



**LEGISLATIVE/ADMINISTRATIVE  
CONSTRAINTS**

*Faced By*

**AGRICULTURE & FORESTRY EXPORTERS  
IN THE SOUTH PACIFIC**

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## 1. Introduction

The main objective of this study is to identify legislative constraints and administrative barriers for agricultural and forestry exporters to prospective markets (including other Pacific Island countries, USA, Japan, China, Australia, NZ and European Union) and opportunities to facilitate improvement of export trade of agricultural and forestry commodities through the legislative reform (see Appendix A). The study primarily focuses on the problems in the island countries and not on the specificities of the various export destinations. The backdrop of this study is on trade facilitation, which in its wider sense covers all regulatory measures that affect the flow of exports.

The structure of the report consist of two major parts, the first part looks at the common outcomes of the interviews and consultations which are applicable to the six countries of the study and where general recommendations can be applied across these countries. The second part of the report focuses more on each country's strengths, weakness and constraints that are unique to each of the six countries. Specific recommendations are given for each country focusing on its major constraint to bring about trade facilitation.

The outcomes of this study could be used by the SPC FACT project to provide further assistance in the areas of trade facilitation and also by policy-makers in the respective countries in terms of legislative reforms.

## 2. Background

Exporters of agricultural and forestry produce from the Pacific Islands face many hurdles to be internationally competitive. It is therefore vital that Pacific Island nations have in place policies, legislation and programs which can help facilitate production and marketing of such produce, both within the region and further afield, to the larger export markets of the Asia-Pacific rim and Europe. The EU-funded FACT (Facilitating Agricultural Commodity Trade) has decided to undertake an industry survey to identify legislative constraints and opportunities to facilitate improvement of export trade in agriculture and forestry products.

The purview of this study is to include legislative barriers faced by both current and potential agribusiness exporters, e.g. the relative difficulty in registering a business; the red tape in obtaining an export license; import tariff barriers faced on important business components, such as processing machinery; export tariffs; stevedoring and export processing difficulties; food safety and quarantine restrictions.

The industry consultation was undertaken in six Pacific ACP countries: Cook Islands, Fiji, Samoa, Solomon Islands, Tonga and Vanuatu.

### 3. Methodology

A survey questionnaire was developed (see Appendix B) focusing on the main issues and according to the terms of reference of the study. At the outset, it was recognized that it would not be possible to do an industry survey due to sampling and logistical problems including communicating with the relevant stakeholders. Hence it was agreed that the Consultant would undertake visits and conduct interviews /consultations with the relevant stakeholders or people involved in the exporting of agriculture and forestry commodities. Therefore, the questionnaire was used as an interview guide and not filled in by stakeholders and returned. Although attempts were made, only a small number returned the survey questionnaires. In this regard, it was not possible to do any exhaustive analysis or to provide statistics. The interview guide was used to facilitate face-to-face interviews cum discussions and the results are more of a qualitative nature and a first attempt to identify major fields of concern.

The main interview focus of these interviews was to identify legislative and administrative barriers for agriculture and forestry exports. Although some basic characteristics of the exporters or companies were included in the interview guide, these were not considered central to the study and are thus considered as exogenous to the operational activities and decisions of the exporters. There was a mix of exporters of agriculture commodities, of which some focus on a single commodity such as kava, and others on a mix of commodities. Timber export was considered as a single commodity. The list of exporters and other stakeholders interviewed are provided in each of the country tables.

The study involved short visits ranging from 3 to 5 days to the five countries, namely the Cook Islands, Solomon Islands, Tonga, Samoa and Vanuatu and as well as consultations held in Fiji where the consultant is based. The Executive Officer of Pacific Islands Private Sector Organization (PIPSO) made initial contacts with the countries. This involved email communication to the Chambers of Commerce of each of the countries visited. Upon arrival in the country, the consultant had initial meetings with the staff of the Chamber of Commerce and thereafter appointments were made with relevant exporters.

To provide a complete scenario on relevant legislations or policies in place, consultations were also held with public sector officials such as the officials from the Ministry of Agriculture and Quarantine, the Ministry of Commerce and Trade and Ministry of Finance and Planning.

In terms of reporting and analysis, the report adopts a qualitative assessment of the outcomes of the interviews and consultations. As for the results of this study, qualitative assessments and conclusions are drawn from the responses given to the questions asked during the interviews.

## 4. **Agriculture Exports (Agriculture Sector in the 6 Countries)**

Fiji, Cook Islands, Samoa, Solomon Islands, Vanuatu and Tonga, like most small island countries, are largely dependent on their agricultural based produce and marine resources for their exports. These countries, along with other small island countries, face peculiarities of small developing island developing countries such as limited arable land area, vast distance from the main world markets and the susceptibility to natural disasters.

For these countries, agriculture remains the backbone of their economy. The sector is an important contributor to each of the national economies, accounting for over 50 percent of total exports and contributing 7 to 10 per cent of GDP. With more than 80 percent of these countries' households classified as agriculturally active, the agriculture sector remains important for national food security and also the foundation of traditional community life.

In all of these countries the Ministry of Agriculture and Fisheries (MAF) is the principal institution responsible to set policies, and provide regulation and technical support that will assist the private sector production and export. All of these countries embrace the concept and policy of sustainable development.

## 5. **Summary Findings and Recommendations**

The interview results for each of the six countries are summarized in the tables following each of the country section discussions.

Due to the different situations of agriculture exports that exist in the Pacific, there is no generic recipe to suggest reforms of legislation and administrative procedures. Therefore, each country needs to utilize the best option available and the resources to provide a conducive and enabling environment to facilitate the most efficient manner for exporters of agriculture and forestry products.

The relevant and key issues central to the study that could be applicable across the six countries are presented below, together with general recommendations that the SPC FACT project may wish to undertake.

### 5.1 **Conducive Regulatory and Legislative Framework**

Regulatory and legislative framework is considered an important function and guiding principle for a viable agriculture/forestry sector. The role of this framework is conducive to agricultural production and trade as the domestic and regional levels

complement other conditions that are required for a feasible agriculture sector<sup>1</sup>. The business environment is multi-dimensional and includes key aspects of governance in the form of frameworks and regulations by the government or state.

For this study, the legislative and regulatory framework creates certainty and ensures consistency within the agriculture sector but often such a framework could also create inefficiencies and act as barriers to export and trade.

Among the key regulatory and legislative requirements are common standards and technical regulations, sanitary and phytosanitary measures; statutory legislations for export licenses, and food safety regulations. Increasingly, legislation and/or regulations pertaining to intellectual property or use of genetically modified organisms, and the preservation of bio-diversity is likely to become more significant. Also, environmental laws and legislation pertaining to watershed preservation and management, and sustainable resource use are becoming critical.<sup>2</sup>

For all agriculture exports there is the requirement of *Phytosanitary certificate* to be issued in relation to any plant or plant material for export purposes. This basically means that an official certificate needs to be issued by an officer of a plant protection authority of the country of origin of the plant or plant material, substantially in the format of the Model Certificate of the International Plant Protection Convention, certifying that the plant or plant material or animal material to which it refers has been inspected and found free from agricultural pests and substantially free from other injurious pests.

The role of government nowadays is expected to provide the framework (legislative, regulatory, policy) within which the private sector, as main actors in production and trade, would operate. The actions of government in creating that framework are crucial to generate private sector response and may best be performed in the context of a democratic environment in which governments are responsive to the demands of the private sector while being sensitive to the concerns of wider civil society. The demands in this instance are for a more efficient agriculture export sector and not of hindrance.

Legislation and regulations and policy/administrative procedures needs to be developed in an economically, environmentally, and socially optimized manner.<sup>3</sup> Resources (be it natural, human, institutional or economical) should be carefully

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<sup>1</sup> There are six priority conditions for a viable agriculture sector. These are Policy Coherence; Productivity Enhancement; Supportive Investment and Entrepreneurial Environment; Infrastructural and Institutional Support Good Governance; and Regulatory and Legislative Framework.

<sup>2</sup> Legislations administered differ between the six countries. For example, the Department of Livestock and Quarantine administers about 7 legislations, namely: Plant Protection Act; Meat Industry Act; Meat Industry Regulations; Animal Importation and Quarantine Act; Pesticides Control Act; Animal Disease Act; and Prevention of Cruelty to Animals Act.

<sup>3</sup> Regulatory and legislative reform or change can be difficult and time consuming, particularly if legal changes are involved.

assessed and options analyzed, bearing in mind the variety of agriculture exporters and stakeholders (and thus of their differentiated needs) within the six countries of this study. Hence business regulation and its environment differ across the six countries and business indicators needs to be carefully defined.

The issue of governance was also revealed during the consultations in Vanuatu and Solomon Islands. Corruption, both administrative corruption, which is associated with arbitrary application of existing laws and regulations and “state capture” through which exporters or board members are responsible for the issuing of business and export licenses, seek to influence the content of specific laws and regulations to the benefit of narrow private interest rather than the broad public interest.

The major outcome from the interviews and consultations indicates that present regulatory and legislative frameworks in all six countries are not conducive to business and to agriculture exporters (see country specific tables in section 6). Therefore, legislative and regulatory reform would need to be implemented which would include the review of policy, laws, and amendments and formulating accompanying regulations. The implementation of regulatory and legislative reform would remove or streamline domestic regulations to assist export trade.

