



# IPA Vanuatu

CORPORATE  
ANNUAL REPORT

**2014**



*THINKING INVESTMENT – CHOOSE VANUATU*



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## Chairman's Statement



Our customers who have been granted foreign investment certificates (FIC) have often tell me that they are happy with the investment servicing they receive from VIPA. Prove of this reflected in this annual Corporate Report - presenting our actions and progress in 2014 toward our vision of being the “Best in the Pacific in coordinating and creating a favourable investor-responsive and welcoming environment for foreign direct investment”.

We ensure our ongoing commitment to the Vanuatu Government as mandated by the VIPA Act NO 15 of 1998. And by using our core values of *Customer focused; Outcome driven; Transparency, Efficiency and Accountability; Professionalism & Networking, Teamwork and Employee Empowerment*, we are able to serve our customers more efficiently.

Our efforts have resulted in an increase of 17 percent in the number of new FDI applications received and approved in 2014. Between 2008 and 2013, the trend of FDI has been very sporadic maintaining a downward trend averaging 4 percent.

While we are proud of our accomplishments in 2014, there are yet ongoing challenges the VIPA Board needs to consider; (i) the increasing regulatory requirements for doing business in Vanuatu are not helping VIPA in its promotional efforts at all. A clear evidence of this as a deterrent to FDI is the worsening performance in ranking of Vanuatu in the “Ease of Doing Business” –a regular report produced by the World Bank; (ii) the limited resources available to VIPA for effective promotion and marketing means the VIPA Board must seek alternative sources of revenue.

We take our corporate responsibility very seriously while at the same time firming up synergies with our key stakeholders. I am also proud of how the VIPA staff have demonstrated professionalism and transparency in their daily operations which contribute greatly to boosting confidence in the business community.

I invite you to explore in detail this corporate report to learn more about our performance in our own operations and for our customers, our growing number of partnerships with line agencies and private sectors. We welcome your feedback to: [investment@vipa.org.vu](mailto:investment@vipa.org.vu)

A handwritten signature in purple ink, which appears to be 'L. Kaluat'. The signature is fluid and cursive, written over a white background.

**Mr. Lionel Kaluat**

Chairman

Vanuatu Investment Promotion Authority

## Message from the CEO



Dear Readers,

Welcome again to our 2014 corporate report which we maintain as one of our key flagship products. More and more, the Government has pursued programs aimed at contributing to expanding its revenue capacity. We believe capital inflow through foreign direct investment (FDI) is one of the best option as it is more resilient to external shocks and delivers rapid economic growth.

We present our performance throughout the year against our strategic objectives; the progress made and how we have responded to challenges encountered during the year.

I commend our Board of directors and key stakeholders for the continuous support to ensure VIPA maintained a positive outlook in its promotion and facilitation role despite domestic disturbances.

Dedication, responsiveness and professionalism demonstrated by the staff in the services they provide to our customers have been exceptional. A demonstration of this appreciation is the level of re-investments made by existing investors. Over 80 percent of existing FDI have undertaken variations of their businesses.

We are grateful that 2014 has been a successful year for the Vanuatu Investment Promotion Authority (VIPA). The number of new FDI project applications registered increased 17 percent compared to the previous year.

But the need for policies to embrace FDI into Vanuatu to support the call for an enabling business environment remains a challenge. We believe this can best be achieved through effective and coordinated approach with relevant Government line-agencies and other key stakeholders.

I am sure you will find this report useful and should you have any comment or feedback, please do not hesitate to contact us: [investment@vipa.org.vu](mailto:investment@vipa.org.vu)



