent years. In 2007, its technical assistance amounted for \$0.6 million in the area of legal and institutional reforms in the Financial Service Commission. ADB's engagement with Vanuatu is expected to expand in 2009 – 2011, with the allocation of about \$15 million for the three years. A large portion will be channelled into an urban development in Port Vila, the capital of the country. ADB has its low-income criterion with a per-capita GNI for access to concessional and interest-free loans and thus the LDC criterion does not seem to be a factor in accessing the Bank's concessional finance.

### c. United Nations

The United Nations provides financial support for the participation of LDC representatives in regular, special and emergency special sessions of the General Assembly.<sup>19</sup> According to ST/SGB/107/Rev.6, 25 March 1991, travel (tickets, but not DSA) is provided to LDCs for up to 5 representatives when attending a regular session of the GA, and one representative for attending a special and an emergency special session of the GA.

The total travel costs to the United Nations for the participation of qualifying LDC members to regular General Assembly sessions for the years 2005 and 2006, covering the 60th and 61st sessions, were respectively \$1,124,407 and \$980,417. This corresponds to an average of about \$20,000 per year per country. The budget office in the UN does not disclose the amount of dollars that each LDC Government actually utilized, while the Government of Vanuatu sent its representatives to the sessions.

In addition, LDC contributions to the regular budget of the United Nations are capped at 0.01 per cent of the total UN budget (e.g. amounting to contributions no larger than \$200,076 per country to the 2007 budget<sup>20</sup>), regardless of their national income and other factors determining a Member State's assessment rate. Currently, Vanuatu's contribution is assessed at 0.001 per cent of the regular budget, \$20,008.

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<sup>18</sup> Asian Development Bank, Country Strategy and Program Update (2006-2009): Vanuatu (2006).

<sup>19</sup> In accordance with General Assembly resolution 1798 (XVII), as amended by resolutions 2128 (XX), 2245 (XXI), 2489 (XXIII), 2491 (XXIX), 41/176, 41/213, 42/214, section VI of 42/225, section IX of 43/217 and section XIII of 45/248. See also ST/SGB/107/Rev.6, 25 March 1991.

<sup>20</sup> See UN Secretariat, Status of Contribution as at 31<sup>st</sup> January 2007 (ST/ADM/SER.B/709), 31 January 2007.

Every LDC is also entitled to a 90 per cent discount in their contributions to a UN peacekeeping operation or a mission (i.e. they pay 0.0001 per cent -- one millionth -- of a peacekeeping operation).<sup>21</sup> If Vanuatu graduates from the list, the discount rate associated with peacekeeping operations will be reduced to 80 per cent (i.e., at 0.0002 per cent) (A/Res/55/235, 30 January 2001).<sup>22</sup>

#### d. Capacity building in trade

The Integrated Framework (IF) was inaugurated in October 1997 at the WTO High Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development by 6 multilateral institutions; IMF, ITC, UNCTAD, UNDP, World Bank and WTO.<sup>23</sup> The IF has two major objectives; (i) to mainstream trade into the national development plans and (ii) to assist in the coordinated delivery of trade-related technical assistance.

Vanuatu and the UNDP regional office located in Fiji on behalf of the 6 multilateral institutions have signed a \$1 million programme for 2008 – 2012 in March 2008. The programme's major objective is to assist the country in enhancing its trade capacity and policy framework to ensure the long-term sustainability of Vanuatu's trade policies. It also aims at "anchoring the process of trade reforms in society, enables the development of alliances amongst a wide range of actors and fosters an environment for continuous capacity building."<sup>24</sup> The programme will include setting up of the Trade Development Unit, which facilitates a coherent trade act and the review of the Import Duties Act of Vanuatu.

It is unlikely that the current programme will be affected if Vanuatu's graduation becomes effective in 2012, because that year is the anticipated final year of the programme. Based on the draft guidelines of the implementation of enhanced IF,<sup>25</sup> there is no IF Board decision or policy on treatment of the countries in the process of graduation with regard to bridging funding (known as Tier 2 in the IF) to facilitate projected-related activities, such as project development activities, feasibility studies and seed projects beyond 2012.

#### e. United Nations Framework Convention on Climate Change (UNFCCC)

The parties to the UNFCCC established the Least Developed Countries Fund (LDCF) to support LDCs in carrying out the preparation and implementation of national adaptation programmes of action (NAPAs). The Global Environment Facility (GEF) was assigned the operation of the UNFCCC's financial mechanism and operates the LDCF.

