

PUBLIC ACCOUNTS COMMITTEE
COMMISSION DES COMPTES PUBLICS

Thursday 17th November 2021

From: Hon. Matai **SEREMIAH** (MP) Chairman
of Public Accounts Committee
Parliament House
PMB 9052, Port – Vila

To: Hon. Simeon **SEOULE** (MP)
Speaker of Parliament
PMB 9052, Port – Vila

Dear Hon. Speaker,

Submission of the Public Accounts Committee (PAC) Inquiry Report on the Public Private Partnership Agreement by the Ministry of Agriculture, Livestock, Fisheries, Forestry and Biosecurity and Milai Vanuatu Limited, Outstanding imprest owed to the Government, revenue collection from the Citizenship programs, the current financial status of Air Vanuatu, the control of government vehicles by the Government Fleet management Unit under the Public Service Commission, and the follow up of audit reports of the Office of the Auditor General on the Vanuatu Shipping Registry and the Parliament of Vanuatu.

In accordance with section 16 of the *Expenditure Review and Audit Act [CAP. 241]*, I am pleased to submit the Inquiry Report of the Public Accounts Committee accompanying this letter on the above institutions.

PAC conducted this Inquiry in accordance with Section 15 of the Expenditure Review and Audit Act [CAP. 241] which permits the PAC to pursue any concern that arise in respect of the management of public resources. The Inquiry of the PAC into any matter and including that stated in the attached report complies with CAP 241.

Pursuant to the Expenditure Review and Audit ACT [CAP. 241], I am satisfied to submit this report as Chairman of the Public Accounts Committee.

Yours sincerely,

Hon. Matai **SEREMIAH**, MP
Chairman of Public Accounts Committee



Enquiry report into

- the Public Private Partnership Agreement by the Ministry of Agriculture, Livestock, Fisheries, Forestry and Biosecurity and Milai Vanuatu Limited,
- the Outstanding imprest owed to the Government,
- the revenue collection from the Citizenship programs,
- the current financial status of the Air Vanuatu,
- the control of government vehicles by the Government Fleet management Unit under the Public Service Commission, and
- Follow up of audit reports of the Office of the Auditor General on the Vanuatu Shipping Registry and the Parliament of Vanuatu.

Submitted to the Hon Speaker of Parliament: Hon Seoule Simeon

By the Hon MP PAC Chairman: Hon Matai Seremaiah



Matai SEREMAIAH (MP)

Chairman of the Public Accounts Committee

Dated: 17 November 2021

Executive Summary

Introduction

This report covers the enquiry of the Public Accounts Committee (PAC) on the following matters:

- the Public Private Partnership Agreement by the Ministry of Agriculture, Livestock, Fisheries, Forestry and Biosecurity and Milai Vanuatu Limited,
- the Outstanding imprest owed to the Government,
- the revenue collection from the Citizenship programs,
- the current financial status of Air Vanuatu,
- the control of government vehicles by the Government Fleet management Unit under the Public Service Commission, and
- follow up of audit reports of the Office of the Auditor General on the Vanuatu Shipping Registry and the Parliament of Vanuatu.

These matters were part of the Agenda of the PAC second meeting of this year, 2021.

The PAC summoned various government officials and private sector business individuals to assist with information and ensure timely completion on this enquiry. This includes the request by PAC, under the Expenditure Review and Audit Act, for specific officials of the government and government line agencies to respond to the findings and recommendations stated in this report within 28 days.

Objective

The objective of the investigation was to enquire and report to Parliament on the matters raised to ensure assurance is provided to the Public on the financial status of the Country especially during the period of the current crisis that the Country is facing, ensuring continuity of revenue generation by the citizenship program as one of the major revenue contributors to the government, control measures in place are adequate within the imprest system and the fleet management system, and that tenders awarded are in compliance to laws and regulations governing expenditure and tendering of projects and government procurements etc.

Findings

- 1) Unlawful use of funds and breach of the PFEM (Public Finance and Economic Management) Act and the Government Contracts and Tenders Act (GC&T Act).
- 2) There are huge malpractices within the tender processes on sole source arrangement by the MALFFB.
- 3) Due to the SOE, the tenders awarded to certain parties did not adhere to respective tender procedures and the investigations also revealed that tender procedures were by passed.
- 4) Findings from the Citizenship program revealed that the revenue target for the year will be achieved however; investigations conducted revealed that lack of internal controls may exist in the procedures in the granting of citizenship and agents at the Commission.

- 5) Outstanding imprest report showed an uncollected amount of Vt 252,869,117 that must be collected.
- 6) Air Vanuatu business viability is highly at risk as a result of huge outstanding debts and loans accumulated over the years.
- 7) COM decision number 160 regarding the Vanuatu Shipping Registry is not effectively implemented.
- 8) Management of Parliament must implement recommendations following the Audit report on Parliament.

Conclusion

This report revealed instances of lack or ignorance of internal controls in the government administrative process including the tendering and procurement processes despite the State of Emergency situation the Country is faced with.

After the 28 days period, except for the Public Service Commission, we received responses from the respective institutions and they are provided in the appendices to this report. The response by PAC to the comments made by these institutions is as follows:

1.1 Milai cattle

PAC acknowledges the response of the Director of the Ministry of Agriculture. However, despite PAC findings and recommendations, the government continued to engage itself in the PPPA with Milai as per COM decision number 259 of 2021 (appendix 1 (h)) for another two years on a sole source arrangement. In addition, despite 784 cattle remaining, COM and DCO decided to extend the contract knowing very well that the contract has expired, putting into question, how could a contract that has already expired be renewed?

PAC is concerned with the sole source arrangement, needless to mention, that there are other partners that could have provided competitive offers.

It is necessary for COM to revisit its decision number 259 of 2021 given that the contract has already expired.

1.2 Outstanding imprest

PAC acknowledges the response of the Director of the Ministry of Finance. The department of Finance is currently working on the guidelines and enforcements to improve the system of outstanding imprests.

1.3 Citizenship programs revenue collection

PAC acknowledges the response of the Secretary of the Citizenship Commission, noting its efforts to implement the recommendations outlined in the report.

There is a need for an effective risk management strategy and robust IT Support system.

1.4 Air Vanuatu financial status

PAC acknowledges the response of the CEO of Air Vanuatu regarding this report. PAC notes that the airline has a strategic plan to revamp the airline and that plan includes the purchase of

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two new twin otters. However, PAC reiterates its position for Air Vanuatu to lease rather than to purchase the aircrafts. The Committee did not receive the strategic business plan 2021-2026

With regards to recruitment procedures of the Foreigner of whom his work permit was not approved by the department of Labor, while we note the comments of the CEO of Air Vanuatu, it is worth mentioning that unprofessional practice in the already financially struggling airline should not have occurred.

As such, there is a need to revisit the continued employment of the CEO.

1.5 Government fleet management

There is no response from the head of agency concerned - Public Service Commission.

1.6 Follow up on Audit reports 2019

1.6.1 Vanuatu Shipping Registry

PAC acknowledges the response of the Director Ministry of Infrastructure and Public Utilities. It is necessary that COM decision number 160 (appendix 6 (a)), Vanuatu Shipping Registry is implemented expeditiously. PAC notes that there is bill that will be tabled in this session, which is part of the COM decision 160.

1.6.2 Parliament Special review

PAC acknowledges the response of the Human Resource Officer under the office of the Clerk of Parliament. PAC notes the improvements and progress made from the findings and recommendations in the audit report. However, PAC notes that there are several matters not responded to.

Recommendations are provided in this report; hence the various respective authorities should ensure these recommendations are implemented.

The PAC will revisit issues raised in this report.

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The Public Accounts Committee (PAC) has completed its enquiry into those matters that were brought to its attention in the PAC second meeting of 2021. The following matters were enquired into:

- the Public Private Partnership Agreement by the Ministry of Agriculture, Livestock, Fisheries, Forestry and Biosecurity and Milai Vanuatu Limited,
- 70/30 Subsidy program,
- the Outstanding imprest owed to the Government,
- the revenue collection from the Citizenship programs,
- the current financial status Air Vanuatu,
- the control of government vehicles by the Government Fleet management Unit under the Public Service Commission, and
- Follow up of audit reports of the Office of the Auditor General on the Vanuatu Shipping Registry and the Parliament of Vanuatu.

This report summarizes the findings from the investigation conducted by the Public Accounts Committee (PAC).

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1. Overview of Investigation

1.1 Background

Included in the agenda of the PAC second meeting of 2021 are:

- the Public Private Partnership Agreement by the Ministry of Agriculture, Livestock, Fisheries, Forestry and Biosecurity and Milai Vanuatu Limited,
- 70/30 Subsidy program,
- the Outstanding imprest owed to the Government,
- the revenue collection from the Citizenship programs,
- the current financial status Air Vanuatu,
- the control of government vehicles by the Government Fleet management Unit under the Public Service Commission, and
- Follow up of audit reports of the Office of the Auditor General on the Vanuatu Shipping Registry and the Parliament of Vanuatu.

The PAC enquired into the above matters to substantiate and confirm concerns raised on these issues with the relevant responsible authorities through presentations from the responsible authorities, through the means of public enquiries and with on-site visits for physical verification of public assets.

The PAC for this legislature came into effect in July 2021, hence crucial work such as this was necessary.

1.2 PAC Mandate

PAC conducted this enquiry in accordance with Section 14 and 15 of the Expenditure Review and Audit Act [Cap 241] which gives the PAC the mandate to pursue any concern that arise in respect of the management of public resources. Therefore, this enquiry complies with CAP 241.

1.3 Objectives of Investigation

The primary objective of the enquiry is to assess and provide assurance to the public on the management of financial and public resources of the Country and to ensure these resources are managed and or procured in compliance with tender regulations and laws and that revenue collections are done as a continuity measure amidst the Covid 19 crisis, etc.

1.4 Scope and Methodology of Investigation

This enquiry covers matters agreed to in the agenda of the second meeting of the PAC and they include:

- the Public Private Partnership Agreement by the Ministry of Agriculture, Livestock, Fisheries, Forestry and Biosecurity and Milai Vanuatu Limited,
- 70/30 Subsidy program,
- the Outstanding imprest owed to the Government,
- the revenue collection from the Citizenship programs,
- the current financial status Air Vanuatu,
- the control of government vehicles by the Government Fleet management Unit under the Public Service Commission, and

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- Follow up of audit reports of the Office of the Auditor General on the Vanuatu Shipping Registry and the Parliament of Vanuatu.

Enquiries conducted by PAC included calling or summoning of witnesses to appear before PAC. The procedures conducting this enquiry included evidence collected orally and collated through these witnesses. Some witnesses provided materials and documentations that assisted the PAC with its investigations.

2. Responses

The report will be forwarded to the Speaker of Parliament.

