



IPA VANUATU

CORPORATE REPORT
2018

THINKING INVESTMENT – CHOOSE VANUATU

Vanuatu Investment Promotion Authority
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CHAIRMAN'S STATEMENT



I am pleased to present the annual report of the Vanuatu Investment Promotion Authority (VIPA) for the financial year ended December 2018. The report has been prepared in accordance with the Board's responsibility to advise the Government on foreign direct investment matters as per section 23 of the Foreign Investment Act [CAP 248].

2018 has been a tough year for the Vanuatu Investment Promotion Authority (VIPA). I am proud to note the VIPA Management maintained strategic focus, being proactive, effective collaboration, embracing synergies and problem-solving approach to ensure effective ongoing management of the affairs of the authority.

Since assuming the role as VIPA's Chairman of the Board of Directors, my strategic focus is to ensure the VIPA Board operates to best practice corporate governance principles ensuring its mandates as per VIPA Act [CAP 248] are performed in line with the leadership code guidelines set out in the 'Ombudsman Act "governing actions of all persons holding positions and serving in public Offices.

VIPA's focus has always been the improvement of the country's investment climate. This continues to be accomplished through our policy advocacy efforts in close partnership with our key stakeholders. VIPA's investment promotion team participated in several overseas events where they presented the country's investment prospects to potential investors. This resulted in increased enquiries, which provided us with very good leads and hopefully will inevitably become viable investments as we continue following up on these business leads.

I am glad to note Vanuatu continued to be a significant destination for foreign investment during the year 2018. The number of approved proposed investment remained strong at 156 investment proposals with an investment value of VT19 Billion. This was predominantly driven by increased proposed investment in the *manufacturing industry, accommodation, food and services activities (AFSA) and construction industry*.

One of the key roles of the Board is to facilitate the introduction of citizens of Vanuatu and foreign investors to each other and to investment opportunities in the country. In 2017, Vanuatu hosted the first-ever Australia – Vanuatu Business Forum aimed at promoting business partnerships, networking and greater understanding of and linkages between Australian and Vanuatu markets. The Board did not regret its choice as the major sponsor of the event as it is an excellent event for foreign investors to come and see the many great opportunities Vanuatu

has to offer, and also for local business to make lasting connections – one of key VIPA's promotional strategies.

At a policy front, the Board has embarked on and facilitated a number of key policy decisions. Building on previous efforts in establishing a one-stop-shop (OSS) facility and making sure this initiative is achieving its purpose remains a challenge however, positive progress has been made to date. This decision involved the relocation to one location of several Departments involved in the facilitation of foreign investment approval processes. Along with having the Departments in one roof, the Board also approved around VT20 million vatu for repairs and upgrading of the building facility.

Another significant policy matter has been the reviews of its current Act and National Investment Policy, of which the Board has given full support to the Management to pursue for parliament's approval.

We consider firming up synergies with our key stakeholders a priority and we will continue to build on our experiences to do what we can to attract and assist employment creation foreign investments. I commend the VIPA Board of Directors, VIPA Management and VIPA Staff for the professionalism, assurance and transparency they have demonstrated in discharging their daily operations which contribute greatly to boosting confidence in the business community.

