



ANNUAL REPORT 2020

Vanuatu Foreign Investment Promotion Agency

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MESSAGE FROM THE VANUATU INVESTMENT BOARD

It is a pleasure and an honour to present the Annual Report of the Vanuatu Foreign Investment Promotion Agency (VFIPA) for the year 2020. This report is the first due under sec. 66 of the Foreign Investment Act no. 25 of 2019 and it has the purpose to outline:

- a) the administration of the Act during the financial year; and
- b) the carrying out of investment activities by foreign investors in Vanuatu during the financial year;

taking into account the Annual Survey received from the foreign investors under section 33 of the Act.

This Board was established at the end of April 2020 under the provisions of the new Act. Coming into office at the start of a world pandemic and a declared State of Emergency, the Board has soon established a strong and genuine cooperation between its members from the Public and Private Sector, guiding the Agency through the uncharted waters of a health emergency and an economic crisis never seen before, with commitment and leadership.

The Agency has continued on the efforts and achievements of the previous Board by:

- I. Implementing the VIPA Corporate Plan 2020-2024;
- II. Giving effect to the new Foreign Investment Act no. 25 of 2019 (FIA) and implementing the National Investment Policy Statement (NIPS);
- III. Engaging the review of the NIPS and the drafting of a Foreign Investment Promotion and Marketing Strategy, to facilitate and encourage new and targeted investment in Vanuatu, helping in the economy recovery;
- IV. Working closely with Private Sector key partners like the Vanuatu Chamber of Commerce and Industry (VCCI), the Vanuatu Financial Centre Association (VFCA) and the Vanuatu Hotel and Resorts Association (VHRA) as well as the NDMO on issues of great relevance during the Covid 19 emergency;
- V. Improving the Agency services and information delivery through fast registrations, new organisation structure, site visits, enhanced ICT and a regular newsletter.

Under the guidance of the newly appointed CEO Mr Howard Aru and the Chairman, DG of the Ministry of Trade and Industry, Mr Roy Mickey Joy, the Agency has had a pivotal role, together with other relevant stakeholders in both the Public and Private sectors, in crucial events, reforms and regulations including:

1. the Vanuatu National Business Forum (NBF);
2. the establishment of the High-Level Leaders Meetings (HLLM);
3. the introduction of the “Remote Workers” VISA;
4. the reform of the Land Laws;
5. the consultations on “reserved occupations”
6. the EDZ in Santo and further reform;
7. the work on online registration and regulations for the FIA with the assistance of ADB promoted by our Hon Minister Mr James Bule;
8. ongoing policy advocacy in support of Foreign Direct Investment (FDI).

With the support of the VFIPA excellent management and staff team, the Agency has greatly improved on efficiency, visibility and above all, close cooperation with other key departments including Labour, Immigration, Inland revenue and Provincial Councils.

In times of crisis like the global pandemic of 2020, this close cooperation and flexibility has proven to be not just necessary but essential to take fast and yet cognitive and responsible decisions to assist existing investors in their need to diversify and maintain employment and income, while struggling to survive.

The FIA has switched the approach to new foreign investments from “approval” to “registration”, greatly reducing the processing time of new applications and variations as well as freeing time for Agency’s officers to focus on after care, check on compliance and marketing to attract more investment.

The results of the Agency hard work and commitment during the past challenging year are shown by the reasonable level of new investments and variations registered during 2020, despite the pandemic. This has contributed to maintaining good employment levels, also assisted by the Vanuatu Government and Donors stimulus packages and grants.

For 2021 VFIPA is committed to its role of “promotion” Agency to attract new and relevant FDI. The focus will be on the completion and implementation of a new Foreign Investment Promotion and Marketing Strategy in line with the NIPS and on working closely with Immigration to remove the current residency restriction and allow and welcome new investors to enter and reside in Vanuatu.

The Board would like to thank the Vanuatu Government and our Minister for the continue support, and encourage them to constantly review and facilitate an enabling regulatory environment for existing and new foreign direct investment, especially in view of the Country economic recovery and need to develop in a highly competitive and technologically advanced world.

We also would like to praise the excellent work of our staff, CEO and Chairman, especially wishing Ambassador DG Joy, currently overseas for medical reasons, a speedy recovery and return home.

Francesca Grillo
Deputy Chairlady
VFIPA Board

CEO'S REVIEW OF OPERATIONS

2020 Annual Report

This is the first Report under the new Foreign Investment Act No. 25 of 2019, passed by Parliament in November 2019 during which the old 'Vanuatu Foreign Investment Promotion' Act [CAP 248] was repealed. The key difference between the repealed Act and the new one is that the former was predominantly focused on investment 'Approvals' whereas the new FI Act follows a new policy direction toward investment 'Registrations' within 15 working days per the provisions of section 41 of the FI Act. The whole intention of all these changes is to help fast-track foreign direct investment (FDI) proposals at establishment phase with the hope of helping to better and more efficiently facilitate FDI in the country.

The new Act also changed the agency's name from the 'Vanuatu Investment Promotion Authority' (VIPA) to the *Vanuatu Foreign Investment Promotion Agency* (VFIPA). The Act also slightly changed the composition of the governing Board of Directors as you will find in this report.

In adhering to the provisions of section 66 of the new Act, this Report highlights key aspects of the Administration of the Act during the 2020 financial year as well as the investment activities carried out by foreign investors in Vanuatu during the same period. The report also highlights other key achievements made during 2020, and provides an update on the annual survey results received for the first time as part of section 33 of the new FI Act.

Besides the above major legal changes, you will find in this report normal general statistical information, graphics and FDI trends depicting the number of foreign investment registrations, volume of investments received, the economic sectors involved, location of such investments, number of jobs created locally and the source markets for those investments.

Outlook

Despite the challenges VFIPA has continued to face, these have not dampened our spirits. Since July 2020 VFIPA has embarked on a number of overdue vital institutional reforms aimed at repositioning the agency to better deliver on its mandate and functions under the new Act and more so the 'new economy' imposed on us by Covid-19. These reforms are outlined within this report.

Furthermore, FDI interest in Vanuatu has not been lost altogether, and this is testament to the number of continued approvals that the Agency has recorded per quarter although the numbers may be small. The key investment trend that the Agency and the country will notice has been the continued diversification of investment activities by various businesses to adjust their operations to fit this new normal of doing business. This is a sure sign of opportunities that the Agency together with key government departments can tap into to work together to foster the business interest in Vanuatu. This can be through key reforms that should be undertaken to help Vanuatu's drivers of economic growth to continue to invest and reinvest in the country.

I trust you will find the report informative as we keep holding our heads high amid the prevailing global crisis. In closing I sincerely thank the national Government, all our donor partners (making specific mention of the Australian Government's Governance for Growth program) and our governing Board for its trust in the Management Team I have been privileged of leading since re-joining VFIPA as CEO in June 2020.

