

VANUATU

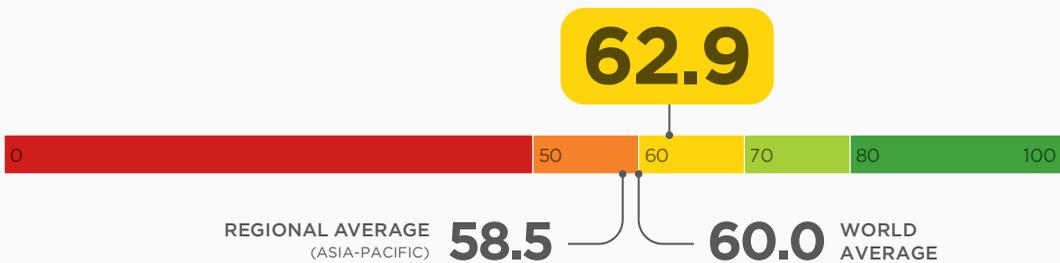
Vanuatu's economic freedom score is 62.9, making its economy the 72nd freest in the 2022 *Index*. Vanuatu is ranked 14th among 39 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

In 2017, Vanuatu's economic growth was slowing, and the contraction in 2020 took a large toll. Growth resumed in 2021. Economic freedom has fluctuated over the past half-decade. Weighed down by decreases in scores for **government integrity** and **labor freedom**, Vanuatu has recorded a 4.5-point overall loss of economic freedom since 2017 and has fallen from the upper half to the lower half of the "Moderately Free" category. Aided by international donor assistance, **fiscal health** is strong, but **business freedom** and **financial freedom** exhibit weaknesses.

IMPACT OF COVID-19: As of December 1, 2021, one death had been attributed to the pandemic in Vanuatu, and the government's response to the crisis ranked 155th among the countries included in this *Index* in terms of its stringency. The economy contracted by 9.2 percent in 2020.



ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +4.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.3 million

GDP (PPP):
\$0.8 billion
-9.2% growth in 2020
5-year compound annual growth 1.6%
\$2,586 per capita

UNEMPLOYMENT:
2.0%

INFLATION (CPI):
2.9%

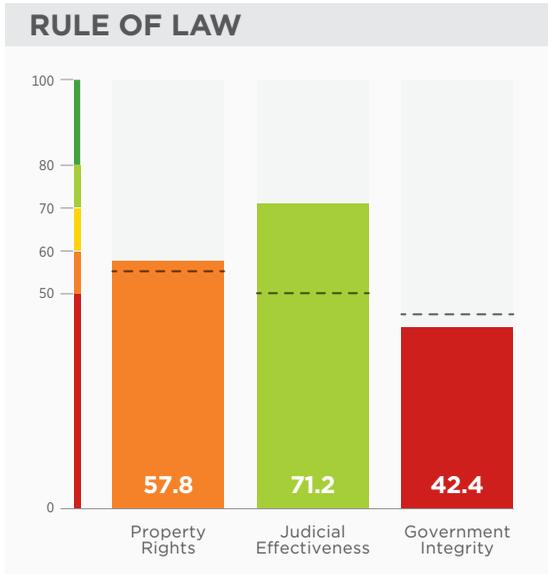
FDI INFLOW:
\$30.0 million

PUBLIC DEBT:
44.2% of GDP

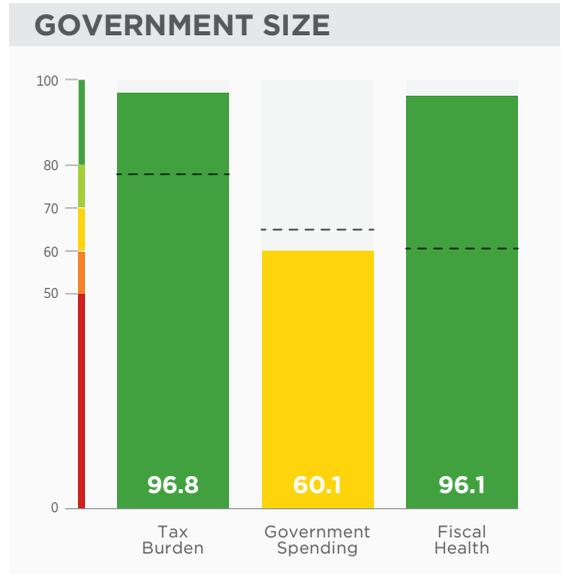
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Waves of colonizers migrated to the South Pacific's New Hebrides archipelago in the millennia preceding European colonization in the 18th century. The Republic of Vanuatu won independence from joint British-French administration in 1980 and today is a parliamentary democracy divided between its English-speaking and French-speaking citizens. President Tallis Obed Moses has held office since 2017, and Prime Minister Bob Loughman was elected to office in 2020. Vanuatu is heavily dependent on agriculture, particularly subsistence farming, and tourism, which accounts for 40 percent of the economy. Having barely recovered from 2015's destructive Cyclone Pam, which had a devastating impact on tourism, Vanuatu was struck by the Category 5 Cyclone Harold in 2020.

