



Investing in rural people

**Republic of Fiji**

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**Fiji Agricultural Partnerships Project (FAPP)**

**Final project design report**

Main report and appendices



## Contents

Currency equivalents	iii
Weights and measures	iii
Abbreviations and acronyms	iv
Map of the main project area on Viti Levu	vii
Executive Summary	viii
Logical Framework	xi
I. Strategic context and rationale	1
A. Country and rural development context	1
B. Rationale	3
II. Project description	4
A. Project area and target group	4
B. Development objective and impact indicators	4
C. Outcomes/components	4
D. Lessons learned and adherence to IFAD policies	11
III. Project implementation	13
A. Approach	13
B. Organizational framework	14
C. Planning, M&E, learning and knowledge management	17
D. Financial management, procurement and governance	19
E. Supervision	21
F. Risk identification and mitigation	21
IV. Project costs, financing, benefits and sustainability	23
A. Project costs	23
B. Project financing	24
C. Summary benefits and economic analysis	25
D. Sustainability	26

## Appendices

Appendix 1:	Country and rural context background	27
Appendix 2:	Poverty, targeting and gender	33
Appendix 3:	Country performance and lessons learned	41
Appendix 4:	Detailed project description	45
Appendix 5:	Institutional aspects and implementation arrangements	55
Appendix 6:	Planning, M&E, learning and knowledge management	71
Appendix 7:	Financial management and disbursement arrangements	77
Appendix 8:	Procurement	85
Appendix 9:	Project cost and financing	89
Appendix 10:	Economic and financial analysis	95
Appendix 11:	Draft Project Implementation Manual	101
Appendix 12:	Compliance with IFAD policies	103
Appendix 13:	Contents of the Project Life File	109

## Working papers

- WP 1 Poverty, gender and targeting.
- WP 2 Smallholder value chain development.

Available in soft copy: Detailed Project Costs, Financial Analysis and Economic Analysis.

## Currency equivalents

Currency Unit	=	Fiji Dollar (FJD)
USD 1.00	=	FJD 1.93

## Weights and measures

1 kilogram (kg)	=	1000 g
1,000 kg = 1 metric ton (mt)	=	2.204 lb.
1 kilometre (km)	=	0.62 mile
1 metre (m)	=	1.09 yards
1 square metre	=	10.76 square feet
1 acre	=	0.405 hectare
1 hectare	=	2.47 acres

## Abbreviations and acronyms

AA	Administrative Assistant
ACIAR	Australian Centre for International Agricultural Research
ADB	Asian Development Bank
ADU	Agribusiness Development Unit
ALP	Alternative Livelihood Project
AusAID	Australian Aid
AVRDC	Asian Vegetable Research and Development Centre
AWG	Agribusiness Working Group
AWPB	Annual Work Plan & Budget
BAF	Biosecurity Authority of Fiji
BQA	Bilateral Quarantine Agreement
BSP	Bank of the South Pacific
CBD	Convention on Biodiversity
CC	Cluster Coordinator
CDP	Community Development Plan
CEDAW	Convention to Eliminate Discrimination against Women (1979, UN)
CF	Community Facilitator
CFS	Financial Services Division (IFAD unit)
COSOP	Country Strategic Opportunities Paper
CPM	Country Programme Manager
CPMT	Country Programme Management Team
CSF	Critical Success Factor
DC	District Cluster
DCFMU	Debt & Cash Flow Management Unit
DO	District Officer
EB	Executive Board
EIRR	Economic Internal Rate of Return
EIU	Economist Intelligence Unit
ENRM	Environmental and Natural Resource Management
ESA	Environmental and Social Assessment
ESRN	Environmental and Social Review Note
FAO	Food and Agriculture Organization of the United Nations
FAP	Family Assistance Programme
FAPP	Fiji Agricultural Partnerships Project
FBoS	Fiji Bureau of Statistics
FCLC	Fiji Crop & Livestock Council
FDB	Fiji Development Bank
FFF	FAPP Farmers' Forum
FICAC	Fiji Independent Commission Against Corruption
FIRR	Financial Internal Rate of Return
FIU	Financial Intelligence Unit
FM	financial management
FMIS	Financial Management Information System
FMPA	Financial Management and Procurement Assistant
FMPO	Financial Management and Procurement Officer
FNPF	Fiji National Provident Fund
FPO	Fiji Procurement Office
FSPI	Foundation of the Peoples of the South Pacific International

FTR Act	Financial Transactions Reporting Act
FWCC	Fiji Women's Crisis Centre
GDP	gross domestic product
GEF	Global Environment Facility
GoF	Government of the Republic of Fiji
HH	household
HIES	Household Income and Expenditure Survey
ICM	integrated crop management
ICO	IFAD Country Office
IFAD	International Fund for Agricultural Development
IFI	intermediary financial institution
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IRR	internal rate of return
JICA	Japanese International Cooperation Agency
KM	Knowledge Management
KMMO	Knowledge Management/M&E Officer
LIP	Lead Implementing Partner
LPA	Lead Project Agency
LTB	Letter to Borrower
M&E	Monitoring and Evaluation
MDF	Market Development Facility (AusAID)
MDG	Millennium Development Goals
MIS	management information system
MoA	Ministry of Agriculture
MoF	Ministry of Finance
MORDI	Mainstreaming of Rural Development Innovations Programme
MoU	Memorandum of Understanding
NCSMED	National Centre for Small and Micro Enterprises Development
NGO	Non-governmental Organization
NPV	Net Present Value
NZAID	New Zealand Agency for International Development
OAG	Office of the Auditor General
OSC	Operational Strategy and Policy Guidance Committee (of IFAD)
PARDI	Pacific Agribusiness Research and Development Initiative
PASAI	Pacific Association of Supreme Audit Institutions
PBAS	Performance Based Allocation System
PCCPP	People's Charter for Change, Peace and Progress
PCDF	Partners for Community Development Foundation
PEFA	Public Expenditure and Financial Accountability
PFA	Project Field Assistant
PGS	Participatory Guarantee System
PHAMA	Pacific Horticulture and Agricultural Market Access Programme (AusAID)
PHVA	Partnerships in High Value Agriculture (IFAD grant-funded pilot project)
PIFON	Pacific Island Farmers Organization Network
PIM	Project Implementation Manual
PIPSO	Pacific Islands Private Sector Organization
PLA	participatory learning and action
POETCom	Pacific Organic & Ethical Trade Community
PPP	Public-Private Partnership

PSC	Project Steering Committee
PTA	Policy and Technical Advisory Division
PY	Project Year
RBF	Reserve Bank of Fiji
RDSSSED	Roadmap for Democracy and Sustainable Socio-economic Development 2010-2014
RIE	request to incur expenditure
RIMS	Results and Impact Management System
RoF	The Republic of Fiji
RPM	Regional Programme Manager
SADA	Senior Agribusiness Development Adviser
SCF	Standard Conversion Factor
SME	small- and medium-sized enterprises
SoE	Statement of Expenditure
SPC	Secretariat of the Pacific Community
SRESOP	Sub-Regional Strategic Opportunities Paper for the Pacific Islands 2013-2017
TLB	taro leaf blight
ToRs	terms of reference
TTM	Taiwan Technical Mission
UNCITRAL	United Nations Commission on International Trade Law
UNDP	United Nations Development Programme
UNFCCC	UN Framework Convention on Climate Change
VAW	violence against women
WA	Withdrawal Application
WoP	without project
WP	with project

## Map of the main project area on Viti Levu

### Fiji

### Fiji Agricultural Partnerships Project (FAPP)



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.  
Map compiled by IFAD | 20-06-2014

## Executive Summary<sup>1</sup>

In early 2014, the government of the Republic of Fiji, (GoF) requested IFAD assistance for the design and funding of a project to promote agricultural sector growth in ways that would also reduce hardship of producers, especially those living in remote areas. This was prompted by government recognition that there is both a growing domestic consumer demand in Fiji for local agricultural outputs and a need to improve the well-being of those who produce them.

Some of the farmers who are at a disadvantage economically due to their remote locations have agro-ecological conditions that offer potential for growth and improvement. Yet, their supply response to growing demand for domestic produce has been weak. High costs and dis-economies of small-scale production partly explain those weak supply responses. But other factors play a part. Small-scale remote farmers and many other actors along agricultural value chains face structural constraints in marketing, transport, handling and processing. These are exacerbated by weak and mistrustful relationships amongst market players. As a result, the agricultural sector has failed to expand and costly import of produce that could and should be grown by Fijian farmers has increased.

Although GoF it classified the Fiji government as a *de facto* government at the time, IFAD responded by reviewing the issues with GoF, rural communities and other public and private sector stakeholders in March 2014. In September 2014 elections were held in Fiji and the resultant government was recognised as democratically-elected government at the United Nations General Assembly and by fellow IFI's including the International Monetary Fund. In November 2014, IFAD and GoF then jointly finalised the design of this set of investments to overcome constraints, tap unrealised potential for growth, and reduce hardship. It is entitled, the Fiji Agricultural Partnerships Project, FAPP so-named to underline the importance of partnerships between the public and private sector in agriculture. It promotes good business partnerships in the form of viable commercial relationships amongst market actors. It implies a vision of the public sector as a partner to the private sector through its actions to create an enabling environment where business in the agricultural sector can flourish - for the benefit of producers, consumers, and the economy at large.

**Development objective.** The Overall Goal of FAPP is the **Reduced hardship in remote rural communities**. This will be measured by improvements in the Household Dietary Diversity score and the Household Asset Ownership index. In pursuit of this goal, the Project Development Objective is stated as **Small-scale producers are engaged in sustainable farming and business partnerships in remote areas, particularly the highlands.**, The main indicator of the extent to which this has been achieved will be the number of households in the highlands that are regularly marketing agricultural outputs to trading or processing enterprises.

