

## Business update from the Australia-Vanuatu Business Forum (February 2017)

Written by John Ridgway  
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Nasi is the 2017 South Pacific Games Mascot -  
to be clear, Nasi is second from the left in this photo

The 5<sup>th</sup> Australia-Vanuatu Business Forum and Trade Expo was held (for the first time) in Port Vila, Vanuatu on 28 February 2017. The Forum was well attended by local business houses and overseas existing and prospective investors. Here are some highlights from a few of the keynote speakers –

### Mr Simeon Athy, Governor – Reserve Bank of Vanuatu

- 60% of the GDP of Vanuatu was wiped out in cyclone Pam in March 2015. The road to recovery has been a winding (pot-holed) and challenging one, but 'so far so good'
- The GDP growth chart over the last 3 years has been 2.3% in 2014, 1.8% in 2015 (care of that cyclone), 4.6% in 2016, and a foreshadowed 5.0% in 2017
- Most of this recent growth has arisen as a result of the reconstruction projects which have taken place since March 2015 (which includes some \$50million from the Australian Government, multiple private sector insurance claims and funds from various other donor bodies)
- Tourism is estimated to contribute some 27billion vatu to the economy in 2017, which includes the prospective doubling of cruise ship arrivals over 2017 and 2018
- Agricultural growth is anticipated to be over 2.3% during 2016, principally in relation to kava and copra exports
- Foreign exchange cover for goods and services is expected to stand at over 8 months at the end of 2017 (with over 5.5 months related to goods over)
- There is an expectation that Vanuatu will be moved away from the OECD 'grey list' during the course of the next 12 to 18 months

## Mr Lionel Kaluat, Chairman - Vanuatu Investment Promotion Authority

- The performance of VIPA over the last year or so was, for the large part, good news
- The number of foreign investors approved into Vanuatu during 2016 had increased by 12% over that 12 month period
- VIPA is looking at a number of new initiatives to improve and streamline the foreign investment process including:
  - the abandoning of a requirement for capital to be brought into any particular investment;
  - the reduction of the number of business days to grant approval from 30 to 13 days;
  - to be able to grant an upfront 5 year foreign investment approval (thereby avoiding the need to annually renew); and
  - to create a "one-stop-shop" – see comments below on this.

The writer was involved in the creation of the original legislation which underpinned the creation of VIPA a long time ago. At that point in time, the theory behind the legislation was to create a "one-stop-shop". Unfortunately (and this situation is, and remains true of EVERY foreign investment board established across the Pacific) to achieve this requires ministries and regulators to delegate or abandon their powers to grant permits and approvals (including such things as immigration approvals and provincial business licenses). This has not occurred in Vanuatu – nor anywhere else – so other than providing a gateway for regulating foreign investment, what has arguably been created to date is a "one-more-stop-shop".

In light of this, the latest initiative of the VIPA to create a true "one-stop-shop" is to be absolutely applauded. If this actually occurs, it will put Vanuatu in an enviable position vis-à-vis its neighbours.

## Some clouds on the horizon

There remain some serious investment clouds on the horizon (and closer) in Vanuatu. The three main areas of concern, in no order of preference or priority are:

- Any **delay in Vanuatu not being moved away from the OECD grey list**. We understand that various consultations with the APG on Money Laundering has already occurred. More positive dialogue will certainly assist in progressing this and resources need to be found and invested to ensure that this occurs.
- There remains some **uncertainty regarding some changes made to the land legislation** environment. The Government is to be applauded for taking action which it sees as being in the best interests of custom owners in Vanuatu, including far greater transparency regarding the identification of custom owners and the taking of steps to ensure that they readily understand any land dealings which concerns them and their land. Balancing this against certainty of what changes are to be made to the land law, and when, remains a challenge.
- The **runway at the Port Vila airport** is literally on its last legs. A process to award rectification of faults with the runway has stopped and started over the last 4 years. The most recent tender process needs to ensure that works are commenced and well under way within the next 3 months. Already, because of the state of the runway, Air New Zealand will not fly to Port Vila, and Qantas has ceased its codeshare with Air Vanuatu. The negative impact on the Vanuatu GDP forecast, and the economy generally, will be enormous unless this economic artery is cleared and cleaned urgently. The time to muck around with this has come and gone – it is as simple as that.

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