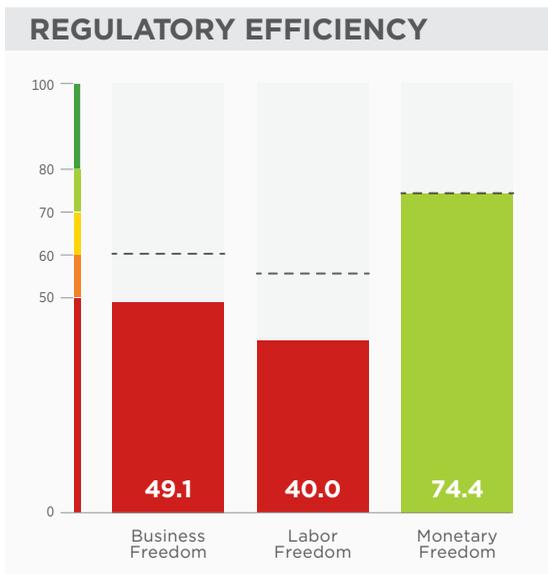
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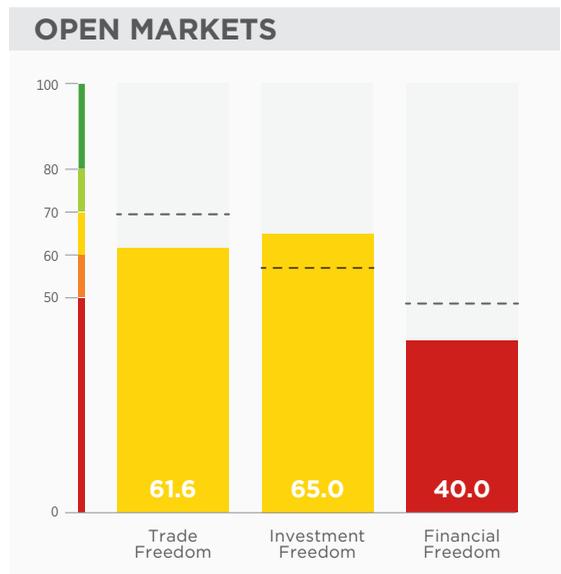
Vanuatu's legal framework generally supports property rights, but enforcement is slow. Irregularities and government corruption often affect land deals. The judiciary is largely independent but lacks the resources to retain qualified judges and prosecutors. Vanuatu was ranked 75th of 180 countries in Transparency International's 2020 *Corruption Perceptions Index*, and greater political stability should enable more rigorous enforcement of anticorruption statutes.



Vanuatu imposes no individual or corporate income tax. Taxes include a value-added tax. The overall tax burden equals 17.8 percent of total domestic income. Government spending has amounted to 36.5 percent of total output (GDP) over the past three years, and budget surpluses have averaged 1.6 percent of GDP. Public debt is equivalent to 44.2 percent of GDP.



Declining business freedom has made recovery from devastating storms more difficult. Approximately 5 percent of the workforce is employed in industry, and approximately 30 percent is employed in services. Small-scale agriculture provides a living for about two-thirds of the population. The government subsidizes poorly managed and money-losing state-owned enterprises in the agriculture, airports, banking, and broadcasting sectors.



Vanuatu has three preferential trade agreements in force. The simple average tariff rate is 9.2 percent, and customs requirements and other nontariff barriers further impede trade flows. Most business activities are open to foreign investment, but state-owned enterprises dominate such sectors as broadcasting and transport. Access to financing remains poor, and less than 15 percent of rural adults have access to formal banking services.