Key issues are:

- lack of certainty on application of legislation and regulations;
- lack of accountability and transparency of policies;
- cumbersome nature of policy administration including too many procedures;
- outdated policies and regulations.

*Recommendation: To stimulate further growth and development in the private sector (agriculture exporters), it is recommended that SPC FACT project assist with the implementation of regulatory reform framework governing export of agriculture products and the private sector in general.*

*More specifically reference is made to Section 6.2 and Section 6.5 below focusing on Solomon Islands and Vanuatu. In particular, assistance could be provided to the reform of the Commodity Export Marketing Authority (CEMA) in the Solomon Islands and technical assistance provided to the Task Force established by the Vanuatu Government in developing appropriate regulatory roles in Vanuatu. The later would depend on the Vanuatu Parliament’s decision to repeal the VCMB in early 2010.*

*Caution must be exercised when making amendments to statutory acts and legislations as such legislative framework forms a component or condition for a viable agriculture sector These are conditions such as the need for Policy Coherence; Productivity Enhancement; Supportive Investment and Entrepreneurial Environment; Infrastructural and Institutional Support; and Good Governance. In other words, any*

*review or amendments need to be done in an integrated manner and take into account other factors that would bring about sustainability.*

## **5.2 Simplicity of cost and licensing procedures**

The interviews conducted also touch on the regulations that enhance business activity and those that constrains it. Country consultations revealed that obtaining business and export licenses proved to be challenging in many respects.

The World Bank has also embarked on a world wide project of “The Doing Business Project”,<sup>4</sup> which provides basic information and monitoring of regulation and red tape in respect to business development (i.e. assessments of regulations affecting everyday business, which included: starting a business, dealing with licenses, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and closing a business).<sup>5</sup>

One indication of the extent of business regulations that companies undergo is the amount of working time that officers of the company spend dealing with public officials regarding the application of laws and regulations. For example, the greater the amount of time spent by officers, the so called **“time tax”**,<sup>6</sup> the greater the opportunity cost of complying with laws and regulations is.

While some cost is inevitable, very high costs can adversely affect the performance of companies and some companies may therefore be willing to pay bribes to reduce cost. Hence this would lead to corruption of the highest degree. During the interviews, the consultant also asked respondents or exporters to indicate how much time there they spent on filling forms and getting their renewal of export licenses and permits etc. Answers given were not of any concise manner of the amount of time and associated costs involved but generally a lot of time spent, varying to a few days to several weeks. In this regard and also due to the small sample consulted in the countries, it is not possible to estimate the “time tax” in complying with administrative procedures and laws and regulations.

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<sup>4</sup> The World Bank Doing Business study indicate that “doing business functions as a kind of cholesterol test for the regulatory environment, whereby a cholesterol test does not tell us everything about the state of our health. But it does measure something important for our health and it puts us on a watch to change behaviors in ways that will improve not only our cholesterol rating but also our overall health.”

<sup>5</sup> The World Bank also conducted a Business Environment and Enterprise Survey (BEEPS) in conjunction with the European Bank for Reconstruction and Development (EBRD) to investigate the extent to which government policies and practices facilitate or impede business investment and development in Central and Eastern Europe and the Commonwealth Independent States. This study led to a stakeholder workshop which was organized through FAO, whereby FAO contributed different analysis based on their commodity assessment tools and statistics. The purpose of this study is relevant to alert both policy makers and businessmen and women to the opportunities and obstacles in the business environment. A similar exercise could be done at Pacific country regional level.

<sup>6</sup> Time tax is defined as tax paid for time wasted or time wasted.

The World Bank Doing study uses a standard cost model, which is a quantitative methodology for determining the administrative burdens that regulation imposes on businesses. This method can be used to measure the effect of a single law or selected areas of legislation or to perform a baseline measurement of all legislation for any one country to measure the impact of government rule-making on business activity or trade activity across borders.<sup>7</sup>

It was also evident that each country’s export barrier is the **compliance costs from buying countries** (such as Australia, NZ, US, EU, ...) that exporters find difficult to comply with, such as packaging requirements and hence the costs involved, for example securing cartons and bags; HACCP; ISO standards, and environmental standards,... This barrier reaffirms the need for the Pacific Island countries to review and strategize how the Pacific Island countries together can effectively assist each other in terms of exports.

Based on the above mentioned “Doing Business Project”, the World Bank has produced in 2009 a set of indicators, which ranked the Pacific poorly in terms of trade across borders. For example as shown in Table 1, Fiji needs to complete 13 documents, Tonga, Solomon Islands, and Vanuatu needs to complete 7 documents before goods can leave the countries. This study also confirms the number of documents that agriculture exporters need to comply with before the exports takes place.

**Table 1: Comparing Regulation in 183 Economies**

<b>Country</b>	<b>Rank for Trading Across Borders</b>	<b>Number of Documents to export</b>	<b>Time to export (days)</b>	<b>Cost to export US\$ per container</b>
<b>Fiji</b>	116	13	24	654
<b>Samoa</b>	88	7	27	820
<b>Solomon Islands</b>	82	7	24	1023
<b>Tonga</b>	51	7	19	650
<b>Vanuatu</b>	141	7	26	1497

Source: World Bank (2010), Doing Business 2010, Reforming Through Difficult Times (Comparing Regulation in 183 Economies)

<sup>7</sup> Reference is made from the World Bank Doing Business Study, whereby 2 sets of data were used. One set came from readings of laws and regulations of each of the countries, and the other from time and motion indicators that measure the efficiency in achieving a regulatory goal (such as granting the legal identity of a business). Within the time and motion indicators, cost estimates are recorded from official fee schedules where applicable. In this regard, this study was not able to follow such a methodology to determine cost such as time tax. Given the involvement of the World Bank in Tonga and elsewhere in the Pacific on a similar project, it is suggested that the SPC Fact project link up with the World Bank, as there are complimentary between the work of FACT and the World Bank project. This is an internal issue for SPC FACT to follow up.

The same study of the World Bank also documented in general the average **Customs transaction** involves 29-30 different parties, 40 documents, 200 data elements (30 of which are repeated at least 30 times) and the rekeying of 60 to 70 percent of all data at least once. This results in very high administrative costs that have been estimated to be around 7 to 10 percent of global trade.<sup>8</sup>

The cost of customs declaration has been identified a costly exercise in most of the six countries. This applies in particular to small export commodities like vanilla and spices in Vanuatu where a blanket declaration would assist exporters and reduce costs.

Although in many cases, obtaining export licenses is an annual process, the number of procedures and forms to be filled is a major constraint. Study by the World Bank also confirms this and has shown the inefficiency of licensing of business proved to be a major constraint to private sector development.

The Pacific Economic Survey in late 2009 also reported that some of the Pacific countries are adopting **electronic customs declarations**, which has cut down time for imports and exports. Installing electronic data interchange systems for submitting and processing documents remains a popular and effective way to reduce delays in the trading process. Hence electronic interchange systems are an investment for countries to undertake.

For example, Fiji, Tonga and Vanuatu have embraced this electronic procedure by adopting and using ASYCUDA through the Oceania Customs Organization. This red tape cutting should be further continued and strengthened and this could represent an interesting field of concentration for FACT.

*Recommendation: The cost of compliance with regards to the cumbersome requirements of regulations for export permits and licenses (bureaucratic inefficiencies) has been considered a constraint to agriculture exporters. Efficient systems will require fewer documents and procedures and by eliminating red tape at country borders will make agriculture exports more competitive and generate more benefit to the exporters and to the economy.*

*It is recommended that than in addition to recommendation 5.1, FACT investigate ways and means to support and develop the ASYCUDA system throughout the Pacific islands and related capacity building (both officials and private sector).*

*Also a rapid review should be conducted of relevant regulations that induce long delays in the six countries of this study.*

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<sup>8</sup> Reference is made to the World Bank report by Roy, J. (1998) "The World Bank experience" WTO Trade Facilitation Symposium, Geneva.

*Given that the present study is focused on legislative constraints, and that trade procedures and documentation are important and necessary but can sometimes be major impediments to trade, it is also recommended that a follow up and more focus study be done on the amount of documents and associated with these documents, the costs involved for agriculture exports. The guiding principle for this study would be that the main objective of trade facilitation is to minimize the transaction costs and complexity of international trade for businesses, while maintaining efficient and effective levels of government control.*

### **5.3 Infrastructure Constraints<sup>9</sup>**

Exporters also raised the issue of difficulties of transportation within and across countries and outer islands. One indication of the extent to which infrastructure inadequacies create business obstacles for exporters is cumulative delays in sea, air, and road connections and working days lost due to the interruptions of infrastructure services. It was not able to determine any qualitative or quantitative measures for such obstacles.

Respondents only indicate that shipping services between islands, for example, in the Solomon Islands are often delayed which affects their schedules and volume for exports. Kava and copra are good examples from the islands of Isabel and Western Province. Another example is that taro exporters in Fiji indicated that shipping delays from Taveuni to Suva is a concern.

