

# REPUBLIC OF VANUATU

## INTEGRATED FRAMEWORK FOR TRADE RELATED TECHNICAL ASSISTANCE TO LEAST DEVELOPED COUNTRIES.

### DIAGNOSTIC TRADE INTEGRATION STUDY

#### CONCEPT NOTE

February 2007

#### 1. Introduction

This concept note outlines the objectives, scope, timeline and framework for delivery of the Diagnostic Trade Integration Study (DTIS), which comprises the initial phase of the Integrated Framework (IF) for Trade Related Technical Assistance to Least Developed Countries.

On 19 October 2006 the Government of Vanuatu signed an Aide Memoire with UNDP, which is the lead DTIS agency for the country, agreeing the schedule for the DTIS. Around this time consultations were made with most of the other joint agencies of the IF, including the World Bank, World Trade Organisation (WTO), International Trade Centre and UNCTAD.

The main objective of the study is to ensure that trade is mainstreamed into the national economic development process, based on a pro-poor strategy which relates growth to employment creation and human development. The DTIS aims to better integrate the Vanuatu economy into regional and global markets through the removal of supply-side constraints to international competitiveness; improvements to international and regional trade policy; and trade capacity building.

The DTIS will include a detailed analysis of policy and macroeconomic issues that constitute constraints to a pro-poor trade development strategy. In order to maximise policy ownership it will be integrated with the Medium Term Strategic Framework (MTSF), which outlines the government's priorities from 2007 to 2009, utilising the annual stocktaking review and planning process. The MTSF is derived from the Priorities and Action Agenda (PAA), which outlines the government's objectives and poverty reduction strategy for the period 2006 to 2015.

#### 2. Country background

Vanuatu's overwhelmingly rural population is dispersed across more than 80 islands, which stretch longitudinally over 650km of ocean in the southwest Pacific. The Exclusive Economic Zone is 530,000 km<sup>2</sup>, an area roughly the size of France.<sup>1</sup> At the

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<sup>1</sup> Although the size of this area depends on whether the disputed Matthew and Hunter islands are included.

last census, some 80 per cent of the approximately 210,000 population lived in rural areas, distributed about equally between Vanuatu's five administrative provinces. Inequality is one of the key characteristics of Vanuatu society and the economy. The Gini coefficient has been estimated at between 0.56 and 0.58 – among the highest in the world. Living standards in Vanuatu remain below those of many of its neighbours, measured by literacy rates, mortality rates, and access to roads and telephones.

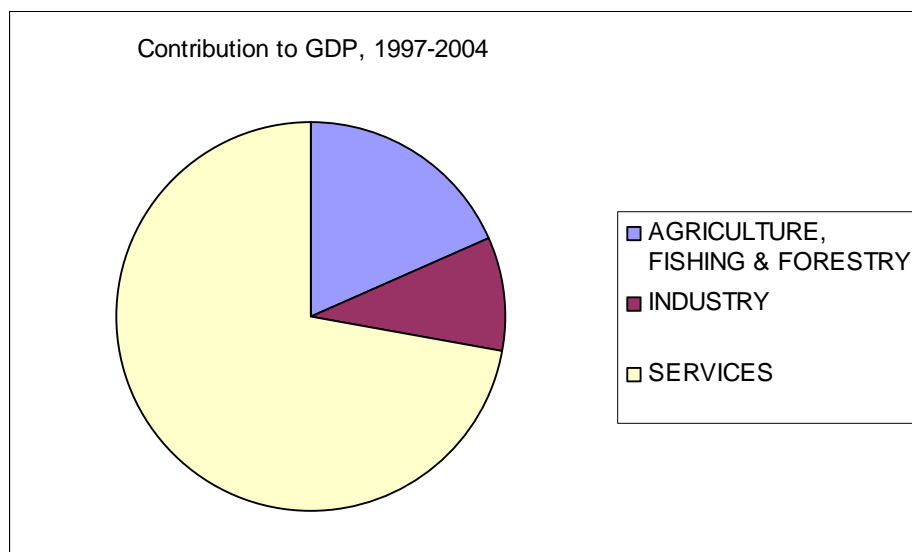
Living standards, however, are higher than some of the standard measurements would suggest, since up to three-quarters of the population provide for their basic needs through subsistence agriculture. Many of these people occasionally engage in paid employment. Largely because of the influence of the relatively underdeveloped rural economy, Vanuatu ranks 119<sup>th</sup> globally on the 2006 UNDP Human Development Index. The government remains highly dependent on overseas aid.

