



V I P A



QUARTERLY REPORT



VANUATU INVESTMENT PROMOTION AUTHORITY

Vol 2 (2006)

PREFACE

The Vanuatu Investment Promotion Authority (VIPA) is pleased to publish the Second Quarterly report for 2006.

The second quarterly report of 2006 indicates the continuous achievement and improvement in VIPA’s Services. With the on-going challenges faced by VIPA, this report attempts to address the various issues statistically to ensure better understanding of the overall investment projects received and those approved by VIPA. The information in this report includes; the number and type of project proposals received, proposed projects by sector, proposed volumes (in Vatu) of investment, proposed number of employment, location of projects and investors by country of origin. Another new important feature included in this report is the number of projects received from each country investing in different sectors. While the report contains a small fraction of available statistics more detailed information on different topics and tables of interest can be obtained directly from VIPA.

Variation projects that have been approved by the Board indicate confidence in business opportunities available and taken up by already approved investors. This also indicates confidence in the Vanuatu economy. Growth in Vanuatu is responsive to continuing Global improvements despite the issue of high fuel prices. It is also vital that Government and Political Parties maintain political stability.

I wish to congratulate the Government on the appointment of the New Police Commissioner, which indicates Vanuatu’s On-going efforts at responsible Government.

We hope that you will find the report interesting to read. We welcome comments or suggestions on how on how we may improve our reports.

Should you require more information on this report, please contact our Research Division to assist you.

Joe LIGO
Chief Executive Officer
5th September 2006

Terms and Explanatory Notes

New application Refers to new application approved by the VIPA Board, which have been granted with a VIPA Certificate.

Private Refers to applications approved by VIPA Board to invest in an existing business. As shown in table 3, 4 & 5 on page 4, the investment on ground is classified either as new (referring to being approved by the VIPA board and operates after the establishment of VIPA) or existing (referring to businesses operating before the establishment of VIPA).

Variation Refers to application approved by the VIPA Management Executive to engage in additional or other business activities. This is actually expanding the business from one activity to another or from one location to another. These are investors who are already operating. As shown on tables 3, 4 & 5 on page 5, the Existing investment is classified either as new (referring to being approved by the VIPA board and operates after the establishment of VIPA) or existing (referring to businesses operating before the formation of VIPA)

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Overview

Projects

A total of 54 projects were approved by VIPA during the Second (2nd) Quarter 2006 of which 36 are new projects, 3 private investments and 15 variations. There was an increase of 31 percent over the First (1st) Quarter 2006 in terms of new projects. Moreover the second quarter also showed an increase of 29 percent over same quarter previous year in the number of new projects received. Port Vila still received the highest percentage of the number of investment projects with 77 percent, 9 percent for Shefa province and 6 percent each for Sanma province and Luganville. Torba province also registered 2 percent of the overall number of projects received during the second quarter of 2006.

Proposed Employment

During the Second (2nd) quarter of 2006, VIPA registered a proposal for 594 local and 56 foreign employments from the approved projects. There is an increase of 52 percent in local employment opportunities during this quarter as compared to the first quarter of 2006.

Proposed Investment

In the Second (2nd) quarter of 2005, the total value of proposed investment was over three billion Vatu. This shows an increase of 60 percent over the First (1st) quarter 2006 but also recorded a decrease of 4 percent when compared with same quarter of previous year.

Investment by Country and Sector

The Second (2nd) quarter indicated that projects coming from Australia recorded the highest proposed value of about 76.4 percent of the total investment and recorded the highest proposed number in terms of employment opportunities of 68.4 percent. New Zealand recorded the second highest proposed value of 11.7 percent in investments.

The table 1 in the number of projects by sector and Country during the second quarter of 2006 indicated that most of the projects (30) come from Australia during the Second (2nd) quarter of 2005. The sector that receives the highest number (11) is Wholesale & Retail sector and

Finance & Consultancy sector is second (10) indicating growth mainly in the services sector of the economy.