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<sup>21</sup> See General Assembly resolution A/RES/55/235 on the scale of assessments for the apportionment of the expenses of the United Nations peacekeeping operations.

<sup>22</sup> Member States' contributions to peace keeping operations are reported by operation by operation in UN Secretariat document mentioned in footnote 21.

<sup>23</sup> See Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries, <http://www.integratedframework.org/about.htm>, accessed on 26 August 2008.

<sup>24</sup> UNDP Fiji Multi-Country Office, "Vanuatu implements Integrated Framework on Trade", press releases, 11 March 2008.

<sup>25</sup> Integrated Framework, "Draft Guidelines for the Implementation of the Enhanced Integrated Framework for the Least Developed Countries (Draft); Compendium of Working Documents", 1 May 2007.

Vanuatu has developed a national adaptation programme of action (NAPA) under a GEF project with \$200 thousand and its final report was submitted to UNFCCC in December 2007.<sup>26</sup> The main objective of the NAPA project for the country is “to develop a country-wide programme of immediate and urgent project-based adaptation activities in priority sectors in order to address the current and anticipated adverse effects of climate change, including extreme events.”<sup>27</sup> The list of projects proposed in the NAPA report includes 5 areas; agriculture and food safety, water management policies/programmes, sustainable tourism, community based marine resource management programmes and sustainable forestry management. A total of \$5 million will be proposed for GEF funding, with \$1 million for each of the 5 areas. Only least developed countries are eligible to apply for the LDCF, but it is not clear whether or not funding continues when Vanuatu graduates from the list of LDCs, assuming that the NAPA is approved before graduation.

f. Possible impact of loss of special support measures

Vanuatu depends on the flow of external development assistance to maintain economic, social and infrastructure development programmes. Table 6 summarizes donor-funded 47 projects, which have approved by the Government of Vanuatu under its multi-year Government Investment Programme (GIP), in 5 areas of expenditure: governance, infrastructure, health, education and human resource development and poverty reduction. Eleven bilateral and multilateral donors make up the range of Vanuatu’s development partners.

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**Insert table 6 here**

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Major donors, both bilateral and multilateral, have indicated that they would not change their development assistance extended to Vanuatu: they have their own aid policies, agreements with Vanuatu or guidelines regarding development assistance. The most visible adverse impacts are the loss of the UN financial support for the participation of country’s representatives in GA sessions and the increase of Vanuatu’s contributions to peacekeeping operations from 0.0001 to 0.0002 per cent of each of UN peacekeeping operation or mission. Additionally, there is no IF Board decision or policy on treatment of the countries in the process of graduation with regard to bridging funding (known as Tier 2 in the IF) to facilitate projected-related activities beyond 2012.

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<sup>26</sup> National Advisory Committee on Clive Change, Republic of Vanuatu (2007), National Adaptation Programme for Action (NAPA).

<sup>27</sup> NAPA, op. cit. p. 7.

## 5. Conclusions

Despite its remote location from the major world markets, vulnerable economy and rapidly increasing population, Vanuatu has achieved progress in economic and social development and been found eligible for graduation from LDC status (for the first time in 2006) on the basis of the threshold per-capita income and the human asset criteria. Development assistance and preferential trade treatment extended by donors and trading partners have contributed to the development of the country, while it may be difficult (if not impossible) to measure their exact significance.

For example, preferential trade treatment, together with ODA allocated to infrastructure and the agricultural sector, have helped facilitate Vanuatu's exports of agricultural and fishery products. ODA in the health and education sectors, together with technical assistance in the area of public administration and governance, have made the national health and education systems more accessible to the population. The two criteria employed by the CDP for the identification of LDC – GNI pre capita and HAI – clearly show the improvement of the economic and social conditions of the country over time.

In the area of trade, Vanuatu has been benefited preferential treatments extended to various commodities and, in particular, its main exports, tuna and copra. At the moment, possible increases in tariff rates applied to copra imports of the EU and tuna and beef imports of Japan have been identified as two major ex-ante impacts emanating from graduation from the LDC category

As examined, its development partners do not appear to plan to drastically change their assistance extended to Vanuatu in the event that the country graduates from the list of LDCs. Donors have set their own objectives and criteria for allocating development assistance at the country level, despite overlapping with CDP's own criteria, also include other factors such as diplomatic relations and geopolitical considerations, including historical ties with the countries concerned.

