

# Technical Report 89

VAN18: Industry Working Group Sustainability, Vanuatu



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## Abbreviations

Abbreviation	Description
ACIAR	Australian Centre for International Agricultural Research
ACP	African, Caribbean and Pacific Group of States
AUD	Australian dollar
CIF	Cocoa Industry Fund
CTC	Cocoa Technical Committee
EDF	European Development Fund
EIC	Export Industry Coordinator
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FOB	Free On Board (the price quoted for merchandise placed on board a carrier at the point of shipment)
GDP	Gross domestic product
IWG	Industry Working Group
MALFFB	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity
MAWG	Market Access Working Group
MFAT	Ministry of Foreign Affairs and Trade
MTTCI	Ministry of Trade, Tourism, Commerce and Industry
PARDI	Pacific Agribusiness Research for Development Initiative
PHAMA	Pacific Horticulture and Agriculture Market Access
USD	United States dollar
VARTC	Vanuatu Agricultural Research and Training Centre
VCCI	Vanuatu Chamber of Commerce and Industry
VCMB	Vanuatu Commodities Marketing Board
VMEA	Vanuatu Manufacturers and Exporters Association



## Executive Summary

Funding support for the three Industry Working Groups (IWGs) established in Vanuatu will end with the conclusion of the Pacific Horticulture and Agriculture Market Access (PHAMA) program in mid-2017. The three industries involved in the IWGs are Cocoa, Kava, and Livestock. The IWGs have played an effective role in allowing government and industry to come together to develop advice, allow consultation and provide industry representation. Because of the valuable role these groups can play in facilitating the development of the industries they represent, the PHAMA program is working with the IWGs to develop arrangements that will support their ongoing operation after the conclusion of the PHAMA program.

The activity described in this report has involved examining options to support the continued function of the IWGs post-PHAMA and working with the IWGs to identify preferred options for their operation. This involved preparing background papers and undertaking a series of workshops with the IWGs. It was determined that the IWGs will transition to working under the Vanuatu Chamber of Commerce and Industry (VCCI) as an initial step towards establishing the IWGs outside of PHAMA. PHAMA has established a grant agreement with VCCI to support an Export Industry Coordinator (EIC) position to provide IWG secretariat support. In the period leading up to the conclusion of the PHAMA program in mid-2017, sustainable funding models for the three IWGs will need to be developed if the IWGs are to continue to operate after the conclusion of PHAMA.

In undertaking this activity, a range of work has been identified that will need to be undertaken to progress development of the IWGs prior to the conclusion of the PHAMA program. For the IWGs to successfully undertake their roles, they will need to engage more broadly with their industries so that there is a greater understanding and ownership of the industry strategic plans developed by IWGs. Each of the IWGs will also need to clearly define and articulate their purpose so that government and industry can clearly understand who the IWGs represent. Improving awareness and understanding of the IWG activities within their respective industries will also be an important part of ensuring that government and donors recognise their mandate post-PHAMA. A range of capacity development activities will also need to be undertaken to support the IWGs and to assist them in achieving this transition.

A number of issues still need to be resolved before the IWG work plans ('roadmaps') for the period to the conclusion of the PHAMA program can be finalised. PHAMA staff and the EIC have been provided with a program of work to resolve these issues. It is expected that this work will be completed by September 2015 and that the full work plans or 'roadmaps' can then be developed.

## 1.0 Scope of Activities Undertaken

### 1.1 Background

The market access issues in Vanuatu identified by the Pacific Horticulture and Agriculture Market Access (PHAMA) program relate mainly to the need to strengthen or improve terms of existing market access for commodities with existing large value chains. In Phase 2 of PHAMA, the market access activities have increasingly focussed on cocoa, kava and beef. It was recognised that there was a lack of industry representative bodies or organisations with which PHAMA could consult for guidance on market access issues. This limited the ability of PHAMA to encourage the development of public-private partnerships (joint industry and government consultative groups) that could be used to identify and address market access issues.

As a result, PHAMA established Industry Working Groups (IWGs) for each of the main export industries. Development of these groups was a major feature of PHAMA's work in 2013/14. Each IWG is made up of eight–ten private/public representatives, and at least one IWG member is also a member of the Vanuatu Market Access Working Group (MAWG).

The IWGs are used by PHAMA in Vanuatu to develop biennial plans for each industry and to set priorities to enable budget planning and implementation. IWGs meet regularly (quarterly at a minimum) to monitor progress with activities and discuss industry issues and risks. Information from the IWGs and their plans for prioritised activities are fed up to the Vanuatu MAWG for consideration for funding approval. This industry-specific planning is the basis for selecting PHAMA activities to undertake in Vanuatu.

Over time there is also significant potential value in the IWGs developing as focal points for information sharing for funding collaboration/coordination with other programs and development partners (e.g. Australian Centre for International Agricultural Research [ACIAR], Enhanced Integrated Framework, European Union [EU] and New Zealand Aid Programme), and to inform Vanuatu Government decision-makers on resourcing requirements to support market access.

It has been recognised that despite their relevance to PHAMA's objectives and early success there are limitations to the sustainability of the IWGs post-PHAMA. Feedback from industry stakeholders also indicates that many of the key factors limiting export development are also supply-side-related, which remains outside PHAMA's ability to fund. In order for the IWGs to better deal with supply side issues, and so maintain their relevance to private sectors' interests, there is a need to broaden the IWGs' ability to undertake planning and mobilise resources outside of PHAMA's relatively limited funding scope.

Fundamental to the current and future success of the IWGs is to maintain support for a secretariat that can provide support for the operation of the group and follow up actions arising from meetings. A grant agreement has been established between PHAMA and the Vanuatu Chamber of Commerce and Industry (VCCI) to establish an Export Industry Coordinator (EIC) and provide resourcing for their role to provide this support through to mid-2017. At the conclusion of the PHAMA program, the effective operation of the IWGs will require ongoing support for the EIC position and will require that the EIC has the skills to provide effective support to the IWGs.

Support is also required to establish appropriate institutional structures, funding mechanisms, legal status and relationships for the IWGs to maintain their operation once support from PHAMA ends. Achieving this requires significant technical resourcing. This report and its recommended actions represent the first step in the further development of the IWGs.

### 1.2 Scope of Work Completed under this Tasking Note

The scope of work undertaken under this tasking note supports work by the PHAMA team to sustain long-term outcomes from the program. The work specifically related to: the development of options for ongoing institutional arrangements for the current three IWGs so that they can operate post-PHAMA; a set of IWG workshops used to discuss and narrow options for their future operation; and the development of plans to implement these options.

The outcomes of this tasking note are intended to provide guidance to the PHAMA team and the IWGs on the work required to further examine the needs of the IWGs going forward and, as relevant, how they can function post-PHAMA. The information derived can be used to inform the development of work plans or 'roadmaps' leading up to the conclusion of PHAMA in mid-2017 and operation of the IWGs after this. A report of progress against the scope of the tasking note is included below in Chapter 2.0 of this report.

## 2.0 Report Against the Project Scope

The nine areas of work set out in the tasking note and their delivery status are summarised in Table 1 below.

**Table 1** Report on the eight activities set out in the tasking note and their delivery status

Activity	Status
<i>Determine in detail, with reference to each industry context and environment, the appropriate options for sustainable development of each of the current three IWGs into representative and sustainable industry bodies able to progress market access and export development. This will include examining the appropriate scope of industry issues to be considered by each IWG (supply side, production, processing, market access, marketing etc.) in order to maintain its relevance and utility to stakeholders.</i>	Completed. Options for the sustainable development of each of the IWGs were developed after discussion with the IWGs. This was informed by desktop studies of organisations similar to the IWGs in other countries (see Appendix A and Appendix B), along with desktop reviews of the IWGs, their situation and priorities. Alternative structures were then discussed in workshops before identifying a preferred option (see Appendix C).
<i>Determine the specific detail of appropriate organisational, constitutional and legislative elements for each IWG.</i>	Ongoing. The types of organisations required by each of the IWGs have been defined, and PHAMA staff are working through a series of activities to confirm these arrangements (activities set out in Appendix D).
<i>Determine the operational requirements and appropriate potential arrangements for each group in terms of secretariat support and hosting.</i>	Ongoing. "Medium-term" options for operation and hosting of secretariat support have been identified with VCCI, and PHAMA staff are working through a series of activities to confirm these arrangements (activities set out in Appendix D).
<i>Determine appropriate planning processes for each group to describe and articulate industry needs for funding and/or capacity building requirements.</i>	Ongoing. Initial prioritisation has been undertaken (see Appendix C). The IWGs will need to engage in a broader strategic planning exercise as part of the roadmap.
<i>Determine the detail of sustainable funding mechanisms for each group with reference to each industry context of industry makeup, levies and scope of ability to implement activities directly.</i>	Completed. Options for sustainable funding were considered and discussed as part of the IWG workshop. Few clear options exist, and identifying funding will be an ongoing activity for the three IWGs. PHAMA staff are also following this up (see Appendix D).
<i>Establish for each IWG a detailed action and capacity building plan for implementation (a 'roadmap'). The plan should use timeframes that are realistic to the absorptive capacity and any limiting factors (such as legislation); however, where possible the plan shall aim for completion of implementation by the end of PHAMA Phase 2 (30 June 2015).</i>	Partially completed. A set of actions to confirm the appropriate organisational arrangements for each IWG has been developed (see Appendix D) and relevant capacity building activities have been identified (later in this report). Once appropriate organisational structures have been confirmed, a detailed roadmap can be developed.
<i>With reference to the 'roadmap', conduct appropriate initial capacity building inputs (as agreed with PHAMA Vanuatu office) to progress establishment of initial key components.</i>	Completed. Appropriate capacity building inputs have been identified, and are set out in this report.
<i>Provide mentoring and remote support to IWG members and the EIC as required to progress implementation of the 'roadmap'.</i>	Ongoing. Mentoring and support associated with the work has been provided to the EIC and discussions have been held with IWG members. An ongoing program of capacity development is discussed in this report.



### 3.0 Report on Deliverables

Three deliverables were set out in the tasking note. Their delivery status is summarised in Table 2 below.

**Table 2 Report on the three deliverables set out in the tasking note and their delivery status**

<b>Deliverable</b>	<b>Status</b>
<i>A set of implementation plans covering each IWG, to be completed by 15 March 2015.</i>	Completed. Plans to support implementation are presented in Appendix D.
<i>A brief report of the findings following initial scoping visit, to be completed by 15 March 2015, including detail of expected capacity building inputs to be conducted.</i>	Completed. Initial findings and examination of options are presented in the discussion papers included in Appendix A and Appendix B.
<i>A final summary report at completion of all in-country inputs, to be completed by 20 June 2015.</i>	Completed. Requirement fulfilled through this report.

## 4.0 Report on Activities Delivered

### 4.1 Summary of Activities

Two visits were undertaken to Vanuatu. An initial scoping visit was made in February 2015, to understand the operation of the IWGs and understand their circumstances. Based on this visit, discussion papers were drafted for each of the IWGs, examining their situation and priorities (see Appendix B), along with a discussion paper outlining how organisations like IWGs are structured and operate elsewhere (see Appendix A). These papers and the IWG priorities were then circulated to IWG members and discussed during a series of in-country workshops held in April 2015.

Feedback from the workshop discussions was recorded for each of the IWGs (see Appendix B). Based on this feedback, a series of follow up actions were recorded for PHAMA staff to undertake to support the establishment of the IWGs (see Appendix D) so that they can become independent of PHAMA. The work currently being undertaken by PHAMA staff can then be incorporated into the work already completed to develop specific roadmaps for each of the IWGs to cover the next two years of their operation.

Based on a series of identified tasks from the IWG discussions conducted in April, PHAMA staff are currently following up with the industry, government, donor and non-governmental organisation partners who are involved in each IWG to discuss the preferred options for supporting the IWG and discuss the implications of this. PHAMA staff will be asking for the partners to confirm their continued support and involvement in the IWGs. Based on the outcomes of that follow-up, in September 2015 a detailed plan (a 'roadmap') will be prepared for each of the IWGs to cover the period to mid-2017 when the PHAMA program ends. As part of this, the terms of reference for the IWGs will need to be revised to reflect changes in their operation, along with the development and review of policies that support the operation of the IWG.

### 4.2 Discussion of Circumstances and Opportunities for Each of the IWGs

Differences in the operation, size and structure of the industries involved in the three IWGs means that in the longer term it is not appropriate to try to apply a single plan to their future development and operations post-PHAMA. The challenges and issues around each of these industries are also substantially different, and these will influence how the IWGs would need to operate and their priorities in the future. In the short-term, similar approaches to establish the cocoa, kava and livestock IWGs within the VCCI will need to be used, but the absence of confirmed donor funding to support their operation suggests that the industries (the private sector members of the IWGs) may need to fully, or at least substantially, take ownership of the operation and funding of these groups. The potential for future funding as part of the proposed value chain support programs under EU European Development Fund (EDF) funding requires further investigation, as does potential for secretariat funding support under the New Zealand Ministry of Foreign Affairs and Trade (MFAT) bilateral program. Funding from the Government of Vanuatu is not expected to be available to support the future secretariat functions of any of the IWGs. However, there is strong support for participation by Government officials in the groups and it is expected that this participation will continue under the revised mandates of the IWGs.

The different models for the future operation of the three IWGs are described below, along with the work required to confirm the model of operation, challenges for the ongoing operation of the IWGs, and key aspects that need to be addressed in the development of roadmaps.

#### 4.2.1 Cocoa

Post-PHAMA, the Cocoa IWG can play a useful role in providing advice to government and donor programs on the priorities and issues for the cocoa industry, as well as providing a useful forum for consultation and representation. In developing a roadmap for the Cocoa IWG until mid-2017 and beyond there is a need to ensure: that there is thorough consideration of the scope, mandate and membership of the group post-PHAMA; that the current IWG continues to inform PHAMA activities; that donor programs being developed that involve the cocoa industry can be informed by the IWG; that the IWG better links to government planning and priority setting activities (including the annual Vanuatu Government budget cycle); and that there is a plan to encourage the development of the IWG into a more representative forum. In addition, work should be undertaken to develop a comprehensive Cocoa Industry Strategy that can be used to better inform and direct government, donor and industry activity. The recently developed draft Kava Industry Strategy could form a good model for the Cocoa Industry Strategy discussions to follow.

