

VANUATU

1999 has seen the consolidation of political events in Vanuatu from the mid-nineties onward. It began with sadness for Vanuatu with the death of Father Walter Lini in February. He had suffered a stroke in 1987, but had

remained active in politics, and at the time of his death was the leader of the opposition. In order to understand Vanuatu's current political situation some awareness of the historical political alliances within Vanuatu is necessary. It is therefore appropriate to begin a consideration of 1999's political situation with a brief review of Lini's role in politics from the founding of Vanuatu.

Lini had been instrumental in Vanuatu's struggle for independence, and, as leader of the Vanua'aku Party (VP) had headed a stable government until 1987. The party's major opposition came from the Union of Moderate Parties (UMP) which was formed by the union of several small franco-phone parties. These parties were largely distinguished by their support bases, with the Vanua'aku Party attracting anglophone and the Union of Moderate Parties francophone voters. This francophone-anglophone divide continues to be a presence in Vanuatu's politics. After Lini's stroke in 1987 his leadership began to be challenged by Barak Sope, whose challenges to VP policy led to his dismissal from the cabinet. In late 1988 Sope broke from the Vanua'aku Party and formed the Melanesian Progressive Party (MPP). Instability and dissatisfaction in the VP ranks continued to grow and in 1991, following a vote of no confidence, Donald Kalpokas replaced Lini as prime minister and leader of the Vanua'aku Party. As a result Lini formed the National United Party (NUP). In the elections of 1991 the Union of Moderate Parties, headed by Maxime Karlot Korman, narrowly defeated the Vanua'aku Party and quickly formed a coalition govern-

ment with the National United Party.

Since 1991 the political situation has remained fluid, with politicians switching allegiances between parties fairly freely, to the detriment of governance. The only significant changes to the political parties since 1991 are Korman's formation of the Vanuatu Republican Party (VRP) in 1998 after rivalry between Korman and Serge Vohor, the leader of the Union of Moderate Parties, and the presence of members of Parliament drawing support from the Tanna-based John Frum movement.

The appointment of Vanuatu's first ombudsman, Marie-Noelle Ferrieux-Patterson, in 1994 resulted in the exposure of a number of scandals involving prominent politicians. As a result of these reports attacks on the position of ombudsman increased, with the Council of Ministers attempting to terminate her employment in 1997. Although that move was unsuccessful, after some legal scuffling the Ombudsman's Act was repealed. A new Ombudsman Act (no 27 of 1998) was passed in 1998, alongside a Leadership Code Act (no 2 of 1998). These new pieces of legislation can be used effectively to ensure transparent and accountable governance but have yet to be fully tested. In the middle of 1999 Ferrieux-Patterson came to the end of her term as ombudsman and was replaced by Hannington Alatoa. Since that time the office has been maintaining a lower profile, while the new ombudsman adjusts to his job.

The wrangle over the ombudsman helped to increase dissatisfaction in the government, and in early 1998, following an ombudsman's report detailing improper management

within the Vanuatu National Provident Fund, rioting occurred. This resulted in a state of emergency being declared. Money that was paid out of the Provident Fund after this incident led to increased liquidity in the economy. As a result a 20 percent devaluation of the vatu was announced by the Reserve Bank. Although this devaluation was immediately revoked, the resultant instability deterred foreign investors. It also had a significant detrimental impact on tourism, which is a major area of economic activity for Vanuatu.

In this very unstable atmosphere, the elections were held in March 1998. No party gained a clear majority, and eventually the Vanua'aku Party, headed by Donald Kalpokas, and the National United Party, headed by Walter Lini, entered a coalition to form a government with Kalpokas as prime minister and Lini as deputy. This coalition was stable until October 1998, when the National United Party was sacked from the coalition after alleged breaches of the coalition agreement. The Vanua'aku Party immediately entered into a coalition with breakaway members from the Union of Moderate Parties and two John Frum members of Parliament.

The year 1999 saw the continuation of a Kalpokas government, and continuation of policies that were committed to the furtherance of the Comprehensive Reform Programme (CRP). This program, endorsed by the National Summit in June 1997, is similar to many other structural adjustment programs in the Pacific Islands region. Its features include redefining the public sector and making it more efficient and accountable,

encouraging private-sector-led growth, and improving equity between sections of the population. The reform program is largely being funded by concessionary loans from the Asian Development Bank.