Development assistance will be necessary to continue to strengthen country's productive sectors and supporting infrastructure in order to increase and diversify economic activities and to reduce at least some aspects of economic vulnerability. Reducing vulnerability as a result of natural and man-made shocks will increasingly become an important aspect of socio-economic development of Vanuatu, because impacts of climate change, particularly of sea-level rise and higher atmospheric temperatures in the future, are forecast to affect island states more than any other types of developing countries.

Table 1: Vanuatu Balance of payments, 2002 - 2006 (Millions of US dollars)

	2002	2003	2004	2005	2006
Balance on goods	-58.2	-65.0	-74.9	93.0	-109.9
Exports	20.2	26.8	38.1	38.1	37.7
Imports	78.4	91.8	113	131.1	147.6
Balance on services	42.0	50.1	56.7	65.0	74.6
Credit	93.6	110.7	122.3	138.8	145.8
Debit	51.6	60.6	65.6	73.8	71.2
Income, net	-11.5	-14.4	-18.8	-26.1	-20.1
Credit	22.5	24.2	27.1	27.6	31.8
Debit	34.0	38.6	45.9	53.7	51.9
Current transfers, net	-2.9	-5.1	-4.7	1.3	5.1
Credit	5.9	4.8	5.3	7.4	10.1
Debit	8.8	9.9	10.0	6.1	5.0
Current account, net	-30.6	-34.4	-41.6	-52.7	-50.3

Source: IMF, International Financial Statistics, CD-ROM

Table 2: Vanuatu: Main destinations of exports

<i>Country</i>	<i>Products</i>
Thailand	Frozen yellow fin tunas, frozen skipjack/striped-bellied bonito and frozen albacore/longfinned tunas
Japan	Frozen yellow fin tunas, frozen big eye tunas and frozen boneless meat
Belgium	Copra oil and copra seeds
Germany	Copra oil and copra seeds

Source: Commodity Trade Database.

Table 3: Belgium and Germany: imports of copra by source, 2005 a/ (millions of US dollars),

Importer	Belgium	Germany
Australia	----	6.0
Dominican Rep.	27.4	----
Sri Lanka	----	4.0
Fiji	4270.4	554.0
France	----	9.0
Germany	388.3	----
Kiribati	839.1	----
French Polynesia	----	1074.0
Guinea	----	18.0
Indonesia	6086.9	76577.0
Cote d'Ivoire	----	85.0
Luxembourg	2.0	----
Malaysia	626.1	59.0
Mexico	6.1	----
Netherlands	980.7	23676.0
Vanuatu	6177.0	2020.0
Papua New Guinea	2653.3	10451.0
Philippines	8707.0	80461.0
Switzerland	----	26.0
Thailand	5.7	3.0
USA	----	7.0
Samoa	463.9	1069.0
	----	----
World	31233.7	196099.0

Source: Commodity Trade Database.

Note: a/ Latest year for which country data are complete.

Table 4: Japan: selected beef and tuna imports by main sources, 2007 (Millions of yen)

Commodity (HS code) a/	Boneless beef frozen 020230	Yellow fin tuna frozen 030342000	Big eye tuna frozen 030344000	Marlin, frozen 030379091	Other frozen fish 030379099
Economy b/					
Republic of Korea	----	3696	10134	227	307
China	----	2155	13004	70	3558
Taiwan Province of China	----	9558	26456	231	99
Hong Kong, SAR	----	----	----	----	15
Vietnam	----	23	----	----	131
Thailand	----	3	----	----	132
Malaysia	----	----	----	----	7
Philippines	----	1694	2819	8	25
Indonesia	----	413	946	3	73
Myanmar	----	----	----	----	22
India	----	8	----	----	109
Bangladesh	----	----	----	----	4
Oman	----	6	52	----	----
Iceland	----	----	----	----	13
Norway	----	----	----	----	7
Denmark	----	----	----	----	5
Netherlands	----	2	----	----	3
France	----	----	----	----	1
Portugal	----	----	----	----	18
Spain	----	8	15	6	42
Russia	----	----	----	----	3272
Estonia	----	----	----	----	0.3
Canada	562	----	----	----	446
United States of America	8029	24	----	----	5597
Mexico	2650	----	----	----	----

Table 4 (continued)