Of the three IWGs in Vanuatu, the Cocoa IWG is the least developed and has only met a few times since its inception. The IWG members see advantages in progressing with the development of the IWG activities, and see that benefits can come from improved representation, consultation and a mechanism for the industry to provide advice to government and donors. This lack of experience and organisation of the IWG presents a risk in trying to establish the IWG as a standalone group by the conclusion of the PHAMA program in mid-2017 and will need to be managed appropriately.

The Vanuatu Cocoa industry forms only a small part of the world production of this commodity. Challenges exist in producing consistent volumes of quality product and extracting prices from the market that reflect world prices and reward product quality. Despite these challenges, there does not appear to be any significant forces that are going to drive change within the industry and increase the need for greater industry organisation.

Plans are being progressed to host the Cocoa IWG within the VCCI, with the intention that the VCCI would provide an appropriate host at the conclusion of the PHAMA program in mid-2017. IWG members did not feel that Government could be relied upon to fund the IWG secretariat, and that industry members were also not in a position to pay for the IWG secretariat. The potential for utilisation of levies currently taken via the Vanuatu Commodities Marketing Board (VCMB) needs to be investigated further and will need to be an ongoing activity for the IWG, the EIC and PHAMA staff. An alternative operating model involving the Cocoa IWG combining with or replacing the Cocoa Technical Committee (CTC) (which is currently used on an ad hoc basis by government) also needs to be investigated to determine if this has useful advantages.

#### **4.2.2 Kava**

There will be an ongoing need for industry coordination in the Kava industry post-PHAMA, and the Kava IWG can play a useful role in providing advice, and a forum for consultation and representation. In developing a roadmap for the Kava IWG up to mid-2017 and beyond, there is a need to ensure: that there is thorough consideration of the scope, mandate and membership of the group post-PHAMA; that the current IWG continues to inform PHAMA activities; that donor programs being developed that involve the Kava industry can be informed by the IWG; that the IWG better links to government planning and priority setting activities (including the annual Vanuatu Government budget cycle); and that there is a plan to encourage the development of the IWG into a more representative forum. A comprehensive Kava Industry Strategy is currently under development, and has been consulted upon with PHAMA and the IWG. This Kava Industry Strategy can hopefully be used to better inform and direct government, donor and industry activity.

The Kava IWG is well established and has been working effectively to address market-related issues. The IWG members have indicated strong support for progressing with the development of the IWG, and see benefits that have come from developing a representative group that can work with government, as well as consult with and provide advice to government and donors. The Kava IWG members have also seen benefits from working with donor programs (such as PHAMA) to identify and address industry priorities, and the experience of being able to provide advice to donors and being able to direct donor activities to meet the needs of the industry has been useful.

The re-opening of the German market and the risks the whole industry faces related to re-establishing and then maintaining access to this market means that there is an incentive for industry members to work together. There is a clear need for industry to work with government to ensure that regulation and government policy is sensible and acts to strengthen the industry. There is also a need for industry to better self-regulate so that overly self-interested exporters do not jeopardise market access for others. In this environment, it seems that there are the incentives for industry to come together to address issues where they have a common interest and support through to mid-2017 from PHAMA can help facilitate the development of a self-sustaining IWG.

Plans are being progressed to host the Kava IWG within the VCCI at the conclusion of the PHAMA program in mid-2017. IWG members did not feel that Government could be relied upon to fund the IWG secretariat. Options exist that would allow industry to fund the operation of the Kava IWG secretariat, including the use of levies currently collected to fund the operation of the VCMB. The option of industry funding needs to be discussed further with industry and government to understand if this is a viable alternative and what mechanisms might be used. No donor funding source has been identified to support the IWG secretariat after mid-2017, but this needs to be investigated further and will need to be an ongoing activity for the IWG, the EIC and PHAMA staff.

### 4.2.3 Livestock

The beef industry remains a significant industry within Vanuatu, and there is an opportunity to better organise and coordinate the industry through the Livestock IWG. In developing a roadmap for the Livestock IWG, there needs to be clarity over the priorities of the group and how these activities can be funded post-PHAMA. As with the other IWGs, the scope, mandate and membership post-PHAMA will also need to be agreed. The roadmap up to mid-2017 and beyond needs to inform PHAMA activities; link with other donor programs with interests in the livestock sector; link with government planning and priority setting activities (including the annual Vanuatu Government budget cycle); develop a strategy for developing an appropriate membership; and be based on an agreement over scope. In addition, the existing priorities of the Livestock IWG need to be reviewed and set out in a framework that can better articulate the industry's needs and direct government, donor and industry activity.

The Livestock IWG is well established and has met regularly to discuss industry issues. Many of the priorities identified and discussed by the Livestock IWG are production focused and are outside of the market access focus of the PHAMA program. The Livestock IWG members have developed an appreciation of the opportunities that can come from developing an industry and government forum, and there is continued interest from the Livestock IWG members for maintaining the momentum built through the work of the current IWG.

The Vanuatu beef industry supplies domestic demand and has a number of export markets. Production is reported to be static or in decline, while domestic consumption is increasing. There is the potential for expanded production, but domestic constraints related to production, pricing and market structures seem to be limiting growth. Support for maintaining market access has been the main focus of work by the PHAMA program, and the loss of access to markets remains a risk for the industry. The abattoir operators and in some cases the larger producers do have an interest in working to improve industry productivity, as their business models involve finishing and slaughtering animals produced by other farmers.

There is a positive feeling within the Livestock IWG and a belief that there is inherent value in maintaining an industry forum such as the IWG. Discussion about the future of the Livestock IWG has highlighted some divided views on the role of the IWG in the future. Some IWG members have spoken about the need to consolidate the current role of the IWG and focus on representation, consultation and advice, and others have expressed a view that the Livestock IWG should be positioning itself to have the flexibility to take on any role required by industry. There has also been discussion about the need for the group to be more representative of smallholders and other livestock producers. This lack of clarity around purpose and direction presents a significant risk, as there is no common vision for the group to work towards or to use as a way of discussing and testing alternative frameworks for operating.

The Livestock IWG members have expressed concerns that aligning with government would reduce their independence and that there would be undue government influence on membership. As a consequence, it was felt that the IWG should not align with potential government-appointed entities such as the Meat Advisory Board provided for under the Meat Act, and the IWG does not believe that it should be reliant upon government funding or the redirection of existing levies to fund the secretariat. These issues need to be discussed with government to determine if they may be resolved in some way.

Plans are being progressed to host the Livestock IWG within the VCCI. Some IWG members have expressed reservations about being hosted within the VCCI post-PHAMA, in particular that the VCCI lacks a focus on the agriculture sector and may not adequately represent the industry, but at present a suitable alternative has not been identified. It is not clear how the Livestock IWG secretariat may be funded post-PHAMA. The capacity for industry to raise funds to pay for the secretariat function needs to be clarified, as does the availability of donor funding. Work to identify a suitable operating model as well as funding to support the Livestock IWG secretariat will need to be an ongoing activity for the IWG, the EIC and PHAMA staff.

## 4.3 Development of Roadmaps to Mid-2017

The work undertaken with the IWGs has focussed on understanding models for their future operation and the need for a mechanism to allow industry to be involved in representation, consultation and providing advice to government. As described above, a number of the IWGs have unresolved questions about their structures that need to be resolved before it is possible to develop a more comprehensive roadmap outlining work to be done before the end of Phase 2 of PHAMA in mid-2017.

When developing the final roadmaps, the work they will need to undertake falls into two categories: *annual business* and *organisation development*. 'Annual business' refers to work that fits with an annual cycle that needs to be delivered. Examples of this could include:

- Annual review of industry plans and strategic priorities;
- Development of advice on projects and prioritisation of project activities for PHAMA;
- Development of advice on projects and prioritisation of project activities for other donor programs; and
- Development of advice and priorities for submission through the Vanuatu government budget.

'Organisation development' activities include work that seeks to strengthen the IWGs and allow them to operate as independent, representative groups in the future. Work that needs to be included in the roadmap that relates to organisation development could include:

- Industry meetings to discuss and scope the work of the IWGs so that they can be more broadly representative of industry views and priorities;
- Clarifying budgets and funding sources, including establishing links to donors and non-governmental organisations;
- Development of constitutions and operating policies;
- Election or selection of IWG representatives;
- Capacity development and training activities; and
- Development and review of strategic plans.

While some of these aspects will be common across the IWGs, individual industries and their associated IWGs will have different priorities and issues to deal with. It will be important that the IWGs and the EIC have ownership over the roadmaps that are developed, in order to ensure that they are appropriate for their respective industries. The IWGs and the EIC will also be responsible for ensuring that these plans are implemented. It is likely that the process of developing the roadmaps will also highlight areas where capacity building is required to support the implementation of the roadmaps.

#### 4.4 Roadmap Outline

Plans or 'roadmaps' that set out the actions and responsibilities to put these structures in place and the ongoing activities still need to be set out. This can be done once the interim activities described in Appendix D are completed.

The current activity has helped to define the aspiration or 'strategic imperative' for each of the IWGs, and the interim activities will help to determine the extent to which these can be achieved. The roadmaps that now need to be developed should set out the activities to be completed by the end of the PHAMA program in mid-2017 in order to meet these aspirations.

In developing the roadmaps, it may be useful to consider the outcomes required over the two timeframes:

- 1) By mid-2017, so that the IWGs can operate as independent groups at the conclusion of PHAMA; and
- 2) By 2020 (in 5 years' time), when the IWG should be operating to meet the needs or 'strategic imperatives' of the industry.

The outcomes required for the different industries will vary depending on the aspiration or 'strategic imperative' of the industry and the scope or role that industry perceives for the IWG. Key areas that need to be addressed by the roadmap include what is being sought from key stakeholders, as well as the strategies that need to be put in place in order to ensure that the IWGs get appropriate recognition. Key stakeholders that need to be considered include:

- Industry (the extent to which the IWG can be representative and what it is seeking to achieve for industry)
- Government (the outcomes sought from government, including the extent that the IWG will be recognised in consultation, advice and representation)
- Donors (the extent to which donor recognition is sought, and that the IWGs have appropriate structures to allow them to engage with donors).



The detail of the roadmap then needs to focus on supporting the establishment of an ongoing organisation, as well as administrative arrangements to achieve the outcomes required by the IWG. A useful framework for organising these aspects may be to consider:

- Governance (how the organisation is formally structured, and governance requirements to establish and support this, such as organisation registration, elections, industry consultation, and the development of a strategic plan for industry)
- Operations (tasks and activities that need to be undertaken to achieve the outcomes sought from the IWG)
- Administration (tasks and activities that need to be undertaken to meet governance accountabilities and ensure transparency)
- Resourcing (the business model to support the operation of the IWG, as well as providing accountability for external resourcing)
- Training and development (gaps in capacity that exist and how these may be addressed, including local training providers, industry exchanges or sharing resources between countries).

While some aspects of the roadmaps will be common across the IWGs, individual industries and their associated IWGs will have different priorities and issues to deal with. It will be important that the IWGs and the EIC have ownership over the roadmaps that are developed, in order to ensure that they are appropriate for their respective industries. The IWGs and the EIC will also be responsible for ensuring that these plans are implemented. It is likely that the process of developing the roadmaps will also highlight areas where capacity building is required to support the implementation of the roadmaps.

It is suggested that the roadmap be set out in a format that is easily understood by PHAMA staff, the EIC and IWG members and that can be easily updated and used to report against. An example format is set out below:

Industry Working Group Name			
Strategic Imperative or Aspiration that the IWG is looking to address post-PHAMA			
Outcomes by mid-2017	Industry	Government	Donors
	<i>Identify key outcomes relevant to the industry, such as priorities and development of strategic plan, representative structure and timeframe for delivery.</i>	<i>Identify key outcomes relevant to the government, such as official recognition, strategic goals and timeframe for delivery.</i>	<i>Identify key outcomes relevant to donors' development objectives in terms of increased trade, livelihoods and private sector development.</i>
Actions relating to <b>governance</b> to achieve outcomes	<i>Identify actions that contribute to the industry outcomes identified, including timeframe and responsibility.</i>	<i>Identify actions that contribute to the government outcomes identified, including timeframe and responsibility.</i>	<i>Identify actions that contribute to the donor outcomes identified, including timeframe and responsibility.</i>
Actions relating to <b>operations</b> to achieve outcomes	<i>As per above.</i>	<i>As per above.</i>	<i>As per above.</i>
Actions relating to <b>administration</b> to achieve outcomes	<i>As per above.</i>	<i>As per above.</i>	<i>As per above.</i>
Actions relating to <b>resourcing</b> to achieve outcomes	<i>As per above.</i>	<i>As per above.</i>	<i>As per above.</i>
Actions relating to <b>training and development</b> to achieve outcomes	<i>As per above.</i>	<i>As per above.</i>	<i>As per above.</i>

Outcomes by mid-2020	Industry	Government	Donors
	<i>Identify key outcomes relevant to the industry, such as priorities and development of strategic plan, representative structure and timeframe for delivery.</i>	<i>Identify key outcomes relevant to the government, such as official recognition, strategic goals and timeframe for delivery.</i>	<i>Identify key outcomes relevant to donors' development objectives in terms of increased trade, livelihoods and private sector development.</i>
Actions relating to <b>governance</b> to achieve outcomes	<i>Identify actions that contribute to the industry outcomes identified, including timeframe and responsibility.</i>	<i>Identify actions that contribute to the government outcomes identified, including timeframe and responsibility.</i>	<i>Identify actions that contribute to the donor outcomes identified, including timeframe and responsibility.</i>
Actions relating to <b>operations</b> to achieve outcomes	<i>As per above.</i>	<i>As per above.</i>	<i>As per above.</i>
Actions relating to <b>administration</b> to achieve outcomes	<i>As per above.</i>	<i>As per above.</i>	<i>As per above.</i>
Actions relating to <b>resourcing</b> to achieve outcomes	<i>As per above.</i>	<i>As per above.</i>	<i>As per above.</i>
Actions relating to <b>training and development</b> to achieve outcomes	<i>As per above.</i>	<i>As per above.</i>	<i>As per above.</i>

## 4.5 Capacity Building

Capacity building is an important part of developing the IWGs and providing them with the skills that will allow them to operate through to mid-2017 and post-PHAMA. There are two aspects to this: capacity building of the EIC to support the IWG, and capacity building within the industries themselves and the public sector. Capacity building is always an ongoing activity, and wherever possible opportunities to improve skills and experience should be sought. Being involved in formal training programs geared to the specific skills and experiences required (such as financial and organisational leadership training) would be ideal. However, it is likely to be difficult and expensive to access formal training, so where possible PHAMA staff should work with the EIC and members of the IWGs to help provide these experiences and opportunities to learn.