*Recommendation: Given the importance of infrastructure facilities in facilitating exports, it is recommended that a case-by-case review for each of the 6 countries with regard to the island shipping capacities, freight costs and schedules. The Solomon Islands and Fiji could form the initial case studies, with the main aim of linking up with freightliners coming to the Pacific Ports. In terms of airfreight, it is recommended a review of capacities at major airports and logistics at airports to cater for agriculture exports such as quarantine facilities, storage and cold storage facilities.*

### **5.4 Public – Private Partnership**

Of the six countries, it seems only Fiji and Tonga has embraced the concept of public-private partnership. In fact Tonga excels in this concept and as discussed later under the Tonga section. It has formed a strong link between government and

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<sup>9</sup> While infrastructure constraints such as transport infrastructure are not included in the definition of trade facilitation, nevertheless the frequency and difficulties of transport are important for an efficient trade to take occur.

the growers by setting up and developing the Federation of Tonga and Corporate (GROFED).

Out of the six countries, Tonga is the only Pacific Island country that has its own National Economic Development Council (NEDC), which is quite active and effective. There are 36 members of NEDC of which 7 members are elected as Board members. The Board is called Growers Federation of Tonga and Corporate (GROFED) which comprises of the following:-

- i) Finance, Trade, Tourism, Agriculture and Fisheries Ministers
- ii) Private Sector - Private representations from the main Sectors, headed by Chamber of Commerce National Private Sector Organisations (Fisheries, Agriculture, Tourism).

A Strategic Plan was also developed by the Council. It was noted that Tonga has export work-plans in place for Samoa, Fiji and Niue but access into these markets for some commodities has proven difficult for various reasons. Tomato access into Fiji was provided as an example where a submission had been provided, negotiations had been conducted several years ago but the issue had not progressed.

In Fiji, *Natures Way Cooperative*, also known as *Natures Way Fiji Limited* was formed by the private sector and has a strong partnership and support from the Fiji Government through the Ministry of Agriculture and Forest. Natures Way Cooperative (NWC) has 120 shareholders who are growers and exporters. Most of these shareholders are small farmers. NWC was established in 1995 to undertake mandatory quarantine treatment on behalf of Fiji's fruit export industry. NWC runs the heat-treatment facility required to meet quarantine standards for the export of fruit and vegetables. It also acts as a lobby or watchdog to ensure that bilateral quarantine agreements are developed. Through these services that NWC provides, small farmers are able to access export markets.

The NWC philosophy is that in order for Fiji to be competitive in fruit and vegetables exports, these produce must always be of premium quality. The two guiding principles for its operation are to double Fiji's quarantine treatment capacity for the export of fruit and vegetables and to create a focused industry outreach program to facilitate an increase in production and quality of fruit and vegetables exports for Fiji.

This model of private sector led and with strong support from the Government has proved to be extremely successful in agriculture export growth for Fiji. Members of the five other countries of this study can duplicate this model or in part could adopt the administrative procedures for their heat treatment plant. For example, Tonga and Cook Islands could benefit from the experience of NWC.

Adopting anyone of the two structures as models for improving market access and facilitating agriculture exports would need capacity building. Hence the SPC FACT could take on this role and provide the required financial and technical assistance.

*Recommendation*

*It is recommended that countries adopt both of models discussed above, one by forming an umbrella association or grouping to promote and bring about a more efficient commodity market chain (like the GROFED of Tonga), and second, the formation of a cooperative company formed by farmers like that of Fiji Natures Way Cooperative. The SPC FACT project to provide the required capacity building associated with the adoption of either models or both of the models.*

## 6. Individual Country Results and Discussion

### 6.1 Cook Islands

The main exports of agriculture related products from the Cook Islands have been noni juice and pawpaw. The Cook Island Ministry of Agriculture and Forestry (MAF) have embarked in reviving the agriculture sector with a renewed spirit. The main focus is on getting market access to its traditional export market of New Zealand. MAF is now revitalizing the agriculture industry focusing on pawpaw, chili, eggplants, courgette, beans, capsicum and other vegetables. However, the main focus of the MAF is to revitalize the pawpaw industry to levels of exports to New Zealand whereby 61% of imports of pawpaw by NZ came from the Cook Islands as compared to pawpaw imports from the Philippines of 13% in 2001. The present situation is that the Cook Islands hold a zero market share in NZ and with the Philippines achieving 72% of the import market share.

The Cook Islands have a new Biosecurity Act 2009. This Act repeals the older Quarantine legislation. The Biosecurity legislation outlines the new regime of protecting the Cook Islands at its borders in respect of plant, animal and other vector borne hazards. New regulations would need to be drawn up to give tooth and nail to the effective implementation of this new legislation.

New market access was strategically discussed recently between Cook Islands and New Zealand governments. Discussions with the Minister and CEO of MFA revealed that applications for exporting Lime and Habanero chili were launched with the NZ MAF. It was recognized as being a timely exercise as obtaining quarantine protocol of new line of product for export to NZ would normally take a minimum of two years in terms of scientific assessment and costing about NZD200, 000.00 for each product submittals.

This issue was also broached as a regional initiative whereby two or more countries can team up on fast tracking such a process and minimizing the cost. For example, it was revealed that there were parallel assessments of the same product line done for Samoa, whereby Samoa is having its lime application currently assessed. Since the category of lime is the same as that being submitted by Cook Islands for export into NZ, the outcome of the assessment could be extended for the Cook Islands.

The revitalizing of the pawpaw industry and export to New Zealand has been discussed bilaterally and assistance sought in terms of quarantine requirements through hot air treatment to kill fruit flies. The government of the Cook Islands has endorsed the policy of reviving pawpaw export to New Zealand. The policy includes subsidies given to pawpaw farmers such as exemption from all government fees, 50% subsidies for fertilizers, free seedlings, free land preparation and supervision

and free pest and disease control. In other words, the government is providing basically all inputs for the production of pawpaw.

The government has also formed a pawpaw export steering committee chaired by the CEO of MAF. The government has abolished the pawpaw association and agent for hot air treatment that was previously in place. The administration of the hot air force treatment plant is now being taken over by the government and its operation is under the Pawpaw Export Steering Committee.

1. Pawpaw started to decline in 2005 due to production costs. For example fertilizer costs doubled and freight services were very high. Hence they could not compete with pawpaw coming from South East Asia such as the Philippines.
2. Message from the NZ market is that there is still demand for Cook Island pawpaw due to preference and taste. The Cook Islands pawpaw species is the *Waimanaro* from Hawaii).
3. There are 70 members of the pawpaw association. Stage one of the government strategy is to handpick 20 pawpaw growers and the MAF staff is to work with these growers to plant the required acreage and volume targeting 500-1000 cartons/week.
4. Stage 2 of the strategy is to bring in another 20 growers and targeting the same amount of quantities.
5. Stage 3 there is an immediate need for government to streamline the export marketing process. This includes the process and procedures and administration of the High Temperature Force Air (HTFA) plant.
6. Consultations with exporters indicated handling and administration costs have been too high in regards to packing fumigation and hot air treatment of the fruits through the HTFA. This has been a major constrain to getting a good return to the farmers. Hence, there was an immediate need for a review administration of the HTFA facility and proper procedures needs to be developed. This has been identified as the major constraint.

***Recommendation:***

*The SPC/FACT project should be in a position to provide assistance in streamlining and putting in place administrative procedures for the HTFA. It also is recommended to undertake a review of the pawpaw sector and of relevant HTFA procedures for the Cook Islands.; the experience of NWC in Fiji could of great assistance in doing so. This is considered an immediate priority for the revitalization of the pawpaw industry in the Cook Islands.*

## COOK ISLANDS

STAKEHOLDERS INTERVIEWED	AGRICULTURE COMMODITY	MAJOR CONSTRAINTS	GENERAL COMMENTS	SUGGESTED ACTION
<p><u>Stakeholders Interviewed (include Public and Private Sector)</u></p> <ul style="list-style-type: none"> <li>• <i>Wigmore Minister, Agriculture</i></li> <li>• <i>CEO MAF</i></li> <li>• <i>Noni exporters</i></li> <li>• <i>Exporters Association (Freight Services)</i></li> <li>• <i>Past pawpaw growers and exporters</i></li> <li>• <i>Current growers and exporters</i></li> </ul>	<ul style="list-style-type: none"> <li>- Pawpaws,</li> <li>- Copra,</li> <li>- Citrus</li> </ul>	<ul style="list-style-type: none"> <li>- Too many procedures to undertake for handling of fruits.</li> <li>- Need to streamline procedures of high temperature hot air treatment of fruits.</li> </ul>	<ul style="list-style-type: none"> <li>- Revitalization of pawpaw industry. Government support in providing subsidies to inputs and facilitate exports to the New Zealand market</li> <li>- Government endorsed policy to exempt all government fees; provide 50% subsidy to purchase of fertilizers; free seedlings; free land preparation; free pest &amp; disease control. Government will pay air freight fees for exporters to NZ</li> </ul>	<p>➤ Expert, Sent Kumar from Nature's Ways (Coop) in Fiji to be engaged for 2 weeks to study current procedures and recommend quicker ways for fruit handling.</p>
<p><b>LEGISLATION</b></p>	<p><b>LEGISLATIVE CONSTRAINTS</b></p>	<ul style="list-style-type: none"> <li>- None mentioned in interview.</li> <li>- Quarantine requirements for Phyto-sanitary certificate</li> </ul>		
	<p>Biosecurity Act 2009</p>			

## 6.2 **Solomon Islands**

The Solomon Islands has significant natural resources including timber, fish, gold, copra, cocoa, and palm oil. These resources constitute the bulk of the agriculture and forestry commodity exports for the country and are major revenue earners for the country. Since 2004, the economy has been growing and stabilized through improved macro-economic policy, revenue collection, restructuring and repayment of debts and increased Official Development Assistance (ODA). The Solomon Islands Government Medium Term Fiscal Strategy is clear on the economic challenges facing SI in the next five years and has committed the Government to economic reforms that will have the economic growth and raise revenue from a broader base.