Pursuant to Section 16(2A) of the Expenditure Review and Audit Act, the following persons must provide their response to the findings and recommendations made in the report within the 28 days provided to them:

- the Director General of Agriculture,
- the Director General of Finance and Economic Management,
- the Director of Livestock,
- the Secretary General of the Citizenship Commission and Chairman,
- the Director General of the Ministry of Public Utilities,
- the Acting Secretary General of the Public Service Commission, and
- the Clerk of the Vanuatu Parliament

3. Investigations Details and Findings

3.1 Milai Cattle

The Government, through MALFFB, had purchased 1800 herds of cattle for cattle restocking program by signing a Private, Public Partnership Agreement (PPPA) with Milai in July 2020. Post TC Harold, over 200 heads were slaughtered and distributed to the people of Sanma province.

Sequence of events

DATE	EVENT	KEY TAKEOUTS	FINDINGS
13 th July 2020	PPPA agreement was signed See appendix 1(a)	1. 45,000vt per head plus VAT.	2. PPPA was signed contrary to Section 3 of CAP 245
2 nd November 2020	Meeting between		

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	MFEM and SLO		
9 th November 2020	SLO advise was issued See appendix 1(b)		<ol style="list-style-type: none"> 1. SLO advised that the agreement needed to comply with GC&T Act, however, they must seek approval from CTB to utilize regulation 40(9) 2. PAC is of the view that the advice from SLO was totally wrong as none of the schedules attached to the contract is not of urgent nature. SLO and even the CTB could have advised to pay out the slaughtered cattle and issue open tender for the restocking cattle.
12 th November 2020	Request by MALFFB to CTB		
24 th November 2020	CTB responded to request See appendix 1(c)		CTB agreed for MALFFB to proceed with PPPA, however, “to process the outstanding payment from August -December 2020 only
26 th November 2020	COM decision See appendix 1(d)		COM approved PPPA but MALFFB did not follow on from CTB resolution on payment terms
ALL PAYMENTS COMPLETED BY DECMBER 2020			Total contract payment of VT93,150,000 contrary to CTB resolution See appendix 1 (e)

PAC after receiving information and evidence from GOVT officials in Vila, approved for a subcommittee to make further enquiries in Santo on the PPPA especially the restocking the program schedule. The findings of the subcommittee are as follows;

- There are more than one big cattle farmer in Santo with available stock to supply such a contract. E.g., Nitchiku, Peter Colmar, Mount Hope, Kovu Farm etc.
- Quotations were sought and issued but was not considered and the suppliers were not notified of the decision until after the Contract was actually executed. (See appendix 1 (f))
- Out of the balance of 1076 head, Milai has NO sufficient healthy stock to discharge his obligation as per contract.
- Pasture is very poor and cattle are not in good condition for transporting as per VET Doctor's professional opinion.
- Cattle heads owned by the Vanuatu Government were not even tagged.
- Cattle stock was not even assessed prior to entering into the Contract.

Findings

The PPPA was established with good intention by Team MALFFB however, the Government Contracts Tender Act was breached. The following, in the view of PAC were breached;

1. Section 3(b) of the GC&T Act *states that prior to entering a contract a minister must ensure the contract is.... Cost effective.* PAC finds that there were other cattle suppliers available in Santo that may have provided a better value for money.
2. 3(d) of the GC&T Act states '*consult with and obtain the advice of the Attorney General or a Legal practitioner approved by the Attorney General in writing, on the legal aspects, implications, and appropriateness into the contract;* the contract was executed on the 13th of July and advise was later sought on the 2nd of November 2020 and SLO advise was received on the 12th which is five (months) later
3. 3(f) of the GC&T Act states *use a competitive and transparent process when deciding who to award the contract to of the GC&T Act of the GC&T Act including where applicable, a tender process as may be described by the ACT.* It is clear from PAC findings that there was nothing urgent in the contract which qualifies for the PPPA to be cleared using regulation 40(9) and tender process should have been utilized.
4. 3(h) of the GC&T Act states *obtain a council minute approving the contract.* A council decision was made on the 24th of December contrary to the requirement of the act. Again five (5) months later.

PAC is also concerned with how the contract was written. In particular PAC feels that the contract is more in the Private sector's interest.

E.g., Schedule A, Part E, of the PPPA "*if the Agreement ends, the Private sector may charge a Grazing fee at its discretion on the Public Sector on fortnightly basis*".

This leaves the government exposed to additional liability, now that the contract has lapsed and 1,076 is yet to be collected. Leaving the grazing fee charge to the '*discretions*' of Milai is

totally negligent on the part of the government. Even to this date, PAC nor MALFFB has any records proving what is available for collection out of the 1,076 heads.

It should also be noted that out of the four (4) schedules in the PPPA only one is executed which is the cattle restocking. Furthermore, the cattle that were slaughtered were not part of the PPPA. However more than 200 heads were slaughtered and distributed post TC Harold which was the rationale for SLO to advise to utilize regulation 40(9). PAC concludes that the agreement falls short of regulation 40(9) thus the tender board should have never resolved for MALFFB to proceed.

PAC on similar enquiries have found that many government contracts since the beginning of 2020, have been engaged using regulation 40(9). Many DG's think that during a State of Emergency under the Disaster Risk Management Act No. 23 of 2019, all laws are suspended, which is NOT RIGHT.

DG MALFFB on record stated that the reason to make the full payment was because of the fear that the financial is coming to an end and the budgeted money would be taken back to the central account, thus they facilitated the payment of the full contract.

Recommendations

For MALFFB to organize removal of the remainder of heads as soon as possible to avoid exposing the government to additional liability (grazing fee).

1. In the event that Milai does not have sufficient stock to fulfill its obligation to the contract, MALFFB and SLO have to find avenues to recover the balance of money being paid already.
2. All cattle procurement for restocking has to go through Open Tender process so that it is fair to all farmers and best value for money is achieved.
3. PAC notes that the regulations under GCT have been amended, which is encouraging but GC&T Act and regulations must be fully adhered to ensure best Value for money on ALL contracts.
4. CTB and SLO must conduct a workshop on sole source arrangements during stated of emergencies so that DGs are fully aware of the GCT Act and its relevant regulations so that to avoid similar events in the future.
5. All government agencies when submitting NPP's must also submit their procurement plan.
6. The authorities responsible should be reprimanded from their position for allowing and placing the government in such an awkward position with respect to the terms and conditions of the agreement reached.
7. The Office of the Auditor General should substantiate the total costs due and owing to the Milai instead of shifting the liability to the Vanuatu Government.
8. Such agreements in future should be ceased as this only increased the government's liability and does not promote fair trade within the Country especially, in the agriculture sector.

Management comments

Response from the Director General of Agriculture, refer to appendix 1 (g).

3.2 Outstanding imprest

Following the presentation of the Auditor General on the major findings and recommendation from the audit reports on the Ministry of Justice and community services on domestic trip to Maewo in August 2018 and the Department of Industry on International trip to Fiji in the month of August 2018 and from the report of the Internal Audit Department of the Ministry of Finance and Economic Management referred to PAC by the Auditor General, PAC considered these reports and decided to enquire into Touring Imprest. The enquiry involved following up with the Department of Finance to ensure controls existing within the government imprest system are adequate and that all monies due are recovered by the individuals who are responsible.

The staff from the Department of Finance confirmed that huge outstanding remain uncollected to date, amounting to the sum of Vt 252,869,117. The table showed outstanding imprest by Agency including an overall figure owed by the constitutional agencies:

Outstanding Imprests as at 12/10/2021 by Ministries and Departments			
Line agency	Total Advance	Total Deduction	Overall Total
Constitutional Agencies	17,283,665	700,920	16,582,745
Ministry of Agriculture, Livestock, Forestry and Biosecurity	40,409,300	1,357,200	39,052,100
Ministry of Climate Change Adaptation, Geohazards, Meteorology and Energy	29,775,735	7,981,215	21,794,520
Ministry of Education & Training	44,536,608	8,258,310	36,278,298
Ministry of Finance and Economic Management	31,898,359	11,275,498	20,622,861
Ministry of Foreign Affairs, International Cooperation and External Trade	3,030,000	800,000	2,230,000
Ministry of Health	34,275,400	3,950,000	30,325,400
Ministry of Infrastructure and Public Utilities	9,485,170	1,273,500	8,211,670
Ministry of Internal Affairs	33,935,210	6,193,147	27,742,063
Ministry of Justice and Social Welfare	12,070,308	785,200	11,285,108
Ministry of Lands, Mines & Water Resources	12,369,000	1,020,460	11,348,540
Ministry of Tourism, Trade, Commerce and Ni-Vanuatu Business	14,628,282	235,000	14,393,282
Ministry of Youth Development & Sports	5,983,650	1,150,000	4,833,650
Prime Ministers Ministry	8,666,880	498,000	8,168,880
Grand Total	298,347,567	45,478,450	252,869,117

Source: MFEM

The main reason for this huge outstanding is the lack of implementation of the regulations pertaining to imprest which provides for Officials to retire the fund within 10 days after returning from the official trip and for salary deductions to commence immediately thereafter, when funds are not retired.

From the audit reports of the Auditor General, it was also noted that Domestic Travel allowances were not refunded when an official trip is shortened.

Recommendations:

- It is recommended that the Ministry of Finance should ensure stringent compliance controls as per the imprest form is implemented to ensure recovery of public funds by individuals. Officers responsible for this should ensure a proper system is established to control this if the current imprest system is not adequate and that officers with outstanding imprest should not be permitted to advance another imprest if the previous are still outstanding.
- The Department of Finance and Treasury should consult the Ministries and develop a procedure that should advise the Ministries and the Department of Finance when officials trips are shortened and allowances relating to the shortened trip be claimed back from the Official(s) through salary deduction.

The PAC will revisit this matter next year, 2021.

Management comments

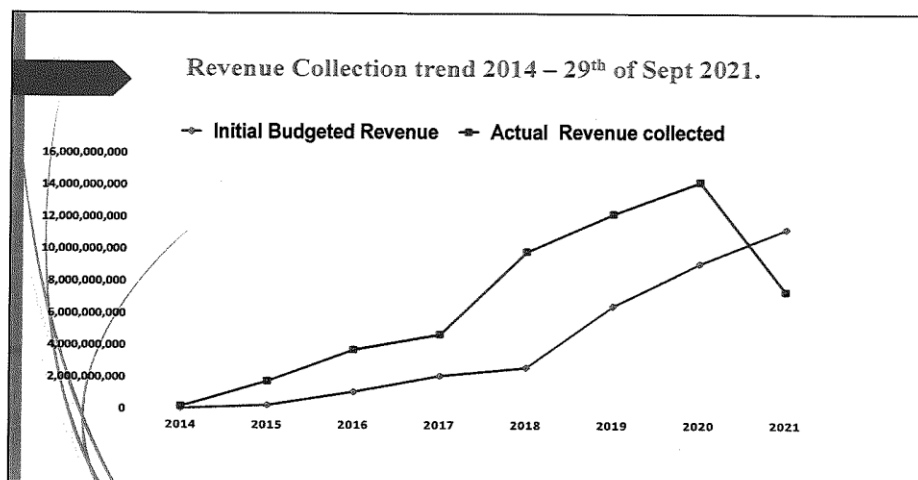
Response from the Director of Finance, refer to appendix 2.

