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ASSISTANCE IN PREPARATION OF A
WHITE PAPER ON INDUSTRIALIZATION POLICIES
SI/VAK/86/801
REPUBLIC OF VANUATU

Technical report: Draft white paper
on industrial strategy and policies
in preparation for
The Second Five-Year National Development Plan - Vanuatu*

Prepared for the Government of Vanuatu
by the United Nations Industrial Development Organization,
acting as executing agency for the United Nations Development Programme

Based on the work of Earle A.S. Taylor,
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United Nations Industrial Development Organization
Vienna

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323

Explanatory Notes

References to the Government means the Government of Vanuatu unless otherwise stated.

Reference to \$ means United States dollars, unless otherwise noted.

A slash between dates (eg 1986/87) indicates a financial year.

A dash between dates (eg 1987 - 1991) indicates the full period involved including the beginning and end years.

n.a means the data was not available.

A dash (-) in tables indicates that the amount is nil or negligible.

Value of local currency = Vatu dollar = VT and during the mission in terms of United States dollars (\$) 1\$ = 102.56VT

The following abbreviations are used in this report.

| | |
|---------|---|
| BDU | Business Development Unit |
| DBV | Development Bank of Vanuatu |
| CARICOM | Caribbean Common Market |
| CFTC | Commonwealth Fund for Technical Cooperation |
| CIF | Cost, Insurance and Freight |
| DVA | Distributive Value Added |
| EDF | European Development Fund |
| ESCAP | Economic and Social Commission for Asia and the Pacific |
| FOB | Free on Board |
| FNDP | First national Development Plan |
| GDP | Gross Domestic Product |
| GNP | Gross National Product |
| GSP | General systems of preference, a facility offered by the United States and similar to LOME agreement. |
| IDTS | Industrial Development Training Scheme |
| NMDF | National Manpower Development Fund |
| ILO | International Labour Organization |
| SPEC | South Pacific Bureau for Economic Cooperation |
| UNDP | United Nations Development Programme |
| UNIDO | United Nations Industrial Development Organization |
| VA | Value Added |

Unless otherwise stated all actions identified in this report are assumed to be the responsibility of the Department of Industry and/or the Ministry of Industry and Commerce and/or Ministry of Finance, Commerce, Industry and Tourism.

ABSTRACT

The project SI/VAN/86/801 - Assistance in preparing a White Paper on Industrialization Policies - was initiated in September 1985 and effected between May 1986 and June 1986. It required an intensive analysis of the status of existing industrial infrastructure and policies which followed detailed discussions with key persons in planning, related Government and Non-Government Institutions and Industry.

A draft White Paper was presented to the Government and reviewed in June 1986 with a Professional Team hosted by the Ministry of Finance, Commerce, Industry and Tourism. Several recommendations were made on policy and strategies to protect, attract, promote, assist, develop, monitor and manage industry and its programming.

Due to certain uniqueness in the economic structure of this island economy the report was supported with three technical notes on industrial restructuring, applying protection and value added as a criteria for assessing industry performance.

The report terminating this project was prepared under a contract from UNIDO by Earle Tylor, a consultant in industrial strategy and policies who was recruited by UNIDO's Industrial Planning Section in late April, 1986.

| | |
|---|-------|
| Explanatory Notes | 2 |
| Abstract | 3 |
| Table of Contents | 4 - 6 |
| Part I Objectives and Strategy for Developing the Manufacturing Sector | 7 |
| A. Introduction | 7 |
| B. Industry Overview | 7 |
| C. General Objectives of Policy | 10 |
| D. Industrial Policy for 1987 - 1991 | 11 |
| E. Specific Targets of the 5 year plan | 12 |
| F. Specific issues to be Addressed | 13 |
| G. Strategy for Industry Development | 13 |
| 1. Protect and Attract Manufacturing Industries | 14 |
| 2. Promotion of Industries | 16 |
| 3. Reorganization and Strengthening of Structures | 17 |
| 4. Incentives, Performance and Regulation | 18 |
| 5. Manpower Development | 18 |
| 6. Infrastructure and Support Services | 19 |
| 7. Export Development | 20 |
| Annex I : Technical Notes on Value Added and Economic Performance Measurement | 21 |
| Part II Environment for Industry Development | 27 |
| A. Location Policy | 27 |
| B. Raw Material and Supply | 27 |
| C. Priority Treatment for Manufacturing Industry | 28 |
| D. Credit and Finance Structure | 29 |
| E. Availability of Skilled & Supervisory Personnel | 30 |
| F. Major Markets and Source | 31 |
| G. Energy | 32 |
| Annex II : Technical Notes on Protection of Manufacturing Industries | 34 |

| | | |
|-----------------|---|----|
| Part III | Measures to support Industrial strategy | 37 |
| | A. Introduction | 37 |
| | B. Manufacturing Value Added | 37 |
| | C. Reorganization of Industry | 38 |
| | D. Legislation to Guide Industry | 39 |
| | Annex III Technical Notes on Industrial Restructuring | 41 |
| Part IV | Role of key institutions | 43 |
| | A. The role of the Department of Industry | 43 |
| | B. Role of Regional Offices | 44 |
| | C. Role of the Public Sector | 44 |
| | D. Industrial Activities Identified for State Participation | 45 |
| | E. The Role of Small Scale Enterprises | 46 |
| | F. Other Agencies of Government | 48 |
| | G. Role of the Private Sector | 48 |
| Part V | The Sectoral Development Programme and Prospects | 49 |
| | A. Introduction | 49 |
| | B. Food and Beverage Sector | 50 |
| | C. Clothes, Textile and Leather Products | 52 |
| | D. Wood and Wood Products | 52 |
| | E. Paper and Printing | 54 |
| | F. Chemicals, Plastics and Rubber | 55 |
| | G. Non-metals, Minerals and Base Metals | 55 |
| | H. Fabricated Metal Products | 55 |
| | J. Electrical and Electronic Products | 56 |
| Part VI | Import/Export Performance Criteria | 57 |
| | A. Industrial Export Performance | 57 |
| | B. Selected Products for Import - Substitution | 58 |
| | C. Selected Products for Manufacturing and Export Development | 60 |
| | D. Manufacturing Industry Priority Criteria | 61 |
| | E. National Production Priority Schedule | 61 |
| <u>Exhibits</u> | | |
| | Exhibit 1. Structure of the Manufacturing Sector in 1985 | 62 |
| | Exhibit 2. Structure of the Manufacturing Sector in 1984 | 63 |
| | Exhibit 3. Structure of the Manufacturing Sector in 1983 | 64 |
| | Exhibit 4. NFPS Schedule III | 65 |
| | Raw Material Import Concession | |

Appendices

| | | |
|-------------|--|---------|
| Appendix 1. | Proposed Organization Chart - Ministry of Industry and Commerce | 66 |
| Appendix 2. | Estimated Recurrent Budget Department of Industry 1987 - 91 | 67 |
| Appendix 3. | Projected Capital Projects and Recurrent Budget 1987 - 91 | 68 |
| Appendix 4. | Draft Order to Introduce Raw Material Import Concession | 70 |
| Appendix 5. | Draft order for Export Duty Concession on Manufactured Products | 70 |
| Appendix 6. | Draft order for Industrial Apprenticeship Training Scheme | 71 |
| Appendix 7. | Business Licence Amendment Act #29 of 1985 (Extract) | 72 |
| Appendix 8. | Minimum wage and Minimum Wages Board Act #42 of 1984 (Extract) | 82 |
| Appendix 9. | Telephone Expansion Plan 1986 - 99 | 87 |
| | Maps of Vanuatu | 88 - 93 |

PART I OBJECTIVES AND STRATEGY FOR DEVELOPING THE MANUFACTURING SECTOR

A. Introduction

The White Paper on Industrial Development outlines a framework for the systematic development of the manufacturing sector in the Republic of Vanuatu over the period 1987 - 1991. Apart from presenting the objectives and policy to be applied within the framework of the Second National Development Plan, the paper also provides a preliminary assessment of the present industrial programme and infrastructure as well as the backward and forward linkage potential between Agriculture, Commerce and Industry.

The policies and strategies outlined here-in are intended to support Government's commitment to a restructuring of the industrial economy so that products now being imported which can be economically produced locally and those industries which exploit the agro-industrial opportunities will be favoured. It is the intention and hope of the Government that the strategies being presented will attract entrepreneurs and investors from all sectors of the economy, as well as direct and indirect foreign investment participation. The Government of Vanuatu will also restructure and strengthen the Department of Industry so that it will not only have the capacity to implement and monitor but the willingness and urgency to respond to and assist in the orderly transformation of the economy to one which is predominantly production oriented.

B. Industry overview

The manufacturing sector in Vanuatu is still at the early infant stage on the industrialization spectrum. In 1985 the total number of enterprises was 76. While the share of manufacturing production in gross domestic product amounts to about 6.6 per cent, this has been largely attributed to three subsectors, food and beverage with over 50 percent of share, paper and printing with 11 percent and wood and furniture with 9 per cent. Apart from these processing industries, manufacturing activity operates on a small scale and is largely a few plants producing light consumer goods and building materials. The table below, table 1 shows the structure of the manufacturing sector in 1985. Exhibits 1, 2 and 3 show the comparison for 1985, 1984 and 1983 respectively.

*based on estimated GDP of 12.12 million VT.

TABLE 1

STRUCTURE OF THE MANUFACTURING SECTOR IN 1985

| INDUSTRY SUBSECTOR | No of | | Total Payroll (VT000) | Net Sales (VT 000) | Purchased Inputs VT 000 | MANE VALUE ADDED (MVA) | | |
|-----------------------|--------------------|-----------|------------------------------|--------------------------|-------------------------------|------------------------|------------------------|--------------|
| | Person Employed | Firms | | | | Content (VT 000) | Share of IND Output | Percent % |
| | A | A | B | C | D | | | |
| Food/Bever | 274 | 24 | 97600 | 1591600 | 1132700 | 458900 | 58 | 29 |
| Cloth/Textile | 115 | 16 | 10300 | 58000 | 32248 | 25752 | 3 | 44 |
| Wood Product | 100 | 12 | 33400 | 129203 | 59863 | 69340 | 9 | 54 |
| Paper/Printing | 63 | 4 | 33700 | 129380 | 40600 | 88780 | 11 | 69 |
| Chemical | 8 | 4 | 1200 | 9840 | 4180 | 5660 | 1 | 58 |
| Minerals | 35 | 4 | 11000 | 52733 | 22320 | 30413 | 4 | 58 |
| Base Metal | 4 | 1 | 2900 | 15873 | 7266 | 8607 | 1 | 54 |
| Fab Metal | 31 | 3 | 18600 | 133600 | 75900 | 57700 | 7 | 43 |
| Electrical | 7 | 1 | 2400 | 22645 | 13587 | 9058 | 1 | 40 |
| Handicraft | 136 | 3 | 6940 | 19200 | 4259 | 14941 | 2 | 78 |
| Mis Prod | 123 | 4 | 5660 | 44296 | 16260 | 28036 | 3 | 63 |
| Total | 896 | 76 | 223700 | 2206370 | 1409183 | 797187 | 100 | 36 |

Source : Data assembled from statistics collected by the Department of Industries, Vanuatu.

Notes : 1. Values above may not add to total because of rounding.

2. Purchased inputs include purchases of electricity.

Employment in the sector stood in 1985 at 896 persons approximately 7% of the country's total employed labourforce. Of this total approximately 23 percent were female workers, employed primarily in the Food and Beverage sector, Cloth and Textile and Paper and Printing sectors. Table 2 below gives a breakdown of the industrial employment from 1983 to 1986.

Table 2
INDUSTRIAL EMPLOYMENT 1983-86

| INDUSTRY Subsector | 1983 | | 1984 | | 1985 | | 1986 * | |
|-----------------------|------|-----|------|-----|------|-----|--------|-----|
| | IND | EMP | IND | EMP | IND | EMP | IND | EMP |
| Food/Beverage | 16 | 262 | 20 | 330 | 24 | 274 | 24 | 274 |
| Cloth/Textile | 14 | 98 | 16 | 36 | 16 | 115 | 18 | 117 |
| Wooden Products | 8 | 98 | 10 | 100 | 12 | 100 | 12 | 102 |
| Paper/Printing | 2 | 52 | 4 | 38 | 4 | 63 | 4 | 63 |
| Chemical/Plastics | 0 | 0 | 3 | 4 | 4 | 8 | 4 | 8 |
| Non Met/Minerals | 3 | 70 | 3 | 50 | 4 | 35 | 4 | 35 |
| Base Metal | 1 | 8 | 1 | 8 | 1 | 4 | 1 | 4 |
| Fab Metal | 2 | 28 | 3 | 26 | 3 | 31 | 3 | 31 |
| Electrical | 0 | 0 | 0 | 0 | 1 | 7 | 1 | 7 |
| Handicraft | - | - | 3 | 120 | 3 | 136 | 3 | 135 |
| Miscellaneous | 190 | 195 | 4 | 143 | 4 | 123 | 4 | 123 |
| | 56 | 811 | 67 | 855 | 76 | 896 | 79 | 899 |

Source : Department of Industry

* Estimated

Although there has been a steady increase in the development of both enterprise and employment the rate has been somewhat slow averaging only 5% annually. This level of employment is exceptionally low when compared to the total population of the islands estimated in 1985 to be 130,000 with a labourforce participation rate of approximately 10 per cent.

From the above review it is clear that the acceleration of industrial development is essential, both to raise incomes and employment levels and to diversify the economic structure away from the heavy dependence on primary and subsistence agriculture. Nevertheless reliance will continue over the next few years on the inflow of foreign direct investments, development loans and aid to provide the bulk of capital and the technical knowledge required for industrial development.

At the same time however, deliberate policies must be pursued to ensure the growth of indigenous enterprises and to increase national manpower base and participation in the management, ownership and financing of new industries.

The general and specific objectives of policy for the industrial sector to be achieved over the last two phases of the 15-years development programme will conceptualize the following:

C. General Objectives of Policy

- a. To modify the structure of the industrial economy, by way of promoting, developing and strengthening the industrial sector toward the realization of self propelling growth and economic balance. This is to be achieved through industries capable of earning and saving foreign currency.
- b. To accelerate the pace of development of the industrial sector and significantly increase and broaden the range of manufactured goods produced locally.
- c. To exploit to the optimum economic level the agro-industrial linkages and potential so as to maximize domestic employment and value added content in domestic production.
- d. To encourage an increase in the level of indigenous participation and control in the activity of the industrial sector through the development of a National Manpower Training Scheme and a Business Development Unit.
- e. To complete the building of the industrial infrastructure so as to generate greater levels of efficiency and improve the effectiveness of the industrial support systems and services.

- f. To attract and direct new investments into those branches of industry or projects that have Government priority.
- g. To promote a programme of geographical distribution of new industrial and related service-type activities through innovative measures so as to increase rural employment and conditions.
- h. To strengthen and expand the base for small scale entrepreneurial development and rural participation in the sectoral growth.

D. Industrial Policy for 1987 - 1991

- a. To protect and promote industries that are approved manufacturers of products included on the National Production Priority Schedule and those goods that Government desires to be produced locally.
- b. To use a combination of tariff, quota and other fiscal means to guide the structural transition toward industry and to apply policy with articulation and consideration for the other sectors and the consuming public.
- c. To direct and encourage industrial development through tax and other incentives based on the certified value added content of production. Incentives will be used as the main stimulant to promote and strengthen industrial investments.
- d. To promote and assist industrial enterprises that have definite export capacity and potential. Industries with export record, capacity and potential will be accorded first priority in the use of national resources.
- e. To improve the image and organization of Industry through the promotion of regular dialog, industry visits, and briefing sessions. In addition, the organization of the Department of Industry will be restructured and strengthened to give greater support and assistance to industry.

- f. To increase coordination and accountability of the Ministry of Industry on matters of policy relating to the organization, operation, performance and regulation of industry and commerce. To effect these the two divisions - Industry and Commerce will be linked under the Ministry of Finance, Commerce, Industry and Tourism and the Divisions renamed - Department of Industry and the Department of Commerce. The Department of Commerce will absorb the Division of Cooperatives.
- g. National manpower development and training will be among the highest priority of Government and an Industrial Development Training Trust Fund and Board will be established to facilitate these training programmes and activities.
- h. The rehabilitation and expansion of the industrial infrastructure in rural areas will be accorded high priority in Government overall programme to increase industrial employment and sectoral growth.
- i. To promote and develop an active small scale industrialization programme throughout the lands that will encourage the participation of Ni-Vanuatu entrepreneurs and production using local materials and labor.

E. Specific Targets of the 5 Year Plan

The specific targets of the industrial development programme to be achieved over the next 5 years are:

- a. An increase in real gross domestic product contribution of the sector by a minimum of 7.2% per annum during the plan period; that is, from the level estimated at 2240 million vatu in 1986 to 3168 million vatu by 1991.
- b. The development of the industrial sector on a basis that will achieve an average annual increase in export earnings of 15%; that is, from the current estimated level of 62.5 million vatu in 1986 to 125 million vatu by 1991.
- c. To increase the national pool of skilled labour from the current level estimated at 1020 in 1986 to 2520 by 1991.
- d. To encourage industrial activity in rural areas and increase employment in the rural communities by an average annual total of 96 new jobs.