Commodity (HS code) a/	Boneless beef frozen 020230	Yellow fin tuna frozen 030342000	Big eye tuna frozen 030344000	Marlin, frozen 030379091	Other frozen fish 030379099
Economy b/					
Nicaragua	4	----	----	----	----
Costa Rica	64	----	----	----	----
Panama	116	----	----	15	----
Netherland Antilles	----	323	----	----	----
Ecuador	----	37	80	7	43
Peru	----	----	----	----	24
Chile	229	----	----	----	231
Uruguay	----	3	----	13	229
Argentine	----	----	----	----	51
Libya	----	25	3	1	----
Senegal	----	----	----	7	----
Niger	----	----	----	----	2
Kenya	----	----	----	----	1
Seychells	----	991	2290	1	2
Mauritius	----	----	----	----	21
Namibia	----	----	----	----	106
South Africa	----	----	----	114	13
Australia	65864	----	----	----	8
Papua New guinea	----	23	----	13	1
New Zealand	11154	----	----	----	1558
Cook Island	----	----	----	----	23
<b>Vanuatu</b>	<b>169</b>	<b>1816</b>	<b>1719</b>	<b>52</b>	<b>14</b>
Fiji	----	249	51	8	----
Kiribati	----	105	0.4	----	----
Guam	----	26	----	----	----
Marshall Islands	----	218	----	----	----
Micronesia	----	38	----	----	----

Marina	----	----	1	----	----
Total c/	88835	21336	57569	776	16212

Source: Commodity Trade Statistics, Japan.

Notes: a/ Based on the Japan Commodity Trade Statistics. The first 6 digits correspond to the HS 6-digit coding and the last 3 to the Japan 's domestic coding system.

b/ The name of countries and economies and their order are according to the Japan's country codes.

c/ It does not add up to the total due to rounding.

Table 5: Vanuatu: Government revenue, 1995 - 2007 (Millions of Vatu)

Year	Tax revenue	Non-tax revenue	Capital assets	Grants from abroad	Total
1995	5002	1184	...	777	6963
1996	5421	929	...	477	6827
1997	5719	490	...	653	6862
1998	5939	1060	7	434	7440
1999	5855	1067	31	1405	8358
2000	5902	1122	21	378	7423
2001	5794	890	12	670	7366
2002	5671	663	21	728	7082
2003	6022	637	16	382	7056
2004	6622	758	10	685	8075
2005	7095	859	49	1189	9193
2006	8126	1026	5	851	10009
2007	9818	1190	11	745	11764

Source: Vanuatu National Statistics Office, <http://www.spc.int/prism/country/VU/stas/ECONOMIC/GFS/gfs-revenue.htm>, accessed on 10 July 2008.

**Table 6**  
 Vanuatu: Donor-funded Government Investment Programme (not including the United States' Millennium Challenge Account)  
 as of 1<sup>st</sup> July 2008 (expenditure in vatu) a/

<b>Donors</b>	<b>Areas of expenditure</b>	<b>Anticipated expenditure (approved projects)</b>	<b>Number of projects</b>	<b>Examples or types of projects</b>
European Union	Governance <b>(Total)</b>	1,450,000,000 <b>(1,450,000,000)</b>	1 1	Employment creation projects
New Zealand	Governance Infrastructure Educ. & HRD Poverty reduction <b>(Total)</b>	673,553,000 27,191,025 398,598,860 112,370,920 <b>(1,211,713,805)</b>	5 3 3 5 16	Water resource strategy; Provincial government; NGO capacity-building; Trade negotiation strategy Seismic monitoring; Water tanks; Fresh water installation Plumbers training; Education management information systems; Education support Agricultural production projects; Rural income projects; Agro-forestry farming; Extension services
Australia	Governance Health Educ. & HRD <b>(Total)</b>	284,310,966 238,960,532 577,497,627 <b>(1,100,769,125)</b>	2 1 3 6	Sports development; National population census Reproductive health Youth training; Education support
UNICEF	Governance <b>(Total)</b>	910,387,850 <b>(910,387,850)</b>	1 1	Support to Prime Minister's Office
UNDP	Governance <b>(Total)</b>	556,225,000 <b>(556,225,000)</b>	1 1	Support to Prime Minister's Office
France	Infrastructure <b>(Total)</b>	378,000,000 <b>(378,000,000)</b>	1 1	Road upgrading
China	Governance Infrastructure <b>(Total)</b>	90,513,047 211,287,806 <b>(301,800,853)</b>	1 2 3	Seismic network Renewable energy; Market complex
UNFPA	Governance <b>(Total)</b>	244,150,000 <b>(244,150,000)</b>	1 1	Support to Prime Minister's Office
Japan	Infrastructure <b>(Total)</b>	183,194,055 <b>(183,194,055)</b>	15 15	Classroom building; Health centre; Water supply projects
NGOs	Infrastructure <b>(Total)</b>	80,000,000 <b>(80,000,000)</b>	1 1	Electrification of health facilities
SOPAC	Infrastructure <b>(Total)</b>	6,100,000 <b>(6,100,000)</b>	1 1	Solar energy
<b>TOTAL</b>		<b>6,422,340,688</b>	47	