3.3 Citizenship programs revenue collections comparison

The 2021 appropriation estimate for the citizenship program stands at VT 11,276,675,457 which is 30% of the estimated expenditure budget of VT 37,548,891,000. Enabled by CAP 112, - the Citizenship Act, - various citizenship programs are there to generate revenue for Vanuatu to facilitate Vanuatu’s development.

Figure 1: Actual vs Appropriated Revenue from Citizenship Programs from 2014-Sept 29 2021

19/10/202:



Source: Citizenship office.

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As shown in Figure 1, the revenue collection from Citizenship peaked in 2019 but exceeded appropriation target in 2020 despite the COVID19 crisis. This year 2021 revenue from the citizenship programs will likely fall short of the appropriation estimate target of 11.2 billion vatu but may exceed VT 9 billion.

Agents are licensed by the Citizenship Commission annually to facilitate the Citizenship Programs and generate government revenue measures. Agents must adhere to the laws of Vanuatu, particularly the Citizenship Act in the conduct of business.

At the time inquiry, PAC noted that the issue of correspondent bank has also had an adverse impact on revenue collections from the Citizenship programs. Without an effective risk management strategy, PAC is concerned that Vanuatu is at risk of losing its most important revenue generation program in these trying Pandemic times.

Recommendations

- It is recommended that a full audit of the citizenship programs be conducted immediately by the Office of the Auditor General to ensure that internal controls are robust and complied with relevant laws and regulations governing the granting of citizenships.
- The Vanuatu Government through the Ministry of Finance, the Reserve Bank and the National Bank should urgently develop and implement a risk management strategy to address the correspondent bank issues and avoid losing Vanuatu Citizenship programs altogether.

Management comments

Response from the Citizenship Secretary General, refer to appendix 3.

3.4 Air Vanuatu

PAC was concerned about the national airline operation, hence commenced an investigation to determine the current financial status of the airline. As per the reports produced to date, the airline is operating with a current creditors balance of VT 1.6 billion and a total of loans of VT 3.9 billion. In order to remain competitive, the Government should consider further annual grants to the Airline to meet its operational and capital commitments.

During its enquiry, PAC was also made aware of management decisions that had cost the Airline significant amounts of money. PAC was informed of serious malpractices in the recruitment of offshore personnel. The Chair of Air Vanuatu Board was aware of the recruitment decision only after the Chief Executive Officer had already hired and committed Air Vanuatu into paying the offshore consultant. This now questions the ability of the holder for the position of the C.E.O to operate already a financially struggling airline.

Recommendations

- As the airline is not really making a profit and there are already unprofessional practices in the operation of the airline, it is recommended that a new CEO should be appointed

to design a strategic and profitable route to improve the airline current financial standing.

- As part of its corporate strategy, the government should assess the plan for Air Vanuatu to purchase the planes outright compared with a leasing option while without a strategy, the leasing option would seem to be a better option.

Management comments

Response from the CEO, refer to appendix 4.

3.5 Government fleet management

The Government through the Public Service Commission is managing its fleet with a total of over 400 serviced cars/trucks/buses and other vehicles which are maintained in all government offices in the two urban centers and sub offices in the islands. Between 2018 and 2020, over VT 200 million is spent annually on maintaining these vehicles including providing operational costs such as fuel, servicing etc.

Government Fleet Services& Maintenance Costs including fuel 2018-2020			
Year	Total Costs Services&Maintenance incl.fuel		
2018	222,017,879.1		
2019	245,065,701.0		
2020	274,847,083.3		

Source: MFEM

Controls over these are through the GPS systems. Maintenance of this is done by an Officer of the Commission and where misuses of vehicles are identified and witnessed; such vehicles are stopped through the GPS system.

Recommendations

- A stricter control measure should be in place for all government vehicles to prevent excessive use of public money on vehicle usage and maintenance and to promote the efficiency and sustainability of the vehicles/fleet.
- Reports generated by the GPS should be seriously reviewed and measures taken to rectify any mishandling of a vehicle.

Management comments

There is no response from the head of agency concern.

3.6 Follow-up findings and recommendations from audit reports of the Office of the Auditor General

3.6.1 Vanuatu Shipping Registry services

The audit report on the Vanuatu Shipping Registry services was presented to the PAC members to consider and follow up on the recommendations which were highlighted in the report.

The PAC enquired with the Commissioner Vanuatu Maritime Services and the DG of MIPU on the status of matters referred to in the audit report.

The PAC noted that there was COM decision number 160 on the future of the Shipping Registry service.

Recommendations

- The MIPU and the MFEM officials should consider the audit report and collaborate together with the Vanuatu Maritime Services Limited to address issues highlight in the audit report.
- MIPU and the Commissioner of Maritime Services in collaboration with MFEM should urgently implement the COM decision no. 160. (See appendix 6 (a))

The PAC will revisit this matter.

Management comments

Response from the Director General of MIPU, refer to appendix 6 (b).

3.6.2 Vanuatu Parliament Special Audit Review for Budget & Expenditure 2019.

The special audit report on Parliament was presented to the PAC to consider the recommendations highlighted in the report.

The Clerk of the Vanuatu Parliament admitted that the recommendations highlighted in the report were yet to be implemented and assured PAC that these will be considered. However, PAC noted that some of the issues will remain as the 2022 appropriation is almost the same as the 2021 appropriation with no major variations.

Recommendations:

- The Clerk and management of the Vanuatu Parliament should consider and rectify all the issues highlighted in the report.
- There are issues relating to discipline mentioned in the report and the Parliament Board should be advised to consider these issues.

The PAC will revisit this matter.

Management comments

Response from the Human Resource Officer, refer to appendix 6 (c).

4 Statement of Authority

4.1 Authority

The Public Accounts Committee (PAC) is a body enacted by Parliament to scrutinize public accounts; hence, the PAC has authority to conduct enquiries into administration and management of public resources and public funds independent of Government in the interest of Parliament and the people of Vanuatu.

4.2 Unresolved disagreements

PAC is not privy to any disagreements that may exist.

5 Acknowledgments

PAC acknowledges the contributions of the witnesses who responded to the summons. The members of the PAC, the PAC secretariat and those who assisted the Committee are also duly acknowledged for their efforts with this enquiry.

6 Appendices

Appendix 1 (a) Public-Private Partnership Agreement

Appendix 1 (b) State Law advice-PPPA

Appendix 1 (c) Tender Board Decision PPPA

Appendix 1 (d) COM Decision No.245 of 2020

Appendix 1 (e) Milai LPO Payment

Appendix 1 (f) Quotations from other cattle farms Nitchiku and Peter Colmar (Valele Trust)

Appendix 1 (g) Response from the Director General of Agriculture

Appendix 1 (h) COM Decision No. 259 of 2021

Appendix 2 Response from the Director of Finance

Appendix 3 Response from the Citizenship Secretary General

Appendix 4 Response from the CEO

Appendix 6 (a) COM decision No. 160

Appendix 6 (b) Response from the Director General of MIPU

Appendix 6 (c) Response from the Human Resource Officer

Appendix 1 (a) Public-Private Partnership Agreement

Public-Private Partnership Agreement

**PUBLIC-PRIVATE PARTNERSHIP
AGREEMENT**

DATED: 13 July 2020.

BETWEEN

MINISTRY OF AGRICULTURE, LIVESTOCK, FORESTRY, FISHERIES AND
BIOSECURITY, GOVERNMENT OF THE REPUBLIC OF VANUATU

OF

PMB 9095, PORT VILA

AND

MILAI (VANUATU) LIMITED

OF

PO BOX 614, LUGNAVILLE

Public-Private Partnership Agreement

PUBLIC-PRIVATE PARTNERSHIP AGREEMENT

This Agreement made on 13 July 2020.

BETWEEN Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity,
Government of the Republic of Vanuatu, PMB 9039, Port Vila ("**Public Sector**")

AND Milai (Vanuatu) Limited of PO Box 614, Luganville, Espritu Santo ("**Private Sector**").

WHEREAS

- A. Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity as a responsible Ministry of Government of the Republic of Vanuatu has a view to enter into an Agreement with a private sector to promote the industries of livestock, agriculture and aquaculture of Vanuatu.
- B. Milai (Vanuatu) Limited is a Lessee of Agricultural Leasehold Title 04/2942/002, 04/2944/005, 04/2941/009 and 04/3013/005 of which covers over 5,500 ha in South Santo, known as "Milai Farm", and has also a view to enter into an Agreement with the Government of Vanuatu to promote the industries of livestock, agriculture and aquaculture of Vanuatu.
- C. It is intended by the Public Sector and the Private Sector to work together to promote the overall Agricultural activities in the Republic of Vanuatu.

THE PARTIES AGREE AS FOLLOWS:

1 The Public-Private Engagement

- 1.1. This Agreement between the Public Sector and the Private Sector shall be to develop and manage the Public-Private Partnership in Milai Farm. **The projects include:**
 - (a) **National restocking programme** to compliment the Public Sector's immediate policy and its intention of maintaining level of cattle stock ("**Schedule A**");
 - (b) **Projects in Livestock, Agriculture and Aquaculture** ("**Schedule B**");
 - (c) **Joint venture on plantation with** a view to division of profits between the Public Sector and Private Sector ("**Schedule C**"); and
 - (d) **Temporary humanitarian relief project** to enhance the food security in the Cyclone affected islands and assist the Food Security and Agricultural Cluster (FSAC) in response to Tropical Cyclone Harold ("**Schedule D**").

Page 1 of 10

mtt *cd*

Public-Private Partnership Agreement

- 1.2. The Public Sector has engaged the Private Sector to work on activities that are described in the Schedule A, B and C (the "**Agreed Activities**") and the Private Sector has agreed to work together with the Public Sector.
- 1.3. The Private Sector has offered the land of **approximately 200 ha in size** located in Leasehold Title 04/3013/005 for the project that is described in the Schedule D (the "**Humanitarian Project**"), and the Public Sector has agreed to use the offered land temporarily for the purpose of growing necessary food items only.
- 1.4. The Public Sector acknowledges that nothing in this Agreement would result a claim to any leasehold title owned by the Private Sector.
- 1.5. The Public Sector represents to the Private Sector that the Public Sector has enough resources and necessary monetary funding in supporting the Agreed Activities and the Humanitarian Project and is able to support the Agreed Activities and the Humanitarian Project.
- 1.6. The Private Sector represents to the Public Sector that the Private Sector has enough land areas and experience in assisting the Agreed Activities.

2 Duration

- 2.1 This Agreement shall commence on the date of this Agreement and shall continue in existence **for one (1) year** with option to renew by every year at discretion of the Private Sector.
- 2.2 As the Humanitarian Project is only intended to be a temporary relief project to address the food security issue with the aftermath of Tropical Cyclone Harold, the Private Sector may elect to renew this Agreement on the Agreed Activities only.
- 2.3 It is mutually understood by the Parties that the Humanitarian Project will not continue longer than two (2) years from the date of this Agreement unless there is a written agreement by the Private Sector states otherwise.