For the private sector IWG members, the need to develop capacity is particularly challenging. The development of leadership skills and capacity can assist the broader industry to develop a strategic direction for growth, can bring industry members together to help achieve this vision, and gives industry the skills to assess government performance and hold government to account. While it is possible to bring experienced facilitators in to assist with planning and strategy, it does not always give ownership over the plans, and may not effectively assist in the development of skills and experience required by industry. Opportunities to involve a broader cross-section of industry members in these types of training also need to be considered in order to encourage succession in leadership of the industry groups and broader ownership of IWG activities and strategic planning.

### 4.5.1 Capacity Development in the Export Industry Coordinator

PHAMA has established a grant agreement with the VCCI to establish the EIC position and provide resourcing for their role. Assuming that PHAMA does not continue post-2017, at the conclusion of the program the EIC will require the skills to operate independently to effectively support the IWGs. The role could be likened to an Executive Officer of an industry representative group, and their responsibilities are likely to cover a similar range of activities, including:

- Organising industry and government officials to attend meetings
- Delivering meeting minutes and following up on action items
- Managing correspondence and meetings with industry and government
- Managing and reporting on budgets, including reporting to funding agencies

- Facilitating industry strategic planning
- Delivering written and oral reports to a range of stakeholders
- Acting on behalf of industry, and being able to represent industry views
- Maintaining a strong network in government and industry.

The EIC's previous experiences and existing skills have a strong bearing on their capacity to do this job. By the conclusion of the PHAMA program, the EIC should be able to effectively organise and manage meetings, follow up on meeting actions and minutes, understand and manage budgets, and manage correspondence and meetings. Formal training opportunities to improve skills and performance in this role and the activities described above should be considered as part of regular performance discussions.

PHAMA staff need to monitor the performance of the EIC and provide them with feedback on their work, and provide them with opportunities to develop and improve. It is generally good practice for the EIC to sit down with the meeting Chairperson and PHAMA staff member before and after the meeting to plan and review the meeting, including discussing how to organise the agenda and activities, what materials will be presented and any follow up from the meeting.

Developing, managing and reporting on budgets are important skills that need to be developed to ensure that industry, government and donors all have confidence in the IWGs and their operation. During the transition to the end of PHAMA, PHAMA staff should work with the EIC to ensure that they are responsible for understanding and managing the IWG budgets. At each meeting, it may be useful to provide a brief report on the meeting budget, and progress against that budget (a report on progress against the allocation to the IWG may be useful as well, although this needs to be managed to avoid the IWG being focussed on operational work rather than strategic issues). It may also be useful for PHAMA staff to involve the EIC in the development and reporting of PHAMA budgets, so that the EIC is aware of donor reporting requirements and practices (the use of accrual accounting, for example).

Understanding industry views and positions is an important part of the EIC being able to fill their role effectively. This understanding helps to prioritise their own work, help run meetings and follow up on meeting actions. The EIC should visit the businesses of industry members regularly, particularly members of the IWG, to talk about the industry and discuss progress on actions and the work of the IWG. If IWG members meet with Government, then the EIC should participate in these meetings to increase their own familiarity with industry and government policy, as well as to develop their personal networks.

While the EIC is not expected to facilitate industry planning at present, it is important that they understand the process of priority setting and are able to develop a meeting agenda that can assist this. It is important that PHAMA staff involve the EIC in discussions about strategic planning and priority setting wherever possible, and that the EIC is provided with opportunities to organise, contribute to and run these meetings.

The EIC will also play a role in establishing the future model and operations of the current IWGs. This will require the EIC to understand how industry associations and organisations, as well as businesses, operate. Where possible, the EIC should grow their experience and understanding of this aspect of their work.

#### 4.5.2 Capacity Development for IWG Members

There are a wide variety of formal programs and training that can assist with rural leadership, particularly in Australia and New Zealand where this is quite a mature training area. In addition to formal training, the industry organisations or industry leaders in other countries (for example Papua New Guinea, Fiji) could be approached to assist in capacity development, and there could be informal opportunities through the development of partnerships with these organisations or individuals. Young farmer networks are used in some countries as an effective mechanism for engaging young people in discussion about the direction of agriculture, networking individuals and encouraging leadership. Examples of formal training and development programs that may be useful model or where there could be opportunities for a partnership include:

- **Australian Rural Leadership Foundation.** The Australian Rural Leadership Foundation was established to promote leadership in the Australian rural sector. It runs an annual program with nominated individuals, so there is a tendency that the individuals are recognised or have a reputation as high-performers. The curriculum includes: personal effectiveness, ethics, values, social responsibility, diversity thinking, and conceptual and analytical skills. The program includes a residential component based in a remote location, and it is possible there could be interest in working in Vanuatu to provide an exchange.

- **Pacific Leadership Program.** In Vanuatu, the Pacific Leadership Program focuses on developmental leadership and governance at the sub-national and community level. The program identifies and supports individuals and groups who are acting (or have the potential to act) collectively for the public good. It facilitates coalitions, encourages adaptive leadership and encourages leaders to embrace change and help others to do the same. The public good sector is a different focus to the industry or private good focus of the IWGs, but the resources and training units may have application for the private sector in Vanuatu that would be worth investigating.

There are a range of skills required for industry leaders to be effective, and these leadership programs have common elements that could be addressed to some extent through practical experience. Some of the leadership skills focussed on through these programs include:

- Understanding diverse values
- Strategic thinking and prioritisation
- Consultation and representation
- Effective communication
- Capacity development and succession planning.

*Understanding diverse values.* In order to reach agreement on a set of terms of reference, understand the priorities of overseas markets, or for individuals from the private sector and government to work together effectively and understand how industry value chains work, IWG members need to be able to understand, respect and accommodate different types of thinking and values. For example, the degree of competition that exists in export markets from other international exporters and between domestic retailers may result in buyers making stringent demands of Vanuatu exporters that can be difficult to understand without firsthand experience of how these markets and the buyers operate.

Improving awareness of diverse values is usually done through exposing individuals to different experiences and people, and discussing what is different about these values and why. For example, market missions to other countries, visits from industry members from other countries or discussion between people from different industries are ways of encouraging thinking about diverse values.

*Strategic thinking and prioritisation.* Strategic thinking and prioritisation is a complex activity that requires individuals to make assessments on priorities on the basis of a range of factors such as timeframes, potential costs and returns, likelihood of success and alignment with long-term plans and aspirations. It can also involve identifying broad priorities by looking for patterns and similarities among the issues faced by industries. Involving different values and perspectives is a useful way of getting good outcomes from these discussions. For example, individuals from government and the private sector would have different perspectives on the risk and return of different activities, based on their past experience.

There are formal tools to help encourage strategic thinking and analysis, and it is important that the IWG members are involved in using these tools and applying them. Annual planning processes that formally review priorities and discuss changes in the operating environment would be a useful exercise to help IWG members understand the process of thinking strategically and prioritising. The challenge is providing IWG members with the confidence to lead this activity, rather than depending on PHAMA staff to take a lead role.

*Consultation and representation.* Effective participation by government and industry representatives in the IWG relies on the public and private representatives consulting with their stakeholder groups outside of the meetings so that they can accurately reflect the views of their peers in the discussion. IWG representatives should be encouraged to continue to work on and discuss IWG issues outside of the meetings. In a formal industry representative group, there is an incentive for industry representatives to consult outside of meetings, as they may not be elected to the position in the future if they do a poor job. This consultation also has the advantage of helping to inform IWG priorities, but also get greater awareness and support for the work and priorities of the IWG.

An important part of industry consultation and representation is making sure there are opportunities to be inclusive of farmers and processors from across the country. This means that the IWG members should be able to travel to production centres to discuss issues and priorities with the farmers, as well as communicate the work of the IWG. Demonstrating effective consultation can also have advantages in explaining IWG priorities to other donors and government, and provides legitimacy to the priorities identified.

*Effective communication.* Effective contribution by IWG members to the IWG discussion relies on members being able to listen and understand the discussion, contribute to discussion and conversation effectively, and have sufficient numeracy to understand budgets and financial implications of decisions. Participants are likely to vary in their confidence and effectiveness as communicators. Involving IWG members in consultation activities and encouraging participation in IWG meetings is a mechanism for improving confidence and oral communication abilities.

Effective chairing to encourage and facilitate communication and discussion in meetings (with the IWG members as well as external meetings) is an important part of developing the skills of IWG members. Consideration needs to be given to the language that IWG and external meetings are conducted in, as some meeting participants may not be confident using English. Regularly rotating chairs (every 6 to 12 months) should also be considered as a way of building skills and encouraging leadership. Encouraging IWG members to participate in groups such as 'Toastmasters' or community groups so they can practise public speaking and networking may also provide a useful experience for some IWG members.

*Capacity development and succession planning.* It is important that the IWG regularly discusses membership and succession planning, and has a strategy to do this. This is important if they are to move on from being a construct of PHAMA. A challenge for IWGs and the PHAMA program is to not just work with the IWG members who are recognised as leaders, but encourage involvement by a number of people within the sector so that there can be succession within the IWG and strengthening of leadership within the industry. In the discussions had during the course of this consultancy, governments and donors have expressed a preference for working with 'representative' groups that can speak on behalf of an industry. Ultimately this means that there needs to be a pool of people from industry that are involved in discussion about the strategic direction of agriculture in the country.

Tasking the IWG with developing a strategy and process for renewal of its membership, and engaging with industry members in centres outside of Port Vila, should be considered as part of encouraging succession.

#### **4.5.3 Considering a Long-term Strategy for Leadership Development in Agriculture**

A comprehensive and long-term strategy for leadership and capacity development in IWG members should target existing members of the IWG, as well as provide others in industry with the appropriate skills and experience to allow succession. Succession is important because it is expected that in the longer term the IWGs will move towards being more formal representative groups and IWG membership will change on a regular basis. In the absence of succession, the industry is likely to be reliant on a small number of individuals for leadership, and there is the risk that there will be limited transparency and industry understanding of the work of the IWG. For the remainder of the PHAMA program, it would be useful if industry members who are not members of the IWG could be involved in development opportunities where possible, and the outcomes of training and development communicated broadly to industries.

The work undertaken in the preparation of the discussion paper looking at example structures of IWGs (Appendix A) for this activity suggests that there are a limited number of effective agricultural industry representative organisations in the Pacific region. There are likely to be a number of reasons for this, including difficulties in developing suitable membership or business models to support their operation. In the longer term, it may be useful to consider the development of programs to encourage appropriate strategic leadership skills and capacity in agricultural industries. Any standalone agricultural leadership program should draw on the strengths and experiences of existing programs (such as the Pacific Leadership Program or the Australian Rural Leadership Foundation), encourage links and mentoring with existing agricultural organisations, and engage with groups such as the Pacific Islands Private Sector Organisation.

## **4.6 Representation and IWG Membership**

The issue of the IWG being a representative group was raised on a number of occasions by government officials and IWG members. This is a difficult issue that will need to be dealt with by the IWGs as they seek to establish themselves as independent groups, and it will require the IWGs to be able to clearly define and articulate their purpose so that government and industry can clearly understand who the IWGs represent.

Under the PHAMA program, the IWGs were convened to represent individuals who were committed to producing consistent volumes of agricultural produce for an export market and are, or aim to be, a commercial enterprise. This is often only a subgroup of the farmers/processors/exporters who are involved in the industry, as there are also individuals who only occasionally produce product for export but may predominantly be involved in subsistence agriculture and farmers who are subsistence farmers but would like to produce commercially.



Commercial farmers who regularly generate income from exports have different policy priorities from government than farmers who are primarily reliant on subsistence production and may look to government for social support or to reduce their exposure to risks with entering an industry (such as managing prices and input costs). This spread of interests across the farming community is not unique to developing countries, and is seen in developed countries such as Australia where there is a mix of commercial and semi-commercial farmers.<sup>1</sup>

If IWGs do seek to represent all farmers (or processors/exporters) associated with an industry, they will need to make sure that they have appropriate frameworks for considering priorities for others seeking to enter the industry, including those seeking to develop their business, as well as established industry members. However, it will be difficult to establish industry organisations that can represent the full cross-section of members/stakeholders in an industry without an external source of funding (for example, through programs such as PHAMA), as farmers or individuals who are developing their business or who are seeking to enter an industry are unlikely to be able to pay membership fees to support industry organisations like IWGs.

As the IWGs seek to refine their purpose and mandate, the issue of their scope and who they represent will need to be discussed and understood by industry as well as government and donors in order to ensure that there is a common understanding. It would also be useful for these stakeholders to be involved in this discussion, so that a strategy and priorities can be developed that benefit the whole of an industry.

## 4.7 Next Steps

Based on the series of identified tasks from the IWG discussions conducted in April, PHAMA staff are currently following up with the industry, government, donor and non-governmental organisation partners who are involved in each IWG to discuss the preferred options for supporting the IWG and discuss the implications of this. PHAMA staff will be asking for the partners to confirm their continued support and involvement in the IWGs. Based on the outcomes of that follow up, a detailed plan (a roadmap) be prepared in September 2015 for each of the IWGs to cover the period to mid-2017 when the PHAMA program ends. As part of this, the terms of reference for the IWGs will need to be revised to reflect changes in their operation, along with the development and review of policies that support the operation of the IWG.