Inflation has historically been low, while public expenditure has generally been well managed. Nevertheless the public wage bill amounts to over half of total expenditure, and is among the highest in the region at 12 percent of GDP. This has also crowded out capital spending, which remains very limited at only 2 percent of GDP, despite pressing development needs.

Per capita GDP, although high for a Least Developed Country (LDC), at US\$1,360, is lower than in 1999 and is still below several of the other Pacific islands. Assuming per capita income and other development indicators remain at or above their current levels, the country may be scheduled for graduation from LDC status in 2013. GDP growth was recorded at an average of 6 percent in 2004 and 2005, following a recession. This is considerably higher than the 3.5 percent average recorded between 1980 and 2000.

As shown in figure 1, the economy is orientated towards services, which comprise almost three-quarters of Gross Domestic Product (GDP).<sup>2</sup> Within the services sector, wholesale and retail trade accounts for the largest single share, at around the same size as agriculture and industry combined. A considerable proportion of services activity is driven by tourism. Agriculture accounts for roughly 18% of GDP and industry about 9%.

**Figure 1.**



<sup>2</sup> GDP statistics are somewhat unreliable, as is population data.

Data source: Ministry of Finance and Economic Management

### *Economic and trade-related challenges facing Vanuatu*

The DTIS will outline a comprehensive set of trade policy and related reforms that would address the most important, and most achievable, of the following issues:

- Domestic inter-island trade is limited, and boats service some islands only twice a year. This situation is due largely to geographical dispersion and high transport costs. The long-term decline of the copra industry has further reduced the incentive for small inter-island traders to visit some of the more remote islands.
- Infrastructure is generally weak. The single tar sealed road extends only several miles either side of the capital, Port Vila, although plans exist to use donor funds to improve roads and ports.
- Exports remain undiversified, as shown in figure 2 below. Dependence on commodities like copra and kava renders the economy vulnerable to international price fluctuations.
- Geographical isolation and the consequent distance from major markets hampers international trade, adding to pressure on the trade deficit. International shipping is limited and can be unreliable, particularly to the second port of Luganville on Espirito Santo, where most of the copra crop is loaded.
- Vanuatu's small size and geographical dispersion limits the possibility for economies of scale. Most manufacturing or processing enterprises are very small, inefficient and cannot compete internationally. The agriculture sector is dominated by smallholder operations, following the dismantling of plantations toward the end of the colonial period.
- A lack of competition contributes to high prices. The retail sector in particular is dominated by two companies. A similar situation in electricity, water and telecoms adds to costs faced by businesses. Telecoms in particular are amongst the most costly in the world.
- A lack of access to credit contributes to the difficulties faced by small-scale indigenous enterprises. Without collateral, the domestic retail banks are reluctant to lend to local people, and interest rates are, for many, prohibitively high.
- Difficulties with land tenure create problems for foreign investors as well as local businesses. The key issue is not the form of land ownership – land cannot be bought freehold and is instead leased on a 75-year basis – but the problem of competing claims among custom owners.

A discussion of specific sectors follows, prioritised by importance to the economy.

### *Tourism*

It has been estimated that tourism is worth 17% of GDP. Among the Pacific island nations, Vanuatu is the second-most dependent on tourism measured by contribution to GDP. Tourism arrivals by air are roughly 60,000, with current growth of around five per cent a year, and Vanuatu is also a regular cruise-ship stopover. Currently the tourism and services sector is concentrated on the main island of Efate. Although

there is some volatility, the number of visitor arrivals has risen strongly over the past 20 years and there has been a marked upturn since 2003. Australia remains the biggest-single source of tourist visits, at an average of 60% of visitors from all countries over the past two decades. Although linkages remain minimal, and yield per tourist remains low, it appears that the real-estate boom of the last two years is driven partly by visitors buying property.

Tourism is perhaps the sector with the biggest economic potential. However at such an early stage in the development of the industry, caution is warranted over the impact on traditional communities. Ensuring the sustainability of tourism is a key government objective. A relatively predictable inflow of tourists, as well as an improvement in linkages, would be better than a mass influx. Tourism can also contribute further to other sectors of the economy, such as small-scale agriculture. To this extent the chapter of the DTIS on tourism will focus on managing the impact of tourism and ensuring that it remains a source of foreign-exchange earnings for the long-term, whilst minimising environmental damage and ensuring compatibility with traditional lifestyles.