.....
Howard Aru
Chief Executive Officer
VFIPA

CORPORATE DIVISION REPORT

Schedule of VFIPA Board Meetings

Under section 8 (1) of the new Foreign Investment Promotion Act “The Board is to meet at least 4 times in a year and may hold such other meetings as is necessary for the proper performance of its functions under this Act.” The new Act was designed in line with best practice for IPAs around the world where the Board is focused on policy matters, while the CEO takes care of Management and Operations in line with the policy directions of the Board as per the national Governments overall policy on FDI as enshrined within the National Sustainable Development Plan (NSDP or ‘The People’s Plan’ 2015-2030). The quarterly approach to Board meeting timings also reflects the change in the mandate of the agency from the previous Board ‘Approvals’ of projects to CEO ‘Registration’ of projects (new FDI or variations).

The new Board held its first meeting on Monday 27th April 2020, a month after the onslaught of Covid-19. At that Board meeting the outgoing Chairman Mr Collins Gesa handed over the Chairmanship role and briefing notes to the incoming Chair DG Roy M Joy. The new Board elected Ms. Francesca Grillo as Deputy Chair. The new Board also decided on the need to meet regularly ‘due to the current abnormal situation and pressing issues that need to be addressed urgently’ as imposed by the pandemic.

Five other meetings were thus held in 2020, as summarized in the table below.

Date	Month	Location
Friday 19 th June	June	VIPA Board Room
Thursday 9 th July	July	VFIPA Board Room
Thursday 27 th August	August	Francesca’s Beach Club
Thursday 5 th November	November	Hibiscus Room, The Melanesian Hotel
Thursday 17 th December	December	Aquana Beach Resort, South Efate

The Board, at the recommendation of the Chairman in his capacity as DG Tourism, resolved to hold some of its meetings outside of the normal VFIPA Boardroom simply to provide a bit of support to the tourism industry which has suffered enormously from Covid-19.

Summary Achievements of VFIPA for the Year

The new Board Chairman DG Joy and his team formally took up office after 27th April 2020 following the official handing over session by the outgoing Board. In his handover notes the outgoing Chair Mr. Collins Gesa presented a list of items/achievements by the outgoing Board together with the VFIPA Management team. These include:

- A. Draft Vanuatu National Investment Policy Statement (NIPS)
- B. Foreign Investment Promotion Act N0 25 Of 2019
- C. Corporate Plan 2020 - 2024
- D. Draft VIPA Internal Finance Policy
- E. VIPA Audit Reports (2017-2018)
- F. VIPA Annual Report 2019
- G. Minutes of Previous Board Meetings [Signed]
- H. All VIPA legal cases he was aware have been dealt with

Further to the abovementioned settlement phase, the new Board finally recruited a new CEO on 23rd June 2020 after a difficult period since November 2016 without an officially appointed CEO to Head the agency. Following the appointment of the new CEO, he and the Management embarked on a number of reform activities over the following six months leading up to the closure of 2020. These are briefly outlined below.

Clear-The-Deck

Filing and tidying up of several hundred files of unimplemented/pending projects needing to be properly closed and archived to tidy up VFIPA's database. This exercise took over four months to complete.

Diagnostic of ICT Infrastructure

It was necessary to undertake this exercise with a view to help position the agency where it can better deliver on its work post-Covid-19. We purchased new hardware and software to strengthen operations.

Lawsuit imposed by former staff Mr. John Avock Mahit

VFIPA was confronted by a legal challenge worth around 9 million vatu by Mr Avock. Our very close collaboration with VFIPA's lawyers eventually saw this case dismissed by the courts.

Online Registration Process

The Hon Minister of Trade Hon James Bule wrote to the ADB's PSDI office in Sydney to seek support for this very important project. Once the various technical issues have been resolved, VFIPA will advance with the project's implementation with the hope of bringing it to fruition by end of 2021 or early in the first quarter of 2022.

National Business Forum (NBF)

VFIPA proactively participated in the pre-event preparations leading up to and during the NBF. The outcomes of these resulted in the establishment of the regular High Level Leaders Meetings (HLLM) which formed a crucial platform for ongoing consultations into 2021 between the private sector and our national leaders. The HLLM is co-Chaired by the Hon Prime Minister and the President of the Vanuatu Chamber of Commerce (VCCI).

Salvaging of Major Investments

The CEO worked very closely with the Government and the Board to salvage a number of major investors that had issues with certain government agencies. Mutual understanding through intensive negotiations was reached and we've managed to safeguard these investors/investments so they can continue to contribute to the country's economy during these very difficult times.

Investment Promotion & Marketing Strategy

During the final quarter of 2020 the Board and Management team commenced on the groundwork preparations toward this very important task. This work included the preparation of terms of references (TORs) and further discussions to shape our approach to the entire strategy leading into the New Year (2021).

Remote Workers ('Digital Nomads')

The Board flagged this very important initiative to the CEO and Management with a view to help bring in new money into the economy. We commenced immediate consultations to seek support for it. Further discussions, consultations and support at Ministerial/COM levels will be sought in the New Year to bring it to fruition. The signing of the Order was made on 28th April 2021 with further amendments to be done before the scheme is operational.

Policy Advocacy in support of FDI

Intensive work had to be undertaken to advocate for recognition and protection of our existing and new investors and to provide a more conducive and enabling environment for FDI in the country. We utilize various avenues to voice these important points and further advocacy work will progress into the New Year on this front.

Company Visits / Investor After-Care

The CEO and staff undertook various company visits to listen to some of our key investors (both foreign and local) in order to solicit support for them and thus help them expand to grow the economy in a very challenging economic climate.

Publicity and Visibility

VFIPA produced two newsletters during the final half of 2020 with the aim of improving on news dissemination and increasing the visibility of the agency's work to the overall economy.