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<sup>1</sup> Barr, N. (2014) "New entrants to Australian agricultural industries – Where are the young farmers?" RIRDC Report 14-003 (<https://rirdc.infoservices.com.au/items/14-003>)

Appendix A

# Discussion Paper Examining Alternative Structures for Industry Working Groups

## Appendix A Discussion Paper Examining Alternative Structures for Industry Working Groups

### Purpose of this Background Paper

Despite their relevance to Pacific Horticultural and Agriculture Market Access (PHAMA) program objectives and their contribution to the early success of PHAMA, there are limitations on the sustainability of the IWGs when PHAMA concludes in mid-2017. The IWGs were established because PHAMA recognised that there was a lack of existing industry representative bodies or organisations that could provide guidance on market access issues.

The IWGs have been successful in helping PHAMA to prioritise its activities, but have also provided useful forums for government and industry to discuss a range of production, supply chain and export issues. Without the support of PHAMA, it is unlikely that the IWGs will be able to continue to operate in their current format, and consideration needs to be given to how to sustain them, including examination of alternative models of operation.

PHAMA believes that if the IWGs continued to function post-PHAMA, then governments and industries could benefit, and there would be opportunities to continue to improve donor coordination. In order for the IWGs to continue to benefit their industries and operate effectively post-PHAMA, there is a need to broaden their scope and planning, as well as identify alternative funding and operating arrangements.

Feedback from industry stakeholders indicates that many of the issues limiting export development are supply side related, which currently remain outside PHAMA's ability to fund. There are opportunities for the IWGs to become more active in addressing these issues by engaging with other donor programs and by government and industry working cooperatively.

The activities of the IWGs post-PHAMA should align with the needs of their industry and government stakeholders, particularly how to support the future prosperity of the industries. Some changes to the operation and structure of the IWGs need to be considered in order to make sure that the IWGs are effective in their role in the future, and that they can secure ongoing support for their operation.

Understanding the scope of work that IWGs might undertake in the future can provide insight into the type of structures required to support their ongoing operation and the types of resourcing that might be available. From this discussion, plans can be developed to help each of the IWGs to transfer to appropriate structures in order to improve the likelihood of them continuing post-PHAMA.

### Success of the Current IWGs

PHAMA established IWGs in order to get industry guidance on market access issues for key export industries. The IWGs have been a very effective way of engaging industry and government in discussion on market access and industry development issues. It is important to consider why the IWGs have been successful when thinking about how these groups might operate in the future. A few of the factors contributing to the success of the IWGs are described in the text box.

The IWG Secretariat has played an important role in providing support to running IWGs, as well as maintaining momentum with their activities outside of meetings. This has helped to ensure that the IWG members are engaged, and thought needs to be given as to how the secretariat role can continue post-PHAMA.

#### **Contributors to IWG success**

*Well targeted:* IWG discussion has been targeted on market access issues

*Ownership:* the IWGs have been involved in identifying both the issues and how the issues are best addressed

*Resources:* the PHAMA program has resources to respond to IWG priorities and produce useful research

*Support:* the PHAMA program has provided secretariat support that allows the IWGs to meet and respond to meeting action items

*Fair:* The PHAMA program has had a transparent and consistent process for allocating resources to IWG priorities

*Engaged:* the IWGs have been involved in ongoing discussion and review of the priorities.

The individuals who are members of the IWGs have also played a role in the success of these groups. When establishing the IWGs, PHAMA sought out industry representatives who: had a good understanding of the industry and had a knowledge of the projects and programs that had been previously undertaken in the region; were active and engaged in the industry; and were able to articulate and champion ideas. In the absence of strong industry associations and representative groups, the need to identify appropriate industry representation and the transparent selection of industry representatives is important for credibility.

The existing IWGs can continue to make a strong contribution to agricultural sector development after the PHAMA program concludes. Government will continue to need ways of discussing, developing and implementing better policy and programs to improve the national economy and improve the livelihoods of people involved in the industries. Industries and the individuals within them will continue to need ways of discussing and understanding the strategic production and market issues they face, and they need to be engaged in identifying both what these issues are and how they can be most effectively addressed. Donors will continue to support and seek to influence policy and programs and, with varying approaches, seek effective ways of engaging with representatives. Demand for the work currently possible through the IWGs is expected to continue and grow. However, in order to continue to operate and evolve, the IWGs need to secure sustained funding to support their operations and their secretariat. Government and industry will need to explicitly commit to participating and working in and with the IWGs, recognise the experience and expertise that exists within the IWGs, and recognise the value in building on the forum and mechanisms that have developed to date.

#### **Functions of the IWGs**

The work done by the IWGs can be broadly described as:

- Providing advice on industry and government priorities and activities
- Enabling government and industry consultation
- Bringing together representatives from industry and government

The effectiveness of IWGs undertaking these functions may vary depending on the structure of the IWG. The IWGs may need to consider this when examining structures to support their future operation.

## **The Type of Work IWGs Currently Do**

The work currently undertaken by the IWGs can be broadly broken into three categories: advice, consultation and representation. It is useful to consider the types of work that the IWGs do now, and how it might change in the future. Some structures might be better than others for supporting the work that the IWGs need to undertake.

### **Advisory Roles**

The IWGs are currently involved in direction setting and prioritisation of the PHAMA program, as well as the ongoing review of activities and program performance. The strategic advice provided by the IWGs is non-binding.

The IWGs would need to have strong links to government and or donor programs if they are to provide advice on the allocation of resources or the operation of a program. Because this type of role influences the allocation of resources, it is important that there is transparency in the way the group operates and that it is perceived as trustworthy. For example, clear guidelines for the selection of group members, declaration of conflicts of interest and other formalities may need to be in place.

### **Consultative Roles**

The IWGs have also provided a forum for discussion between government and industry, allowing an exchange of information and ideas. This includes providing updates on industry and government activities, sharing information about production and supply-chain issues, and discussion on different approaches to industry and government issues. This type of role does not directly influence the allocation of resources, but the discussion and sharing of knowledge is intended to better inform government and industry decision-making.

Much of the value from IWGs has come from the discussion and exchange of ideas between IWG members. Consultative roles may not need to be formalised, but it is good practice to make sure that there are clear guidelines in place around membership and operation of the groups.

### **Representation Roles**

Industry and government members of the IWGs are both expected to participate and act in the broader interest of the department (and government) or industry that they represent. It is important that the membership of the group can provide a good representation of the stakeholders involved in the business of the IWG. It is appropriate that membership be reviewed with any change in the focus of the IWGs. If the IWG is looking to undertake work that

includes industry planning and development, then it is important that industry members are appropriately represented and involved so that they have ownership over the plans and programs developed.

In some circumstances, industries face issues related to government policy that may require industry to take a leadership role to collectively identify and advocate alternative policy or program approaches. This has led to some IWGs considering the formation of industry associations so that they can clearly demonstrate a mandate from industry to advocate for a particular policy position. This may create difficulties in maintaining the current industry-government partnership that has been developed through the IWGs under PHAMA.

## Types of Structures to Support the Work of the IWGs

Depending on the circumstances of the IWG, and what types of activities industry and government need to undertake, there are a range of different structures that might be used to support the ongoing function of the IWGs post-PHAMA. As a first step, it is important that the IWGs identify their future priorities and activities, and then look for a structure that might best deliver against their needs.

As mentioned earlier, different structures may offer advantages or disadvantages, depending on the mix of advisory, consultative and representational work. Funding to support the secretariat and coordination of IWG activities over the long term is an important consideration, and some structures make this easier than others. Another consideration is how to maintain the industry and government partnership that has helped to support the activities of the IWG; again, some structures may make it more difficult for industry and government to contribute as equal partners in IWG discussion.

A set of seven structures that are used to support the types of work undertaken by the IWGs have been identified, and are described in more detail with examples in the sections below. It is likely that the types of preferred structure will vary between industries based on the priorities and future activities of the IWG, as well as the circumstances in different countries.

It is important to remember that the transition of the current IWGs to a new structure may involve a number of different stages over a number of years. For example, an industry group might be supported under the Chamber of Commerce for 12 or more months, with the aim of establishing an industry representative group in 2 years. As part of this example plan, the IWG would work to secure credibility around a particular function, and then work to develop a more formal mechanism to provide industry representation and consultation – further steps could include securing a legislated mandate from government as an advisory group, and then the development of levy arrangements to support activities to benefit the broader industry.

## External Working Group or Steering Group

These are groups like the IWGs that are established and facilitated by a third party such as PHAMA to provide advice and consultation on work within the scope of a project. Membership is often chosen to provide an element of representation of stakeholders, but may also include relevant experts.

They operate in a similar way to the Government Working Groups described below. These groups are established to provide advice and consult on particular issues. They have a terms of reference focussed on a particular issue and the duration of their operation is usually limited to a particular task or length of the project. The membership of the group is related to the subject of the working group, and members may be selected on their experience and qualifications, or as representatives of a particular stakeholder group with experience working in a particular area. Membership of these groups is often by invitation, although there may be a selection process involved.

These groups are focussed on a particular project, and their activities are focussed on consultation and advice related to that project. Once the project is completed or there are no longer resources to support the group, it is wound up. Advice provided by these groups is generally non-binding, and structures to manage legal liabilities, finances etc. are not required. The costs of operating the group are borne by the agency that runs the project or has convened the group.

### Examples of these types of groups include:

*PHAMA MAWG (Vanuatu and other PHAMA countries):* The MAWG is responsible for providing advice on priorities for Market Access work to the PHAMA program, including prioritisation of project activities to be undertaken by PHAMA. Members of the working group are drawn from Government and Industry, and provide advice across the breadth of PHAMA activities in a country.



*Agrifood Awareness Australia Standing Committees (Australia)* provide advice on training products and services for the agricultural sector to guide Agrifood Awareness' activities. Committee members include key company and industry stakeholders who can provide insights into industry skills requirements and workforce innovation and reviews of training products and services. The standing committees are ongoing groups and their operation is supported by Agrifood Awareness.

Pro	Con
Independent of government and industry	Ownership over outcomes could be limited
Relatively low cost	Ongoing funding could be difficult
Could have high degree of transparency	Pathway for implementing outcomes unclear

## Government Working Groups

These are groups established and facilitated by governments in order to provide advice and consult on particular issues. The terms of reference to establish these groups is usually focussed on a particular issue and their work is to be completed within a set timeframe. The membership of the group is related to the subject of the working group, and members may be selected on their experience and qualifications, or as representatives of a particular stakeholder group with experience working in a particular area. Membership of these groups is often by invitation from the relevant Department or Ministry.

These working groups tend to focus on consultation to inform policy and programs, and may also provide a representative forum. Advice provided by the working groups is generally non-binding, and structures to manage legal liabilities, finances etc. are not required. They are generally not statutory bodies (they are not established under legislation). Because the groups are principally involved in consultation, they may be established in an informal way, although it is good practice to document the establishment and operation of the groups for records and ensure transparency. The costs of operating the working groups are borne by government, which has convened the group.

### Examples of these types of groups include:

*National Ports Working Group (Australia):* The Working Group was established by Infrastructure Australia to provide advice on issues and priorities related to infrastructure in Australian ports. The Council included members of industry as well as independent experts, and a secretariat was provided by Infrastructure Australia (a government agency).

Pro	Con
Relatively easy to establish	Relies on continued government funding
Government has an interest in outcomes	Scope may be limited
Can have government and industry ownership	Period of operation may be limited
Government provides secretariat	Industry may be suspicious of membership
Low establishment cost	

## Government Advisory Councils

These are groups established by government to provide ongoing advice and consultation on a particular area. The ongoing nature of the group sets them apart from working groups, and these groups may also have broader scope and may be statutory (established under legislation). While the group is ongoing, there is usually an annual workplan set for these groups, with work to be completed within a set timeframe. The membership of the group is related to the subject of the working group, and members may be selected on their experience and qualifications, or as representatives of a particular stakeholder group with experience working in a particular area. A selection process may be run to appoint members. The membership of statutory organisations is usually at the discretion of a Minister.

These advisory councils tend to focus on consultation to inform policy and programs, and may also provide a representative forum. Depending on the terms of reference of the group, and the extent to which the advice provided is advisory, procedures for managing conflicts of interest might be required. Structures to manage legal

liabilities, finances etc. are generally not required. However, if the groups are set up under statutory arrangements, then a range of governance requirements are needed in addition to establishing legislation. The costs of operating the group are borne by government, which has convened the group.

**Examples of these types of groups include:**

*Vanuatu Livestock Advisory Board (Vanuatu):* The Draft Vanuatu National Livestock Policy calls for the establishment of the Vanuatu Livestock Advisory Board. It is proposed that the Board be a transparent and credible group with a mandate to guide the implementation, review, monitoring and evaluation of the National Livestock Policy, as well as develop Livestock Legislation. Board members would include a variety of stakeholders from the private sector, educational institutions, civil society, regional technical agencies and relevant government sectors. There is existing provision under the Meat Act to establish a group like this based on ministerial appointment. The establishment and operation of the Board is still to be determined.

The *Agricultural Industry Advisory Council (Australia)* provides the Minister for Agriculture with information, advice and recommendations from a cross-section of industries and stakeholders on contemporary issues affecting Australia's agricultural, fishing and forestry sectors. The operation and secretariat support for the Agricultural Industry Advisory Council is provided by the Department of Agriculture.

Pro	Con
Can have high degree of transparency	General advice rather than detail
Can have high degree of authority	Forum relies on continued government funding
Focussed on a set of terms of reference	Industry may be suspicious of membership
Ownership by industry and government	
Government provides secretariat	
Low establishment cost	

## Industry Representative Groups

Industry representative or advocacy groups are established by industries to represent industry perspectives to government, usually to ensure that government policy and programs support the ongoing profitability, productivity and sustainability of a particular industry. They are involved in consultation, and their advice may be considered in government decision-making. These groups are usually established as not-for-profit organisations, often as a company limited by guarantee or shares. As a registered company or not-for-profit organisation, the organisation needs to comply with any national reporting and accountability requirements relevant to their structure.