#### *Agriculture, livestock and forestry*

Agriculture is a mainstay of the economy even though it is much smaller than the services sector. The last labour market survey suggested that agriculture constituted 5% of total employment in the cash economy. This, however, is likely to be an underestimate, and does not take into account periodic and informal work gathering copra, cocoa or coffee. Employment in subsistence agriculture is much larger than in the cash economy. Several promising niche sectors exist, such as virgin coconut oil, kava, coffee and possibly root crops, but the quantities produced are mostly very small and have minimal impact on aggregate economic growth. Beef is of high quality and is exported in small quantities. Forestry is very small and production has fallen in recent years, although there are exports of sandalwood, and other small forestry operations exist.

Questions can be raised about the viability for the rapid expansion of cash agricultural production, partly because traditional methods result in output that is suitable primarily for the domestic market, and partly because agricultural production has remained stubbornly low despite considerable donor activity in the area since independence in 1980. Many projects have been started, with modest success, but none has resulted in large-scale growth. Agricultural development, including training and awareness of export standards, can contribute considerably to human development in rural areas, but it may not make a rapid improvement to overall economic growth unless cross-sectoral reforms accompany sector-specific projects. The agriculture chapter of the DTIS will focus on attempting to sustain growth in a sector that is fundamental for economic wellbeing, but about which it is worth exercising caution regarding its contribution to aggregate economic growth.

#### *Financial services*

Vanuatu's offshore financial services sector comprises shipping, banking, insurance, trusts and managed funds. This includes seven offshore banks, employing around 20 workers, although a total of over 4,000 international companies are registered. Total employment in the industry is 200, of which a quarter are ni-Vanuatu, while estimates suggest that the financial services sector contributes up to 8% of GDP and 5% of government revenues. In addition four banks operate domestically, two of which are

Australian. As with several other areas, linkages with the wider economy are limited, and increasing the contribution of the financial sector means improving domestic linkages, as well as raising ni-Vanuatu employment in the industry.

### *Fishing*

Although fishing currently accounts for only a small proportion of GDP, it has a proven history. Between the 1950s and 1980s commercial fishing accounted for a quarter of total export earnings, second only to copra. A longliner base on the island of Santo dealt with considerable annual tuna landings from other countries. After the late 1970s the fleet began to decline, until 1986 when the base on Santo was closed. In 2000, Vanuatu exported 5 tonnes of frozen snapper, compared with imports of 951 tonnes of tinned fish.

No domestic export-oriented fishing fleet currently exists. Revenues from fishing are currently resource-rental from fishing licenses, worth around US\$1 million. Recognising the successful history of fishing in Vanuatu, and the large trade imbalance, there is potential for expansion of the sector. There is also considerable potential for growth in local artisanal fishing, which has a particular role to play in enhancing rural incomes and lifestyles, and therefore in human development. From a public health point of view it makes little sense for ni-Vanuatu to eat imported tinned fish when there are abundant supplies. The fisheries chapter of the DTIS will focus on the possibilities for the expansion of the benefits of fisheries beyond resource-rental and the maximization of benefits to the rural communities.

### *Remittances*

Although remittances have not historically comprised a large proportion of foreign-exchange earnings, and are much smaller than, for example, similar-sized Pacific island countries like Tonga and Samoa, they may in future constitute an increasing source of foreign-exchange earnings. In November 2006 the New Zealand government announced a Guest Worker program for 5,000 Pacific workers, while Australia may consider extending similar conditions. Given that remittances frequently go to the rural areas, remittances have a strong role to play in rural poverty reduction. Conversely the prospect of workers moving overseas may have implications for the domestic skills base.

### *Manufacturing*

Within the industrial sector, manufacturing has been in stagnation for around a decade and currently comprises only 3% of GDP (the other components of the industrial sector as calculated in government statistics are electricity and construction). Manufacturing companies, which are mostly very small (the seven main manufacturing or processing companies in the capital, Port Vila, employ 250 workers and have a collective turnover of US\$5 million) are largely run well below international standards, having been protected and subsidised since independence. A number engage in import-substitution while some others engage in processing using imported inputs. While not to downplay the possibilities for greater linkages and domestic processing, Vanuatu's high transport costs and domestic prices together with

a lack of scale economies hamper the achievement of international competitiveness in this sector.