3 Duties

- 3.1 Both Public Sector and Private Sector will:
 - (a) **Pay all amounts payable** in accordance with Agreed Activities and Humanitarian Project;
 - (b) be just and faithful to each other;
 - (c) **punctually pay** and discharge its present and future debts and engagements in accordance with Agreed Activities and Humanitarian Project; and
 - (d) During the currency of this Agreement will show the **utmost good faith.**

Page 2 of 10

Handwritten initials/signature

Public-Private Partnership Agreement

4 Breaches and Termination

- 4.1 If the Public Sector fails to perform its responsibilities and obligations as per the Agreed Activities and Humanitarian Project or breaches any of the provisions of this Agreement and fails to remedy the breach within 14 days of being requested by the Private Sector so to do, the Private Sector may at the Private Sector's absolute discretion terminate this Agreement by giving written notice to the Public Sector to that effect.
- 4.2 Upon termination through breach or expiry of the Agreement, the Public Sector must immediately:
- (a) cease the Agreed Activities and Humanitarian Project;
 - (b) return any area of Milai farm used for the Agreed Activities and Humanitarian Project in good order and condition, except for reasonable wear and tear; and
 - (c) be financially responsible for any recovery activities to bring the Milai Farm back to its status before the commencement of the Agreed Activities and Humanitarian Project.
- 4.3 The Private Sector may in the event of breach, as an additional remedy to termination, claim damages from the Public Sector for any loss or damage which the Private Sector might thereby suffer.

5 Co-Operation and Good faith

- 5.1 The parties will in all their dealings with each other act reasonably and in good faith.
- 5.2 Nothing in this clause prevents the Private Sector from exercising any of the Private Sector's rights in the event of breach by the Public Sector.

6 Limitation of Liability

- 6.1 The Public Sector acknowledges to the Private Sector and it is hereby expressly agreed that the Private Sector will not be liable to the Public Sector for any loss or damage (including loss of profits and consequential damage) suffered by the Public Sector as a direct or indirect consequence of this Public-Private Partnership.

7 Whole Agreement

- 7.1 This Agreement represents the whole of the terms of the Public-Private Partnership between the Public Sector and the Private Sector and all representations, undertakings, prior agreements or arrangements are expressly excluded.

8 General

- 8.1 All modifications to this Agreement must be in writing and be signed by duly authorised representatives of both parties.
- 8.2 This Agreement may not be assigned or transferred by either party without the prior written consent of the other.

Handwritten initials/signature

Public-Private Partnership Agreement


- 8.3 Each party has had the opportunity before signing this Agreement to obtain **separate and independent legal advice** as to the effect of this Agreement upon that party.
- 8.4 Any waiver of any right or entitlement under this Agreement must be in writing signed by the party waiving that right or entitlement.
- 9 No Waiver**
- 9.1 The failure of a Party at any time to require full or partial performance of any provision of this Agreement will not affect in any way the full right of that Party to require that performance subsequently.
- 9.2 The waiver by any Party of a breach of a provision of this Agreement will not be deemed a waiver of all or part of that provision or of any other provision or of the right of that Party to avail itself of its rights subsequently.
- 9.3 Any waiver of a breach of this Agreement will be in writing signed by the Party granting the waiver, and will be effective only to the extent specifically set out in that waiver.
- 10 Jurisdiction and Proper Law**
- 10.1 The both parties acknowledge that this Agreement shall be governed by the laws of the Republic of Vanuatu without regard to French Laws. If any provision in the Agreement is held by any court to be invalid, void or unenforceable, the remaining provisions shall nevertheless continue in full force and effect.
- 10.2 The parties acknowledge all the provisions are reasonable in all the circumstances and that each provision is and will be deemed to be severable and independent.

MA CCN

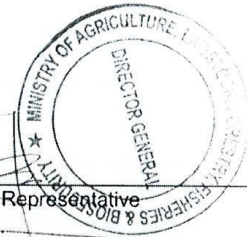
Public-Private Partnership Agreement

EXECUTED AS AN AGREEMENT

SIGNED, SEALED AND DELIVERED for)
and on behalf of the Government of)
Republic of Vanuatu represented by the)
Ministry of Agriculture, Livestock, Forestry,)
Fisheries and Biosecurity of the Republic of)
Vanuatu by:)

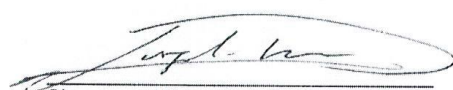


Signature of Witness
Print Name: *Lenny Bonz*

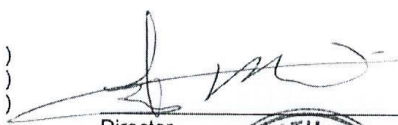


Authorised Representative
Print Name: **MOSES JOHN AMOS**

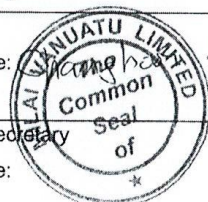
EXECUTED BY
MILAI (VANUATU) LIMITED
in the presence of:



Signature of Witness
Print Name: *JOSEPH LEE*



Director
Print Name: *Lee*

Director/Secretary
Print Name: 

Public-Private Partnership Agreement

SCHEDULE A

NATIONAL RESTOCKING PROGRAM

Part A – NATIONAL RESTOCKING PROGRAM

The National Restocking Program is to enhance the cattle industry in the Republic of Vanuatu. The Public Sector has a goal to increase the numbers of national cattle stock to _____ by 2025.

Part B – PURPOSE

The Purpose of this Schedule A is for the Public Sector to purchase cattle stock from the Private Sector as an asset for the purpose of the National Restocking Program as an agenda for the Department of Livestock.

Part C – PURCHASE PRICE

The Public Sector acknowledges to purchase cow and/or cattle at **minimum VT 45,000.00** for the purpose of enhancing the livestock industry, subject to market review by the Private Sector.

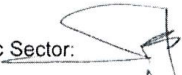
Part D – MINIMUM PURCHASE

The Public Sector commits to purchase **at least one-hundred-fifty (150) cow or cattle** from the Private Sector per month during the tenure of the Agreement unless otherwise agreed by the both Parties.

Part E – GRAZING FEES

In the event the Public Sector leaves the purchased cow and/or cattle at the Milai Farm, the **Private Sector will take the responsibility of grazing during the tenure of the Agreement.**

If the Agreement ends, the Private Sector may charge a Grazing Fees at its discretion on the Public Sector on fortnightly basis.

Signed by the Public Sector: 

Signed by the Private Sector: 

Page 6 of 10

Public-Private Partnership Agreement

SCHEDULE B

PROJECTS IN AGRICULTURE, LIVESTOCK AND AQUACULTURE

Part A – PROJECTS

The Parties agree that there may be need for an input from the Public Sector at the Milai Farm for the purpose of enhancing the production sectors.

Part B – INPUT

The input of the Public Sector have been identified below, but can be added by mutual consent in writing of the both Parties:-

1. Improving pasture on soil; and
2. Genetic improvement of beef cattle.

Part C – LOCATION

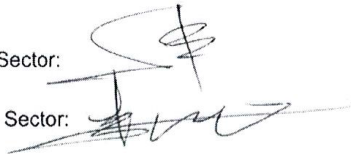
The location of the projects will be decided at the sole discretion of the Private Sector in consultation with the Public Sector.

Part D – NO CONSIDERATION

The Public Sector will not pass on any charges or fees to the Private Sector for the purpose of operating the projects in this Schedule.

The Private Sector will not charge any rent to the Public Sector for the purpose of using the Milai Farm for the purpose of the projects identified in this Schedule.

Signed by the Public Sector:



Signed by the Private Sector:

Page 7 of 10

Public-Private Partnership Agreement

SCHEDULE C

JOINT VENTURE OF PLANTATION

Part A – JOINT VENTURE OF PLANTATION

The Parties agree that there may be a commercial and beneficial relationship between the Parties to commence a Joint Venture of plantation that may include but not limited to: Kava, Kumala, Manoc and Taro.

Part B – PARTICIPATION INTEREST

For the purpose of Joint Venture, the Public Sector will fund all initial costs and ongoing costs of planting, growing and harvesting the plantation in consideration for the Private Sector providing the land for the purpose of Joint Venture.

Therefore, Each Party's Participation Interest will be equal.

Part C – LOCATION

The location of the any Joint Venture under this Schedule will be decided at the sole discretion of the Private Sector in consultation with the Public Sector.

Part D – PROFITS

The Partners will be entitled to the net profits of the Joint Venture in proportion to their respective Participation Interests, being equal interests.

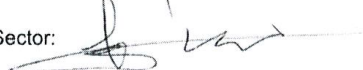
Part E – DISSOLUTION

In the event the Agreement comes to an end, or terminated, the Parties agree that fruits (or plants) from the respective plantation/s under this Schedule will be sold and distributed in accordance with Part D of this Schedule.

Signed by the Public Sector:



Signed by the Private Sector:



Page 8 of 10

Public-Private Partnership Agreement

SCHEDULE D

TEMPORARY HUMANITARIAN RELIEF PROJECT

Part A – PARTIES' REPRESENTATIONS FOR TEMPORARY HUMANITARIAN RELIEF PROJECT

The Public Sector represents to the Private Sector, in recognition of the Private Sector's gesture of good will that the Public Sector will take ultimate responsibility over use of land area including but not limited to: growing, harvesting, transporting the vegetables and paying any associated expenses.

The Private Sector represents to the Public Sector that the Private Sector will take its best endeavour to have the land available for the Public Sector to use for this Humanitarian Project by paying annual land rents when due.

Part B – RESPONSIBILITIES


The Public Sector will be responsible for:-

1. installation, usage and/or discharge of any essential items and/or services, including but not limited to: house, electricity connection and water sanitation;
2. vegetables grown as a result of the use of Land, including but not limited to: growing, maintaining, harvesting and transporting;
3. any resource and/or people for using the Land, including but not limited to: general welfare and/or health; and
4. any expenses incurred by the Private Sector for letting and assisting the Public Sector to use its Land, excluding the annual land rent.

Part C – LOCATION & AUTHORIZED OFFICER

The location of this Humanitarian Project under this Schedule will be decided at the sole discretion of the Private Sector in consultation with the Public Sector.

Both Parties agree that Mr Peter Napwatt, the Chief Executive Officer of Vanuatu Agricultural College, will act and direct the use of land for and on behalf of the Public Sector. In case Mr Napwatt is unable to discharge his duties, the Public Sector must seek the Private Sector's agreement before appointing another officer for the purpose of acting and directing the use of land.

 Page 9 of 10

Public-Private Partnership Agreement

Part D – DURATION

As per Clause 2.3 in the Agreement, the Partners understand this Humanitarian Project will last for maximum of two (2) years. However, the Duration can be longer if the Private Sector agrees otherwise in writing.

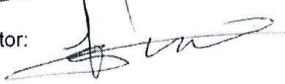
Part E – RIGHTS

In consideration for taking ultimate responsibilities, the Public Sector will have sole rights and discretions to sell, distribute and/or supply the food items grown from the Humanitarian Project.

