

VANUATU CASE STUDY

The project “Fostering green exports through Voluntary Sustainability Standards” of the United Nations Conference on Trade and Development (UNCTAD) has developed an approach to help developing countries build their capacity to achieve sustainable growth through green exports.

Using the VSS Assessment Toolkit designed under this project, UNCTAD conducted a reality-check to develop policy options for the Vanuatu coconut oil value chain to viably enter green or organic markets in a manner that contributes to inclusive and sustainable development.

Building on the findings of this assessment, UNCTAD supported Vanuatu’s multi-stakeholder platform in organizing the first Vanuatu Coconut Summit, which was held in October 2019 and led to the adoption of an action plan in support of the Vanuatu National Coconut Strategy 2016-2025.

This country case study was conducted in partnership with the Department of Industry in the Ministry of Tourism, Trade, Industry, Commerce and Ni-Vanuatu Business (MTTIB) and in coordination with the Ministry of Agriculture, Livestock, Forestry, Fishery and Biosecurity (MALFFB).

WHY VANUATU?

A LONG-TERM PARTNERSHIP

Vanuatu’s targeted green export products (cocoa, copra/coconuts, sandalwoods and their associated products) were already identified in [UNCTAD’s National Green Export Review \(NGER\) of Vanuatu](#). Building on this outcome, the country was at the stage of developing and implementing strategies and actions towards achieving green export growth. Such long-term cooperation is highly valued by UNCTAD for the added consistency and effectiveness achieved in the assistance provided.

In addition, most of Vanuatu-made products are organic by default, primarily based on traditional, environmentally-sound subsistence methods with few producers having access to chemical fertilizers, herbicides or pesticides. Vanuatu’s local production methods, therefore, have great potential in terms of organic certification.

PRELIMINARY STAGE: IDENTIFYING A HIGH POTENTIAL PRODUCT AND ITS VALUE CHAIN

VANUATU AND COCONUT OIL

The [National Green Export Review \(NGER\) of Vanuatu](#) conducted by UNCTAD in 2016 found that coconut was one of the sectors that presented untapped “green” export potential. Through its different roles, the coconut sector supports 80 per cent of the rural population of Vanuatu. Exports of coconut-based products traditionally account for a large share of Vanuatu’s total merchandise exports. Over the period from 2012 to 2015, for instance, copra represented an average of 20 per cent of total exports, followed by coconut oil with 18 per cent.

As for coconut oil specifically, a growing number of small-medium artisanal manufacturers are producing Virgin Coconut Oil (VCO) or Refined Bleached and Deodorized (RBD) oil for domestic tourist markets or high-value international markets. Similarly, demand for Crude Coconut Oil (CNO) has been increasing both domestically and internationally with growing interest in the production of biofuel. The global market for coconut oil (consisting of 74 per cent RBD oil and 26 per cent VCO) is forecasted to reach US\$ 8.4 billion by 2025, from US\$ 4.9 billion in 2017.

A rise in VSS-certified products in the global coconut market reflects rising consumer interest in food and personal care products containing ingredients that are natural, organic or sourced ethically or sustainably. Organic certification thus has the potential to improve the marketability of Vanuatu's coconut-based products to respond to the growing demand in overseas markets.

STAGE 1: IDENTIFYING THE MAIN ACTORS AND THEIR KEY CONCERNS

A FIRST MEETING TO BRING TOGETHER THOSE WHO ARE MOST CONCERNED

UNCTAD organized, in partnership with Vanuatu's Department of Industry, a start-up workshop on "Sustainability standards and Market Transparency for Coconuts and Cocoa" in November 2017 (Port Vila, Vanuatu). This event brought together over 50 stakeholders and experts to discuss Vanuatu's strategic options towards exports of "organic" and "sustainable" coconuts and cocoa.

On this occasion, stakeholders examined two main options:

- Establishing a national (organic) brand for coconuts and cocoa;
- Improving access to market information for farmers, producers and the private sector.

STAGE 2: DEVELOPING POLICY OPTIONS BASED ON A REALITY-CHECK

OPPORTUNITIES AND CHALLENGES OF ORGANIC COCONUT OIL

Using UNCTAD's VSS Assessment Toolkit, a study was undertaken to investigate the state of play of the Vanuatu coconut oil value chain, and how coconut oil stakeholders perceive and are prepared for the new market opportunities of organic coconut oil.

Based on information collected from the field, the reality-check identified:

1. Coconut oil value chain structure and embeddedness;
2. Opportunities and challenges related to organic certification perceived by different stakeholders; and
3. Policy options to improve the capacity of coconut-oil multi-stakeholders and the government to capitalize on market opportunities overseas.

Coconut Oil Value Chain

The majority of smallholder coconut farmers are engaged in primary processing e.g. splitting and drying the coconut kernel. The resulting copra is predominately exported in bulk through two key exporters. Crude Coconut Oil (CNO) extracted from copra is sold both domestically for

biofuel and exported. Small cooperatives and small-scale producers are producing Virgin Coconut Oil (VCO) for the domestic market, while several established processors are now successfully selling VCO and Refined Bleached and Deodorized (RBD) oil in international markets. Value-added, pre-packaged VCO and RBD are currently sold across various domestic and international retailers in Vanuatu.

A growing number of smallholder coconut producers are certified organic under third-party certification systems. Approximately half of the medium-large scale processors and exporters are currently certified, and many others are interested or currently pursuing organic certification.

