



VANUATU

June 2015

2015 ARTICLE IV CONSULTATION AND REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND PURCHASE UNDER THE RAPID FINANCING INSTRUMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR VANUATU

In the context of the 2015 Article IV Consultation and Request for Disbursement Under the Rapid Credit Facility and Purchase Under the Rapid Financing Instrument, the following documents have been released and are included in this package:

- **Press Releases** including a statement by the Chair of the Executive Board and summarizing the views of the Executive Board as expressed during its June 5, 2015 consideration of the staff report on issues related to the Article IV Consultation and the IMF arrangements.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 5, 2015, following discussions that ended on April 28, 2015 with the officials of Vanuatu on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 20, 2015.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for Vanuatu.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Vanuatu*

*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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IMF Executive Board Approves US\$23.8 Million in Financial Support for Vanuatu

On June 5, 2015, the Executive Board of the International Monetary Fund (IMF) approved financial support for Vanuatu as it rebuilds its economy after a devastating cyclone hit the country last March. The Board approved a disbursement of the equivalent of SDR8.5 million (about US\$11.9 million or 50 percent of quota) under the Rapid Credit Facility (RCF)¹ and a purchase in the equivalent of SDR8.5 million under the Rapid Financing Instrument (RFI).²

Category-five Cyclone Pam struck Vanuatu on March 13, 2015. It took eleven lives, displaced a quarter of the population, and destroyed a large share of Vanuatu's housing stock, infrastructure, tourist facilities, crops, and livestock. Estimated damage and losses to the economy exceed 60 percent of GDP.

At the conclusion of the Executive Board's discussion, Mr. Min Zhu, Acting Chair and Deputy Managing Director issued the following Statement:

"The macroeconomic impact of Cyclone Pam on Vanuatu is estimated to be severe. The economy is likely to contract this year, and the trade deficit is expected to widen substantially.

"The main challenge in the short run is to secure sufficient resources from donors and international aid agencies for reconstruction and rehabilitation. The government should seek grant financing to the extent possible and seek synergies between the existing infrastructure pipeline and reconstruction needs. Once the recovery takes hold, the government should rebuild fiscal buffers.

¹ The [RCF](#) provides rapid financial support in a single, up-front payout for low-income countries facing urgent financing needs. Financial assistance under the RCF is provided as an outright disbursement to Poverty Reduction and Growth Trust (PRGT)-eligible members that face an urgent balance of payments need, and where a full-fledged economic program is either not necessary or not feasible. Financing under the RCF carries a zero interest rate through 2016, has a grace period of 5½ years, and a final maturity of 10 years.

² The RFI is similar to the RCF and designed for situations where a full-fledged economic program is either not necessary or not feasible. Financial assistance provided under the RFI is subject to the same financing terms as the [Flexible Credit Line](#) (FCL), the [Precautionary and Liquidity Line](#) (PLL) and [Stand-By Arrangements](#) (SBA), and should be repaid within 3¼ to 5 years