Signed by the Public Sector:



Signed by the Private Sector:



Appendix 1 (b) State Law advice-PPPA

Our reference
AG 013509/AG-aki

Your reference



**Republic of Vanuatu
State Law Office**

09th November 2020

Hon. Minister of Finance And
Economic Management
Mr. Johnny Koanapo Rasou
Ministry of Finance
Port Vila

Rue Emmanuel Brunet
Port Vila

Private Mail Bag 9048
Port Vila

telephone (678) 22362
facsimile (678) 25473
email att.gen@vanuatu.gov.vu

Dear Sir,

ADVICE PUBLIC-PRIVATE PARTNERSHIP AGREEMENT

Classification Confidential
Priority Urgent

We refer to a meeting held at the Office of the Ministry of Finance and Economic Management (MFEM) on 02nd November 2020. Present and the meeting was Richard Kalses from the Ministry of Agriculture, Mr. Arua Nafuki from MFEM and two (2) representatives of Milai (Vanuatu) Limited (hereinafter Milai).

The matter considered at the meeting was the Public Private Partnership Agreement (PPPA) signed between the Ministry of Agriculture, Livestock, Forestry Fisheries and Biosecurity (MALFFB) and Milai dated 13 July 2020.

Amongst other things the PPPA was intended to address;

- (i) national restocking program, projects in livestock, Agriculture and Aquaculture,
- (ii) joint venture plantation with a view to division of profits between public and private and
- (iii) temporary humanitarian relief project to enhance food security and Agriculture cluster (FSAC) in response to Tropical Cyclone Harold.

Whilst the cost of implementing the PPPA far exceeds the threshold (10 million Vatu) provided for under the *Government Contracts and Tenders* [Cap 245] (GCT Act), we are informed that Milai has voluntarily done some concessions to the PPPA to reduce the actual costs of the PPPA to below the 10 million threshold required by the GTC Act. However, despite the reduction of the actual amount involve, it must be noted that the GTC Act refers to "Value" and "Consideration" of the contract as opposed to the actual costs or expenditure incurred or to be incurred under a contract.

Under section 3 of the GCT Act any Government Contract where the consideration in relation to any contract, arrangement, franchise or concession is VT 10,000,000 or above would, amongst other things, need to be sourced through the tender process as prescribed by the GCT Act.

Despite section 3 of the GCT Act, the PPPA was entered into without it going through the tender process provided for by the GCT Act. Our advice is sought on the legality of the PPA in light of the fact that payment under the PPPA from the Ministry of Agriculture is

IMPORTANT NOTE This letter may be received only by the named addressee and anyone authorised by the named addressee. It is confidential and contains material which is the subject of legal professional privilege and/or public interest privilege. Unauthorised retention, publication or other use of this letter may lead to civil or criminal liability. If you have received this letter in error the State Law Office requests that you immediately contact us to make arrangements for its recovery.

now due and payable to Milai. The Government of Vanuatu through the Ministry of Agriculture will not facilitate payment to Milai unless and until the legality of the PPPA is cleared.

OUR ADVICE

In the aftermath of Tropical Cyclone Harold, the government had to respond to the disaster caused by the cyclone. The response needed to be quick given the serious damage caused by the cyclone and government response involved the government having to spent millions of vatu which in the normal circumstances would have to comply with sections 4 to 8 of the tender process under the GCT Act. Given the insufficient time for tender process to be adhered to by the government, most of the decision by the government in response to TC Harold was made through the sole source provided for by the GCT Act through the regulation order no 40 of 1999. Section 9 of the regulation order provides;

- “9. (1) *In the case of emergency, the Tenders Board may choose to recommend a Government Contract to the Council of Ministers without following the procedure set out in sections 4 to 8. This may only be done when the urgency of the expenditure does not allow sufficient time for the full tender process to be carried out.*”
- (2) *Government Contracts funded by foreign donors or other organisations are subject to the provisions of these Regulations, unless they are inconsistent with any requirements of the funding agency.*”
- (3). *Where the provisions of these Regulations are not followed due to subsections (1) or (2), the Tenders Board must outline in their report to the Council of Ministers the exceptional reasons for following a different process.*”

A number of expenditures incurred by the government was done through the sole source under the section 9 of the Regulation which expenditure was later approved by the Council of Ministers.

We note that the PPPA was entered into on or about 13 July 2020 some three (3) months after TC Harold. We are also informed that the PPPA was entered into by the MALFFB and Milai as part of the government's response to the aftermath of TC Harold and should be so treated. In light of the above and given that the PPA is considered as part of the government expenditure in response to TC Harold, the PPA should be treated as having been sourced through the sole source under section 9 of the Regulation order. Such would require the matter to be brought before the Tenders Board and a request for sole sourcing under section 9 of the Regulation order be made by the relevant government institution.

Please contact this office with any queries you may have.

Yours faithfully,


Arnold Kiel LOUGHMAN
Attorney General



Cc: Hon. Prime Minister Mr. Bob Loughman Weibur
: Hon. Minister of Finance & Economic Management

Appendix 1 (c) Tender Board Decision PPPA



OFFICE OF THE CENTRAL TENDERS BOARD

Tuesday, 24th November 2020

Mr Moses John Amos
Director General
Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity
Port Vila

Dear Sir,

Re: Urgent Application sought for Board Consideration and to Approve MALFFB Request for Milai Vanuatu Limited as Sole Source Pursuant to the Signed Public Private Partnership

I acknowledge receipt of your letter dated 12 November 2020 with regards to the above-mentioned subject in which you requested the Central Tenders Board (CTB) to consider request for Sole Source procurement pursuant to a Public Private Partnership Agreement (PPPA) between the Vanuatu Government through MALFFB with Milai Vanuatu Limited under Section 9 of the Tenders Regulations order No. 40 of 1999.

The justified reason for the sole source was due to the aftermath of Tropical Cyclone Harold and the government had to respond to the disaster caused by the cyclone. The response needed to be quick given the serious damage caused by the cyclone and government response involved the government having to spent millions of vatu which in normal circumstances would have to comply with sections 4 to 8 of the tender process under the GCT Act. Given the insufficient time for tender process to be adhered to by the government.

The Central Tenders Board at an urgent meeting on, 24 November 2020 at 1:04 pm has considered your application and agreed on the following:

- 1) Approve for Government to enter into a public private partnership agreement with Milai Vanuatu Limited under section 11A(2)(b) of the Government Contract and Tenders Act - CAP 245 and section 9(1) of the Tenders Regulation Order No. 40 of 1999 for the following projects:
 - a. National restocking programme to compliment the Public Sector' Immediate Policy and its intention of maintaining level of cattle stock;
 - b. Projects in Livestock, Agriculture and Aquaculture;
 - c. Joint venture on plantation with a view to division of profits between the Public Sector and Private Sector; and
 - d. Temporary humanitarian relief project to enhance the food security in the cyclone affected islands and assist the Food Security and Agricultural Cluster (FSAC) to Tropical Cyclone Harold.

- 2) Approve the **Public Private Partnership Agreement for the above-mentioned projects for a contract value of VUV93,150,000 only, inclusive of VAT for a contract period of 12 months only (1 year).**

The Board also, resolved for DoFT to process the outstanding payment from August 2020 - December 2020 only.

The Board however, resolved for the procuring agency (MALFFB/Department of Livestock) to prepare a report by way of COM Paper to be jointly tabled by MALFFB/MFEM to endorse the board's decision.

Yours sincerely,



Maki Stanley Simelum
Chairman
Central Tenders Board



Cc: Letlet August, Director General, MFEM
Lonny Bong, Director, Department of Livestock
Dorothy Ericson, Director, DoFT
John Cliff Soaram, State Counsel, Advisory Unit, SLO

Appendix 1 (d)COM Decision No.245 of 2020

**GOUVERNEMENT DE LA
RÉPUBLIQUE DE VANUATU**
LA SECRÉTAIRE-GÉNÉRALE



**GOVERNMENT OF THE
REPUBLIC OF VANUATU**
COUNCIL OF MINISTERS

Thursday 26th November 2020.

Hon. Willie DANIEL KALO (MP), Minister of Agriculture, Livestock, Forestry, Fisheries & Biosecurity (MALFFB)

And

Hon. Johnny KOANAPO NIES RASOU (MP), Minister of Finance & Economic Management (MFEM)

Government of the Republic of Vanuatu

Dear Hon. Ministers,

DECISION N° 245: CENTRAL TENDER BOARD DECISION FOR MILAI VANUATU LIMITED AS SOLE SOURCE PURSUANT TO THE SIGNED PUBLIC PRIVATE PARTNERSHIP.

The Council of Ministers (COM) held its N°014 (Fourteenth) ORDINARY COM MEETING on Thursday 26th November 2020.

Here are the decisions made during this meeting:

1. COM approve for the Government to enter into a Public Private Partnership Agreement with MILAI Vanuatu Limited under section 11A(2)(b) of the Government Contract and Tenders Act – CAP 24 and Section 9(1) of the Tenders Regulation Order N°40 of 1999 for the following projects:
 - a. National restocking programme to compliment the Public Sector's immediate Policy and its intention of maintaining level of cattle stock;
 - b. Projects in Livestock, Agriculture and Aquaculture;
 - c. Joint Venture on plantation with a view to division of profits between the Public Sector and Private Sector;

- d. Temporary humanitarian relief project to enhance the Food security in the cyclone affected islands and assist the Food Security and Agriculture Cluster (FSAC) to Tropical Cyclone Harold.
2. COM endorse the Central Tender's Board Decision for a contract value of **VUV 93,150,000 ONLY**, inclusive of VAT for a contract period of 12 months only (1 year).

Thank you,



Esther Rory
Acting Secretary

CC: Hon. Prime Minister
Hon. DPM
All Hon. Ministers
All DGs
All 1st PA
Attorney General
Chairman of the Public Service Commission
Acting Director, Finance
Treasury Unit
DSPPAC
PRO

Appendix 1 (e) Milai LPO Payment

Milai LPO Payment				
Date	LPO NO.	Supplier	Description	Total Cost VUV
44166	890-009250	MILAI VANUATU LIMITED	Payment Milai Decision #245	65,293,500
44355	890-009934	MILAI VANUATU LIMITED	EDF11-Purchase of 538 Cattle	27,856,500
			Total	93,150,000

Appendix 1 (f) Quotations from other cattle farms Nitchiku and Peter Colmar (Valele Trust)



NITCHIKU (VANUATU) LIMITED

Registered Office:
3rd Floor Lo Lam House
P.O. Box 257, Port Vila
Republic of Vanuatu

Correspondence Address:
P.O. Box 934
Espiritu Santo
Republic of Vanuatu
(South Pacific)

Incorporated in
Republic of Vanuatu

Santo, 08th September 2020
Republic of Vanuatu

TAX INVOICE NO. 25/2020
CT - 106250

TO: **Livestock Department**
P.O. Box 698
Luganville - Santo
Vanuatu

PERFORMER INVOICE

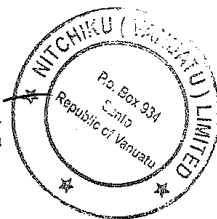
Being for :
Cattle Sales at Surunda Plantation :

100 heifers x 38,000 Vt = Vat 15 %
Vatu 3,800,000
Vatu 570,000

TOTAL VAT INCLUDED Vatu 4,370,000

FOR THE TOTAL AMOUNT OF :
FOUR MILLION THREE HUNDRED SEVENTY THOUSAND
VATU ONLY.