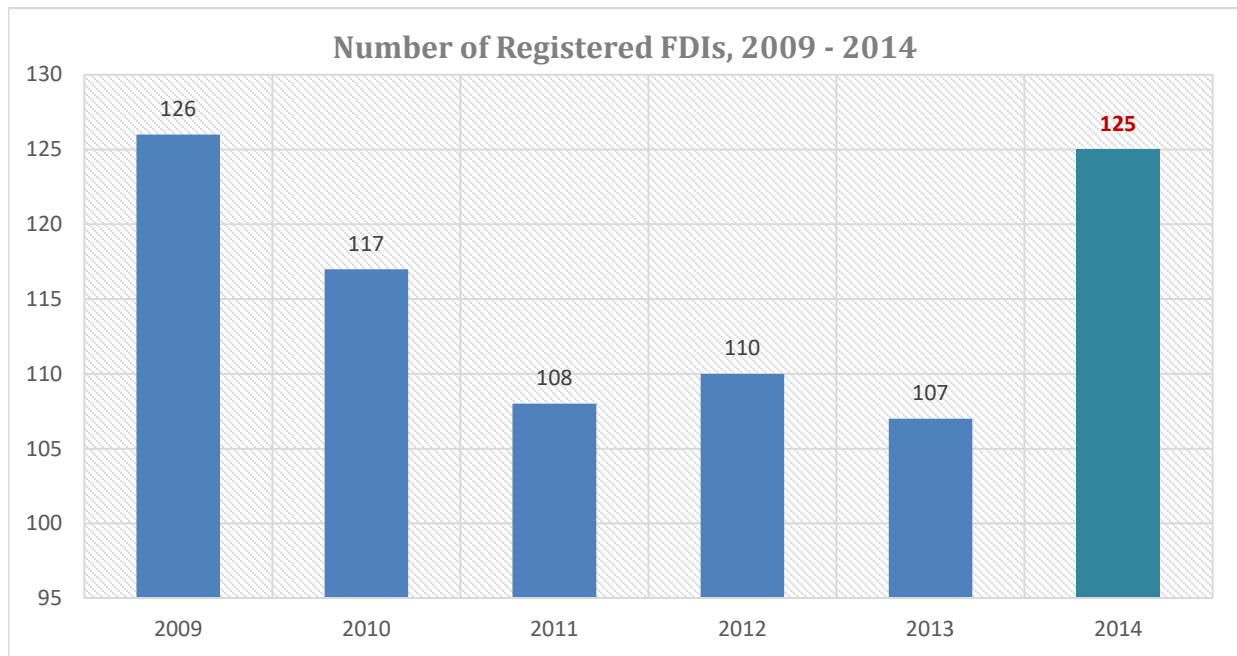
**Mr. Smith TEBU**

Chief Executive Officer

Vanuatu Investment Promotion Authority

# HIGHLIGHTS FOR THE YEAR

## 1. NUMBER OF NEW FDI'S REGISTERED INCREASED 17 PERCENT.



With the 125 registered new FDI projects:

- 900 job opportunities will be made available to locals
- With total investment values close to 6 Billion vatu.

This increase is in line with the country's economic growth of 3.5 percent for the year and described in the ADB's report [[www.adb.org/countries/vanuatu/economy](http://www.adb.org/countries/vanuatu/economy)] as the fastest rate since 2008.

## 2. TURN OUT RATE OF FIAC RENEWALS WAS 70 %

Measures taken to improve VIPA's aftercare services resonates very well as reflected by the renewal response rate. Although this rate is lower than that of previous year, it is considered high reflecting the good working relationship VIPA has with the FIAC holders.

## 3. VIPA STRENGTHENS ITS OUTREACH PROGRAM

Over twenty meetings have been convened at the VIPA office with different stakeholders during the year. Discussions are held either on a one-one-one basis or in teams. A classic result of such effort was the development of an MOU between VIPA and the VNPF.

Boosting synergies between its strategic partners is one of VIPA's long term strategic objective to enhance its facilitation role.

#### **4. VIPA BOARD ACTIVELY PARTICIPATES IN SOURCING GOVERNMENT REVENUE INITIATIVES**

The VIPA Board has been an active member in designing and promoting the two new Government revenue initiatives:

- Permanent Residency Program (PR)
- Capital Investment & Immigration Program (CIIP)

Both initiatives have contributed significantly to the Government's revenue.

#### **5. VIPA ESTABLISHES REGIONAL OFFICE IN LUGANVILLE**

VIPA's presence in the northern part of the country is a significant achievement. VIPA's permanent presence in the sub-national areas is a key strategy in its current long term investment strategic plan (ISP) aimed at enhancing its aftercare service and FDI advocacy programs.

Manning this office has been on a rotational basis using existing staff. VIPA management is looking at recruiting a permanent staff to be based in Luganville.

#### **6. VIPA HITS TARGET IN FIAC PROCESSING AND PREPARES FOR FURTHER IMPROVEMENT**

For 5 consecutive years VIPA has been hitting its target timeframe of 15 working days in processing FIAC. This has been a recommendation from the stream lining exercise undertaken by the IFC in 2009-2010. VIPA is optimistic the timeframe can be further reduced to 8 – 10 working days.