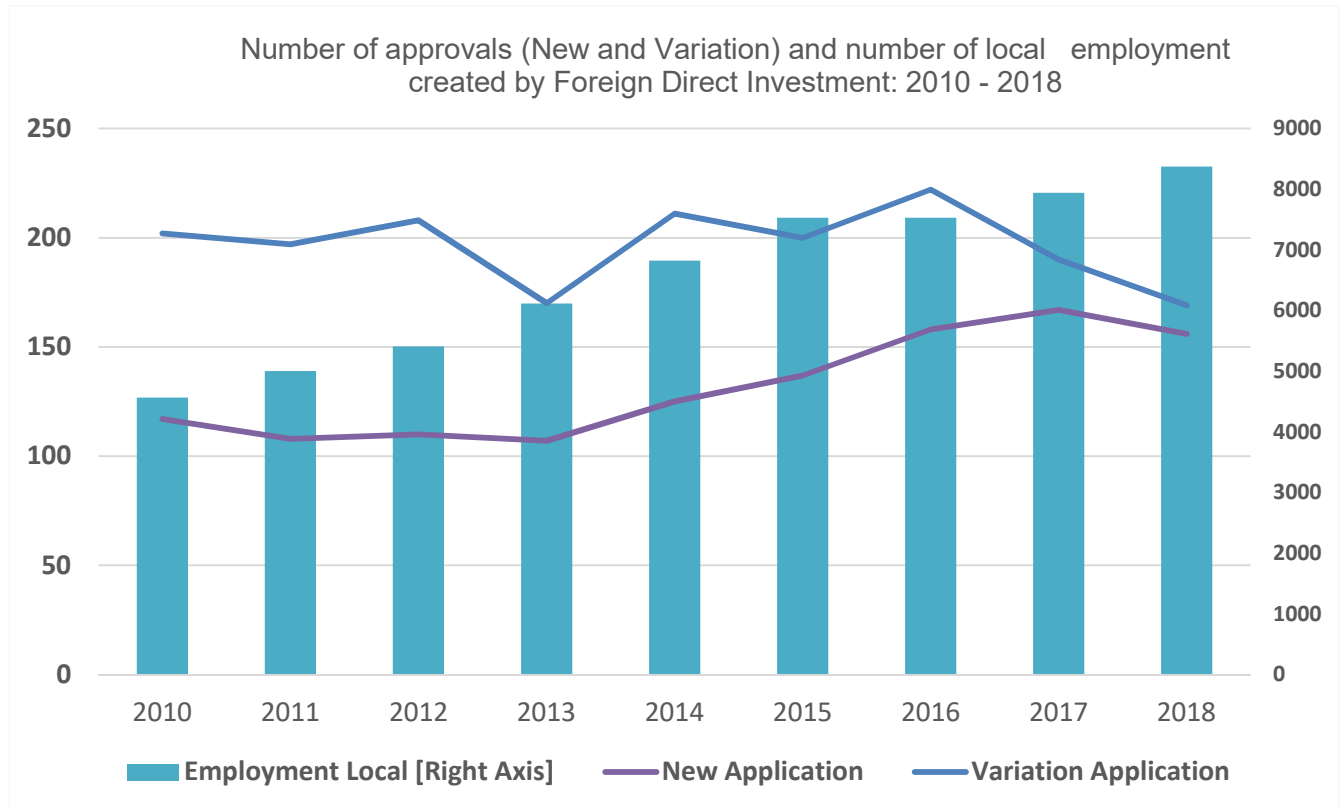


Mr. Collins Gesa

Chairman

Vanuatu Investment Promotion Authority

OUR HIGHLIGHTS FOR THE YEAR



Source: VIPA FDI Registry, 2018

- More locals employed by FDIs.** In 2018, 628 foreign-owned business have renewed their applications reporting 8,734 local employment, representing an increase of 5.5 percent over the previous year. This accounted for one third (33.3%) of Vanuatu's formal employment [*Vanuatu National Provident Fund (VNPF) / Caisse Nationale de Prévoyance du Vanuatu (CNPV) 2018 2nd Quarter*].
- Number of new FDIs approval.** Vanuatu continued to attract a high number of foreign investment applications. The number of new foreign investment approvals recorded in 2018 was 156, largely dominated by wholesale retail (WRT), accommodation and food services activities (AFSA) and construction activities representing close to VT9 billions of proposed investment.
- VIPA pushes for a new version of Investment Act.** As part of its efforts to improving the country's investment climate, a number of consultations have been made during the year on the review of Vanuatu's *investment bill* and

investment policy with key stakeholders, including the private sector and Government agencies.

- **VIPA establishes physical presence in Luganville** – Opening and operation of the VIPA Office in Luganville during the year marked a significant milestone in our ongoing efforts to improve VIPA’s visibility – the services it is providing and importance of FDIs. We acknowledge the Department of Customs and Inland Revenue (DCIR) for hosting the VIPA Office.
- **VIPA participated in international training** – During the year, three (3) VIPA staff attended international relevant to their work as employees of investment promotion agencies. Two (2) trainings were funded by VIPA and 1 (one) is a fully sponsored program.
- **China dominates new project approvals.** China tops number of new investment approval (up 29%) over the previous year. While Australia recorded fewer number of new project proposals, its proposed value of investment is twice the value of proposals from China.
- **United Kingdom (UK) biggest investment.** For the first time ever, Vanuatu has received an investment from the UK. The proposed investment is in the Accommodation, Food and Services Activities industry worth VT4 billion vatu with over 100 employment opportunities to locals.
- **Expanding FDIs to the provinces - Positive.** New FDI approval to Luganville and Sanma province increased 33 and 50 percent respectively over the previous year with Malampa and Luganville receiving one each.
- **Joint Venture Opportunities.** While local private company limited by shares remains the most common business entity, records showing partnership through joint venture arrangements remains a strong growing business opportunity.