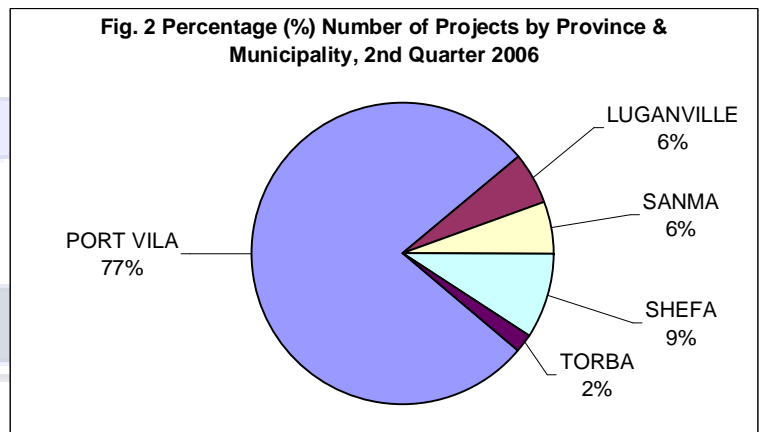
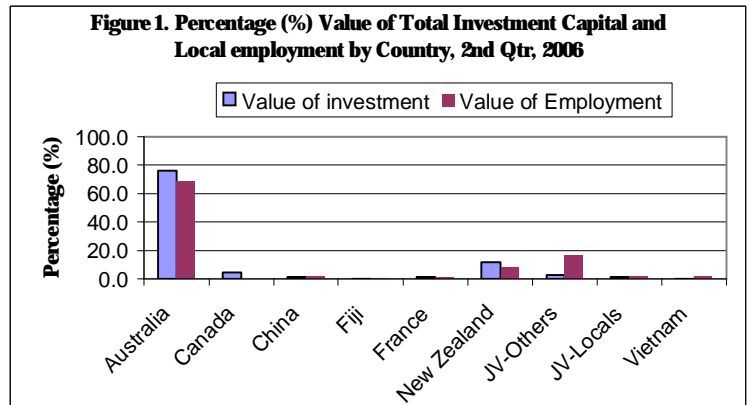


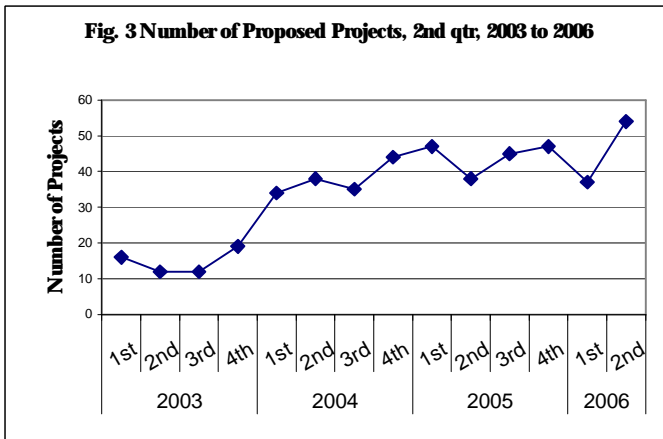
Table 1. Number of Projects by Sector and Country, Qtr 2, 2006

| Sector | Australia | Canada | China | Fiji | France | NZ | JV-Others | JV-Locals | Vietnam | Total |
|----------------------|-----------|----------|----------|----------|----------|-----------|-----------|-----------|----------|-----------|
| Agri & Export | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 |
| Customs Agents | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| Edu & Health | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Fin & Con. Ser | 4 | 0 | 0 | 0 | 2 | 3 | 1 | 0 | 0 | 10 |
| Hotels & Rest | 6 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 7 |
| Personal, Recreation | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Property Development | 1 | 0 | 0 | 0 | 1 | 1 | 1 | 0 | 0 | 4 |
| Others | 1 | 1 | 0 | 1 | 0 | 3 | 1 | 0 | 0 | 7 |
| Tourism | 3 | 0 | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 6 |
| W/sale & Retail | 7 | 0 | 0 | 0 | 2 | 0 | 0 | 1 | 1 | 11 |
| Total | 30 | 1 | 1 | 1 | 5 | 11 | 3 | 1 | 1 | 54 |

