



Vanuatu Hand in Hand Initiative
Hand in Hand Investment Forum, October 2023



CONTENTS

Objective:

- Seeking investment to transform Root Crops and Cacao Value Chains in Vanuatu

- 1 **Overview**
- 2 **Enabling environment**
- 3 **Investment plan and opportunity**



SECTION 1:

Overview

Vanuatu: overview

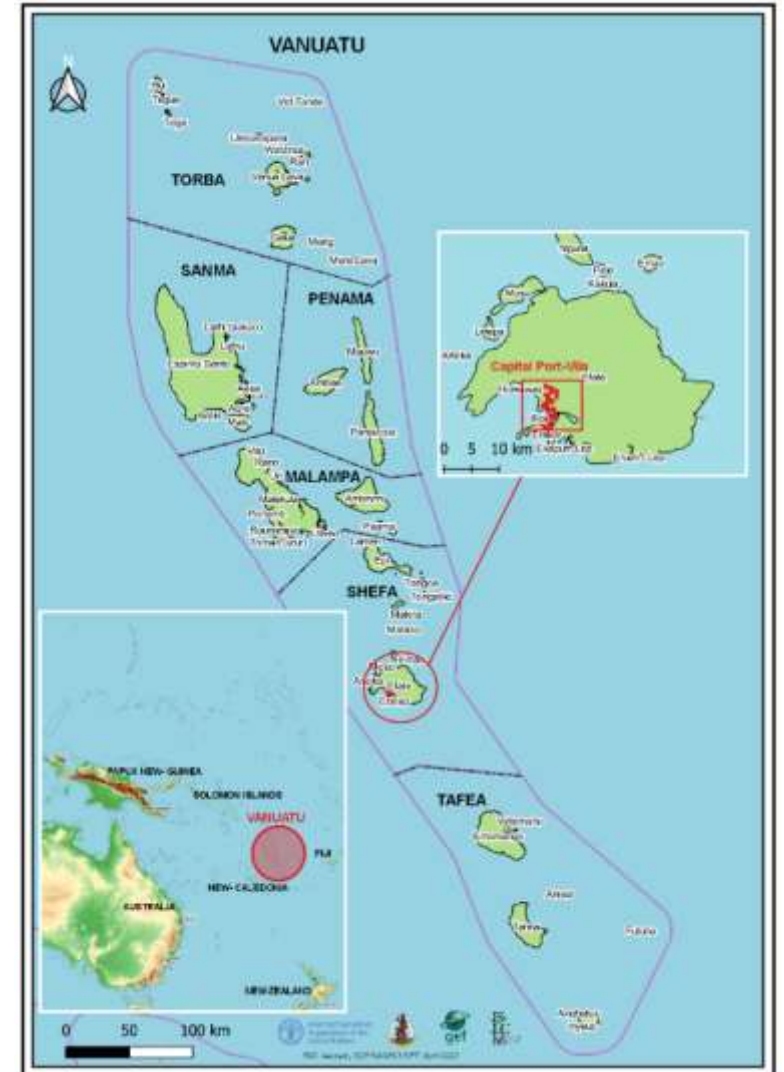


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- **Country area:** 12,189 sq. km
- **Population:** 300 019
- **GDP:** 983.5 Million USD (WB 2022)
- **Poverty rate:** 15.9%
- **Cropland** approx. 40% of land area
- **Soil type:** Highly productive uplifted calcareous/volcanic ash soils.
- **Natural Disasters:** Cyclones, Earthquakes, Tsunami
- **Climate:** tropical monsoon; few extremes of temperature
- **Three farming systems:**
 - smallholder subsistence agriculture ,
 - smallholder semi-commercial (cash crops, livestock)
 - commercial (plantations, livestock)
- **Agriculture, forestry and fisheries** together make up to 23% of GDP
- **Land access:** 85% of population has access to free customary land
- **Sectorial employment:** 37.7% of working population in farming sector; 8.9% in industry.