The SI economy has a narrow base and faces challenges in diversification. Economic growth since 2003 has been largely based on unsustainable exploitation of forests, with revenue from logs exported expected to decline from 2009. Forestry makes up approximately 17 percent of the economy and 60 percent of government revenues. Non-logging growth prospects (such as mining, fisheries, and tourism) require difficult structural reforms, ongoing stability, and greater certainty around land tenure.

The economy is vulnerable to volatility in international markets for export commodities (copra, timber) and world prices for key imports (oil and rice). Increased pressure on the Government's balance of payments and foreign currency reserves is therefore likely, which will exacerbate hardship for Solomon Islanders.

### *Legislative Constraints*

Interviews and consultations were held with a mix of agriculture exporters for copra, cocoa, forestry products, and kava. Interviews were also held with government officials from the Ministry of Agriculture and Forests, Ministry of Finance and Planning.

Most of the exporters interviewed indicated that the major legislative constraint in terms of exporting of copra, cocoa, kava is the regulatory requirements. These include the number of procedures and forms to fill for obtaining and renewal of export licenses was considered time consuming. The main issue raised by the exporters was to do with the bureaucracy and regulations set out under the Solomon Islands Government State Owned Enterprise, the Commodity Export Marketing Authority Act (CEMA). For example, regulations 3 and 4 of the CEMA stipulate 13 minimum qualifying conditions of compliance before an export licence is issued or renewed. In addition there are a lot of requirements for the supply of information by copra exporters and producers to CEMA. To mention a few, these include a copy of the certificate of registration and Articles of Association of the company, a copy of the

Sales Contract with details consistent with acceptable international trading contracts, and copy of the shipping bill for goods for export (customs form 25).

Quarantine requirements such as the need to comply with quarantine requirements of the importing country is not seen as legislative constraints but rather an accepted requirement for the adherence to sanitary and phytosanitary standards.

The fragmentation of the agriculture export and marketing sector is to do with the unclear and cumbersome roles and functions of CEMA. Exporters felt that there is an urgent need for a review of the roles and functions of CEMA. CEMA is responsible for the development of trade in specified exportable commodities such as coconut, cocoa, palm oil and other such products. The Government has rural development as a central plank of its development programme.

At the time of visit to the Solomon Islands, the SIG had already commissioned a scoping study of CEMA. This study undertaken by officials of the Reform Unit of the Ministry of Finance and Planning will generate options for the Solomon Islands Government regarding an appropriate role for CEMA, and how CEMA can most effectively contribute to the Coalition for National Unity and Rural Advancement (CNURA) Government's overall policy objective of improving the rural sector and the livelihoods of rural people.

The objectives of the scoping report were to:<sup>10</sup>

- clarify the policy context (policies, strategies, laws, etc) for reforming of CEMA
- clarify the objectives for reform of CEMA within that context;
- identify the issues raised by CEMA's current situation, and by its proposals for financial restructuring;
- identify an appropriate role for CEMA going forward;
- outline options for action, including a more comprehensive reform package for CEMA, to resolve these issues consistent with the objectives chosen;
- outline the benefits that justify such a package – e.g. how this would improve some of the supply-side constraints, improve rural agricultural activities, exporting etc.;
- draft an action plan of next steps to take so that officials can best advise the Government on what to do with CEMA; and
- in particular, draft relevant Terms of Reference both for the government and for any TA.

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<sup>10</sup> The Reform Unit of the Ministry of National Planning provided the terms of reference of the scoping study. The study has now been completed and the summary of outcome will be reported briefly.

The key findings of that Scoping Study were that:<sup>11</sup>

- *the rural agriculture sector faces a crisis*: copra export markets are vanishing, new opportunities are not being pursued, and there are barriers making it hard for the private sector to respond in the ways that are needed;
- *this crisis is preventable*: a package of urgent action by the Government could help the private sector respond to the threat and take the opportunities that exist for strong long-term growth in rural agriculture sector production, employment and exports; and
- CEMA should have a central role in that recovery package for the coconut and cocoa industries – conversely, without this package, CEMA reform would fail.

The Scoping Study recommended the restructuring of CEMA so that its legal and commercial issues could be addressed in a way that would quickly enable it to have a more central role in the Government's rural and agriculture development policies. It restructuring would resolve its financial difficulties. Restructuring by resolving a number of legal and commercial issues was proposed, because the Study Team considered this would quickly position CEMA to meet this urgent need, without lengthy legislative delays.

The restructuring of CEMA would also mean an amendment of the CEMA Act. Any amendment would depend very much on what role and functions the government wants CEMA to carry out. However, the Act is clear and the determinant factors included

- Legal context based on the CEMA Act
- New Strategy for agriculture Sector Commodities, development, processing, marketing and trade.
- Competitiveness in the new global trade for agricultural commodities
- Strategic and comprehensive coordination of information and linkages of resource owners with major players in the agricultural sector

The functions for CEMA are spelt out clearly in Sections 6 and 7 of the Act. Basically, these functions can be categorized as regulatory, export licensing and quality control. In order that the CEMA Act be streamlined and provide focus for an efficient agriculture exporting system, assistance would need to be given on the formulation of such amendments to the CEMA Act and amendments to the regulations derived from the Act itself for each of the responsible commodities under the Act. For example, there have been amendments done for the Copra Export Regulations in 2002 and the Cocoa Export Regulations in 2004.

The restructure and reform of CEMA would bring about a viable agriculture export sector for the Solomon Islands. In order to bring about a more efficient, enabling and

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<sup>11</sup> The Economic Reform Unit provided the outcomes.

conducive regulatory environment for exporters, this would be the right time to interval and to institute reforms of benefit to exporters.

*Recommendation:*

*The role and legislative functions of CEMA would need careful consideration with respect to a new strategic focus for the agriculture commodities, processing, marketing and trade, and agriculture and rural development in the Solomon Islands. In this regard, it is recommended that technical assistance be given by SPC/FACT to assist with the amendment of the CEMA Act and revision of role and functions of CEMA, including a review and update of existing regulations in accordance to government policies on the agriculture and rural sectors. Such a request could be made by CEMA through its line ministry, the Ministry of Commerce.*

## SOLOMON ISLANDS

STAKEHOLDERS INTERVIEWED	AGRICULTURE COMMODITY	MAJOR CONSTRAINTS	GENERAL COMMENTS	SUGGESTED ACTION
<p><b>Companies Interviewed</b></p> <ul style="list-style-type: none"> <li>• Sipo Corporation Ltd</li> <li>• Commissioner Solomon Islands</li> <li>• Solomon Islands National Sustainable Agriculture (SINSA)</li> <li>• Commodities Export</li> </ul>	<ul style="list-style-type: none"> <li>• Copra,</li> <li>• Pawpaw</li> <li>• Kava,</li> <li>• Timber</li> <li>• Honey,</li> <li>• Vanilla</li> <li>• Spices</li> <li>• Cocoa,</li> </ul>	<ul style="list-style-type: none"> <li>• For Timber: The need of landowners consent for log and timber prior to logging and inspection from forestry.</li> <li>• Mobilizing products from different islands e.g. pawpaws, copra, etc resulting in very high transportation cost.</li> <li>• About 90 percent of land is held under customary communal ownership, with ownership rules differing between regions. Very little land has been formally surveyed and registered. Land issues are seen by many as an impediment to private sector and foreign investment and thus an impediment to</li> </ul>	<ul style="list-style-type: none"> <li>• Each province has it's own needs for commodities.</li> <li>• Government should subsidise transportation costs.</li> <li>• The Marketing Authority does not provide information to people on copra and hence there is no knowledge as to whether the price of copra is correctly and fairly determined.</li> <li>• Strategy on how they are marketing the products is not accessible to people.</li> <li>• Government doesn't assist in anything in terms of funds.</li> <li>• Government should subsidise transportation costs.</li> <li>• No control on transport cost.</li> <li>• Put regulations in place to facilitate the</li> </ul>	<ul style="list-style-type: none"> <li>➤ ISPC can assist small businesses on export abilities for each commodity.</li> <li>➤ Need to form a timber association to administer the timber export.</li> <li>➤ Training on how to do research for markets and market information. More specifically provide information for kava products /coffee /fruits</li> <li>➤ Require assistance in reviewing current market standards</li> <li>➤ Put policies and procedures in place for obtaining of export licences</li> <li>➤ Provide market information for kava products/coffee/fruits</li> <li>➤ Study visits to other market avenues for kava</li> <li>➤ Assist through partial</li> </ul>