- e. To stimulate growth and development of industries with high value added in key sectors of the economy and to achieve an average VA content of 46% by 1991 from the current estimated level of 36%.
- f. To assist industry in the identification of local and foreign markets so as to increase capacity utilization of enterprises from current level estimated at 40% to 50% by 1991.
- g. To upgrade industrial infrastructure including the establishment of some industrial buildings in urban and rural areas and improve the technical capability of the Departments of Industry and Commerce.

F. Specific Issues To Be Addressed

Some of the main problems confronting industrial development in Vanuatu which will be addressed specifically include:

- a. The shortage of development capital, especially working capital.
- b. The lack of skills and expertise in the area of cost accounting, financial accounting, industrial engineering, equipment selection and maintenance servicing, marketing services and general industrial management.
- c. The shortage of indigenous entrepreneurs and the absence of positive initiatives and training to develop Ni-Vanuatu's capacity to prepare, manage and own profitable projects.
- d. The minimum wages Act especially in respect of:
 - (i) industrial apprenticeship training
 - (ii) industries outside of metropolitan Vila and Santo.
 - (iii) industries based on imported inputs and geared specifically for export markets.

G. Strategy for Industry Development

The main emphasis of industrial policy up to the present time in the Republic of Vanuatu has been the promotion of import substitution industries mainly to satisfy the domestic market.

The establishment of these industries was encouraged mainly by duty free raw material and capital equipment imports, since the economy does not operate a tax system or any foreign exchange import restrictions. This approach stimulated growth in the manufacturing sector but also encouraged the establishment of some uneconomic production units utilizing mainly foreign technology and materials.

The scope of such a strategy for the long term development of the sector is limited. For industrialization to have the best impact on national objectives it must be closely related to, and linked with the development of other key sectors of the economy namely, agriculture, and Commerce. Therefore a system of industrial priority will have to be established and implemented to correct this growth pattern and to ensure a growth that is viable and sustainable.

The following strategies will be pursued to support the above policies and to achieve the specific targets.

1. Protect and Attract Manufacturing Industries

- a. Market protection will be provided by the Government to those industries which will generate significant benefits to the economy in terms of employment, use of local raw materials, providing essential services, and exports. See technical notes on Protection in Annex II.
- b. Government will grant lower rates of tariff on imports to all manufacturers where value added content is not less than 35 percent.
- c. Manufacturing industries with substantially higher value added will be granted additional concession. The rates of concession to be applied are shown on the Raw Material Import Concession Schedules, see Exhibit 4.
- d. A higher rate of tariff or import duty will be charged on finished goods to remove the possibility of flooding of the domestic market.
- e. In instances where it can be demonstrated that domestic production is available or the domestic capacity exist to produce goods of a comparable quality to imports, Government will consider the application of a quota system to limit the amount of imports of that product.

- f. Government will exercise caution in the promotion of industries which will produce non-essential products intended for the local market and in the application of quotas. See Annex II
- g. Government will strengthen the machinery of customs to ensure that no discrimination or abuse of the system is probable.
- h. Government through the Department of Industry will make periodic inspection of industries which have been granted raw material concessions to ensure that the privilege is not being abused. In addition companies granted raw material concessions will be accorded highest priority in the granting of Business Licences, technical assistance and in any industrial training program sponsored by Government. The Government will also consider the granting of extension of Business Licences for indefinite periods if the investment is one which has positive long term implications and benefits to the Nation.
- i. Government will also encourage the formation of a manufacturers association to represent the interest of the manufacturing sector as a whole and to liaise with Government and its agencies.
- j. Government will grant to approved manufacturers concessions on import duty for a period of 3 years in the first instance. At the termination of this period a further extension may be granted depending on the relative improvement in value added. During the period of the first concession, if substantial improvement has been made in value added, Government is willing to consider a new application before the expiration of the original concession.
- k. Government will introduce a 5 percent consumption tax on the sale of all goods and which shall be payable at the source and, at the time of sale. Manufacturing enterprises will be relieved from paying this 5% consumption tax on items exported.
- l. Government will grant a 12.5% percent reduction on the cost of Business License for all enterprises engaged in exporting activities.

- m. Government will establish designated areas for industrial development and for which rental or lease will be controlled by law at nominal rates. In addition, the Government plans to construct several small manufacturing complexes in Efate and Sante initially with related amenities to ease the shortage in factory space and to foster rural industrial development.

2. Promotion of Industries

In order to promote industries and industrial development Government will pursue the following strategies:

- a. Invite potential investors (in manageable groups) from existing manufacturing and commercial enterprises to briefing sessions on Government policy and direction. All documents on incentives, support services, as well as the summarized plan for the country's industrial development will be available for distribution and discussion.
- b. The appointment of an Advisory Board for Industrial Promotion to be chaired by the Minister of Industry and Commerce. This Board will be composed mainly of influential private sector entrepreneurs and counterparts from the relevant public sector. The advice given will form the basis of the agenda for the Action Committee in the Department of Industry.
- c. Launch intensive marketing research programme to identify and quantify sources and availability of raw materials, local and/or foreign market demand, as well as local and prospective foreign investors.
- d. Launch an intensive drive through the Business Development Unit of the Ministry of Industry and Commerce to identify products that can be manufactured locally with existing equipment- Identifying all interests.
- e. The industrial policy and strategies as outlined in the PLAN to be summarized in the form of a small booklet and publicized widely to all existing investors, potential investors and displayed in offices of all supporting sectors as well as through the international network connected with Vanuatu. This function will largely be carried out by the newly revitalized division for Industrial Promotion in the Department of Industry.

- f. A prominent and permanent location will be designated for the display of all locally made products.
- g. Include the National Production Priority Schedule (NPPS) in the Guide to Investors for all products and projects that are considered desirable for local and foreign investments.

3. Reorganization and Strengthening of Structures

- a. The Departments of Industry and Commerce will be restructured and strengthened to give clear signals of authority, defined operational parameters, targets, budget and lines of accountability. The organizational chart is shown on APPENDIX 1. It is envisioned that a junior Minister or Minister of State* will be appointed under the Ministry of Finance, Commerce, Industry and Tourism to be directly responsible for these two very important Departments.
- b. The establishment of a standards officer with responsibility to include inspection, quality monitoring and control, approval and certification. This officer will be identified, at the earliest opportunity, given the necessary relevant training and exposure in an appropriate standards training institution and basic testing facility. The standards officer will assume the quality control duties now being partially carried out by the Commodities Marketing Board.
- c. The establishment of a Business Development Unit (BDU) in the Ministry of Industry and Commerce to develop, assist and advise small and medium scale entrepreneurs in commerce and industry. The Business and Development Group in the Department of Cooperatives will be absorbed and developed to cover both aspects - Industry and Cooperatives development.
- d. Encourage the establishment of a manufacturers association to improve the image and to provide a code of ethics for the industrial sector and to be the main link of communication between Industry and the Department of Industry.
- e. To appoint an executive of the manufacturers association to all relevant public sector boards e.g. DEV.

* Member of Cabinet but not necessarily a member of Parliament

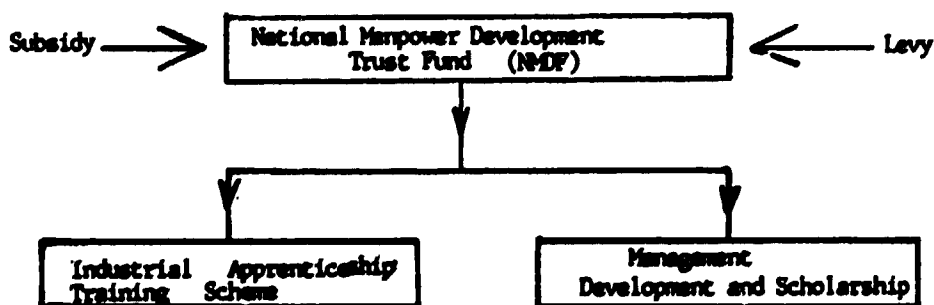
- f. The establishment of a rural industrial extension service. The responsible officer to be the retrained Head of the District Cooperative office or someone assigned to that office.

4. Incentive, Performance and Regulation

- a. The promulgation of necessary legislation to establish Value Added as the primary criteria to promote, develop and assess industry for incentives and concessions. See Annex 1 for technical notes on Value Added.
- b. The enforcement of the Audit Act or some other formal system of Annual Returns obligating manufacturing companies having sales turnover in excess of 2,000,000 VT who are enjoying or seeking approval for concessions to make audited returns to the Department of Industry annually for the continuation or extension of concessions. This measure will not only improve manufacturing efficiency in Vanuatu, but bring Vanuatu's industrial sector in line with international business practice. Of course it will also help to improve the quality and integrity of industrial statistics collected and analysed for sectoral planning and certification of VA content. See Annex I for VA interpretation and calculation.
- c. The current practice of collecting monthly or using average monthly estimates of production statistics to project industry share of gross domestic product and other vital national output indications will be discontinued. Until the Audit Act is re-introduced, quarterly actuals will be used with adjustments made at year end based on the last quarter or year end statistics.

5. Manpower Development

- a. The establishment of a Industrial Apprenticeship Training Scheme (IATS) to be funded jointly by Government and the Private Sector. The scheme is to be administered wholly by a Board of Management drawn from the Government and Private Sector. It will operate a national network in both urban and rural centres utilizing facilities at existing industries. Program and curriculum to include skills training in all major disciplines, on and off-the-job, business education at various levels and entrepreneurship.



- b. The promulgation of appropriate legislation to establish the National Manpower Development Fund (NMF) and an appropriate levy on all employers based on a one percent of gross employee wage bill and allowing for rebate of up to 100% of direct training costs to employers who operate an approved training programme.
- c. In conjunction with the Ministry of Education seek for the expansion of technical training facilities in primary and secondary schools and to work towards the development of the technical school in central Vila witi. English as the operating language. The importance of this development cannot be over emphasized as any industrial programme proposed by Government will be severely hampered by the quality and availability of technically and vocationally skilled labour force.
- d. The promulgation of legislation to establish a National Apprenticeship Training Programme to be administered by the Ministry of Industry and Commerce which will give qualified school leavers industrial training experience in various trades for a period of up to 2 years with a specific weekly allowance to be paid by employers. The minimum wages Act of 1984 will be modified to accommodate the Apprenticeship Training programme. See clauses 2,3,11 and 12 of the Act shown on Appendix 8 and draft under the Appendix 6.

6. Infrastructure and Support Services

- a. The early conclusion of direct air traffic from Vanuatu to the major sources of supply and markets.
- b. The expansion of linkage roads to potential industrial sites in rural areas including sites identified for saw milling, and other small scale food processing operations.
- c. The expansion of electricity, telephone and water in all major rural centres outside of urban and suburban districts. This will necessitate an expansion in existing power generation and telephone exchange facilities. Telephone and telex services are currently proposed to link all major communities in the islands of Vanuatu. See Appendix 9.

- d. The establishment of mini industrial estate complex suitably sited and sized outside centre city Vila and Luganville with all related amenities.

Such a complex will encourage efficiencies in the distribution of utilities and support services, as well as in production, labour and industrial linkage development. Besides, it will demonstrate Government's commitment to industrial development.

7. Export Development

To date, the incentives available to the manufacturing industry are not specifically geared toward export-development. In recognition of the vital role which exports must play and the need to expand beyond the traditional forms of exporting i.e beyond primary production, the Government will introduce additional incentives to develop manufacturing/processing industries to achieve a steady growth in export earnings.

- a. The removal of the 5 percent export tax on exports of manufactured goods provided the ratio of export to domestic sales is not greater than 50%.
- b. Government will grant a 12.5 percent reduction in the cost of a Business Licence for manufacturing enterprise engaged in exporting activities.
- c. Business Licenses for manufacturing operations will be increased from 1 year to 10 years with appropriate provision for an automatic annual renewal.

Annex 1

TECHNICAL NOTES ON VALUE ADDED AND ECONOMIC PERFORMANCE

MEASUREMENT

1. Every enterprise employs resources - capital and people, in ratios depending upon its relative endowments - to create something of value. What it creates are goods and services, some of which are used directly by its citizenry, some exported and others passed on to other enterprises as raw or intermediate inputs.
2. The economic value the enterprise creates is the difference between the cost of purchases (raw materials, technology, components, equipment, supplies, energy) and the income from the sale of the goods and services produced. What the enterprise does therefore is add value to the purchased inputs of materials and energy. Thus the economic productivity (P_e) of the enterprise is given as:

$$P_e = VA \div (L + K) \frac{1}{rK}$$

where

- P_e = economic productivity
- VA = value added in dollars
- L = total payroll
- K = capital employed in dollars
- r = cost of capital (depreciation of interest rate)
- 1 = payroll per worker

3. Similarly, the formulas for the partial measures of the economic productivity of labor and capital are:

$$P_e (L) = VA \div L \frac{1}{rK}$$

$$P_e (K) = VA \div K \frac{1}{rK}$$

4. For national development the success with which the enterprise creates "value added" using its resources of people and capital is a critical measure of its use of imported inputs (foreign purchases). Thus, the economic performance index (P_e) is obtained by aggregating the respective economic productivities of all the enterprises/sectors within the system and adjusting them by the domestic input ratio*

* domestic input ratio is sometimes referred to as the domestic resource ratio (DRR)

Annex i

Methodology for Calculating Local Value Added

5. Method 1

Value Added for Sector j

$$= P_d + PT + M_d + OP_d + AP_d + L_d + OH + P$$

subscript are left out for simplicity.

6. Legend

- F_d = local payroll deducting 50% of payments to resident Foreign nationals or 70% of wage bill.
- PT = process time or machine time (sometimes as rental value)
- M_d = value of local material used
- OP_d = other local purchases (subcontracts)
- AP_d = avoided purchases (rent or lease)
- L_d = levies (tax, duty, insurance, interest) * **
- OH = overhead expenses excluding foreign payments and depreciation
- P = profit retained in the business or distributed to local shareholders (repatriated profits are deducted)

7. Method 2

Value added of each sector, V_{ij} in real terms, can be obtained from national accounting statistics by calculating

$$V_{ij} = (X_{ij} - M_{ij}) / p = \frac{P_i}{P} \left(1 - \frac{P_i^m}{P_i} \frac{M_{ij}/p_j^m}{X_{ij}/p} \right) \frac{X_{ij}}{P_i}$$

Where

- X_{ij} = value of total production of industry i of sector j;
- M_{ij} = materials imported for industry i, sector j;
- p = national income deflator;

* apply only to amount actually paid.

** cost of capital is also deducted in case of foreign investment

P_1^M = price index of raw materials for industry;

P_1 = price index of industry products;

P_1^M = price index of raw materials for industry;

P_1 = price index of industry products;

8. Method 3

Given the limited data base on industrial statistics in Vanuatu, the very sparse information obtained by the Department of Industry from companies who are neither obligated to report the incomes, salaries or expenses connected with the business and who are not required to produce audited statements, it is conceivable that neither method 1 nor method 2 can be applied at this stage. Given the sensitivity of the sector at this time without the legal requirement of an annual audit it was prudent to develop a more practical method to estimate value added content. Until the Audit Act is re-enlarged or some formal system of reporting put in place and the data base improves method 3 will have to suffice:

$$VA = M + P = S - (R + X) \text{ where } M = S - C \text{ and } C = P + R + X$$

where M = Gross margin

X = Other unidentifiable local expense (assumed here to be included in gross margin)

S = Net selling price of product

R = Raw material purchased from imported source

P = Payroll and salaries of all employees

9. In some countries a significant portion of the commodities manufactured by some industries (e.g. joint venture arrangements, or contract agreements under JOE or GSP manufacturing systems) are manufactured on commission for non-manufacturing enterprises from materials owned and supplied by those enterprises. As a consequence turnover figures may not reflect the gross value of those commodities but only the commissions earned.

For similar reasons the value of materials used in producing those commodities is likewise not reflected in the figures for purchases, transfers in, and selected expenses. In countries like Vanuatu where foreign investments are being encouraged care must be exercised in the interpretation of turnover sales if inter company transfers are made in either raw material a finished production or where sales are made from one unit in the chain and invoices are sent from another.

10. Example for Calculating VA content

Assume company XYZ has the following audited statement

| | |
|---|----------------|
| 1. Annual sales | 1591600 Vt (S) |
| 2. Value of imported raw materials used | 1132700 Vt (R) |
| 3. Annual Payroll of salaries and wages | |
| (Total) | 97600 Vt (P) |

From theory $C = P + R + X$ (1)

$M = S - C$ (2)

$= S - P - R - X$ (3) therefore $X = S - (M + P) - R$

$VA = S - R - X$ (4)

$= S - R + M - S + P + R$ substituting for X from (3)

$= M + P$

Best case scenario

where

C = total costs

S = total sales

M = Gross margin

R = Value of Raw Materials

P = Payroll cost

X = Total other expenses

Assume 30% of payroll is attributed to foreign nationals

$VA = M + .7P$

Medium Case scenario

Assume 30% of Gross Margin and payroll is attributed to Profit and other payments to foreign nationals.