Land Law Reform work

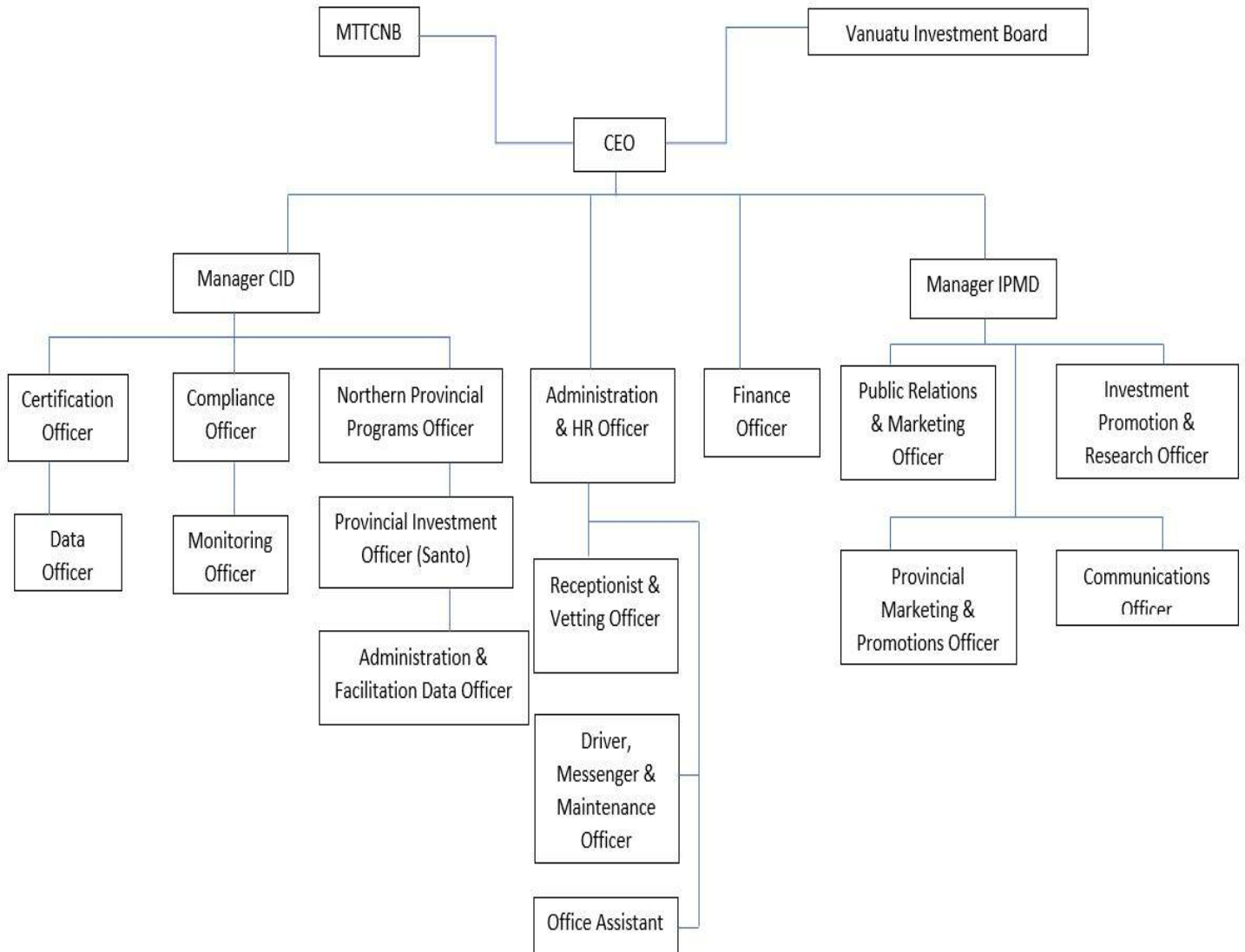
VFIPA has worked very closely with the Government's appointed Land Laws reform consultant Mr. Russel Nari so we understand the proposed changes in order to promote those to foreign investors once passed by Parliament. The reformed laws are due to go before Parliament in the November 2021 sitting.

Reserved Occupations

VFIPA has advocated very strongly in numerous forums and in the wider media on the need to be mindful of 'Key Positions' within foreign investments. The recommendations of VFIPA and other stakeholders were taken in due consideration and the list was amended on 22nd April 2021.

Organisational Structure update

VFIPA's Organisation Structure was updated to assist the agency to place required staff that were on uncertain contracts, on permanent posting so they enabling them to more effectively focus on the work required.



Administration and Human Resources

The VFIPA Board appointed a new CEO in June 2020 after 3 long years of officers serving on an 'acting' basis. The VFIPA Board composition has also changed as part of the new FI Act to include private sector representatives.

In November 2020, a new Organisation Structure was introduced after several weeks of review and consultations. As part of this exercise additional positions were added to the structure to accommodate future recruitment of needed officers for the increasing workload.

As part of aftercare service to the investors, VFIPA has expanded its office to northern town. The sole officer in Luganville was previously housed by the Department of Customs and Inland Revenue.

INVESTMENT PROMOTION & MARKETING DIVISION

Facilitation

Investment facilitation has been and remains a key focus for the VFIPA in 2020. The covid-19 outbreak and the crisis it has caused, has affected the dynamics of businesses and has directed the attention of the Agency to realign its focus with more emphasis on facilitation than ever before.

With relevant and timely information provision, Aftercare services were also an important activity the IPMD has undertaken over the year.

Exemption of foreign investment application fees

In line with the Government's decision to exempt all licenses and permit fee for businesses, the Agency informed all Foreign Investment Certificate holders that fees for "New, Variation and Annual Survey Applications were exempted in 2020.

Not only is this policy measure made to comply with the Government's decision, but a practice applied globally by IPAs as part of their facilitation role to assist national Government's sustain business operations due to the covid-19 crisis.

Revamping the Agency's website for relevance

Due to global border restrictions, the need for foreign investors, both existing and potential ones to be timely made aware of relevant information is crucial. Therefore, making sure the Agency's website (www.investvanuatu.vu) is truly the first point of contact, represents the face of the Agency for investors, and provides an important, professional, first impression.

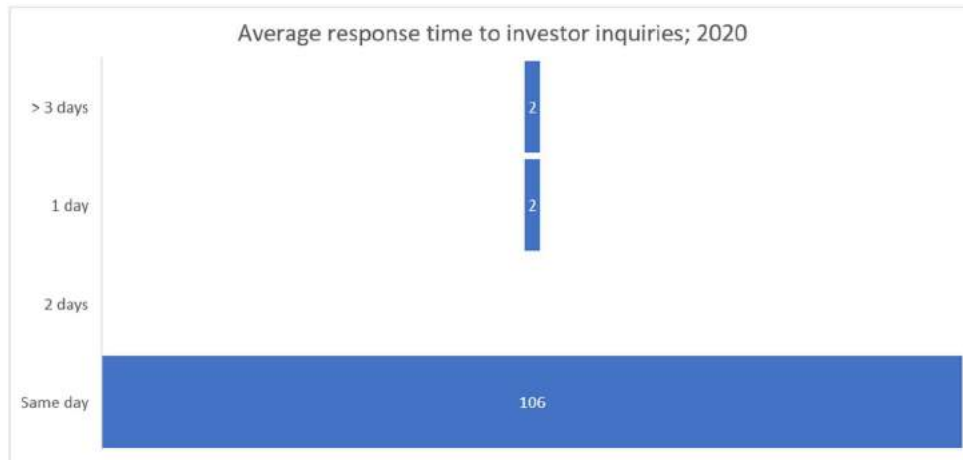
The IPMD's efforts to achieving this goal involved a number of activities. First the website has undergone a full face-lift by changing to a new theme altogether. A dedicated webpage containing contacts for key staff containing names, telephone numbers and email addresses to allow for quick and easy contacting by investors.

The screenshot displays a webpage titled "VFIPA Covid-19 updates and related news". It features several news items and related information links:

- Covid-19 Travel Restrictions:** A news item dated April 23, 2021, titled "Travel Restriction Lifted". The text states: "Release from isolation On 06th March 2021 two (2) new active cases of COVID-19 were confirmed in Vanuatu. One was...". A "Read More" button is visible below the text.
- Coronavirus updates:** A news item dated April 20, 2021, titled "NEW COVID-19 confirmed case". The text states: "Efate Island Temporary Restriction: Due to a new COVID-19 positive confirmed case found in a deceased person on Saturday 17th...". A "Read More" button is visible below the text.
- COVID-19 BUSINESS NEWS UPDATE:** A news item with a red and white header.
- QUARANTINE COVID-19:** A news item with a yellow and black header.
- Related Information:** A section on the right side of the page containing two links: "Covid-19 Frequently asked questions" (with a megaphone icon) and "Factsheet on social distancing" (with a document icon).

There's also a dedicated webpage on up-to-date information regards covid-19 news including Government's prevention and containment policy measures. Our contents have also been improved and expanded particularly on key pages such as sectors and industries, opportunities and setting up of business processes.