STAKEHOLDERS INTERVIEWED	AGRICULTURE COMMODITY	MAJOR CONSTRAINTS	GENERAL COMMENTS	SUGGESTED ACTION
		<p>economic growth.</p> <ul style="list-style-type: none"> <li>For kava export - Estimate cost of compliance for export annually \$8,000.00 SBD</li> <li>Most burdensome regulations relate to export licenses custom export regulations</li> <li>Generally lack market information such as price and standards and quality on main commodities</li> </ul>	<p>current market.</p> <ul style="list-style-type: none"> <li>Try and test out what's best to each one.</li> <li>Need regulation in place for kava, coffee. Have some technical people to put in place process and procedures.</li> <li>Too many studies been done, investigations done but nothing done</li> </ul>	<p>funding of purchase of machineries to improve production of kava/coffee/spices and fruit processed products</p> <p>➤ Need to conduct market research to European countries for kava and coffee products</p> <p>➤ Need to procure cheaper packaging materials from countries like China.</p>
	<p><b>LEGISLATION</b></p> <p>Biosecurity Bill at Cabinet level (to be forthcoming).</p> <ul style="list-style-type: none"> <li>Process of compliance of legislation: Fill application form for Export licenses</li> <li>Pay export license fees</li> <li>Complete quarantine phyto-sanitary certificates.</li> </ul>	<p><b>LEGISLATIVE CONSTRAINTS</b></p> <ul style="list-style-type: none"> <li>Too many requirements under the CEMA Act, legislative constraints mentioned during interviews. Mainly do with regulations and procedures/process for obtaining an export licence and renewal.</li> <li>CEMA responsible for issuing of export licences for copra and cocoa. Procedures of obtaining yearly licenses for export include filling in application forms and</li> </ul>		

STAKEHOLDERS INTERVIEWED	AGRICULTURE COMMODITY	MAJOR CONSTRAINTS	GENERAL COMMENTS	SUGGESTED ACTION
		<ul style="list-style-type: none"> <li>- submitting to CEMA. Kava export licences are obtained through CEMA but uncertain as CEMA is not mandated under the CEMA Act. Hence the need to incorporate amendment to include a comprehensive list of commodities to be administered under CEMA.</li> <li>- Need CEMA to legalise Kava/Coffee license fees for exporting Need certification from ministry of Health; at moment no food safety standards in place</li> </ul>		

### 6.3 **Samoa**

Samoa's main agriculture exports include taro, copra, banana, noni fruit and noni juice. Exports of these commodities have become unstable due to several factors such as the effect natural disasters and diseases like the taro leaf blight, high input costs, inconsistency in supply, poor quality of produce, and declining international commodity prices. Kava export more or less stopped due the ban in 2001 from its main markets in Europe. To date, only nonu juice and nonu fruit showed steady increases.

The agriculture sector remains the mainstay of the Samoan economy and facilitating trade and improving agriculture exports remains a key priority for Samoa. In this regard like Fiji and Tonga, the Samoa Government has put in place a National Export Strategy (NES) for the period 2008-2012. The NES vision is for the "Export sector to be a major contributor to sustainable economic growth by 2012." The NES identifies eleven objectives to achieve the vision and five sectors (including agriculture) that are key to the improved export performance of the country.

Like the five other countries of this study the Ministry of Agriculture and Fisheries (MAF) is the principal organization charged by the government of Samoa to provide the policies, regulation and technical support that will assist the private sector realize agriculture's potential to contribute to the well being of the Samoan people without compromising the sustainable management of Samoa's natural resource.

The NES goals and objectives of interest to this study include the establishment of a National Export Authority, compliance with international quality standards, improvement of the infrastructure to meet trade demand; and improve market access. On market access and to assist with diversifying its agricultural production base and to create new opportunities to increase farmers' income, the Government of Samoa is promoting fruit export industries. For example, it has obtained market access to New Zealand for its Tahitian lime (*Citrus latifolia*). Approval for the importation of Tahitian limes from Samoa was granted by the Ministry of Agriculture and Forestry Biosecurity New Zealand during September 2009 under a fruit fly non-host protocol.

While there were not any major legislative or administrative constraints identified during the interviews, there was however an uncoordinated list of 5 associations that dealt with agriculture exports. Each of these associations had the mandate to assist with sustainable agriculture production and trade. However, the marketing of agriculture commodities taken care of its respective associations and considered to be fragmented. In order to bring about a coordinated approach to export marketing, the Ministry of Agriculture and Fisheries could play a catalytic role in the formation of an umbrella institution and to develop better links with Government, fostering a public – private sector partnership

*Recommendation:*

*Given the fragmented nature of agriculture marketing chain, it is recommended that the Samoa Ministry of Agriculture and Fisheries facilitate the formation of an umbrella association or grouping to promote and bring about a more efficient commodity market chain that would foster a public – private sector partnership. Samoa could adopt the Tongan model by forming a Growers Federation (GROFED). GROFED of Tonga could provide technical assistance and SPC FACT could provide financial assistance.*

**SAMOA**

STAKEHOLDERS INTERVIEWED	AGRICULTURE COMMODITY	MAJOR CONSTRAINTS	GENERAL COMMENTS	SUGGESTED ACTION
<p><b><u>Companies Interviewed</u></b></p> <ul style="list-style-type: none"> <li>• FIAGA and Chilli/Pepper Association</li> <li>• Quarantine Department</li> <li>• Exporters Association</li> <li>• Samoa Chilly Association</li> <li>• Livestock Association</li> <li>• Chamber of Commerce</li> <li>• Women in Business</li> </ul>	<ul style="list-style-type: none"> <li>• Noni,</li> <li>• Chillies</li> <li>• Taro,</li> <li>• Pawpaws</li> <li>• Eggplant</li> <li>• Bananas</li> <li>• Copra</li> </ul>	<ul style="list-style-type: none"> <li>- Ineffective Codex Secretariat and support from government</li> <li>- Outdated Codex standards</li> <li>- One respondent indicated a 5% tax imposed on shipment via ships</li> <li>- Fragmented and Uncoordinated exporting of agriculture commodities</li> <li>- 5 Associations and each working on their own (Chamber of Commerce; Samoa Farmers Ass; Chilly Ass; Livestock Ass; Women in Business)</li> <li>- Lack of consistency in supply and low quality of agriculture export commodities</li> </ul>	<ul style="list-style-type: none"> <li>- Shortage of commodity supply.</li> <li>- Government policies are not in favour of the manufacturing and agriculture sector</li> <li>- Samoa Association of Manufacture and Exporters (SAME) push for food safety standards – needs Govt to support, investigations but nothing done</li> </ul>	<ul style="list-style-type: none"> <li>➤ Require donors support.</li> <li>➤ Need to put in place food safety regulations</li> <li>➤ Simplification of application forms for renewal of export licenses and any other regulatory forms</li> <li>➤ Need to procure cheaper packaging materials from countries like China.</li> </ul>
	<p><b>LEGISLATION</b></p> <p>Quarantine (Biosecurity) Act 2005.</p> <ul style="list-style-type: none"> <li>- Export entry</li> <li>- Quarantine clearance – by importing county</li> </ul>	<p><b>LEGISLATIVE CONSTRAINTS</b></p> <ul style="list-style-type: none"> <li>- No food safety regulation in place</li> <li>- Regulation of duty drawback of 20% for manufacturers – major</li> </ul>		

STAKEHOLDERS INTERVIEWED	AGRICULTURE COMMODITY	MAJOR CONSTRAINTS	GENERAL COMMENTS	SUGGESTED ACTION
	<ul style="list-style-type: none"> <li>- No food safety legislation</li> <li>- No inspection service</li> <li>- Anyone can export – no need for export licence</li> </ul>	constraint on cash flow		

## 6.4 **Tonga**

Tonga has in place a strategy towards improving export performance in the form of “Tonga National Export Strategy – 2007-2010”. This Strategy identifies the supply and demand side constraints for the export sector, including agriculture and forestry products.

These constraints include: access to funding; lack of clear, measurable targets and quality standards; lack of public-private sector consultation resulting in a non-conducive framework of policies and regulations; lack of ability and commitment to continuously satisfy demand, leading to unreliable supply of goods and services; high production costs; low productivity; difficulties in achieving economies of scale; inadequate infrastructure and facilities; lack of trade information and market intelligence; inadequate provisions for research and development; high transport costs to overseas markets; non-tariff barriers imposed by importing countries such as unjustified plant quarantines and health safety requirements. This is a pretty long list, which in a nutshell also applies to all the other 5 countries that the Consultant visited and held consultations with.

Of particular interest to this study is the excerpt in the strategy on “implementation of regulatory reform”, which says: “A regulatory environment, conducive to business, will allow the private sector and exporters to concentrate more on development and growth. Tonga needs to implement regulatory reform as a “tool” to assist the development and growth of the economy in general and the export sectors in particular”.<sup>12</sup>

The major export crop for Tonga has been squash and the main destination is Japan. However, root crops have overtaken squash in 2008 and followed by kava, vanilla and vegetables. Vegetables and watermelon are exported to New Zealand. Tonga was traditionally strong in the production of root crops. Exports of root crops (Taro and Cassava – frozen and fresh) currently occur to NZ through formal and informal export pathways.

Tonga has in place National Economic Development Council (NEDC). There are 36 members of NEDC of which 7 members are elected as Board members. The Board is called Growers Federation of Tonga and Corporate (GROFED) which comprises of the following:-

- i) Finance, Trade, Tourism, Agriculture and Fisheries Ministers
- ii) Private Sector - Private representations from the main Sectors, headed by Chamber of Commerce National Private Sector Organisations (Fisheries, Agriculture, Tourism).