Mr Yasu Kagawa
Director.



** After complete payment Nitchiku give one Month for moving 100 Heifers
out of Stock.

** After one month an additional surcharge of 10 % per month penalty.

BANK DETAILS : NITCHIKU VANUATU LIMITED
ANZ BANK -
A/C NO. 232566

SARAMI PLANTATION

P.O. Box 171 Santo, Vanuatu

Tel: (678) 36 824, Manager: 5541978 / 7100086

Email: willcolmar31@gmail.com
CT#103790

LIVESTOCK DEPARTMENT
P.O BOX 869
SANTO
Phone: 35151


Dated on: 16th October 2020

Invoice 1610201

Being for:

The supply of 50 Weaners (150-200kg), 55 Weaners (200-250kg) and 44 Breeding Bulls to Livestock Department, Santo.

50 Weaners 150- 200kg	x VT 25,000	VT 1,250,000
55 Weaners 200- 250kg	x VT 28,000	VT 1,540,000
44 Breeding Bulls	x VT 35,000	VT 1,540,000
Sub Total		VT 4,330,000
VAT 15%		VT 649,500
<u>Grand Total</u>		VT 4,979,500


William Colmar
Manager
Sarami Plantation



Appendix 1 (g) Response from the Director General of Agriculture

In response to the PAC Report, I provide the following minor comments and clarifications.

1. While I do not dispute that there are more than one big cattle farmer in Santo with available stock to supply, I maintain that the circumstances at that time did not allow MALFFB a lot of time to look for the suppliers which led to the signing of the PPPA with Milai in good faith with no strings attached.
2. Like all cattle suppliers that MALFFB had engaged for supplying of cattle, MALFFB took in good faith the assurance provided by Milai farm that there were sufficient cattle within Milai farm to meet the obligation to supply 150 cattle per month for 12 months.
3. Price per head of cattle was high before TC Harold as such a price offer of VT45,000 per head deemed by DLS to be a good price. The Cattle price has since fallen below VT45,000.
4. Normally cattle selected and drafted are tagged just before loading for transportation.
5. It is important to mention that immediately after TC Harold shipping arrangements worth over VT10 million were made with ship owners for transportation of dry rations to affected areas and communities with no tendering processes being followed. Like the Milai PPPA, COM later endorsed sole sourcing for ship owners in October 2020. Respectfully, I think it is fair to take these other sole sourcing contracts of ship owners into account and listed in the report.

Update on removal of cattle from Milai.

- Since PAC investigation into the Milai PPPA, MALFFB has removed a further 281 cattle from Milai for restocking purposes as part of the TC Harold recovery activities at locations on main land rural Santo, Aore, Malo, Tutuba, and Mavea.
- Remaining number of cattle still to be supplied by Milai is 784.
- MALFFB through the Livestock Department is doing its utter best to work closely with the Milai farm management to retrieve and remove the cattle for restocking purposes.
- Sea and land transportation has been financially secured for transportation of the cattle out from Milai to restocking sites and locations.

**GOVERNEMENT DE LA
RÉPUBLIQUE DE VANUATU**

LA SECRÉTAIRE-GÉNÉRALE



**GOVERNMENT OF THE
REPUBLIC OF VANUATU**

COUNCIL OF MINISTERS

Thursday 28th October 2021.

**Hon. Willie DANIEL KALO (MP), Minister of Agriculture, Livestock, Forestry,
Fisheries & Biosecurity (MALFFB)**

**Hon. Johnny KOANAPO NIES RASOU (MP), Minister of Finance & Economic
Management (MFEM)
Government of the Republic of Vanuatu**

Dear Hon. Ministers,

**DECISION N°259: EXTENSION OF THE PUBLIC – PRIVATE PARTNERSHIP
AGREEMENT BETWEEN MINISTRY OF AGRICULTURE, LIVESTOCK, FORESTRY,
FISHERIES & BIOSECURITY (MALFFB) AND MILAI (VANUATU) LIMITED (MILAI)
DATED 13 JULY 2020.**

The Council of Ministers (COM) held its N°023 (Twenty-Third) ORDINARY COM Meeting today Thursday 28th October 2021.

Here are the decisions made during this meeting:

1. COM instructs the Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity to extend the Public -Private Partnership Agreement of 13th July 2020 with Milai (Vanuatu) Limited for two (2) years from 13 July 2021;
2. COM approves where there are any variations required to be included by MALFFB as further terms and conditions to the original PPP Agreement dated July 13, 2020 that such varied terms and conditions be included on extension; and
3. COM directs the Ministry of MALFFB and Ministry of Finance and Economic Management be responsible to settle terms and conditions of any variation.

4. COM directs the Ministry of Finance and Economic Management and the Ministry of Agriculture, Livestock, Forestry, Fisheries & Biosecurity to procure the consents and undertake necessary steps necessarily required under the laws, including a request to the Central Tender Board for Sole Sourcing under section 9 of the Tenders Regulation Order N°40 of 1999 to endorse the extension of the Public – Private Partnership Agreement.
5. COM direct MALFFB to work with MFEM to source and reallocate funding from within MALFFB to fund extension.
6. COM mandate the Ministry of Agriculture, Livestock, Forestry, and Fisheries & Biosecurity to inform the Council of Ministers about the Cattle distribution over the 6 Provinces.

Thank you.



John EZRA
Acting Secretary
CC: Hon. Prime Minister
Hon. DPM
All Hon. Ministers
All DGs
All 1st PA
Attorney General
Chairman of the Public Service Commission
Acting Director, Finance
Treasury Unit
DSPPAC
PRO



SECRET
COUNCIL OF MINISTERS



1. SUBMISSION BY:

Honourable Willie Daniel Kalo, Minister of Agriculture, Livestock, Forestry, Fisheries and Biosecurity

Honourable Johnny Koanapo Rasou, Minister of Finance and Economic Management

2. TITLE OF THE PAPER:

Extension of the Public-Private Partnership Agreement between Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity (MALFFB) and Milai (Vanuatu) Limited (Milai) dated 13 July 2020.

3. PURPOSE OF THE PAPER:

The COM Paper is to gauge an understanding from the Council's members for extending the Public-Private Partnership (PPP) Agreement between MALFFB and Milai for two (2) years to address the immediate food security issues during emergency as results of ongoing aftermaths of Tropical Cyclone (TC) Harold and COVID-19 Pandemic.

4. BACKGROUND:

- MALFFB and Milai executed the PPP Agreement on or about 13 July 2020 as one of Government's initiatives to address the food security issue following TC Harold and COVID-19 Pandemic. The PPP Agreement includes various public-private projects which include the National Restocking Program and Humanitarian Program.
- The National Restocking Program is Government's existing policy to since 2015 to increase the numbers of cattle in Vanuatu. The livestock sector is a major contributor to food security, and it is also an essential component of livelihood in Vanuatu.
- As a result of the PPP Agreement, Government was able to utilise land at South Santo of approximately 200 ha in size for the purpose of growing necessary food items without paying rent.
- Government had also saved significant costs with keeping Government-owned cattle at a private sector, Milai, because the grazing fee had been free under the PPP Agreement. By way of a comparison, Government used to pay VT 2,800 per cattle per month when Government held cattle at other private farms prior to the PPP Agreement.
- The initial term of the PPP Agreement ended on or about 12 July 2021, but the crises of TC Harold and COVID-19 are still ongoing. The food security issue remains a major concern for Vanuatu.



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- Vanuatu is still in State of Emergency (SOE) pursuant to Disaster Risk Management Act No. 23 of 2019. COVID-19 Pandemic continues to be a threat to Vanuatu's food security due to its adverse impact on global supply chains and production industries worldwide. World Vision Australia released a report in September 2021, called "Price Shocks", with the result of its research that food prices have spiked rising by 30.9% in Vanuatu compared to the beginning of COVID-19 in early 2020. According to the World Vision's research¹, it now takes 2.5 days work in Vanuatu to meet the costs of a food basket of ten common food in Vanuatu.
- Soaring cost of food is a worldwide issue and concern. The World Bank reported that the agricultural commodity price on 16 July 2021 was 30% higher than in January 2020². Therefore, it is important for Vanuatu to raise its level of domestic food security by a way of extending the PPP Agreement for another two (2) years. It is understood the PPP Agreement will expire on or about 12 July 2023 if the extension is agreed.
- The unfortunate aftermath of TC Harold continues at Luganville and South Santo. Many infrastructures are still in poor or critical conditions including but not limited to school³ and road⁴ infrastructure. The relevant Ministries have already sought the Council's understanding to address these issues.
- It is Government's agenda to work together to recover, rebuild and emerge stronger and more resilient from the compound disaster of TC Harold and COVID-19⁵. The extension of the PPP Agreement is in align with Government's Recovery Strategy 2020-2023.

5. RELATIONSHIP TO THE NSDP:

The Paper is linked to the food and nutrition security which are covered by the NDSP environment pillar as well as the rural economy's stability and security which are also covered by the NDSP economy pillar.

6. CONSULTATION:

Consultation of this paper was done with Director Agriculture, Director Livestock and Director Finance.

¹ World Vision Australia, 'Price Shocks' (2021) https://www.worldvision.com.au/docs/default-source/policies/price_shocks_report-sept2021.pdf.

² The World Bank, 'Food Security and COVID-19' (2021) <https://www.worldbank.org/en/topic/agriculture/brief/food-security-and-covid-19> 23 August 2021

³ https://www.dailypost.vu/news/vt300m-to-rebuild-lyc-e-de-luganville/article_c9587f12-5906-5b08-9b8a-6c7ce63f5c58.html 23 September 2021

⁴ <https://www.vbtc.vu/en/south-santo-calls-for-urgent-road-improvements/> 18 June 2021

⁵ Government of Vanuatu, 'Vanuatu Recovery Strategy 2020 – 2023' (2020) July 2020.



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COUNCIL OF MINISTERS



7. FINANCIAL IMPLICATION:

There are financial implications. However, it is important for Government to strengthen the food security during this unprecedented emergency. As the international food price may increase sharply again due to COVID-19 Pandemic, securing domestic food supply is required for the people and economy of Vanuatu. Necessity and importance of food security in Vanuatu during this uncertain time outweigh the financial implications.

8. LEGAL IMPLICATION:

There will be some legal implications. However, it is understood that Government can procure a Government Contract by a sole source in the case of emergency as per the Attorney General's advice on or about 9 November 2020.

9. MONITORING AND EVALUATION:

The COM decision will be jointly implemented through the Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity and the Ministry of Finance and Economic Management.

