


VANUATU NATIONAL PROVIDENT FUND
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Obstacles for institutional investors of
small island States to allocate assets
more towards productive investments
and infrastructure investments

PARMOD ACHARY & DR. ANITA JOWITT
VANUATU NATIONAL PROVIDENT FUND

Dr. Piero Lamy & Andre Babinski Street P.O. Box 400, Port Vila, Vanuatu Tel: +678 3000 Fax: +678 34071 Website: www.vnpf.com.vu Email: Enquiries@vnpf.com.vu

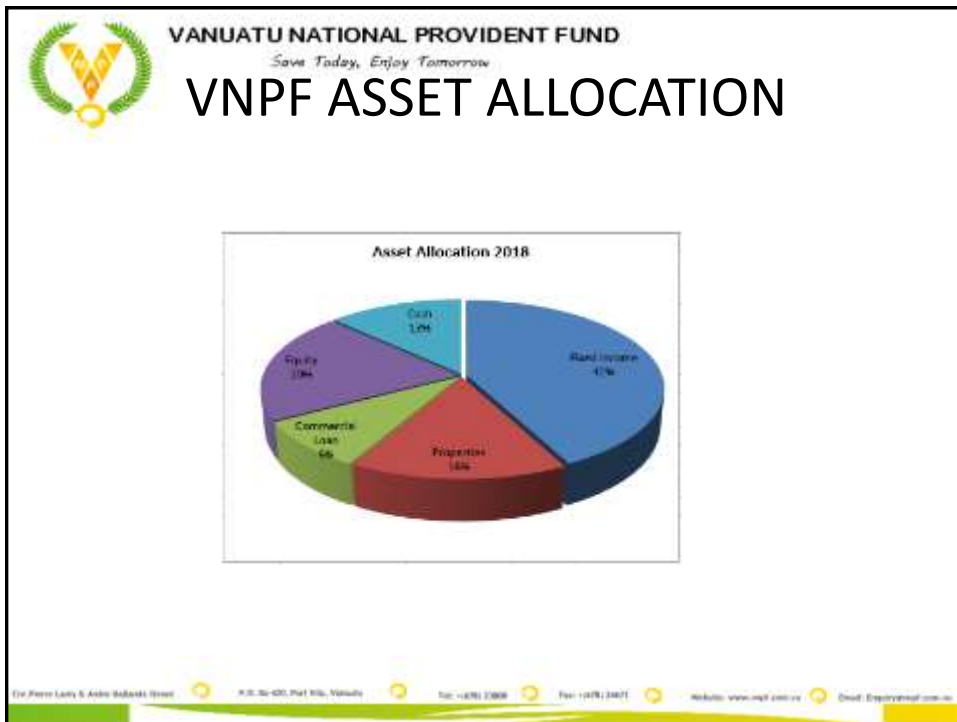


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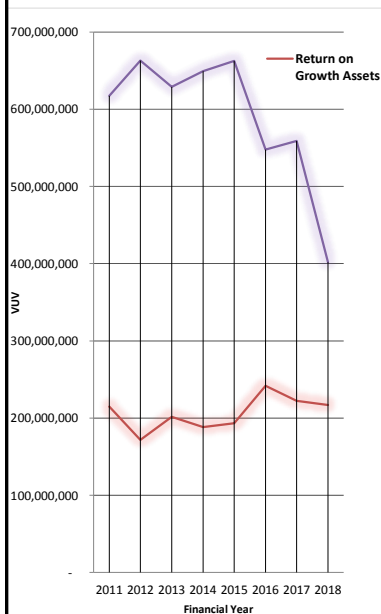
OUTLINE

- VNPf BACKGROUND-INSTITUTIONAL INVESTOR
- OBSTACLES

Dr. Piero Lamy & Andre Babinski Street P.O. Box 400, Port Vila, Vanuatu Tel: +678 3000 Fax: +678 34071 Website: www.vnpf.com.vu Email: Enquiries@vnpf.com.vu



Investment Trend.