Source: UNCTAD, based on Government Investment Programme data provided by the Government of Vanuatu in July 2008

*Note*: a/ (i) Institutional capacity-building projects in sectors other than health, education or the environment are accounted for under "Governance"; (ii) public construction projects of direct relevance to the health and education sectors are accounted for under "Infrastructure", not under "Health" or "Education and human resource development"; and (iii) "Economic growth and poverty reduction" (restyled "Poverty reduction" in the table) involves action to support economic actors in productive sectors, and some income-related initiatives.

Table A1. Thailand, India, Japan and EU: main imports from Vanuatu, values and tariffs (thousands of US dollars; per cent)

HS2002 6-digit code

<b>Thailand</b>	<b>HS2002</b>	<b>030341</b>	<b>030342</b>	<b>030343</b>
Import value (Thousands of US dollars)		2798	24566	92546
Import tariff rates (per cent), 2006				
	ASEAN Rate	0	0	0
	General Duty	60	60	60
	MFN Duty	5	5	5

<b>Japan</b>		<b>020230</b>	<b>030342</b>	<b>030344</b>	<b>030379</b>
Import value (Thousands of US dollars)		1546	3488	8798	1407
Import tariff rates (per cent), 2006					
	General Rate	50.0	5.0	5.0	(see table A.1 supplement)
	MFN Applied (Generated)	38.5	3.5	3.5	
	Non-MFN rates	38.5	5.0	5.0	
	Preferential Rate for Mexico	0 *	0.0		
	Temporary rate	38.5			
	LDCs	0 b/	0.0	0	
	WTO bound rate	50.0	3.5	3.5	
	* subject to tariff rate quota (TRQ)				

<b>European Union</b>	120300	151311	151311	151311	151311
Last 4 digits in the 151311-ten-digit category		1010	1090	9100	9900
Import value (Thousands of US dollars)					
<b>Belgium</b>	1404		6177 c/		
<b>Germany</b>	1240		2020 c/		
Import value (Thousands of US dollars)					
Import tariff rates (per cent), 2006					
		MFN duties (Applied)			
	0	2.5	2.5	12.8	6.4
		Preferential tariff for ACP countries			
		0	0	0	0
Preferential tariff for countries benefiting from the special incentive arrangement for sustainable development and good governance (GSP plus)					
		0	0	0	0
Preferential tariff for GSP countries, excluding Indonesia and Malaysia					
		0	0	4.4	2.2
Preferential tariff for Least Developed Countries		0	0	0	0
Preferential tariff for Overseas Countries and Territories		0	0	0	0

Note: c/ Commodity Trade Statistics (HS 2002) only reports up to 6 digits in the 1515311 category.

Sources: UNCTA: [http://www.unctad.org/en/docs/ldc20056\\_en.pdf](http://www.unctad.org/en/docs/ldc20056_en.pdf), and; Taiwan Province of China: [http://taiwan.wtcenter.org.tw/www/readdoc\\_ee.asp?documentid=85223](http://taiwan.wtcenter.org.tw/www/readdoc_ee.asp?documentid=85223).

Notes: a/ 2006.

b/ Boneless beef only.

c/ Commodity Trade Statistics (HS2002) reports only up to 6 digits in the 1515331 category.

**Harmonized System (HS) tariff lines**

<b>HS Code</b>	<b>Commodities</b>
02	Meat and edible eat offal
020230	Meat of bovine animals, frozen, boneless
020621	Tongues of bovine animals, frozen
03	Fish and crustaceans, molluscs and other aquatic invertebrates
030110	Live ornamental fish
030341	Albacore/longfinned tunas (Thunnus alalunga), frozen(excl. fillets/other fish meat of 03.04/livers & roes)
030342	Yellowfin tunas (Thunnus albacares), frozen (excl. fillets/oth. fish meat of 03.04/livers & roes)
030343	Skipjack/stripe-bellied bonito (Euthynnus (Katsuwonus) pelamis), frozen(excl. fillets/oth. fish meat of 03.04/livers & roes)
030344	Bigeye tunas (Thunnus obesus), frozen (excl. fillets/oth. fish meat of 03.04/livers & roes)
030379	Fish, n.e.s., frozen (excl. fillets/oth. fish meat of 03.04/livers & roes)
12	Oil seeds and oleaginous fruits
120300	Copra
120999	Seeds, n.e.s., of a kind used for sowing