Making sure the Agency's website is effectively maintained and presenting relevant and accurate information for informed decisions by the investors will remain a priority for the IPMD.



Aftercare services

Selected FDI companies visited

2 FDI companies have been visited during the year. They were Vanuatu Brewery Limited and Vanuatu Beverage Limited. Both companies were long time FDI companies in the countries and the choice of selecting them for a visit was more know how each business are operating, the challenges they faced and their expectations of support from the Government. But more so, given the Tourism industry was damaged by covid-19, whether owners of both companies see any opportunity for diversification which the VFIPA may be able to assist with.

The announcement of the Vanuatu Water Limited exporting its products to Shanghai, China is good news to the Agency. This is a classic example of this service and will be expanded to other FDI sectors having the potential to diversify.



VFIPA Staff and Vanuatu Brewery GM

CERTIFICATION & IMPLEMENTATION DIVISION

Implementation of the new Foreign Investment Act

The new Foreign Investment Act No. 25 of 2019 became effective on 15th January 2020. This repealed the Vanuatu Foreign Investment Promotion Act CAP 248.

The new Act places emphasis on policy and focuses primarily on investment registration. Key provisions around investment registration includes timely processing of all applications received together with regular monitoring and compliances of registered foreign investments as important activities that have to be undertaken by Vanuatu Foreign Investment Promotion Agency (VFIPA) to ensure that registered foreign investors are implementing their registered investment activities within reasonable time frame in adherence with the principles of the Foreign Investment Act and the laws of the country.

As part of the implementation of the new Act, VFIPA accomplished the new foreign investment application forms through Ministerial Orders regulating the three types of its form- New, Variation and Annual Survey including the respective application fees,

Still, more commitment and efforts have to be demonstrated by VFIPA team towards the development of the Foreign Investment Regulations to effectively implement the new Act.

Monitoring & Compliance Activities

VFIPA took part in one of the most extensive joint monitoring programs during the year visiting 108 businesses altogether in Port Vila and certain areas outside Port Vila. This activity is initiated by the Labour Department & Employment Services and comprised the Vanuatu Foreign Investment Promotion Agency (VFIPA), Department of Immigration & Passport Services, Vanuatu National Provident Fund (VNPF), Vanuatu Financial Services Commission (VSFC), Department of Foreign Affairs & External Trade, Vanuatu Citizenship Office and the Department of Customs & Inland Revenue (DCIR).



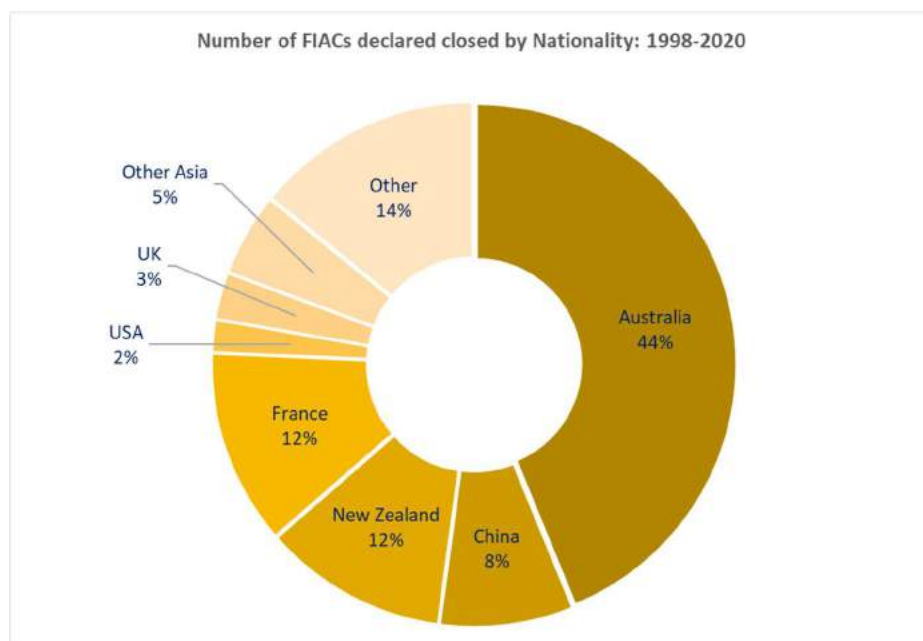
VFIPA and Immigration Joint Compliance

Outcome of this monitoring exercise confirmed serious compliance issues that warrant regular joint monitoring by the relevant Government Agencies.

FDI Registration Clean UP

As part of its monitoring the VFIPA Board approved cancellation of 430 registered foreign investment certificates (FICs) because they have not renewed their FICs as required by the Act and failed to inform the Agency on the status of their operations in accordance with Part 5, Section 17 clause (1) (h) of the Foreign Investment Act No. 25 of 2019. Outcome of this this exercise revealed that-

- **Australia, New Zealand and France - Vanuatu's traditional key FDI source markets top** the number of FICs identified and cancelled accounting 44% and 12% each respectively of total certificates with China trailing by 8%.
- In terms of industry/sector - **“Professional, Scientific and Technical Activities (PSTA) - commonly termed as F4 (or Consultancy according to the DCIR Business License Classification) ranked highest in this exercise, accounting 27% of all confirmed FICs followed by Wholesale Retails Trade (26%) and Accommodation, Food and Service Activities (15%) respectively.**
- The majority of the FICs identified and confirmed for closure are located in Port Vila and Shefa province (>80%) and thirty-eight (8.3%) of these are located in the areas outside of Port Vila including Sanma, Tafea and Malampa - an area needing urgent attention in order to support the Government's decentralization Policy.
- While the majority (41%) of the FICs cancelled have been verified by the Vanuatu Financial Services Commission (VFSC), 50% have been concluded closed because they are not responding on follow-ups nor key contact persons failed to provide confirmations. This strongly suggests that *the overall FDI facilitation framework needs an urgent rethink.*



VANUATU FOREIGN INVESTMENT PROMOTION AGENCY (VFIPA) NORTH-LUGANVILLE

VFIPA has a permanent office set up in Luganville, Santo located within the Millennium Building. VFIPA conveys its gratitude and utmost appreciation to the Department of Customs & Inland Revenue and the Ministry of Finance & Economic Management for housing our northern town office since its establishment until the end of 2020.

VFIPA's presence in Luganville compliments the Government's policy on Decentralisation to service the high demand for VFIPA services by existing foreign investors particularly in the northern town as well as to facilitate new interests for new investment opportunities in the region.

As part of its core activities during the year, besides facilitating and processing investment applications, the VFIPA North Office also carried out investment aftercare services and monitoring to improve compliance on the part of our existing investors in Luganville. Our sole Officer in the northern town has proactively worked with various Government and Private Sector agencies and attended meetings and workshops requiring VFIPA's input, including being engaged proactively with VCCI to assist the Private Sector and the Government in the assessment of TC Harold and Covid-19 Economic Stimulus Package (ESP) for businesses in Luganville during the year.

Santo is a growing investment location in Vanuatu. From 2021 and beyond VFIPA will give greater focus to servicing its northern regional office as it positions itself to facilitating bigger investments and the advancement of the Santo Free Trade Zone and the upcoming broader Economic Development Zone (EDZ) initiative being advanced by the Ministry of Trade.