10. RECOMMENDATION:

Resolutions:

It is recommended that:

1. Instructs the Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity to extend the Public-Private Partnership Agreement of 13 July 2020 with Milai (Vanuatu) Limited for two (2) years from 13 July 2021;
2. Where there are any variations required to be included by MALFFB as further terms and conditions to the original PPP Agreement dated July 13, 2020 that such varied terms and conditions be included on extension; and
3. COM directs the Ministry of MALFFB and Ministry of Finance and Economic Management be responsible to settle terms and conditions of any variation.
4. Directs the Ministry of Finance and Economic Management and the Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity to procure the consents and steps necessarily required under the laws, including a request to the Central Tender Board for sole sourcing under section 9 of the Tenders Regulation Order No. 40 of 1999, to endorse the extension of the Public-Private Partnership Agreement.
5. COM to direct MALFFB to work with MFSM to source and reallocate funding from within MALFFB to fund extension.



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COUNCIL OF MINISTERS



Hon. **Willie Daniel Kalo (MALFFB)**
Minister of Agriculture, Livestock, Forestry,
Fisheries and Biosecurity



Hon. **Johnny Koanapo Rasou (MFEM)**
Minister of Finance and Economic Management

Appendix 2 Response from the Director of Finance

GOUVERNEMENT DE LA RÉPUBLIQUE DE
VANUATU

MINISTÈRE DES FINANCES ET DE LA GESTION
ÉCONOMIQUE (MPGE)

SERVICE DES FINANCES ET DU TRÉSOR
*Res-de-Chaussée et Premier étage,
Bâtiment du SIP
Sac Postal Réserve 9831, Port Vila, VANUATU
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GOVERNMENT OF THE REPUBLIC OF
VANUATU

MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT
(MFEM)

DEPARTMENT OF FINANCE AND TREASURY
*Ground and First Floors,
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REPORT TO PUBLIC ACCOUNTS COMMITTEE

To: Public Accounts Committee
By: Director of Finance and Treasury
Date: 16 November 2021

Introduction

The latest summons from the Parliamentary Audit Committee is highlighted by the conclusion of audit reports compiled by the National Audit Office¹ and the MFEM Internal Audit. During the sessions the MFEM DG, DOFT Director, DOFT Financial Controller, DOFT Exchequer Services Manager and DOFT Senior Imprest officer were all questioned on imprest procedures and controls. While the PAC feedbacks has certainly reconditioned the focus on imprest procedures DOFT operations has been taking steps to improve imprest controls.

PAC has surmised its feedback by the following remarks below:

- *It is recommended that the Ministry of Finance should ensure stringent compliance controls as per the imprest form is implemented to ensure recovery of public funds by individuals. Officers responsible for this should ensure a proper system is established to control this if the current imprest system is not adequate and that officers with outstanding imprest should not be permitted to advance another imprest if the previous are still outstanding.*
- *The Department of Finance and Treasury should consult the Ministries and develop a procedure that should advise the Ministries and the Department of Finance when*

¹ In response to the report the operations team has drawn up a matrix to address 17 key recommendations

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officials trips are shortened and allowances relating to the shortened trip be claimed back from the Official(s) through salary deduction

In response DOFT is reporting on the existing controls that are in place and steps that are in working progress to be achieved. Firstly it is in DOFT's immediate plans to finalise guideline and standard operating procedures to complement and reaffirm the policies implied by the new gazetted financial regulation. In doing so a number of specific pivotal controls may be established. Secondly DOFT has been enforcing controls and in line with the requirements set out the by latest Internal Audit report on imprest is revising certain standards and putting plans in motion to achieve them. Thirdly the operations team is currently working under the auspices of the internal audit report which was released earlier this year to improve imprest submissions and acquittals².

² The main tasks involved in addressing the issues spotted by the internal audit report. Most of the tasks are allocated to the Eschequer Services Manager, Payments Supervisor and the Financial Controller

Upgrade of Filing system and documentation of manual
Upgrade of standing imprest documentation and manual development
Imprest Processes streamlined and documented
Framework of imprest recovery documented and actioned
Controls
Controls of accountable imprest are documented and filed
Upgrade standing imprest controls and documentation
Endorsement of alternations on the cheque list to be appropriately endorsed
Recoveries
Action of imprest recovery
Recovery of outstanding imprest to be included as a performance output indicator for ministries
Processes and systems upgrade
Upgrade of standing imprest form
Database for standing imprest to be developed
Reconciliations
Reconciliation between Accountable Imprest database and smartstream
Journals for accountable imprest to be executed

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Compliance and Controls

- Existing enforcements
 1. Built in system in smart stream for control purposes is currently limited only to the function that disallows imprest holders with outstanding imprest to apply for a new one.
 2. Current notifications to imprest holders have proven sufficient and effective as far as reminders go.
 3. Since August of 2021, the payments section has enforced limiting the application of 8COI (incidentals) to 50,000VT. Any amounts that is over 50,000 will have to be explained and approved by the head of agency. This exercise has redirected around 3 million of items expenses under 8COI to be reallocated or culled out from the application.
 4. A new acquittal form has been created to extend checking in the acquittal process to the extent of requiring the FC attention and Deputy Director Finance DOFT.
 5. The payments team have been holding consultations with line agencies to assist them with the imprest acquittal plans. Constant consultations with line agencies are very much important measures to curb imprest retirement issues.
 6. As of 1st October, Senior Operations officer have been issuing reminders on imprest outstanding to line agencies.

Retirement journals to be automated
Monitoring
Reviews of monthly outstanding imprest to be done appropriately Risk based assessment to be done on a routine basis Sample of standing imprest are checked and verified Improve reporting of rejected imprests

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7. The imprest team have been provoking the partition of imprest amounts over 1 million in cases where the applicant's annual salary threshold does not exceed the amount applied for.

- Controls and enforcements – Work in progress


1. The draft of standard operating procedures and imprest guideline is currently underway and should be presented for initial discussions on the 1st December 2021.

The guideline addresses controls such as:


- Limiting applicants of imprest to full time employees and Finance Officers/Finance Managers
 - Restricting applicants to apply for amounts within their annual salary thresholds
 - Streamlining the enforcement of direct payments to suppliers for functions and events
 - Streamlining the application of imprest for short term labour works
 - Streamlining the application of accountable and standing imprest.
2. Emphasis on consultations with line agencies has been exerted for the Exchequer Team to conduct on a regular basis. A timetable has been provided to line agencies.
3. Reviews are underway subjective to deadlines before the end of this financial year on the imprest refusal process (to be automated), reconciliation of imprest
4. PSC have been informed of the conditions of imprest retirement which has battered both the PSSM guidelines and the PFEM act. DOFT is awaiting PSC consent to meet to draw up way forwards.

Dorothy Ericson
Director

Appendix 3 Response from Citizenship Secretary General

GOVERNMENT DE LA REPUPLIQUE DU VANUATU COMMISSION ET BUREAU DE LA CITOYENNETE <i>Sac Postal Privé 9004 – Port – Vila Rue Pierre BRUNET</i>		GOVERNMENT OF THE REPUBLIC OF VANUATU CITIZENSHIP'S OFFICE AND COMMISSION <i>PMB 9004 – Pierre Brunet street Tel : 00678 26716 Fax: 00678 26719</i>
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“SPEAK UP! BE HEARD! SAY what you’ve got to say and BE READY for what other people have to say. GET ENGAGED! Because this is your Country now!”



November 5, 2021

The Chairman

Matai SEREMIAH (MP)
Public Accounts Committee
Republic of Vanuatu
Port- Vila

“By Hand”

Dear Chairman,

SUB: PUBLIC ACCOUNTS COMMITTEE INQUIRY REPORT ON CITIZENSHIP PROGRAM REVENUE COLLECTION

Thank you for your letter dated October 20, 2021 and abstract copy of report.

We have review the report and acknowledge that the budget is about 11.2b vatu of which the about 10b vatu is projected to be collected this year 2021.

With effects from this, November, 5 2021, actual revenue received and receipted is 8.9b vatu and it is anticipated to meet the target consideration that we are in a crisis status around the world.



05 NOV 2021

We acknowledge the need for authorized Agents to adhere to the relevant laws and regulations at all times. And that we, the Citizenship's Office & Commission will continue to advocate for this through monitoring and reminding the agents.

We have as per your committee's recommendation, signed an Audit letter of engagement with the Office of the Auditor General awaiting logistics discussion with the Auditor General and team, prior the audit review.

We are pleased that through this audit review it will identify our strengths and weakness in terms on internal controls and we look forward in anticipation to working closely with the review team on this audit assignment.

Last but not least, we have informed the Director of Finance & Economic Management for their consideration of your committee recommendation in relation to correspondent banking. Copy attach for ease.

Thank you for your time spent to assisting the Citizenship's Office & Commission carry out its duties.

Yours Sincerely,


Denny V Gaud
Secretary General
Citizenship's Office & Commission



05 NOV 2021

Cc. The Clerk, Vanuatu Parliament



“SPEAK UP! BE HEARD! SAY what you’ve got to say and BE READY for what other people have to say. GET ENGAGED! Because this is your Country now!”

November 5, 2021

The Director

Dorothy Kenneth
Finance & Economic Management
Republic of Vanuatu
Port- Vila

“By Hand”

Dear Director,

SUB: PUBLIC ACCOUNTS COMMITTEE INQUIRY REPORT ON CITIZENSHIP PROGRAM REVENUE COLLECTION / RISK MANAGEMENT STRATEGY – CORRESPONDENT BANKING SERVICES

We attach for ease, extract copy of the Public Accounts Committee Report following its recent inquiry on the Citizenship program revenue collection.

It is the recommendation of the Committee that the Vanuatu Government, through the Reserve bank of Vanuatu and the National Bank of Vanuatu develop and implement a Risk Management Strategy in relation to correspondent banking services to mitigate the potential adverse effects on the Citizenship Program.



Thank you for your kind understanding

Yours Sincerely,




Denny V Gaud

Secretary General

Citizenship's Office & Commission 05 NOV 2021

Cc The Director General, Finance & Economic Management

Cc The Chairman, Public Accounts Committee

Cc The Clerk, The Parliament



Appendix 4 Response from CEO Air Vanuatu



CEO Air Vanuatu: Response to Public Accounts Committee (PAC)

15 November 2021

Herewith my response to the PAC regarding the following allegations

The Allegations

1. AVOL is not making a profit
2. Unprofessional practices in the operation of the airline
3. Recommendation that the current CEO, Mr 'Atu Finau be replaced with the new appointee tasked with designing a strategic and profitable route to improve the airline's current position
4. As part of its Corporate Strategy, Government to assess the plan for AVOL to purchase aircraft outright.

Response

1. AVOL is not making a profit

The global pandemic has obliged airlines world-wide to re-examine *their business model* i.e., the way they do business. Many airlines around the world have failed to adapt and have been forced to shut down, but not AVOL due to ownership support, and adaptive/ proactive leadership and management during the current 2021 fiscal year.

AVOL is not immune to the financial impact and damage caused by the sars-cov-2 virus pandemic with a 100% loss of international regular public transport and the negative economic "knock-on" multiplier effect and reduction in domestic passenger traffic volumes.