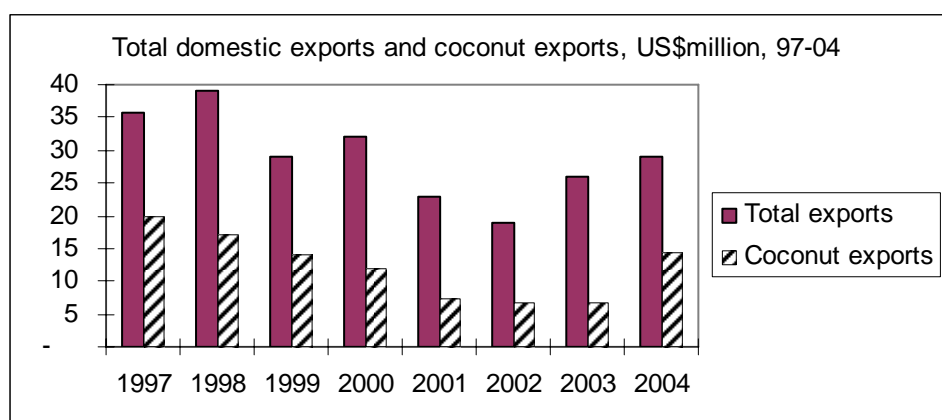
### 3. Trade background

Exports comprise an average of 10 per cent of GDP, lower than most Melanesian economies and very low for an island economy. Trade policy has not historically received a high priority, and Vanuatu has run a visible trade deficit every year since independence in 1980. From a balance of payments perspective, dependence on foreign aid is partly a product of the low foreign-exchange earnings from exports.

There are, however, recent signs that government policy is beginning to address the issue of export development. The most recent PAA aims to ensure a conducive business environment for both internal trade and increased exports, with tourism as a major sector. The government recognises the contribution of FDI to the Vanuatu economy, which resulted in the creation of the Vanuatu Investment Promotion Agency in 1998. The more open investment policy aims to take advantage of Vanuatu's tax-haven status. Partly as a result of this more open policy, foreign direct investment has increased in recent years. Overall there is an increased awareness that trade is an important engine of economic growth. The initiation of the IF is a sign of the government's commitment to expanding and mainstreaming the role of trade in the economy. The objective of trade policies could be broadened beyond trade agreements, to cover growth, efficiency and equity. While trade agreements may carry important benefits, the DTIS will present a strategy to minimize any adverse effects of preferential agreements.

Currently Vanuatu's goods exports are almost exclusively agricultural. Exports are driven heavily by copra, which in recent years has been increasingly processed into coconut oil. Together coconuts account for about half of exports, as shown in figure 2.

**Figure 2.**



Data source: Ministry of Finance and Economic Management

The two other main exports are kava and cocoa. Vanuatu also exports small quantities of coffee, root crops, beef, sawn timber, hides and trochus shells.

Breaking trade down by country, exports shifted markedly away from the EU and toward Australia from 1997 onwards. By 2002 the EU was the destination for only five per cent of Vanuatu's exports. This can be attributed largely to a decline in sales of copra to the EU, but can also be explained by the ban in some European countries of kava-derived products owing to reports of liver-related illnesses. An upturn in copra exports to Europe from 2003 onwards began to reverse this trend.

There has also been a decline in imports from the EU, which during the last five years have accounted for less than ten per cent of imports. Australia and New Zealand together account for around half of imports, while other countries, mostly in Asia, are becoming increasingly important as sources of imports. Significant potential exists for increased trade with New Caledonia, Vanuatu's nearest neighbour. The DTIS, unlike some of the existing Vanuatu trade literature and donor emphasis, will reflect these latter realities.

The increase in the number of regional agreements with which Vanuatu is involved has raised the profile of trade-related issues. The regional trading blocs are the Pacific Agreement on Closer Economic Relations (PACER), which Vanuatu has not yet signed; the Pacific Island Countries Trade Agreement (PICTA); and the Melanesian Spearhead Group Free Trade Area (MSG-FTA). Vanuatu also has duty-free access to Australia and New Zealand under the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA), and to the EU under the Everything but Arms initiative. Due to the limited flexibility of the fiscal regime, Vanuatu faces the challenge of replacing the revenue from import duties lost under PACER with domestic revenue sources. There is no income tax, capital gains tax, inheritance tax or capital gains tax. Revenue from value-added tax, introduced in 1998, has proven somewhat volatile and there are difficulties with collection.