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<sup>12</sup> This is quoted from the Tonga Export Strategy, entitled: *Tonga National Export Strategy: 2007-2010*.

GROFED is considered the National Private Sector Organization for Agriculture as validated by the Government of Tonga. Market access issues are the priority work in its business plan.

It was noted that Tonga have export work-plans in place for Samoa, Fiji and Niue but access into these markets for some commodities has proven difficult for various reasons. Tomato access into Fiji was provided as an example where a submission had been provided, negotiations had been conducted several years ago but the issue had not progressed.

Tonga also has a Growers Export Network (GEN), which is the link between GROFED, and major exporters of agriculture produce and include the following:

1. Nishi Trading
2. Tinopai Farms
3. Kingdom Fresh
4. Island Produce Cooperation (IPC)
5. Global Trading
6. Haámo Growers Co. Ltd

Interviews and consultations were held with the 5 of the 6 main exporters as identified above; Growers Federation, Ministries of Agriculture and Forest; and Labour, Commerce and Industry. The consultant was informed of the Pacific Horticultural and Agricultural Market Access (PHAMA) workshop in September 2009 and was given a copy of the outcomes.

The consultant was informed that issues raised at the PHAMA workshop were also relevant to this study and they include market access issues. These issues of interest to this study are:

- Improvements to existing protocols, harmonisation of importing country requirements (where possible) and the removal of several current prohibitions to export, e.g. the possible halt of exports of cassava due to reduced tolerances (believed to be below Codex levels) for cyanide by Australia and NZ was provided as an example of a possible future impediment to current exports;
- The timely clearance of containers upon arrival in Australia and NZ was cited as an issue. It was felt that clearance time for Tongan containers was often considerably longer (and more costly) than containers from other destinations. It was suggested that possible reasons for this could be the degree of transshipment (and potential exposure to additional quarantine pests) required to reach destination ports or the relative infrequency of Tongan exports (and lack of familiarisation with consignments by quarantine inspectors) for some commodities;

- Managing and meeting changing market access conditions and quarantine requirements for existing exports;
- Development of diagnostics capacity for food quality and safety issues;
- The development of market access for new crops (e.g. asparagus, maize, sweet potato);
- The secretariat to the Taskforce for Regulatory Reform (TRR) indicated that the TRR's role was to remove or streamline domestic regulations to assist export trade. It was suggested that the Ports Authority regulations may also be reviewed by this group to assist exporters; and
- NZAID indicated that they were supporting the re-operation and refurbishment of the High Temperature Forced Air (HTFA) facility and assisting with subsidisation of airfreight costs to NZ for treated commodities. Current airfreight capacity is 400 – 500 tonnes per annum with the potential to increase to 800 – 1,000 tonnes p.a. if commodity supply is available. This program formed part of GROFED's National Export Strategy.

*Recommendation:*

*It is recommended that Tonga Government continue to implement regulatory reform as a “tool” to assist the development and growth of the agriculture export sector and the economy in general. Technical and financial assistance could be provided by the SPC FACT project or by other Development Partners/Donors.*

## TONGA

STAKEHOLDERS INTERVIEWED	AGRICULTURE COMMODITY	MAJOR CONSTRAINTS	GENERAL COMMENTS	SUGGESTED ACTION
<p><b><u>Companies Interviewed</u></b></p> <ul style="list-style-type: none"> <li>● <i>Government officials (Director of Agriculture; Chief Quarantine Officer)</i></li> <li>● <i>Kingdom Fresh</i></li> <li>● <i>World Bank</i></li> <li>● <i>Growers Federation – National Private Sector Organisation Agriculture</i></li> <li>● <i>Tinopai Farms</i></li> <li>● <i>Island Produce Corporation</i></li> <li>● <i>Global Trading</i></li> <li>● <i>Ha'amo Growers Company Ltd</i></li> <li>● <i>Farm Supplies (small coconut and taro exporter to NZ)</i></li> </ul>	<ul style="list-style-type: none"> <li>- National Export Strategy (2007)</li> <li>- Fruits and Vegetables. Highest volume of export is pumpkin to Japan followed by taro. Export of watermelons, chilies and tomatoes to NZ.</li> </ul>	<ul style="list-style-type: none"> <li>- Increase in health food safety requirements from other countries for 'kava' and 'taro'. NZ and Australia have ceased importing 'kava' and 'dalo'.</li> <li>- Port authority costs – very costly</li> <li>- Squash vegetable has been ceased due to high import costs. 90% of cost is imported e.g. seeds, chemicals, diesel, fertilisers, etc.</li> <li>- \$30,000 to \$50,000 prior to receipt of export proceeds</li> <li>- The process is time consuming and costs involved are disincentive to efforts to increase exports</li> <li>- Market information such as prices is easily accessible. Difficulties occur when market prices are lower than expectation.</li> </ul>	<ul style="list-style-type: none"> <li>- NZ and Tonga has signed a trade agreement. Vegetables and fruits which have not been able to be exported to NZ are now possible.</li> <li>- High costs of compliance kills the incentive to export</li> <li>- Time and costs of compliance incurred at the time of importation of production inputs and post harvest. Costs of employing labour for harvest and packing for export ranged from \$20,000 to \$50,000 depending on volume and duration of export.</li> <li>- If government wants to increase exports they must consider subsidizing the costs of imported productions inputs e.g. seeds, fertilizers, chemicals and packaging. The exchange rate to Tongan currency has double the costs of imports from New</li> </ul>	<ul style="list-style-type: none"> <li>➤ The need to discuss and clarify issues at hand between governments with SPC and Forum.</li> <li>➤ Relax level of bureaucracy</li> <li>➤ Provide export incentives to increase export efforts and to reduce local costs that must be paid prior to departure of ship</li> <li>➤ It is very disheartening when you work very hard during the year and then have to pay these costs to expedite exports.</li> <li>➤ Difficulty In accessing finance to assist with exports – in particular on start up of business – purchase of sacks and paying wages and procurement of commodities for export</li> <li>➤ Need roads to access farms</li> </ul>

STAKEHOLDERS INTERVIEWED	AGRICULTURE COMMODITY	MAJOR CONSTRAINTS	GENERAL COMMENTS	SUGGESTED ACTION
			Zealand; hence the decline in squash exports over recent years	
	<p><b>LEGISLATION</b></p> <ul style="list-style-type: none"> <li>- Export licence issued by Ministry Labour and Commerce</li> <li>- Packing houses must be approved by quarantine</li> <li>- Grading and quality inspection by quarantine</li> <li>- Issue of phytosanitary certificates by quarantine</li> <li>- Security regulations on the wharf</li> <li>- Customs permit to export</li> <li>- Payment of various fees prior to departure of ship</li> </ul>	<p><b>LEGISLATIVE CONSTRAINTS</b></p> <ul style="list-style-type: none"> <li>- Business licence issued by Ministry of Labour , Commerce &amp; Industry</li> <li>- Export licence issued by MAFF Most burdensome regulations considered are Quarantine and Port Authority regulations and charges/fees</li> </ul>		

## 6.5 **Vanuatu**

The main agriculture export commodities of Vanuatu are copra, cocoa, kava, beef, spices, vanilla, and to a small extent timber. All of these commodities have been affected due to falling global demand as a result of the world recession. Copra has been the hardest hit commodity in terms of price, falling from a peak of VT55, 000 in mid-2008 to levels of around VT20-25, 000 in July 2009. Kava prices also fall from weaker demand in Fiji and New Caledonia. Therefore, the production of these commodities is expected also to fall. However, cocoa price in the world market has been increasing and production is expected to be stable in Vanuatu.

Vanuatu does not have National Export Strategy. Its market access function is under the Ministry of Trade, Commerce, Investment and Tourism (MTCIT). The Vanuatu Commodity Marketing Board (VCMB) is also under this Ministry. The VCMB is responsible for three commodities, copra, cocoa, and kava. The Department of Livestock and Quarantine under the Ministry of Agriculture, Forestry and Fisheries, is responsible for the issue of permits and certificates relating to quarantine issues.

Most of the exporters and including Vanuatu Chamber of Commerce identified the implementation of the VCMB Act by its Board as the major constraint. This constraint includes the procedures and criteria of issuance of export licenses, the lengthy period for such issuance and unfair methods of giving subsidies to companies. Associated with this, the exporters complained about the required contribution of 6% of the gross value of exports to the VCMB.

The VCMB Act enacted in 1983 and the Board of the VMCB was established thereafter. The VCMB was established to develop and market agriculture commodities. Its main functions include: prescribed and market copra, cocoa, and kava to the overseas market; ensure the prescribed commodities are of the required quality an standard for the overseas markets; and operate a subsidy to cushion the fluctuating effects of copra, cocoa, and kava prices.

Discussions with senior officials of the MTCIT revealed that the VCMB has been a subject of concern to the Government, whereby the Prime Minister called for a review in 2007. The review was undertaken as a response to the Vanuatu Government's concern of the future of the coconut industry and the role and function of the VCMB.

The review report of the VCMB made tow important recommendations, namely that the Government should develop a Coconut Sector Investment Program to revitalize the coconut industry; and that Government should abolish the VCMB and put in new institutional arrangements to support the industry and take on the regulatory role of agriculture commodities other then copra. The review report highlighted that the operations of the VCMB have been of little benefit to farmers and to the agriculture

exporter sector. The Government has endorsed this two recommendations and Parliament will decide at its April meeting to repeal the VCMB Act.

