

# INVESTMENT CLIMATE

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## THE QUIET ACHIEVER

On the back of a sustained period of high economic growth and political stability, Vanuatu has every reason to look ahead with confidence.

### STRONG GROWTH

Vanuatu, a Y-shaped archipelago located a three-and-a-half-hour flight north-east of Sydney, is the quiet achiever of the South Pacific.

Lacking the abundant natural resources of its larger Melanesian neighbour PNG, it does not attract headline-grabbing large-scale foreign direct investment. And yet since 2004, under the Administration of Prime Minister Ham Lini, it has enjoyed strong growth driven by tourism and real estate investment. GDP grew by a hefty 7.2% in 2006, while inflation was just 1.9%.

### A HIGHER PROFILE

Though its impressive economic performance may have stayed below the radar, it has nonetheless raised its profile substantially over the past five years. First, in 2003 the filming of the American TV show *Survivor* put Vanuatu on the map, then in 2006 the country shot to international fame as the winner of a global survey to find 'the happiest place on earth.'

### NEW INVESTMENT

Despite strong recent gains and a positive investment climate, annual visitor arrivals are still well below 100,000 and the outlook for the tourism sector is excellent, one reason why Australian property and hotel

group Mirvac recently chose Vanuatu to open its first international hotel (The Sebel Vanuatu).

Other prominent recent investors joining Mirvac are French bank Bred Banque Populaire and PNG finance company Credit Corporation.

Agriculture is another sector with growth potential. Vanuatu has some world-class products such as coffee, organic beef and vanilla (see box).

Vanuatu National Provident Fund (VNPF), the country's state superannuation fund, is thriving and looking to play a more active role in driving economic growth. It recently constructed a new building to house the Australian Chancery (which entered a long term lease as VNPF's





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## AGRIBUSINESS

The sector supports most of the population, mainly on a subsistence basis, and contributes 18% of GDP.

Over 80% of Vanuatu's locally produced exports are agriculture-based, led by coconut oil (31.1%), copra (13.5%), kava (13.4%), beef (8.7%) and timber (7.5%). Agricultural exports are rising, and New Zealand recently opened its market up to Vanuatu's citrus fruit.

According to Joe Ligo, CEO of Vanuatu Investment Promotion Agency (VIPA):

'Areas with particular potential are high value, low volume organic products which include nuts, marine products, sandalwood oil, tamanu oil, vanilla and beef.'

Vanuatu's organic beef (mostly from Santo) is world-class, as any carnivore who has visited the country will testify. However, the booming property market poses a threat to the beef industry, with prime farming land being subdivided for real estate. It is hoped that a new

zoning system will curb this trend.

Vanilla is a particularly high-yield crop, much in demand in developed countries. One local company, Pasifika Resources, is having great success marketing its packaged Ambae Orchid product to Australia, and is looking to penetrate the EU market. This organic vanilla comes from the sparsely populated Ambae Island and its popularity provides an excellent example for others to follow.

Vanuatu's coconut growers have benefited greatly from the pioneering work of electricity-provider Unelco in converting coconut oil to biofuel (see page 16).

Large swathes of arable land are not being used at present and there is no doubt that this sector could benefit enormously from foreign investment. It is now up to the Vanuatu Government to ensure the investment climate is sufficiently conducive.



## VANUATU INVESTMENT PROMOTION AGENCY (VIPA)



Joe Ligo, CEO of VIPA

The Vanuatu Investment Promotion Authority (VIPA) is the first port of call for all foreign investors planning to invest in Vanuatu.

VIPA's primary role is the promotion of foreign direct investment into the Republic of Vanuatu and to assist foreign

investors from initial inquiry to a project's operational stage and even beyond. It provides general information packages and advice on investment opportunities, incentives and investment procedures in Vanuatu. VIPA is also empowered to facilitate business expansions and variations and to assist

with investors' requests for work permits, residence permits, business licences and other government approvals.

No foreign investor is allowed to do any business in Vanuatu until approval is given by the Vanuatu Government through the VIPA Board.

Vanuatu's National Investment Policy (March 2005) can be viewed online at [www.investinvanuatu.com/images/policy.pdf](http://www.investinvanuatu.com/images/policy.pdf)

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## AN INTERNATIONAL TAX HAVEN

Vanuatu's international finance centre has been established for three decades. Vanuatu has no:

- income tax
- capital gains tax
- withholding tax
- estate duty
- exchange controls

While there are some taxes, such as a 12.5% sales tax, Vanuatu still managed to top the list of lowest taxed countries in the world in a survey of 178 countries carried out by the World Bank and PricewaterhouseCoopers in 2007.

## PERSPECTIVES ON DOING BUSINESS IN VANUATU



'I'd say the last 18 months [are] the best this country has seen in many years. There's growth in tourism, investment and construction, and flights are full. Local industry is going well and new investment is happening. Overall, it is all going in the right direction.' – **Bob Hughes, MD, National Bank of Vanuatu** (pictured)

'Vanuatu is very stable, that's the most important thing from an economic point of view ... so a lot of companies are seeing Vanuatu as a place to put their resources.' – **Andrew Turner, CEO, Mirvac Hotels and Resorts**

'The latest official estimate [for Vanuatu] shows a 7.2% expansion of GDP in 2006, up from 6.8% in 2005 ... The disbursement of funds from the Millennium Challenge Corporation and significant increases in aid from New Zealand (20% increase in 2007-08) and Australia (28% increase in 2007-08) will provide the foundation for further economic expansion in coming years. We

anticipate that economic growth will continue to be robust in 2007 at around 5.5-6%.' – **Source: ANZ Pacific Quarterly, October 2007**

'Investing in Vanuatu requires a good grasp of specific local requirements. These include residency and Immigration rules, restrictions on the types of businesses available to foreigners, Government approvals needed, work permit requirements and suitable structures through which an investment can be made to save (or at least minimise) income taxes. Would-be investors should always seek professional advice.' – **Lindsay Barrett, Managing Partner, BDO Barrett & Partners.**

## VANUATU NATIONAL PROVIDENT FUND PROVIDING A SAFE AND SECURE RETIREMENT FOR ITS MEMBERS

The Vanuatu National Provident Fund (VNPF) is Vanuatu's only Superannuation Fund and aims to maximise and protect provident fund benefits to all its members and to provide them with a high level of service.

The VNPF is able to act as a partner in investment projects in cases where specific opportunities conform to our investment guidelines.

Potential investors, both local and international, who have sound track records and are serious about doing business in Vanuatu are invited to contact us for further information.



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