Governments can choose to engage with these groups as part of consultation processes, particularly where the groups are seen to legitimately represent views of industry. Governments may also involve industry representative groups in Government Working Groups and Government Advisory Councils.

Significant time and effort is required to establish and maintain an industry representative group, and their establishment tends to be catalysed in response to the need for industry to collectively negotiate to achieve better prices with a central buyer, in response to a particular cost imposed across industry or government policy being widely incurred by industry. To finance the establishment and operation of the organisation, the benefits received by members must be equivalent or greater than the membership costs. Few industry representative groups exist in the agricultural industries in Pacific countries, and this is likely to be the result of farmers not being able to afford membership costs but also a result of it being difficult to establish a workable business model.

Supporting the ongoing operation of these organisations can be difficult. Recent work in Australia by the Australian Farm Institute<sup>2</sup> highlighted that in order to continue to operate successfully, industry representative groups: need to consider issues such as their ability to advocate across a wide range of issues; need to be seen as representative by government, the media and the wider community; need to ensure the views and policies presented by the group are based on a consistent set of principles; need to be effective in presenting and arguing industry views; and need to have a sound business model to support their operation.

<sup>2</sup> [http://www.farminstitute.org.au/newsletter/2014/February\\_2014/February\\_2014\\_discoveries.html](http://www.farminstitute.org.au/newsletter/2014/February_2014/February_2014_discoveries.html)

**Examples of these types of groups include:**

*Victorian Farmers Federation (Australia):* The Victorian Farmers Federation is an Australian public company incorporated under the Corporations Act and limited by guarantee, and was established to advance, promote, and protect the interests of its members and the industries in which members operate. The areas of interest to the Federation include economic, legal, environmental, social and other incidental matters. It can provide services to members, but exists primarily to advance member interests.

Pro	Con
Industry highly engaged	Relatively high cost to establish and run
	May not be seen as independent
	Sustainability dependent on the organisation
	Government may not be as engaged
	Resourcing to implement outcomes unclear

**Industry Service Groups**

Industry service groups are established to provide services to support the ongoing profitability, productivity and sustainability of industry members. These groups may be involved in consultation, but they are usually not seen as representative because they provide services to an industry. These groups are usually established as not-for-profit organisations, and can include companies limited by guarantee or shares as well as co-operatives. The organisation needs to comply with any national reporting and accountability requirements relevant to their structure.

The primary role of these groups is to provide services to members, and their continued operation is usually dependent on them providing value to their members. The types of activities they undertake generally include: assistance with providing inputs; processing produce; marketing; and other services. Co-operatives can provide value by selling members' produce at a premium, while other groups can provide value by providing training and assistance to improve farm productivity. In the absence of industry representative groups, Governments may consult with industry service groups on policy issues and seek to involve these groups in Government Working Groups and Government Advisory Councils. Being involved in government consultation can be a challenge for industry service groups, as it distracts resources from their business and they may not be able to provide consistent or legitimate advice in the same way as industry representative groups.

As with industry representative groups, significant time and effort are required to establish and maintain an industry service group. As with industry representative groups, the cost to establish and operate the industry service groups must be equivalent to or less than the benefits received by members.

A number of industry service groups have been established in Pacific Countries, often in association with donor-funded projects. Sustainability of the organisation can be a challenge, and a survey of 18 Pacific Farmer organisations<sup>3</sup> noted that many organisations received some outside donor funding, that the core business of the organisations was sometimes unclear, and the nature of their business could also be diverse and unclear. The viability of these groups should be a consideration if they are going to be involved in consultation.

**Examples of these types of groups include:**

*Farm Support Association (Vanuatu):* A service organisation established as an association supporting small-scale farmers. It regards all farmers and organisations participating in its programs as members. Its operation is primarily funded from projects and service activities. It provides a range of services, including development of training materials and training, applied research and extension, and assistance with organic certification. It has carried out a number of donor-funded projects in addition to providing services to Vanuatu's agriculture sector.

*Vanuatu Organic Cocoa Growers Association (Vanuatu):* An umbrella apex marketing co-operative for ten primary co-operatives. The Vanuatu Organic Cocoa Growers Association was established to export organically certified cocoa beans supplied by the ten co-operatives. The Vanuatu Organic Cocoa Growers Association provides support to farmers in the production and supply of cocoa, provides auditing and compliance on organic certification, and purchases packed cocoa for export.

<sup>3</sup> Stice, K. (2012) "Farmer organisations in the Pacific Islands" FAO (EU AAACP)

*Nature's Way Co-operative (Fiji)*: A co-operative organisation with more than 140 members that undertakes mandatory quarantine treatment of Fijian fruit exports. The organisation also provides research and extension support and supplies some inputs. The organisation has become a de facto representative body, and is involved in discussions with government, as well as donor and technical-assistance organisations.

Pro	Con
Industry involved	Sustainability dependent on the organisation
	Government may not be as engaged
	Resourcing to implement outcomes unclear
	Activity is not central to the business

## Government Subsidised Industry Groups

Because of the high cost of establishing industry groups, governments have been involved in subsidising or funding start-up support to assist in the establishment of industry groups. This start-up support is usually conditional upon the industry group having a business model that allows it to earn income from external sources after the initial start-up period. For this reason, government-subsidised industry groups tend to have a business model that focuses on providing services to the industry. These groups can play the same role as industry representative groups and be involved in consultation, and their advice may be considered in government decision-making. However, because they receive some funding from government, they may be viewed with scepticism by some in industry.

These groups are usually established as not-for-profit organisations, although their model for operation can vary depending on how they are established. The organisation needs to comply with any reporting and accountability requirements relevant to their structure.

The groups are supported on the basis that they will become self-supporting over time, and this does present a risk that the business model will not be successful. It is likely that this risk can be reduced if there is an industry demand for the service and industry is involved in establishing the group and scoping the services to be provided.

Given their involvement in the establishment of the group, governments may look to use these groups as a point of consultation. Consultation and representation may be included as functions when establishing the group. Being responsible for providing a service to industry as well as acting as a representative group is challenging and adds costs (and risks) to the business model.

As with industry representative groups, the cost on industry members to operate the industry service groups must be equivalent to or less than the benefits received by members if the group is to continue operating once the government subsidy is removed.

### Examples of these types of groups include:

*Chamber of Agriculture (Vanuatu)*: Established as a body corporate through legislation in 2010 by the Vanuatu Government to undertake a number of functions, including: representing farmers; providing information and services to farmers; promoting agriculture; and assisting investment in agricultural activity and agro-industry. Activities of the Chamber are paid for through membership subscriptions, and the Chamber can receive grants or other donations from Government and others. Legislation to establish the Chamber remains in place, but it is not active.

*Fiji Crop & Livestock Council (Fiji)*: Established through legislation by the Fijian Government in conjunction with its 12 member associations in 2010 to address concerns affecting the agricultural industry. The Fiji Crop & Livestock Council is working with the International Trade Centre to develop and introduce IT services and mobile-based applications to benefit members, supported through funds provided by the EU through its Improvement of Key Services to Agriculture Programme.

Pro	Con
Government has an interest in the outcome	High cost to establish and run
	Sustainability dependent on the organisation
	Resourcing to implement outcomes unclear

## Industry Good Associations

These organisations may help to facilitate consultation between industry and government but are not generally themselves regarded as representative bodies because they are not directly operating businesses in the industry. The organisations tend to be operated by staff they employ, rather than individual members from within the industry; however, the governance arrangements may include advisory type groups formed from industry members. Industry good associations may be industry-owned not-for-profit companies or statutory bodies that have been established to undertake or invest in activities that benefit an industry. These organisations can include marketing boards, or groups involved in industry promotion or investing in industry development. Where poor governance arrangements exist, or are perceived to exist, and these groups do not effectively report or involve industry participants in their operations, they may be regarded with suspicion.

These industry good associations do not normally participate in industry and government consultation on behalf of industry, as their staff are not industry representatives. However, the organisation may assist in facilitating or informing discussion between industry members and government where it is in the scope of the organisation's objectives.

Depending on whether the organisation is industry-owned or a statutory authority, the costs of its operation can be borne by either industry or government, or by a combination of the two. For example, the costs of the organisation's operation may be funded through levies collected from industry, from government appropriation, or through commercial activities. The organisation often has responsibilities to report to both government and industry, and may also run formal consultation activities such as to prioritise and approve its strategic plan or review levy rates where they are collected. Governance arrangements vary.

The mandate and types of work undertaken by these organisations vary and may change over time for a range of reasons. In Australia, the government worked with industries to introduce a number of new industry good associations (the Rural Research and Development Corporations) at a time when policy and assistance measures that had been established to maintain and stabilise farmer returns (including marketing and price support schemes and subsidies to reduce input costs) and the organisations that administered them were being dismantled. In other countries, marketing boards continue to operate with varying amount of support from industry and influence by Government.

### Examples of these types of groups include:

*Vanuatu Agricultural Research and Training Centre (Vanuatu):* The VARTC is a statutory body governed by a government-appointed Board, and with its income derived from government appropriations. Its role relates to collecting, maintaining and distributing genetic resources, developing and delivering training materials related to all sectors and most aspects of agricultural production, undertaking demand-driven research, and supporting improved productivity and sustainability in agriculture through research and training.

*Vanuatu Commodities Marketing Board (Vanuatu):* The VCMB was originally established as a government authority to promote, assist and develop commodity industries and market commodities in export markets, and part of its legislated functions include promoting value-adding and manufacturing using Vanuatu produce. In this legislated role, VCMB had responsibility for seeking to stabilise prices to protect livelihoods and encourage industry development.

*Horticulture Innovation Australia Ltd (Australia):* One of the 13 Rural Research and Development Corporations established in Australia, initially as a statutory corporation but then transferred to an industry-owned company limited by guarantee. The organisation provides leadership and promotes the development of the Australian Horticulture Industry, and seeks to improve the productivity, farm gate profitability and global competitiveness of the industry, as well as providing research, development, extension and marketing activities. It does this through investment of levies collected from industry.

*Beef and Lamb New Zealand Ltd (New Zealand):* A company established to promote, develop, serve and benefit (either directly or indirectly) New Zealand red meat and wool farmers. It can undertake activities related to achieving and maintaining market access; undertaking or fund research and development; increasing domestic and international demand; providing industry services, including education; and representing and advocating farmers' interests. Its funding sources include commodity levies and government funding or investment by private organisations.

Pro	Con
Funding can be sustainable	High cost to establish and run
	Resourcing to implement outcomes unclear
	Activity may not be central to the business
	Good governance required to ensure industry confidence
	May not be seen as independent

## Appendix B

# Discussion Papers Providing a Synopsis of Each of the Industry Working Groups



## Appendix B Discussion Papers Providing a Synopsis of Each of the Industry Working Groups

### Cocoa

#### Background

Annual export returns from Cocoa in Vanuatu are valued at AUD4.08 million; cocoa is Vanuatu's fourth largest export commodity by value. Cocoa is grown by smallholder farmers as well as in plantations, with smallholder producers dominating production.

The large number of smallholder producers involved in the industry provides opportunities for economic empowerment. There is increasing global demand for the commodity, leading to increased international prices. Opportunities also exist to extract higher prices from the market for good quality cocoa, and niche market opportunities also exist where consistent quality and quantities can be delivered.

#### Objectives under the current PHAMA program

Under the PHAMA program, the objective of the current Cocoa IWG is to provide an industry-specific forum, representative of both government and private sector stakeholders, for communication and engagement on cocoa development, product quality assurance requirements and other international market access issues affecting the industry. The Cocoa IWG's primary focus is on cocoa for export. The stated objectives of the Cocoa IWG are to:

- Support producers and exporters to produce a quality product
- Strengthen industry capacity to meet market requirements
- Develop a national industry standard, setting out minimum export requirements.

PHAMA work has focussed on the quality of cocoa for export, and has not focussed on domestic production. As a consequence, the IWG has tended to not focus on research issues and priorities related to production and supply.

Policy and institutional challenges also exist for the industry. The operation of the VCMB is recognised to provide little benefit to cocoa farmers, processors and exporters, and the commission imposed by the VCMB is not seen to benefit the industry. The recent introduction of the Industrial Development Act, which allows export levies up to 40% on unprocessed primary products, is another example of government policy that may have unintended consequences for industry.

#### Current and future activities of the Cocoa IWG

The Cocoa IWG has been established for a relatively short time (since September 2014), and priorities discussed by the group have focussed on understanding quality and quality standards for the industry. A number of projects on cocoa production have been undertaken or are underway in Vanuatu, and opportunities exist to apply work undertaken in other countries in the region to Vanuatu production systems. The Cocoa IWG has also discussed scoping a Short-Term Adviser with PHAMA that would include seeking feedback on Vanuatu cocoa quality from buyers in Hague and Singapore and provide some insight into prices that might be achieved.

In addition to the prioritised PHAMA initiatives, the Cocoa IWG has discussed a number of different areas for future work during its meetings. A number of these areas have not been addressed through the PHAMA program as they do not relate to export, but they may be future priorities for the industry. These include:

- Invest in infrastructure to grow the industry, such as the completion of the Cocoa Growers Association storage facility at Lakatoro, Malekula
- Support field officers to provide support and monitoring to improve production and quality of cocoa
- Develop infrastructure such as a producer database that can assist with traceability and quality certification required by specific buyers from overseas
- Improve access and distribution of cocoa varieties/hybrids that have been developed and that are held by the VARTC
- Improve skills in commercial nursery establishment and management and support the establishment of nurseries on other islands

- Develop commercial models to support the development of nurseries
- Develop a national cocoa quality standard that includes a traceability system.

The list of current priorities developed by the Cocoa IWG for the PHAMA program is attached.

By bringing together individuals who have had significant long-term involvement in the cocoa industry and relevant government officials, the Cocoa IWG provides a useful consultative forum for industry and government. The Cocoa IWG also can provide valuable insights to donor programs seeking to undertake activity in the cocoa industry in Vanuatu. In addition, a number of the priorities discussed by the Cocoa IWG may not be achieved through the life of the PHAMA program or may remain outside the scope of PHAMA. Because of the value of the contribution that the Cocoa IWG can make, options for continuing the work of the Cocoa IWG after the conclusion of PHAMA need to be considered.