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Vanuatu Poverty Statistics



Poverty rate 15.9% (2019)

Poverty headcount 47,700 people

Top poverty areas

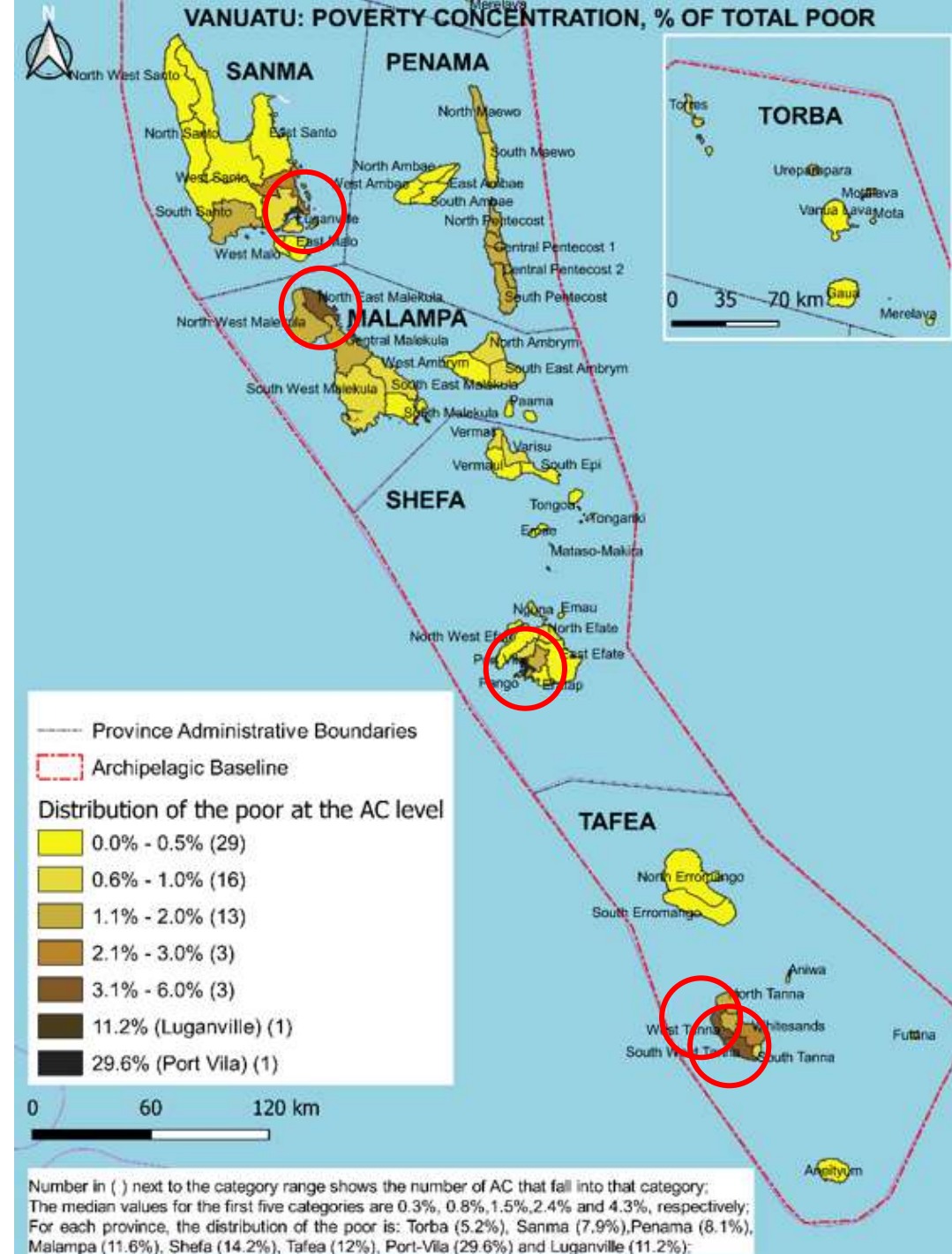
Port Vila 9,055 people

Luganville 2,553 people

West Tanna 1,336 people

NE Malekula 1,114 people

South West Tanna 1,001 people



Overview of Production and Agro-Processing Facilities



Cacao Value Chain

- ACTIV Association Factory
- Gaston Chocolat Factory/Cafe
- Gaston Chocolat Warehouse

Manioc and Taro Value Chain

- Sepeta Warehouse
- DARD Warehouse
- Smol Aelan Suppliers
- PIEV export hub
- Fine Foods

- Production widespread across islands
- Poor post harvest management and market access
- Lack of capital investment and access to improved techniques