Quarterly Comparison from 2002-2006

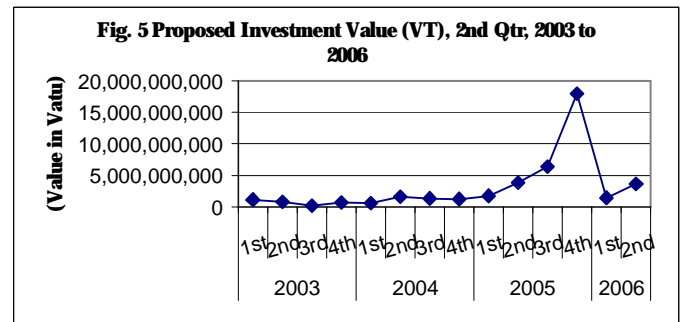
Number of new investment projects.

Figure 3 below indicated an increase of 31 percent over previous quarter (1st Quarter 2006) and also showed an increase of 29 percent over same quarter previous year.



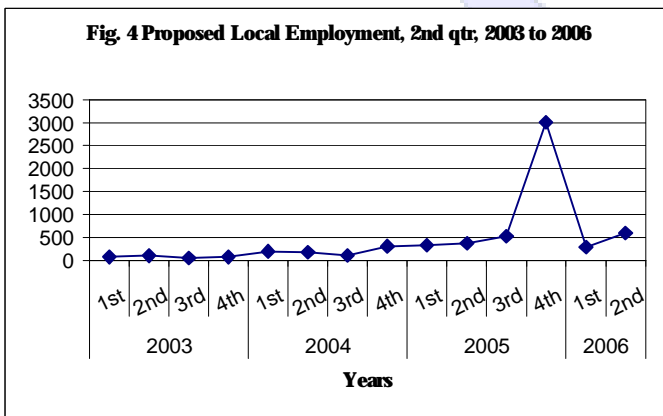
Proposed Value of investments.

The proposed value of investment in the 2nd quarter of 2006 saw a significant increase of 60 percent over previous quarter but a drop of 4 percent over same quarter previous year as shown on figure 5.



Creating job opportunities.

The second quarter of 2006 indicated an increase of 51 percent compared to previous quarter (1st Quarter 2006) and also showed an increase of 37 percent over same period previous year.



The table below showed the overall quarterly number of projects, Employment and Value of Investments from 1st quarter 2003 to 2nd quarter 2006.

Table 2. Projects, Employments & Value of investments, 2003-2006

| Year / Quarter | Number of Projects | Local Employment | Investment Value (VT) |
|----------------|--------------------|------------------|-----------------------|
| 2003 1st | 16 | 77 | 1,159,785,380 |
| 2003 2nd | 12 | 99 | 784,202,128 |
| 2003 3rd | 12 | 53 | 175,900,000 |
| 2003 4th | 19 | 76 | 687,268,801 |
| 2004 1st | 34 | 196 | 610,726,461 |
| 2004 2nd | 38 | 178 | 1,597,406,986 |
| 2004 3rd | 35 | 110 | 1,357,474,358 |
| 2004 4th | 44 | 303 | 1,224,758,433 |
| 2005 1st | 47 | 335 | 1,749,361,150 |
| 2005 2nd | 38 | 372 | 3,805,815,108 |
| 2005 3rd | 45 | 521 | 6,370,737,460 |
| 2005 4th | 47 | 3,012 | 17,962,402,945 |
| 2006 1st | 37 | 286 | 1,440,159,591 |
| 2006 2nd | 54 | 594 | 3,645,610,883 |

