

# Good governance in Melanesia? Corruption and integrity in Vanuatu



by Grant Walton, Husnia Hushang, William Nasak and Willie Tokon

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Funding for key anti-corruption agencies increased under PM Charlot Salwai

*Photo Credit: ITU Pictures/Flickr*

Efforts to address corruption in Vanuatu have come a long way over the past 25 years. In the 1990s, the country's politicians were embroiled in a **money laundering scandal** involving USD1.1 million earmarked for cyclone relief, which allegedly made it into the then Prime Minister's personal offshore account. At the same time, the country's independent Ombudsman Commissioner was often attacked. She was eventually replaced in the late 1990s by one more sympathetic to the government.

A decade later, and the country's reputation for "good governance" had improved. As a result, in 2006 Vanuatu signed a **five-year development assistance package** worth USD66 million under the US government's Millennium Challenge Corporation. In 2015, 14 MPs – around 30% of the country's parliament – were successfully prosecuted for corruption. For some, this showed that the country was **better able to respond to political corruption** than its neighbours.

International indicators and national surveys suggest the country has, to a degree, maintained its good governance credentials. Vanuatu's score on Transparency International's **Corruption Perceptions Index** has improved from 43 out of 100 in 2017 to 48 out of 100 in 2022 (with 100 equating to clean and 0 to very corrupt). Its 2022 score is slightly worse than Fiji (53/100), but better than Solomon Islands (42/100) and Papua New Guinea (30/100).

In 2021, the first **Global Corruption Barometer** conducted in the country (and across the Pacific) found that 65% of respondents said that the Vanuatu government was doing a good job fighting corruption, which is slightly better than the 62% average for 10 relatively large Pacific Island countries (including Vanuatu).

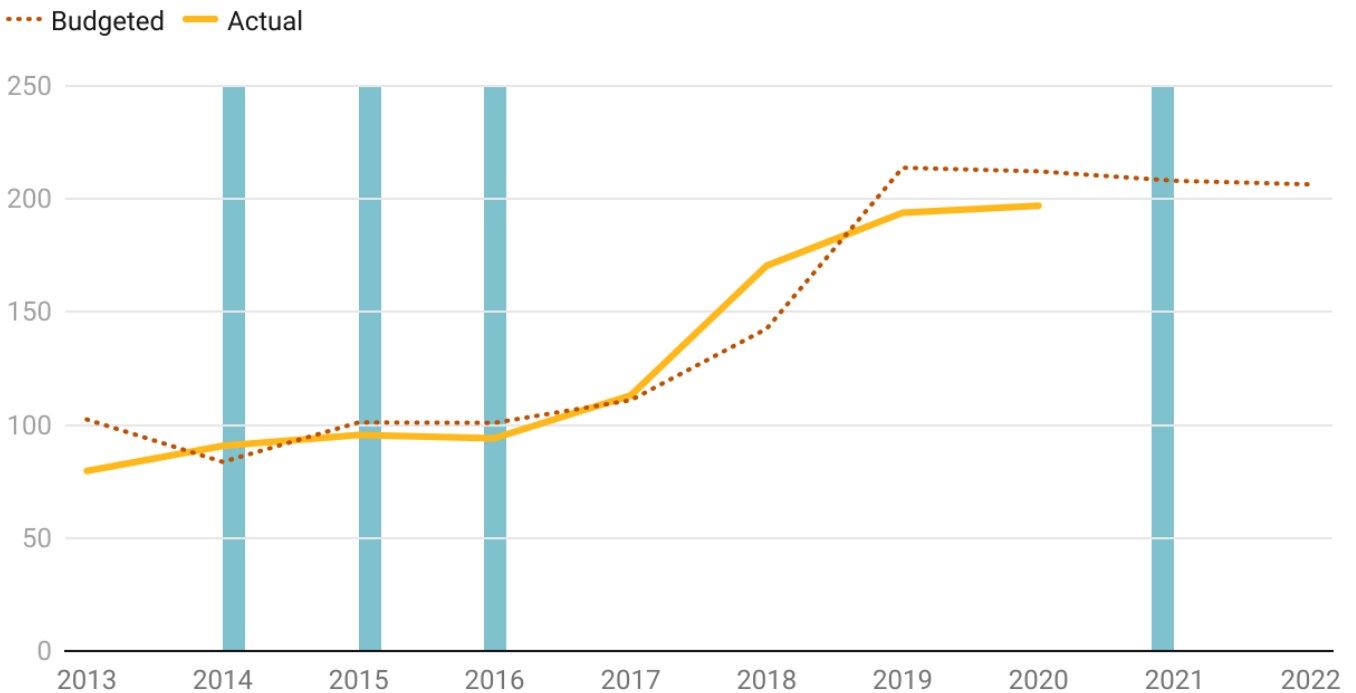
When asked, 21% of respondents from Vanuatu said they had paid a bribe for a public service over the past 12 months – a higher rate than Fiji (5%), but lower (and thus better) than Tonga (38%), PNG (54%), New Caledonia (31%), the Federated

States of Micronesia (61%) and Kiribati (64%).