Ease of Doing Business



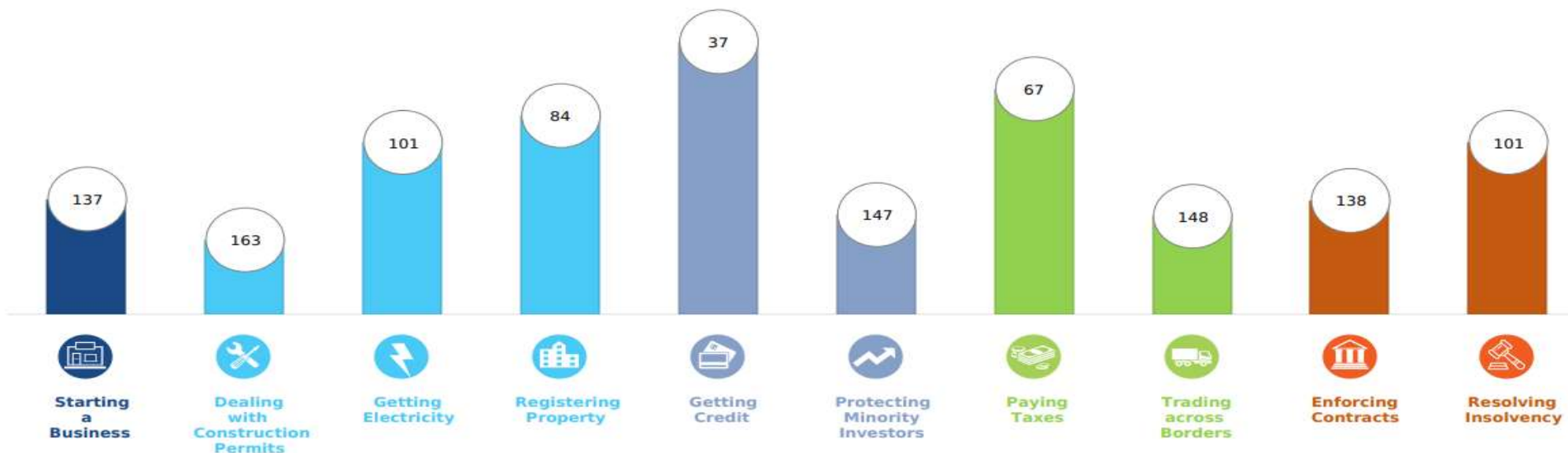
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Doing Business 2020		Vanuatu	
Ease of Doing Business in Vanuatu 	Region	East Asia & Pacific	DB RANK
	Income Category	Lower middle income	107
	Population	292,680	DB SCORE
	City Covered	Port Vila	61.1

Rankings on Doing Business topics - Vanuatu



SECTION 2: ENABLING ENVIRONMENT

- Policy and governance factors
- Economic factors

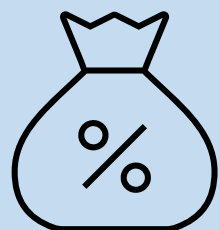
Vanuatu investment climate



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- **Taxation:** 0% income tax, 0% Corporate Tax and strong political commitment to **no direct taxation**.
- Low import duties **and free trade agreements** in place with major trading partners in Pacific Region.



- Business minded society with freedom to **capital and business opportunities**.
- Low Gov't involvement in private sector, and clear and stable residency pathways for **foreign investors**.



- **Experienced labor force: Young and growing** labor force and availability of low-skill, low-cost labor as well as seasonal workers with **overseas experience** in agribusiness value chains.



- **Govt Annual Contribution:**
- USD 4.3 Million allocation to increase production of commodity crops
- USD 10.5 Million to improve food security
- USD 1.4 Million for community capacity building – focus on youth



- **NONiWOW: Established in 2018.** First commercial noni juice producer focusing on China export market for high-end, natural and Organic product with a strong focus on Vanuatu country brand.
- **Gaston Chocolat:** Established 2017 as Vanuatu's second commercial chocolate producers focusing on high-end, single origin chocolate products.