The Agriculture commodity export sector, in particular for copra, cocoa, and kava is at the crossroad of entering into a new phase of regulatory functions when this new institution is established. It is vital that setting up guidelines and procedures and policies be developed in an integrated and sustainable manner for this new institution to bring about a sustainable and viable agriculture industry and export sector. Some of the issues discussed earlier under section 5.1 are applicable and reference to.

The MTCIT has established a Task Force Team to direct and to ensure that the recommendations of the review are translated into work plans and development programs. The Task Force will also set up a new regulatory unit to look after the three commodities (copra, cocoa, and kava). The Task Force will also develop a road map that will include strategies for the abolishment of the VMCB and development of an investment program for the coconut industry. It is timely that SPC FACT project could assist in providing a technical expert to assist the delivery of the Terms and Reference (ToR) of this Task Force team.

The cost of customs declaration has been identified a costly exercise for exporters of small quantities of agriculture commodities like vanilla and spices. A review of the Post Office requirements and reform could pave the way for a more conducive and cheaper means of processing customs declaration for small amounts of export items.

Given that Vanuatu does not have a National Export Strategy, it would be timely to consider developing one in conjunction with the setting of the new regulatory unit. The NES would improve Vanuatu's export performance and identifies supply and demand side constraints.

*Recommendation:*

*It is recommended that the SPC/FACT project consider assisting the Vanuatu Government's Task Force Team by providing a TA to assist in the implementation of the ToR set out by its government. Should SPC agree to this, the Director General of the Trade Ministry will put in such request.*

*It is recommended that the Government consider reviewing the charges or fees charged by its postal agency for small quantities of export consignments and consider customs declaration approval over a period of time. Alternatively this review could be done during the development of a NES as recommended.*

*It is recommended that Vanuatu Government consider developing a National Export Strategy to improve its export performance, focusing on agriculture exports.*

VANUATU

STAKEHOLDERS INTERVIEWED	AGRICULTURE COMMODITY	MAJOR CONSTRAINTS	GENERAL COMMENTS	SUGGESTED ACTION
<p><b><u>Stakeholders Interviewed</u></b></p> <ul style="list-style-type: none"> <li>● <i>Government Officials (Ministry of Planning)</i></li> <li>● <i>Chamber of Commerce</i></li> <li>● <i>Copra exporters</i></li> <li>● <i>Cocoa exporters</i></li> <li>● <i>Spice exporters</i></li> <li>● <i>Sandalwood oil exporters</i></li> <li>● <i>Kava exporters</i></li> <li>● <i>Vanilla exporters</i></li> <li>● <i>Beef exporter</i></li> <li>● <i>Processed food (cassava) exporters</i></li> </ul>	<ul style="list-style-type: none"> <li>- Cocoa,</li> <li>- Coffee</li> <li>- Coconut oil</li> <li>- Noni juice</li> <li>- Kava</li> <li>- Beef</li> <li>- Vanilla</li> <li>- Black Pepper</li> <li>- Spices</li> <li>- Timber and sandalwood oil – Forestry Dept</li> </ul>	<ul style="list-style-type: none"> <li>- Length of time to process export permit and to screen licences.</li> <li>- VMCB discretion to provide subsidy to exporters and to which ones – politically influenced</li> <li>- Conflict of interest of members of the VMCB</li> <li>- Shipping cost internally and externally.</li> <li>- Quality - food safety and standard. Require certification, labeling, ISO.</li> </ul>	<ul style="list-style-type: none"> <li>- Exports to US, Japan, Manila</li> <li>- Parliament will make final decision to repeal VCMB Act sometime in March or April sitting</li> <li>- Regulatory Unit to be established to take on roles of VMCB</li> <li>- FACT to provide TA to assist in the development or formulation of a regulatory unit for exporters.</li> <li>- Need clear easy guidelines from the importing countries</li> </ul>	<ul style="list-style-type: none"> <li>➤ Lobby government for commodity rate</li> <li>➤ Review of VCMB completed by Andrew McGregor</li> <li>➤ Cabinet (Govt) endorsed recommendation to repeal</li> <li>➤ SPC can facilitate to convince government to help put in place something that is easy for exporters. Not having to pay \$750 vatu for each consignment of export of vanilla VCMB Act</li> <li>➤ Need to develop a National Export Strategy</li> </ul>
	<p><b>LEGISLATION</b></p> <ul style="list-style-type: none"> <li>-</li> </ul>	<p><b>LEGISLATIVE CONSTRAINTS</b></p> <ul style="list-style-type: none"> <li>- Major constraint is the implementation of the</li> </ul>		

STAKEHOLDERS INTERVIEWED	AGRICULTURE COMMODITY	MAJOR CONSTRAINTS	GENERAL COMMENTS	SUGGESTED ACTION
		<p>Vanuatu Commodity Marketing Board Act (regulates 3 commodities, copra, cocoa and kava)</p> <p>- VMCB charges exporters 6% of gross value of exports</p>		

## 6.6 **Fiji**

Agriculture, excluding sugar contributes around 6 to 8 per cent to GDP and sustains about 50 per cent of the total population. The sector is dominated by subsistence farming where farms are small; over 80 per cent are of less than 4 ha. The main export commodities are dalo, ginger, herbs and spices, tropical fruits (mainly pawpaw) and vegetables such as eggplant, and chili. Forest export products include timber and wood chips, noni juice and tablets/capsules.

Government support for exports has been mainly aimed at developing 'value-adding' processes that increased the shelf life of local agricultural produce, thus enhancing export potential. In addition, market access had been secured under various bilateral quarantine agreements for pawpaw, eggplant, chili, herbs, pineapple, breadfruit and mango, amongst others.

Fiji has a national export strategy (NES) in place and was formulated in 2006. The main aim and benefit of the NES was to widen Fiji's export base and improve competitiveness of its products and services in the global market. The NES recognized a number of cross-cutting issues which include supply and infrastructure constraints, the absence of bulk handling facilities, markets information, research, human resource development and a vibrant domestic economy, high cost of finance, raw materials and transport, taxation issues, currency fluctuations, the need to reduce cost of doing business.

The NES complements the past Strategic Development Plan and present *Roadmap for Democracy and Sustainable Socio-Economic Development 2009 – 2014* policy objective of having a globally sustainable and competitive manufacturing, commerce and industry to compete with imports and expand exports. The NES recognizes the need for closer partnership between the Government and the private sector (Public-Private Sector Partnership). The NES consists 73 objectives and 266 strategies, of which these strategies are grouped into four major categories, namely the development, competitiveness, client and institutional perspectives.

The NES was developed on the backdrop of the recognition of the need of an integrated approach and with public and private sector partnership to develop and sustain Fiji's export performance. The NES main aim was to provide the enabling environment to harness the public private sector partnership and to address other challenges for sustainable export base for Fiji. A greater and stronger PPP would enable the Fiji Government to achieve its strategic vision contained within the *Roadmap for Democracy and Sustainable Socio-Economic Development 2009 – 2014*, whereby the policy objective of having a globally sustainable and competitive manufacturing, commerce and industry to compete with imports and expand exports.

In terms of public and private sector partnership, Natures Way Cooperative (Fiji) Ltd is considered a successful model partnership with strong government support and proved to be extremely successful in agriculture export growth in Fiji. Natures Way also plays an important role in adhering to the regulatory functions in the operations of the HTFA facility that it undertakes for its members and other exporters that uses this facility.

Reference is made to Section 5.4 above on how this model could be adopted or duplicate this model by other countries. Also the experience of its former CEO could be used for capacity building by these countries. Consultations held with members of the NWC and exporters that use this facility expressed great satisfaction on the facilitative role it plays for export to the New Zealand and Australia markets. The other major function of the NWC is to develop a focused industry outreach program to facilitate an increase in production and quality of fruit and vegetables exports for Fiji. This model of private sector led and with strong support from the Government has proved to be extremely successful in agriculture export growth for Fiji.

The approach taken in the development of the NES consisted of four interlinking gears. These are namely: the border-out gear, **the border gear**, the border-in gear, and the development gear.<sup>13</sup> As noted in the NES that the border-gear approach is a metaphoric illustration of the border gear issues working in tandem, and emphasizing the fact that a National Export Strategy Design process needs to be taken in a coordinated, cohesive way, and not by individuals or groupings working in isolation.

The main issue of relevance to this study is under the **border gear** category whereby this defines the sector's operating environment and largely dictates the cost of export transaction. Border issues relate transaction costs incurred by the business community. They typically include bottlenecks in trade-related infrastructure such as transport, communication, and the costs of doing business, and also include problems of administrative procedures and documentation requirements. Hence the administrative and legislative issues faced by exporters needs to be dealt with under the ambit of the NES. The strategy of relevance to this study is the review and consolidation of all existing legislations under the Ministry of Agriculture, such as the Pure Food Act, Export/import license. This would provide a cohesive framework for the development of the agriculture sector in Fiji.