**Targeting.** FAPP would be sector-wide project in as much as the institution building for the public sector in agriculture and incentives for the development of traders and processors are designed for the benefit of all small scale farming households in the country. In addition, the project would have a geographic focus such that, from among the entire rural population, it would concentrate resources on relatively poor communities in the highlands of Viti Levu, comprising approximately 2,000 households.

**Project components and outcomes.** FAPP comprises three complementary and mutually reinforcing sets of activities, grouped by type into components. These will be implemented under the aegis of the Ministry of Agriculture by *project implementation support* staff that will be embedded in the Ministry of Agriculture to coordinate and administer activities, including procurement, financial management, M&E and knowledge management.

Component 1: *Public sector capacity to support agribusiness* is concentrated on enhancing MoA capacity to promote private sector agribusiness in the context of the Ministry's thorough ongoing

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<sup>1</sup> The main in-country work was conducted in the period 3-25 November 2014 on Viti Levu. The final project design team comprised: Geoffrey Rockliffe-King (Team Leader), Andrew Shepherd (Private Sector & Financial Services Specialist), Heiko Bamman (Agricultural Enterprise & Marketing Specialist), Sakiusa Tubuna (IFAD Sub-regional Co-ordinator), Samba Bah (Financial Management Specialist) and Ms Blanca Amado (Economist and Financial Analyst). Ms Chase Palmeri (IFAD Regional Programme Manager) joined the exercise from 15 November 2014.

modernization drive. An effective Agribusiness Development Unit would be established. Component 2: *Assistance to SMEs working with smallholders* entails a scheme to provide incentives to existing agribusiness enterprises that are prepared to invest in expanding business with small scale farmers, particularly those in the highland target area. The ambition of Component 3: *Farming as a business for highland communities* is the reorientation of about 2,000 highland farming households from subsistence to production for profit in responding to increased real demand and sustained structural improvements in agribusiness value chains in the country.

FAPP would be implemented over four years (mid-2015 to mid-2019 inclusive), with the first half-year devoted to planning and preparatory activities, three years of investment and follow-up activities, and a final half-year winding down and (possibly) assisting with the design of project replication in other parts of Fiji. Project engagement with individual communities would extend over at least two full years, regarded as the minimum required to develop and consolidate the public-private partnerships and enterprise developments.

**Project cost and financing.** A four-year project implementation period is anticipated, from mid-2015 to mid-2019 inclusive. Total project costs are USD 6.05 million (FJD 11.67 million).

#### FAPP estimated costs by component

Project costs	FJD '000	USD '000	% forex	% base costs
1: Public sector capacity to support agribusiness	2,823	1,463	55	25
2: Assistance to SMEs working with smallholders	3,894	2,017	7	35
3: Farming as a business for highland communities	2,876	1,490	37	26
4: Project implementation support	1,663	861	56	15
<b>Total base costs</b>	<b>11,255</b>	<b>5,832</b>	<b>34</b>	<b>100</b>
Physical contingencies	129	67	35	1
Price contingencies	296	153	33	3
<b>Total project costs</b>	<b>11,680</b>	<b>6,052</b>	<b>34</b>	<b>104</b>

The project would be financed with an IFAD Loan drawn from the 2013-15 Performance Based Allocation System cycle (USD 3.52 million or 58.2%), the Government of Fiji (17.1%), participating national financing institutions (15.4%) and beneficiary contributions, in cash or kind (9.4%).

#### FAPP financing plan by component (USD '000)

Component	GoF		IFAD Loan		Financing Institutions		Beneficiaries		Total	
	amount	%	amount	%	amount	%	amount	%	amount	%
1. Public sector capacity to support agribusiness	530.0	34.4	1,009.3	65.6	-	-	-	-	1,539.3	25.4
2. Assistance to SMEs working with smallholders	4.1	0.2	612.6	30.2	932.6	46	480.0	23.7	2,029.4	33.5
3. Farming as a business for highland communities	50.3	3.2	1,434.2	91.3	-	-	86.2	5.5	1,570.7	26.0
4. Project implementation support	448.4	49.1	464.0	50.9	-	-	-	-	912.5	15.1
<b>Total project costs</b>	<b>1,032.8</b>	<b>17.1</b>	<b>3,520.2</b>	<b>58.2</b>	<b>932.6</b>	<b>15.4</b>	<b>566.2</b>	<b>9.4</b>	<b>6,051.8</b>	<b>100%</b>

**Project benefits and economic justification.** FAPP is expected to generate benefits for all the actors involved in the production, trade, processing and exporting of high value agricultural products, as well as for domestic consumers and the country as a whole. Key quantifiable benefits would accrue from: increased and more sustainable incomes for poor highland farmers; increased volume of sales and reduced transaction costs for fruit and vegetable traders, wholesalers, processors and retailers; increased export earnings, especially for organic ginger, organic banana and wild turmeric exporters; savings from import substitution for supermarkets, restaurants, hotels and domestic consumers; and revenue inflows for the GoF from additional income tax.

Economic analysis to calculate the overall benefits of the project to Fiji, using illustrative models and economic prices, presents a base case scenario for a 15-year period of analysis with an Economic

Internal Rate of Return (EIRR) of 23% and a Net Present Value of USD 2.4 million, discounted at 12%. This EIRR is satisfactory for a project of this type and can be considered conservative, since only some examples of project interventions have been accounted for in the benefit stream.

A sensitivity analysis conducted to assess the effect of adverse variations in benefits and costs (up to 30% cost increase or benefit decrease) and for various lags in the realisation of benefits (up to two years) yielded EIRRs ranging from 16% to 27%.

**Sustainability.** The sustainability of the flow of FAPP benefits, assuming technically appropriate investments, depends on a supply side response by farmers to increased cash demand for produce and the potential gains from raising productivity and entering formal agreements with SMEs entering niche markets, particularly for off-season food crops. The project approach is to develop the competence and confidence of communities to engage in agribusiness and to strengthen private sector commercial linkages, at the same time building up the capacity and institutional know-how of Government services to interact with farmers and value-adders as partners.

## Logical Framework

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
<b>Goal:</b> <b>Reduced hardship in remote rural communities.</b>	<ul style="list-style-type: none"> <li>Improvement of at least 20% in Household Dietary Diversity.</li> <li>Household assets ownership.</li> </ul>	Household Dietary Diversity Survey index. Impact Survey at completion.	Continued GoF commitment to poverty reduction. (A)
<b>Project Development Objective:</b> <b>Small-scale producers are engaged in sustainable farming and business partnerships in remote areas, particularly the highlands.</b>	<ul style="list-style-type: none"> <li>50% of households in the highlands regularly marketing agricultural outputs to trading or processing enterprises.</li> </ul>	Impact Survey at completion.	
<b>Outcome 1: Public sector capacity to support agribusiness.</b> Enhanced MoA capacity to promote private sector agribusiness.	<ul style="list-style-type: none"> <li>Traders, processors, exporters and farmers rate Ministry of Agriculture highly as a partner that enables growth of agriculture as a business.</li> </ul>	Progress reports. Questionnaires and surveys.	GoF policies support private sector-led economic growth. (A)
<b>Outputs:</b> <ul style="list-style-type: none"> <li>Agribusiness Development Unit (ADU) in Ministry of Agriculture</li> <li>Five well-trained agribusiness staff promoting private sector agricultural development</li> <li>150 trained extension staff better able to advise small farmers and small enterprises on agribusiness and related issues.</li> <li>Working partnerships between ADU, MOA the Fiji Chamber of Commerce and the Fiji Crop and Livestock Council</li> </ul>	<ul style="list-style-type: none"> <li>Agribusiness Unit is created and fully staffed with provisions for operating budget that are routinely included in annual MOA budget submission</li> <li>On-the-job training delivered by Senior Agribusiness Development Officer to at least 5 qualified MoA for not less than 2 years.</li> <li>Training delivered to 150 extension workers on staff in MOA on promoting agribusiness partnerships and farming as a business.</li> <li>Monthly meetings between partners to raise issues and exchange ideas on farming and agricultural business</li> </ul>	MOA budget and organigram  Presence of trained staff in unit  Progress report  Circulated minutes of meetings	Delayed recruitment of Senior Agribusiness Development Adviser. (R)   GoF remains committed to creating a conducive environment for agribusiness. (A)
<b>Outcome 2: Assistance to SMEs working with smallholders.</b> Strengthened linkages between SMEs and rural agricultural producers.	<ul style="list-style-type: none"> <li>30 viable enterprises are procuring agricultural products from 3,000 domestic producers presently not well served by private sector.</li> <li>45 enterprises accessing non-financial services facilitated by the project.</li> </ul>	RIMS surveys. Case studies.	Private investors interested in business partnerships with smallholders. (A)