#### **7. VIPA BOARD SUCCESSFULLY IMPLEMENTS MINISTERIAL D2 POLICY DIRECTION**

The policy direction was to put a temporary hold on all D2 or Wholesale and Retail business activities until the VIPA Act is approved by parliament and has been positively addressed through;

- Establishing a definition for the "speciality shop" and granted approval by the SLO. The definition is now in use
- Agreeing on a number of alternatives for the Board to implement.

## Operations Overview

### Corporate – Surviving the hardest time ever

Performing against the background of economic slowdown due to Global Economic Crisis (GEC) has not been easy for VIPA. But this is not the only cause for the tough road. Prevailing conflicting domestic policies, structural rigidities and the inability to embrace recommended strategies and operational best practice in investment promotion and facilitation contribute a big part.

There have been two attempts to repeal the VIPA Act. The first attempt was made as part of the then Government's 100 –day plan. The second was a deliberate call by the new Industry Development Bill (IDB) to take on the role of VIPA when it was developed. Both calls have created tons of negative perception and confusion among the existing and potential investors.

During the same period, the Government has also issued the VIPA Board a policy direction to temporarily cease wholesale and retail trade business activities to foreign investors – a decision perceived as *"restricting FDI's"*.

And the enactment of an "Industrial Permit" as a regulatory requirement for all existing and potential investors in value adding industries made industry owners to react very strongly to the Government and a number of them declared relocating their business to other countries.

Despite serious domestic encounters, VIPA's operations remain steady. Like other government departments, VIPA staff have delivered for Vanuatu at a time when resources have been under pressure and economic challenges prevailing. And the staff at VIPA continue to be proud ambassadors for the country at home and abroad.

The VIPA Board, VIPA's network of partners and the private sector in general have been very supportive during this tough period. The monthly meetings held by the VIPA Board have constantly

### 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

provide the assurance and guidance VIPA management needs. And private sector representatives consulted on an individual basis have been so helpful through genuine advices they offer.

These excellent collaborations between VIPA and its stakeholders have contributed to the results achieved as presented in this annual report.



**Mr. Willie Sacksack, Investment Officer – guiding participants in one of VIPA's workshop**



# 1

## Vanuatu's single value proposition continues to deliver



Vanuatu's value proposition to global investors and corporates as a "Tax Haven Country" continues to resonate. Proof of this is reflected in the strong FDI results in 2014 – an increase of 17 % over the previous year. This result was very much building on concerted efforts by VIPA and its strategic partners in attracting and winning FDI to Vanuatu. Sound fiscal and monetary policy ensured by the government and the reserve bank of Vanuatu have greatly supported these efforts as safe-guards during the difficult years of the global financial crisis.

2014 saw a total record of 215 new FDI project approved by VIPA, showing an increase of 16 % over 2013. These new projects have proposed to create up to 900 employment opportunities for local citizens. The total investment value has increased to reach the 2012 proposed level, recording the first increase since 2011, up 41 % over the previous year.

There were notable highlights across a range of important sectors. Worth noting is the number of new manufacturing projects that have shown to almost doubled (up 90 %). This is very encouraging as such increase is directly in line with the Government's value addition policy. Significant increases were also noted in the "finance & insurance activities" and "arts, entertainment & recreation".

If there is one thing other than the country's value proposition that VIPA staff and its Board can proudly claim for success in 2014 is the "*Level and quality of Partnership Programs VIPA has with its stakeholders* "

Ensuring effective and quality synergies with key stakeholders is one of VIPA's key strategies aimed at enhancing the enabling business environment through a coordinated approach. Given that the FDI market has become more competitive and strategies they employ is constantly changing, VIPA must actively engage with the private sector and government agencies involved in facilitating FDI to create that enabling environment conducive to foreign direct investment.

A number of different activities were undertaken in pursuing this partnership program.

- **Networking Committee** – is composed of heads or representatives of Government Departments involved in FDI facilitation. This committee meets every quarter discussing FDI related issues and agreeing to find solutions to problems if any. But the whole idea of this networking committee is to improve the "business start-up process".
- **Workshops** – two workshops have been conducted. The first was a SWOT workshop where key selected stakeholders were brought together as part of VIPA's consultation for its Investment Strategic Plan (ISP) and the second workshop focussed on service providers – those business involved in helping investors by doing all the administrative work for them. The workshop was basically to raise awareness of the service providers about the VIPA processes and requirements.
- **One –On-One basis** -

Despite the difficult years of global financial crisis (GEC), Vanuatu's single value proposition – *friendly tax regime*, continues to deliver.