Vanuatu faces possible membership of the proposed Economic Partnership Agreement (EPA) with the EC and membership of the World Trade Organisation (WTO). WTO accession was suspended in 2001 after the government negotiated goods and services schedules but failed to approve the final articles of accession. The government remains officially committed to joining the WTO and has attempted to re-open negotiations with the working party, although there is no precedent for this. The number of commitments agreed to under the original services schedule is considered by the present administration to be too extensive, and it is understood that the government is still considering its position on WTO accession. The DTIS will consider Vanuatu's WTO position, including if possible a strategy for accession.

#### **4. Scope of the DTIS**

A considerable amount of trade diagnostic work has recently been done, including a range of economic issues studied by the World Bank; the European Commission (EC) trade baseline study; the EC Public Expenditure Finance Agreement (PEFA) report; the EC tourism services study and training projects; the AusAid "Economic Governance for Growth" project; the Asian Development Bank Participatory Poverty Assessment report; the UNDP Vanuatu Millennium Development Goals report; the Reserve Bank of Vanuatu agricultural census; and others, including in livestock and

agriculture, such as the Rural Economic Development Initiative. The DTIS will take into account the outcome of the IMF article IV mission, which took place from November 27 to December 5 2006, as well as UNCTAD's ongoing work on LDC graduation. The IF will build on all this work, and to a great extent the task is one of co-ordination and filling in gaps. The DTIS will incorporate the main recommendations of these studies and consolidate the relevant information.

Less work has been done on trade, poverty and human development. The DTIS will focus on how trade, especially exports and FDI, can spur long-term sources of economic growth and human development, making equity a central aim.

The report will include a prioritised list of concrete, executable recommendations based on the analysis in the study, together with a strategic implementation plan. The analysis will attempt to be original as possible without repeating in a descriptive manner work already done. The idea is to present original and proactive solutions, particularly those that focus on human development and the narrowing of inequality. The report should move forward from existing work as much as possible. The report will also indicate areas where existing policy is flawed or where there is an inappropriate use of time and effort.

Several policy measures will have to be made at the regional level. Reference should thus be made to the Pacific Plan, and the DTIS will indicate what trade-related projects are best addressed regionally or through regional public goods.

## **5. Provisional DTIS outline**

At the DTIS launch workshop in Port Vila on 18 October 2006, the following report outline was provisionally approved. The general scope for each chapter has subsequently been added, using the general ToR for the IF. At least one international consultant will be engaged for each chapter, and local consultants will assist with several chapters. The DTIS will result in an action-oriented matrix with specific, concrete and executable recommendations. The action matrix will also propose a feasible and operational implementation strategy including suggestions for prioritizing and sequencing the activities, as well as a suitable institutional set-up and capacities for implementation. Chapters 2 and 3 will be summarized through a benchmarking exercise in which the country is compared both in terms of policy reforms and performance (economic, social) vis-à-vis other developing countries in the relevant region and other parts of the world. As part of the background work for the DTIS, consultants will interview private sector representatives and solicit their views.

1. Introduction and country overview
2. Macroeconomic framework

This will involve a review and analysis of the country's economic and export performance, focusing on the link between poverty and economic growth. It will analyse real per capita growth and integration performance in a historical and international perspective. Particular attention will be paid to indicators of per capita income, trade and integration performance vis-à-vis those of comparator countries. Analysis will focus inter alia on trends in export and import to GDP ratios, FDI as a share of GDP ratio, type of FDI (by sector), the

speed and extent of export diversification (across products and markets), intra-industry trade trends (horizontal and vertical; role of global production sharing and processing trade), the composition of imports (share of capital goods, intermediates), composition of employment, dependence on agricultural production, etc, as well as sources of foreign exchange earnings by sector, including remittances and services. The chapter will look at the behaviour of the real exchange rate and the exchange-rate regime. The analysis of these indicators will be forward as well as backward looking.

3. Business environment, business services, private sector and investment policy

This chapter will include a description of private sector players in the key sectors, as well as an assessment of the viability of further export diversification in niche areas. Emphasis will be placed on the adequacy of policies (both macro and microeconomic, such as transport and port monopolies, not only their infrastructure) and the business environment (property rights, rule of law) in alleviating poverty. This chapter will analyse investment trends and the investment climate, including the role of the Vanuatu Investment Promotion Agency (VIPA) and its contribution to the poverty reduction effort.