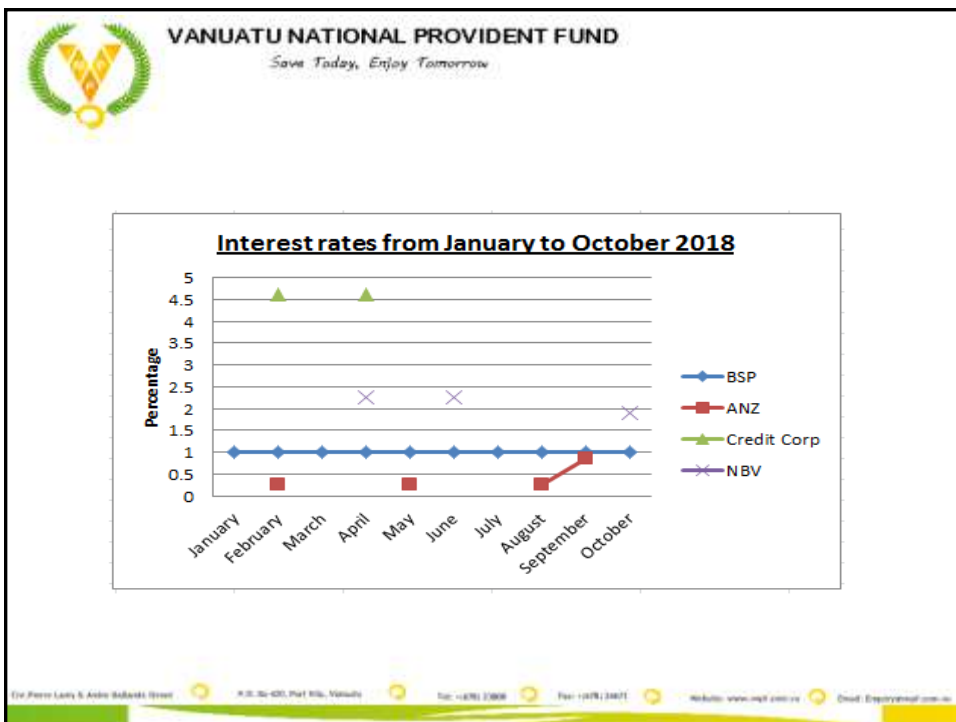
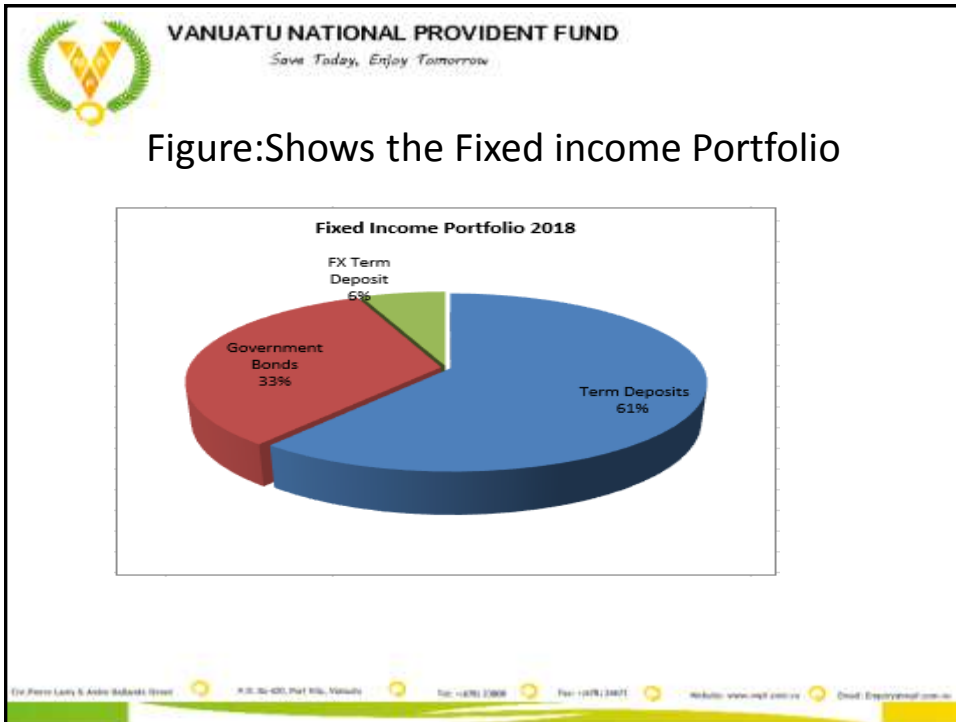
- The Graph on the left shows the trend of the Return on investments on Growth assets (Aggressive investment) and Defensive Assets (Conservative)