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
<p><b>Outputs:</b></p> <ul style="list-style-type: none"> <li>• Mentoring programme for SMEs established.</li> <li>• Grants and loans being awarded to SMEs.</li> </ul>	<ul style="list-style-type: none"> <li>• 45 enterprises have completed the SME mentoring programme.</li> <li>• 30 matching grants awarded to SMEs.</li> </ul>	<p>Progress reports from service providers.          Project MIS.          Reports from banks.          Project MIS</p>	<p>Private investors interested in business partnerships with smallholders. (A)          Private investors interested in business partnerships with smallholders. (A)</p>
<p><b>Outcome 3: Farming as a business for highland communities.</b>          Reorientation of highland farmers from subsistence to production for profit.</p>	<ul style="list-style-type: none"> <li>• 920 highland farm households are newly engaged in profitable marketing of agricultural products.</li> </ul>	<p>Progress reports.          Case studies.          RIMS surveys.</p>	<p>Economic and social stability in target area. (A)          GoF prepared to partner specialist service providers. (A)          Continued maintenance of roads in highland areas to present standards. (A)</p>
<p><b>Outputs:</b></p> <ul style="list-style-type: none"> <li>• Highland communities preparing annual plans for Environmental &amp; Natural Resource Management.</li> <li>• Farm household members reporting increased income from commercial farming activities.</li> <li>• Farm household members that have adopted environmentally sound and sustainable production practices and technologies.</li> <li>• 920 people using crates or adopting new post-production practices in processing and marketing.</li> <li>• Facilitated grower-buyer meetings to identify success factors and make deals.</li> <li>• Planting material supply enterprises (including organic) in the highlands.</li> <li>• Participatory Guarantee Systems (PGSs) established for three crop groups.</li> </ul>	<ul style="list-style-type: none"> <li>• 26 highland communities trained by the project in the preparation of annual Community Development Plans.</li> <li>• 500 men and 300 women market vendors report have received training in agribusiness and entrepreneurship for "farming as a business".</li> <li>• 920 farm household members trained in environmentally sound and sustainable crop production practices and technologies.</li> <li>• 920 farm households trained in use of crates and/or other new post-production practices.</li> <li>• At least 920 farm households or farmers' groups having a stable business relationship with a trader.</li> <li>• At least 11 commercial nurseries established in the highlands.</li> <li>• 400 farmers benefit from organic and wild harvest certification.</li> </ul>	<p>Progress reports.          Reports from service providers.          Preparatory studies.          Project MIS.</p>	

## **I. Strategic context and rationale**

### **A. Country and rural development context**

#### **Country economic and social development**

1. Fiji is a country consisting of a group of 330 islands (of which a third are uninhabited) in the South Pacific. The country is located in the Tropics and north of New Zealand. Fiji has a total land area of 18,200 km<sup>2</sup> and a tropical climate with temperatures of 29-31 degrees Celsius. The cool season is from May to October and summer from November to April, during which period hurricanes and heavy flooding often occur.

2. The 2007 Census recorded a population of 874,271 with 51% living in urban areas and 49% in rural areas. Of the total population, 80% resided on the main island of Viti Levu, 16% on the second major island of Vanua Levu and just 4% on the Outer Islands.

3. Country economic and social development is currently driven by the Republic of Fiji (RoF) *Roadmap for Democracy and Sustainable Socio-economic Development 2010-2014* (RDSSSED), which sets out a strategic framework to achieve sustainable democracy, good and just governance, socio-economic development and national unity. The nation-building agenda emphasizes the strengthening of social capital, in particular the social cohesion and trust between all Fijian citizens including autochthonous/indigenous highland farmers (targeted in the present proposals) and non-autochthonous/immigrant traders and population groups that have settled in the country more recently.

4. In this context, the medium-term strategic focus of the RDSSSED is to strengthen good and just governance, raise economic growth and improve socio-cultural development. Priorities for economic development include maintaining macroeconomic stability, export promotion, import substitution, raising investment levels, making more land available for productive and social purposes, and enhancing global integration and international relations.

5. Fiji's main exports of sugar, fish, crude coconut oil, root crops, and horticultural crops are facing stiff international competition. The country is still importing many of its basic food requirements including rice, meat, milk, the needs of the tourism sector and around 90% of the food lines in the supermarkets. There is also a challenge to produce the feedstock for biofuels to reduce the country's high cost of petroleum fuel importation. As the agriculture and other natural resources sectors have contracted in their share of total economic activity, other sectors have expanded. Tourism directly or indirectly employed 40,000 people or 15% of the labour force in 2011 and contributed 17% of GDP. Bottled water is currently the most valuable single export commodity.

#### **Agriculture and rural development**

6. The RDSSSED emphasizes two strategic objectives related to the promotion of agriculture and rural development: improve the availability of and access to nutritious locally produced foods for poor and vulnerable rural households; and increase rural incomes from both farm and non-farm income-generating and employment opportunities.

7. In the past decade, the agriculture sector made an average contribution equivalent to 10.6% of Fiji's total GDP, declining from 16% in the 1990s to 9.2% by 2012. The sector employs close to two-thirds of the labour force. Recent challenges have included the decline in the sugar industry, inability to cope with trade liberalization, natural disasters, pest and disease outbreaks, export trade restrictions, political instability and inconsistent public sector support. Agriculture, forestry and marine ecosystems are under threat from increasing population pressure and the adverse effects of climate change.

8. Subsistence farming and sugarcane production have shrunk in the structure of the economy, while the shares of other crops (traditional food crops, tropical fruits, vegetables, spices, cocoa and coconut products) and livestock (beef, dairy, pork, poultry, goat and bee stocks) have increased to contribute an average of 6.8% of GDP over the past decade, indicating a gradual transformation from semi-subsistence to semi-commercial farming. These commodities make up 5% of exports by value but still account for 19.6% of total food imports.

9. Combining the imperatives to improve the nation's foreign trade balance and ensure food security for the whole population, the national goal envisioned in the recently formulated *Fiji 2020 Agriculture Policy Agenda* is to *build sustainable community livelihood through competitive exports and food security*. To this end, the sectoral policy objectives are to:

- build modern agriculture in Fiji as an organized system of producing, processing and marketing crops, livestock and aquaculture products;
- develop integrated production, processing, energy and transport infrastructure support systems for agriculture;
- improve delivery of agricultural support services;
- enhance capabilities to generate funds and investments through foreign investment, public-private partnerships (PPPs) and other innovative business arrangements; and
- improve project implementation and policy formulation capability within the Ministry of Primary Industries and its partner institutions.

### **Rural poverty**

10. RDSSD priorities for social development are reducing poverty to a negligible level, making Fiji a knowledge-based society, improving health service delivery, developing a common national identity and building social cohesion.

11. One third of Fiji's population lives in poverty (World Bank, 2011), with the incidence of rural poverty increasing between 2003 and 2008. Relative poverty is experienced by a big proportion of the population and this *poverty in paradise* is related to the socio-economic and political situation in the country. The high incidence of rural poverty has also been termed *poverty of opportunity* and attributed directly to the hardships that the rural population faces in marketing their produce and in accessing government services and other amenities more readily available in urban areas.

12. The main drivers of poverty in Fiji have been identified as household size, the presence of elderly people and children in the household, the education level of the head of household, female-headed households and the employment of the head of household. All five of these factors are more marked in rural areas. Rural household income increased by 10% from FJD 10,554 in 2002-03 to FJD 11,608 in 2008-09, but urban household income increased by 51% in the same six-year period, from FJD 15,267 to FJD 23,036. Rural indigenous Fijians produce only half of their food needs.

13. Changes in dietary patterns in rural areas have resulted in increased consumption of shop-bought processed foods and related increases in the incidence of non-communicable diseases. Local traditional foods have a short post-harvest life, and there is a trend for farmers to sell their produce and purchase substitute processed food for their families. The availability of domestic refrigeration is an important factor in countering this trend. At present, 77% of all rural households do not have a refrigerator but electricity is available in the majority of highland villages.

### **Gender dimensions**

14. There are continuing concerns that the majority of Fijian women are uninformed of their legal rights and so effectively barred from claiming, exercising and protecting those rights. The exclusion of Fijian women from decision-making mechanisms and processes at all levels has been a continuing concern for women's groups.

15. To work towards gender justice, Fiji has ratified the Convention to Eliminate Discrimination against Women (CEDAW 1979, UN) and signed up to the corresponding Millennium Development Goal (MDG) to *Promote gender equality and empower women*. Some advances have occurred in the legal, socio-political and economic status of Fijian women but the country may not meet its obligations on gender equality and the empowerment of women to either convention on time because of a lack of political will, limited resources and prevailing cultural attitudes and practices.

16. Under the *National Gender Policy* (Ministry of Women, 2014), GoF has committed itself to strengthen the position of women in agriculture, rural development and the environment. *Inter alia* this involves commitments to ensure the increased participation of women at all levels of decision making, to train men and women to understand the need for an equitable gender division of labour, to support the economic empowerment of women in the agriculture sector and to support women's access to factors of agricultural production including access to land and financial services.

## B. Rationale

17. Smallholder farmers in Fiji have good resource potential and a demonstrated willingness to produce marketable surpluses that would increase their incomes and reduce poverty. There is a strong demand for selected crops and other agricultural-based products from traders, processors, other market operators and in some cases exporters. However, in the current environment, value chains are underdeveloped and sustainable commercial relationships have failed to emerge. Producers face a number of technical and organizational constraints that keep them from realising their potential, while buyers face other constraints that keep them from domestic sourcing of the products they seek. As a result, importers step in to meet domestic demand for products that can be produced in-country. Consequently, local traders, enterprises and Fijian producers miss out on income-generating opportunities that should be within their grasp.

18. As noted above, the highlands of Fiji's main island of Viti Levu have a particular advantage in selected agricultural products over other producers in the country. This derives from their agro-climatic environment, in particular lower temperatures. At the same time, also due to their location, farmers are generally poorer than lowland producers. There is evidence of a widening income gap between highland and lowland communities and outmigration of youth is increasing.

19. The Government of Fiji (GoF) is committed to reducing income disparities and counteracting the negative trend towards leaving the highlands. It is seeking to improve incomes for these highland communities through investments to address the constraints on production and higher costs of doing business with farmers in remote areas. It is investing in physical access, telecommunications and social services, and seeks to promote **farming as a business** in the agricultural sector, generally, and highland communities in particular. GoF would like to achieve a rapid transformation from low-input/low-output "semi-subsistence" agricultural activities to a commercial industry built on increasingly efficient small-scale enterprises.