Table 3. Number & Type of Foreign Investment Approvals, Value (Vt) of Proposed Investment and Proposed Employment by Country

| COUNTRY | Number of Projects | | | | | | Proposed Investment value (VT) by application type | | | | | | Proposed Employment | |
|--------------|--------------------|----------|----------|-----------|----------|-----------|--|-------------------|------------------|--------------------|-------------------|----------------------|---------------------|-----------|
| | New | Private | | Variation | | Total | New | Private | | Variation | | Total | Local | Foreign |
| | | New | Exist | New | Exist | | | New | Exist | New | Exist | | | |
| Australia | 19 | 1 | 0 | 6 | 4 | 30 | 2,518,632,348 | 82,000,000 | 0 | 133,937,72 | 49,840,000 | 2,784,410,071 | 406 | 45 |
| Canada | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 170,460,000 | 0 | 170,460,000 | 0 | 0 |
| China | 1 | 0 | 0 | 0 | 0 | 1 | 48,500,000 | 0 | 0 | 0 | 0 | 48,500,000 | 11 | 2 |
| Fiji | 1 | 0 | 0 | 0 | 0 | 1 | 10,700,000 | 0 | 0 | 0 | 0 | 10,700,000 | 4 | 4 |
| France | 4 | 0 | 1 | 0 | 0 | 5 | 37,542,000 | 0 | 9,000,000 | 0 | 0 | 46,542,000 | 6 | 0 |
| New Zealand | 8 | 1 | 0 | 2 | 0 | 11 | 391,100,000 | 1,300,000 | 0 | 35,060,012 | 0 | 427,460,012 | 48 | 2 |
| JV-Others | 2 | 0 | 0 | 1 | 0 | 3 | 24,590,000 | 0 | 0 | 73,948,800 | 0 | 98,538,800 | 99 | 1 |
| JV-Locals | 1 | 0 | 0 | 0 | 0 | 1 | 49,000,000 | 0 | 0 | 0 | 0 | 49,000,000 | 10 | 2 |
| Vietnam | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 10,000,000 | 10,000,000 | 10 | 0 |
| TOTAL | 36 | 2 | 1 | 10 | 5 | 54 | 3,080,064,348 | 83,300,000 | 9,000,000 | 413,406,535 | 59,840,000 | 3,645,610,883 | 594 | 56 |

Table 4. Number & Type of Foreign Investment Approvals, Value (Vt) of Proposed Investment and Proposed Employment by Sector

| SECTOR | Number of Projects | | | | | | Proposed Investment (VT) | | | | | | Proposed Employment | |
|---------------------------|--------------------|----------|----------|-----------|----------|-----------|--------------------------|-------------------|------------------|--------------------|-------------------|----------------------|---------------------|-----------|
| | New | Private | | Variation | | Total | New | Private | | Variation | | Total | Local | Foreign |
| | | New | Exist | New | Exist | | | New | Exist | New | Exist | | | |
| Agri & Forestry | 6 | 0 | 0 | 0 | 0 | 6 | 233,450,000 | 0 | 0 | 0 | 0 | 233,450,000 | 80 | 15 |
| Customs Agents | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 1,300,000 | 0 | 0 | 0 | 1,300,000 | 2 | 0 |
| Edu & Health Ser. | 1 | 0 | 0 | 0 | 0 | 1 | 371,200,000 | 0 | 0 | 0 | 0 | 371,200,000 | 6 | 6 |
| Fin & Consult Ser. | 6 | 0 | 1 | 1 | 2 | 10 | 60,421,000 | 0 | 9,000,000 | 39,432,606 | 2,580,000 | 111,433,606 | 71 | 2 |
| Hotel & Restaurant | 5 | 1 | 0 | 1 | 0 | 7 | 216,300,000 | 82,000,000 | 0 | 72,375,117 | 0 | 370,675,117 | 261 | 18 |
| Personal, Recreation Ser. | 1 | 0 | 0 | 0 | 0 | 1 | 2,050,000 | 0 | 0 | 0 | 0 | 2,050,000 | 2 | 0 |
| Property Development | 2 | 0 | 0 | 2 | 0 | 4 | 58,000,000 | 0 | 0 | 79,348,844 | 0 | 137,348,800 | 40 | 0 |
| Others | 4 | 0 | 0 | 3 | 0 | 7 | 136,990,000 | 0 | 0 | 205,520,012 | 0 | 342,510,012 | 26 | 7 |
| Tourism | 5 | 0 | 0 | 1 | 0 | 6 | 1,889,862,348 | 0 | 0 | 5,500,000 | 0 | 1,895,362,348 | 59 | 5 |
| Wholesale /Retail | 6 | 0 | 0 | 2 | 3 | 11 | 111,791,000 | 0 | 0 | 11,230,000 | 57,260,000 | 180,281,000 | 47 | 3 |
| TOTAL | 36 | 2 | 1 | 10 | 5 | 54 | 3,080,064,348 | 83,300,000 | 9,000,000 | 413,406,535 | 59,840,000 | 3,645,610,883 | 594 | 56 |