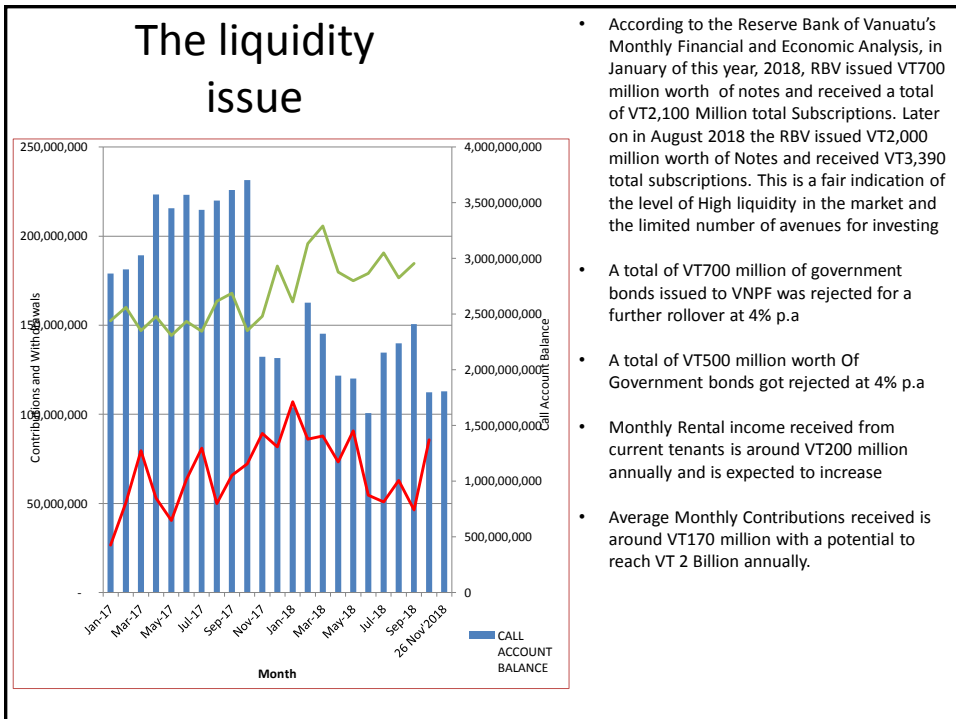
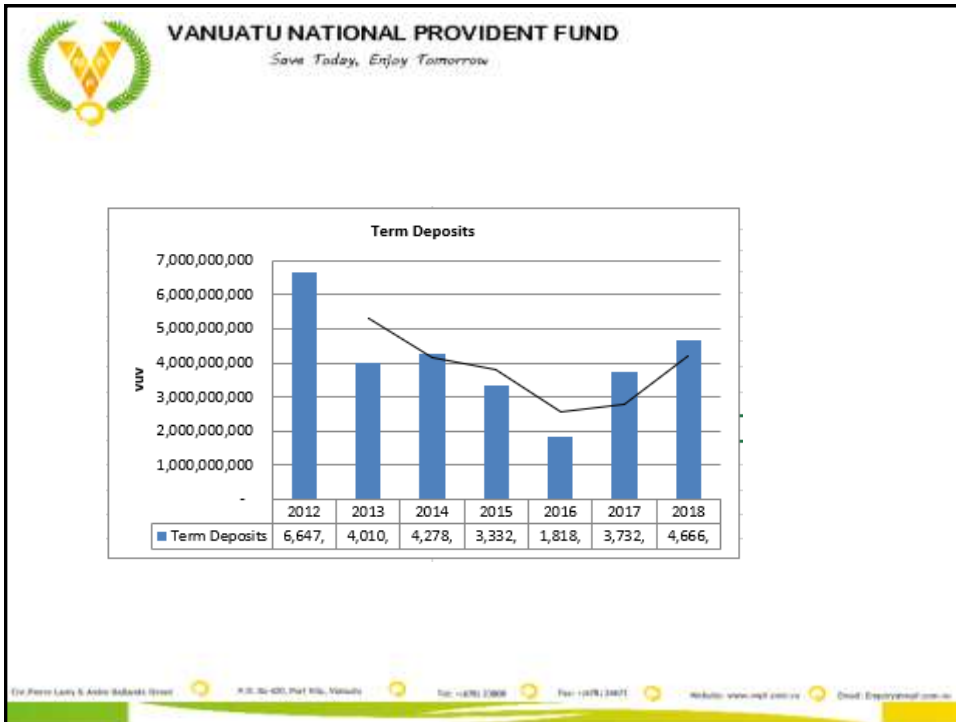
Defensive Assets (Downward Trend)


