

Success Stories:

FOREIGN INVESTMENT PROCESSES STREAMLINED IN VANUATU

The government of the Pacific island nation of Vanuatu and IFC recently halved the approval time for foreign investments to just 15 days, a reform that helps to create jobs for the local economy by allowing investors set up their businesses quickly and more easily.

Foreign direct investment is a significant driver of employment in Vanuatu. According to the Vanuatu National Provident Fund, foreign investors employ close to 40 percent of the workforce. At the same time, Vanuatu's percentage share of the Pacific foreign direct investment pool has fallen from around 24 percent in the 1990s to around eight percent in 2008, according to the 2008 UNCTAD World Investment Report.

BENEFITS FOR INVESTORS

Working with the Vanuatu Investment Promotion Authority, IFC consultants helped streamline procedures in the processing of Foreign Investment Approval Certificates, focusing on changes that could be made without amendments to the Foreign Investment Promotion Act. No legislative changes meant these new processes could be introduced quickly, while laying the groundwork for future amendments to the Act.

As a result, the processing time for a Certificate has been cut from 30 to 15 working days, with many applications being approved in less than 15 days.

"You can come in on Monday and get the approval by the end of the week and start doing business the following week," says Smith Tebu, the CEO of the Vanuatu Investment Promotion Authority.

For long-time foreign investors like Rod Smith, the difference is noticeable. The Vanuatu authorities processed the license for his IT company in just eight business days.

"We applied for the new business licence through the Authority in late 2009, the staff were efficient, and it was processed nice and quickly," he says. "I like doing business

here. There's a lot less red tape than in Australia and most developed countries."



Employees of Rod Smith's company, Vanuatu

IFC has also helped the Vanuatu Investment Promotion Authority to clarify its role as being solely responsible for promoting investment.

Tebu explains: "We used to be considered more of a regulator, but now the government is recognizing (us) as a promoter of investment, with a policy advocacy role in the future. With that recognition, the government is able to provide extra budgetary resources, meaning that we can now recruit more staff, including a new Foreign Investment Promotion Manager."

Accountant Mark Stafford has been dealing with the Investment Promotion Authority since its inception in 1998. He is engaged by overseas investors hoping to establish businesses in Vanuatu to lodge applications on their behalf.

"Prior to the reforms we suffered a lot of frustration, mainly because they didn't have a process in place to assess applications, and variations to them, without all sitting down around one table," explains Stafford. "All too often, scheduled meetings were postponed, deferred, or never

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happened, and we had frustrated new investors who were trying to get the process working.”

Since the reforms were implemented, most of Stafford’s applications have been processed in two weeks or less, leaving him with more time to devote to other potential investors, and keeping his clients satisfied.

“As the service provider who has to deal with the clients continually chasing us, it’s become a much more pleasant environment for us,” he says. “We’re also getting more value from the Authority, because we no longer have to go backwards and forwards three or four times. If we have a fixed fee arrangement with clients for applications, we can’t necessarily charge them more because of delays in the system, so the reforms have made the process more cost effective for us.”

Future amendments to the Act are being considered, such as broadening the Authority’s mandate to include citizen-owned investment. New national goals will also be set for foreign direct investment. The government undertook national consultations, explaining the benefits of foreign investment-related growth and gathering feedback from local business owners and community groups, as a first step to determining the goals.



Women representatives were invited for the first time to attend the community consultation session on foreign investment in Malekula, Vanuatu.

Contact:

Jonathon Kirkby
IFC Pacific Program Manager, Investment Climate
Advisory Services
Ph: +61 (2) 9235 6519
Fax: +61 (2) 9235 2533
Email: JKirkby@ifc.org

“We needed to disseminate information and educate people about the short- and long-term positives of foreign investment, the contribution of investment to our local economy, and how it will involve the local people,” explains Tebu.

LOOKING AHEAD

CEO Smith Tebu believes the reforms will be crucial in helping the organisation attract more investment in future and ultimately deliver more benefits to the people of Vanuatu in the forms of more jobs and income opportunities.

“IFC’s support for this project is very timely, because we must strengthen our systems first, before we expand,” says Tebu. “Vanuatu has been good at promoting tourism, but we need to be more aggressive in promoting business and investment more broadly. This project will help strengthen government policy regarding which specific sectors we will be promoting to both foreign and citizen investors.”

Results

- Target time for approving a foreign investment licence reduced from 30 to 15 working days, with many applications approved within five days
- New printed application guide clarifies FDI process
- Number of different FDI application forms required from each investor reduced from four to three
- Monthly board meeting approval session replaced by email contact between board members within five working days