20. Selected investments in human capacity, enterprise development and institutions at several levels can strengthen value chains to overcome market failure and improve eventual returns to farmers. For small-scale farmers, basic skills in planning and resource allocation together with technical training can enable them to respond to market demand with an adequate quality and quantity of supply. At the same time, there are investments that can be made to help lower the costs of entrepreneurs doing business in matters related to the collection, handling, transport and packaging of outputs sourced from highland producers.

21. As part of its own core programme of economic and social development, GoF can support stakeholders in the agriculture sector by revisiting its roles in driving the modernisation process, the establishment of regulatory frameworks in which the private sector can flourish, and the reorientation of public sector resource allocations.

22. The combination of activities to be carried out under the Fiji Agricultural Partnerships Programme (FAPP), as set out below, can be considered a pro-poor Public-Private-Producer Partnership. The public sector, through the Ministry of Agriculture, would promote the development of private sector – farmer linkages.

23. In order to assist with this, FAPP would build up MoA's capacity to support agribusiness activities at both national and farm levels and through the provision of grant assistance to private sector organizations wishing to purchase produce from or supply inputs to remote farmers. The public sector, with project assistance, would also work with farmers to improve their technical and managerial capacity to supply the private sector with quality produce on a reliable basis. In return, market chain operators would develop linkages with farmers in geographical areas previously serviced poorly, particularly but not exclusively in the highland areas of Viti Levu. The farmers' role in the extended partnership would be to use the training and other support they receive to work with the private sector and to contribute from their end to lasting, trust-based relationships to ensure that the linkages can be profitable for all concerned.

## II. Project description

### A. Project area and target group

#### Project area

24. FAPP would be sector-wide in scope, working for the potential benefit of all small-scale and semi-subsistence farming households in the country. Most smallholders live on Viti Levu or Vanua Levu, the largest islands, and stand to gain from increased domestic trade in agricultural produce that would result from greater efficiency in value chains within a small economy.

25. Within the rural population, the project would concentrate resources on relatively poor communities located in the interior of Viti Levu to enable them to engage profitably in national agribusiness expansion. The area-based activities would be take place in the highlands (elevation exceeding 450 metres above sea level) within seven districts of the Provinces of Ba, Nadroga/Navosa and Naitasiri, (see map above and Appendix 2, Table A. 2.1). The selected districts are relatively poor but have sufficient transport infrastructure and population density to exploit climatic conditions that would favour the development of agricultural businesses for selected crop varieties.

#### Target groups

26. The target group for the area-based activities of the third component is comprised of the some 2,000 households of an average of about five persons who live in the selected highland districts. Most have their own food gardens, but these are located on communally owned land, often quite distant from their place of residence. They tend to plant less than ¼ acre (0.1 ha) of vegetables as part of cropping rotations which involve staple root crops (cassava, sweet potato and yams), cash root crops (*dalo* and *yaqona*), fruit (banana, plantains, pineapple, citrus etc) and staple leafy greens (*bele* and *rourou*).

27. For the most part, they live in traditional villages that are governed by chiefs and Native Village by-laws that guide meetings, village activities, community development, and expected contributions to and responsibilities for community welfare. Discrimination by gender and age is strong in village and household decision-making. While most villages have access to clean water, some form of electricity, and mobile phones, basic health and education facilities are often located at considerable distances.

28. In Fijian society, it is not appropriate to stigmatise a household as poor (*dravudravua*). However, some are referred to as facing “hardship” (*bula dredre*). These relatively disadvantaged households are estimated to be approximately 30% of the total.

29. In addition to the targeted farmers living in the selected highland districts, the project would generate benefits for a much larger constituency of small-scale primary producers throughout the agricultural sector. The owners, operators and employees of up to 45 SMEs (about 225 people) would also benefit from project support to the strengthening and scaling up of their businesses expressly to increase real demand for agricultural produce from the targeted highland farmers and other small-scale producers nationwide. At full development, the expanded SMEs would be procuring agricultural products from around 3,000 small-scale farm households.

### B. Development objective and impact indicators

30. The overall goal of the Fiji Agricultural Partnerships Project is **reduced hardship in remote rural communities**. The key indicators gauging the achievement of this objective would include an improvement of at least 20% in the Household Dietary Diversity score and a substantial increase in the Household Asset Ownership index.

31. In pursuit of this goal, the Project Development Objective is **Small-scale producers are engaged in sustainable farming and business partnerships in remote areas, particularly the highlands**. The principal measure of progress towards this objective is, “50% of households in the highlands regularly marketing agricultural outputs to trading or processing enterprises”.

### C. Outcomes/components

32. FAPP comprises three complementary and mutually reinforcing components that respond to the principal identified constraints of (1) inadequate household incomes in remote rural communities,

particularly in the highland interior of Viti Levu, (2) poorly developed national value chains for food and other crops grown by smallholders, and (3) a disadvantageous balance of trade for Fiji in several agricultural commodities that can be produced within the country. The interventions are congruent with current GoF policies to promote agribusiness as an important mechanism to reduce both income disparities and rural poverty.

33. The three components will be serviced by designated *project implementation support staff* embedded in the host GoF agency with responsibilities for coordination, administration, financial management, procurement, M&E and knowledge management functions.

34. The common themes running through the design of these initiatives are:

- *social capital accumulation*, as the foundation of sustainable community development;
- *partnerships*, between the public and private sectors as well as between enterprises and producers within the private sector;
- *value chain development*, whereby all operators share a common interest in sustained success;
- *sound business principles*, founded on prudent planning and the imperative for enterprises to remain solvent; and
- *learning-by-doing* as the best way for public servants, budding entrepreneurs and other stakeholders to acquire skills and experience.

35. The following sections present the scope, scale and implementation modalities of FAPP. The three substantive components would focus on:

- capacitating MoA services to drive agribusiness growth in the country and maximizing the proportion of domestically-consumed agricultural produce that is grown by Fijian farmers;
- improving the poorly developed domestic and export agricultural value chains that currently generate very low real (cash) demand for the output of rural producers; and
- developing the productive base of the highland rural economy, thus enabling poor households to progress from semi-subsistence towards commercial agriculture through skills development and by mobilising their own and communal resources.

## Outcomes

36. Together, the interventions are intended to result in a substantial number of relatively poor farm households reporting increased productivity and profitability, and an increased proportion of national demand for foodstuffs and agricultural products being met by Fijians. Providing highland farmers with the means to respond to increased marketing opportunities, and thereby more income and food security, is regarded as one important measure to address the inequalities and friction between groups in the country.

37. A salient feature of FAPP would be the strengthening of GoF's internal capacity to plan, monitor and evaluate investments and interventions in the sector, and to generate and use knowledge products for evidence-based policy dialogue.

38. Component 1: *Public sector capacity to support agribusiness* is concentrated on enhancing MoA capacity to promote private sector agribusiness in the context of the Ministry's thorough ongoing modernization drive. Component 2: *Assistance to SMEs working with smallholders* comprises a targeted investment scheme to accelerate the expansion of agribusiness enterprises and to strengthen the linkages between SMEs and rural agricultural producers. The ambition of Component 3: *Farming as a business for highland communities* is the reorientation of highland farmers from subsistence to production for profit in responding to increased real demand and sustained structural improvements in agribusiness value chains in the country.

### **Component 1: Public sector capacity to support agribusiness (USD 1.54 million, 25.4% of total project cost)**

39. The central theme of the policy agenda of the MoA is now the promotion of "agriculture as a business", through the transformation of the small-scale sector from semi-subsistence to commercial production, thereby increasing substantially the potential for small farmers in Fiji to meet the very real demand for food crops and export produce that can be grown profitably by them. The nation's

approach is now consistent with the prevailing view that private sector operators should be expected to respond to the changing patterns of costs and incentives in real markets in deciding how to apply their resources and effort to the production and value addition of food and other crops. To this end, FAPP would support GoF in facilitating the growth of the private sector in the agricultural and horticultural crop sectors, addressing the public environment for agribusiness and the widening and deepening of agricultural value chains through initiatives, promotions and partnerships.

40. FAPP would assist MoA to promote effective policies, to link more effectively with the private sector, to advise farmers on agribusiness matters and to ensure an appropriate regulatory environment for agribusiness and related foreign trade. In the process, FAPP would embed the capacity to carry out such work in the future. Though designed with the particular conditions of the geographic area targeted by Component 3 in mind, these activities would address constraints impeding progress across the whole agricultural sector.

41. *Enhancement of institutional capacity of MoA to promote private sector agribusiness.* The technical profile of the Ministry is still lacking the advanced skills and resources to drive the private sector development process. FAPP would consolidate and extend the technical and managerial capacity of public sector cadres to discharge effectively their dual modern roles of regulating and promoting agribusiness to the benefit of the sector at large. As part of the ongoing re-orientation of public services to develop and support private enterprise, it is recommended that MoA concentrates agribusiness-related resources in a permanent functional unit mandated to: analyse sectoral value chain issues; consult widely and inform management on proposals for policy refinement; and bring about a conducive agribusiness framework fit for purpose in Fiji. FAPP would support the establishment, capacitation and running of such an *Agribusiness Development Unit* or similar focal point within MoA structures.