Our new [analysis of a decade of national budgets](#) suggests financial support for agencies working to address corruption might have helped. As Figure 1 below shows, real (adjusted for inflation) government allocations and spending on three key agencies – the Office of the Ombudsman, the National Audit Office and the Financial Intelligence Unit (FIU) – have increased over the past decade, with most of this growth occurring during the reign of Prime Minister Charlot Salwai.

## Figure 1: Total allocations and spending for the Office of the Ombudsman, National Audit Office and FIU (millions of vatu)

Blue vertical bars indicate first budget of new government: from left to right, Carcasses Kalosil (2014), Joe Natuman (2015), Charlot Salwai (2016) and Bob Loughman (2021)



Figures include development and recurrent funding, but do not include grants and aid-in-kind

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While the Bob Loughman-led government has slightly reduced allocations in the 2022 budget, over the decade each of these agencies has seen real financial gains. Real government spending on the Office of the Ombudsman increased from 39 million vatu in 2013 to 75 million vatu in 2020 (currently 1 vatu = 0.012 AUD, so this represents an increase of AUD442,000). The FIU saw more money too, with government spending increasing from 12 million to 52 million vatu over the same period. And spending on the National Audit Office increased from 29 million to 70 million vatu.

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Combined spending on these organisations reached 0.5% of the entire budget (excluding grants and aid-in-kind) in 2020, which does not sound like a lot, but is better than PNG (0.27% spent on five similar organisations in the same year), and Solomon Islands (4% of recurrent spending on four similar organisations)[1].

So far, so good.

However, there are troubling signs. For a start, the Pacific Global Corruption Barometer shows that most citizens are concerned about corruption: 73% said it is a big problem in government, well above the average of 61% from 10 larger Pacific Island countries.

In addition, despite increases in funding, key corruption-fighting agencies are struggling.

The Office of the Ombudsman's workload has increased significantly since 2020, when it took responsibility for **assessing leaders' annual returns**. Vanuatu's leaders have not made the Ombudsman's job easy: in 2021 more than two-thirds failed to submit their returns on time, leading Ombudsman Hamlison Bulu to extend the deadline.

Like other anti-corruption agencies, the Ombudsman struggles to reach beyond urban areas. This means that many people are ill-informed about how to keep the state, and in particular politicians, accountable.

In addition, the Right to Information Unit, which sits within the Prime Minister's office, is currently without a commissioner. As a result, it has been **described by one of us** (Willie Tokon) as "an animal without teeth".

The **FIU also lacks the capacity** to check the bona fides of many applicants to the country's "golden passport" scheme. By allowing foreigners to buy citizenship, Vanuatu's scheme provides the government with substantial revenues – reportedly **over USD116 million in 2020**. Like similar schemes around the globe (including in Western nations), it has attracted criminal elements and politically exposed persons. Donors are concerned, with the European Union (EU) – **perhaps hypocritically** – threatening to suspend visa-free travel for Vanuatu citizens. In February 2023, the **EU announced it would allow Vanuatu more time** to clean up its golden passport program before deciding on whether to revoke this arrangement. Given the Vanuatu government's dependence on funds generated by this scheme, addressing the FIU's capacity issues should now be a priority.

Finally, a promised new anti-corruption agency has yet to begin operations, though the government has earmarked 16 million vatu for it in the 2022 budget.

In conclusion, when it comes to fighting corruption, recent assessments show that Vanuatu is, in some ways, still punching above its weight. This has likely been aided by increased spending on key anti-corruption organisations. However, significant challenges remain. If the Vanuatu government doesn't act on these, it is possible that international donors, such as the EU, just might.

[1] Note that comparing spending on key integrity/anti-corruption agencies is challenging due to different budgeting norms across countries. To provide a more accurate assessment our country comparison should be used along with other indicators such as trends in real spending on key integrity agencies.

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## Author/s:

### Grant Walton

Grant Walton is an associate professor at the Development Policy Centre and the author of [Anti-Corruption and its Discontents: Local, National and International Perspectives on Corruption in Papua New Guinea](#).

### Husnia Hushang

Husnia Hushang is Senior School Administrator at the ANU Research School of Economics, and a research assistant at the Development Policy Centre. She has a Masters of Public Policy and a Graduate Diploma of Public Administration from the ANU, and a Bachelor of Law and Political Science from Kabul University.

### William Nasak

William Nasak is Chairman of the Vanuatu Association of Non-Governmental Organisations (VANGO).

### Willie Tokon

Willie Tokon is Chief Executive Officer of Transparency International Vanuatu.

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