121190	Plants & parts of plants, incl. seeds & fruits, of a kind used primarily in perfumery/pharmacy/for insecticidal/fungicidal/sim. purps, n.e.s. in Ch.12, fresh/dried, whether or not cut/crushed/powdered
15	Animal or vegetable fats and oils
151311	Coconut (copra) oil, crude
18	Cocoa and cocoa preparations
180100	Cocoa beans, whole/broken, raw/roasted

Table A1. (supplement) Japan: fish imports from Vanuatu, values and tariffs.

	030379	030379	030379	030379	030379	030379	030379	030379	030379	030379	030379
Last 3 digits in the 030379-nine-digit category	011	019	021	022	023	029	031	039	040	091	
Commodity	Nishin	Tara	Aji	Buri	Samma	Saba, Iwashi	Sea breams	Barracouta &	Shishamo	Marlin	
Import value, 2005 (Thousands of yen) b/	0	0	0	0	0	0	0	0	0	51720	
Import tariff rates (per cent), 2008											
General Rate	10	10	10	10	10	10	5	5	5	5	
MFN Applied (Generated)	6	6	10	10	10	10	2	2	2.8	3.5	
Non-MFN rates	10	10	10	10	10	10	5	5	5	5	
Preferential Rate for Mexico	..	..	..	..	..	..	0	0	0	..	
LDCs	..	..	..	..	..	..	0	0	0	0	
WTO bound rate	6	6					2	2	2.8	3.5	
	030379										
Last 3 digits in the 030379-nine-digit category	092	093	095	096	097	098	099	102	103	104	
Commodity	Spanish Mackerel	Hairtails	Fugu	Menuke	Sable	Swordfish	Other fish	Mero	Alfonsino	Sweetfish	
Import value, 2005 (Thousands of yen) b/	0	0	0	0	0	91722	11862	0	0	0	
Import tariff rates (per cent), 2008											
General Rate	5	5	5	5	5	5	5	5	5	5	
MFN Applied (Generated)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	
Non-MFN rates	5	5	5	5	5	5	5	5	5	5	
Preferential Rate for Mexico	0	0	0	0	0	..	0	0	0	0	
LDCs	0	0	0	0	0	..	0	..	..	..	..
WTO bound rate	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	

Sources: Treasury Ministry, Japan, Trade Statistics of Japan, Commodity by Country, 2005 and Japan Tariff Schedule, January 2008 ([http://www.customs.go.jp/english/tariff/2008\\_4/index.htm](http://www.customs.go.jp/english/tariff/2008_4/index.htm)).

Note: .. = not applicable

**Table A2. Development Assistance Committee: Composition and distribution of financial flows (gross disbursements) to Vanuatu, 2002-2006**

	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006
	<i>millions US\$</i>					<i>percentage in total</i>				
<b>A. Bilateral DAC donors</b>										
<i>1. Grants</i>										
Australia	9.92	15.50	19.05	19.09	21.51	43	54	54	56	51
Canada	0	0.27	0	0.57	0.56	0	1	0	2	1
France	5.57	4.35	6.15	4.48	5.63	24	15	17	13	13
Germany	0	0	0	0	0.01	0	0	0	0	0
Greece	0	0	0	0	0.01	0	0	0	0	0
Ireland	0.02	0	0	0	0	0	0	0	0	0
Japan	2.60	2.41	3.71	3.30	4.00	11	8	10	10	10
New Zealand	3.31	4.74	4.67	4.99	7.00	14	17	13	15	17
Norway	0	0	0	0	0.01	0	0	0	0	0
Spain	0	0	0	0	0.01	0	0	0	0	0
Switzerland	0	0.01	0	0	0	0	0	0	0	0
United Kingdom	0	0	0	0	0.04	0	0	0	0	0
United States	1.06	1.21	1.78	1.52	3.23	5	4	5	4	8
<i>Total bilateral DAC grants</i>	22.48	28.49	35.36	33.95	42.01	98	100	100	100	100
<i>2. Total DAC non-grants</i>	0.41	0	0	0	0	2	0	0	0	0
France	0.41	0	0	0	0	2	0	0	0	0
<b>Total (A.1 + A.2)</b>	22.89	28.49	35.36	33.95	42.01	100	100	100	100	100
<b>B. Multilateral donors</b>										
<i>1. Multi-lateral Grants</i>										
EC	4.13	4.22	3.24	6.04	7.92	72	80	76	83	90
UNDP	0.06	0.06	0	0	0	1	1	0	0	0
UNFPA	0.09	0	0	0	0	2	0	0	0	0
UNTA	0.85	0.98	1.03	1.21	0.84	15	19	24	17	10
<i>Total multi-lateral grants</i>	5.13	5.26	4.27	7.25	8.76	90	100	100	100	100