VFIPA Provincial Investment Officer, Luganville Santo Office, Alexine John

FDI TRENDS 2020

The beginning of 2020 saw a high number of investor interest in Vanuatu however COVID 19 pandemic prompting border closure placed a halt on all movements and the difficulties to coping with the new normal began.

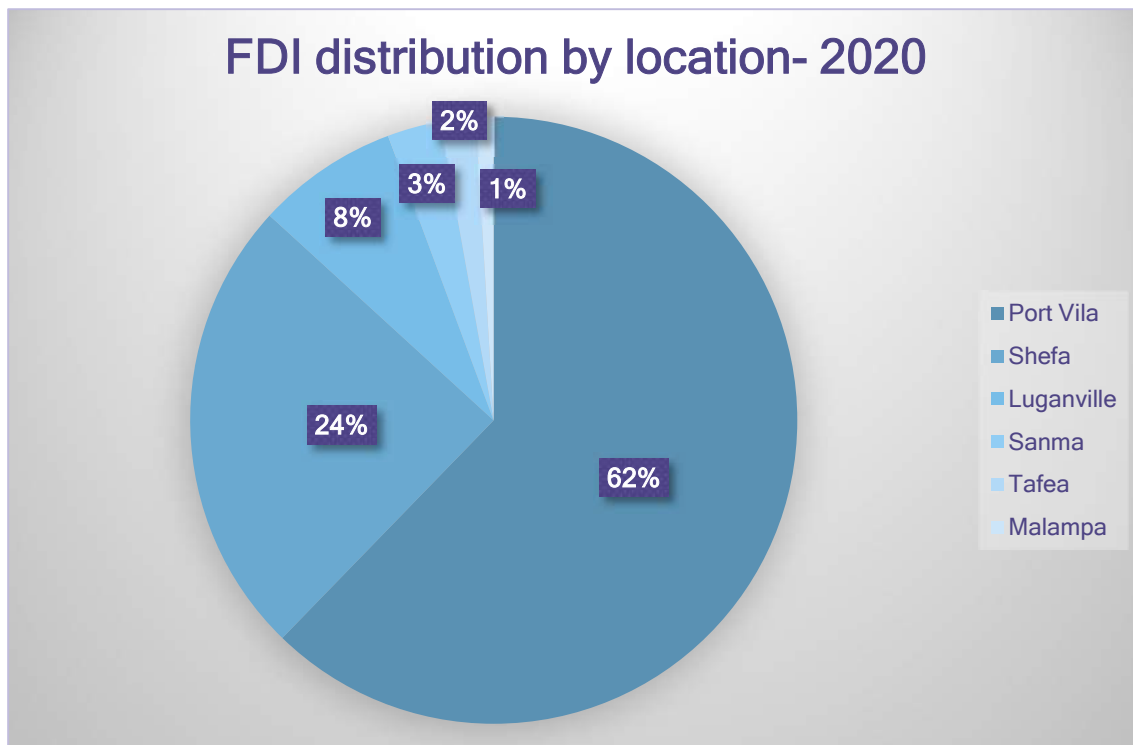
VFIPA initiated key policy moves that fell in line with the Government's overall policy directives to assist the private sector in recuperating from the beginning of this economic blow by waiving all application fees.

The "new normal" meant that most private businesses with the financial capacity to diversify, i.e., reinvestments through business expansion, ran with this option to keep their investments afloat.

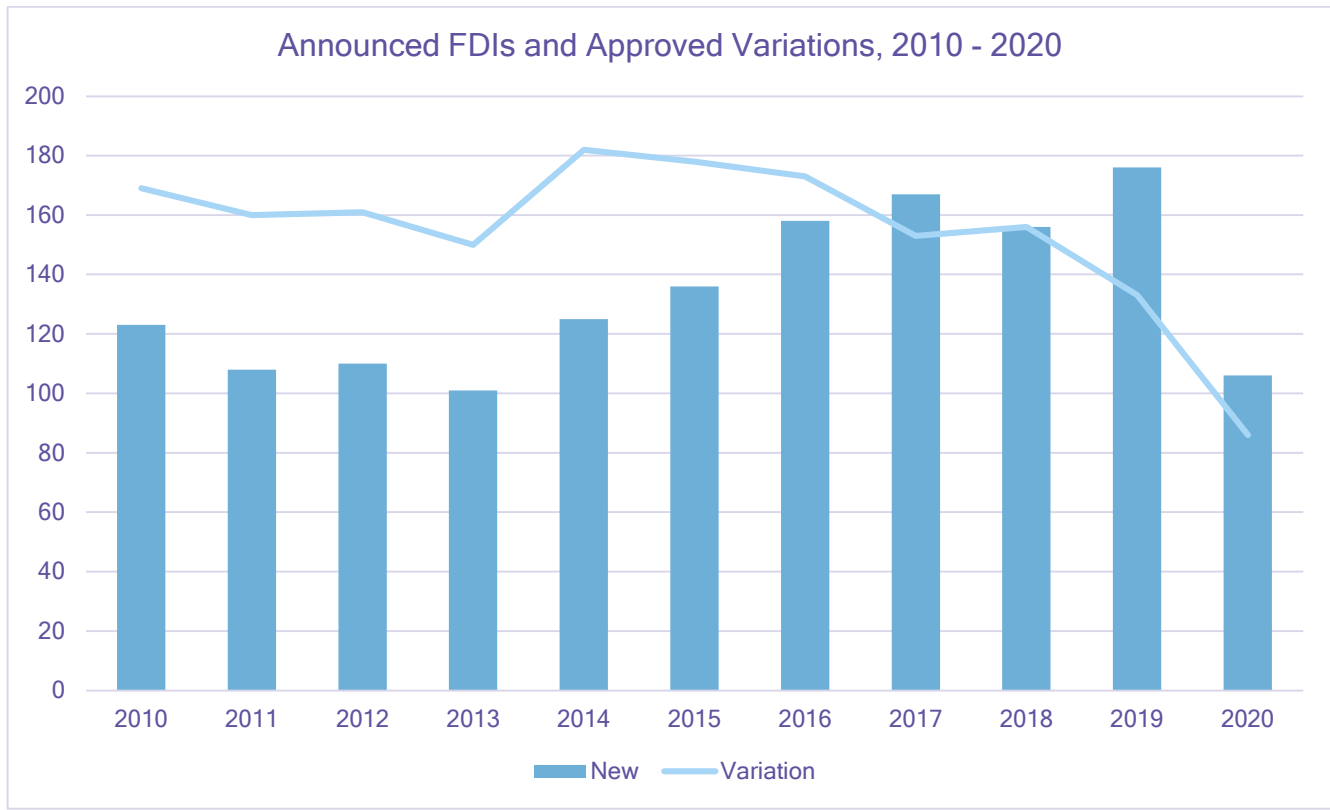
The Government's stimulus package assisted in keeping most businesses that were given the support to keep employees while most tourism businesses either reduced operation hours and staff to more than half or are closed temporarily.