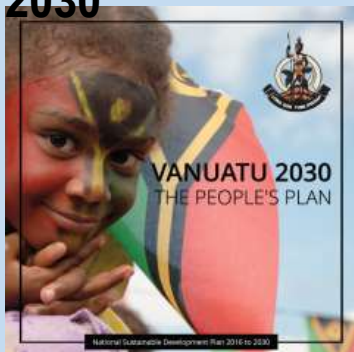
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Enabling Environment Development Planning Framework and Sectoral Strategy

National Sustainable Development Plan 2016- 2030



NSDP is the overarching policy document outlining Vanuatu **long-term development objectives** and contextualizing Sustainable Development Goals (SGDs). Lead: Prime Ministers' Office (PMO)

Trade Policy Framework 2019-2025

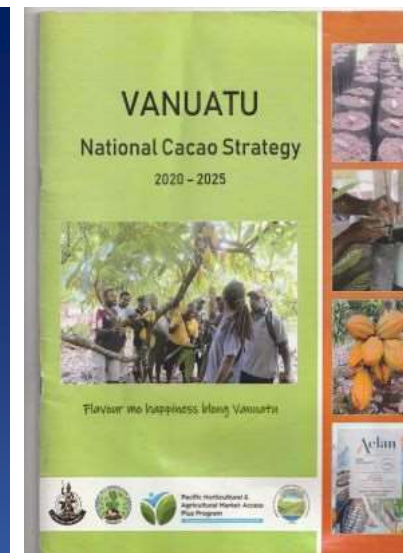


TPF establishes a coherent policy framework to guide strategic actions and investments to promote **trade, tourism and investment** in Vanuatu's economy. Lead: Ministry of Trade (MTTCNB)

Overarching Productive Sector Strategy 2020-2030



OPSP establishes a decisive strategy to guide strategic actions and investments in the Productive Sector for **domestic and export** market opportunities. Lead: Ministry of Agriculture (MAFFLB)



Enabling Environment Infrastructure Development



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- **Shipping:** Major deep-sea ports recently completed with large capacity and inter-islands shipping facility.
- **Energy:** New hydropower plants established to supply market-driven electricity; most reliable grid in Pacific
- **Roads:** Phased road constructions underway in main islands with major agricultural Potential, connecting agricultural land to international wharf.



SECTION 3: INVESTMENT PLAN & OPPORTUNITIES

- **Manioc Value Chain**
- **Taro Value Chain**
- **Cacao Value Chain**

Manioc value chain



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Current industry

- Local consumption of root crops is an important dietary component, but competing with rice, flour noodles
- Root crops mainly consumed in fresh, few shelf stable products are available.
- Most of the value chain is in informal sector, with little available data.
- Limited access to credit and financing for farmers and processors, post-harvest losses, lack of modern processing facilities, and difficulties in meeting international quality and safety standards.

Existing root crop value addition

- Export of peeled and frozen root crops to New Zealand started through Export Support Program in 2021
- Growing production capacity of manioc flour mainly in Port Vila for confectionary products
- Growing market for commercial root crops supply to schools.
- Government supports through policies, initiatives, and funding to improve productivity, processing, and market access.

Markets & Opportunities

- **Domestic:**
- Local consumption
- **Target wheat import substitution of 10% (873t/year).** (8,731t/year of wheat flour import)
- **Bulk purchase guaranty - Annual domestic bakery consumption:** 624 Tons per year (@2 tonnes, per bakery per week for total 6 bakeries)
- **Foreign Export:**
- Manioc flour being exported by local manufacturers to overseas markets; target export of 10 containers per year (200tn).
- Vanuatu's farmgate prices are around 25% lower than in Fiji (SPC, 2021).

Import substitution

Initial stages of value addition

Large scale value addition and
Export

Raw Materials

High-value added

Manioc Sector Investment



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Investments

Investment Pillars	Investment (USD)	NPV	IRR
Enhanced Production. Support to farmers with small rotovator machinery, fencing, storage, and intercropping seeds	2.4m	2.8m	22%
Post-Harvest. Commercial drying milling and packaging facilities for manioc flour and animal feed production	7.7m	12.2m	31%
Training. In-depth technical training-of-trainers for lead farmers and GoV extension officers; training of farmers to develop advanced farm management systems			0.3m
Market Access: Entrepreneurship and incubation centre for agribusiness; voluntary organic certification; registration of manioc products under Vanuatu Made program			2.5m