<i>2. Multilateral non-grants</i>										
AsDF (Asian Dev.Fund)	0.51	0.01	0	0	0	9	0	0	0	0
EC	0.07	0	0	0	0	1	0	0	0	0
<i>Total multilateral non-grants</i>	0.58	0.01	0	0	0	10	0	0	0	0
<b>Total (B.1 + B.2)</b>	5.71	5.27	4.27	7.25	8.76	100	100	100	100	100

<b>All ODA</b>	<b>28.6</b>	<b>33.76</b>	<b>39.63</b>	<b>41.2</b>	<b>50.77</b>					
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Source: OECD.Stat at <http://stats.oecd.org/wbos/Default.aspx?usercontext=sourceoecd>

			US\$ million					Average (2002- 2006)	Share(%)
			2002	2003	2004	2005	2006		
I.Social Infrastructure & Services			15.48	22.94	23.14	10.39	31.71	20.73	58.3
	I.1 Education		7.75	10.24	9.75	6.36	14.96	9.81	27.6
	I.2 Health		1.71	2.65	3.27	1.27	2.71	2.32	6.5
	I.3 Population Programmes		0.10	0.09	0.24	0.00	0.00	0.09	0.2
	I.4 Water Supply & Sanitation		0.24	0.32	0.15	0.04	0.28	0.21	0.6
	I.5 Government & Civil Society		4.70	7.05	8.63	2.15	12.70	7.05	19.8
	I.6 Other Social Infrastructure & Services		0.99	2.59	1.11	0.58	1.06	1.26	3.6
II.Economic Infrastructure			2.52	1.82	3.77	2.63	1.71	2.49	7.0
III.Production Sectors			0.67	1.28	1.30	1.95	3.25	1.69	4.8
	III.1 Agriculture - Forestry - Fishing, Total		0.56	1.19	0.93	1.16	1.81	1.13	3.2
		III.1.a) Agriculture	0.38	0.56	0.23	0.64	0.82	0.53	1.5
		III.1.b) Forestry	0.00	0.07	0.35	0.00	0.12	0.11	0.3
		III.1.c) Fishing	0.18	0.55	0.35	0.52	0.86	0.50	1.4
	III.2 Industry - Mining - Construction Tot.		0.01	0.07	0.03	0.03	0.28	0.09	0.2
		III.2.a) Industry	0.01	0.07	0.03	0.03	0.24	0.08	0.2
		III.2.b) Mining	0.00	0.00	0.00	0.00	0.04	0.01	0.0
		III.2.c) Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.0
	III.3 Trade Policy and Regulations		0.01	0.01	0.05	0.01	0.03	0.02	0.1
	III.4 Tourism		0.08	0.01	0.29	0.75	1.13	0.45	1.3
IV. Multisector			3.01	2.39	3.05	3.32	8.74	4.10	11.5

VI. Commodity Aid / General Prog. Ass.			0.89	0.11	0.13	0.93	1.02	0.61	1.7
	VI.1 General Budget Support		0.72	0.05	0.02	0.93	1.02	0.55	1.5
	VI.2 Food Aid/Food Sec. Ass.		0.00	0.00	0.00	0.00	0.00	0.00	0.0
	VI.3 Other Commodity Assistance		0.17	0.05	0.11	0.00	0.00	0.07	0.2
VII. Action Relating to Debt			0.06	0.04	0.00	0.00	0.00	0.02	0.1
VIII. Emergency Ass. & Reconstruction			0.26	0.42	0.25	0.43	0.04	0.28	0.8
	VIII.2 Other Emergency & Distress Relief		0.24	0.42	0.25	0.43	0.00	0.27	0.8
	VIII.3 Reconstruction relief		0.02	0.00	0.00	0.00	0.00	0.00	0.0
	VIII.4 Disasterprevention & preparedness		0.00	0.00	0.00	0.00	0.04	0.01	0.0
IX. Administrative costs of donors			0.01	0.00	1.51	0.18	0.61	0.46	1.3
X. Support to NGO's			0.25	0.61	1.07	1.18	0.94	0.81	2.3
XI. Refugees in Donor Countries			0.00	0.00	0.00	0.00	0.00	0.00	0.0
XII. Unallocated/Unspecified			0.17	0.66	0.77	0.41	1.31	0.66	1.9
Unknown			0.27	0.75	1.03	16.30	0.00	3.67	10.3
	<b>All</b>		<b>23.58</b>	<b>31.01</b>	<b>36.02</b>	<b>37.72</b>	<b>49.32</b>	<b>35.53</b>	<b>100.0</b>