The bottlenecks of identified by the private sector exporters can only be meaningfully dealt with through the PPP initiative and continuous efforts are made by both parties to strengthen this working relationship. Reforms of administrative and legislative barriers to agriculture exports will only be relevant if Government consistently consults

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<sup>13</sup> Reference is made to these approaches as documented in the *National Export Strategy: A Dynamic and Competitive Exporter for Prosperity Through a National Partnership*, 2006, Parliament Paper No.81 of 2006.

the private sector with its policies and national development plans and there continues to be open, frank and free flow of information at all times.

As noted above, the crops commodity sector that was covered in this study did not raised much concern in terms of administrative and legislation challenges. However, the consultations on forest products raised major issues of the cumbersome requirements of obtaining export permits on a shipment-by-shipment basis for at least one company such as the Fiji Hardwood Corporation.

The forest sector in Fiji represents three main sub-sectors, which are the indigenous forests, pine plantations and hardwood plantations, mainly mahogany. The forestry sector is fragmented and not well coordinated. The Forest Decree of 1992, which regulates the management, and utilization of the forest products govern this sector in a sustainable manner while facilitating the sector with full participation of all resource owners. The Department of Forestry, through the Conservator of Forest is responsible for this sector, including issuing licenses for all harvesting operations, sawmills and export licenses, which are required for timber exports. The export-licensing period is under the discretion of the Conservator of Forest.

The major constraint reported by timber exporters included the amount of time involved in the filling of forms and the requirement of attaching the relevant documents to the application for export licenses. The time involved to obtain an export license takes about 3 days for filling of forms, 2 days for sending the forms from Lautoka to Suva (where the head office is located). It was reported that with a turn around time of at least 7 days, the complete process of obtaining an export permit would take around 10 to 12 days.

Consultations with larger exporters revealed that adoption of electronic customs declaration for exports, which has contributed to the cut down of time involved in meeting such requirements. To cut down the “time lax” as discussed above under Section 5.2, it may be useful in exploring the use of electronic means for all other administrative requirements of paper work required for exports. Electronic systems in general and not only for customs declaration have reduced administrative costs. The World Bank has cited Tonga as one such country that has computerized its records for the business registry. Hence making registration records electronic not only improves safety but also aids transparency and information sharing. Also electronic systems will reduce administrative costs and this has been noted by the World Bank Doing Business study.

*Recommendation:*

*It is recommended the NES be streamlined into a limited number of clear and benchmarked strategies. Assistance to do this would be most welcome and a good start point would be to focus on the forestry sector. The forest export sector has slowed down due to an excess of procedures, problem of ownership and also greater awareness to protect and conserve natural resources.*

*It is recommended that support be provided to Fiji in its electronic customs declaration and to widen it to also include all other administrative paper work, thereby developing a comprehensive one-stop/e-government system for the agriculture export sector in Fiji.*

**FIJI**

STAKEHOLDERS INTERVIEWED	AGRICULTURE COMMODITY	MAJOR CONSTRAINTS	GENERAL COMMENTS	SUGGESTED ACTION
<p><u>Companies Interviewed</u></p> <ul style="list-style-type: none"> <li>• Nature Valleys</li> <li>• Timber exporters (Fiji Hardwood, Dayal Sawmills, KKK, Fiji Forest)</li> <li>• Pawpaw exporter</li> <li>• Vegetable exporters</li> <li>• Taro exporters</li> </ul>	<ul style="list-style-type: none"> <li>- Pawpaw</li> <li>- Eggplant</li> <li>- Chillies</li> <li>- Taro,</li> <li>- Bitter cord</li> <li>- Wee</li> <li>- Jackfruit</li> </ul>	<ul style="list-style-type: none"> <li>- Duplication of inspection done by Forestry Inspector and quarantine Inspector which implies extra cost charged by quarantine - \$60/inspection</li> <li>- Timber: extra cost if impose by importing country to do fumigation</li> <li>- Lack of market information – mainly provider by importer such as standards</li> <li>- Issuance of log licences after fulfilling requirements – lengthy time involved</li> <li>- Market access to other countries like United States (pawpaw and breadfruit)</li> <li>- Hold up of market access application for quarantine protocol (e.g. in NZ) – need better coordination by Quarantine</li> <li>- Lack of qualified experts</li> </ul>	<ul style="list-style-type: none"> <li>- Fiji needs to initiate a project on market access for the region. It may be called "Aid for Trade"</li> </ul>	<ul style="list-style-type: none"> <li>➤ For timber export licensing – there is a need to review the Forestry Act and regulation of issuing of export licences to be over a period of time</li> <li>➤ Decentralise the power of issuing licences (e.g. to senior officers of each Divisions)</li> <li>➤ Urgent need for timber market information – specially on prices per cubic meter</li> <li>➤ Need to Pest Risk Analysis (PRA) done on a regional basis for commodities common and applicable to other Pacific countries so the market access is given by the importing country for these countries.</li> <li>➤ Aid for Trade – experts from</li> </ul>

STAKEHOLDERS INTERVIEWED	AGRICULTURE COMMODITY	MAJOR CONSTRAINTS	GENERAL COMMENTS	SUGGESTED ACTION
		such as Entomologists and Plant Pathologist		overseas need to come in and assist Fiji, Tonga, Samoa, etc. Visionary and Strategic need to be done.
	<p><b>LEGISLATION</b></p> <p>Fiji Biosecurity Act 2009</p> <ul style="list-style-type: none"> <li>- Timber export governed by Forestry Act and implemented by Forestry Section</li> <li>- Timber export licence issued by Forestry Dept</li> <li>- Export licences issued by Ministry of Agriculture</li> </ul>	<p><b>LEGISLATIVE CONSTRAINTS</b></p> <ul style="list-style-type: none"> <li>- Adherence to export regulations</li> <li>- Importing country quarantine requirements</li> <li>- Timber: some companies need to obtain a licence for every export shipment</li> <li>- Licensing period is the discretion of the Conservator of Forest</li> <li>- Major constraint is the time involved in filling in of forms and attaching application with inspection report, sent to Suva and return to company in Lautoka – taking almost a week.</li> <li>- Cumbersome requirement for log application approval licence</li> </ul>		

## 7. Appendixes

### A: Terms of Reference

The consultant will undertake an industry survey or consultation to identify legislative constraints and opportunities to assist the improvement of export trade of agricultural and forestry produce. The survey will be undertaken by correspondence through a questionnaire to exporters of agricultural and forestry produces. The survey will be undertaken in close consultation with private sector organizations including the respective Chambers of Commerce and Pacific Islands Private Sector Organization (PIPSO). The survey will be undertaken six Pacific ACP countries: Cook Islands, Fiji, Samoa, Solomon Islands, Tonga and Vanuatu.

The survey will also include a question(s) on what exporters regard as the main legislative and technical barriers to market access for agricultural and forestry produce in their prospective markets (including other Pacific Island countries, USA, Japan, China, Australia, NZ and European Union). Responses to the survey are collated and synthesized into a concise report (< 60 pages, excluding annexes), which includes recommendations to the respective Governments on how they can update policy, legislation and regulations to facilitate production and export of agricultural and forestry products. The report will also identify key barriers to market access by Pacific Islands exporters or agricultural and forestry produce

## B: Interview guide

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### Aim of the interviews

This survey or questions asked relate to the identification of legislative constraints and opportunities to facilitate improvement of export trade of agricultural and forestry commodities through the implementation of legislative reform. These questions focus on what exporters regard as the main domestic legislative and administrative barriers to exporting agricultural and forestry produce to prospective markets (including other Pacific Island countries, USA, Japan, China, Australia, NZ and European Union).

Feedback will contribute to the development of focused recommendations on practical domestic legislative and administrative reforms that need to be implemented to facilitate improved exports performance.

<b>Business Name:</b>	<b>Address:</b>
<b>Type of Business:</b>	<b>Number of Employees:</b>
<b>Industry Sector:</b>	<b>Product Range:</b>
<b>Business Structure:</b>	<b>Main Export Products:</b>
1). In which country is the head office of your organization located?	
2). Does your organisation have branch offices in other countries?	
3). What proportion of your business is made up by exports (approximate percentage of total sales or revenue)?	

## HOME COUNTRY OR ORIGIN OF EXPORT

### A. Export Regulatory Requirements

1). What are the main Government regulations you are required to adhere with in order to export? (eg what forms, licenses, inspections regime are you forced to comply with?) Please consider, with particular reference to quarantine requirements; food safety; domestic transportation; stevedoring; market access.

2). What is the process of adherence? *(if not stated in prior answer)*

3). What do you estimate is the annual cost of compliance with these regulations? What is the impact of these regulations on your export effort?

4). What is/are the most burdensome regulations you are forced to comply with?

5). What is the process involved in compliance?

6). Can you quantify the time/cost of compliance?

7). What changes could we made to the way this/these regulations are Implemented which would reduce the costs to your business?

8). Are there any 'hidden' regulatory or administrative barriers to export which are difficult to comply with or overcome?

## **B. Market Communication**

1). Is there clear information on rules and regulations required for importation of goods into your market countries?

2). Are the standards for importation clear and well defined?

3). What resources do you use to access this information on importation and standards?

4). How accessible and economical is the information?

5). What other information would be useful in assisting you in your export to these countries?

6). How should this information be made available?

7). Which organizations should be responsible for the delivery of this information?

**C. General**

1). What can be done to assist your organization in its export effort?

2). Which institutions would be most suited to address the issues raised above?

3). Is there anything else that you would like to add?

- end -