OPERATIONS OVERVIEW

2018 has been a very challenging year for VIPA. Efforts to deliver on its mission to grow job creation foreign businesses, improve investment facilitative services and boost synergies between key stakeholders aimed at attracting foreign investment into the country has been deterred by a number of critical factors.

VIPA's operational budget was reduced by around 26% (down to VT28 M from VT38 M). For the first time, VIPA experienced a huge cut in its budget. Ongoing legal administrative costs have been disrupted to VIPA's planned activities over the year. And VIPA as an institution has been forced to operate without a CEO for the whole year - resulting in lack of effective planning and strategic directions. VIPA continued to maintain a reactive promotion and facilitative approach.

Despite the serious downsides encountered over the year, staff continued to do their utmost best in delivering on their job descriptions. And with the ongoing support of the Board of Directors, VIPA continues to claim impressive milestones during the year 2018 as highlighted in the main points above.

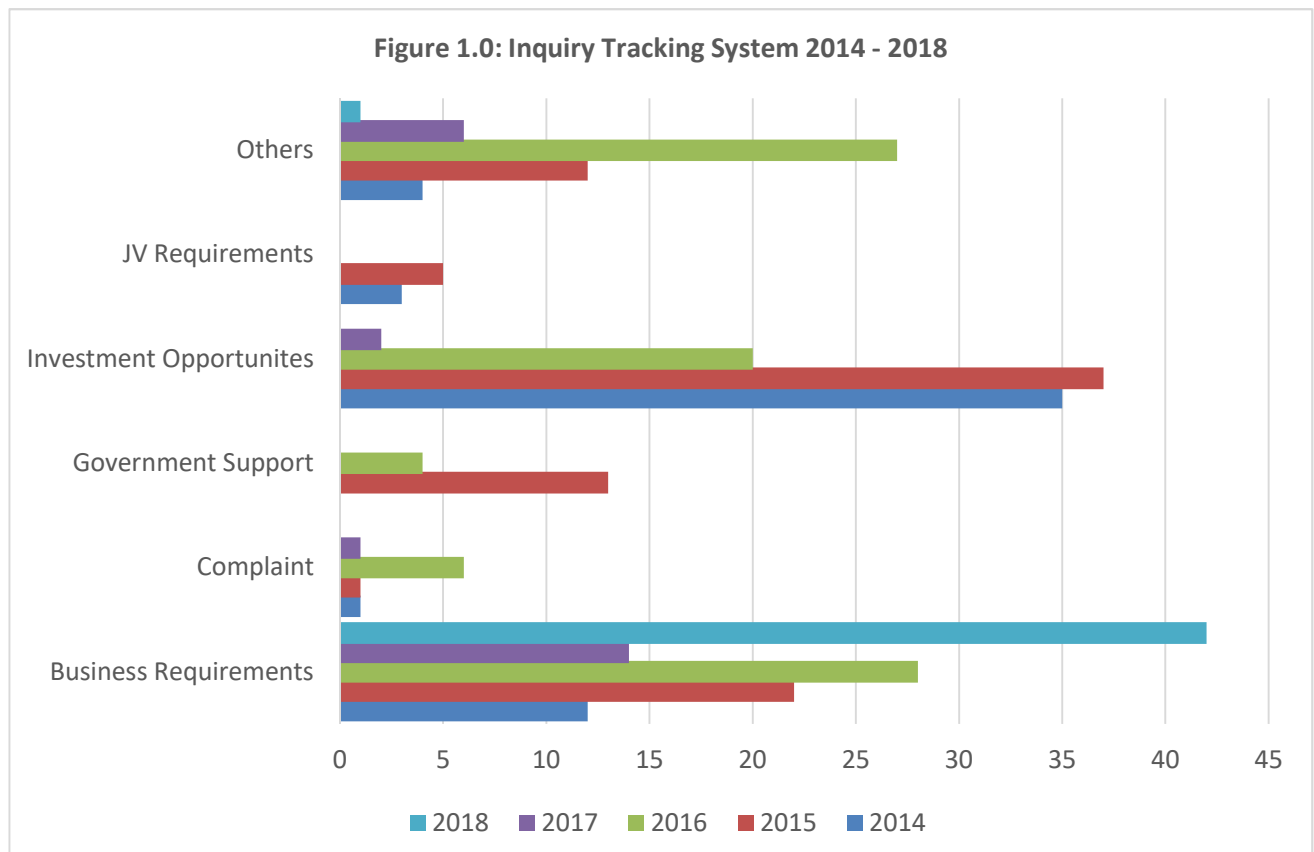
While VIPA's focus over the year remains largely on the processing of foreign investment applications, efforts have also been in the areas of (i) leveraging on the use of ICT to improve our customer service and create customer confidence, (ii) Building stronger synergies between key partners, (iii) making policy matters with a focus in updating VIPA's investment bill and policy and (iv) Improving processing time of foreign investment applications.