			Main bi-lateral donors								Main multi-lateral donor			
			Australia		New Zealand		France		Japan		United States		EC	
2006, millions US dollars (current) and percentage (%)			value	%	value	%	value	%	value	%	value	%	Value	%
I. Social Infrastructure & Services			16.93	78.7	5.31	75.8	3.04	54.1	1.69	42.3	..	..	4.71	59.5
	I.1 Education		4.59	21.4	3.14	44.8	2.14	38.0	0.89	22.1	..	..	4.19	52.9
	I.2 Health		2.13	9.9	0.02	0.2	0.37	6.6	0.20	4.9	..	..	..	..
	I.3 Population Programmes		..	..	..	..	..	..	..	..	..	..	..	..
	I.4 Water Supply & Sanitation		..	..	..	..	..	..	0.28	7.1	..	..	..	..
	I.5 Government & Civil Society		9.97	46.3	2.15	30.7	0.03	0.4	0.03	0.8	..	..	0.53	6.7
	I.6 Other Social Infrastructure & Services		0.25	1.1	0.01	0.1	0.51	9.1	0.29	7.4	..	..	..	..
II. Economic Infrastructure			..	..	0.13	1.8	0.18	3.1	0.60	15.1	..	..	0.80	10.1
III. Production Sectors			0.27	1.3	0.30	4.3	0.17	3.0	1.11	27.8	..	..	1.39	17.5
	III.1 Agriculture - Forestry - Fishing, Total		0.27	1.3	0.30	4.3	0.15	2.7	0.93	23.3	..	..	0.15	1.9
		III.1.a) Agriculture	0.10	0.5	0.30	4.3	0.15	2.7	0.11	2.9	..	..	0.15	1.9
		III.1.b) Forestry	0.12	0.6	..	..	..	..	..	..	..	..	..	..
		III.1.c) Fishing	0.05	0.2	..	..	..	..	0.82	20.4	..	..	..	..
	III.2 Industry - Mining - Construction Tot.		..	..	..	..	0.02	0.4	0.08	2.1	..	..	0.18	2.3
		III.2.a) Industry	..	..	..	..	0.02	0.4	0.04	1.0	..	..	0.18	2.3
		III.2.b) Mining	..	..	..	..	..	..	0.04	1.1	..	..	..	..
		III.2.c) Construction	..	..	..	..	..	..	..	..	..	..	..	..
	III.3 Trade Policy and Regulations		..	..	..	..	..	..	0.02	0.4	..	..	..	..
	III.4 Tourism		..	..	..	..	..	..	0.08	2.0	..	..	1.05	13.3
IV. Multisector			3.25	15.1	0.51	7.3	1.61	28.6	0.13	3.4	3.23	100.0	0.0003	0.004

VI. Commodity Aid / General Prog. Ass.														1.02	12.8
	VI.1 General Budget Support													1.02	12.8
	VI.2 Food Aid/Food Sec. Ass.														
	VI.3 Other Commodity Assistance														
VII. Action Relating to Debt															
VIII. Emergency Ass. & Reconstruction				0.04	0.6										
	VIII.2 Other Emergency & Distress Relief														
	VIII.3 Reconstruction relief														
	VIII.4 Disasterprevention & preparedness			0.04	0.6										
IX. Administrative costs of donors		0.005	0.02			0.60	10.8								
X. Support to NGO's				0.71	10.2	0.01	0.2	0.22	5.4						
XI. Refugees in Donor Countries															
XII. Unallocated/Unspecified		1.05	4.9			0.01	0.2	0.25	6.1					0.003	0.04
Unknown															
<b>ALL</b>		<b>21.51</b>	<b>100.0</b>	<b>7.00</b>	<b>100.0</b>	<b>5.63</b>	<b>100.0</b>	<b>4.00</b>	<b>100.0</b>	<b>3.23</b>	100.0			7.92	<b>100.0</b>