42. *Issues to be addressed by the Agribusiness Development Unit (ADU).* The ADU would support the private sector in areas such as marketing, agribusiness, farm management and post-harvest handling, thereby facilitating supply chains and the conduct of business. Domestic agricultural marketing development, international trade, including the all-important question of quarantine, and agro-industry development would be supported by skills upgrading as well as the identification of constraints and ways of overcoming them. The ADU would seek to identify ways of promoting improved linkages between intermediaries (the so-called "middlemen", although many are women) and farmers. It would develop a capacity to advise farmers and farmer organizations on marketing and business; would identify and promote market infrastructure requirements consistent with the clearly expressed needs of the relevant value chains and would carry out or commission market studies. Finally, it would promote communication both within and between value chains.

43. *Upgrading of extension staff skills in agribusiness.* The project would carry out training for MoA extension staff, as well as staff of relevant NGOs and others. Some private companies are also beginning to offer extension services to small farmers and this training could also be made available to their staff. The training would address the broad topic of value chains and how to analyse and upgrade them. It would draw heavily on a new manual prepared specifically for the Pacific Islands and published by CTA and the Secretariat of the Pacific Community (SPC). Use would also be made of FAO guides on marketing extension and other relevant materials. For example, training using a guide on marketing costs would address a common cause of mistrust between farmers and traders related to a lack of understanding of the reasons why retail prices are so much higher than prices paid to farmers. Extension staff often share this misunderstanding. Training using a guide on market information would assist officers to advise farmers on how to interpret price information already provided by MoA's market information service.

44. *Refinement of the public sector framework (policies, procedures, regulations) for the domestic business and export trade of locally produced agricultural products.* The aim should be to facilitate trade rather than restrict it. However, the policies related to the food and agriculture sector extend beyond the remit of MoA, with overlapping concerns including, *inter alia*, health, nutrition, the environment, land use, cyclone response, welfare, employment, affordable commercial investment funding, tax revenues and foreign trade. A particularly important issue to be faced in the coming years is the potential impact of the new Food Safety Act and the ability of all in agricultural trade, both for export and the domestic market, to adjust to the requirements of that Act. MoA is encouraged to take the lead in the articulation of a coherent public sector framework for the business and trade of domestically produced agricultural products.

45. Studies would be carried out in order to facilitate the preparation of evidence-based policy recommendations on issues such as quarantine, food safety and linking farmers with the tourism industry. Where studies and consultations indicate that it is required, MoA would promote the orderly revision and updating of statutes and regulations related to agricultural value chains and foreign trade. A particular concern would be the impact of regulations and other legal and procedural issues that may currently be creating barriers to entry for small-scale producers and traders.

46. *Generation of knowledge: value chain mapping of products grown by smallholders.* MoA would carry out or commission a systematic audit of the structure, turnover and constraints facing the value chains of significant agricultural products in the country, particularly those produced mainly by smallholders. The knowledge generated by this mapping exercise is intended to be forward looking, to identify market opportunities that can be translated into increased demand for the produce of smallholders. The value chain mapping and analysis would be conducted within the first year of FAPP implementation and capacity of the MoA would be developed to replicate it on a regular basis

47. *Creation and operation of technical working groups.* In future, it is likely that operators, service providers and value adders in the major value chains, comprising generic categories as well as single commodities, would form common economic interest groups that progress gradually into trade associations that seek to influence policy and offer multiple services to their members. To expedite this constructive process, MoA would collaborate with the Fiji Crop & Livestock Council (FCLC) and its planned constituent member associations and with the Fiji Chamber of Commerce & Industry to facilitate discussions between industry groupings. Such initiatives would be focused on enterprises, GoF technicians, farmer organizations and NGOs. Key partners would include the hotel/restaurant industry. It is envisaged that the private sector would assume rapidly the ownership and leadership of the associations, with MoA collaborating with the FCLC to provide support and advice as a reliable partner as and when asked. Regular meetings of these sector associations would be supported.

48. *Private sector information exchange promotion.* On a case-by-case basis, if requested by an association, MoA would sponsor the exchange of practical experience and “know-how” between enterprises engaged in similar work in selected value chains. Such peer-to-peer exchanges wholly within the private sector would build on the networking of the associations within Fiji.

The expected outputs of Component 1: *Public sector capacity to support agribusiness* would be: (a) an effective proactive unit operational within MoA driving agribusiness expansion; (b) five GoF officials trained on the job and through specific training opportunities; (c) completed studies as the basis for a coherent and supportive agribusiness policy approach; (d) MoA staff trained to support the development of an enabling public structural and financial environment for private sector agribusiness; and (e) value chains supported to accelerate the formation of trade associations related to agribusiness.

## **Component 2: Assistance to SMEs working with smallholders (USD 2.03 million, 33.5% of total project cost)**

49. The second component would seek to improve the conditions of doing business in the agricultural sector with small-scale farmers. It would give priority to addressing the constraints faced by operators buying from highland communities in Viti Levu to complement the investments in Component 3 designed to improve farmer skills and market linkages. The component is designed to facilitate increases in primary production and marketing activities by farmers in remote areas by lowering the initial investment costs of enterprises ready and willing to purchase their outputs or otherwise do business with them in relation to farming and agricultural production.

50. FAPP would support GoF in accelerating the growth of the so-called “missing links” along the agricultural and horticultural crop market chains, including input suppliers, traders, transporters, processors, wholesalers, retailers and exporters as well as the all-important primary producers themselves. By driving up efficiency and productivity in these national value chains, Fiji’s producers should become more competitive with foreign suppliers and all domestic smallholder producers should benefit from increased volumes of business.

51. At the present state of development, value chain operators may lack the skills and know-how to expand their enterprises or not have sufficient incentives to do business with farmers in remote areas even if partly motivated by corporate or social responsibilities. FAPP would finance an innovative GoF initiative to expand individual small- and medium-scale enterprises that want to improve market linkages with small-scale farmers. This would comprise a programme to mentor participating SMEs

and a scheme to provide matching grants to SMEs interested in accessing financial services from private banks to expand targeted operations.

52. *Business planning and management mentoring support for the expansion of individual enterprises.* The MoA Agribusiness Development Unit would offer a voluntary scheme to strengthen the business capacity of SMEs seeking to start or scale up operations in sourcing produce from or supplying inputs to small-scale farmers.

53. Mentoring is likely to entail a period of intensive on—site professional support to the entrepreneur/s, centred on the development of a robust business plan for the scaling up and the subsequent implementation of the plan including, if needed, an application to an appropriate institution for affordable investment finance. Elaboration of the business plan would be a necessary but not sufficient condition for access to grant funding under FAPP. Each beneficiary would receive up to fifteen days of individual mentoring and advice on their business expansion project and its subsequent implementation. Provision has been made for 45 SMEs to be mentored over the first three years of FAPP. If some SMEs require less mentoring support, additional organizations could be accommodated.

54. With the guidance and assistance of the Senior Agribusiness Development Adviser, MoA would realize the enterprise mentoring support scheme by advertising the opportunity for small and medium scale enterprises planning to expand business in the agricultural sector with small scale producers. FAPP would contract competent agencies to supply mentors with a strong business background, not necessarily related to agriculture, to deliver the business advisory services. MoA would oversee the scheme, in particular by monitoring the quality of the advice and support provided.

55. *Incentive scheme to capitalise the growth of enterprises increasing directly the potential purchase of produce from small farmers.* FAPP would support an MoA scheme to provide matching grants, which would meet up to 25% of a planned investment, to SMEs interested in accessing financial services from private banks to expand targeted operations and seek out new suppliers. Possible uses of the investment capital raised may include a vehicle to enable the SME to access remote farming areas, other infrastructure to promote improved market-oriented production, operating capital or support for a contract farming venture.

56. The criteria for eligibility for a matching grant would be that the recipient will use the funds to expand business with small-scale farmers. Funds would be allocated on a first-come first-served basis. In order to receive the grant a business would have to have: (i) approval of the loan financing for the selected activity from the participating bank, according to the bank's own lending criteria; and, (ii) evidence of a contribution of own equity equal to at least 25% of the total value of the investment for which funds are being borrowed. As requests are received, priority would be given to businesses making proposals related to the highland areas covered under Component 3 and other remote areas. Commercial banks would conduct their loan appraisals according to their own procedures, ensuring that applications meet fully the FAPP criteria. The loan may constitute up to 50% of the total cost of the investment and the borrower must contribute equity equal to at least 25% with a matching grant of an amount equal to the borrower's equity contribution. It is expected that the total cost of the investment package required by applicants, including equity and grant components, would range from FJD 40,000 to FJD 200,000, translating into matching grants of FJD 10,000 to FJD 50,000.

57. The expectation is that the market linkages developed as a result of the grant support would be profitable for both intermediary and the farmers, would lead to long-term trust-based relationships and, as a consequence, subsequent capital replacement and other reinvestment can be carried out on commercial terms.

58. The simple single eligibility criteria and the relative proportion of the grant 'incentive' in the total business proposal and the institutional arrangements of the scheme would be based on the experience of IFAD and the World Bank in the Solomon Islands Rural Development Programme, (RDP). There the Australia and New Zealand Bank (ANZ) successfully increased its own business while lowering its risk through association with the project. As in the case of RDP, the participating banks in FAPP would identify qualified applicants and deliver matching grants at no cost to the project. Both ANZ and the Bank of the South Pacific, (BSP) have confirmed their interest in participating in the programme. Others such as Westpac bank may also engage. Relevant staff from ANZ in Honiara would be invited by the Agribusiness Development Unit to brief participating banks in Fiji.

59. The expected outputs of Component 2 *Assistance to SMEs working with smallholders* are: 45 enterprises accessing non-financial services facilitated by the project; and trained to develop stronger technical and financial management capacity to enable them to add value to products grown by smallholders in Fiji. Some ten of these SMEs are likely to be doing business with farmers in Component 3 highland areas. Some 30 enterprises would receive matching grants to compliment their own investments to expand agribusiness activities with small scale producers.