- For a 3 years Government Bond Interest rates have dropped from 10% p.a in 2008 to 2.85% in 2018.
- Commercial Bank Term Deposits drop from 7% in 2008 to 1.75% in 2018.
- Commercial Loans went through several restructuring reviewing interest rates from 10.75% down to 6.75%.

Growth Assets (An Upward Trend)

- The demand for office space has increased significantly since 2008 and the return was stable over the past 6 years
- Equity Investments are paying Dividends
- Capital Growth is not accounted for in the graph. Some of the current shares in the current equity investments had showed capital growth and the Potential to generate capital growth such as:
 - UNELCO
 - INTERCHANGE LTD
 - UNIT TURST OF FIJI








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WHAT IS INFRASTRUCTURE

- The concept of infrastructure was probably introduced for the first time by Singer (1950) who identified investment in infrastructure with investment in certain facilities that are regarded as necessary for development.
- According to Hirschman (1958), infrastructure consists of those basic facilities without which primary, secondary and tertiary activities cannot function. These facilities play an important role in creating investment opportunities in other industries.

Dr. Peter Lamy & Andre Babalola Street P.O. Box 450, Port Vila, Vanuatu Tel: +678 3388 Fax: +678 3401 Website: www.vnf.com.vu Email: info@vnf.com.vu




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VANUATU INFRASTRUCTURE

Programming priority investment projects under VISIP 2015

Project	Estimated cost (MnVt)	Estimated timing
Vanuatu Urban Development Project (Phase 2 - Luganville, Port Vila)	2.180	2017-2021
Elate Grid Connected Solar Panels (1 MW) Project	0.523	2016-2018
Luganville Existing Water Supply System Rehabilitation	0.383	2016-2017
Brenae Hydro Power Project (< 1.2MW), Malakula	0.523	2016-2018
Sarakata Hydro Power Extension Project (4600 KW), Santo	0.387	2017-2018
Grid Extension (Mateleva to Shark Bay, Port Olly, Stone Hill and Palekula), East Coast Santo	0.224	2017-2018
National Diagnostic Laboratory Bureau of Standards	0.560	2017-2019
Sealing of Fanna Roads Whitegrass to Isangel	0.467	2017-2019
Implementation of IGov Strategic Plan including planning of BQ/ADB ICT loan package	1.881	2018-2022
New government Data Centre + Backup	0.093	2018-2019
Santo South Coast Road Rehabilitation	2.589	2018-2019
4 Provincial capitals Water Supply System Development	0.090	2019-2020
Malakula East Coast Road Rehabilitation	2.932	2019-2024
Upgrading Airports of Category A	1.764	2019-2022
Domestic Jetty Construction in Every Province	0.485	2019-2021
Expansion of Government Broadband Network (GBN), Phase 2 (more connectivity in provincial capitals and towns)	0.187	2019-2020
Luganville Solid Waste Management	0.140	2019-2020
Rehabilitation and Extension of Luganville International Wharf	5.000	2019-2024
Upgrading Airfields of Category B	0.253	2020-2021
Low Voltage (LV) and Medium Voltage (MV) extension (Vila, Santo, Malakula)	1.680	2020-2023
Road Rehabilitation and improvement in Every Province	1.862	2020-2023
Rural and Feeder Roads Rehabilitation and Development in Every Province	2.530	2020-2024
Rural Water Supply Lampa, East Male, Wala Roro, West Ambae	0.059	2020-2021
Rural Water Supply in Every Province	0.047	2021-2022
Reconstruction College Malakula	1.494	2021-2024
New Proposed Privately Financed Investment Project		
Takara Geothermal Power Plant (4+4 MW) Preparatory Study & Investment	20.082	2026-2034