While this impressive performance is in line with global trends, a strategy that VIPA can claim having co

Compared to post GEC where the level of new FDI has been declining, the marks a new milestone in VIPA's endeavour to increase the level of FDI in the country.

Key strategic activities in such efforts include but not limited to:

#### **A. Strengthening of partnership programs**

VIPA regards establishing "*effective partnership programs*" with key stakeholders as very crucial to sustain FDI growth in Vanuatu.

As shown in the photo (right), there is very strong connection between VIPA and the private sector. The private sector is keen to know of the amendments made and the extent at which the VIPA act has changed following its revision

Conducting FDI awareness to both private and Government representatives either on a one-on-one basis or as group has been a key activity for VIPA. From our records, there has been over 20 of such meetings conducted during year 2014. Areas such as ensuring relevant and timely information are made available and introducing new incentives are common issues during the discussions.

## B. Demonstrating responsiveness

These new FDI projects will benefit the Government and its people through

## **Investment Promotion and Facilitation:**

**Investment servicing has set a milestone this year through “maintaining well what you already have’ strategy.**

1. Interchange Vanuatu Limited
2. Professional Diving Services
3. Tanna Coffee Visit
4. Santo Palm Oil Visit
5. Achieving the FIAC processing target timeframe and now gearing for a shorter processing period.

## **Investment Trend**

1. Number approved
2. New ones approved

3. Number of employment created
4. Geographic distribution change

# 2

## We ensure integrity in the services we deliver

### Operational Overview

Performing against the background of economic slowdown due to Global Economic Crisis has not been easy for Vanuatu given its already existing economic disadvantages such as small market, isolation to international markets and poor transport infrastructure and service. And prevailing poor domestic policies, structural rigidities and lower productivity, and above all the inability to embrace recommended fdi best practices made 2013 a very difficult year for the VIPA.

As shown in fig 1.0 below, although fdi inflows to Oceania increased (up 6 percent) in 2012, there is little evidence to show that Vanuatu did benefit from this.



The number of new fdi projects approved remained lower than that of the previous year, reflecting the slower growth in global economy however, VIPA's normal operation has been more disturbed by internal issues considered unfavourable to fdi. For example (i) **repeal of the VIPA Act** - This was one of the activities in the 100 day plan for the new Government. Indeed this did cause a lot of confusion and uncertainties to potential investors.

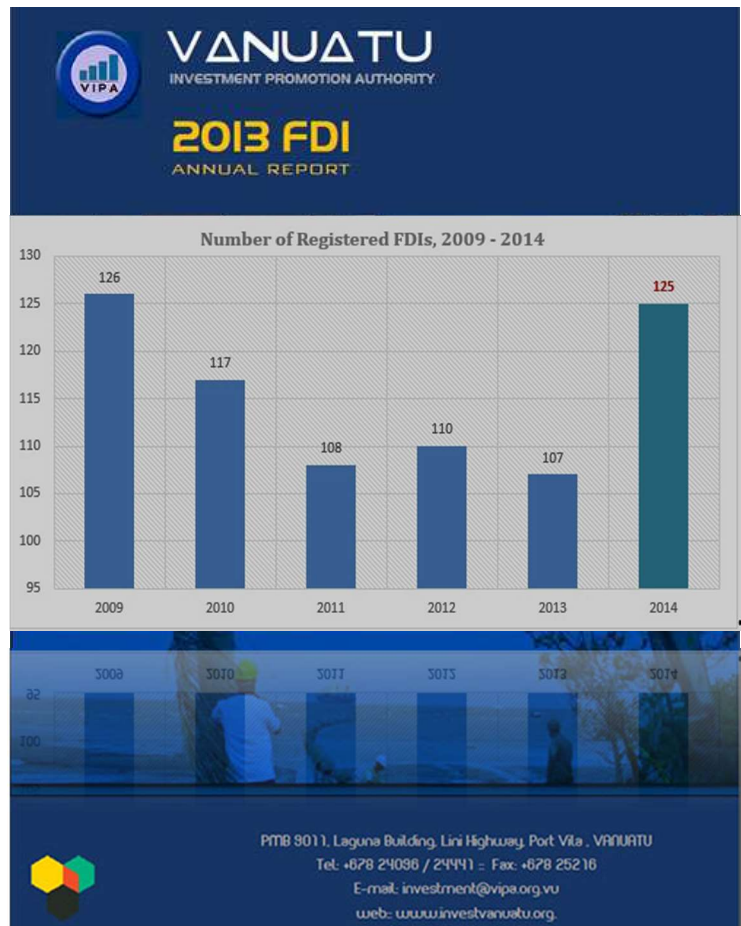
Despite unaccommodating findings and recommendations to the repeal by a Commission of Inquiries comprised of 4 local experts, there has been ongoing attempts to achieve this call. A classic example has been the development of the Industry Bill that explicitly called for the abolishment of the VIPA ACT.