Other specific issues include competition policy, utilities and telecoms, including recommendations regarding TVL and UNELCO; Vanuatu's proposed GATS commitments, particularly in business services;<sup>3</sup> and the suitability or otherwise of an export-processing zone. A lack of competition, which results in high prices, impacts particularly on the poor, and measures to combat this problem will be considered. There will also be analysis of the regulatory capacity and framework and whether, for example, it is equipped to deal with services liberalisation.

The issues surrounding land ownership are well known and the Ministry of Lands has done some research here, so the chapter is not expected to contribute significant new analysis in this area. The human development issues of training and involvement of ni-Vanuatu in local business activities and access to credit for local entrepreneurs will also be examined in this chapter, avoiding overlap with the tourism chapter.

This chapter will summarise work already done on manufacturing and financial services, including the policy reforms required.

4. Tourism

This chapter will include an assessment of the capacity of the Department of Tourism and the National Tourism Development Office; an overview of the sector, including the size, historic and potential growth, and characteristics. In order to ensure sustainability and to serve the goal of poverty reduction and improving human development, this chapter will examine ways in which the yield per tourist can be improved, including linkages between the tourism sector and other areas of the economy; the impact and outlook for tourism in the outer islands, including the sustainability of tourism and its cultural impact; and ideas for future development of the tourism sector. Significant untapped potential exists for the tourism sector to be integrated with other

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<sup>3</sup> It is worth noting that Vanuatu, although an LDC, was expected to make significant services liberalisation commitments during WTO accession.

sectors, such as agriculture. Tourism facilities operated by locals remain relatively undeveloped, and given the potential for such facilities to alleviate poverty, this will form a key focus of the chapter. An important human development angle will be the training of local people to participate in the tourist trade. Adequately planned, policies in the tourism sector may help preserve and reinforce local traditions.

5. Agriculture, livestock and forestry

This chapter should discuss and prioritise the potential for growth and sustainability in following areas: copra and coconut oil; cocoa; kava; beef; coffee; root crops and others; forestry; the Vanuatu Commodities Marketing Board. Recommendations should be made as to government and donor policy with regards to these areas. Whilst they will be examined from a macroeconomic point of view, they will also be looked at for their contribution to local communities. Agriculture remains an important contributor to employment even if its cash output is relatively small, and the chapter will assess the potential of each sector to contribute to employment. A particular focus of this chapter will be the likely contribution cross-sectoral reforms can make to the agricultural sector.

6. Fisheries

The focus of this chapter will be on moving beyond resource-rental and trying to improve the benefits of fisheries to the rural population. This will involve an analysis of fishing revenues from resource-rental; the potential for deep-bottom fishing and artisanal/ coastal fishing; the economic impact of small-scale fishing on local communities; the possibilities for downstream industries such as processing and canning; fisheries exports requirements such as cold-storage facilities; fisheries sustainability, including the live fish trade; the potential for conflict and synergies with other sectors, such as tourism; and the impact of trade agreements on the fishing industry.

7. Trade policy

This chapter will determine the impact of membership in regional economic integration arrangements on the prevailing policy stance by explicitly considering the benefits and costs of such agreements in terms of policy space and incentives. It will consider as a priority the impact of trade policy on poverty alleviation. It will further analyze the implications of greater market access for the existing and potential export commodities, and services, both regionally and globally. The chapter will discuss the increasing importance of trade with Asia, membership of the WTO, as well as the various trade agreements: the EPA, PICTA, PACER, MSG-FTA, and trade with New Caledonia. Work has already been done on the likely tariff revenue losses from trade liberalisation, and the possibilities of domestic taxation replacing these losses, and the chapter will build on this work. There will be an assessment of the possibility of intra-industry trade within the Pacific region. Given the possibility of loss of preferential trading terms after graduation from LDC status, an assessment will be made of the need for increased competitiveness.

8. Customs and trade facilitation

Using a forward-looking approach, and fitting in with the above chapters, this chapter will discuss: sanitary and phytosanitary measures, focusing particularly on export requirements; kava and other export commodities; transportation; storage; wharf fees; the operation of the Department of Customs and the Vanuatu Quarantine and Inspection Services. It will also link trade facilitation with overall trade/export promotion policy.