Leveraging on ICT capabilities to win job creating foreign investments

Attracting and winning foreign direct investments (FDIs) to generate jobs for the local has been and will remain VIPA's core function. However during the year we have experienced resource constraints that limits our ability to undertake or participate in promotional activities abroad. We focused on how best we can make use of technology to pursue our goal of attracting and winning FDIs.

Stepping up our efforts on the use of our "Client Inquiry Tracking System" and ensuring effective maintenance of our "Internet Website" has been our priority which contributed positively in our relationship building with existing and potential investors. This effective connection has enabled us to improve the quality of information we have in order to better meet their needs.



During the year, forty three (43) inquiries have been identified as potential investment leads which staff responsible was committed to making sure these leads become real projects. This involved maintaining ongoing communication with clients, providing information needed and making referrals to other agencies. As shown in fig 1.0, inquiries regarding requirements to start a business in Vanuatu is most common. We made sure we provide timely and quality responses to such inquiries.

As a result of making the maximum use of our ICT tools (*website and inquiry tracking system*), we are able to make progress towards critical milestones.

- **Vanuatu continued to be a significant destination for foreign investment** - In 2018 the number of approved proposed investment remained strong at 156 investment proposals with an investment value of VT19 Billion and 1,406 local employment. This was predominantly driven by increased proposed investment in the *manufacturing industry, accommodation, food and services activities (AFSA) and construction industry*.
- **Encouraging local partnerships with foreign affiliates** – Encouraging business partnership between FDIs and local owned businesses is a role we take very seriously as part of our inquiry tracking system. This supports the Government’s call to see more Ni Vanuatu participation in business development. Joint venture arrangements remains a strong growing business opportunity as shown in fig 1.0 and this is activity VIPA will continue to promote.
- **Expanding FDIs to provinces** - Given most of the FDIs are concentrated in Port Vila and Shefa province, we use our internal tracking system to encourage potential investors to invest in other provinces of the country. As a result in 2018 New FDI approval to Luganville and Sanma province increased 33 and 50 percent respectively over the previous year with Malampa and Luganville receiving one each.

Expanding developments driven by FDIs to other provinces is in line with the government’s decentralisation policy. VIPA will continue to address this policy via the use of its inquiry tracking system (ITS) and internet website.

VIPA participated in China’s International Import Expo

VIPA was one of the Government agencies selected to participate in this international promotional event. This opportunity provided to showcase a number of investment profiles currently available including face-to-face interactions with clients about why Vanuatu is an ideal investment location.

A number of leads have been established as a result of our participation and we are currently following up on them. Lessons learnt from our participation has helped us to improve on our promotional efforts in future similar events.

Vanuatu needs to do more in terms of investment destination marketing in order to effectively attract potential investments. Lack of details and data on what Vanuatu needs in terms of foreign direct investment proved challenging and this is something that the VIPA Management will continue to work on to improve and achieve better results. Nevertheless, exposure at the CIIE and future expo's that Vanuatu has lined up over the coming years should assist in achieving a more focused marketing strategy.



2

Strengthening our outreach programs

The need for improved visibility for VIPA in its role as both the promoter and regulator for foreign investments and partnership building is crucial. Since its establishment, its services have been concentrated around Port Vila and Efate. This has often resulted in negative perception from a large part of the society whenever they hear about FDIs.