As CEO I inherited, at the beginning of my tenure, an ultra-weak balance sheet so in addition to managing the airlines financial performance, during a pandemic induced recession, I've had to deal with, and manage the consequences of overdue and unpaid creditors, that were incurred prior to my appointment. The airline is progressively paying down outstanding creditors as and when operating cash flow permits.

Notwithstanding financial performance/ position challenges, the airline expects 2021 financial performance to be approximately 50% (less than half) of the 2020 audited net loss of VUV 2.25b, achieved through strict financial discipline, improved cost management and smart trading arising from securing international charters, in a highly competitive market.

Air Vanuatu in future must be able to keep pace with the bigger players in the field of aviation. The post-COVID climate adds a whole other dimension to the challenges we are presented with. Therefore, we require cutting edge, streamlined and robust management systems to be able to truly compete. I understand and agree with the need for accountability and transparency, especially where state-owned enterprises are concerned.

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AVOL management's Business Plan 2021 - 26 indicates that with the return of regular public international flight operations (hopefully by mid-2022 or earlier) and balance sheet recapitalisation the airline is anticipating a significantly lower net loss – the best projected scenario is break-even by 2022 and a return to profit by 2023 – 24.

2. Unprofessional Practices

I'm not sure what the PAC believes I've done that is unprofessional(?) and, in this regard, I have not been provided the right to read or hear substantive evidence that supports this *unfounded* allegation.

The PAC will understand that in terms of natural justice I am entitled to be made fully aware of the details of this serious allegation and until I am provided with such details and substantive evidence, I'm therefore unable to respond to this allegation.

However, this said, I have learned from the AVOL Chairman that the PAC has issues with me regarding cronyism, specifically the hiring of Mr. Wayne Madden B. Com (University of Auckland) and Chartered Accountant Australia and New Zealand, who I've known since 2004. Mr. Madden is a dual citizen of both New Zealand and Tonga and a highly qualified business professional with pacific island country experience.

The position of AVOL Commercial Manager was advertised to which Mr. Madden responded and was subsequently short-listed for an interview by an independent AVOL selection committee and was recommended, by the selection panel, for airline employment. For information I *recused* myself from the selection panel because Mr. Madden was known to me.

A work permit was issued to Mr. Madden on the 25 August 2021 however this was later revoked by the Department of Labour ostensibly due to lack of governance endorsement I was in Tanna, with the Prime Minister when this unilateral action took place. However, I reiterate there were no irregularities, on my part or by the company management, in the engagement of Mr. Madden whose impressive credentials and expertise will greatly assist the airlines future business development and staff succession development.

Finally on this matter, and as CEO of the airline I have met with the Board of Directors and explained and clarified the position of Mr. Madden's independent selection and subsequent engagement process.

3. Recommendation to terminate my appointment as CEO of AVOL

I respectfully note this is a recommendation, perhaps because the PAC has adopted an asymmetrical view of my appointment where perception has been unwittingly shaped by those who are uncomfortable with my presence and the fact that I have kept the airlines capacity and capability¹ intact during extraordinarily difficult times. Refer Footnote1.

I am not oblivious to resentment, in some quarters, of my appointment and I make no apology for this. Sometimes when making change and progress there are those that feel threatened or resentful. I have no time for this sentiment as I am totally

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committed to turning around the national airline the best way I know how and if this upsets people, I understand this, but I have a job to do and that's my focus above all else.

As CEO, when first appointed I was immediately directed by owners and, the then board of directors, to submit a 5-year 2021 – 26 Strategic Business Plan. I duly submitted this in late January 2021 and like all strategic plans there have been periodic updates to reflect significant changes in planning assumptions. I would kindly ask that the PAC takes the time to read and understand the 2021 – 26 Strategic Business Plan.

4. AVOL purchase of aircraft

The AVOL 2021 – 26 Strategic Business Plan includes the purchase of two new DHC6-400 (Twin Otters) for the domestic airline service

Footnote 1

¹ *Human Resource development and succession plans will further strengthen future management capabilities*

Thank you



'Atu Finau

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GOUVERNEMENT DE LA
RÉPUBLIQUE DE VANUATU

LA SECRÉTAIRE-GÉNÉRALE



GOVERNMENT OF THE
REPUBLIC OF VANUATU

COUNCIL OF MINISTERS

Thursday 22nd July 2021.

Hon. Jay NGWELE (MP), Minister of Infrastructure & Public Utilities (MIPU)

And
Hon. Johnny KOANAPO RASOU (MP), Minister of Finance & Economic
Management (MFEM)
Government of the Republic of Vanuatu

Dear Hon. Ministers,

DECISION N°160: MERGING BLONG OFFICE BLONG MARITIME REGULATOR
(OMR) MO COMMISSIONER BLONG MARITIME AFFAIRS (CMA).

The Council of Ministers held its N°015 (Fifteenth) ORDINARY COM MEETING
on Thursday 22nd July 2021.

Here are the decisions made during this meeting:

1. COM i appruvum Office blong Maritime Regulator blong I merge wetem Office blong Commissioner blong Maritime Affairs, mo Title blong Regulator bae hem i kam "Commissioner blong Maritime".
2. COM I appruvum name blong Office blong Maritime Regulator mo CMA blong I change I go long "Maritime Safety Authority blong Vanuatu".
3. COM I appruvum existing re-current budget blong OMR I reallocated I go long CMA budget blong supportem merging blong tufala office ia.
4. COM I appruvum State Law Office bae I amendem Maritime Sector Regulatory Act N°26 of 2016, Maritime Act CAP 131, Ports Act CAP 26, mo Shipping Act (CAP 53 wetem related regulation blong achievim ol tingting olsem we I stap.

5. COM, I appruvum MIPU Minister bae I appointem wan Maritime Committee we Commissioner blong Maritime bae I chairem.
6. COM, I appruvum Maritime Committee ia blong I developem wan Terms of Reference (TOR) we bae I karem approval blong Minista blong Public Works.
7. COM, I mandate Maritime Task Force ia tru long MIPU blong developem wan plan blong establishim Office blong CMA, includim transitional agreement between Government mo Agent blong Vanuatu Shipping Registry blong 2 years blong preparem wan policy structure mo legislation blong institutum OMR & CMR olsem wan entity by end blong September 2021.

Thank you,

Esther Ro
Acting Secretary



CC: Hon. Prime Minister
Hon. DPM
All Hon. Ministers
All DGs
All 1st PA
Attorney General
Chairman of the Public Service Commission
Acting Director, Finance
Treasury Unit
DSPPAC
PRO

Appendix 6 (b) Response from Director General MIPU

**GOVERNMENT OF THE
REPUBLIC OF VANUATU** MINISTRY
OF INFRASTRUCTURE & PUBLIC
UTILITIES
PMB 9057, PORT VILA
VANUATU



**GOUVERNEMENT DE LA
REPUBLIQUE DE VANUATU**
MINISTRE DE L'EQUIPMENT
ET DE L'AMENAGEMENT
SPP 9057, PORT VILA
VANUATU

TEL: (678) 22790

FAX: (678) 27714

Ref : 5528/2021

October 27, 2021

Matai SEREMALAH(MP)
Chairman of the Public Accounts Committee
PMB 052
Port Vila

Dear Chairman,

RE: VANUATU SHIPPING REGISTRY SERVICES

I refer to your letter dated 20th October 2021.

The Ministry has implemented the COM decision number 160 as follows:

- The National Task Force Committee of 2021 has been established and chaired by the Commissioner of Maritime Affairs.
- The TOR has been developed and approved by the Minister.
- The Office of the Commissioner of Maritime Affairs has been established with the office of the OMR awaiting necessary legislative amendments to the relevant Maritime Legislations to facilitate the merging of the two offices hopefully sometime in November 2021 or in March 2022.
- The transitional Contract or agreement of the Shipping Registry has been completed by the National Task Force and is with the Minister of Public Works.

Yours sincerely

Handwritten signature of Johnson Binaru IAUMA in blue ink.

Johnson Binaru IAUMA
Director General



République de Vanuatu



Republic of Vanuatu

Secrétariat du Parlement

Parliamentary Secretariat

SUBMISSION TO PUBLIC ACCOUNTS COMMITTEE (PAC) 12TH
LEGISLATURE ON COMPLIANCE ON THE OUTSTANDING MATTERS
RELATED TO HUMAN RESOURCE MANAGEMENT AND PUBLIC FINANCE
AND ECONOMICS MANAGEMENT FOR 2019 AUDIT REPORT

The follow up made on the outstanding responds to Audits findings and recommendation together with the implementation of the action items to outstanding matters under the Human Resource Management.

This paper will answer to the following outstanding matters;

2.3. Follow Up on Human Resource Audit for 2018 Recommendations

2.3 Follow up on Human Resource Audit for 2018 Recommendations

With reference to Management comments – the Parliamentary Management Board has recruited a Human Resource Officer in 01st of March 2021 and is now overseen the areas of the Human Resources.

In relation to matters stated in Annex 1 – it is considered that most the outstanding matters are now in progress;

Human Resource Matters	Implementing the Recommendation in 2019 Audit Report	Recommendation
Spending Over and above appropriated Limit		All associated cost related to staff entitlements must have the budget forecast with all the Reporting Lines to ensure all entitlements and other activities are budgeted for respectively and are within the budget appropriation and approved supplementary.

Overreliance on Temporary Staff	With reference to audit report on the 2019 – it is mentioned that only 2 staff still under contracts basis	With reference to 2019 audit report –the Human Resource Office is requesting through the office of Clerk to consider the status of 10 casual staff that are on 6 months contract basis to consider them to become permanent staff. However, this is process is still on progress however these positions are captured in the current revised Structure. It is consider temporary staff to be on probation for 3 months only.
Inconsistency In Job Description and Organization Structure		There is a great improvement in this area. All current positions are now captured in the revised structure with updated Job Description provided by each head to result a harmonies relationship until such time it is consider to be changed in the future
Organizational Structure	Organizational structure has been approved by the Board and confirm that all positions and post numbers are correlated	Wth the implementation of the structure, they will be changes encounter however, we will consider to make changes in a uniform manner to reflect the reading of the structure
Overtime Allowance	It is an obligation to ensure all documentations are well filed for audit purposes	Through office of clerk, all line managers need to approved the staff overtimes and verify prior any payments are done. The recommendation has now implemented
Housing Allowance	It is considered and it is mandatory for all new staff to complete a PSSM 8.1 Form for	In progress.

	Housing to reflect the payment	
Poor Management Leave	This is now in progress to ensure all leaves are well managed and updated in the smartstream	In progress
Poor Leave Management	This is now in progress to ensure all leaves are well managed and updated in the smartstream	In progress
Poor Sick Leave Management	This is now in progress to ensure all leaves are well managed and updated in the smartstream	In Progress
Minutes Summary	The minutes of the Board has been a major issue for decision when it comes to decision making. Thus this area should be managed well for further improvements in the Institution	According to the Administration Act 18 for 2005 (14) The Clerk is the secretary to the board and that he is obliged to take minutes and produce on a timely manner. Failure to do so can cause delay in decision making for the good of this institution