The following trends are what VFIPA database presents on the investment activities for 2020-

- While investment interest remained, it dropped by 39% from the previous year. Total new investment announcements stand at 106 for 2020 compared to 176 for 2019.
- Variations (expanding in business activity and changing in business ownership structure) dropped by 21% but is expected to pick up in 2021 following the new normal of doing business. Government effort in ensuring FDI interest is retained and private sector growth continued will be expected through support of these reinvestments.
- FDI by location is centered in Port Vila with 62% FDI located in Port Vila. Shefa retained 24% of FDI as investment location with 8% in Luganville, 3% in Sanma and 2% and 1% in Tafea and Malampa respectively.



- 2020 saw a total of 5 rejections from the Agency making it a total of 15 rejections on applications for investments from previous years up to 2020.



While investment trends look bleak, it is imperative that the Government focus its efforts in supporting the diversification and reinvestments that are currently happening to maintain investor confidence in Vanuatu and boost economic growth for the country on the whole.

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE

For the Year Ended 31st December 2020

INCOME

Government Grant	46,081,680
Application Fees	3,374,922
Total Income	49,456,602

EXPENDITURE

Operating Expenses	
Staff Emoluments	36,233,513
Admin & Operation	20,406,709.67
Total Expenditure	56,640,222.67

SURPLUS/DEFICIT

-7,183,620.67

Notes:

1. This statement has been prepared by the Authority in accordance with the general accounting standards applied in Vanuatu. For the purpose of this report, the sub-categories of "Expenditure" have been summarized as shown.
2. The net Surplus/Deficit amount projected is based on EBDITA (earnings before interest, taxes, depreciation, and amortization). Financial Audit Report which will be published soon will capture figures including depreciated values.
3. The Agency has placed strict controls to manage funds and to be within the budget, however, due to situations beyond our control in 2020, a deficit was encountered. Explanatory note will follow in Budget & Actual Report.

BUDGET VS ACTUAL REPORT

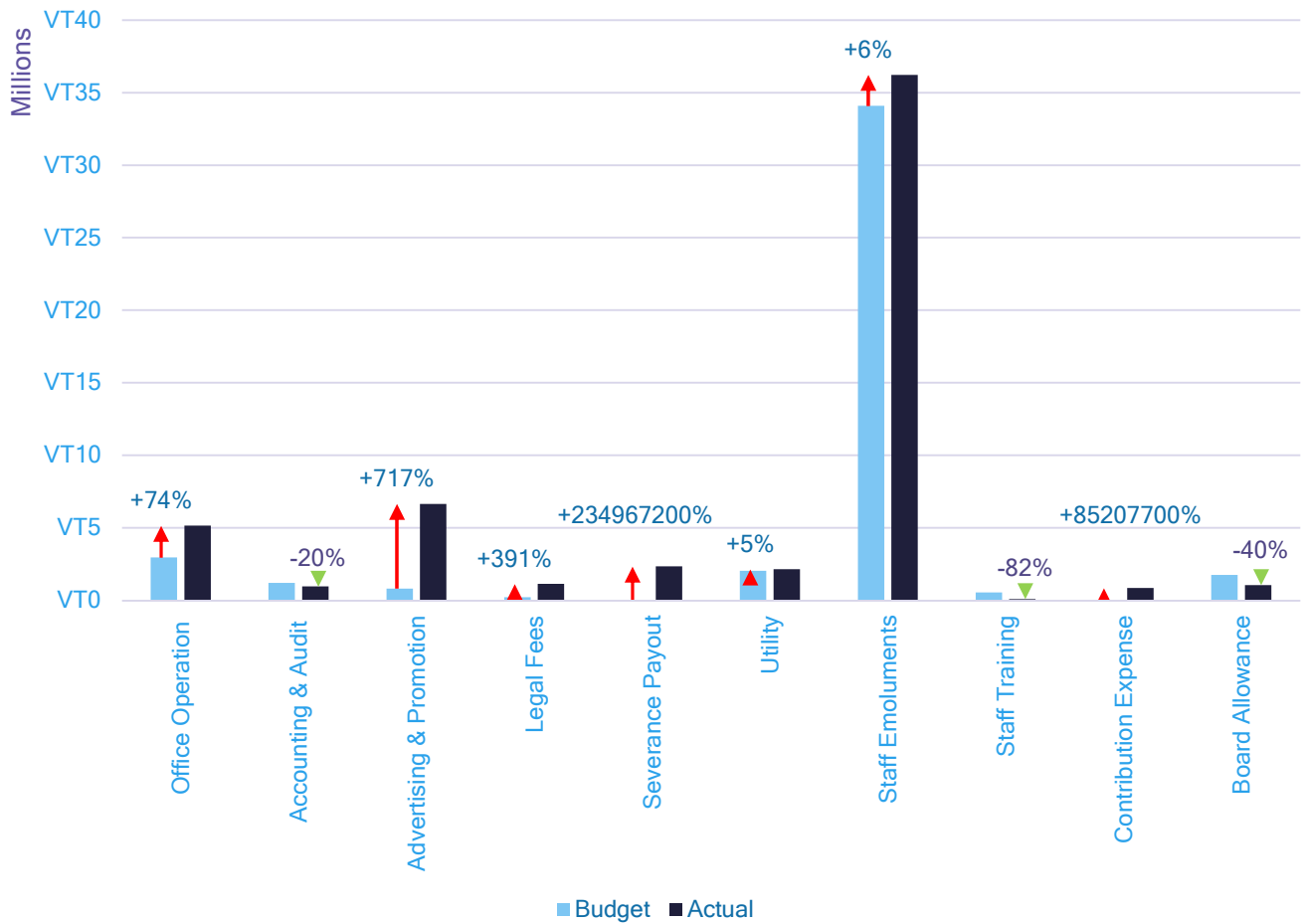
VFIPA started receiving revenue in-house in 2020 after the Foreign Investment Act 25 of 2019 was passed; prior to that we did not budget for income through fees, hence the graph below. We charged client fees initially and did not continue due to the pandemic and most of our fees have been waived.

Income Budget Vs Actual 2020



Income	Actual	Budget
Application Fees	VT3,374,922	VT0
Government Grant	VT46,081,680	VT46,081,648
Total Income	VT49,456,602	VT46,081,648

Expense Budget Vs Actual 2020



Expenses	Budget	Actual	Variance	Comments
Office Operation	VT2,961,062.00	VT5,156,368.67	VT (2,195,306.67)	<ul style="list-style-type: none"> - Since the Agency has a fulltime office maintenance staff, a lot of extra work has been done in getting the office compound and building tidied up compared to last year hence the increase in expenses. - With increase of staff compared to 2019 stationery supplies, printings, etc have increased. - Covid-19 safety measures has also prompted other related expenses.
Accounting & Audit	VT1,209,533.00	VT963,125.00	VT246,408.00	Budget projection was based on previous years expenditures on excess Audit tasks.
Advertising & Promotion	VT815,300.00	VT6,659,193.00	VT (5,843,893.00)	2015 major cost involved is an outstanding of USD54,000 which is equivalent to VT6,271,020 paid off in 2020 from VERP Funds including other normal advert costs. Funds for this payment is sourced from VERP account.
Legal Fees	VT230,650.00	VT1,133,213	VT (902,563)	Payout former CEO legal proceedings
Severance Payout		VT2,349,673	(2,349,673)	Payout former CEO Severance as per final Judgement
Utility	VT2,034,841.00	VT2,146,459.00	VT (111,618.00)	An increase in utility bills especially Electricity
Staff Emoluments	VT34,080,528.00	VT36,223,513.00	VT (2,142,985.00)	Payout of O/S Sick Leaves for 2019 & 1 Additional Staff in 2020
Staff Training	VT554,637.00	VT100,600.00	VT454,037.00	Border Closure, no overseas training
Contribution Expense		VT852,078.00	VT (852,078.00)	Major Contribution is for Ministry Joint Agencies for Tanna Vehicle
Board Allowance	VT1,764,000.00	VT1,056,000.00	VT708,000.00	Board allowance was increased, however new board started mid-year, hence the significant difference.
TOTAL	VT43,650,551	VT56,640,222.67	VT28,796,232.34	