Effective awareness of the roles of VIPA as an institution and the benefits FDIs will bring to the people and communities are key activities VIPA has been undertaking in 2018.

Establishment of VIPA Office in Luganville

This achievement marks a significant milestone in VIPA's ongoing efforts to expand its physical presence to outer provinces. Luganville as the country's northern urban area in the Sanma province deserves to accommodate VIPA's permanent presence given increased business activities in the northern region and Government's infrastructure developments. Its strategic location will see VIPA's services expanded to other provinces of Malampa, Penama and Torba. Achieving this is in line with the Government's decentralisation policy.



Opening of VIPA's permanent Office in Luganville, Santo, SANMA Province - 2018

According to our records, the number of FDIs located in Luganville and Sanma Province is increasing every year. Given the number of Government's infrastructure projects that are yet to be developed in this part of the country, VIPA's northern Office will likely to need more resources.

The Office now has a permanent staff and is providing full time monitoring and aftercare service to all FDIs in Luganville and Sanama province.

Malampa Province and land owners enters relationship with VIPA

One promotional staff visited the Malampa province and developed investment profiles in partnership with the province's investment Officer and Councillor. The visit was requested by the province in an effort to encourage developments of unused lands through FDIs.

Potential sites have been visited including awareness raising of VIPA and the benefits of FDIs undertaken. A total of 10 sites have been visited of which 8 project opportunities were developed. These profiles were widely promoted via VIPA's website and abroad during promotional events.

To date most developments taking place through foreign direct investments are concentrated in Port Vila and Efate – representing on average 78% of total foreign-owned projects. This relationship is aimed at convincing residents and authorities of the benefits of FDI, gain their support and agree on best options - how the province can also see increase level of FDI.

In line with the Government's decentralisation policy, we ensure the momentum with this relationship remains and VIPA will continue to encourage potential investors to consider investing in the Malampa Province.

WAIPA membership

VIPAs membership with the World Association of Investment Promotion Agencies (WAIPA) was to capitalise on WAIPA's technical expertise through the capacity building program it offers annually to its members and other technical assistance it provides.

One staff attended a self-sponsored training targeted at Investment Promotion Agencies. The question of whether or not VIPA will retain its WAIPA membership depends on its ability to secure funding this commitment.

VIPA's membership with this international association begun with a very positive note that saw WAIPA inviting VIPA to be part of its steering committee as "WAIPA Oceania Regional Director".

Ad-hoc meeting with other key stakeholders –

Building rapport and relationships with the private sector has always been and will remain an important agenda for VIPA. Throughout the year, the VIPA team successfully met with selected key private sector representatives. These meetings are mostly informal but have been very worthwhile since the core expectation of such meetings is centred on how both parties can improve their working relationships regards improving business environment in the country.

3

Making policy matters and institutional strengthening

The need for VIPA to have a new version of investment law has become a pressing agenda given Government's urgent priority goals and reports about the country's doing business environment. In 2018 the Management decided to focus on its role of "policy advocacy" with emphasis in re-looking at the Foreign Investment Act (CAP 248) that was undertaken in 2009. This time we made sure the results we get through further review is geared to better meeting Vanuatu's needs and bring it more in line with international good practises.

Progress towards a review of the National Investment Policy (NIP) was also made through funding support from the "Governance for Growth (GFG)" program and Asian Development Bank's (ADB) private sector

Review of the Foreign Investment Act (CAP 248)

Reviving the works on the review of the foreign investment act [CAP 248] has not been easy for the Management. A series of consultations have been undertaken with key stakeholders between 2017 and 2018.

In 2017 VIPA Management hosted the first consultation with the private sector on the bill. The outcome of the presentation, consisted of comments and concerns raised were compiled by Management and presented to the State Law Office (SLO) for incorporation into the draft bill. Further consultations were made between institutions within the Ministry of Tourism, Trade, Commerce, Industry and Ni Vanuatu Business (MTTCINB).

Based on claims from the private sector that the bill needs further consultation, the Minister responsible withheld the Bill in 2018 pending further review works as per VCCI's request.

Review of the National Investment Policy (NIP)

The Government of Vanuatu is convinced that in order to become more competitive and increase its share of regional FDI pool available for inward investment, the development of an up-to-date, comprehensive and overarching investment policy framework to guide all the relevant stakeholders' actions within the investment community is critical.