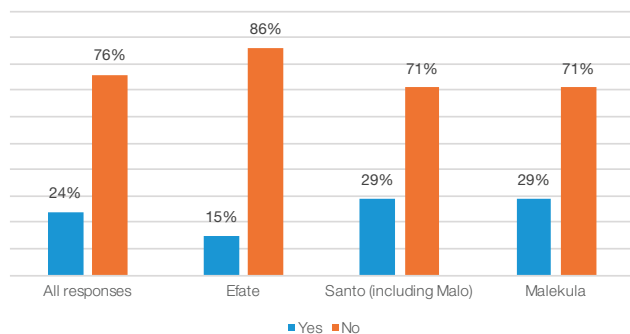
Perceived Opportunities and Challenges for Organic Certification of Coconut Oil

Using a sample survey and interviews, stakeholders were consulted with a view of obtaining data to study their perception of organic certification. The sample survey data was collected in three sites - Efate island, Santo island (and the offshore island Malo) and Malekula island.

Opportunities

The assessment showed that there is a consensus among stakeholders across the value chain, including non-certified smallholders themselves, that third-party organic certification has the potential to drive the sector's growth and increase the value of coconut production for smallholders. As a result, most non-certified stakeholders would be interested in obtaining organic certification (figure 1).

Figure 1. Non-certified respondents: Would you like to get organic certification?



In addition, the study suggested that data acquired through the certification process may provide necessary information for better agricultural planning, more incentives to invest in replanting and more access to finance through equity.

Finally, organic certification in Vanuatu benefits from a favorable environment:

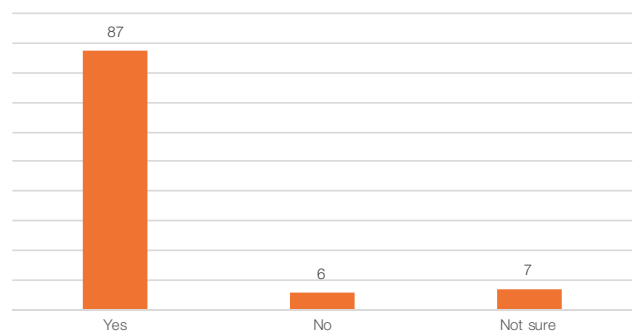
- Current farming practices in Vanuatu require minimal modification: Vanuatu's production methods are considered organic by default;
- Major local processors and exporters are already aware of international demand for organic coconut oil and willing to extend their support to individual coconut producers to help them obtain organic certification.

Challenges

The survey identified numerous obstacles faced by the Vanuatu coconut value chain with regards to third-party organic certification:

1. **Producers lack information and training on organic certification (see figure 2):** most non-certified producers and small-scale processors are interested in certification, but they do not know how it works or what its benefits are.
2. **Obtaining organic certification is costly:**
 - The cost of annual renewal of certification (US\$2000 – US\$10000) exceeds by far the average income of small producers and businesses in Vanuatu;
 - The process is all-the-more expensive in the absence of local certifying agencies or auditors. Inviting external auditors from abroad increases audit costs;
 - Lack of technical support to producers can reduce the rate of compliance to organic standards, making audits more time-consuming, thus more costly.
3. **Getting organic certification requires very specific knowledge and skills and is administratively burdensome,** including for those who already have organic certification. This hurdle is further exacerbated by the lack of administrative and managerial capacity of local small producers and businesses.

Figure 2. Non-certified respondents: Do you know how organic certification works?



Policy Options for Vanuatu

Policy Option 1. To reduce barriers to the acquisition and maintenance of third-party organic certification for coconut producers and processors in Vanuatu, notably by reducing the cost of certification: build capacity for local auditing and certification; streamline the need for external auditors to reduce annual travel costs; and assess potential feasibility and usefulness of subsidies to organic certification.

Policy Option 2. To improve stakeholder's managerial capacity and strengthen frameworks for multi-stakeholder cooperation: establish a national management body in support of organic certification to oversee the implementation of auditing for organic certification in Vanuatu; ensure information and sharing among stakeholders; and coordinate training and support measures.

STAGE 3: BUILDING AN INCLUSIVE DIALOGUE LEADING TO A POLICY FRAMEWORK

A COCONUT SUMMIT FOR A MORE EFFECTIVE STRATEGY

The first steps of a national multi-stakeholder dialogue on coconut production, organic certification and green exports: the 1st Vanuatu Coconut Summit

Building on the findings of this study, UNCTAD supported Vanuatu's multi-stakeholder platform in organizing the first Vanuatu Coconut Summit, which was held in October 2019.

The event brought together both government officials and coconut stakeholders (smallholder producers, traders, processors, exporters, buyers). It was jointly organized by the Department of Industry of the Ministry of Tourism, Trade, Commerce and Ni-Vanuatu Business (MTTIB) in close coordination with the Ministry of Agriculture, Livestock, Forestry, Fishery and Biosecurity (MALFFB) and UNCTAD at the Vanuatu Agricultural Research and Training Centre.

A reinforced national strategy for the coconut sector

The Summit adopted an action plan in support of the implementation of the Vanuatu National Coconut Strategy 2016-2025. National and regional coconut stakeholders, along with experts, agreed on what actions are needed to achieve "4 to 10 by 2025", i.e. diversifying their coconut-based exports from 4 products to 10 by the year 2025.

The Summit confirmed the importance of value addition through quality improvement, organic certification and development of a broader range of coconut-based products and agreed on several actions mobilizing both governmental and non-governmental actors at different levels:

- Decentralization
- Training and support to SMEs
- Research, data and information sharing for planning and decision making
- Product development
- Government support