$VA = .7M + .7P$

$= .7 (M + P)$

Worse Case scenario

11. Using Best Case Scenario and Gross Margin to sale of .25

$VA = (M + P) = .25 \times 1591600 + 97600$

$= 495500 \text{ Vt}$

$VA\% = 495500 / 1591600$

$= 31$

12. Using Medium Case Scenario and Gross Margin Ratio of .25

$$\begin{aligned}VA &= M + .7P \\ &= .25 \times 1591600 + .7 \times 97600 \\ &= 466220 \text{ Vt} \\ V\% &= 466220 / 1591600 \\ &= .29\end{aligned}$$

13. Using Worse Case Scenario and Gross Margin Ratio of .25

$$\begin{aligned}VA &= 0.7 (M + P) \\ &= .7 (.25 \times 1591600 + 97600) \\ &= 346850 \text{ Vt} \\ V\% &= 346850 / 1591600 \\ &= .22\end{aligned}$$

A. Industry Location Policy

1. Up to the present time there is no policy guiding the location of industry. Growth has followed the reasonably developed infrastructure around the Port Vila, Efate, Luganville, in Santo. Electrical power and Telecommunication service in these areas are of a generally high standard but almost non-existent in the centre of the island which are mainly used for timber and agriculture crop production.
2. Recent efforts by Government to encourage a geographical distribution of small industries have resulted in a wider spread of enterprises but these only extend to the sub urban vicinities because of infrastructure of electricity, telephone service, water in some areas and inadequate road network in others.

B. Raw Materials and Supply

1. The availability of raw material in Vanuatu is limited to agricultural products mainly. For example, ample supply of fresh fruits, ground crops, poultry and cattle, fish, copra, shells and timber are available for further processing. The industries however continue to import a high proportion of raw material even where adequate supply of primary products do exist. To some extent this has been encouraged by past policies as trade occupies a strong place in economic activities. Table 3 shows the ratio of raw material inputs in industrial activities between 1983 and 1985.

Table 3
Raw Material Ratio in Manufacturing Sales, Vanuatu

| ISIC Code | Industry Subsection | Raw material ratio of Manufacturing based on sales | | | Comments |
|--|------------------------|---|------|------|-----------|
| | | 1983 | 1984 | 1985 | |
| 31 | Food / Beverage | 79 | 74 | 71 | Very high |
| 32 | Cloth & Textile | 56 | 53 | 56 | |
| 33 | Wood & Wooden Products | 42 | 54 | 46 | |
| 34 | Paper & Printing * | 45 | 33 | 31 | |
| 35 | Chemical | - | - | 42 | |
| 36 | Non-metals & minerals | 60 | 60 | 42 | |
| 37 | base metal | 46 | 46 | 46 | |
| 38 | Metal Fabrication | 69 | 67 | 57 | |
| | Electrical/Electronics | - | - | 60 | |
| | Handicraft | - | 23 | 22 | |
| 39 | Misc Products | 49 | 50 | 37 | |
| Manufacturing Sector Weighted Average | | 67 | 67 | 64 | |

2. The Food and Beverage sector has the highest import coefficient followed by Fabricated Metal Products. Since 1983 the picture has remained almost the same in relative terms except for the electrical and electronic industry recently established with a high coefficient of .6

C. Priority Treatment for Manufacturing Industry

1. Apart from duty free access for imported raw material and capital equipment there has not been an aggressive effort to attract and promote industrial development. The infrastructure for credit and financing is quite sophisticated for an island economy but is still heavily biased toward the commercial sector and activities.

* Improvement due mainly to the addition of the printing subsector.

2. The objectives of this plan is to correct some of these traditional biases and to establish a greater degree of balance in the economic system. It is our hope to persuade commercially oriented entrepreneurs toward the productive sectors of the economy. A new package of positive incentives is being offered to support the transition as the country seeks to cope with its unfavourable balance in trade and payments. Greater encouragement will be given to industries that exploit the export potential of our national and natural resources and those that add substantial value to domestic production

D. Credit and Finance Structure

1. Vanuatu has a well developed Financial Sector which plays a major role in the economy. The presence also of an international financial structure implies that this sector could have a greater impact on industrial developments and programmes if economic and feasible project proposals can be generated. International support has been reasonably forthcoming in many areas of industry and it is envisioned that further technical support will continue.
2. The country has one Development Bank which is currently limited in soft financing facilities (low interest & loans) but is much under utilized in the area of normal financing. During the next 5 years Government plans to increase the loan capacity of the Development Bank by approximately 50 million Vt. This facility will operate on a revolving fund and repayments to the bank will be rolled over for finance other feasible projects/ⁱⁿsmall and medium scale industrial and service activities. Table 4 shows the percentage annual increase in loans to the productive sector as reported by the Central Bank of Vanuatu in its 1985 annual report.
3. Capital formation based on domestic savings is currently not a significant contributor to development capital and policies will be introduced to increase domestic savings habit and local capital base.
4. Appropriate legislation will be introduced to allow savings bank to onlend funds to Ni-Vanuatu investors directly or through the Development Bank.

Table 4

Percentage Increase in Productive Sector Loans
1983 - 1985 in percentages

| SECTORS | 1983 | 1984 | 1985 |
|---------------------------|--------|-------|--------|
| 1. Agriculture | + 86.7 | + 3.9 | - 25.3 |
| 2. Mining & Manufacturing | + 11.1 | +21.4 | + 12.5 |
| 3. Tourism | - 12.2 | +27.3 | + 20.4 |
| 4. Construction | + 38.3 | +77.7 | - 23.4 |
| All productive sector | + 23 | +28.1 | - 2.9 |

Source: Central Bank, Vanuatu

E. Availability of Skilled and Supervisory Personnel

1. The manpower pool of domestically available skills is increasing but still inadequate to support an expanding industrial programme. A large proportion of technical and management skills have still to be provided from external sources. Government has recognized this need and plans to implement an intensive and comprehensive training programme during the period of the plan to produce the required new skills and to improve the level of employed persons. Shortages are critical in the fields of accounting, engineering and general management. The current method used to fix Business Licence fees is to be modified to remove the anti bias toward increasing the employed labourforce. I.e fees based on turnover rather than on number employed. Category B1 - B11 of the Business License Schedule Rate is shown on Appendix 7.

2. To achieve the targeted increase in local skills and management personnel the curriculum of the technical school in Vila will be expanded to offer courses in English as well as French. A teacher training programme in Industrial Arts will be embarked on early in 1987 to prepare a teaching staff to assume duties by 1988. Technical assistance for this expansion will be sought. For management training, programmes and scholarship will be provided to qualified personnel from the National Manpower Development Trust Fund.

F. Major Markets and Source

1. As an island economy, separation from major markets impose additional burden on imports as well as for exports. Markets which are closest to Vanuatu include - New Caledonia, Fiji, Australia, Cook Islands, Papua New Guinea, Samoa and New Zealand. The closest and major markets being Australia and New Zealand. The islands however all seem to be targeting the same two markets with almost the same type of product range. Recently the Government has encouraged the diversification of trade to include Holland and Japan. Table 5 shows the composition of imports from the major countries and Table 6 shows the direction of exports during the period, 1980 - 1985.

Table 5
Vanuatu Imports by Country of Source
1980 - 1985 in percentage and 000 VT

| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|--------------------|------|------|------|------|------|------|
| Australia | 35 | 35 | 33 | 33 | 35 | 36 |
| Fiji | 10 | 11 | 9 | 7 | 7 | 7 |
| France | 11 | 11 | 9 | 9 | 9 | 9 |
| Japan | 11 | 12 | 13 | 12 | 13 | 12 |
| New Zealand | 10 | 9 | 10 | 11 | 10 | 11 |
| Singapore | 4 | 5 | 5 | 5 | 4 | 4 |
| Hong Kong | 2 | 3 | 1 | 4 | 2 | 3 |
| United Kingdom | 3 | 4 | 4 | 4 | 5 | 4 |
| Others | 14 | 10 | 16 | 14 | 15 | 14 |
| Total percent | 100 | 100 | 100 | 100 | 100 | 100 |
| Total value 000 Vt | 3565 | 3905 | 4631 | 5219 | 5833 | 6463 |

Source: Central Bank, Vanuatu.

Table 6 shows the composition of export destination between 1980 and 1985 and the increasing role of Japan and Holland as markets.

Table 6
Domestic Export Market Composition
1980 - 1985 in 000 VT

| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|---------------|------------|-------------|-------------|-------------|-------------|-------------|
| Australia | - | - | - | - | - | - |
| Belgium | 88 | 472 | 349 | 548 | 746 | 271 |
| France | 572 | 385 | 123 | 196 | 327 | 222 |
| Holland | 45 | 354 | 337 | 614 | 1299 | 929 |
| Japan | 24 | 31 | 17 | 105 | 397 | 318 |
| New Caledonia | 60 | 91 | 139 | 90 | 44 | 25 |
| Singapore | 33 | 20 | 20 | 143 | 162 | 20 |
| Others | 58 | 49 | 42 | 85 | 246 | 138 |
| Total | 880 | 1402 | 1027 | 1781 | 3221 | 1923 |

Source: Central Bank, Vanuatu

G. Energy

1. Although energy and its developments will be addressed elsewhere in the Second National Development Plan, its role has an important part in the development of an industrial programme. It is the policy of Government over the next 5 years to increase the electrical power generation capacity and the distribution system to include new industrial sites and communities beyond the urban and suburban areas.
2. While the quality of electricity service is presently high, perhaps the highest in the South Pacific Region, Government recognises the limitation on the spread of distribution. However, oil and fuel imports into the islands, coupled with instabilities in world prices and supply make it necessary and urgent for Vanuatu to implement an energy policy.

3. Various alternatives are currently being investigated to replace imported oil but in the meantime greater effort and emphasis should be paid to energy conservation in industrial enterprises. The developments planned in this area will include the installation of hydroelectric facility in Santo and Tanna if feasibility tests to be concluded are positive. The possibility of using wood waste from timber and saw-milling operations are also to be investigated as a matter of priority.

Annex II

TECHNICAL NOTES ON PROTECTION FOR MANUFACTURING INDUSTRIES

1. This note is important as an addendum to the industrial plan and strategy for 1987 - 1991 because of:
 - a) Government's intention to make a structural shift* toward an industrial economy.
 - b) Government's desire to build not just a diversified but a balanced economic structure and
 - c) The strong economic base of the commercial sector and the current bias toward trade.

2. Protection is a necessary device to facilitate industrial development but more so to start the industrialization process. In a small market economy like Vanuatu which shows a serious lack of industrial entrepreneurs, a policy that is explicit and unambiguous is absolutely necessary. But even more important for the successful achievement of the stated objectives is an implementation programme that speaks fairly to each and to all.

3. The techniques used to implement a policy of protection for industrial development are almost universally the same package. The strategy, the timing, the feedback and the response are however what makes a policy succeed or fail. In this case there is no question whether protection is necessary. But protection in this economy must aim to achieve two things:
 - a) to stimulate existing and potential entrepreneurs to make the shift from trade to production and
 - b) to achieve the above without economic loss or conflict.

4. Such a strategy requires clear communication in policy and from policy-makers to the various levels of the economic system. The fact is that the major pool of existing entrepreneurs are commercially oriented and therefore the transition will not necessarily be understood by everyone on the first or even the second meeting but it will be understood eventually if every one implementing the policy understands the objectives. i.e Incentive officers, custom officers, investment officers and the intermediate hierarchy.

* The current heavy bias towards trade and commerce needs to be balanced by industrial expansion if the agro-industrial linkages are to be realized.

5. In a small country, particularly an isolated island economy, the use of investment capital intended for industrial development has to be properly managed. Experience in other countries has shown that quite easily finished goods can enter the country under the guise of raw materials and therefore escapes paying the applicable import duty. But the effect is even worse, because once it starts it usually develops to the detriment of the sector itself where others are forced by competition to do the same in order to remain viable. Thus, a programme to increase industrialization through protection could prove counter productive. To be able to detect these variations the customs officers have to be properly trained and specialized.

6. For this reason it is suggested that tariff measures be complemented with a system of quota on those products which have definite domestic production possibility. Although quota has only seldomly been used in Vanuatu any other measure is not likely to achieve the objectives of policy. It has been recommended that the proposed tariff be moderated and applied in two stages:

Stage 1* 75% of target tariff with 30% quota

Stage 2** 25% target tariff with 75% total quota

7. Stage 2 should be reached when available production and capacity are in place. The system should then be continuously monitored by the Department of Industry to reverse the process of protection and to allow world prices to orderly moderate the cost of domestic production. It is at this stage that effective protection becomes important where the protection is gradually released at the most effective points in the industrial process. There are several methods to estimate the effective rate of protection but perhaps the simplest is given by

$$e = \frac{I - (I_m R_m)}{V}$$

where

e = the effective rate of protection or de-protection

I_f = nominal duty on the imported finished goods

I_m = nominal duty on imported raw materials after concession

R_m = Ratio of raw materials to output

V = Ratio of value added to output

* Apply 75% of maximum intended tariff and allow 50% of imports of finished products.

** Apply 100% of intended tariff and allow 75% of imports of finished products.

Example for calculating Effective Protection Index

Assume company XYZ having the following Audited Statement

| | |
|--|---------------------|
| 1. Annual Sales | 1591,600 VT |
| 2. Value Added Content | 31% |
| 3. Value of imported raw material used | 1132,700 VT |
| i.e Raw material to output | 1132700/1591600=.71 |

effective rate of protection is expressed as:

$$e = I_f - \frac{(I_m \times R_m)}{V}$$

- where
- e = effective rate of protection
 - I_f = normal duty on imported finished goods
 - I_m = normal duty on imported raw material after concession
 - R_m = Ratio of raw material CIF value to output
 - V = Value added ratio

Assume normal duty of 37% on finished good imports i.e $I_f = .37$

Assume 37% concessions on raw material imports i.e $I_m = 0$

$$e = \frac{.37 - 0}{.31} = 1.19 \quad \underline{\underline{\text{Maximum Protection}}}$$

Assume no concession on raw materials imported $I_m = .37$

$$e = \frac{.37 - (.37 \times .71)}{.31} = .35 \quad \underline{\underline{\text{No Protection}}}$$

Any index above 0.35 indicates a level of protection

Assume import duty is reduced from 37% to 25%

i.e a reduction of 32% then $I_m = (.37 - .25) = .12$

$$\text{effective rate of protection } e = \frac{0.37 - (.12 \times .71)}{0.31}$$

$$= .92$$

A. Introduction

In any industrial development programme it must be a necessary part of policy to have certain standards by which performance can be measured. This serves to guide the industry as it moves consciously in pursuit of its own objectives. In industrial planning there are several benchmarks that are used and several countries have different approaches. It is the feeling of Government that some output indicators are more meaningful than others and especially for small economies. The unit of measurement that will be used to assess industrial progress in Vanuatu is the Local value added contribution by each manufacturing enterprise.

B. Manufacturing Value Added

1. Through the application of manufacturing value added (MVA) criteria industries will be identified for concessions on import duty and other incentives detailed in the modified Guide to Investors. Industries with real improvement in value added content will receive priority treatment. The schedule shown on Table 7 below describes the system that will be applied. The development curve is shown on Exhibit 4.

Table 7

Raw Material Import Concessions

| Import Duty Rate of concession in percentage | Net value added content by enterprise | | | | | |
|--|---------------------------------------|---------|---------|---------|---------|---------|
| | above 75 | 74 - 60 | 59 - 50 | 49 - 40 | 39 - 35 | 34 - 20 |
| 100 | x | | | | | |
| 70 | | x | | | | |
| 50 | | | x | | | |
| 40 | | | | x | | |
| 35 | | | | | x | |
| 25 | | | | | | x |

Note: This schedule is to be read in conjunction with Schedule III of the Vanuatu customs tariff regulation.

2. With respect to the cloth and textile sector it is unlikely that a significant positive change will be achieved in the near future because of the small size of the domestic market. However, this could change with increased activity in tourism. This is clearly an area in which expansion must take place for export markets and every encouragement will be given to develop industries that are predominantly export-oriented.
3. In the sector of base metal and minerals the country will continue to attract foreign investments to explore and develop the potential resources including manganese, copper, gold and limestone. The Government will also be willing to consider joint ventures with private companies.
4. In addition to concessions based on VA criteria Government will be introducing a combined system of tariff and quota. This is to ensure that imported goods are not allowed to flood and destroy the domestic production. It should be noted however that a certain level of imports will be permitted to stimulate efficiency and quality consciousness in local production and to regulate consumer prices. Other measures to develop the industry will include increased technical and marketing assistance especially in the choice of equipment and technology and export market development.