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High priority public infrastructure projects
Multi-Sector
Vanuatu Urban Development Project (Phase 2 - Luganville, Port Vila)
Roads
Santo South Coast Road Rehabilitation
Sealing of Tanna Roads Whitegrass to Isangel
Malekula East Coast Road Rehabilitation
Road Rehabilitation and Improvement in Every Province
Rural and Feeder Roads Rehabilitation and Development in Every Province


P.O. Box 450, Port Vila, Vanuatu | Tel: +678 2388 | Fax: +678 2401 | Website: www.vnpf.com.vu | Email: Environmental@vnpf.com.vu



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Airports	10
Upgrading Airports of Category A	
Upgrading Airports of Category B	
Shipping	
Refurbishment and Extension of Luganville International Wharf	
Domestic Jetty Construction in Every Province	
Urban Water Supply and Wastewater	
Luganville Existing Water Supply System Rehabilitation	
4 Provincial Capitals Water Supply System Development	
Urban Solid Waste	
Luganville Solid Waste Management	
Power Grid	
Grid Extension (Malekula to Shark Bay, Port City, Stone Hill and Rakula), Tera Cora Sema	
Low Voltage (LV) & Medium Voltage (MV) Extension (Ula, Sema, Malekula)	


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Renewable Energy Supply:
How Get Connected Solar Panels (1 MW) Project
Lakera Geothermal Power Plant (24 MW) Phase 2, Irudirant
Eriveva Hydro Power Project (220MW), Malakula
Sorokata Hydro Power Extension Project (150 MW) Santo
Rural Water Supply:
Rural Water Supply Larrup, East Malakula, West Ambae
Rural Water Supply in Every Province
Information and Communication Technology (ICT):
New Government Data Centre - Backup
Implementation of 6th Strategic Plan (including planning of WAP, ABE ICT tier package)
Expansion of Government Broadband Network (GBN) Phase 2 (more connectivity in provincial capitals and towns)
Education:
Agriculture College Malakula
National Standards Laboratory Bureau of Standards

Dr. Peter Lamy & Andre Babalaki Street P.O. Box 450, Port Vila, Vanuatu Tel: (+678) 2388 Fax: (+678) 2407 Website: www.npf.vanuatu Email: info@npf.vanuatu




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THE OBSTACLES

1. REGULATORY
2. POLITICAL
3. ECONOMIC
4. SOCIAL
5. TECHNOLOGICAL
6. DEMOGRAPHIC
7. GLOBAL

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REGULATORY

- Investment policy guidelines
 - Restrictions on the nature of investments
- Internal mismanagement

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POLITICAL

- POLITICAL INTERFERENCE ON TYPES OF INVESTMENTS
 - STABILITY
- CHANGING FOCUS
- DIFFICULTIES DECENTRALISING

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ECONOMIC

- Around 80% of the population involved in subsistence farming are not given the opportunity to participate in the economic growth and share in the benefits

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SOCIAL

- Vanuatu's major problem is its incapability of transforming the subsistence communities (comprising of 80% of population) with their rich traditional and cultural values into a more commercially oriented sector if the economic aspirations of the population are to be realized and achieved.

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TECHNOLOGY

- Distribution of technology into the Islands is costly given that the Islands are scattered.
- Access to markets via technology still limited

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GLOBALIZATION

- For Vanuatu and other PICs the most important challenge is developing a better understanding of its likely impacts, consider the most realistic options and adapt to its challenges.

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DEMOGRAPHIC

- Vanuatu's islands are widely dispersed in a Y-shaped archipelago, stretching some 850 kilometers.
- Marketing of agricultural products is constrained by the frequency, type and cost of inter-island shipping.