# 3

## Ensure provision of timely information for informed decision making

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# 4

## Capacity building takes priority amongst other activities

(ii) **Restricting Foreign Direct Investments** - The policy direction issued by the Government to put a temporary hold on all D2 or Wholesale and Retail business activities until the VIPA Act is approved by parliament has made life really difficult for VIPA. A lot of concerns have been raised by new and existing clients while VIPA continues to struggle to have a definition for a “specialty shop” as an alternative in addressing this policy direction.

A lot of applications have been either turned down or withheld which further contributed to the decline in the number of new fdi.



But VIPA’s Partnership Program remained solid.

### VIPA Overseas Representations

#### Investment Promotion Missions

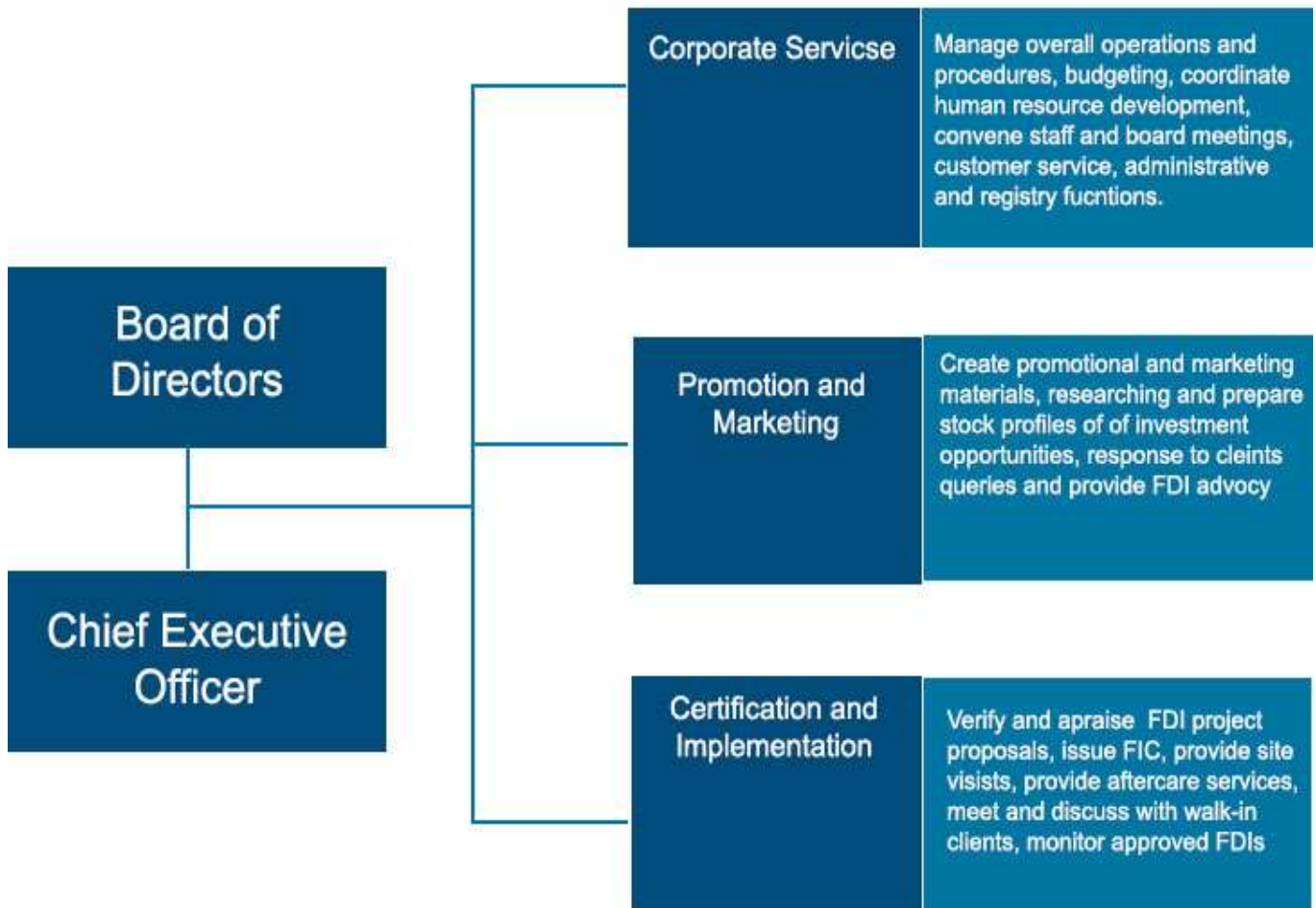
1. Australia –Vanuatu Business Forum (in Brisbane)
2. Wik Blong Vanuatu