During the fourth quarter of 2018, VIPA was able to undertake a review of the National Investment Policy with funding support from the ADB's Private Sector Development Initiative (PSDI). This support came in the form of a technical assistant with VIPA proving immediate counter-part in all the review stages.

The first stage – diagnostic visit was undertaken from November 19 to December 2018 during which a series of consultations have been carried out with key stakeholders in both private and Government sectors. Consultations have been made in both Port Vila and Luganville. The outcomes from this consultation will contribute to the formation of the draft investment policy.

Progressing the One-Stop-Shop (OSS)

Taking the lead role in progressing the OSS has not been easy for the Management and the VIPA Board. Especially where all agencies involved must understand and agree to deliver on the key essentials of the OSS in the design and delivery of a customer centric model. However, progress has been made and the following have been achieved.

- VIPA has funded both Labour and Immigration to make their Offices fit for purpose. This funding has been in the form of loans to those Departments which are being progressively repaid to VIPA.
- A series of meetings driven by VIPA Management have been held with agencies involved in facilitating foreign investment registration aimed at establishing mechanism to ensure a streamline and faster turnaround time during business start-up process and improved customer service deliveries.
- As a result, we have achieved one central Government Cashier – where payment of fees for VIPA, work permits and residency permits are made.

Other developments in progress and should be completed soon include compiling and packaging of all information relating to business start-up process, enhancing and improving customer services and physical maintenance of the OSS premises.