In accordance with this reform program various pieces of legislation were passed in 1998. Acts to increase efficiency and accountability in the public sector included the aforementioned Leadership Code Act. Acts that were passed in order to ensure effective financial management and responsibility, in both national and local governments, include the Expenditure Review and Audit Act (no 3 of 1998), the Public Finance and Economic Management Act (no 6 of 1998), and the Government Contracts and Tenders Act (no 10 of 1998). The government also underwent major restructuring in accordance with the Government Act (no 5 of 1998). Nine ministries were created, each with responsibility over a number of departments. This replaced a previous structure of almost thirty ministries, each with smaller responsibility. Each ministry is managed by a director general, who has a managerial rather than a political role. The number and role of political advisors has also been reduced. CRP also aimed to right-size the public sector by 10-15 percent, and by the end of 1998 one hundred and sixty-eight government employees had received redundancy notices (QER, Dec 1998). A Transition Unit, which aimed to support those receiving redundancy notices and provide retraining, was established and came to an end in 1999.

The most significant act to encourage private sector growth was the

Foreign Investment Act (no 15 of 1998), which established the Foreign Investment Board, whose purpose is "to receive assess and approve project proposals from foreign investors. This will be organised purely at a technical level to fast track applications of foreign investors" (*QER*, Sept 1998). It is made up of various government departments responsible for processing applications relating to foreign investment, and is essentially a "one-stop shop" for foreign investors to deal with. The taxation regime was also altered, with a value-added tax being introduced to Vanuatu. The Value Added Tax Act (no 12 of 1998) introduced a tax of 12.5 percent on most goods and services and became effective from 1 August 1998. Most import tariffs were reduced as a result of the new value-added tax.

While the Kalpokas government remained in power in 1999, the political front remained steadily committed to the CRP. The bulk of the political change instituted by Kalpokas' government was implemented in 1998, making 1999 seem quiet. Taxation revenue fell by 7.3 percent in the first quarter of 1999 because of the introduction of the value-added-tax system and the reduction of import taxes, and continued to be lower than projected throughout the year (*QER*, March, June 1999). The revenue from overseas grants was also significantly lower than had been projected. The laws encouraging the private sector also seemed to affect the economy, with the level of foreign investment being satisfactory in the first half of 1999, sustaining levels of over 800 million vatu each quarter (*QER*, June 1999).

However, by the end of 1999 support for the Kalpokas government dwindled. In August four by-elections changed the balance of power. The opposition, led by Mokin Stevens, began expressing concern with the Kalpokas government, largely because it was "listening too much to foreign advisors" (*PIR*, 29 Nov 1999). On 25 November Kalpokas resigned in order to avoid a vote of no-confidence. Barak Sope, leader of the Melanesian Progressive Party, was elected prime minister and immediately announced a government composed of his party, the National United Party, the Union of Moderate Parties, the Vanuatu Republican Party, and the John Frum ministers. The new cabinet includes former prime ministers Serge Vohor and Maxime Carlot Korman, whose bitter rivalry within the Union of Moderate Parties in 1997 led to Korman forming his own party in 1998 (*PIR*, 30 Nov 1999).

Preelection and immediate post-election comments about there being too many foreign advisors in Vanuatu, and questions about the value-added-tax scheme raised some doubt as to the future of the reform program. In early December a petition calling for the government to get rid of the reform project, which had gathered six thousand signatures, was presented to Parliament. The immediate response by Sato Kilman, minister in charge of the Comprehensive Reform Programme, was that the petition was "an insult and an embarrassment, as the present Government is committed to reforming this country" (*TP*, 8 Dec 1999). Reducing the value-added tax to around 6-8 percent and reintroducing a turnover tax

remains a policy, however (*TP*, 1 Dec 1999).

Of further concern were statements made by Sope and directed at opposition leaders, journalists, and the public that conspiracy and treason are criminal offenses carrying a life sentence (*TP*, 15 Dec 1999). Although Sope's comments are not legally correct, there is some concern about whether freedom of speech will be interfered with by the current government.

Although the government appears to be stable at the moment, with a number of potentially volatile politicians in the cabinet, it remains to be seen how long this situation will last. The ousted Vanua'aku Party has also

been reported in the media as trying to rally support for a no-confidence vote against the current prime minister. As yet it is too early to see what effect the change in government will have on the economy, and whether this spells the beginning of another unstable time in Vanuatu's politics.

ANITA JOWITT

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