

REPUBLIC OF VANUATU

THE ECONOMIC AND SOCIAL DEVELOPMENT LOANS (ISSUE OF BONDS)

ACT NO. 24 OF 1985

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REPUBLIC OF VANUATU

THE ECONOMIC AND SOCIAL DEVELOPMENT LOANS (ISSUE OF BONDS)  
ACT NO. 24 OF 1985

An Act to authorise the Government to raise public loans by the issue of bonds for the purposes of financing economic and social development in Vanuatu.

BE IT ENACTED by the President and Parliament as follows:-

**INTERPRETATION**

1. In this Act -

'bonds' means the bonds authorised to be issued by the Government under this Act;

"Development Fund" shall have the same meaning assigned to it in the Public Finance Regulation No. 24 of 1980;

'Minister' means the minister responsible for finance;

'Revenue Fund' shall have the same meaning assigned to it in the Public Finance Regulation No. 24 of 1980.

**AUTHORITY TO BORROW FOR ECONOMIC AND SOCIAL DEVELOPMENT**

2. (1) Subject to this section, the Government is authorised from time to time to borrow money from within Vanuatu and apply such monies to the Development Fund for the purpose of financing out of the Development Fund general economic and social development in Vanuatu and the repayment of borrowings effected for such development.
- (2) The sums borrowed under this Act shall not exceed VT 150 million in any one financial year and shall not exceed in aggregate VT 600 million at any one time.
- (3) All money borrowed under this Act shall be effected and secured by the issue and sale of bonds. The amount and timing of each issue of bonds, the form and denomination of the bonds, and the terms, and conditions and covenants to be included therein shall be determined by the Minister after consulting the Central Bank of Vanuatu.
- (4) No money borrowed under this Act shall be used for the financing of the recurrent expenditure of the Government.

#### **NATURE OF BONDS**

3. (1) The bonds shall be direct, unconditional and general obligations of Vanuatu and the full faith and credit of Vanuatu shall be unconditionally pledged for the payment of the principal of and the interest on the bonds and any premium, charge, assessment or other expense which may be incurred in connection with the issue or redemption thereof and the performance of all the covenants and obligations of Vanuatu under or with respect to the bonds.
- (2) The interest on the bonds and any premium, charge, assessment or other expense which may be incurred in connection with the issue or redemption of the bonds shall be charged upon and payable out of the Revenue Fund.
- (3) Annual appropriations amounting to one tenth of the amount of bonds outstanding at the beginning of each year shall be made out of the Revenue Fund and applied to the Development Fund for the redemption of the bonds.

#### **LOAN TO STATUTORY BODIES**

4. (1) The Minister may from the money borrowed under this Act, make loans to any public statutory body, a municipality or a local government council for the purposes of financing general development projects, if he considers such projects to be in the public interest.
- (2) Subject to subsection (3) a loan made under this section shall be subject to such terms and conditions as the Minister may determine.
- (3) It shall be a condition of all loans made under this section that the money advanced shall be applied for the funding of a project approved by the Minister and shall not be applied for funding any other project, or otherwise.
- (4) Loan repayments made by such bodies as are referred to in subsection (1) shall be appropriated to the Development Fund and shall be held available for the redemption of bonds issued under this Act.

#### **GOVERNMENT BORROWING AND GUARANTEE ACT NOT TO APPLY TO BORROWINGS UNDER THIS ACT**

5. The provisions of the Government Borrowing and Guarantee Act No. 20 of 1982 shall not apply in relation to borrowings made under this Act.

#### **COMMENCEMENT**

6. This Act shall come into force on the date of its publication in the Gazette.

REPUBLIC OF VANUATU

BILL FOR

THE ECONOMIC AND SOCIAL DEVELOPMENT LOANS (ISSUE OF BONDS)

ACT NO. 24 OF 1985

Explanatory Note

The purpose of the Bill is to enable the Government to issue Government bonds, firstly, to provide to the government an additional source of loan funds at moderate interest rates in order to finance desirable economic and social developments such as the housing programme; secondly, to create a new and local form of investment for investors and potential investors in our local communities, as an alternative to bank deposits, for example.

The issue of government bonds and the development of a local market in such bonds would provide to the Central Bank an important instrument for credit control in the economy.

- Section 2. authorises the government to borrow by means of the issue of bonds up to VT 150 million in any one year subject to a total amount of bonds not exceeding VT 600 million at any one time. The proceeds of bond issues must be used for general economic and social development or for repurchase of bonds and not for recurrent expenditures of the government.
- Section 3. (1) provides as security for repayment, the full faith and credit of Vanuatu.
- Section 3. (2) provides for the payment of interest on bonds and other issue costs to be met from the revenue budget.
- Section 3. (3) provides for at least one-tenth of outstanding bonds to be redeemed every year by the Government.
- Section 4. enables the Minister to make development loans to local authorities out of the proceeds of bond issues, with terms and conditions for the loans and as to their repayment being specified by the Minister.
- Section 5. provides that borrowings by way of issues of bonds will not count against the borrowing limit of VT 300 million specified in the Government Borrowing and Guarantee Act No. 20 of 1982.

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