C. Reorganization of Industry

1. To support the increased industrial activity in medium and small scale industrial enterprises in particular, the Departments of Industry and Commerce will increase the range of assistance and the response time to industry problems. The Business Development Unit's role will be expanded to cover not only the urban centres of the major islands but all rural areas where industries presently exist or villages identified for small scale industrial activity. The new organogram for the Department is shown on Appendix 1. To further assist and strengthen industrial and commercial activity two special Advisory Boards will be appointed:

- a) An advisory Board on Industrial Development Promotion with membership drawn from leading commercial and industrial entrepreneurs from the private sector and representatives of key public institutions.
 - b) An Industrial Development Action Committee comprised of senior officers of the Ministry of Industry and Commerce and chaired by the Honourable Minister of Industry and Commerce.
2. The Government has recognized the serious lack of available technical skills, management trainees and entrepreneurs as well as the impact this critical shortage is having on industrial productivity and the development of indigenous entrepreneurs. Toward this objective a national programme for skills and management training together with a comprehensive apprenticeship system will be implemented early in 1987/88. The apprenticeship scheme will have a control coordinator in the Department of Industry and the programme will run on a revolving basis for two years at the end of which successful trainees will graduate with a certificate of competence in a particular skill. The full participation of industry will be needed and trainees will be paid a specified weekly allowance during the period of training. See appendix 6 per draft order to establish the apprenticeship board.
3. In the area of infrastructure the Ministry of Industry plans to build a complex of factories and support facilities to meet the shortage of factory space and to attract linkage and export oriented industries. The program to upgrade utilities will be expanded to match the industrial expansion and will include developments in ports, wharfs, electricity and communication in urban as well as rural areas.

D. LEGISLATION TO GUIDE INDUSTRY

1. Relevant legislation will be introduced to establish Value Added as the principal criteria for assessing the effectiveness of manufacturing enterprises and industrial development in Vanuatu. To ensure that industrialization takes place consistent with international practice the Audit Act will be enforced making it obligatory for companies whose annual sales are in excess of 2 million VT to make annual audited returns to the Department of Industry.

This will apply to companies enjoying concessions or seeking concessions.
See Annex for draft proposed order.

2. As domestic industries develop there will be greater need to monitor and maintain standards and quality in production particularly if some of these products are intended for export markets. The Government will be establishing a standards office under the Department of Industry in early 1987/88 to assist industry and consumers to assure safety and quality in local and imported products.

Annex III

TECHNICAL NOTES ON INDUSTRIAL RESTRUCTURING

1. Structural transformation or restructuring in the industrial sense, involves a series of planned steps to align industry, more closely with the country's economic realities and to maximise the country's comparative advantages. These steps if not properly communicated can be perceived by the sectors most likely to be affected as strategies intended to reduce their portion of economic activities and a policy which had good potential could be rebuffed to revocation.
2. By its nature, restructuring is concerned more with existing rather than new industries, though in fact it inherently includes the latter. This is so since the development of new product lines or industries are usually essential elements of restructuring.
3. It is important for the sector undergoing the change to understand the extent to which existing or planned programs will be affected so that changes can be planned without conflict and made without chaos. In Vanuatu where the industrial and commercial infrastructure is largely owned by non Ni-Vanuatu it is necessary and highly recommended that briefing sessions be held to explain the emphasis of Government and the key elements of the programmes that are geared to:
 - a. increasing efficiency of present operations, i.e. increasing productivity of production inputs (labor, supervision, plant management) through training and improve management practices.
 - b. increasing efficiency of machinery use (higher capacity utilization), through multiple shifts, improved maintenance and operating practices;
 - c. rationalization of technologies and equipment imported i.e. assessing and choosing most practical, easily learnt and serviceable technologies.
 - d. improving methods of production, including purchasing practices, dispatch and time management to give greater production per unit cost or time;
 - e. changing the composition of output: less production of some items, more of others; starting of new lines and sometimes phasing out existing lines through appropriate and regular program review.

- f. changing the organization of industry, from small to medium* or from medium to small to achieve economies of scale or phasing out uneconomic units.
- g. changing the pattern of trade, so that goods that are normally imported and which can be produced locally be given first priority before imports.
- h. changing the ownership of industry, by encouraging the commercial sector participation in the ownership of industry.
- i. relocating plants to more desirable sites;
- j. effecting improvements in energy use and its management;
- k. improving plant design, resource flow and general planning through methods and productivity analysis.
- l. increasing efficiency and effectiveness of Government institution and Public Service companies by regular monitoring and improved accountability.

* While the present emphasis on small scale industries is highly commendable, it is important that a programme be put in place early to guide the transition from small to medium and to strengthen medium level industries so that they can develop necessary cross linkages between subsectors as well as to encourage the backward and forward integration with agriculture and commerce.

A. The Role of the Department of Industry

1. The Department of Industry was formally set up in 1984 as a first major attempt at creating a structured industrial organization. Obviously, as a new department some of the functions would not necessarily have been transferred from the sections that had been carrying the portfolio previously. As a result the Department's effectiveness has been restrained largely because its functions, role and authority are still not properly defined. Several other sections of Government are either duplicating or doing splinters of what the department should be doing. The organisation chart proposed and shown on Appendix 1 is an attempt to define the structure and role which the department of Industry will have in guiding the industrialization course in the islands of Vanuatu.

2. Shown on table 9 is the Department projected manpower requirements.

Table 9 Manpower Requirement, Department of Industry

| | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 |
|-------------------------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|
| Director | - | - | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Snr Dev. Officer | 0 | 1 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 |
| Jnr Dev. Officer | - | - | - | - | 2 | 2 | 2 | 2 | 3 | 3 |
| Staff Engineer | - | - | - | - | 0 | 1 | 1 | 1 | 1 | 1 |
| Standard Officer | - | - | - | - | 0 | 0 | 1 | 1 | 1 | 1 |
| Asst. Standard Off. | - | - | - | - | 0 | 0 | 1 | 1 | 1 | 1 |
| Regional Dev. Off. | - | - | - | 2 | 0 | 2 | 2 | 3 | 3 | 3 |
| Research & Plan Off. | - | - | - | - | 0 | 1 | 1 | 1 | 1 | 1 |
| Business Dev. Off.* | - | - | - | - | 0 | 0 | 1 | 1 | 1 | 1 |
| Ind Training Coord. | - | - | - | - | 0 | 0 | 1 | 1 | 1 | 1 |
| Secretaries | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 |
| Support Staff | - | - | - | - | 1 | 1 | 2 | 2 | 3 | 3 |
| Total complement | 2 | 3 | 5 | 7 | 8 | 13 | 19 | 20 | 22 | 22 |

* In addition to BDU currently under Department of Co-operatives.

The strengthened and restructured department requires a complement of 13 by early 1987. For it to be effective and to achieve the objectives of the plan six persons are required. A preliminary assessment of the manpower deployment within the present Ministry of Finance, Commerce, Industry and Tourism indicates that at least three of the above places can be filled by relocation and training. With the linking of the Department of Cooperatives, the Business Development Unit which presently numbers approximately 6 can easily be redeployed to serve both Industry and Commerce in urban and rural areas.

B. Role of Regional Offices

1. Appointment of regional development officers in each of the major islands to strengthen the industrial development effort will be a positive move for industry. In the interest of effectiveness new regional officers will be located in the present District Offices of the Department of Cooperatives. The intention here is that technical assistance can be given from the District Office whether the need is for trade or production.
2. With a department staff complement any less than the above the industrial programme can not be fully effective. Industries that have started require constant technical support and guidance and a department that cannot respond with help in the field will not have the respect or the full confidence of industry.

C. Role of the Public Sector

1. In order to achieve the objectives stated in the Second National Development Plan, Government recognises that certain investments on industrial infrastructure are not only necessary to maintain present levels of industrial activity but that these will need improvement and modernization from time to time. Therefore Government, directly or indirectly through Public sector corporations or jointly with private local or foreign partners will contemplate capital and recurrent expenditures based on its revenues and on the priorities assigned to such projects. These will include ports, wharves, roads, postal service, radio, telecommunication, electricity and water.

2. In addition certain feasible production type investments that may appear to be too large for private local or foreign investors, Government will consider favourable joint ventures in such investments. These will include base metal and minerals or products that impinge on national security and sovereignty. Government may also wish to invest in production type activity to stimulate employment particularly in rural areas where the infrastructure might not readily attract private investment.

3. The rationale for the emphasis on joint ventures in respect of new industrial activities is that the majority of those activities which can be described as large scale have substantial backward and forward linkage potential and thus great economic benefit for the society. The strategy of public sector participation should be seen as one aimed at accelerating the rate of growth of industrial development and capital formation within the industrial subsectors to generate maximum direct and indirect effects upon the growth of the economy.

D. Industrial Activities Identified for State Participation

1. Public sector participation will be pursued in the following areas of industrial activity during the plan:
 - a) wood processing
(to strengthen existing facilities)
 - b) Textile Fabric Production
(joint venture with local or foreign partner
for export production)
 - c) copra processing and product research
 - d) Low Cost Housing Panel
(joint venture with local/or foreign partner for domestic
market)
 - e) Garment Training and Demonstration Centre
 - f) Industrial Development Training Centre
 - g) Fertilizer production (a possible joint venture project linked
with Rice production)
 - h) Mini industrial complexes in Vila and Santo
 - i) Papaine extraction project (possible joint venture)

E The Role of Small Scale Enterprise

1. Socio-Economic Objectives

Small scale enterprise development is intended to address certain deficiencies in the socio-economic structure of the country. The main social objectives are the decentralization of manufacturing/service and retail activities to meet immediate needs of rural communities, to provide balance in the distribution of economic power and to promote self-reliant initiatives on the part of individuals and communities. The main economic objectives are to supply manufactured goods from local raw materials, to develop indigenous enterprises based on local skills and talents, to promote a greater level of savings and investment fund based on indigenous capital formation.

2. Entrepreneurial Development

The development of the small-scale sector should be seen as the starting point in the development of indigenous entrepreneurs. It will provide a logical follow-up to the acquisition of skills in handicraft, garment, leather, pottery, painting and artistry as well as in other traditional areas of wood, food and service related activity. By its nature, the investments will be limited to capital outlay below 2 million vatu or enterprises employing 10 persons or less in the case of manufacturing industries and sales turnover of below 3 million Vt for service and related activities.

3. Guiding Policies

In keeping with this broad framework, the development policies that shall be applied, with regard to the 'small scale enterprises' will be as follows:

- a) The small scale enterprise development programme shall be integrated with the over-all National Plans for industrialisation, with an increased budget allocation of its own, for promotion and development aspects.
- b) The guiding principle in the development of small scale enterprises is the maximum utilisation of indigenous raw materials and further processing of these locally available raw materials, in producing manufactured goods.

- c. Development of these enterprises shall be based on the selective approach, taking into consideration their sustainable viability, competitive strength and growth potential for domestic and export markets.
- d. In order to develop a Ni-Vanuatu class of entrepreneurs, all manufacturing, service/retail trade activities, with a capital investment and annual turnover of VT2 million and VT3 million respectively, shall be reserved exclusively for Ni-Vanuatus only. These will include certain basic industries such as handicrafts, pottery, leatherwork, certain wood products, fibre cement roof tiles.
- e. Action shall be initiated by the Ministry of Industry and Commerce to transform traditional artisan workshops into small modern factories only after careful assessment of their scope and potential contribution to economic growth and in the case of those which have no scope for transformation, the policy would be to assist the traditional artisans to acquire new skills.
- f. There are certain handicrafts which play a vital role in the economic social development of the country. They shall be identified and assisted, because of their employment potential, foreign earning capacity and their invaluable contribution to the preservation of national arts and crafts.
- g. Selected small scale enterprises shall be encouraged and developed to enter into export business, for which the necessary assistance shall be provided by the Government.
- h. To further support the expansion of small scale industries, Government intends to provide during the period of the Second Plan a sum of 50 million Vt to the Development Bank for on lending to qualified entrepreneurs and projects. Such amount will be limited to two million vatu per investor and the provision of a 1 year moratorium will be considered.

F. Other Agencies of Government

1. The following agencies will be strengthened and placed in position to collaborate meaningfully in the areas of industrial financing and programming: The National Planning and Statistics Office, The Development Bank of Vanuatu and its affiliations, The Commodities Marketing Board, Tourism and Foreign Trade and the Department of Commerce (and Cooperatives)

G. Role of the Private Sector

1. In general, the Government wishes to build an economy that is sufficiently self-propelling through an economic structure that has not only flexibility but diversity and balance. As such it intends to limit its involvement to not more than 35% of economic activity. The rest lies in the purview of an efficient and far sighted private sector.
2. It is envisaged that the private sector will become more heavily involved in commercial production of non-traditional agricultural products like citrus, cocoa, peanuts, coffee, sweet corn, paw-paw required to service and support agro-industrial processing for domestic and export markets.
3. It is also the intention of Government to encourage the transition from "import only" trading houses to "import/export" trading houses. For such development, Government is willing to consider additional benefits for importers making this transition.

PART V SECTORAL DEVELOPMENT PROGRAMME AND PROSPECTS

A. Introduction

1. In the following pages a review of sectoral development options and prospects during the plan period 1987 - 1991 is presented. Also exhibited is a schedule of projects and programmes to which Government is committed or is planning to initiate. It must however be recognized that at this stage it is not possible nor desirable to develop an all embracing programme mainly because of the significance of the private sector and the pivotal role it is expected to play in the industrial economy. Similarly, it is Government's intention to attract foreign investments in certain areas and at this stage it is impractical to know the magnitude, programming and timing of these investment decisions.

2. Because of these considerations, the investment programmes and projects identified for implementation during the plan period should not be regarded as exhaustive. It is intended mainly to give an indication of the general direction in which industrial development will be moving and these projects and products in which Government is willing to consider investments in. Modifications to this list will be necessary from time to time, based on other developments which are anticipated.

3. The pattern of future industrial development will continue to be shaped by the availability and expansion of markets, the resource endowment of the country and the supply of technical and supporting services from multilateral, international and bilateral sources. Though the islands are small, the diversity of its agricultural, forest and sea resources offers great opportunity for the development of new processing industries as well as the linkage expansion of existing enterprises.

4. The program to support this increased industrial activity in the islands of Vanuatu is detailed on Appendix 2 and 3 and calls for approximately 298 million Vt worth of expenditure* in the industrial sector for the period up to 1991. Of the 225 million Vt worth of investment possibilities projected approximately 135 million Vt represents projects which will be pursued either on a wholly owned basis or in participation with others.

* excluding reserves

Local financial participation and foreign international assistances will be sought to materialize other needed infrastructure. The rest represents recurrent expenditure to maintain the industrial infrastructure which will be provided from Government revenue.

B. Food and Beverage

1. The food and beverage sector shows the highest potential for immediate or early expansion in both value added content and range of products. Currently the VA content is among the lowest in the industrial sector at 29% in 1985, as a result of the high content of imported raw materials. Expansion in sector must therefore proceed with full recognition and use of the available and produceable fruits, ground crops, fish, meat etc in a dynamic and integrated programme with the Department of Agriculture.

2. Table 10 below indicates that the Food and beverage sector has the highest ratio of sales to employed labour of all the manufacturing sectors, and as shown on Exhibits 1, 2 and 3 it is the largest employer of the domestic labour force.

Table 10
Sales to Labour Ratio of Manufacturing Sector.

| ISIC Code | Industry Subsector | Output/Labour Ratio | | |
|--|--------------------------|---------------------|------------|------------|
| | | 1983 | 1984 | 1985 |
| 31 | Food and Beverage | 18.3 | 18.1 | 16.3 |
| 32 | Cloth and Textile | 4.5 | 4.5 | 5.6 |
| 33 | Wood & Wooden Products | 5.3 | 4.6 | 3.9 |
| 34 | Paper & Printing | 3.8 | 3.8 | 3.8 |
| 35 | Chemical | - | - | 8.2 |
| 36 | Non-metal & minerals | 9.2 | 3.3 | 4.3 |
| 37 | Base metal | 4.1 | 4.0 | 5.5 |
| 38 | Fabricated metal | 17.6 | 11.6 | 7.2 |
| | Electrical & Electronics | - | - | 9.4 |
| | Handicraft | - | 2.8 | 2.8 |
| 39 | Miscellaneous Products | 5.5 | 5.5 | 7.8 |
| Manufacturing Sector weighted average | | 9.9 | 9.5 | 9.9 |

Source : Derived from data compiled by the Department of Industry, Vanuatu.

3. The food and beverage sector is therefore one of the key sectors earmarked for development and priority during the period covered by this plan. Its expansion must take place in two directions as a critical sector to take up the gap that will be left by staged reductions in imports (import substitution) as well as meeting export target markets through an intense food processing programme - (export development). Table 11 gives a summary of imports of foodstuff 1982 - 1985. Among the products that will be encouraged for local and export production will be; coconut oil, laundry soap, fish products (canned and frozen) meat products including sausages and ham, fruit juices, jams, jellies and spices, coffee, (canned and boxed) cocoa butter and cigarettes.