### **What next?**

At the April meeting of the Cocoa IWG, it is proposed that the future priorities and operation of the Cocoa IWG be discussed. A number of questions are set out below for discussion and feedback at that meeting.

What activities need to be included in a broader set of priorities for the cocoa industry?

What evidence is there to support these revised priorities? Do these priorities represent the broader view of industry?

The Cocoa IWG could continue to work with its secretariat based in the VCCI as an external steering committee. Under this arrangement, the Cocoa IWG will be reliant on external funds to operate. Would the activities of the Cocoa IWG be within scope and relevant to future cocoa projects supported by ACIAR or other development agencies?

Does the legislation to establish the Vanuatu Chamber of Agriculture offer an opportunity to establish an organisation that would be relevant to the cocoa industry?

Is there an opportunity to merge the CTC with the Cocoa IWG to assist with sustainability? What would the responsibility of the merged group be, and how would it be supported?

Are there other structures available to support the long-term operation of the Cocoa IWG? For example, could the group be hosted by government (for example, VARTC) or is there a co-operative or other industry group that could support the operation of the Cocoa IWG?

The government and industry partnership has been an important aspect of the Cocoa IWG's function. Will the Cocoa IWG still be able to undertake its advisory, consultation and representation activities under the new structure? Are there risks that need to be managed or planned for?

Consider the criteria that have helped the IWGs to be successful. What can be done to ensure that these criteria continue to be met by a new group?

## Kava Industry Working Group

### Background

Kava is grown extensively in Vanuatu, and its production is dominated by small farmers. Kava is usually sold to exporters through middlemen. There is a large domestic market as well as the export trade. Kava is an important cash crop for small farmers and it can boost the rural economy, creating economic empowerment and improving standards of living.

Increased international demand for kava has led to tightening of supply in recent years, which is reported to have pushed up the price. In the face of this demand, an undersupply of noble varieties has reportedly led to increased volumes of tudei kava being brought into the market. This situation seems likely to continue over the next few years, with continued high demand expected, and has the potential to cause problems in the quality of exported kava if it is not managed.

### Objectives and functions of the Industry Working Group

Under the PHAMA program, the objective of the current Kava IWG is to provide an industry-specific forum, representative of both government and private sector stakeholders, for communication and engagement on kava development, product quality assurance requirements and other international market access issues affecting the industry. The Kava IWG's primary focus is on kava and kava product for export. The stated objectives of the Kava IWG are:

- Improve returns from kava exports by improving product quality and potential development of new markets and products
- Improve returns from kava exports by improving market access terms for selected markets.

The functions of the Kava IWG (taken from the Kava IWG terms of reference) are to:

- 1) Provide input into development and implementation of a National Kava Development Strategy.
- 2) Contribute to improving product quality for exports and domestic consumption by spreading the message from the Kava Quality Manual, in association with the Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity (MALFFB) and the PHAMA Program.
- 3) Get government endorsement of the PHAMA-produced kava guide as a national kava quality guide.
- 4) Provide opportunity for members to raise market access issues that they are facing and explore options that may require industry-wide coordination.
- 5) Provide an open forum for ongoing consultations between industry and the Vanuatu Government that relates to kava quality and market access issues.
- 6) Provide a forum for discussion on other export-related issues such as consistency of supply and quality, and act as focal point for coordination of resourcing from Vanuatu Government and development partners.
- 7) Provide a discussion forum on the larger industry issues such as the VCMB's commission levy, the existence of VCMB, and the quality management system of kava under Biosecurity Vanuatu.
- 8) Provide industry-specific guidance to the PHAMA Vanuatu MAWG in the kava sector related activities.

### Current and future activities of the Kava IWG

PHAMA work has focussed on quality of kava for export, and has not focussed on domestic production issues. As a consequence, the IWG has not focussed on research issues and priorities related to production and supply.

Significant issues exist with regard to the regulation of kava production for export, such as the continued operation of the VCMB. While there is some rationale for regulation to ensure consistency of production quality for export, there is the view that the current regulation and cost imposed by government is burdensome and does not bring sufficient benefit to the industry.

The existing list of current priority activities developed by the Kava IWG for the PHAMA program is attached. In addition to the priorities identified, the Kava IWG has discussed a number of different areas that have not been addressed through the PHAMA program because they are more related to production. This includes work to support increased industry production (of noble varieties) to meet increased demand and improved understanding

of quality (including appropriate drying) by farmers. Production issues may be a future area of focus for the Kava IWG under a different structure.

By bringing together individuals with significant long-term involvement in the kava industry and relevant government officials, the Kava IWG provides a useful consultative forum for industry and government. The Kava IWG also can provide valuable insights to donor programs seeking to undertake activity in the kava industry in Vanuatu. In addition, a number of the priorities discussed by the Kava IWG may not be achieved through the life of the PHAMA program or may remain outside the scope of PHAMA. Because of the value of the contribution that the Kava IWG can make, options for continuing the work of the Kava IWG after the conclusion of PHAMA need to be considered.

### **What next?**

At the April meeting of the Kava IWG, it is proposed that the future priorities and operation of the Kava IWG be discussed. A number of questions are set out below for discussion and feedback at that meeting.

What activities need to be included in a broader set of priorities for the kava industry?

What evidence is there to support these revised priorities? Do these priorities represent the broader view of industry?

The Kava IWG could continue to work with its secretariat based in the VCCI as an external steering committee. Under this arrangement, the Kava IWG will be reliant on external funds to operate. If the kava exporters are looking to establish themselves as an industry group more formally, this may offer an intermediate step to establishing an industry group.

Does the legislation to establish the Vanuatu Chamber of Agriculture offer an opportunity to establish an organisation that would be relevant to the kava industry?

Are there other structures available to support the long-term operation of the Kava IWG? For example, could the Vanuatu Exporters and Manufacturers Association host the group?

The government and industry partnership has been an important aspect of the Kava IWG's function. Will the Kava IWG still be able to undertake its advisory, consultation and representation activities under the new structure? Are there risks that need to be managed or planned for, particularly if industry seeks to establish a more representational structure?

Consider the criteria that have helped the IWGs to be successful. What can be done to ensure that these criteria continue to be met by a new group?

## Livestock

### Background

Agriculture accounts for 20% of Vanuatu's gross domestic product (GDP), and the livestock sub-sector is estimated to contribute 10% of this (2% of overall GDP). In 2012, exports from beef were valued at 518 million vatu (FOB) – approximately USD5 million.

In 2011, total meat exports amounted to 1,105 tonnes, mostly to Papua New Guinea, Japan, and Solomon Islands. Over the longer term, however, beef production has been in decline, especially the contribution from the smallholder sector to the formal market, which had contributed up to 50% of the annual kill in previous times. Challenges for the industry include transport costs, support for improved pastures, access to finance, genetic improvement, and competition from other farming options such as kava production.

### Objectives of the current PHAMA program

Under the PHAMA program, the current objective of the Livestock IWG is to provide an industry-specific forum, representative of both government and private sector stakeholders, for communications and engagement on livestock development, product quality assurance requirements and other international market access issues affecting the industry. The focus under the PHAMA program has been on beef, as it is the only foreign exchange earner in the livestock industry.

The current functions of the Livestock IWG (taken from the draft Livestock IWG terms of reference) are to:

- 1) Provide input into the development and implementation of the National Livestock Framework.
- 2) Provide opportunity for members to raise market access issues that they are facing and explore options that may require industry-wide coordination.
- 3) Provide an open forum for ongoing consultations between industry and the Vanuatu Government that relate to meat export and associated market access issues.
- 4) Provide input into development and review of activities to improve the market access position for Vanuatu beef.
- 5) Provide a forum for discussion on other export-related issues such as consistency of supply and quality.
- 6) Act as focal point for coordination of resourcing from Vanuatu Government and development partners.
- 7) Act as a forum for discussion with the Vanuatu Government to ensure adequate resourcing of operations related to market access and to explore ways of best utilising the meat inspection fees or other forms of cost recovery to benefit the cattle industry.
- 8) Provide input into policy development on ways to expand the industry and increase cattle numbers to attain the projected target of 500,000 head.
- 9) Provide industry-specific guidance to the PHAMA Vanuatu MAWG on the need and priority of beef sector related activities.

### Current and future activities of the Livestock IWG

PHAMA work has focussed particularly on issues related to beef export, and has not focussed on issues related to domestic production. As a consequence of this focus, PHAMA has not progressed work identified by the IWG on activities related to production and supply.

Significant issues exist with regard to beef production for the export market, particularly in generating consistent volumes and appropriate quality. There are also risks associated with the loss of markets or obtaining access to new export markets if quality systems and inspection standards are not maintained.

In addition to the priorities identified, the Livestock IWG has discussed a number of different areas for future work that have not been addressed through the PHAMA program. Areas of work discussed at Livestock IWG meetings that might be included amongst future functions and priorities for the IWG in the future include:

- Broadening the IWG to cover all livestock industries
- Ensuring all producers are represented and can contribute to discussion and priority setting for the livestock sector

- Considering priorities across the areas of production, supply chain, processing and export
- Contributing to the coordination and design of development projects and programs related to the livestock sector
- Improving the productivity of Vanuatu's national beef herd, including genetic improvement
- Improving the productivity of Vanuatu's pastures and improving weed management (including a comprehensive strategy to raise awareness of weeds in Vanuatu, weed management strategies, law and regulation)
- Improving consistency of quality and supply of cattle to Vanuatu abattoirs
- Considering the role of VARTC in beef research for Vanuatu
- Developing and financing a national chemical residue testing program
- Lobbying the government to get a part of the levy to be used to assist the livestock industry
- Developing a broader development plan for the industry building
- Reviewing and defining market access needs so that they can be systematically addressed
- Providing continued support for national disease surveillance and monitoring systems to avoid loss of market access
- Improving data collection on production and trade of cattle to better inform policy and business development decisions
- Reviewing the Meat Industry Act to ensure that it reflects the current and future needs of the industry
- Improving infrastructure and systems to support road and sea transport
- Supporting implementation of the National Livestock Policy (including the proposed Vanuatu Livestock Advisory Board).

By bringing together individuals who have had significant long-term involvement in the livestock industry and relevant government officials, the Livestock IWG provides a useful consultative forum for industry and government. The Livestock IWG also can provide valuable insights to donor programs seeking to undertake activity in the livestock industry in Vanuatu. In addition, a number of the priorities discussed by the Livestock IWG may not be achieved through the life of the PHAMA program or remain outside the scope of PHAMA. Because of the value of the contribution that the Livestock IWG can make, options for continuing the work of the Livestock IWG after the conclusion of PHAMA need to be considered.

#### **What next?**

At the April meeting of the Livestock IWG, it is proposed that the future priorities and operation of the Livestock IWG be discussed. A number of questions are set out below for discussion and feedback at that meeting.

What activities need to be included in a broader set of priorities for the livestock Industry?

What evidence is there to support these revised priorities? Do these priorities represent the broader view of industry?

The Livestock IWG could continue to work with its secretariat based in the VCCI as an external steering committee. Under this arrangement, the Livestock IWG will be reliant on external funds to operate. Would the activities of the Livestock IWG be within the scope of the ACIAR Livestock project currently being developed, or would additional resourcing need to be found?

What is the likelihood that the functions of the Vanuatu Livestock Advisory Board would be delegated to the Livestock IWG? Does governance of the Livestock IWG need to be strengthened for it to undertake this role?

Are there other structures available to support the long-term operation of the Livestock IWG? For example, could the group be hosted by government (for example, VARTC), or is there an industry group that could support the operation of the Livestock IWG? Does the legislation to establish the Vanuatu Chamber of Agriculture offer an opportunity to establish an organisation that would be relevant to the livestock sector?

The government and industry partnership has been an important aspect of the Livestock IWG's function. Will the Livestock IWG still be able to undertake its advisory, consultation and representation activities under the new structure? Are there risks that need to be managed or planned for?

Consider the criteria that have helped the IWGs to be successful. What can be done to ensure that these criteria continue to be met by a new group?



## Appendix C

# Summary of Discussions at Each of the Industry Working Groups Held in May 2015

## Appendix C Summary of Discussions at Each of the Industry Working Groups Held in May 2015

### Cocoa IWG Sustainability Discussion (25 May)

#### Meeting outcomes

The Cocoa IWG should continue, and opportunities to combine or replace the existing CTC should be investigated in consultation with government. In the interim, the Cocoa IWG should operate with its secretariat hosted by the VCCI. The Cocoa IWG has only had a few meetings, and it needs to discuss priorities for Vanuatu cocoa further and establish its reputation as a useful mechanism for industry and government to come together to discuss issues related to cocoa production. The opportunity for partnership between industry and government was recognised as potentially valuable. PHAMA needs to work with government to examine if a merger with the CTC is possible and understand the implications of this so that they may be discussed by the Cocoa IWG.

#### Future activities and priorities (including scope)

The Cocoa IWG was only established in late 2014; there have been few meetings of the Cocoa IWG and some time has passed since the last meeting. As a consequence, the meeting had a broad discussion about priorities rather than focussing on particular issues or areas of PHAMA work. The three broad areas of work were structured in the same way as priorities identified during the Kava IWG meeting. These priorities were:

- 1) Production, including:
  - Rehabilitation
  - Pest and disease management
  - Crop management (including varieties, training and extension)
  - Land access
  - Equipment to aid management (tools and materials)
  - Harvesting
  - Production volumes (including consistency of production)
- 2) Quality, including:
  - Fermentation (including standardisation of process)
  - Post-harvest treatment and handling
  - Drying (including infrastructure, standards, methods, tools & equipment, moisture content and avoiding smoke taint)
  - Standards (including industry and regulatory standards)
  - Awareness (including production of a cocoa quality manual)
  - Traceability systems
  - Transportation
- 3) Product and market development, including:
  - Prices
  - Understanding the bulk and specialty markets.