1. The highest variance in our budget has been in the Advertisement & Promotion Ledger. This over spending relates to an outstanding advertisement cost for 2015 advert in the Japan Times & China Daily Newspapers which was bound by former CEO. Management team have flagged this matter and will make sure this type of arrangement is not repeated. This payment has been paid from VERP funds and not the normal operation account.

2. Second highest variance in our budget was the office operational cost. With a fulltime maintenance staff, extra work has been done in keeping the compound up to standard and maintained at all times hence increase costs. More staff compared to previous years also comes with increase supplies for stationeries, printings, etc. Also, Covid-19 safety precaution measure has related costs for printing signages, erecting handwash stations, masks, gloves, Hand Sanitizers, etc.
3. Staff Emoluments variance in this scenario expresses the 2019 outstanding staff Sick leave entitlements as stipulated in the current Staff Manual of the Agency. All staff sick leave that was unpaid in 2019 were paid in 2020. Further, we have recruited a new CEO for the Agency in June 2020.

CHALLENGES

The 2020 financial will go down on record as the worst year for FDI in Vanuatu's history, and for VFIPA as a whole due to the Covid-19 pandemic which struck the entire globe in mid-March 2020. The aftermath of that economic disaster has resulted in a steep downward spiral in FDI, resulting in business closures and a general overall struggle within the economy, despite some signs of hope which has seen existing investors diversifying and varying their investments into other sectors not too severely affected by the pandemic.

Investment Promotion and Facilitation in general is not free of its particular challenges. This report highlights briefly six (6) pertinent challenges that VFIPA and its government Board and the Government in general need to pay attention to if we really want FDI to contribute to the country's economic development as it does elsewhere in the world.

LDC to DC Graduation

Vanuatu celebrated its graduation from Least Developed Country (LDC) to Developing Country (DC) on 4th December 2020. A sure sign of 'maturity', but not free of its particular economic challenges.

As clearly articulated in a joint Press Statement between Vanuatu's Prime Minister Hon Bob Loughman Weibur and the Enhanced Integrated Framework (EIF) Director Mr Ratnakar Adhikari on the Eve of Vanuatu's graduation celebrations:

'as Vanuatu makes its transition, it will lose its entitlement to certain international support measures (ISMs) that are attached to LDC status, including market access preferences, certain types of development cooperation, and support to participate in the processes of the United Nations and other international organizations.'

Although there are good prospects for growth evident in the 2020 World Investment Report, the two leaders have this to say on the sheer importance of FDI post DC graduation and post-Covid-19:

'in the context of graduation with limited opportunities to access official development assistance, including Aid for Trade, attracting additional FDI and diversifying areas in which it can be targeted is critical to sustain the growth momentum. More importantly, the role of FDI in helping Vanuatu to achieve economic recovery post-COVID-19 is indispensable.'

Ease of Doing Business (EoDB)

Since 2010 Vanuatu has faced a downhill battle with its EoDB¹ ranking and thus perception by foreign investors of our 'attractiveness' as an investment location, at least in comparison with other jurisdictions and competitors within the Pacific region. Vanuatu has dropped 48 places within a matter of 10 years down from 59th in 2010 to 107 in 2020. This is detrimental to Vanuatu's overall image as an investment location. It says a lot about what our enabling environment is like, for FDI. This is an issue the current Management is very mindful of and plans on addressing proactively from the second half of 2021 onward.

¹ The Ease of doing business is an index published by the World Bank. It is an aggregate figure that includes different parameters which define the ease of doing business in a country. It was first published in 2002, and has been published every year since. It is used by researchers, governments, investors, and other international organisations to understand the regulatory burden within a country.

Post-Covid-19 Investment Promotion

Investment Promotion Post-Covid-19 has been crippled from its usual approach. First and foremost, borders have been closed since a national State of Emergency (SOE) was declared after the pandemic struck in March 2020. International travel has been reduced to zero: no entry, no exit. A notable trend of diversification has been observed, which is a good sign. But that still does not answer the question of ‘new money’ flowing into the economy from abroad.

VFIPA has to be innovative and creative within the ‘new normal’ that the economy is now operating under. The private sector, other partner agencies and our governing Board have assisted Management to ‘think outside the box’ in order to address these new challenges. Our response to those challenges is covered within the proposed ‘Ways Forward’ section of this report.

Residency for New Investors and Skilled Employees

The issue of residency for new investors and skilled employees for businesses remains one of the greatest challenges to VFIPA’s work since Covid-19 struck in March 2020. What has compounded the problem is the State of Emergency (SOE) which was declared up until 31st December 2020 and further extended till 31st July 2021.

Normally an investor would want to enter the country, undertake the necessary feasibility study and so forth, before actually committing to an investment. This has not been possible at all throughout 2020. Related to this is the sheer difficulty of entry for skilled workers required in various businesses, particularly for skillsets that are simply non-existent in-country.

Both these issues will be the subject of intensive discussions and joint collaboration between VFIPA and relevant agencies and departments in 2021. The CEO has had talks and raised these very issues in various meetings such as the Tamtam Bubble Taskforce, Covid-19 Advisory Team and other forums throughout 2020.

EU Grey-Listing

Vanuatu’s inclusion on the EU’s grey-listing is a challenge to foreign investors’ perception of Vanuatu as a jurisdiction for FDI. It has negative connotations and imposes risks on international funds transfer and associated correspondent banking. The Government has addressed a number of key related measures to help uplift the country from this unwanted list. An assessment by the EU is due in the final quarter of 2021. We are very hopeful that this will bring an end to this long economic ordeal and return Vanuatu to normalcy.

Lengthy Manual Registration Process

For 22 long years since VFIPA’s establishment the agency has been stuck with a very inefficient, time-consuming manual registration system. With very limited human resources this has in effect taken up the bulk of our officers’ time behind computer screens rather than out of the office doing site visits and carrying out compliance checks and aftercare work. The agency plans to work full steam ahead with the support of its Board and in particular the Asian Development Bank’s Private Sector Development Initiative (ADB PSDI) with funding from the Australian Government’s Governance for Growth (GfG) Program to address once and for all. Assuming that all goes to plan, we anticipate having a VFIPA Online Registration system in operation by end of 2021 or very latest, first quarter of 2022.

Inadequate Funding support

This has been a perennial challenge for many years. The Government's prime focus on developing the agriculture sector is fully supported. But in order to make this work, it will need serious investments and export-oriented investors who will add value to our local produce to export to larger markets abroad. Investors normally have access to their own importers overseas. We need more investors and for that VFIPA will definitely need additional funding to beef up its resources to deliver on its mandate of investment "promotion".