**Component 3: Farming as a business for highland communities (USD 1.57 million, 26.0% of total project cost)**

60. In harmony with existing cultural norms and mutual support systems within communities, FAPP would support interested and active farmers in the selected highland areas to engage with markets by providing technical advice and skills development to improve cropping systems and, particularly, to strengthen all aspects of conducting a farming business. The project would be open to facilitate any proposal with a sound business plan emanating from operators within the target area or further along the value chain, which would take advantage of the particular agro-climatic conditions.

61. On the production side, the project would promote the revitalisation and enhancement of traditional farming skills and knowledge. All technologies recommended would be ones that improve the management of natural resources and explicitly increase resilience to climate change. Emphasis is likely to be placed on the promotion of organic agriculture technologies. FAPP would facilitate discussions between entities contributing to highland agricultural development and related activities and between farmers and local enterprises involved in agricultural value chains.

62. FAPP village and community level staff would seek to reduce constraints and gaps in farmer support services by helping to forge partnerships with the private sector and identifying ways to reduce the transaction costs of farmers who are dependent on distant suppliers and market outlets. Community Facilitators appointed under the project would play an important subsequent role in following up initial meetings with potential buyers and assisting farmers to coordinate supply. FAPP would also support traditional marketing practices.

63. *Highland community empowerment.* Most rural highland village farmers live in traditional villages with their own administrative and leadership structures and lack information about available services let alone access these services. In this cultural environment, functional well-led communities are the key to the mobilization of the human and land resources that are necessary to make a successful transition from semi-subsistence to commercially orientated agriculture. Community members need to assess critically and understand the dynamics of the situation in which they live and require an understanding of good leadership skills and governance, resource management and planning, gender disparity and related justice issues, and environmental sustainability.

64. Due to improvements in infrastructure, the highlands are now more accessible and therefore more attractive as potential supply areas for agribusiness companies. The most critical factors to achieve business exchanges between these buyers and producers are a consistent supply of quality produce grown by highland farmers, with quantities large enough to attract buyers to these remote locations. Farmers have to become organised to coordinate their production and farm plans and to supply the same market. This requires a marked mindset change to their traditional 'growing and selling' practices and a willingness to collaborate amongst themselves and with buyers.

65. FAPP would assist communities to make the transition from semi-subsistence to commercially oriented agriculture in two broad areas: the mobilisation of resources in highland communities; and the planning and management of those resources. Village communities would be concerned directly with the planning, implementation and subsequent monitoring and evaluation of their farming and resource use, and empowered with training in leadership, planning and management skills. An annual Farmers Forum would bring together farmers engaged in the project, for M&E purposes, to share experiences, discuss challenges faced, and identify the best ways to move forward towards achieving their desired outcomes. In sum, the activities would form a substantial investment in local social capital, enabling villagers to take up opportunities for individual advancement and communal uplift.

66. The expected outputs of *Highland community empowerment* for 26 existing villages or clusters of villages are: commitment to engage with the project as full implementing partners; Community Facilitators for each village or cluster identified, recruited and trained; skills transferred in leadership, good governance, community planning, gender awareness, nutrition and dietary choices, resource

management and environmental sustainability; Community Development Plans in place; and vernacular training materials produced to be used by other providers in other communities.

67. *Farming as a business.* Most households in remote highland communities are semi-subsistence farmers who do not farm as a business. They lack skills in planning, budgeting, saving and investing and have a limited understanding of how value chains function. Inadequate business knowledge puts the farmers at a significant disadvantage as they endeavour to move towards income generation through commercial agriculture. On the demand side, there are potential buyers that are seeking to increase their supply of crops that are grown or potentially grown in the highlands. The project would facilitate and establish linkages between the farmers and buyers.

68. FAPP would transfer “farming as a business” skills to target farmers in the highland areas utilizing a non-formal adult education approach that may include farmer field schools, farmer business schools or other forms of group learning. Training would cover all aspects of farm enterprise management for the market, including enterprise planning, budgeting, savings and investment, record keeping, product pricing, customer relations and product presentation.

69. Beyond theory, FAPP would facilitate the establishment of enduring relationships between producers and value chain operators for commercial farmer-to-market linkages. This activity would combine training with meetings between the value chain actors. Interested companies and individuals would be invited to visit farmers in the project area to discuss possible collaboration and to identify critical factors (including consistent supply of quality produce, minimum quantities at agreed prices, and compliance with documentation requirements for GAP certification), which have to be in place in order for buyers to procure produce regularly.

70. Special attention would be given to women vendors who travel to retail markets to do direct marketing of outputs. They would be trained in how to improve their marketing and business activities. On a separate issue, in the light of nutrition problems in Fiji, they would also be given some training in nutrition education in the light of their role in household food consumption.

71. The expected outputs of *Farming as a business* are: 500 farmers trained in business skills and financial literacy; 300 farmers assisted to prepare three-year business plans; 300 women market vendors trained in women’s economic empowerment and business literacy; user-friendly training materials produced on business and financial literacy; and 500 farmers trained to understand how the value chains in which they operate function and to have a practical knowledge of key concepts.

72. *Technology transfer for increased productivity and profitability.* Favourable agro-ecological conditions exist in the highland areas for the production of a number of off-season horticultural crops such as tomatoes, capsicum, cabbage, ginger and citrus. Furthermore, *dalo*, ginger and bananas find favourable conditions in some highland zones, but due to the sloping terrain require agro-forestry types of production systems for sustainable cultivation and climate change resilience. For smallholder farmers to benefit from this comparative advantage to improve farm profitability requires the adoption of appropriate, environmentally sound and climate change-resilient technologies, as well as effective farm management.

73. The project would promote the revitalisation and enhancement of traditional farming skills and knowledge, with the transfer and promotion of appropriate technologies and farm management skills using a peer-to-peer technical knowledge-sharing approach. The implications of production choices on household food supplies and family nutrition would be raised during training activities with men and women. The scope of the technology transfer programme would be based on the outcomes of the grower-buyer meetings. Important technology transfer issues for the highland target area would include the following.

- Expanded use of vegetable seedlings rather than traditional direct-planting methods, possibly through a cost-sharing scheme.
- Introduction or reintroduction of improved germplasm for fruit with identified market potential that can take advantage of environmental conditions.
- Establishment of farmer group-managed planting material supply enterprises with training and material support.
- Establishment of planting-material supply enterprises for organically certified bananas and “baby” ginger, with demonstration sites to promote the use of an integrated crop management package of practices for pest and disease control.

- Demonstration sites to promote low-cost protective cropping structures at the farm level.
- Training in post-harvest handling of vegetables to minimise wastage.
- Technical knowledge sharing between farmers to improve resilience to natural hazards and climate-related deterioration of natural resource productivity through the promotion of soil conservation, soil fertility management and traditional horticultural knowledge.

74. The expected outputs from *Technology transfer for increased productivity and profitability* are: 200 farmers trained to become commercial off-season vegetable farmers and 500 farmers trained to become semi-commercial off-season vegetable farmers; twenty farmers trained to become commercial and 200 farmers trained to become semi-commercial fruit tree growers; ten MoA Extension Service Officers trained in appropriate highland farming technologies; four commercial seedling enterprises and 25 farmer and farmer group-managed small-scale seedling nurseries established; and five planting material supply enterprises supported to be established for organically certified ginger and two for organic bananas.

75. *Certification systems (organic/wild harvested) for highland farmers.* There are enterprises in Fiji that want sources of organically certified or wild-harvested certified products, including organically certified “baby” ginger and bananas, and certified wild-harvest turmeric. These crops are well suited to the agro-ecological conditions and prevailing smallholder farming systems of the highland areas, and a significant number of poor farm households could benefit. FAPP would provide the required technical assistance and internal controls for participatory certification and good market access and sustainable commercialisation of these products by replicating and scaling up the recent experiences of the IFAD-supported Pacific Organic and Ethical Trade Community (POETCom), where farmers in parts of Fiji are successfully expanding the production of organically certified virgin coconut oil and papaya for export.

76. The expected outputs of *Certification systems (organic and wild harvested) for highland farmers* are: farmers supported to put in place market-recognised certification systems to permit higher returns to producers; 50 growers trained to be able to produce up to 500 mt per year of organic certified ginger in an environmentally sustainable fashion; 50 growers trained to produce up to 2,000 mt per year of organic certified bananas: and 300 village-based farmers trained to harvest up to 1,000 mt of wild-harvest turmeric from the project area and adjacent locations.

## D. Lessons learned and adherence to IFAD policies

77. **Country performance.** Since 2004, IFAD’s commitment to Fiji has been manifested largely through its inclusion in a number of small regional grant programmes, including IFAD sponsorship of WTO Roundtable Meetings and of regional certification standards for organic agriculture. Fiji has benefitted from two recent IFAD initiatives, namely, a regional grant to the *Mainstreaming of Rural Development Innovations* programme (MORDI) and a national grant to the *Partnership in High Value Agriculture* project (PHVA).

78. *MORDI* was a two-phase large regional rural development programme completed in 2011 that was grant-funded for a total of USD 3.5 million over six years in Fiji, Kiribati and Tonga. The goal of the programme was to contribute to sustainable improved livelihoods for vulnerable communities, especially youth and women, living in remote rural areas of Pacific Island Countries. The main objectives of MORDI were to strengthen the cohesion and institutional capacity of target communities, increase employment and sustainable livelihood opportunities, especially for youth and women, document and share learning experiences from best practices and innovations, and establish sustainable approaches that enable remote rural communities to link with policy and planning processes.