The priorities under *Production* are outside of PHAMA's scope, and a number of priorities under *Quality* that deal with physical infrastructure or relate to transport may also be outside of scope. Production issues were seen as the highest priority (particularly rehabilitation, pruning and access to fermentation facilities), followed by quality issues, including the development of standards for fermentation and drying (along with appropriate extension materials and support).

A report is currently being prepared on the Cocoa Value Chain for the Vanuatu government, and the priorities from that report should be recognised under the Cocoa IWG and incorporated into the list of priorities above. A copy of the report will be provided once it has been finalised.

The need for assistance to propagate high quality planting material from existing plantations was discussed, as it had been identified as an action item in the minutes of the previous meeting. This still remained a priority; however, it was not clear if it fit within the scope of the current PHAMA program.

The discussion focussed on issues within Vanuatu, rather than the structure and demands of the international market. There may be an opportunity for PHAMA to assist the Cocoa IWG to examine these market structure and marketing elements in association with ACIAR / Pacific Agribusiness Research for Development Initiative (PARDI). Priorities were also discussed in general terms rather than in terms of the impact or benefit to industry from addressing the priority. PHAMA probably needs to further scope the priority areas identified in order to develop projects that can meet the needs of industry and that fit within the terms of reference for the program.

### **Role of the IWG in the future**

There was general support for the need of a group that brought industry together to discuss issues and priorities and provided a forum for government and industry to consult. The principle of the public-private partnership was supported. A comment was also made that it was important that industry had a role in leading the group and activities in this area.

The IWG members noted that PHAMA support for the IWG would finish in mid-2017. There was a general consensus that there would be benefits from the Cocoa IWG or a similar group continuing to operate and provide a forum for industry and government discussion after the conclusions of PHAMA. The terms of reference of such a group may, however, vary depending on how it operated (for example, if it operated as an advisory group under government or under the chamber of commerce).

### **Options for structure organisation and requirements for establishment**

There was limited discussion about the Cocoa IWG existing as an industry or donor funded group in the future. There was some discussion about the operation of the group under the VCCI, including how government could be involved in the group, how the interests of smallholders would be recognised and how the role of the Cocoa IWG compared to the CTC, a predominantly government-focussed group used on ad hoc basis to determine priorities related to cocoa across government. There is opportunity to potentially merge the two groups. The terms of reference of the CTC and its membership list needs to be reviewed by PHAMA staff in consultation with government to determine if this is possible.

Government representatives discussed how the interests of smallholders could be recognised through the Cocoa IWG, and discussed the strength of the group as a representative forum without recognition of this group.

### **Timeframe for activities establishing the IWG**

The Cocoa IWG generally discussed the option of becoming aligned with the CTC; however, there may be options identified for the Kava IWG and Livestock IWG that may have relevance to the Cocoa IWG and this should be kept in mind.

In order to examine the opportunity to align with the CTC, there needs to be a discussion with government about whether this is a realistic option and how it can be progressed. In particular, there needs to be a clearer understanding of the existing terms of reference for the CTC and membership of the CTC, and if there is support from MALFFB and Ministry of Trade, Tourism, Commerce and Industry (MTTCI) for this change. The options of combining with the CTC, being recognised as the CTC or being recognised separately – and the implications for changing the Cocoa Act – need to be discussed.

It was also noted that under the Cocoa Act there may be provision for some form of Cocoa Industry Fund, and if so this may provide a mechanism to support the meetings and operation of the Cocoa IWG. It would be useful to understand the potential for this mechanism and if these funds were as collected by the VCMB, and if there are options for supporting the operation of the Cocoa IWG in a similar way to the Kava IWG in the future by accessing industry levies.

## Livestock IWG Sustainability Discussion (25 May)

### Meeting outcomes

The Livestock IWG should continue with its secretariat hosted by the VCCI. The partnership between industry and government is recognised as having been valuable and the group is establishing a reputation as a useful point of consultation with government. Arrangements need to be made to allow the Livestock IWG to continue to operate under the VCCI, including drafting a suitable terms of reference / constitution and developing a budget so that industry, government and donor partners can be approached to examine what funding options might be available to continue support for the Livestock IWG.

### Future activities and priorities (including scope)

The Livestock IWG has been meeting regularly (this was its tenth meeting) and had developed a series of priorities. The majority of these priorities are outside the scope of PHAMA, but the Livestock IWG has worked to bring a broader industry focus to its discussion in order to ensure its relevance to industry, government and donors. The priorities are listed below. Based on the suggestions made at the meeting, these have been set out under four categories:

- 1) Production
  - Weed infestation (trials, training and extension)
  - Pasture management (trials, training and extension)
  - Strategies to meet growing domestic demand and maintain export
  - National livestock survey
  - Strategies for extension and support for farmers (including smallholders)
- 2) Quality
  - Coordination and support for genetic improvement programs
  - Maintenance of development of VARTC infrastructure and human capacity in support of genetic improvement
- 3) Maintaining and new market access (including understanding markets)
  - Capacity development and support with the Biosecurity Department
- 4) Enabling factors
  - Arrangements to support operation of the Livestock IWG post-PHAMA
  - Review of law and regulation supporting livestock production
  - Transportation cost and infrastructure
  - Capacity development and support with Department of Livestock
  - Land tenure arrangements
  - Tax and duty arrangements.

A number of these priorities are very broad, such as extension and support (it's not clear if this is pasture improvement, genetic improvement or herd management), and may need to be clearer before being taken to funders. Other priorities discussed but not currently included with this list of priorities include:

- Domestic market structures/access, particularly understanding pricing impacts on domestic production (prices and Santo abattoir are reported to be impacting on production)
- Capacity development and exchange through market missions and industry visits.

Within the priorities set out above, the highest priorities for PHAMA included:

- Arrangements to support operation of the Livestock IWG
- Capacity development and support with Department of Livestock
- Capacity development and support with the Biosecurity Department.

During the meeting, a member of the Department of Livestock discussed the opportunity for PHAMA technical assistance in the drafting of budget papers.

The need for the Livestock IWG to meet outside of Port Vila was discussed. It was recognised that for the broader industry to understand the work of the Livestock IWG and PHAMA, the Livestock IWG needs to be better engaged in the regions. Regional meetings would also improve the opportunity to understand priorities, identify new priorities, encourage greater industry interest and participation, and communicate outcomes of work to date.

Unlike other IWGs, there were relatively few Ni-Vanuatu participants, and much of the meeting was conducted in English, reflecting the large number of mainly expatriate large commercial farmers. On some occasions, the Ni-Vanuatu farmers were asked to contribute, and their comments were often made in Bislama. It is difficult to tell how much the use of English acted as a disincentive for Ni-Vanuatu engagement in the discussion or further engagement with Ni-Vanuatu in the future. The predominant use of English by the Livestock IWG is in contrast to the other IWG groups where Bislama was used to a significant extent.

### **Role of the IWG in the future**

The IWG members were well aware that PHAMA support for the IWG would finish in mid-2017. Although thought had been given to how the IWG should operate in the future, views differed on what this should be. The current IWG functions of advice, consultation and representation would remain relevant, and advocacy was also noted as a required function.

Government and industry value the work undertaken by the Livestock IWG, and the Livestock IWG has developed a good relationship with government, allowing it to be informally involved in consultation on government policy and the review of legislation. Members of the Livestock IWG valued the fact that the Livestock IWG was independent of government. Provided that the Livestock IWG can continue to operate, there is an opportunity to strengthen its reputation for providing advice, representation and consultation.

In order to undertake its current role, the Livestock IWG needs to maintain the secretariat, as well as have formal recognition from government to represent the interests of the livestock industry. A number of the Livestock IWG members suggested that maintaining the current role and function was appropriate; however, during discussion the possibility of the Livestock IWG operating in a number of other roles was suggested. These other roles included:

- Acting as a project steering group
- Providing advice and services
- Sub-contracting activities
- Managing projects
- Providing training
- Providing extension services
- Undertaking research
- Operating as a development bank
- Representing the full cross-section of livestock industry, including small-holders.

The majority of these roles are much more complex than operating a secretariat and would require the capacity to enter into contracts, demonstrate financial accountability and hold bank accounts, manage and report on budgets, manage and report on projects, hold insurance policies and employ staff. To take on and deliver these various functions, the Livestock IWG would need to understand the risks, costs and opportunities, and develop the capacity to deliver the functions. For the purposes of planning for the conclusion of the PHAMA program, a structure needs to be established to enable the Livestock IWG to take on these roles in the future and not preclude taking on particular roles.

### **Options for structure organisation and requirements for establishment**

The Livestock IWG discussed options for its operation. There was a general consensus that the group should not be moved to a structure where members are formally appointed by government or sit within a ministry, due to concerns about lack of budget and lack of transparency in determining terms of reference and appointments. Concerns were also expressed about being reliant upon government for funding due to a lack of reliability, or redirecting existing levies (such as those collected under the Meat Act). The imposition of new levies or tariffs was

discussed, and there was some disagreement about how this would be done in order for it to be fair; it would also require government agreement. There was a general assumption that government representation should continue within the Livestock IWG, as this was a strength of the existing partnership approach.

The opportunity to get recognition for the group under the Meat Advisory Board (provision under the Meat Act) was discussed. This recognition would allow the group (or members of the group) to provide advice without having to constitute a group, even as an intermediate step. However, some Livestock IWG members were uncomfortable with this and rejected the possibility.

Options to allow the Livestock IWG to operate as an industry-funded organisation or as a third party funded organisation were seen as the most likely to succeed in the longer term. The Livestock IWG felt that the first priority should be to establish a structure that would allow it to operate as an industry representative group, and attract funding from donors to assist with its operation.

Current advice indicates that for the Livestock IWG to be recognised by government as an entity that can provide advice, it needs to exist within a constituted organisation, and that by working through the VCCI the Livestock IWG will meet this requirement. Other comments were made regarding the need to make the group more representative before it could be seen as a true consultative group by government. Further information is required to understand what donor requirements may be for funding the Livestock IWG, including what legal and financial accountability is required. For the period to the conclusion of PHAMA, working in the VCCI was the preferred option, and further work is required to determine what needs to be done to make this happen. Options to then allow the group to move out of the VCCI and operate independently should be provided.

#### **Timeframe for activities establishing the IWG**

PHAMA ends in mid-2017 and a model for operating the Livestock IWG under the VCCI needs to be put in place before the conclusion of the program. This requires a terms of reference for the group, along with policies for things such as determining the membership, determining the chair, running meetings, reporting against the secretariat's budget (holding an account), clarifying the basis of membership with smallholders and government, and looking at the basis for government recognition for the group and how that might be achieved. An annual plan for operation is required to meet PHAMA's requirements and to start feeding into government priority setting, leading up to annual budget development and policy and legislative review.

As with the Kava IWG, the experiences of the Vanuatu Manufacturers and Exporters Association (VMEA) need to be understood so that they can be applied to the Livestock IWG. A structure to allow the operation of the Livestock IWG independently of the VCCI would give the Livestock IWG the flexibility to take on new roles, and the requirements to do this need to be understood.

## Appendix D

# Interim Activities to Assist in Better Understanding the Operation and Establishment of the Industry Working Groups



## Appendix D Interim Activities to Assist in Better Understanding the Operation and Establishment of the Industry Working Groups

### Cocoa Industry Working Group

Arrangements have been put in place by PHAMA to allow the Cocoa IWG to be hosted by the VCCI until the conclusion of the PHAMA program in mid-2017. There is support from the Cocoa IWG members for the continued operation of the group, particularly in providing advice and a mechanism for consultation with government. Arrangements need to be identified that would allow the Cocoa IWG to continue to operate after the conclusion of PHAMA. In particular, opportunities to combine or replace the existing CTC should be investigated, in consultation with government.

A copy of the Cocoa Act is needed, along with information about the CTC and the requirements for operation of any committee structures that may be provided for under the Cocoa Act. Copies of the terms of reference for the current CTC and its membership list should also be found and reviewed by PHAMA staff. The potential for either: the Cocoa IWG to be merged with the CTC; the Cocoa IWG to be recognised as the CTC (effectively replacing it); or the Cocoa IWG to be recognised by the CTC and contribute to CTC discussions should all be discussed. The implications for changing the Cocoa Act to allow these different options, and the likelihood of being able to do this, should be discussed with the government agency responsible for the Cocoa Act (MALFFB). Other aspects of the CTC's operation (including current industry representation on the CTC, how often the group meets, and the potential for the group to meet outside of Port Vila to improve involvement and representation) could also be discussed.

As with other IWGs, the relationship between the Government and the Cocoa IWG needs to be clarified. Informal advice provided by government officials is that the Cocoa IWG needs to exist within a constituted organisation in order to be recognised, and this should be confirmed. Government officials have also raised concerns that the Cocoa IWG should be more representative of the industry, and further information is required to understand how government expects the Cocoa IWG to achieve this.

The Cocoa IWG discussion focussed on the option of becoming aligned with the CTC; however, there may be options identified for the Kava IWG and Livestock IWG that may have relevance to the Cocoa IWG and this should be kept in mind when approaching donors, including EU EDF and African, Caribbean and Pacific Group of States (ACP) programs, the Food and Agriculture Organization of the United Nations (FAO), and New Zealand MFAT.

Further information should be sought on the Cocoa Industry Fund (CIF) set out under the Cocoa Act – in particular, any information about the amount of money collected through the CIF, the purpose for which the CIF has been established and the current spending under the CIF. The potential for the CIF to be used to support the operation of the Cocoa IWG should be discussed with MALFFB. This discussion should cover what legislative changes or changes to regulation may be required, the timeframe for this change to occur and the likelihood of it occurring.

As with other IWGs, confirmation is required about aspects of the Cocoa IWG's operation under the VCCI. It would be useful to understand the relationship between the Cocoa IWG and the VCCI if funding from industry or government is not secured before the PHAMA program concludes in mid-2017. Is it possible that cocoa export businesses registered with the VCCI could meet and develop priorities, and have these views represented to government and donors by the VCCI?