TOTAL REQUIRED INVESTMENT: \$12.9m USD

Impacts, Risks and Mitigation

- **16,171 households** that will receive support and training on Manioc cultivation.
- **282 hectares** of manioc production strengthened and supported with inter cropping techniques.
- **18 Area Councils** with highest Manioc production potential supported
- **US \$55** annualized increase in household income from project NPV.
- **Risk-1:** Lack of scale in domestic demand.
- **Mitigation-1:** Work with stakeholders to match large scale demand (schools, hospitals, processing) with supply
- **Risk-2:** Climate impact of El Nino/La Nina on manioc harvest
- **Mitigation-2:** Diversify types and varieties of manioc, provide training on climate resilience agriculture
- **Risk-3:** Perishability of manioc limits inter-island shipping.
- **Mitigation-3:** work with shipping industry for 'manioc corridors' to demand centers



Taro value chain



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Current industry

- Local consumption of root crops is an important dietary component, but competing with rice, flour noodles.
- Root crops mainly consumed fresh, Few shelf stable products are available.
- Resilient crop with aprox. 14 Tons per ha production
- Most of the value chain is in informal sector, with little available data.
- Pest Infestation, limited access to credit and financing for farmers and processors, post-harvest losses, lack of modern processing facilities, and difficulties in meeting international quality and safety standards.

Existing root crop value addition

- Export of peeled and frozen root crops to New Zealand started through Export Support Program in 2021
- Growing demand from school canteens for commercial root crops.
- High Demand from urban middle-class for peeled and packaged Taro.

Markets & Opportunities

- **Domestic:**
 - Taro is main traditional root crop for all Ni-Vanuatu.
 - Growing demand in urban market locations.
 - Gov. policy to replace rice/flour food in schools & hospitals is underway.
- **Foreign Export:**
 - Export of frozen peeled taro to New Zealand 10,000t/y market start in 2021.
 - US and AUS market potential. Biosecurity export pathways in place.
 - Vanuatu's farmgate prices for taro are approximately 30% lower than Fiji and 45% below New Zealand (SPC, 2019)

Import substitution

Initial stages of value addition

Large scale value addition and Export

Raw Materials

High-value added

Taro Sector Investment



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Investments

Impacts, Risks and Mitigation

Investment Pillars	Investment (USD)	NPV	IRR
Increase Production. Provide climate smart Taro varieties; support FLR practices; establish gabions for water management and provide storage facilities.	7.9m	9.7m	28%
Post-Harvest. community pack houses built to standard including solar power access for processing and logistics.	2.8m	2.9m	23%
Training. In-depth technical training-of-trainers for lead farmers and GoV extension officers; training of farmers to develop advanced farm management systems			0.6 m
Market Access: Entrepreneurship and incubation centre for agribusiness; voluntary organic certification; registration of taro products under Vanuatu Made program; National Geographic Indication system for Taro			2.0 m

- **8,113 households** that will receive support and training on Taro cultivation.
 - **1,314 hectares** of taro production strengthened and supported with Forest Landscape Restoration techniques.
 - **10 Area Councils** with highest Taro production potential supported
 - **US \$129** annualized increase in household income from project NPV.
- **Risk-1:** Lack of scale in domestic demand.
 - **Mitigation-1:** Work with stakeholders to match large scale demand (schools, hospitals, processing) with supply
 - **Risk-2:** Vanuatu taro in export market is indistinguishable from others; cannot leverage Vanuatu brand
 - **Mitigation-2:** Create and promote Vanuatu Organic taro export band.
 - **Risk-3:** Presence of some Taro bitel (*Papuana sp*) pest threat
 - **Mitigation-3:** increase farmer training and resource on pest management.



TOTAL REQUIRED INVESTMENT: \$13.3m USD

Cacao value chain



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Current industry

- The main cocoa varieties in Vanuatu is 'forastero', planted since 19th century
- Fermenting and drying done on farm level creating employment for women and youth
- 25% of rural households are involved in cocoa production.
- Most cacao exported in bulk to Asian grinding markets

Existing cacao value addition

- Small cultivation of 'trinitario' and 'criollo' varieties (full body no acidity)
- Genetic research ongoing at Vanuatu Agricultural Research Center (VARTC)
- Big opportunity to rejuvenate plantations with fine-flavour cacao varieties
- Favourable agro-climatic condition