79. MORDI worked with 32 communities (comprising 619 households and a target population of 3,447) and developed 27 Community Development Plans (CDPs) from which 23 project proposals were approved for support from a Community Support Fund. Progress was hampered by *weak planning cycles*, but MORDI registered successes with:

- the *negotiation of high quality CDPs* that proved good enough to inform stakeholders on priority issues;
- linking communities with policy and planning processes at all levels; and
- *mobilizing partnership support* for the implementation of CDP activities.

80. *Partnerships in High Value Agriculture.* The ongoing PHVA initiative was designed to build on the successes of MORDI and pave the way for an eventual lending programme in the country by piloting a small number of interventions to explore new approaches around community development and the commercialisation of high-value fruits and vegetables. PHVA is being implemented by the Fijian NGO Partners for Community Development Foundation (PCDF) with a grant of USD 500,000 over two years. The project objective is that at least 200 participating farm households in three relatively remote highland districts in Viti Levu would have increased returns from high value products.

81. The two PHVA activity areas are: *Production and Marketing of High Value Crops* (Identification and formation of farmer groups, Training of farmers, Community facilitation and Establishment of a commercial seedling nursery); and *Market Linkages and Facilitation* (Market research, Value chain assessments, Market linkage activities and Pilot credit scheme).

82. Since PHVA inception in March 2013, efforts have been made to link farmers effectively to markets and to market operators. Community facilitation activities have included the establishment of social/organization profiles, resource/group potential assessment, promotion of community awareness and understanding the project's goal, the activities, roles and responsibilities of participants in the project, the identification of interested and active farmers, and the formation and strengthening of farmer groups. To date, approximately 103 farmers have been profiled into a database and seven groups of about ten farmers have been formed and registered. Average land area per farmer is around two acres and they plant a wide range of vegetables including tomatoes, capsicums, lettuce and celery. About 100 farmers attended training on Vegetable Production Techniques and a further 96 farmers on Farm Business Management.

83. **Lessons learned.** A successful characteristic of recent IFAD-financed operations in Fiji has been the inclusion of innovative pilot interventions with potential for scaling up. In this way, IFAD has sought to accumulate know-how and experience to minimise any risk of future project failure.

84. As observed in the IFAD *Sub-Regional Strategic Opportunities Paper for the Pacific Islands 2013-2017* (SRESOP), many lessons have emerged from past donor-supported projects and from experience implementing interventions in rural economic uplift. Some of the most pertinent follow, firstly concerning *production and marketing*.

- Most value chains comprise multiple interdependent operators, from primary producers to ultimate consumers. In a commercial environment, all operators in the chain have to profit from their contribution; everybody wins or everybody loses.
- For the farmers, the key player is the first link in the chain, i.e. the entrepreneur prepared to invest in the marketing of specific commodities within increasingly formal contract arrangements with primary producers.
- Agricultural value chains in Fiji are poorly developed, which is consistent with the reluctance of entrepreneurs to depend on service providers and value-adders not under their direct control.
- Difficulties are often experienced by traders in dealing with the village sector in ensuring continuity and quality of supplies. Subsistence farmers tend to supply the market only when they need cash to meet a pressing financial obligation.
- Farmers are often encouraged by the MoA to produce crops without a clear understanding of market prospects. In the modern era, all production needs to be aligned with market demand to ensure success and sustainability.

85. Secondly, experience with implementation modalities for agribusiness development has revealed the importance of capacitating both agencies and participating enterprises to generate and implement robust plans.

- GoF agricultural policy is aimed at "farming as a business" and the transformation from low-input/low-output subsistence activities to a commercial industry built on increasingly efficient small-scale enterprises. There is a need to reconfigure and strengthen public services to drive the modernisation of the private sector.
- Government, NGOs and other service providers can work in partnership but there is a need for flexibility and adjustments by all parties and specific technical training.
- The engagement of NGOs as independent project implementers does not enhance the capacity of Government agencies in the longer term.

- Supplying technology and training to smallholder farmers is not sufficient to boost profitable production. Long-term commitment to technological support and solving unforeseen problems is needed.
- Group enterprise mobilisation is most appropriate when (1) groups scale up production to meet increasing market demand and (2) individual farmers are rewarded for their individual efforts and responses to incentives by planning, assembling the necessary resources and applying effort in their own enterprises.

86. Finally, useful lessons have been learned about external initiatives to promote agribusiness and social development in the distinctive conditions of remote villages in Fiji.

- Considerable experience in IFAD community development interventions confirms that empowering the poor and disenfranchised should be seen as a means to bring about concrete social and economic returns and increase household incomes.
- It is important to place the community at the centre of development initiatives, to ensure that sustainable progress is within the capacity and social/cultural context of each community and to capitalise on traditional knowledge and customary practices.
- When using group modalities in community empowerment, it is necessary to build capable local organizations to ensure the sustainability of interventions.
- Mainstreaming gender is an important part of development projects that requires special attention and effective support mechanisms.

87. **Adherence to IFAD policies.** The design of FAPP is aligned to all relevant IFAD strategies and policies, including: *Strategic Framework 2011-15; Targeting Policy – Reaching the Poor; Gender Strategy; Climate Change Strategy; Environment & Natural Resource Management Policy; Policy on Supervision & Implementation Support; and Environmental & Social Assessment Procedures.*

88. In order to ensure that IFAD's project benefits reach the poor and food insecure, target groups have been defined, a targeting strategy developed and means of operationalizing that strategy integrated into FAPP design and implementation modalities. The project approach is geared to real Fijian conditions and cultural norms, including prevailing gender roles. Measures include direct consultation of women in intervention planning and implementation. The project features proactive community mobilisation and the generation of participatory modalities of community economic and social development.

89. In the Fijian context and within the framework of limited recent IFAD experience in the country, a number of measures and mechanisms would be implemented for ensuring the involvement of women and youth, including:

- the selection of service providers with proven capacity in working with women;
- the holding of separate sessions with women and youth to ascertain their opinions and needs;
- preferential access for women to appropriate activities on a demand-driven basis;
- the integration of gender mainstreaming responsibilities into the terms of reference of all project staff as a principle to be respected; and
- the gender-disaggregation of project M&E and knowledge management systems to enable lessons to be learned on how to support women's social and economic empowerment.

However, many of the agribusiness and environmental objectives of the project would benefit whole households rather than individual members, and so gender-disaggregated data is not necessarily appropriate, except for the crucial issue of access to productive resources (land).

### III. Project implementation

#### A. Approach

90. FAPP design is founded on the following guiding principles:

- *scaling up*: building on and scaling up of successful interventions from MORDI, PHVA and other interventions in the country and elsewhere;

- *purposeful planning*: agricultural development is founded on effective participatory planning to ensure financially and ecologically sustainable benefits;
- *resilience to and mitigation of the negative impacts of climate change*: technologies promoted to improve farm profitability will be environmentally sound and climate change resilient;
- *a market-led approach*: production and supply are driven by effective market (cash) demand;
- *demand-driven implementation*: the farmers and enterprises are regarded as the owners and managers of supported activities, rather than as the passive recipients of material benefits.
- *focus on farmers' organizations*: increasing smallholders' productivity and share of the total value-added in the markets;
- *strong institutions and linkages within the food crop and horticultural value chains*: linking producers, credible service providers, transporters, processors, dealers, financial institutions and consumers;
- *an enabling environment for agribusiness*: contributing to an improved policy and regulatory framework; and
- *inclusiveness*: addressing the needs of marginalized and vulnerable groups and ensuring that they benefit from project interventions.

91. FAPP would address gender issues systematically, (see Table A.12.2 in Appendix 12), with measures including:

- *gender mainstreaming*: focusing on women's and men's interests, participation and benefits in the project design, implementation and management.
- *targeted capacity building*: responding to the particular needs for technical and business skills transfer for women and youth;
- *balanced governance*: ensuring women's participation in the leadership and decision-making of groups and local structures;
- *gender awareness*: professional training for all FAPP staff and implementing partners;
- *effective frontline staff*: selecting service providers with proven capacity in working with women, including the use of female Community Facilitators if appropriate; and
- *measurable M&E indicators*: ensuring that women's participation in FAPP activities is monitored closely and indicators are gender disaggregated to enable lessons to be learned on how to support women's social and economic empowerment.

92. FAPP would be implemented by GoF structures complemented by external contractors for specific specialist services, based on the experience of recent IFAD-supported interventions. Overall, the approach would be flexible in response to the expressed needs of rural producers and value-adders, and that flexibility would be maintained throughout project implementation. The project would seek to engage the participation of communities in transforming the rural economy from semi-subsistence to commercial production, and hereby increase household returns from agriculture.

93. FAPP would be implemented over four years (mid-2015 to mid-2019 inclusive), with the first half-year devoted to planning and preparatory activities, three years of investment and follow-up activities, and a final half-year winding down and (possibly) assisting with the design of project replication in other parts of Fiji. Project engagement with individual communities would extend over at least two full years, regarded as the minimum required to develop and consolidate the public-private partnerships and enterprise developments.

94. Some of the innovative activities, such as the professional mentoring of SME expansion and the establishment of community planting material nurseries, would be scaled-up only if initial schemes are deemed successful.

## **B. Organizational framework**

### **Project direction and oversight**

95. The Ministry of Agriculture would be the Lead Project Agency (LPA) responsible for managing and implementing the overall investment.

96. *Project Steering Committee.* Strategic oversight and guidance of the project will be provided by a Project Steering Committee (PSC) led by Permanent Secretary of MoA and fully representative of the stakeholders. No representative of the PSC should benefit directly from the activities of the project. The responsibilities of the PSC will include approval of the AWPB, PIM and Procurement Plan, the review and follow-up of audit recommendations, and ensuring that overall project operations are within the legal and technical framework agreed between the Government and IFAD. The PSC should meet at least twice a year to review implementation progress and approve AWPBs.