#### **Checklist for tasks to be conducted prior to developing a full roadmap in September 2015:**

- 1) Develop a budget for the annual meeting costs and secretariat support costs for hosting of the Cocoa IWG, including an explanation of the budget items so that this can be discussed with stakeholders. Options that include travel and meeting in other centres in Vanuatu (e.g. Santo) should be included. The Cocoa IWG terms of reference and budget should be discussed with stakeholders at any opportunity, and feedback and ideas sought on possible funding arrangements.
- 2) Meet with MTTCI and MALFFB and discuss options for government recognition of the Cocoa IWG. Clarify how recognition of the group can be formalised.

- 3) Discuss with government how the Cocoa IWG can contribute to government priority setting and consultation, including how it might work with government on budget and priority setting. Understand the annual budget development cycle used by government (what are the different steps, when do they occur), and how the annual workplan of the Cocoa IWG could link with the government process of priority setting. In particular, understand key dates throughout the year and what the Cocoa IWG would do to contribute.
- 4) Ask MTTCI and MALFFB about what their expectations are for the Cocoa IWG and what they expect that the role of the Cocoa IWG should be. Does the Cocoa IWG need to change to better meet the expectations of MTTCI and MALFFB? Specific information about the structure of the Cocoa IWG and how the Cocoa IWG should best work with government should be sought.
- 5) Discuss with MALFFB the operation of the CTC and the requirements for the operation of any committees under the Cocoa Act (a copy of the Cocoa Act should also be found). A copy of the CTC's current terms of reference and its membership list should also be sought. Aspects of the CTC's operation (including current industry representation on the CTC, how often the group meets, and the potential for the group to meet outside of Port Vila to improve involvement and representation) could also be discussed.
- 6) At a subsequent meeting (after reviewing the Cocoa Act and information about the CTC), it would be useful to discuss with MALFFB the potential for either: the Cocoa IWG to be merged with the CTC; the Cocoa IWG to be recognised as the CTC (effectively replacing it); or the Cocoa IWG to be recognised by the CTC and contribute to CTC discussions. The implications of changing the Cocoa Act to allow these different options, and the likelihood of being able to do this, should be discussed.
- 7) Seek further information from MALFFB on the CIF set out under the Cocoa Act – in particular, any information about the amount of money collected through CIF, the purpose for which the CIF has been established and the current spending under the CIF. The potential for the CIF to be used to support the operation of the Cocoa IWG should be discussed with MALFFB. This discussion should include what legislative changes or changes to regulation may be required, the timeframe for this change to occur and the likelihood of it occurring. Similar investigations and discussions are required relating to the status of any levies taken on cocoa via VCMB.
- 8) Discuss the operation of the Cocoa IWG with the VCCI. Check how the Cocoa IWG should work with the VCCI to communicate with Government. Does the Cocoa IWG need to report to the Chamber Board? Does the Chamber Board need to be included in correspondence or approve correspondence from the Cocoa IWG? Are there any particular requirements about the appointment of members to the Cocoa IWG, and how might this occur post-PHAMA? What will happen if the Cocoa IWG does not have funding post-PHAMA? Could the Cocoa IWG still meet under the auspices of the VCCI without a paid secretariat? What options might exist? This discussion needs to include confirmation that government and smallholders can participate in Cocoa IWG meetings (possibly through the Associate membership category).
- 9) Meet with FAO, New Zealand MFAT, and contacts of EU EDF and ACP programs to discuss plans for the program, including how the Cocoa IWG would contribute to the operation of the program. Discuss the budget of the Cocoa IWG, and how that might align with the program. Understand the likelihood of success.

## Kava Industry Working Group

Arrangements have been put in place by PHAMA to allow the Kava IWG to be hosted by the VCCI until the conclusion of the PHAMA program in mid-2017. The Kava IWG members are very supportive of the group, as it has allowed a number of smaller export businesses to be involved in industry discussion and it has been a positive forum for the industry, as well as a useful mechanism for consultation with government. The Kava IWG believes that this consultation, representation and advisory role is the primary purpose of the group and needs to continue.

Options need to be identified that would allow the Kava IWG to continue to operate after the conclusion of PHAMA. Some alternative funding sources to support the Kava IWG post-PHAMA are potentially available and need to be explored further. These funding sources include the EU EDF/ACP, FAO, New Zealand MFAT and Vanuatu government (through changes to the VCMB and redirection of current levies). An annual budget, including costs of maintaining the secretariat and hosting meetings in Santo and other locations, needs to be developed to be used in discussion with government and donors.

The relationship between the Government and the Kava IWG needs to be clarified. Informal advice provided by government officials is that the Kava IWG needs to exist within a constituted organisation in order to be recognised, and this should be confirmed. Concerns have also been raised by government officials that the Kava IWG should be more representative of the industry, and further information is required to understand how government expects the Kava IWG to achieve this. A proposed review of the Kava Act and its amendment may provide an opportunity to consider how to seek formal legislated recognition for the group.

The review of the VCMB was discussed and clear direction is required from government about the likelihood of this happening and the timeframe. A discussion with government is required to understand if the VCMB levy funding may be redirected back to the Kava IWG, along with clear direction from government about what Kava IWG performance and accountability requirements might be needed in order to allow this to happen. The proposed review and amendment of the Kava Act may also represent an opportunity for revision of levy and licensing arrangements.

The model of maintaining a secretariat within the VCCI was seen by the Kava IWG as a safe 'middle ground' as government could still be involved in meetings and operation (advice from senior VCCI staff should be sought to confirm that government and smallholders can participate in the Kava IWG as 'associate members' of the VCCI). It would be useful to understand the relationship between the Kava IWG and the VCCI if funding from industry or government is not secured before the PHAMA program concludes in mid-2017. Is it possible that kava export businesses registered with the VCCI could meet and develop priorities, and have these views represented to government and donors by the VCCI? The Kava IWG did not feel it was appropriate to align with the VMEA or to develop its own organisation similar to the VMEA.

The various donors and potential funders identified (including the EU EDF and ACP, FAO and New Zealand MFAT) should be approached to discuss how the Kava IWG might be supported through their programs. The discussion should cover: understanding what programs align with the Kava IWG, what needs to be done to get the Kava IWG recognised and involved in the development of proposals, what the timing is for the submission of proposals, when the funding may start, and understanding the likelihood of success.

### **Checklist for tasks to be conducted prior to developing a full roadmap in September 2015:**

- 1) Details of the current review of the Kava Act need to be better understood, including the scope of the changes being considered and in particular any proposed changes in levy and licensing arrangements, and whether there is an opportunity to include reference to a kava industry representative group that could provide advice to the government on industry priorities and for consultation on regulation and government programs and policy.
- 2) Details should be sought on the review of the VCMB and government intentions with regard to its future structure and operation. The opportunity for redirecting some of levies currently collected to the support of the Kava IWG and broader industry consultation should be discussed. This discussion should include what Kava IWG performance and accountability requirements might be needed to allow this to happen.
- 3) Develop a budget for the annual meeting costs and secretariat support costs for hosting of the Kava IWG, including an explanation of the budget items so that this can be discussed with stakeholders. Options that include travel and meeting in other centres in Vanuatu (e.g. Santo) should be included. The Kava IWG terms

of reference and budget should be discussed with stakeholders at any opportunity, and feedback and ideas sought on possible funding arrangements.

- 4) Meet with MTTCI and MALFFB and discuss options for government recognition of the Kava IWG. Clarify how recognition of the group can be formalised.
- 5) Ask MTTCI and MALFFB about what their expectations are for the Kava IWG and what they expect that the role of the Kava IWG should be. Does the Kava IWG need to change to better meet the expectations of MTTCI and MALFFB? Specific information about the structure of the Kava IWG and how the Kava IWG should best work with government should be sought.
- 6) Discuss with government how the Kava IWG can contribute to government priority setting and consultation, including how it might work with government on budget and priority setting. Understand the annual budget development cycle used by government (what are the different steps, when do they occur), and how the annual workplan of the Kava IWG could link with the government process of priority setting. In particular, understand key dates throughout the year and what the Kava IWG would do to contribute.
- 7) Discuss the operation of the Kava IWG with the VCCI. Check how the Kava IWG should work with the VCCI to communicate with Government. Does the Kava IWG need to report to the Chamber Board? Does the Chamber Board need to be included in correspondence or approve correspondence from the Kava IWG? Are there any particular requirements about the appointment of members to the Kava IWG, and how might this occur post-PHAMA? What will happen if the Kava IWG does not have funding post-PHAMA? Could the Kava IWG still meet under the auspices of the VCCI without a paid secretariat? What options might exist? This discussion needs to include confirmation that government and smallholders can participate in Kava IWG meetings (possibly through the Associate membership category).
- 8) Meet with FAO, New Zealand MFAT, EU EDF and ACP to discuss plans for the program, including how the Kava IWG would contribute to the operation of the program. Discuss the budget of the Kava IWG, and how that might align with the program. Understand the likelihood of success.

## Livestock Industry Working Group

Arrangements have been put in place by PHAMA to allow the Livestock IWG to be hosted by the VCCI until the conclusion of the PHAMA program in mid-2017. The Livestock IWG members support the continued operation of the group, particularly in providing advice and a mechanism for consultation with government. Arrangements need to be identified that would allow the Livestock IWG to continue to operate after the conclusion of PHAMA. No clear alternative funding sources to support the Livestock IWG post-PHAMA have been identified.

It would be useful to understand the relationship between the Livestock IWG and the VCCI if funding from industry or government is not secured before the PHAMA program concludes in mid-2017. Is it possible that livestock-based businesses registered with the VCCI could meet and develop priorities, and have these views represented to government and donors by the VCCI?

The Livestock IWG felt that the first priority should be to establish a structure that would allow it to operate as an industry representative group, and attract funding from donors to assist with its operation. For the purposes of planning for the conclusion of the PHAMA program, a structure needs to be established to enable the Livestock IWG to possibly take on a range of different roles in the future.

To inform an understanding of how the Livestock IWG could develop to operate independently of the VCCI, the experiences of the VMEA need to be understood to determine if these lessons can be applied to the Livestock IWG. In particular, it would be useful to understand how the VMEA was established and the degree to which it operates separately from the VCCI.

The relationship between the Government and the Livestock IWG needs to be clarified. Informal advice provided by government officials is that the Livestock IWG needs to exist within a constituted organisation. However, government officials have also raised concerns that the Livestock IWG should be more representative of the industry, and it is not clear how the Livestock IWG is expected to achieve this. An understanding of the expectations of government officials, and possibly Ministers, would be useful to inform a strategy for improving the 'representativeness' of the Livestock IWG.

The Livestock IWG believes that the best option for resourcing its operation is through donor funding; however, no clear donor funding sources have been identified (with the possible exception of EU EDF funding). The Livestock IWG was wary of seeking funding from government, and the potential for collecting funds from industry was considered but not seen as an option at present. An annual budget, including costs of maintaining the secretariat and hosting meetings in Santo and other locations, needs to be available for discussion with donors. Clarification of how the Livestock IWG may contribute to the EU EDF program on livestock industry needs to be sought from Simon Cole (the consultant working on the project design), along with the timeframes for establishing the program and whether it can be put in place before the conclusion of the PHAMA program. It would also be useful to discuss the possibility of working with New Zealand MFAT on the opportunity for joint work with the New Zealand livestock sector on a program of capacity and leadership building in Vanuatu that could help support the Livestock IWG.

### Checklist for tasks to be conducted prior to developing a full roadmap in September 2015:

- 1) Get copies of, and understand, the relevant Acts and how the Livestock IWG may be recognised under the Acts (is it only through the Meat Advisory Board under the Meat Act?). How can the IWG align with these requirements?
- 2) Develop a budget for the annual meeting costs and secretariat support costs for hosting of the Livestock IWG, including an explanation of the budget items so that this can be discussed with stakeholders. Options that include travel and meeting in other centres in Vanuatu (e.g. Santo) should be included. The Livestock IWG terms of reference and budget should be discussed with stakeholders at any opportunity, and feedback and ideas sought on possible funding arrangements.
- 3) Meet with MTTCI and MALFFB and discuss options for government recognition of the Livestock IWG. Clarify how recognition of the group can be formalised (will the government only recognise the Meat and Livestock Advisory Board? Does its operation within the VCCI allow it to consult and provide advice to government? Does the government have other requirements before it recognises and works with the group?). Ask MTTCI and MALFFB about what its expectations are for the Livestock IWG and what they expect that the role of the Livestock IWG should be. Does the Livestock IWG need to change to better meet the expectations of MTTCI and MALFFB? Specific information about the structure of the Livestock IWG and how the Livestock IWG should best work with government should be sought.

- 4) Discuss with government how the Livestock IWG can contribute to government priority setting and consultation, including how it might work with government on budget and priority setting. Understand the annual budget development cycle used by government (what are the different steps, when do they occur), and how the annual workplan of the Livestock IWG could link with the government process of priority setting. In particular, understand key dates throughout the year and what the Livestock IWG would do to contribute.
- 5) Discuss the operation of the Livestock IWG with the VCCI. Check how the Livestock IWG should work with the VCCI to communicate with Government. Does the Livestock IWG need to report to the Chamber Board? Does the Chamber Board need to be included in correspondence or approve correspondence from the Livestock IWG? What will happen if the Livestock IWG does not have funding post-PHAMA? Could the Livestock IWG still meet under the auspices of the VCCI without a paid secretariat? What options might exist?
- 6) Understand the operation of the VMEA and whether useful lessons can be learnt from the Livestock IWG. Get a copy of the VMEA constitution and interview founding and current members of the VMEA to understand why and how it was founded (why did they set up separately from VCCI? Who established it – was it a group of businesses or through the VCCI?). Understand its current operation and how it works with the VCCI (including whether it reports to the VCCI, whether it is financially independent, and how it is funded).
- 7) Meet with EU EDF contacts to discuss plans for the program, including how the Livestock IWG would contribute to the operation of the program. Discuss the budget of the Livestock IWG, and how that might align with the program. Understand the likelihood of success.
- 8) Meet with New Zealand MFAT to discuss plans for the program, including how the Livestock IWG would contribute to the operation of the program. Discuss the budget of the Livestock IWG, and how that might align with the program. Understand the likelihood of success.
- 9) Continued discussion is required with the ACIAR project being developed to understand what resources and support may be available through that project.