Table 11
Main Import of Food and Beverage Products
1982 - 1985 in 1000 Vt

| Food Item | 1982 x000 Vt | 1983 | 1984 | 1985 |
|----------------|-----------------|--------|---------|---------|
| Meat (frozen) | 50,656 | 36,919 | 41,663 | 65,179 |
| Eggs | 3,241 | 4,229 | 6,094 | 5,033 |
| Fruit (fresh) | 16,083 | 18,586 | 15,473 | 21,874 |
| Vegetable oil | 24,355 | 20,742 | 33,266 | 32,860 |
| Olive oil | 3,524 | 1,008 | 1,251 | 2,334 |
| Canned fish | 76,913 | 78,480 | 96,015 | 105,918 |
| Meat | 4,211 | 1,082 | 2,421 | 892 |
| Crustaceans | 49,335 | 60,659 | 71,925 | 76,284 |
| Sugar | 83,929 | 93,659 | 83,810 | 82,932 |
| Cocoa | 15,098 | 18,167 | 25,554 | 22,850 |
| Cereals | 81,491 | 90,708 | 105,787 | 103,174 |
| Cornflakes | 12,369 | 15,335 | 20,601 | 20,779 |
| Vegetable | 42,168 | 44,818 | 46,293 | 50,217 |
| Ice cream | 16,391 | 6,058 | 7,343 | 19,084 |
| Mineral waters | 8,159 | 6,344 | 6,541 | 8,470 |
| Beers | 69,287 | 89,121 | 98,774 | 89,438 |
| Cigarettes | 40,600 | 43,300 | 30,500 | 44,260 |
| Tobacco | 19,105 | 17,839 | 25,481 | 22,481 |
| Misc edibles | 60,640 | 50,192 | 68,951 | 95,204 |

Source: National Planning & Statistics Office.

C. Clothes, Textile and Leather Products

1. As shown on exhibits 1 - 3 the VA content of this sector, has remained still between 1983 and 1985 with an average of 45%. The raw material content is also steady at an average of 55% of sales, but all raw material is imported. The fact that the domestic market is small which in a sense could justify imports of a high content, means that greater efforts at exporting have to be made. This industry has assisted the industrial development of several countries that have geared their development strategy toward export production, and by extension to an unlimited market. Apart from marginal developments in the printing and dying of household linens and towels, the major expansion of this sector must be to meet the vast but very competitive export markets for standard and fashion garments.

2. This industry because of employment and foreign exchange potential is clearly one which Government intends to develop in the export area through foreign investment or joint venture arrangement. To this end a garment demonstration unit will be established to analyse productivity of labour and economic feasibility. In terms of leather the possibility exist to manufacture leather products of handbags, shoes, luggages & travel goods. The demonstrative and training programme currently being carried out by the Department of Industry is to be expanded during the Plan.

D. Wood and Wooden Products

1. This sector has not yet been fully established and the forward linkages with domestic grown timber are yet to be exploited. Currently the import content of manufactured furniture is still relatively high at 48% in 1985. Through an integrated development programme with the Department of Agriculture, the possibility exists for a large number of small-scale saw milling operations to be established in rural areas close to timber sites which will act as feeder to larger mills and create several other small scale activities in joinery, carving, crafts, toys as well as furniture manufacturing.

2. Most saw milling operations are presently operating below plant capacity. Production output is limited by a serious lack of wood curing facilities. Expansion in this area would definitely increase the quality of lumber produced and give the industry the capacity to fully meet the demands of the local market and the ability to export quality processed and treated board. Table 12 gives the breakdown of the imports of lumber and raw material of wood. Table 13 shows the production of log and timber for local and exports for period 1982 - 1985.

Table 12

Imports of Lumber and Wood - based Raw Material

| | 1982 | 1983 | 1984 | 1985 |
|------------------|-----------|-----------|------------|-------------|
| Sawn timber | 9 (22) | 12.3 (13) | 10.4 (5) | 20.0 (18) |
| Plywood | 12.6 | 25.0 | 20.0 | 18.8 |
| Fibre board | 7.3 | 13.5 | 11.9 | 0.6 |
| Others | 7.2 | 12.0 | 18.0 | 66.6 |
| Total value (VT) | 36.1 (22) | 62.8 (31) | 60.3 (151) | 106.0 (140) |

Items in bracket show value of total exports

Source: Compiled from data supplied by Central Bank of Vanuatu.

Table 13

Production and Export of Timber Products

| | 1982 | | 1983 | | 1984 | | 1985 | |
|-----------------|----------------------|----------|----------------------|----------|----------------------|----------|----------------------|----------|
| | x1000 M ³ | | x1000 M ³ | | x1000 M ³ | | x1000 M ³ | |
| | Prod | Exported | Prod | Exported | Prod | Exported | Prod | Exported |
| Total Log | 6.7 | | 11.9 | | 36.5 | | 33.0 | |
| Log for export | 1.0 | .01 | 4.0 | 4.8 | 27.2 | 25.5 | 22.2 | 23.7 |
| Log for sawmill | 5.7 | | 7.9 | | 9.3 | | 10.8 | |
| Sawn Timber | 1.9 | 0.6 | 3.4 | 0.6 | 3.7 | 0.2 | 4.9 | 0.8 |

Source: Compiled from data supplied by Commodity Marketing Board.

3. This sector has tremendous potential not only for meeting urban requirements for large scale production furniture but small scale and specialist production for rural craftsmen, cabinet makers and carpenters. In addition to the domestic market for sawn timber, posts and poles the export market will be examined and products identified.

E. Paper and Printing

1. The paper and printing sector has shown great improvement since its introduction in 1983. It currently registers one of the highest value added content, 69% in 1985. This very promising achievement has been due to a large extent to the addition of the printing industry which is operated almost entirely by Ni-Vanuatu and which is among the top four in terms of profitability. Table 14 below shows the sectors performance in the three years since its introduction.

Table 14
Profitability of the Manufacturing Sector

| Industry Subsector | Profitability performance in percent | | |
|--|--------------------------------------|------|------|
| | 1983 | 1984 | 1985 |
| Food and Beverage | 1 | 20 | 23 |
| Cloth & Textile | 22 | 24 | 27 |
| Wood & Wooden Products | 39 | 24 | 28 |
| Paper and Printing | 29 | 40 | 42 |
| Chemical | - | - | 45 |
| Non-metal & Minerals | 29 | - | 37 |
| Base metal | 29 | 29 | 36 |
| Fabricated metal | 25 | 25 | 29 |
| Electrical | - | - | 29 |
| Handicraft | - | 40 | 42 |
| Miscellaneous Products | 33 | 40 | 50 |
| Manufacturing Sector weighted average | 23 | 23 | 26 |

Notes: Profitability ratio calculated based on gross margin

Source: Derived from data compiled by Department of Industr, .

2. To further strengthen the sector Government wishes to see and support the manufacture of exercise books, envelopes, post cards and a number of school and stationery products now being imported. This is an activity which has high priority and Government is willing to joint venture or encourage private investment to develop this very vital industrial linkage sector.

F. Chemicals, Plastics and Rubber

1. In a modern society the use of chemicals and plastics is almost basic to life. This sector is relatively new and is certainly an area in which great potential exist to meet the import substitution targets of Government. Recognizing technology limitations, significant improvements in value added is not anticipated during the period of the plan but diversified product expansion in areas such as plastic bags, extrusion of water pipes, electric conduits, creams and basic cosmetics, industrial parts and household chemicals, adhesives, tapes and hair products are within scope of the industry's development.

G. Non-metals, minerals and base metals

1. These sectors, with the exception of shells have been declining since 1983. Known deposits of manganese have all been used. However, large deposits of limestone, clay and pozzalana base exist in all the major islands of the archipelago. This is an area of activity in which development is accorded priority. Government is willing to joint venture with local or foreign partners in the development of this very critical area of economic activity. Products in which development will be encouraged include pottery, bricks, ceramics and plateware, gypsum tiles, floor tiles, toys, jewellery, ornaments of bone, stone and clay.

H. Fabricated Metal Products

1. Products from fabricated metal have up to now largely been directed at import substitution intended to meet domestic needs. Its development over the past three years have been steady. Manufacturing value added increased from 31% in 1983 to 43% in 1985. Currently the range of products is still narrow and further development is foreseen in: metal lamp bodies, metal office equipment, such as desks, filing cabinets, barbed and fencing wire, nails, metal cans, corrugated sheets of aluminium, zinc & steel, bolts and hinges.

I. Electrical and Electronics

1. The electrical and electronics sector is relatively new in Vanuatu and as such enough information has not been available to measure its performance. In fact only one enterprise has so far been established. The development potential however includes mainly items of import substitution. Value added is not expected to be significant during the period of the plan. The potential exist none-the-less for a broad range of consumer items which have high foreign transfer costs and which could include products like switches, simple motor starters and fluorescent batten lamp fittings.

PART VI

Import/Export Performance Criteria

A. Industrial Exports Performance

1. An analysis of industrial export is made difficult given the fact that very little data is available and the information available is not disaggregated. It is therefore not possible to make any meaningful diagnosis of the sectors performance except to say that manufacturing exports is for the most part non-existent. Between 1979 and 1983 two items of any appreciable value which could be related to industrial exports were recorded; i.e Manganese with an export value of 41,800 vatu and canned beef with a value of 269,000 Vt. Table 15 shows the major items of exports and the opportunities for agro-industrial linkage industries.

Table 5 Export Performance

| | 1979 | 80 | 81 | 82 | 83 | 84* | 85* | 86* | 87* | 88 | 89 |
|--------------|-------------|------------|-------------|-------------|-------------|-----|-----|-----|-----|----|----|
| Copra | 1505 | 592 | 1071 | 710 | 1308 | 54 | 36 | 35 | 35 | | |
| Cocoa | 95 | 93 | 117 | 57 | 182 | 193 | 183 | 174 | | | |
| Coffee | 24 | 7.4 | 8.3 | 2.5 | 5.3 | - | - | - | | | |
| Canned beef | 64 | 46 | 49 | 59 | 51 | 308 | 341 | 362 | | | |
| Timber | 1.8 | 1.2 | 21 | 22 | 13 | 26 | 30 | 32 | | | |
| Manganese | 5.4 | 4.3 | 3.6 | 4.4 | 24 | - | - | - | | | |
| Others | 321 | 136 | 131 | 172 | 198 | | | | | | |
| TOTAL | 2016 | 880 | 1401 | 1027 | 1781 | | | | | | |

* Projections made by NPSO

The above figures are in '000 Vt and may not add to total due to rounding

Source : NPSO

2. From the above information it seems clear that industrial exports in the Vanuatu economy will not be a major influence in the first two years. The opportunity for exports lie in the further processing of primary products. A good possibility exist for conversion of cocoa to fat or soap or chocolate. The possibility also exist to export it in the form of paste to manufacturers of chocolate. The process requires further investigation and should be among the target of the present industrial programmes.

B. Selected Products for Import Substitution Industries and their corresponding CIF import values in 1985

| 1. | <u>Food, Beverage</u> | Million Vt |
|----|---|------------|
| | Coconut oil and cream | n.a |
| | Butter, condensed milk and other dairy products | 73 |
| | Vegetable, oils and fats | 60 |
| | Soaps and detergents | 80 |
| | Prepared meats, including ham and sausages | 73 |
| | Fish including canned fish | 106 |
| | Fruits and vegetable preparations incl. spices | 50 |
| | Jams, jellies and juices | n.a |
| | Poultry (dead) | 50 |
| | Cigarettes and tobacco | 67 |
| | Beers | 89 |
| | Cocoa and coffee | 23 |
| 2. | <u>Cloth, Textile and Footwear</u> | |
| | Garments, and made - up clothing | 146 |
| | Linens and furnishings | 33 |
| | Footwear | 59 |
| | Toys of cloth | n.a |
| 3. | <u>Wood and Wooden Products</u> | |
| | Furniture of wood (incl. beddings) | 69 |
| | Poles and posts | inc |
| | Lumber and wood | 106 |
| | Brooms and brushes of wood | inc |

| | Million Vt |
|--|------------|
| 4. <u>Paper, Printing</u> | |
| Exercise book, envelopes, notebooks | n.a |
| Post cards | n.a |
| Toilet paper | n.a |
| Printed material (selected) | n.a |
| General printing | n.a |
| Packages, cardboard | n.a |
| Paper and paperboard | 129 |
| 5. <u>Chemicals and Plastics</u> | |
| Paints, stains and varnishes | 43 |
| Cosmetic and toiletries incl. hair products | 106 |
| Disinfectants | n.a |
| Industrial and household chemicals | n.a |
| Adhesives and tapes | n.a |
| Plastic bags and other plastic materials | 105 |
| 6. <u>Non-metal, Minerals and Base Metals</u> | |
| Cement and cement products | 50 |
| Bricks and floor tiles | n.a |
| 7. <u>Fabricated Metal</u> | |
| Barbed wire | n.a |
| Nails and staples | n.a |
| Metal cans (selected) | n.a |
| Metal furniture | n.a |
| Metal office desks and filing cabinets | n.a |
| Metal cupboards | n.a |
| 8. <u>Electrical / Electronics</u> | |
| Electrical cable and plugs | n.a |
| Switches (selected) | n.a |
| Fluorescent batten fittings | n.a |

C. Selected Products for Manufacturing and Export Development

| | Projected Annual Revenue '000 VT |
|--|-------------------------------------|
| Desicated coconut, coconut oil & cream | 10 |
| Coffee canned and boxed | 3 |
| Cocoa, cocoa butter and powder | 5 |
| Fish products (frozen and canned) | 10 |
| Fruit and Juices (boxes and canned) | 12 |
| Beers and cigarettes | - |
| Garment, linens and towels | 5 |
| Crafts and toys | 3 |
| Sawn wood, and processed timber | 25 |
| Soaps and detergents | - |
| Corrugated zinc and aluminium | 1 |
| Costume jewellery | 5 |
| Pottery and ornaments | 5 |
| Shell products | 5 |
| Toys of wood and cloth | 4 |
| | <hr/> |
| Total | 93 |

Source: NPSO and Central Bank of Vanuatu 1985 report

D. Manufacturing Industry Priority Criteria

1. The above list of products are indicative of industries with import substitution and export market potential. It is not exhaustive. Government is prepared to consider all industry proposals where meaningful economic contribution can be demonstrated. However in view of the Government's policy to save and earn foreign exchange, priority status will be given first to industries that demonstrate ability to earn foreign exchange and secondly to import substitution industries with the highest value added content. Third priority will be accorded to industries which are closely linked to the first two categories and which either supply raw or intermediate materials, packaging or services. Fourth priority will be accorded to those industries which are geared primarily for the domestic market and located in rural areas. Fifth priority will be accorded to industries geared primarily for the domestic market with meaningful employment of ni-Vanuatu. Other industries will be accorded priority six.

E. National Production Priority Schedule

1. Priority 1 Primarily Export Industries with 100% exports based on local inputs.
2. Priority 2 Highest Value Added with Export potential are industries based on Wood and agro-related products with VA content greater than 58%.
3. Priority 3 Linkage industry and services industries catering for priority 2 industries mostly.
4. Priority 4 Industries in rural centres industries with high employment of Ni-Vanuatu located in rural centres.
5. Priority 5 Domestic markets with Ni-Vanuatu employment industries producing products primarily for the domestic market that employ about 85% Ni-Vanuatu.
6. Priority 6 All others

Exhibit 1

STRUCTURE OF THE MANUFACTURING SECTOR

IN VANUATU, 1985

| ISIC Code | INDUSTRY SUBSECTOR | No of | | Total Payroll (VT 000) | Net Sales (VT 000) | Purchased Inputs VT 000 | Gross Margin VT 000 | GROSS VALUE ADDED (GVA) | | |
|--------------|-----------------------|--------------------|-------|------------------------------|--------------------------|-------------------------------|---------------------------|-------------------------|---------------------|--------------|
| | | Person Employed | Firms | | | | | Content (VT 000) | Share of Percent | Percent % |
| | | A | A | B | C | D | E | | | |
| 31 | Food/Dev | 374 | 24 | 97600 | 1591600 | 1132700 | 361300 | 458900 | 58 | 29 |
| 32 | Cloth/Text | 115 | 16 | 10800 | 58000 | 32248 | 15452 | 25752 | 3 | 44 |
| 33 | Wood Prod | 100 | 12 | 33400 | 129203 | 59863 | 35940 | 69340 | 9 | 54 |
| 34 | Paper/Print | 63 | 4 | 33700 | 129380 | 40600 | 55080 | 88780 | 11 | 69 |
| 35 | Chemical | 8 | 4 | 1200 | 9840 | 4180 | 4460 | 5660 | 1 | 58 |
| 36 | Minerals | 35 | 4 | 11000 | 52733 | 22320 | 19413 | 30413 | 4 | 58 |
| 37 | Base Metal | 4 | 1 | 2900 | 15873 | 7266 | 5707 | 8607 | 1 | 54 |
| 38 | Fab Metal | 31 | 3 | 18600 | 133600 | 75900 | 39100 | 57700 | 7 | 43 |
| | Electrical | 7 | 1 | 2400 | 22645 | 13587 | 6658 | 9058 | 1 | 40 |
| | Handicraft | 136 | 3 | 6940 | 19200 | 4259 | 8001 | 14941 | 2 | 78 |
| 39 | Misc Prod. | 28 | 4 | 5660 | 44296 | 16260 | 22376 | 28036 | 3 | 63 |
| Total | | 901 | 76 | 223700 | 2206370 | 1409183 | 573487 | 797187 | 100 | 36 |

Source: Data assembled from statistics collected by the Department of Industries, Vanuatu.

- Notes:
1. Values above may not add to total because of rounding.
 2. Gross Margin derived by author based on an average rate of .25 of sales obtained from informal discussion with seven owner operators where either purchases appear to be out of line or not available.
 3. Purchased inputs include purchases of electricity.