Table 5. Number & Type of Foreign Investment Approvals, Value (Vt) of Proposed Investment and Proposed Employment by Province

| PROVINCE | Number of Projects | | | | | | Proposed Investment (VT) | | | | | | Proposed Employment | |
|--------------|--------------------|----------|----------|-----------|----------|-----------|--------------------------|-------------------|------------------|--------------------|-------------------|----------------------|---------------------|-----------|
| | New | Private | | Variation | | Total | New | Private | | Variation | | Total | Local | Foreign |
| | | New | Exist | New | Exist | | | New | Exist | New | Exist | | | |
| PORT VILA | 30 | 1 | 1 | 7 | 3 | 42 | 1,138,902,000 | 1,300,000 | 9,000,000 | 302,095,723 | 47,840,000 | 1,499,137,723 | 326 | 37 |
| LUGANVILLE | 1 | 0 | 0 | 0 | 2 | 3 | 144,500,000 | 0 | 0 | 0 | 12,000,000 | 156,500,000 | 18 | 0 |
| SANMA | 2 | 0 | 0 | 1 | 0 | 3 | 1,578,162,348 | 0 | 0 | 31,962,012 | 0 | 1,610,124,360 | 111 | 17 |
| SHEFA | 2 | 1 | 0 | 2 | 0 | 5 | 134,500,000 | 82,000,000 | 0 | 79,348,800 | 0 | 295,848,800 | 133 | 0 |
| TORBA | 1 | 0 | 0 | 0 | 0 | 1 | 84,000,000 | 0 | 0 | 0 | 0 | 84,000,000 | 6 | 2 |
| TOTAL | 36 | 2 | 1 | 10 | 5 | 54 | 3,080,064,348 | 83,300,000 | 9,000,000 | 413,406,535 | 59,840,000 | 3,645,610,883 | 594 | 56 |

Other Activities

- A total of 3 Board meetings were convened. With the new initiative to speed up the approval process, the Board also approved projects through the use of the “flying file” process, of which a total of seven (7) were circulated to the Board members.
- The Minister of Trades and Industries appointed Joe Ligo as the CEO of VIPA again on 13th April of 2006 for another 3-year term to head the Authority.

The Authority wishes to thank all line agencies for the continuous cooperation and we look forward for greater challenges in the next quarters of 2006.

Overall Remark

This quarter saw an increase in the number of applications received as compared from 37 in the first quarter to 54 in the second quarter.

With additional information content in this report on Private and Variation project, there is evidence that existing investors are confident in the current investment climate with more than 28 percent of the projects received coming from investors are willing to expand their business activities and also new investors are interested in investing in existing businesses that are already on ground.

With the increase in the number of projects received there was also an increase in the number of employment opportunities this quarter recording continued growth from 286 in the first quarter of 2006 to 594 in the second quarter, an increase of almost 52 percent.

Most of the projects received are located mainly in Port Vila and the major business activities are in the Wholesale & Retail sector. Australia remains the country where most investments come from followed by New Zealand and France.