Vanuatu has witnessed a stockpiling and wastage of pineapples in recent years due to an encouragement by our lead productive sector agencies only to find 'no markets' at the end of the road. This cannot continue another few more years. We cannot afford to continue producing without markets. Vanuatu's domestic market is miniscule, and with tourism gone, we have to produce for the export market. That's only hope of survival - notably for the agriculture sector. Food security is only an issue during and a few months following cyclone season. Beyond that, farmers and the country as a whole need to survive economically and to continue funding its burgeoning social and economic development needs and aspirations. We need to create more and more jobs for the mass unemployment that the country has suffered since the pandemic struck in March 2020.

WAY FORWARD & FUTURE OUTLOOK

To deepen the various reforms, we commenced in 2020 and to help strengthen the positive trend of diversification of investment activities, as highlighted in this report, we will undertake various key activities as part of our 2021 Work Plans comprising three main programs and sub-programs, as outlined below:

1) *Investment Promotion and Facilitation*

- 1A Strengthening the VFIPA Policy Advocacy Role to improve Investment Eco-System
- 1B Enhancing VFIPA's Facilitation Role & Visibility
- 1C Improving Aftercare Services through Investor Outreach & Promotional Missions

2) *Foreign Investment Regulation*

- 2A Assessment & Registration of Foreign Investment Applications
- 2B Contribute to the development of registration procedures and key policies and clarify procedures with other departments
- 2C Improve monitoring and compliance of approved investment projects

3) *Institutional Planning, Management and Strengthening.*

- 3A Invest in VIPA's employee so employees are engaged to more effectively serve customer needs
- 3B Develop, strengthen and ensure system tools are up to date for administration and management operations and reporting
- 3C Ensure effective oversight and reporting across all VIPA programs and activities
- 3D Support Institutional Networking, Structures to Facilitate and Enable a friendlier environment for FDI in Vanuatu and Exports

In addition to our key Work Program activities outlined above, we also want to seriously address the following issues throughout 2021/2022 in order to improve Vanuatu's overall Ease of Doing Business ranking and more so VFIPA's facilitation of FDI in the country:

1. **Residency**

We need to address residency for foreign investors and property investors plus skilled workers for companies and businesses that need them. Without these, the country's economic recovery effort will be a major challenge. Discussions have been ongoing on this front and will intensify further into the final half of 2021 as the vaccination rollout helps to guarantee safety.

2. **Increase Cooperation between Departments/agencies relevant for business**

VFIPA will continue to forge closer working relations with partner agencies that have a direct bearing on businesses - including VFSC, the Department of Labour, Immigration, Customs and Inland Revenue and Provincial Councils to help facilitate FDI not only in the urban centres but also in key provinces where opportunities avail. Such cooperation will also help in providing services to customers and boost our common policy advocacy work.

3. One-Stop-Shop (OSS)

The agency will continue to work on strengthening its OSS mandate in order to make requirements easier and simpler for customers and business owners.

4. Digitisation of public services

This is a major ongoing challenge that needs to be addressed. The need for a central database for businesses and data that is accessible online by public officials in relevant agencies (notably licensing agencies) is important in order to avoid excessive and repetitive paperwork requirements. This will help to improve efficiency and effectiveness of the work of all relevant line agencies and more so our clients. VFIPA will work proactively with other agencies to address this perennial issue.

5. Digitisation of payments (e-commerce) and finance (cryptocurrency) in Vanuatu

The global business landscape, post-Covid-19, has been transformed in major ways. If we are to remain competitive, Vanuatu has to take some important measures in this direction. In Vanuatu it is extremely difficult to purchase online through digital payments as we do not have major credit card issued here (only BSP VISA/debit card and possibly Mastercard with NBV soon).

This challenge is largely due to low volume of transactions (small population / market and financial literacy / means) and logistics in delivering items (most items cannot be purchased/sold through Amazon/e-Bay, etc.) because they are not delivered to Vanuatu or a Vanuatu seller cannot register). Fintech solutions such as cryptocurrency are evolving very fast and they are means to facilitating transactions and financial inclusion, especially for remote areas and developing countries, where people have poor infrastructure for connection and low financial means. It is much easier to transact digitally with a phone and internet connection, rather than going to an ATM or bank, collecting, storing and exchanging physical cash.

6. Reforms toward a Vanuatu Economic Development Board (VEDB) vision

The Ministry of Trade under which VFIPA operates is in its early stages of institutional reforms with the overall objective of positioning the Ministry to remain an institution of major relevance post-Covid and over the remaining 10 Years of its National Sustainable Development Plan (NSDP). VFIPA will be expected to play a major role in this overall reform process where the mandate of VFIPA as an investment promotion agency may also be expanded.

Besides the above key Work Program activities, we will work on further addressing VFIPA's engagement in investor/investment facilitation in 2021 to coincide with the WTO's ongoing negotiations in this field within member countries.

We will intensify Investor After-Care work including more company visits to strengthen relations with our existing investors and to encourage greater re-investments and diversification.

Alongside this important work we plan on pushing ahead with an Online Registration portal for the agency, update our draft National Investment Policy post-Covid, produce a proper Investment Promotion and Marketing Strategy, implement a Remote Workers scheme to facilitate longer term tourists with the hope of attracting some who might eventually become resident foreign investors or serve as conduits for others in their networks to consider Vanuatu as an investment location for FDI and continue our much needed work on policy advocacy and strengthening VFIPA's public image and visibility as an agency of relevance to Investors.

CLIENT TESTIMONIALS

Despite the challenges of 2020, VFIPA clients continue to provide support and feedback to ensure we keep our services to their expectations, and from the following feedback, VFIPA is proud to have established a level of confidence and we will continue to strive to do so.

“The Staff of VFIPA are always helpful to me when renewing VFIPA certificates and arranging new VFIPA certificate.”

“Front counter staff are always helpful! VFIPA staff are always kind, professional and helpful in person and over the phone.”

“Service is very good!”

“Service is very helpful!”

“Excellent service!”

“The best service of all!”

“Very satisfied of the service!”

“Excellent job from VFIPA officer Markson!”

“So friendly and helpful! Thank you tumas!”

“Markson made everything quick and easy to understand. I really appreciate his friendly professionalism.”

“I would like to say that VFIPA provides very good service for foreign investors. They have good information that can improve investment for Vanuatu”

THANK YOU FROM THE VFIPA STAFF!



VFIPA Staff 2020:

Back Row (L-R): *Isaac Umau (Handyman), Markson Remkonkon (Compliance Officer), Minnie Bani (Public Relations Officer), Anna Taritambe (Administration & Human Resource Officer)*

Middle Row (L-R): *Sunita Otto (Monitoring Officer), Lashie Tom (First Vetting & Receptionist), Lolleth William (Certification Officer), Velenie Jacob (Finance Officer), Alick Robsen Joe (Investment Promotion and Research Officer)*

Front seated (L-R): *Raymond Vuti (Manager Investment Promotion & Marketing Division), Howard Aru (Chief Executive Officer), Gelpen Silas (Manager Certification and Implementation Division)*