Exhibit 2

STRUCTURE OF THE MANUFACTURING SECTOR

IN VANUATU, 1984

| ISIC Code | INDUSTRY SUBSECTOR | No of | | Total Payroll (VT 000) | Net Sales (VT 000) | Purchased Inputs VT 000 | Gross Margin VT 000 | MVA VALUE ADDED (MVA) | | |
|--------------|-----------------------|------------|-----------|------------------------------|--------------------------|-------------------------------|---------------------------|-----------------------|--------------------|--------------|
| | | Person | Firms | | | | | Content (VT 000) | Share of Output | Percent % |
| | | A | A | B | C | D | E | | | |
| 31 | Food/Bev | 330 | 20 | 68250 | 1234483 | 915600 | 250633 | 318883 | 49 | 26 |
| 32 | Cloth/Text | 36 | 16 | 4800 | 21648 | 11560 | 5288 | 10088 | 2 | 47 |
| 33 | Wood Prod | 100 | 10 | 35499 | 163347 | 88595 | 39253 | 74752 | 11 | 46 |
| 34 | Paper/Print | 38 | 4 | 19000 | 73114 | 26337 | 29777 | 48777 | 8 | 67 |
| 35 | Chemical | 4 | 3 | - | - | - | - | - | - | - |
| 36 | Minerals | 50 | 3 | 18770 | 61758 | 37294 | 5694 | 24464 | 4 | 40 |
| 37 | Base Metal | 8 | 1 | 4900 | 19734 | 9034 | 5800 | 10700 | 2 | 54 |
| 38 | Fab Metal | 26 | 3 | 15600 | 181000 | 121800 | 44400 | 60000 | 9 | 33 |
| | Electrical | 0 | 0 | - | - | - | - | - | - | - |
| 39 | Handicraft | 120 | 3 | 6800 | 18800 | 4414 | 7586 | 14386 | 2 | 76 |
| | Misc Prod | 143 | 4 | 30281 | 170906 | 85548 | 68362 | 85358 | 13 | - |
| Total | | 855 | 67 | 204500 | 1945590 | 1298182 | 456793 | 647408 | 100 | 33 |

Source : Data assemble from statistics collected by the
Department of Industries, Vanuatu.

- Notes: 1. Values above may not add to total because of rounding.
2. Gross Margin derived by author based on the average rate of .25 of sales obtained from informal discussion with seven owner operators where either purchases appeared to be out of line or not available.
3. Purchased inputs include energy charges.

Exhibit 3

STRUCTURE OF THE MANUFACTURING SECTOR
IN VANUATU, 1983

| ISIC Code | INDUSTRY SUBSECTOR | No of | | Total Payroll (VT 000) | Net Sales (VT 000) | Purchased Inputs VT 000 | Gross Margin VT 000 | MANF VALUE ADDED (MVA) | | |
|-----------|-----------------------|--------------------|-----------|---------------------------|-----------------------|----------------------------|------------------------|------------------------|--------------------|--------------|
| | | Person Employed | Firms | | | | | Content (VT 000) | Share of Output | Percent % |
| | | A | A | B | C | D | E | | | |
| 31 | Food/Rev | 262 | - | 53691 | 980105 | 774809 | 151605 | 205296 | 34 | 21 |
| 32 | Cloth/Text | 98 | - | 8280 | 37343 | 20972 | 8091 | 16371 | 3 | 44 |
| 33 | Wood Prod | 98 | - | 30302 | 160080 | 68077 | 61701 | 92003 | 15 | 57 |
| 34 | Paper/Print | 52 | - | 25977 | 99962 | 45033 | 28952 | 54929 | 9 | 55 |
| 35 | Chemical | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 36 | Minerals | 70 | - | 29954 | 276862 | 166117 | 80791 | 110745 | 18 | 40 |
| 37 | Base metal | 8 | - | 4800 | 19734 | 9134 | 5800 | 10600 | 2 | 58 |
| 38 | Fab metal | 28 | - | 8336 | 146466 | 101491 | 36639 | 44975 | 7 | 31 |
| | Electrical | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 39 | Misc Prod | 195 | - | 27494 | 152161 | 71103 | 50564 | 78058 | 12 | 51 |
| | Total | 811 | 60 | 188834 | 1872713 | 1259736 | 424143 | 612977 | 100 | 33 |

Source: Data assembled from statistics collected by the
Department of Industries, Vanuatu.

- Notes :
1. Values above may not add to total because of rounding.
 2. Gross margin derived by author based on an average rate of .25 of sales obtained from informal discussion with seven owner operations where either purchases appear to be out of line or not available.
 3. Purchased inputs include purchase of electricity

Exhibit 4

NPPS Schedule III Raw Material Import Concession

| Import duty rates of concession % | Net value added contribution by enterprise % | | | | | |
|--------------------------------------|---|---------|---------|---------|---------|---------|
| | above 75 | 75 - 60 | 59 - 50 | 49 - 40 | 39 - 35 | 34 - 20 |
| 100 | x | | | | | |
| 75 | | x | | | | |
| 50 | | | x | | | |
| 40 | | | | x | | |
| 35 | | | | | x | |
| 25 | | | | | | x |

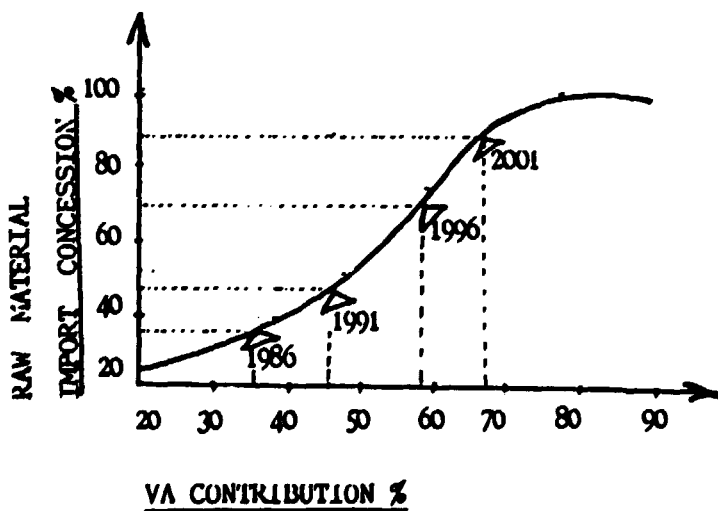
Notes:

This schedule of concession is initially for 3 years from the date of initial production and is granted on the basis of net value added being no less during the period than that for which the enterprise qualified.

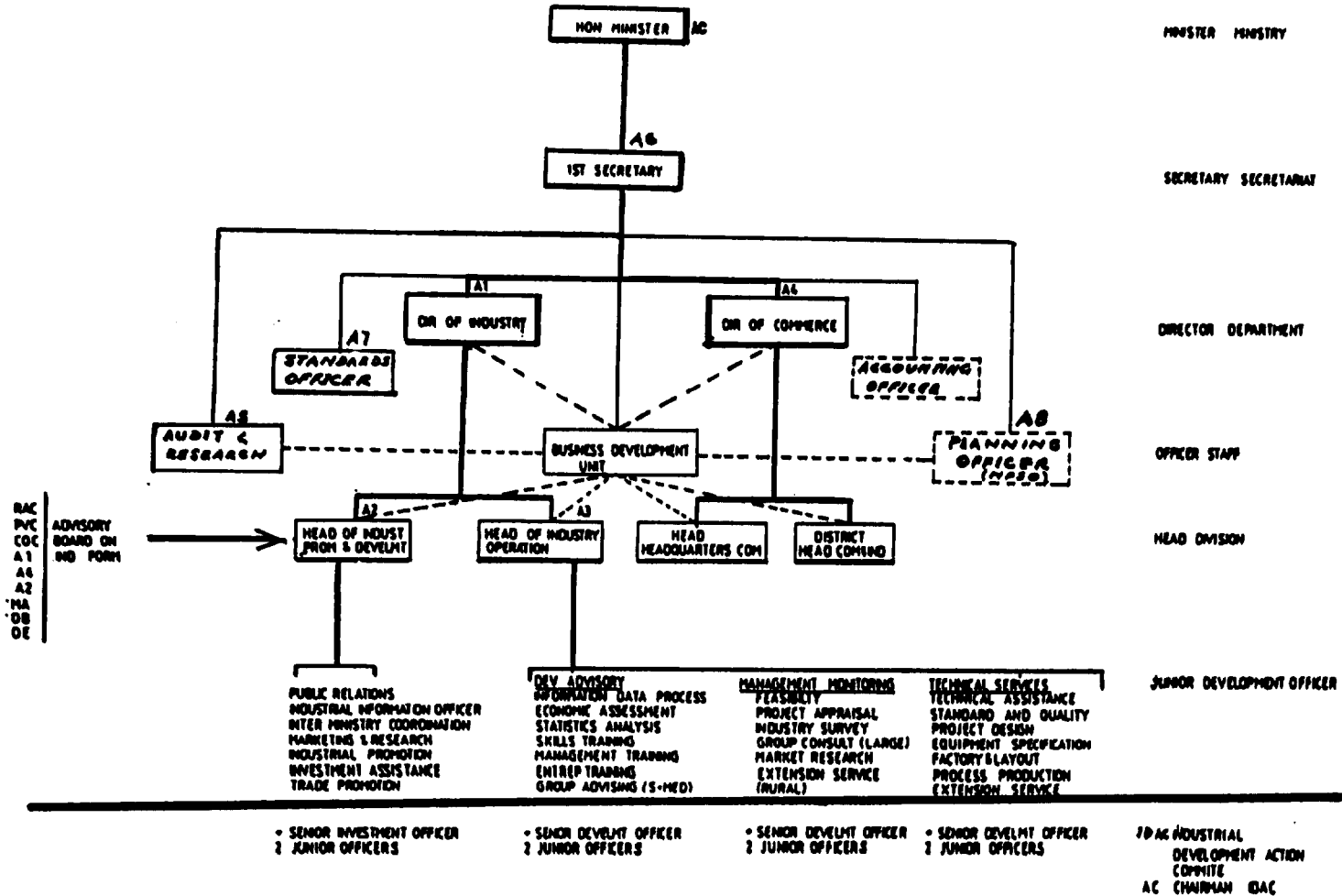
This concession may be extended for a further period, reduced or removed after the period has expired. The Department of Industry has the responsibility for periodic inspection and review to ensure that value added is maintained or improved during the period. Improved value added will be considered favourable.

This schedule is to be read in conjunction with Schedule III to the Vanuatu Customs and Tariff Regulations.

Development curve showing VA average at 1986 and Targets for 1991, 1996 and 2001 respectively.



PROPOSED STRUCTURE OF THE MINISTRY OF INDUSTRY AND COMMERCE, VANUATU



ESTIMATED RECURRENT BUDGET
DEPARTMENT OF INDUSTRY 1987 - 1991

| | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 |
|--------------------------------|-------|-------|-------|-------|-------|-------|
| Permanent Staff Numbers | 8 | 14 | 18 | 20 | 22 | 23 |
| Established Staff Salaries | 4700 | 8225 | 11575 | 13500 | 15500 | 17000 |
| Daily Rated Labour | 90 | 150 | 180 | 180 | 200 | 200 |
| Personal emoluments | 4790 | 8375 | 11755 | 13680 | 15700 | 17200 |
| Travelling & Subsistence | 450 | 400 | 450 | 500 | 600 | 600 |
| Books, Periodicals | 280 | 300 | 300 | 300 | 200 | 200 |
| Stationery | 450 | 500 | 525 | 525 | 550 | 550 |
| Public utility charges | 300 | 500 | 600 | 650 | 700 | 700 |
| Fuel for Vehicles, vessels etc | 60 | 100 | 120 | 120 | 150 | 150 |
| Spare Parts & Other Plant | | | | | | |
| Maintenance | 50 | 80 | 80 | 90 | 90 | 90 |
| Hire charges, vehicles & Plant | 50 | 80 | 80 | 80 | 90 | 90 |
| Other purchases & incidentals | 0 | 80 | 90 | 100 | 100 | 100 |
| Training Centre Rent | 480 | 600 | 650 | 650 | 650 | 650 |
| Commerce Trade Promotion | 500 | 800 | 800 | 800 | 800 | 800 |
| Other Current Charges * | 2425 | 3000 | 3000 | 3300 | 3300 | 3300 |
| Office equipment | 100 | 300 | 150 | 150 | 180 | 150 |
| Furniture | 50 | 200 | 100 | 100 | 200 | 100 |
| Capital expenditure | 150 | 300 | 200 | 250 | 250 | 250 |
| | 10135 | 15615 | 18900 | 21295 | 23560 | 24930 |

Figures are in Thousand Vatu.

* Other Current Charges include:

- additional office accommodation
- office equipment & expenses for regional officers
- regional inter island travel
- training and extension work in islands

PROJECTED CAPITAL PROJECTS AND RECURRENT BUDGET

DEPARTMENT OF INDUSTRY, 1987 - 1991

| PROJECTS AND PROGRAMMES | OBJECTIVES OF PROGRAMMES | ESTIMATED CAPITAL COST VT | PROJECTED EMPLOYMENT | PROJECTED EXPENDITURE | | | | | |
|-------------------------|---|------------------------------|----------------------|-----------------------|----|----|----|----|--|
| | | | | 87 | 88 | 89 | 90 | 91 | |
| 1 | Establish Apprenticeship skills training for various subsectors Train industrial skills to fill gaps in skilled Manpower of Ni-Vanuatu | 4,500,000 | 7 | x | | | | | |
| | | 3,500,000 | | | x | | | | |
| 2 | Establish Manpower Development Training Centre To develop supervisors and indigenous Managers to fill as entrepreneurs and for management succession | 4,000,000 | 5 | x | | | | | |
| | | 4,000,000 | | | | | | x | |
| | | 4,000,000 | | | | x | | | |
| 3 | Project for expansion of Paper and Printing Industry (Govt Printing included) To strengthen printing capacity to handle Government printing and stationery products for schools. | 30,000,000 | 30 | x | x | x | | | |
| 4 | Project to study feasibility of making veneers provisional sum for expansion IF + To create employment for 100 Ni-Vanuatu and exploit export markets if feasible Provision for equity participation | 3,500,000 | 20 | | | x | | | |
| | | ** 10,000,000 | 80 | | | | x | x | |
| 5 | Project to Establish Industrial Complex - Santo To provide factory space and to stimulate development in linkage industries in Santo | 2,000,000 | 30 | | | | | x | |
| | | 2,000,000 | 30 | | | | x | | |
| | | * * 3,000,000 | | | x | | | | |
| 6 | Project to Establish Industrial Complex - Vila To provide factory space and to stimulate development in linkage industries in Vila | 3,000,000 | 25 | | | | | x | |
| | | * * 3,000,000 | 35 | | | x | | | |
| | | 3,000,000 | | | x | | | | |
| 7 | Project to provide industrial investment guarantee for small Industry To assist by way of guarantee to DBV for loans to small business sector revolving fund | * * 50,000,000 | | x | x | x | x | x | |
| 8 | Technical studies to establish roofing clay tiles To investigate technology and economic feasibility of clay as base for tile and roofing material | 1,000,000 | 2 | | | | | x | |
| | | 3,000,000 | 3 | | | | x | | |

| PROJECTS AND PROGRAMMES | OBJECTIVES OF PROGRAMMES | ESTIMATED CAPITAL COST VT | PROJECT EMPLOYMENT | PROJECTED EXPENDITURE | | | | | |
|-------------------------|---|--|--------------------|-----------------------|------------|------------|------------|------------|------------|
| | | | | 87 | 88 | 89 | 90 | 91 | |
| 9 | Project to establish standards office | * 12,000,000 12,000,000 * | 3 | x | x | | | | |
| 10 | Establish a Garment Training & Demonstration Centre Vila Santo | 3,000,000 | 5 | x | | | | | |
| | | 2,500,000 | 5 | | | | x | | |
| 11 | Technical and Economic study for Development & Expansion of wood processing | 2,000,000 | 3 | x | | | | | |
| | | 11,250,000 | 2 | | x | | | | |
| | | 18,000,000 | 18 | | | x | x | x | |
| | Reserve Provision To develop linkage Industries for copra & coffee | 20,000,000 | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | Total Capital Expenditure | 1987 - 1991 214,250,000 | 303 | | 35,500,000 | 52,750,000 | 36,500,000 | 38,500,000 | 31,000,000 |
| | Total Recurrent Expenditure | 1987 - 1991 104,320,000 | | | 15,615,000 | 18,900,000 | 21,295,000 | 23,560,000 | 24,980,000 |
| | Total capital and Recurrent Expenditure | 1987 - 1991 318,570,000 | | | 51,115,000 | 71,650,000 | 57,795,000 | 62,060,000 | 55,980,000 |

DRAFT ORDER TO INTRODUCE RAW MATERIAL
IMPORT CONCESSION FOR APPROVED INDUSTRIES

The Minister of Finance, Commerce, Industry and Tourism will from time to time designate certain products or industries, depending on their complexity, as "approved" for the purposes of granting import duty concessions. Enterprises manufacturing the "approved products" are obligated to contribute a minimum local value added of 35% in order to be eligible. Enterprises with value added above 25% but less than 35% may be granted a temporary approval for a period not exceeding 6 months from the date of the said temporary approval. The concession applicable will be for a period of 3 years in the first instance and shall be in accordance with the Raw Material Import Concession Schedule III attached.