## VIPA Team

### Organization design



### Corporate Services

Comprised of four staff and headed by the Chief Executive Officer, this division is responsible for the overall day-to-day management of the office, budget preparation, financial forecast, administration and first reception of customers and ensures VIPA office remains clean and tidy at all times.

### Promotion and Marketing

Headed by the manager, this division is responsible for the overall marketing and promotion of FDI into the country. This includes preparation of project profiles, attending trade fairs, production of promotional materials, production and distribution of FDI reports. The division is comprised of three staff with its key

component of a *'Research section'*. This has been a recent development as a result of VIPA's restructure recently undertaken.

This division handles all incoming inquiries (investment related), and maintains VIPA's Internet website.

## **Certification and Implementation**

The division currently comprised of three permanent staff deals with the assessment and appraisal of Foreign Direct Applications for 'new', 'variation' and 'renewal' projects, attends and responds to queries from existing clients, undertakes site visits and assists clients with disputes and other related problems.

A common check which the division performs once or twice a year is ensuring that existing foreign businesses owners meet VIPA's requirements and comply with all appropriate Vanuatu laws.

## **Corporate objectives**

As mandated by an Act of parliament, the Vanuatu Investment Promotion Authority (VIPA) was established to expeditiously facilitate, promote and foster foreign direct investment in Vanuatu. This can be achieved through:

- Effective promotion and facilitation investment in Vanuatu by foreign investors
- Provision of an efficient, effective and transparent system for appraising and approving investment proposals by foreign investors
- Promoting investments by foreign investors that will materially benefit Vanuatu and its people by:
  - Contributing to sustainable economic growth; and
  - Creating employment; and
  - Utilising natural resources and, in particular renewable resources, and
  - Increasing the volume of exports
- To facilitate and expedite investments through the Government
- To provide timely information on fdi trend and other issues for better understanding of fdi developments in Vanuatu.

## **Leadership Team (board composition)**

As mandated by the VIPA Act, the Board is to perform the functions, exercise the powers and direct the affairs of the Authority. In so doing, the Board must have regard to any directions given by the Minister responsible for VIPA.

The current Board members consist of the following:



## Outlook

As reported, Vanuatu's performance in 2014 has been very impressive. However, in order to build on this success VIPA must constantly seek and engage in new promotional and facilitation approaches. Vanuatu's friendly tax regime has been and remains VIPA's unique selling proposition. But this is only one driver for inward FDI. There is a need to further develop Vanuatu's value propositions.

VIPA will be more disciplined and focused in promoting and facilitating FDI when its long term investment promotion strategic plan (IPSP 2015 -2019) is finalised. This first ever promotional tool will enable VIPA to be more strategic and ensure resources are devoted to areas considered as priority and support the Government's national priority agenda. A key strategic objective in this plan is the need for more effective synergies between key stakeholders to support the Government's commitment to creating and an enabling environment for business. And by fully utilising Vanuatu's foreign-based embassies or consulates and other international and regional networks, FDI inflows to Vanuatu will continue to grow.

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.

## Financial statement