In addition, this chapter will deal with labour mobility as a trade facilitation issue. Given the possible emergence of remittances as a source of foreign-exchange earnings, the chapter will contribute creative suggestions to incentivise the investment of remittances in areas likely to create jobs. This chapter will further consider the impact on the local economy of workers moving overseas.

9. Trade, poverty and human development

A major issue, as stated above, is that of inequality between Port Vila and the outer islands, and this chapter will discuss policy recommendations to reduce this source of inequality. The chapter will consider the gender impact of different trade policies, as well as strategies for increasing employment opportunities for women. The pro-poor trade integration strategy will comprise a proposed set of policy reform priorities and action plans that include project proposals to capitalise on major opportunities identified in the strategy. These policy proposals will target the key bottlenecks and constraints that emerge from the analysis as priority areas for action, and corollary actions by donors and development partners. The recommendations will take into account the likely impact of proposed actions on the level and structure of poverty to ensure that the strategy has the desired positive impact on the poor. Analyses of gainers and losers from the policy changes will be undertaken and specific policies to maximise the positive impact on the poor will be identified.

10. Institutional framework for IF implementation and trade mainstreaming.

This chapter will discuss: an assessment of the capacity of the relevant government Ministries to mainstream trade and implement the IF process; opportunities and constraints, be they human resources, organizational and/or financial; relationships between Departments or Ministries; and ways in which inter-departmental co-ordination and communication on trade matters can be improved. This chapter will consider the possibility of an institutionalized mechanism to systematically engage the private sector and civil society in trade policy formulation and implementation.

## **6. Focal point and national coordination**

Mr Timothy Sisi, acting Director of Trade, will act as the national IF focal point. The focal point will be the first point of contact for all communications regarding the IF, and will help co-ordinate the IF process. The contact details are as follows:

Department of Trade, Industry and Investment

PMB9030

Port Vila

Vanuatu

Telephone (+678) 22770

Fax (+678) 25640

Email: timwsisi@yahoo.com; twilliams@vanuatu.gov.vu

The IF focal point will be assisted by the current ODI trade economist, Yurendra Basnett. He can be contacted as follows:

Email: ybasnett@vanuatu.gov.vu

Coordination will be carried out through the national trade facilitation committee, which will meet regularly and which is made up of core economic ministries, the private sector and civil society. The national trade facilitation committee will meet in January 2006 to prepare for the main mission.

## **7. Team leader**

The team leader will be Daniel Gay, previously a trade consultant with the EC in Vanuatu, and between 2002 and 2004 Overseas Development Institute (ODI) trade economist in the Department of Trade, Industry and Investment. He can be contacted on: danielrgay@yahoo.co.uk.

## **8. Donor facilitator**

The European Commission has agreed to act as donor facilitator. The donor facilitator can be contacted as follows:

Nicolas Berlanga Martinez

Chargé d'Affaires

Delegation of the European Commission

PO Box 422

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Vanuatu

Tel. (+678) 22501

Fax (+678) 23282

Email: Delegation-Vanuatu@cec.eu.int

## **9. Funding**

Funding available for the IF process in Vanuatu through the IF Trust Fund (IFTF) is as follows:

- US\$300,000 from Window I of the IFTF for the DTIS.

- US\$38,000 from Window I of the IFTF for immediate capacity building needs of the IF national focal point.
- US\$1 million from Window II of the IFTS for implementing agreed priorities from the DTIS action matrix.

## 10. Timeframe

<b>Task</b>	<b>Deadline</b>	<b>Main actions required</b>
Formal launch of IF	18 October 2006	
Development of ToRs and concept note	October-December 2006	Recruitment of consultants
Main mission	February 2007	Collection of information, interviews, analysis, drafting of chapters
Consultants' reports ready	16-31 March 2007	
Draft DTIS ready for review	31 May 2007	Redrafting and editing of chapters. Distribution of draft report.
Finalisation of DTIS	30 June 2007	Incorporation of comments.
Validation and approval of DTIS action matrix	15 August 2007	National workshop involving all stakeholders.

Following validation of the DTIS an implementation meeting will be held to prioritise the recommendations and incorporate these recommendations into the next annual update of the MTSF and allow development partners to make funding commitments. The implantation strategy will be based on the DTIS action matrix. The initial funding of US\$1 million from the IFTF will be disbursed in accordance with current IFTF procedures and the requirements of the Government Investment Programme (GIP).