Application forms are available from the Department of Industry.

Order Dated _____ day _____ 19 _____

DRAFT ORDER FOR EXPORT DUTY CONCESSION
ON MANUFACTURED PRODUCTS

The Minister of Finance, Commerce, Industry and Tourism will from time to time designate an industry as an "approved export industry". Subject to a minimum 35% local value added contribution. All enterprises operating as an "approved export industry" will be entitled to relief of consumption tax of 5% for 8 years on the overall export sales of the enterprise.

Application forms are available from the Department of Industry.

Order Dated _____ day of _____ 19 _____

DRAFT ORDER FOR INDUSTRY APPRENTICESHIP
TRAINING SCHEME

The Minister of Finance, Commerce, Industry and Tourism, in order to facilitate the provision of an Industry Apprenticeship Training Scheme to operate in the Republic of Vanuatu and to allow for a weekly stipend of _____ to be paid to apprentices registered under the scheme hereby orders that the minimum wages act of 1984 be amended accordingly and to take effect as of _____ day of _____ 1987
order dated _____ 19__

Signed. _____

THE BUSINESS LICENCE (AMENDMENT)

ACT No. 29 OF 1985

Assent: 3/12/85

Commencement: 1/1/86

To amend the Business Licence Act No. 25 of 1983 to increase fees for certain categories of businesses and to provide for matters connected therewith.

BE IT ENACTED by the President and Parliament as follows :-

AMENDMENT

1. The Business Licence Act No. 25 of 1983 is amended,
 - (a) in section 12 by inserting the following sub-section after sub-section (4) :-
 - "(5) the Collector may, with the approval of the Minister, remit in whole or in part, the increase imposed under sub-section (4) where,
 - (i) the business becomes insolvent,
 - (ii) the business becomes subject to unforeseen adverse trading conditions affecting its financial capability,
 - (iii) an inadvertant error or omission is made in good faith in the completion of a business licence application form or in the calculation of the fee, or
 - (iv) undue financial hardship would be caused by the imposition of such an increase".
 - (b) in section 16 (5) by substituting "subsections (1), (2) and (4)" for "subsections (4) and (5)",
 - (c) by omittng the First Schedule and substituting the Schedule to this Act.

COMMENCEMENT

2. This Act shall come into force on the 1st day of January 1986.

FIRST SCHEDULE

RATES OF BUSINESS LICENCE FEES

| <u>CLASSES AND CATEGORIES OF BUSINESS</u> | <u>ANNUAL FEE (VATU)</u> | <u>REMARKS</u> |
|--|----------------------------------|--|
| <u>CLASS A: MINING AND QUARRYING</u> | | |
| <u>Category A1. Mining for minerals</u> | | |
| employing permanently : | | <u>Generally</u> |
| (a) less than 6 employee | 82.500 | Class A licence includes the importing of materials required in mining or quarrying business operations. A1. Includes the extraction, dressing, smelting, crusing etc. and the beneficiation in any way of any mineral or mineral are other than stone, gravel, clay or sand. |
| (b) 6 to 10 employees | 123.750 | |
| (c) 11 to 15 employees | 165.000 | |
| (d) 16 to 49 employees | 206.250 | |
| (e) 50 employees or more | 275.000 | |
| <u>Category A2. Quarrying and other mining</u> | | |
| employing permanently : | | |
| (a) less than 6 employees | 82.500 | A2. Includes the extration, dressing, crushing or otherwise treating to render marketable stone, gravel, clay or sand. |
| (b) 6 to 10 employees | 123.750 | |
| (c) 11 to 15 employees | 165.000 | |
| (d) 16 to 49 employees | 206.250 | |
| (e) 50 employees or more | 275.000 | |

CLASS B: MANUFACTURING
INDUSTRIES AND
TRADE

Category B1: Abattoirs. Meat
Packing

employing permanently :

| | |
|---------------------------|---------|
| (a) less than 6 employees | 82.500 |
| (b) 6 to 10 employees | 123.750 |
| (c) 11 to 15 employees | 165.000 |
| (d) 16 to 49 employees | 206.250 |
| (e) 50 employees or more | 275.000 |

Class B - Generally

(i) Manufacturing means any process which transforms inorganic or organic substances into new products.

(ii) Covers the importing of materials and supplies required in the manufacturing processes.

(iii) Does not include imports for re-sale (either wholesale or retail) without transformation or adaptation and not subjected to manufacturing or repairing process.

(iv) Permits the sale (retail) without D3 licence through one outlet only, but only where such retail sales are ancillary to the manufacturing business or trade.

B1. Includes slaughtering, dressing or packing animals and poultry for meat, the processing, curing, smoking salting picking and packing in air-tight containers or deep-freezing of meat products including the manufacture of meat soups, the manufacture of lard and other edible animal fats.

Category B2: Canneries

employing permanently :

| | |
|---------------------------|---------|
| (a) less than 6 employees | 82.500 |
| (b) 6 to 10 employees | 123.750 |
| (c) 11 to 15 employees | 165.000 |
| (d) 16 to 49 employees | 206.250 |
| (e) 50 employees or more | 275.000 |

B2. Includes canning and bottling (in airtight containers) of fruit and vegetables, the preservation by dehydration or quick freezing of fruits and vegetables, the manufacture of dried fruits and vegetables, preserves, jams, jellies, pickles and sauces and canned soups (other than meat soups), and canning, preserving, processing of fish, fish products and crustaceans. (Meat canneries fall within category B1).

Category B3. Oil Mills

employing permanently :

| | |
|---------------------------|---------|
| (a) less than 6 employees | 82.500 |
| (b) 6 to 10 employees | 123.750 |
| (c) 11 to 15 employees | 165.000 |
| (d) 16 to 49 employees | 206.250 |
| (e) 50 employees or more | 275.000 |

B3. Includes the extraction or production of all vegetable, nut, fish oil and the production of residual meals and cake; the rendering of, refining and hydrogenation of oils and fats (other than those derived from animals).

Category B4. Bakeries and Confectioneries

employing permanently :

| | |
|---------------------------|---------|
| (a) less than 4 employees | 30.000 |
| (b) 4 to 6 employees | 60.000 |
| (c) 6 to 10 employees | 123.750 |
| (d) 11 to 15 employees | 165.000 |
| (e) 16 to 49 employees | 206.250 |
| (f) 50 employees or more | 275.000 |

B4. (i) The manufacture of bread, cakes, pastries and similar perishable bakers wares; biscuits and similar dry bakery products, spaghetti, noodles and similar products.

(ii) Cafes attached require also a D9 licence.

(iii) Open air vending requires a D12 licence also.

Category B5. Manufacture of other food products not elsewhere classified

employing permanently:

| | |
|---------------------------|---------|
| (a) less than 6 employees | 55.000 |
| (b) 6 to 10 employees | 82.500 |
| (c) 11 to 15 employees | 110.000 |
| (d) 16 to 49 employees | 137.500 |
| (e) 50 employees or more | 183.500 |

Category B6. Distilleries

Employing permanently :

| | |
|---------------------------|---------|
| (a) less than 6 employees | 82.500 |
| (b) 6 to 10 employees | 123.750 |
| (c) 11 to 15 employees | 165.000 |
| (d) 16 to 49 employees | 206.250 |
| (e) 50 employees or more | 275.000 |

Category B7. Breweries

Employing permanently:

| | |
|---------------------------|---------|
| (a) less than 6 employees | 82.500 |
| (b) 6 to 10 employees | 123.750 |
| (c) 11 to 15 employees | 165.000 |
| (d) 16 to 49 employees | 206.250 |
| (e) 50 employees or more | 275.000 |

B5. (i) Including the manufacture of prepared animal foods, except those specified in category E3.

(ii) Cafes attached require a category D9 licence also.

(iii) Open air vending requires a category D12 licence also.

B6. Distilling, rectifying and blending alcoholic liquors; the distilling of ethyl alcohol for all purposes (the manufacture of alcohol other than ethyl alcohol requires a licence under category B12) ; the manufacture of wines cider, perry and other fermented beverages.

B7. The manufacture of malt and malt liquors such as beer, ale, porter and stout. (Bottling not involving manufacture is licensed under category B2.)

Category B8. Manufacture of cordials,
carbonated waters and other
non alcoholic beverages

employing permanently :

| | |
|---------------------------|---------|
| (a) less than 6 employees | 55.000 |
| (b) 6 to 10 employees | 82.500 |
| (c) 11 to 15 employees | 110.000 |
| (d) 16 to 49 employees | 137.500 |
| (e) 50 employees or more | 183.500 |

B8. Bottling not involving
manufacture is licensed
under category B2.

Category B9. Manufacture of
Tobacco

employing permanently :

| | |
|---------------------------|---------|
| (a) less than 6 employees | 82.500 |
| (b) 6 to 10 employees | 123.750 |
| (c) 11 to 15 employees | 165.000 |
| (d) 16 to 49 employees | 206.250 |
| (e) 50 employees or more | 275.000 |

B9. The manufacture of all
tobacco products.

Category B10 Manufacturers of wood
wood products, including
furniture

(a) wood and furniture

employing permanently :

| | |
|--------------------------|---------|
| 1) less than 6 employees | 82.500 |
| 2) 6 to 10 employees | 123.750 |
| 3) 11 to 15 employees | 165.000 |
| 4) 16 to 49 employees | 206.250 |
| 5) 50 employees or more | 275.000 |

B10. Jobbing carpentry and joinery
are included under category C1 or C2

(b) Artifacts and decorative
small furnishing,
etc.....

employing permanently :

| | |
|--------------------------|---------|
| 1) less than 6 employees | 41.250 |
| 2) 6 to 10 employees | 62.000 |
| 3) 11 to 15 employees | 82.500 |
| 4) over 15 employees | 103.000 |

Category B11. Manufacture of paper,
paper products, printers
and publishers

(a) Manufacture of papers and
paper products

employing permanently:

| | |
|--------------------------|---------|
| 1) less than 6 employees | 82.500 |
| 2) 6 to 10 employees | 123.750 |
| 3) 11 to 15 employees | 165.000 |
| 4) 16 to 49 employees | 206.250 |
| 5) 50 employees or more | 275.000 |

(b) printers and publishers

employing permanently :

| | |
|--------------------------|---------|
| 1) less than 6 employees | 82.500 |
| 2) 6 to 10 employees | 123.750 |
| 3) 11 to 15 employees | 165.000 |
| 4) 16 to 49 employees | 206.250 |
| 5) 50 employees or more | 275.000 |

Category B12. Manufacture of
chemicals, chemical
Products, rubber
and plastics

employing permanently :

| | |
|--------------------------|---------|
| a) less than 6 employees | 82.500 |
| b) 6 to 10 employees | 123.750 |
| c) 11 to 15 employees | 165.000 |
| d) 16 to 49 employees | 206.250 |
| e) 50 employees or more | 275.000 |

B12. Includes the manufacture of industrial chemicals, fertilisers, pesticides, paint, varnishes, and alcohols (except ethyl alcohols) etc. synthetic or plastic materials, drugs and medicines, soap and cleaning preparations and the manufacture of products of rubber.

Category B13. Shipbuilders and repairs

employing permanently :

| | |
|---------------------------|---------|
| (a) less than 6 employees | 55.000 |
| (b) 6 to 10 employees | 82.500 |
| (c) 11 to 15 employees | 110.000 |
| (d) 16 to 49 employees | 137.500 |
| (e) 50 employees or more | 183.500 |

B13. Ships and boat yards engaged in building, repair and specialised painting and caulking of all types of ships, boats, barges, lighters.

Category B14. Manufacture of wearing apparel

employing permanently :

| | |
|---------------------------|---------|
| (a) less than 6 employees | 41.250 |
| (b) 6 to 10 employees | 62.000 |
| (c) 11 to 15 employees | 82.500 |
| (d) 16 to 49 employees | 103.000 |
| (e) 50 employees or more | 137.500 |

B14. (i) includes T. shirt printing and similar work.

(ii) Artisan tailors, bootmakers, milliners, dressmakers working alone or employing not more than two apprentices are licensed under category G18.

Category B15. Jewellers

employing permanently :

| | |
|---------------------------|---------|
| (a) less than 6 employees | 82.500 |
| (b) 6 to 10 employees | 123.750 |
| (c) 11 to 15 employees | 165.000 |
| (d) 16 to 49 employees | 206.250 |
| (e) 50 employees or more | 275.000 |

B15. Includes the manufacture of clocks, and jewelry.

Category B16 (a) Home manufacturers

and purveyors of
pies, meat balls, nems,
cakes, sweet meats and
similar
prepared foods

10.000

B16. (i) Cafes attached require a category D9 licence also.

(b) Home manufacture of
beverages of all kinds
including kava products.

2.000

(ii) Open air vending requires a category D12 licence also.

(iii) Category B16. (b) includes Nakamals.

Category B17. Other manufacturers

not elsewhere
classified

employing permanently :

| | |
|---------------------------|---------|
| (a) less than 6 employees | 82.500 |
| (b) 6 to 10 employees | 123.750 |
| (c) 11 to 15 employees | 165.000 |
| (d) 16 to 49 employees | 206.250 |
| (e) 50 employees or more | 275.000 |

MINIMUM WAGE AND MINIMUM WAGES

BOARD. ACT NO. 42 OF 1984

Assent: 11/12/84

Commencement : 30/12/84

An act to provide for a minimum wage payable to workers in Vanuatu and for the establishment of a Minimum Wages Board.

BE IT ENACTED by the President and Parliament as follows:

PART I - PRELIMINARY :

INTERPRETATION :

1. In this act unless the context otherwise requires:
 - "Board" means the Minimum Wages Board;
 - "Worker" or "employee" means a person who works or normally works or seeks to work;
 - a) Under a contract of employment; or,
 - b) Under any other contract (whether written, oral or implied) whereby he undertakes to perform personally any work or services for another party to the contract who is not a professional client of his.
 - "Minister" means the Minister responsible for labour matters;

PART 2 - MINIMUM WAGE :

MINIMUM WAGE FOR WORKERS:

2. Notwithstanding anything in this act or any other law, award or agreement or contract of service every worker as from the date of commencement of this act shall be entitled to receive from his employer for his work at the minimum rate of fifteen thousand vatu (VT 15.000) per month calculated on the bases of twenty two working days in a month and eight working hours in a day : provided
 - a) that where a law, award, agreement or contract of service entitles a worker to a higher rate of remuneration than that specified in this section, such higher rate of remuneration shall not i.e reduce;

- b) that where pursuant to this Act a minimum wages order is made by the Minister for workers in any occupation or class or grade of occupation, the minimum rate of wages specified in this section shall cease to apply to such workers from the date of commencement of such order.

MINISTER'S POWER TO INCREASE MINIMUM WAGE :

3. (1) The Minister may by order increase rates of minimum wages for workers in any occupation or class or grade of occupation, whether generally or in any area, island or region of Vanuatu, or where satisfied that it is necessary to do so, increase the national minimum wage applicable to workers generally.
- (2) An order under this section may :
- a) provide for different minimum wages for workers in different categories of under-taking engaged in the same employment; and
- b) provide that national minimum wage shall not apply to workers of a specified category or to workers in a specified area or shall apply to such workers only subject to specified conditions.

PART 3 - THE MINIMUM WAGES BOARD

ESTABLISHMENT OF THE BOARD :

4. There shall be established a Minimum Wages Board constituted and organised and having the powers and functions as presented in this Act.

CONSTITUTION OF THE BOARD:

5. (1) The Board shall be constituted of the following members:
- a) Three independent persons appointed by the Minister;
- b) Three representatives of the employees appointed by the Minister from persons nominated by representative associations of employees; and
- c) Three representatives of employers appointed by the Minister from persons nominated by representative associations of employers.

2. All members of the Board shall be appointed for two years and shall be eligible for re-appointment.
3. A member may resign from the Board.

ORGANISATION OF THE BOARD

6.
 1. The Minister shall appoint one of the three independent members of the board to be its chairman and another independent member to be the vice chairman thereof.

iv) in the case of persons employed by statutory bodies, with such person or authority responsible for the overall management of such statutory body.

b) Where the Board submits to the Minister a wage proposal for anyone of the classes or grades of workers mentioned in this subsection, the Minister shall confer with the appropriate Minister responsible for such class or grade of workers before making an order pursuant to his powers under Part 2.

OFFENCES :

11. 1) It shall be an offence for an employer or his servant or agent:
- a) to refuse to comply with a wage officer's request made under paragraph (a) or (b) of subsection (3) of section 9, or to make any false or misleading statements relating thereto;
 - b) to prevent by any means a wage officer from exercising his power under section 9 (3), (d); or
 - c) to make false or misleading statement in an examination made pursuant to section 9 (3), (e).

PENALTY : A fine of VT100.000 or imprisonment for 2 years or both.

- 2) It shall be an offence for a worker to refuse to comply with a wage officers requestes made under section 9 (3) (c), or to make any false or misleading statements relating thereto or relating to any examination made pursuant to section 9, (3), (e).

PENALTY : A fine of VT20.000 or imprisonment for 6 months or both.