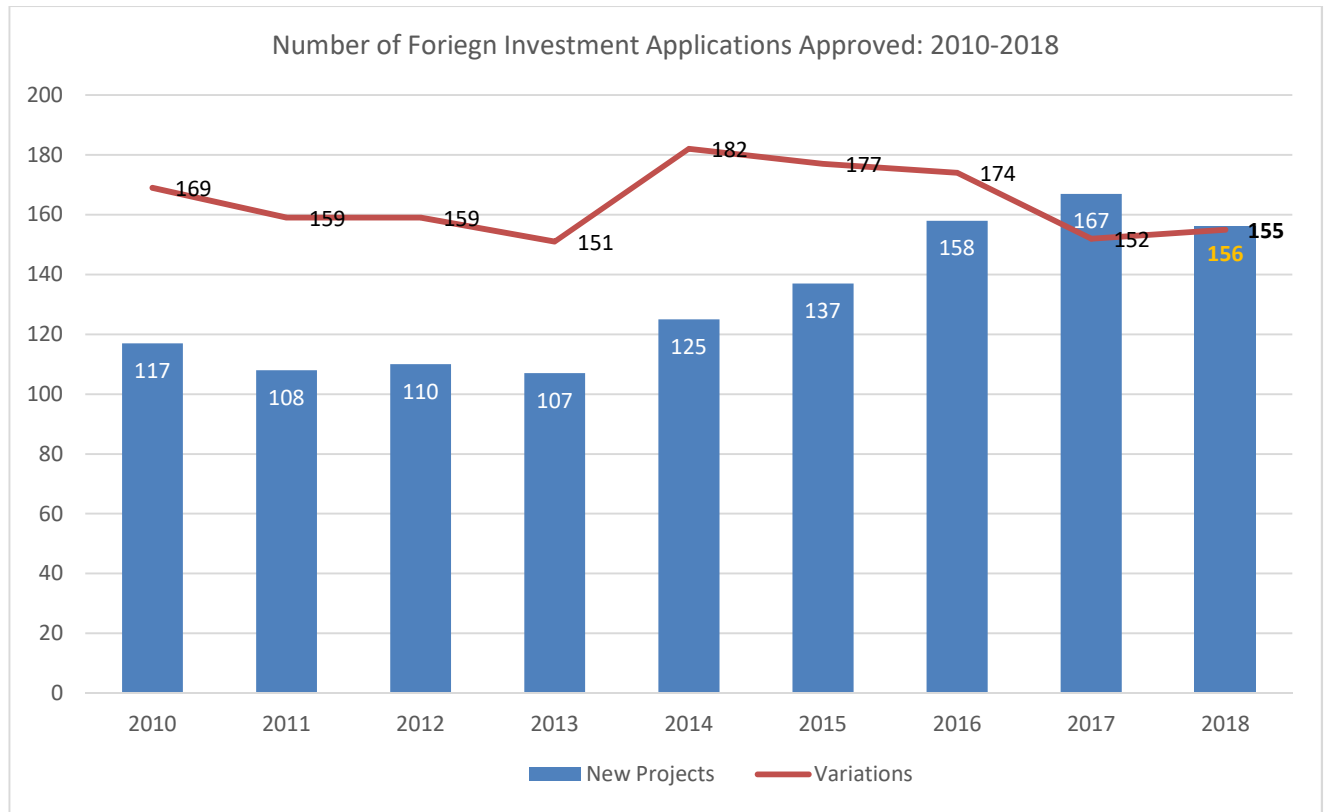
Staff recruitment and training

The need to improve VIPA's visibility and ensure its services meet the needs of its customers requires sufficient staff with appropriate skills and knowledge. During the year, three (3) staff have been recruited and 3 others attended international training.

We value staff capacity building and will continue to explore and participate in potential training opportunities including attachment training with other IPA's in the region.

4

Registration and Monitoring of foreign investments



Processing and issuing of foreign investment approval certificate has been and remains VIPA’s core regulatory function. During the year, we have processed and approved:

- 156 New certificates;
- 155 Variation certificates and
- 731 Renewal certificates.

In terms of revenue collected, close to VT50 million have been collected as fees from all the applications received and processed. Our compliance team conducted four (4) investigations targeting non-compliance by fiac holders.

LOOKING AHEAD

Keeping in pace with changes in the global economy and technological advancements remains a challenge to Vanuatu, given its relatively weak economic characteristics compared to its competitors. But VIPA is determined to make a strong contribution to Vanuatu's economic recovery. Pushing for policy reforms in favour of FDI developments and ongoing research to seek out new investment opportunities across a range of priority sectors are key areas VIPA will need to have a focus in.

In the short to medium term we see the following our focused areas:

1. **New version of Vanuatu Investment Policy and Bill**

We will continue to remain focus in our efforts to improving the country's investment climate. To achieve we will make sure both the investment bill and investment policy are aggressively progressed, approved and effectively implemented.

2. **Awareness raising**

In a survey conducted on selected respondents asking them whether or not they know about VIPA and foreign direct investment – close to 70 percent responded "NO". Increasing VIPA's visibility in terms of what it is doing and the benefits of FDI's to the society will be a priority activity for VIPA.

3. **Targeted and focused promotion**

Shifting to a more targeted and focussed promotional approach will be a key strategy in our efforts to attracting and winning FDIs. This is not a role the VIPA is anticipating of taking on alone, but the through a strategic, all-inclusive and coordinated approach with key agency partners and stakeholders.

4. **Leveraging on ICT for improved internal processes**

Modern technology has become the accepted way of doing business today. VIPA will build on its internal ICT infrastructure and explore other opportunities to improve its services by making use of ICT capabilities particularly in the areas of key business processes automation including online registration of foreign investment application.

Our Vision

To coordinate and facilitate a favourable investor-friendly and welcoming atmosphere for foreign investment in Vanuatu

Our Mission

To expeditiously facilitate, promote and foster foreign investment in Vanuatu aimed at generating maximum economic prosperity for the people of Vanuatu

Our Corporate Values

- ✓ Commitment
- ✓ Quality
- ✓ Honesty and Diligence
- ✓ Teamwork
- ✓ Transparency and Accountability
- ✓ Promote a positive image for Vanuatu
- ✓ Linkages and networking

CORPORATE GOVERNANCE

VIPA BOARD 2018

The VIPA Board operates to best practice corporate governance principles ensuring its mandates as per VIPA Act [CAP 248] are performed in line with the leadership code guidelines set out in the 'Ombudsman Act "governing actions of all persons holding positions and serving in public offices. In carrying its duties, the VIPA Board of directors is always mindful of the mandatory requirements contained in other legislations such as the "Public Finance and Management" and "Employment" Acts.

The VIPA Board's functions as per section 16 [CAP 248] are to receive and appraise investment proposals, issue approval certificates to foreign investors. It is also responsible for setting the broad policies of the organisation and overseeing its operation. Its monthly meetings serve as a forum where these functions are discussed and agreed upon. Responsibility for the implementation of policy rests with executive management.

The Board has statutory authority to approve Government's grant aid as determined by the executive management. The VIPA Board has the power under the Act to negotiate for external sources of revenue and exercise best management control over its use for the purposes of VIPA as stated in the ACT.