Markets & Opportunities

- **Domestic:** Growing demand from tourism & non-resident population sector for locally made high-value chocolate (yearly consumption 400 tons)
- **Foreign Export:** Strong scope for growing Vanuatu cacao export especially in the flavor segments; In 2021, Vanuatu exported 1,200t compared to Solomon Islands 3,500tn and PNG 36,600t – scope for growth
- Commitment from New Zealand and Australia Markets
- Major bulk export goes to Malaysia
- Pacific islands advantage to supply cacao beans to fast growing South Asia market which is expected to reach 37 billion USD by 2027*
- Vanuatu's 2019 farmgate cocoa price was 15-20% below prices in PNG, Solomon Islands and Samoa.**

Increased Production

Value-added cacao varieties

High-value cocoa products

Raw Materials

High-value added

*Coherent Market Insights.

** International Trade Centre's Trade Map data, 2019

Cacao Sector Investment



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Investments

Impacts, Risks & Mitigation

Investment Pillars	Investment (USD)	NPV	IRR
Enhance Production. Provide tools, climate smart seedlings and support for cocoa plantation enhancement and rehabilitation	1.7m	1.6m	24%
Post-Harvest. Support establishment of central fermenteries with improved quality control and processing	3.4m	5.8m	33%
Training. In-depth technical training-of-trainers for lead farmers and GoV extension officers; demonstration plots to teach advanced grafting and improved varieties; video materials and social media campaign to attract youth into cocoa growing sector.	1.7m		
Market Access: Entrepreneurship and incubation centre for agribusiness; voluntary organic certification; enhance access to finance; develop National Geographic Indication system for Vanuatu Cocoa	1.3m		

- **5,200 households** that will receive support and training on Taro cultivation.
- **1,758 hectares** of cacao cacao plantations supported with rehabilitation and enhancement
- **18 Area Councils** with highest cacao production potential supported
- **US \$57** annualized increase in household income from project NPV.
- **Risk-1:** Price volatility of cacao in international markets.
- **Mitigation-1:** Diversification along the cacao quality range, support local cacao demand
- **Risk-2:** Loss of VARTC cacao gene pool to cyclone or other climate event.
- **Mitigation-2:** Duplicate VARTC cacao genetic collection in Malekula (2 sites).
- **Risk-3:** Markets access and inter-island logistics
- **Mitigation-3:** address infrastructure



TOTAL REQUIRED INVESTMENT: 8.1m USD

Vanuatu Investment Summary



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Summary

US\$270 Mn

Govt. Budget for 10 Years

US\$ 34.3m

Total Investment Required

26 to 31%

Overall - Average IRR

27,685

Direct Beneficiaries

US\$ 55 to 129

Annual Income Increase per Household

71,140.5 tCO₂-eq

Emission Reduction Potential in 15 years

KEY INVESTMENTS

Intervention Manioc Sector

1

Cost - US\$ 10.1m
IRR - 29%
NPV - US\$ 12.6m

Additional investment in:
Training - 0.3m
Market Access - 2.5m

TOTAL - 12.9m

Sustainability Benefits

Beneficiaries: approx. 16,171 direct beneficiaries and 76,003 indirect beneficiaries
Annual increase in HH income from project NPV: 55\$
Emission reduction per ha: -1.9 tCO₂-eq/ha over 15 years

Intervention Taro Sector

2

Investment - US\$ 10.7m
IRR - 26%
NPV - US\$ 10.7m

Additional investment in:
Training - 0.6m
Market Access - 2.0m

TOTAL - 13.3m

Sustainability Benefits

Beneficiaries: approx. 8,113 direct beneficiaries and 38,132 indirect beneficiaries
Annual increase in HH income from project NPV: 129\$
Emission reduction per ha: - 3.3 tCO₂-eq/ha over 15 years

Intervention Cacao Sector

3

Cost - US\$ 5.1m
IRR - 31%
NPV - US\$ 5.7m

Additional investment in:
Training - 1.7m
Market Access - 1.3m

TOTAL - 8.1m

Sustainability Benefits

Beneficiaries: approx. 5,200 direct beneficiaries and 24,440 indirect beneficiaries
Annual increase in HH income from project NPV: 57\$
Emission reduction per ha: -47.5 tCO₂-eq/ha over 15 years