- 3) It shall be an offence for an employer to pay a worker a rate of wages or remuneration that is less than the minimum rate set in this act or in a minimum wages order for the class or grade of occupation to which such worker belongs.

PENALTY: A fine of VT 200.000 or imprisonment of 4 years or both.

VICTIMISATION OFFENCE :

12. 1) An employer who is charged or convicted under Section 11 shall not dismiss a worker or otherwise adversely affect him by reason only of the fact that :
- a) his charge or conviction was founded on non compliance with a minimum wage order ; or
 - b) the worker assisted any wage officer by way of giving information about the employer ; or
 - c) the worker assisted the Minimum Wage Board in any legal way required by the Board.

TRANSITIONAL PROVISIONS :

13. Notwithstanding anything in this Act to the contrary, all contracts made under any law, award collective agreement or contract of service providing for under this act, in Force immediately before the date of commencement of this act, shall cease to be inforce within one month after that date.

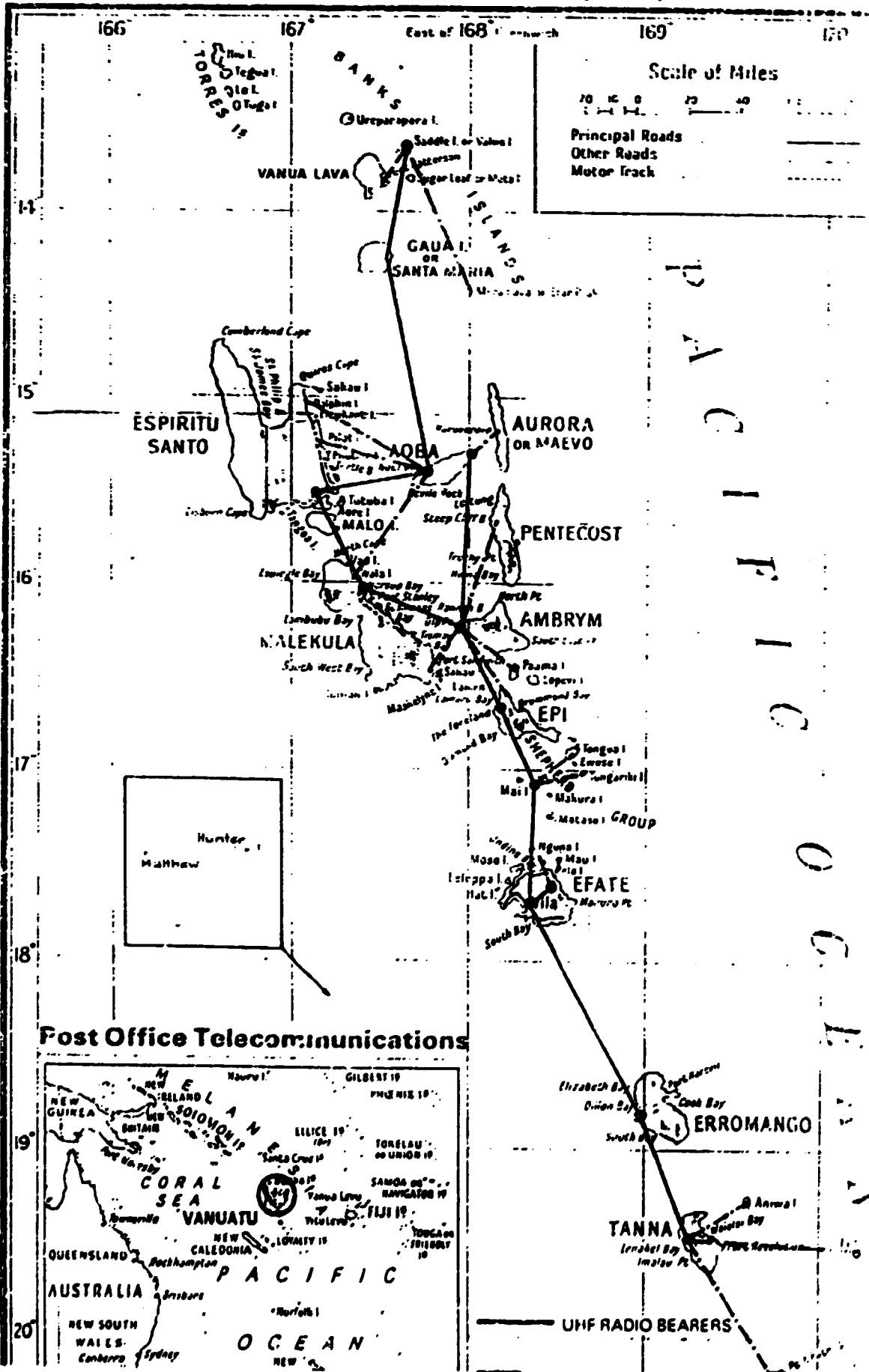
ORDERS

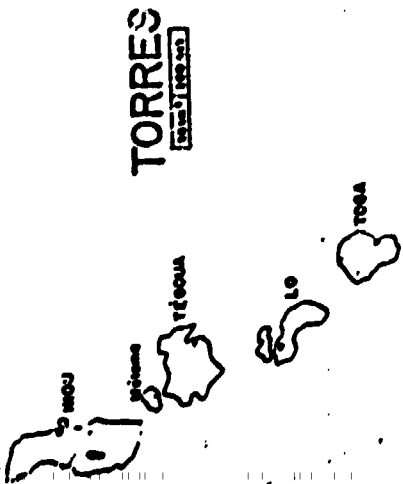
14. The Minister may by order make regulation or make orders for the better carrying out of the objects of this act or to prescribe under the Act.

COMMENCEMENT :

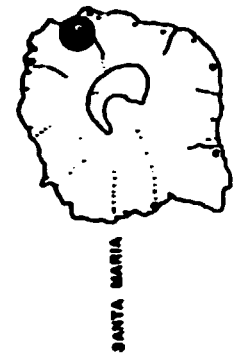
15. This Act shall come into force on the 30th December 1984.

Telephone Expansion Plan 1986 - 88





BANKS
TERR. 15700 000



MWERLAY
DND ?

RURAL
AUTOMATIC TELEPHONES
APRIL 1984

ILES DU NORD PARTIE NORD

ECHELLE 1 : 500 000

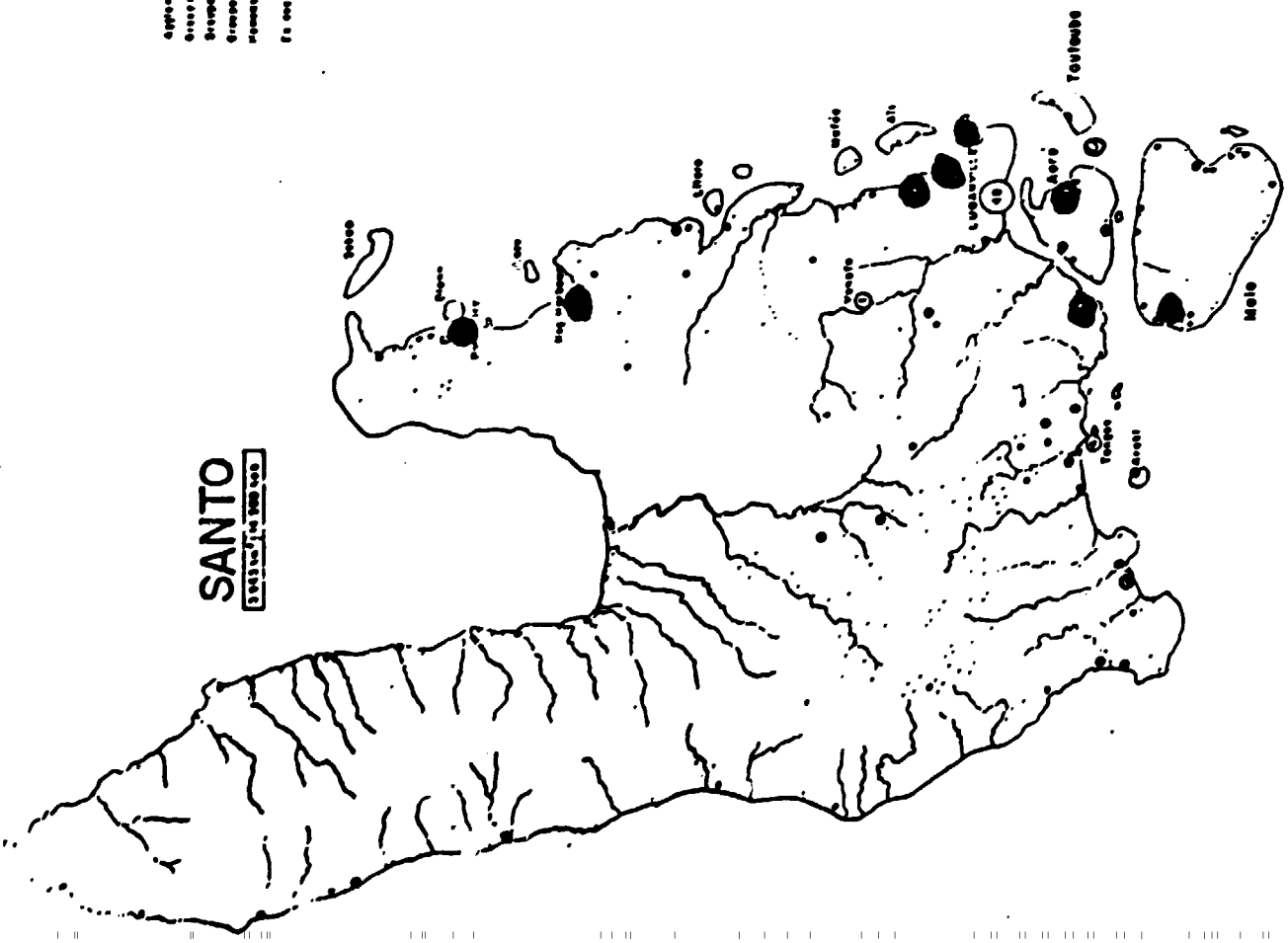
REPARTITION DE LA POPULATION
(approximative)

| | |
|----------------------------|-------|
| Population Inhabitants | |
| Groupes de 200 Inhabitants | |
| Groupes de 100 Inhabitants | |
| Groupes de 50 Inhabitants | |

REPARTITION DE LA POPULATION (approximative)

- (1) agglomération importante (population d'habitants)
- (2) agglomération de 200 habitants
- (3) agglomération de 100 habitants
- (4) agglomération de 50 habitants
- (5) agglomération de 20 habitants
- (6) agglomération de 10 habitants
- (7) agglomération de 5 habitants
- (8) agglomération de 2 habitants
- (9) agglomération de 1 habitant

En outre, selon la légende, les points de population sont en nombre



SANTO
1 413 000 hab.

MAÉWO
170 000 hab.

AOBA
470 000 hab.

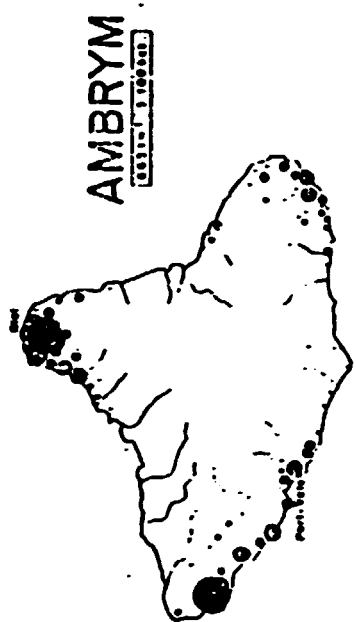
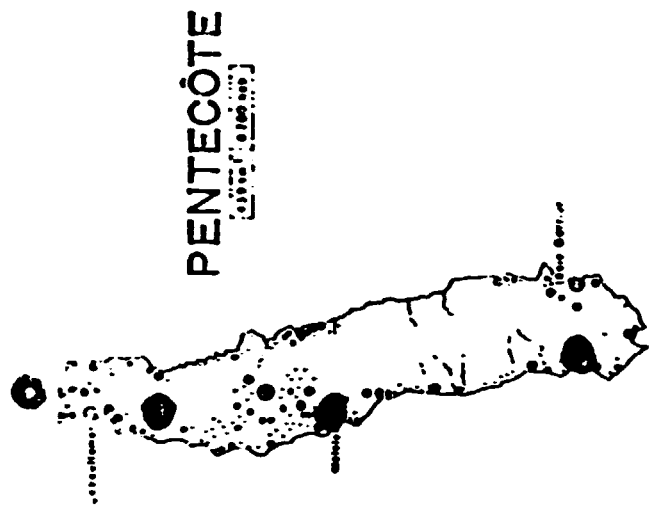
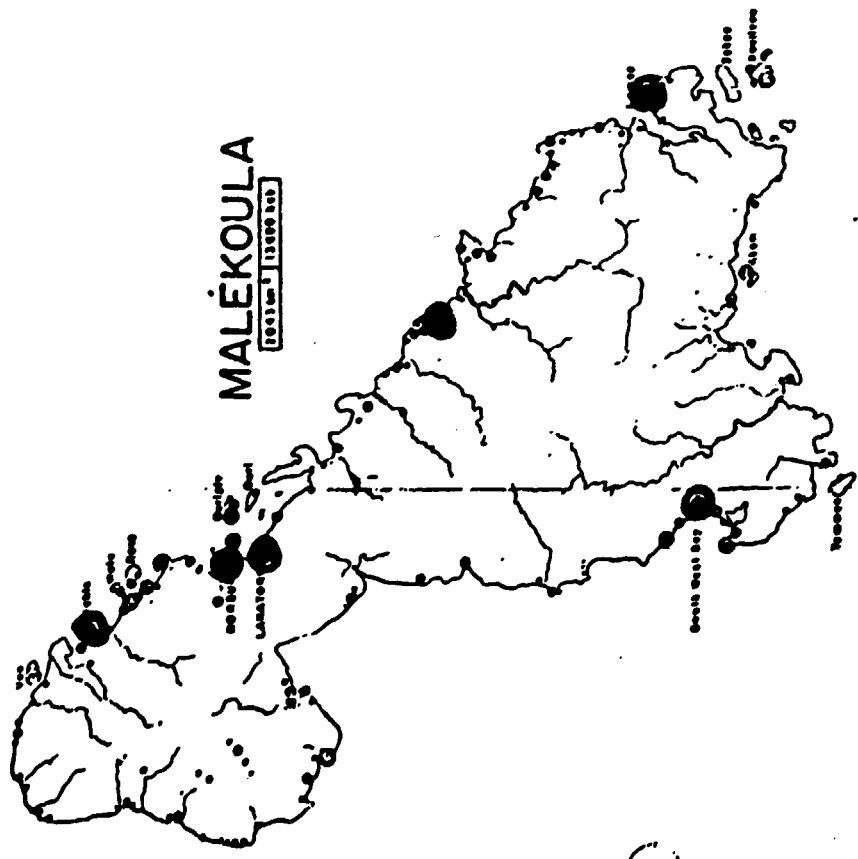
POP. 3.

Carte 1 (1970)

REPARTITION DE LA POPULATION
(Approximative)

- (100 000 habitants)
- (50 000 habitants)
- (25 000 habitants)
- (10 000 habitants)

Les cercles blancs et les points noirs ont été pris en considération



REPARTITION DE LA POPULATION
(en personnes)

Population totale (habitants et résidents)

Grande Ile 200 habitants

Grande Ile 120 habitants

Grande Ile 90 habitants

Grande Ile

Le chiffre total de population est en principe de 2000 personnes



EPI

2000 (1.000.000)



TONGA

TONGARINI

BOUNGA

SHEPHERD

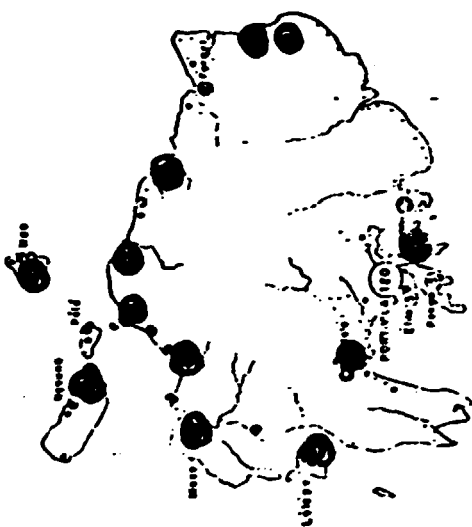
2000 (1.000.000)



IMAI

MAROUYA

MATASO



EFATÉ

2000 (1.000.000)

REPARTITION DE LA POPULATION (Approximative)

- Agglomération importante (centaines d'habitants) ○
- Groupe de 200 habitants ○
- Groupe de 100 habitants ○
- Groupe de 50 habitants ○
- Centre local ○

La carte indique la population totale à la fois en caractères

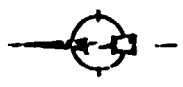


ERROMANGO
[15000 / 100000 hab.]

ANIWA
[1200 / 300000 hab.]



TANNA
[15000 / 100000 hab.]



FOUTOUNA
[15000 / 100000 hab.]



ANEYTIOMI
(ANATOM)
[10000 / 100000 hab.]



POP 6