In accordance with the Government's public accounts Act, it is a requirement for the VIPA Board to furnish annual audit reports on how all public monies have been used. This Board ensures this report is always made available by end of the 3rd month of the reporting year.

The VIPA Board when considering management matters warranting their decisions, balanced and fair results remains paramount ensuring valid linkages exist between the contents of the VIPA staff Manual and Employment Act.

While the primary source of corporate governance for the VIPA Board is the VIPA Act [CAP 248], the authority is also required to comply with a range of other statutory and administrative requirements.

BOARD MEMBERS:

Collins Gessa

Board Chairman,
Deputy Director
Department of Customs & Inland
Revenue

Bryan Death

Member,
Private Sector Representative, Vanuatu
Chamber of Commerce and Industries
(VCCI)

Frederick Hosea

Member
Manager, Department of Finance and
Economic Management

Jeffery Markson

Member
Director, Department of Immigration and
Passport Services

Paul Gambetta

Member
Director, Department of Lands and
Surveys *

Jimmy Rantes

Board Deputy Chair,
Director – Department of Industry

Murielle Metsan

Member
Commissioner, Department of Labour

Iaken Miero Matua

Member
Ministry representative, 2nd Political
Advisor, Ministry of Trade, Tourism,
Commerce, Industry and Ni Vanuatu
Business (MTTCINB)

Gelpen Silas

Ex-Officio
Former Acting Chief Executive Officer
Vanuatu Investment Promotion
Authority

FINANCIAL STATEMENT

Profit & Loss Statement

January 2018 through December 2018

Income		
VERP Client fees		2,577,184.00
Other Fees -Photocopy		6,510.00
Miscellaneous Income		12,701.00
Government Grant		34,115,761.00
Total Income		<u>36,712,156.00</u>
Expenses		
General & Administrative		
Accounting & Audit Fees	292,100.00	
Advertising & Promotion	2,241,900.00	
Bank Charges	127,635.00	
Surcharges	3,200.00	
Freight Charges	76,525.00	
Insurance	62,100.00	
Legal Fees	2,840,200.00	
Licenses & Taxes	32,510.00	
Fuel Expenses	125,200.00	
Office Expenses	212,395.00	
Printing	491,910.00	
Stationery	326,724.00	
Operating Expenses		
Cleaning	3,900.00	
Water	17,512.00	
Electricity	604,953.00	
Repairs & Maintenance		
R&M Vehicle	263,926.00	
R&M Building	145,990.00	
R&M Office Equipment	199,678.00	
Payroll Expenses		
Salaries & Wages	18,660,073.00	
Salary refund	57,000.00	
Family (Child) Allowances	127,880.00	
Child Allowances arrears	119,600.00	
Housing Allowance	847,320.00	
Housing Allowance Recovery	-67,000.00	
Housing Allowance Arreas	1,017,200.00	
Home Island Passage	85,920.00	
Relocation Allowances	80,000.00	
Acting Allowances	1,632,566.00	
Acting Allowances - refund	24,494.00	
Acting Allowances recovery	-24,494.00	
Responsibility Allowance	391,000.00	
Provident Fund [VNPF]	747,949.00	
Medical Expenses	82,200.00	
Staff Annual Leaves	2,297,560.00	
Postage		24,950.00
Entertainment- Lunch - Refresh		291,115.00
Daily Subsistence Allowances		1,025,000.00
Meeting Allowances - Others		170,000.00
Board Allowances		633,000.00
Board Bonuses		80,000.00
Hire Facility		138,000.00
Hire Plants		72,640.00
Hire - Vehicle		76,000.00
Travel Expense Overseas		385,090.00
Travel Expense Local		834,930.00
Transport - Vehicle/Boat		<u>23,850.00</u>
Accommodation Hire - Overseas		186,881.00

Profit & Loss Statement

January 2018 through December 2018

Accommodation Hire - Local	133,200.00
Contribution Expense	2,034,154.00
Staff Training	401,616.00
Translation Expenses	2,500.00
Telephone	327,250.00
Internet Subscription	667,518.00
Phone Subscription	53,130.00
Total Expenses	<u>41,708,450.00</u>
Operating Profit	<u>-4,996,294.00</u>
Other Income	
Other Expenses	
Net Profit / (Loss)	<u>-4,996,294.00</u>