



## ISLAND INFRASTRUCTURE

Providing adequate services to a country of 65 inhabited islands and only 223,000 people is never going to be an easy task. However, several interesting developments are set to bring long-term economic benefits.

### TELECOMMUNICATIONS

Unfortunately, Vanuatu is located too far from the major international fibre optic networks for international fibre access to be feasible—a less-efficient satellite link is the only alternative. As for domestic coverage, the nation's small and dispersed population presents its own problems.

At the same time, telecommunications provider Telecom Vanuatu Ltd (TVL) is working hard to implement new technologies with a view to improving services and reducing prices:

#### Fixed-line

Prices have dropped sharply from what were prohibitive levels, including a drop of up to 40% on international calls on 1 November 2007. Rates may remain on the high side by international standards, but certainly don't impact negatively on the investment climate (unless you are planning to open a call centre...).

#### Mobile phones

Mobile phone coverage is fine in Port Vila and Luganville (and roaming is available to overseas visitors with GSM phones) but not extensive elsewhere. However, TVL is about to embark on a major infrastructure

upgrade. 'By the end of 2009, 76% of Vanuatu's population will be covered by our mobile phone network,' says Managing Director Michel Dupuis.

#### Internet

Broadband was introduced in Port Vila and Luganville in 2006. The service works well and is used mainly by businesses. TVL is looking to introduce cutting-edge WiMax technology to make broadband more widely available.

### AIRPORTS

A new cargo terminal opened at Port Vila's Bauerfield international airport in 2005. What Bauerfield really needs now is a runway extension so that it can accept larger aircraft. This project is at least in the planning stages and could happen soon.

Santo's Pekoa Airport has recently been extended and now handles international flights, and the airport on Pentecost Island has been earmarked for an upgrade as part of the Millennium Challenge program.

### ELECTRICITY/WATER

These services are provided by Unelco Suez (see box below), a subsidiary of France's Suez, which has operated in Vanuatu since

1939. While prices are high, the service is considered very reliable.

Only about 20% of Vanuatu's population has access to electricity. A Rural Electrification Master has been drafted by Unelco for the Vanuatu Government with a view to increasing this.

### SHIPPING

A total of seven overseas shipping lines provide both container and general cargo international services to and from Vanuatu. The ports at both Port Vila and Luganville (Santo) can handle both standard and refrigerated 20-foot containers.

Port congestion and high stevedoring charges increase the cost of trade, especially in Port Vila.

Coastal freight services are irregular and costly. These are provided by private companies although cargo capacity is generally well below 100 tonnes. Many smaller ports do not have wharves.

### ROADS

Outside of the Port Vila area, Vanuatu's road network is undeveloped. Thankfully, roads will be a key focus of the Millennium Challenge program (see facing page). ■

# INFRASTRUCTURE

## NEW FORMS OF ENERGY

Vanuatu's dependence on imported fossil fuels is a burden to the country in general, and the local electricity company Unelco Suez in particular. With electricity prices in Vanuatu being pushed up by rapidly rising diesel costs, Unelco undertook a successful, and subsequently well-publicised, experiment to blend diesel with coconut oil in 2005. This biofuel (pressed from copra, or dried coconut, which is abundant in Vanuatu) now accounts for 10% of its fuel inputs. The benefits are numerous, according to Unelco's Managing Director John Chaniel. 'Not only is this method

cheaper, but it also provides new employment in the local agricultural sector and reduces Vanuatu's carbon emissions,' he says.

In fact, in collaboration with the Vanuatu Government, Unelco has committed to a target of 33.3% renewable energy by 2010. Besides the use of biofuel, this plan also involves wind energy (one wind farm is due to be commissioned in Port Vila at the end of 2008 and a second is planned) and geothermal energy (Vanuatu's volcanic terrain means there is potential to develop this area).

## MAJOR INFRASTRUCTURE PROJECTS FUNDED

### Millennium Challenge projects to bring unprecedented opportunities to rural areas



On 2 March 2006, Vanuatu became the only Pacific nation to sign an agreement with the US Government-funded Millennium Challenge Corporation, a US\$1 billion account encouraging good governance among developing countries globally.

This five-year compact program, worth US\$65.69 million, aims to benefit poor, rural agricultural producers and providers of tourist-related goods and services by improving transportation access in eight islands, including the main tourist destinations of Efate, Santo and Tanna. The Millennium Challenge Corporation expects the improvement in infrastructure, such as roads, wharves, an airstrip and warehouses, to yield an increased average income per capita of 15% within five years.

The business leaders whom Business Advantage spoke to in October 2007 were very enthusiastic about the likely impact of this program, with work due to begin in early 2008. In particular, they believe that it will open up other parts of the country to tourism and real estate investment, including the north of the main island of Efate (90km of the island's ring road will be upgraded and sealed). Vanuatu's capital Port Vila is located in the south of Efate, but the northern part of the island, in theory just an hour's drive away, has seen little development, due to poor road access.

One condition of Millennium Challenge funding is that complementary policy reform and institutional strengthening take place. This should benefit Vanuatu's entire transport infrastructure network, right down to the footpaths in Port Vila's commercial district.

The Millennium Challenge funds also represent a significant injection of cash into the Vanuatu economy, with a surge in construction and related sectors likely to have a flow-on effect to the rest of the economy. It is possible that Vanuatu could also qualify in a second round of funding due to be announced in 2008.

#### More information

Contact MCA-Vanuatu at the Ministry of Finance (see page 11 for contact details).

## YOUR PARTNER IN THE DEVELOPMENT OF VANUATU FOR MORE THAN 60 YEARS

UNELCO supplies electricity in Port Vila, Luganville, Malekula and Tanna, and water in Port-Vila.

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