### **Project management and facilitation**

97. *FAPP management resources.* FAPP implementation support would be provided by a Project Manager (PM), Financial Management and Procurement Officer (FMPO), Knowledge Management/M&E Officer (KMMO).

98. The Project Manager would have an Administrative Assistant (AA) and the Financial Management and Procurement Officer would also have an Assistant (FMPA). In a departure from the practice of creating a stand-alone project management unit, the implementation support resources would be integrated with the respective functional offices of MoA. The Project Manager would be located in the MoA Agribusiness Development Unit, the Financial Management and Procurement officers would be located in the MoA Accounts and Administration office and the M&E officer would be located, with fellow MoA M&E staff in the Policy and Planning office.

99. The FAPP implementation support team would coordinate the project under the direction of the PSC, manage proactively service and consultancy contracts, conduct participatory planning and liaison activities, including the crucial Annual Work Plan & Budget (AWPB) planning exercises, carry out project monitoring and knowledge management functions, including periodic and *ad hoc* project reporting for GoF, IFAD and other stakeholders as well as providing input into management decision-making processes, manage programme finances including grant administration, arrange external audits, reviews and evaluation studies, and ensure compliance with the Loan Agreement.

100. The organization and management arrangements for FAPP implementation will be set out in a bespoke *Project Implementation Manual* (PIM, see draft in Appendix 11), to be finalized by the FAPP implementation support team during the first three months of implementation in close collaboration with key stakeholders, and subsequently subject to revision as required.

101. Human resource development is central to the main purpose of FAPP to build up the capacity of the public and private sectors to expand agribusiness in Fiji, and thereby increase the incomes of small-scale producers. Professional and technical skill development for individuals, enterprises and producer groups is the core activity in all three components, as summarised below in *Appendix 5.2: Capacity building plan*.

### **Implementation arrangements**

102. FAPP will be implemented by GoF, through the MoA, in collaboration with a range of partners working in the agricultural sector. These will include service providers, commercial banks, non-governmental organisations and civil society groups including producer organisations.

103. FAPP would adopt a contract-based implementation arrangement with each service provider, with memoranda of understanding and contracts renewed from time to time based on satisfactory performance. All implementing partners will be monitored closely by managers, supervision missions and the FAPP management information system, for their efficient and timely delivery of project results, outputs, outcomes and impacts.

104. All project activities will be realized and managed by an Agribusiness Development Unit (ADU) to be established within MoA, either directly through public sector structures or through various contracts with specialised individual and institutional service providers.<sup>2</sup> MoA will allocate appropriate existing staff or new recruits to staff the ADU. As a new operating entity, the ADU would be supported in fulfilling its remit by a Senior Agribusiness Development Adviser (SADA) recruited internationally.<sup>3</sup>

105. At project start-up the FAPP implementation support team and MoA will review the revised structure of the Ministry as a result of organizational changes implemented following publication of *Fiji*

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<sup>2</sup> Scope of work of Agribusiness Development Unit in Appendix 5.3 below.

<sup>3</sup> Terms of reference in Appendix 5.4 below.

*2020 Agriculture Sector Policy Agenda – Modernising Agriculture* (August 2014), in order to establish where the Agribusiness Development Unit will best fit and contribute to the overall reform process.

106. Under *Component 1: Public sector capacity to support agribusiness*, the capacity building programme for MoA staff would be built up from institutional and individual training needs assessments. The main vehicle for building up the capacity of the ADU will be the incumbent professional staff learning-by-doing in the regular conduct of their duties, with the on-the-job advice and mentoring of the full-time SADA for three years. FAPP will supplement that invaluable day-to-day experience with short formal international training courses.

107. MoA will be strengthened further with commissioned studies (with the participation of ADU staff) to inform policy development or to investigate issues arising in advancing the public sector role in the promotion of agribusiness. Training of extension officers in agricultural marketing, agribusiness and value chains will be conducted by the SADA, members of the ADU and contracted experts from Fiji. FAPP will support MoA initiatives to strengthen its commodity councils and work with FCLC to strengthen its constituent associations and merge its council/association activities with those of MoA.

108. *Component 2: Assistance to SMEs working with smallholders* will be realized by the ADU of MoA, drawing heavily on contracted external companies and individuals with appropriate business mentoring skills and working in partnership with participating commercial banks. Qualified mentors will be identified through a competitive process that will take remuneration expectations into account and retained on an “as required” basis ready to respond with support when a request for mentoring is received from an SME. MoA will carry out a widespread SME mentoring scheme promotion campaign and establish a small committee to review all applications for mentoring support.

109. Commercial banks will be consulted to reconfirm their interest in the grant programme and establish final arrangements for its implementation. A memorandum of understanding will be signed with each bank. It is expected that the banks will not require fees for participation in the scheme. Payment of matching grants will be solely dependent on the loan decisions of the commercial banks and no committee will be necessary to review their decisions.

110. The area-based *Component 3: Farming as a business for highland communities* will be carried out through service agreements with a competent Lead Implementing Partner (LIP) and, for specific deliverables, with specialized service providers. The contracts will be established and managed by the FAPP implementation support team on behalf of MoA, with technical supervision by the SADA and field coordination by the LIP. The remit of the service providers will be to implement the planned technical training for production and business skills for sustainable production, agricultural business and more resilient communities. Five contracted temporary field staff, (a team leader and four Cluster Facilitators), will work alongside and augment MoA staff on the ground. The 26 retained Community Facilitators will play an important subsequent role in following up initial meetings with potential buyers and assisting farmers to coordinate supply.

111. The LIP will be responsible overall for the implementation of *3.2 Farming as a business*. A subcontract will be entered into with a specialist service provider to deliver *Promotion of farm enterprise management for the market* to build basic business skills and financial literacy, with other activities subcontracted to an agribusiness development entity that has practical field experience with Pacific Island value chains. Under a separate contract, FAPP will also support traditional marketing practices by providing basic business and other training for women who travel regularly to urban markets to make retail sales. Interested value chain operators may be eligible for support with mentoring and investment finance under Component 2 above.

112. A Fiji-based organization with regional expertise and a strong network of linkages to commercial farmers and farmer organizations will be contracted to manage and deliver *3.3 Technology transfer for increased productivity and profitability*. Close collaboration with the MoA will result in skill upgrading and professional enhancement for Extension Division staff.

113. A regionally based organization that is experienced in various forms of market-determined certification systems will be contracted to manage and deliver *Certification systems (organic and wild harvested) for highland farmers*. Interested value chain operators may be eligible for support with investment finance under Component 2 above.

### **Implementing agencies and strategic partnerships**

114. *Implementing agents.* The sourcing of competent service providers to be contracted by this project is a challenge. The perceived shortage of managerial and technical capacity in the public sector to support the private sector points to the need for specialised technical assistance, particularly in business management consultancy. Project financing will be allocated to mobilising several dynamic actors in the private sector and other development assistance projects to apply their technical knowledge and resources in the project area. The potential implementing partners (both public and private sector) for Component 3 are endowed with some strengths but face challenges in carrying out the envisaged tasks in terms of number and quality of qualified staff, resources and mobility and will require appropriate capacity building and strengthening in terms of training, equipment and resources.

115. *Public services.* The key implementing partners in the public sector comprise technical services within the MoA including extension staff. Other public sector bodies, such as the National Centre for Small and Micro Enterprises Development (NCSMED), may wish to submit expressions of interest for some of the studies and training to be conducted.

116. *Private sector operators and service providers.* Potential private sector service providers include a number of NGOs (including PCDF, PIFON and POETCom) that have the expertise and facilities to deliver institution-building interventions in remote locations. There are a number of consulting firms and other organizations qualified to undertake value chain and policy studies under Component 1 and there are trained mentors and others who combine a business and agricultural outlook who could support Component 2. Emergent and expanding SMEs are central to the project as both beneficiaries and front-line operators engaging in business with the producers in the project area. The scope and scale of the existing smaller-scale enterprises in the value chains, along with the larger firms, are described in Working Paper 2: *Smallholder value chain development*.

117. *Producer and community organizations.* Many of the groups of producers/processors with which the project would engage are relatively weak in activity planning, group dynamics, marketing, entrepreneurship, resource mobilization and knowledge of modern production techniques. Under implementation of the substantive components, the project will seek to address these weaknesses and ensure participating groups serve their members to increase productivity

118. *Strategic partnerships.* FAPP should benefit from the practical experience of the ongoing IFAD-supported PHVA project and seek to establish close links with other recent and current rural development projects. At the international level, the present proposal is likely to be of interest to other countries seeking to tackle rural poverty from a market-based resource management perspective, given the increasing numbers of people without the resources to sustain themselves from subsistence agriculture alone and the pressing issues of affordable energy depletion and climate change.

### **C. Planning, M&E, learning and knowledge management**

119. The successful development of markets requires a sound planning framework and access to best available information and knowledge to improve the actors' effectiveness and efficiency. In this context, an integrated system of Planning, Monitoring and Evaluation (M&E) and Knowledge Management (KM) would be established to meet the needs of project management and other stakeholders for timely and accurate information on implementation progress and constant feedback for decision making and for addressing potential plan deviations and problems during implementation, the basis for assessing the achievement of project results; and a platform for continuous knowledge sharing and learning activities.

120. The project's planning and M&E system would feature: a sound planning framework (Logical Framework) with a limited number of indicators; the use of AWPBs; simple M&E processes, structures and instruments; alignment with existing M&E frameworks; timely collection of baseline data; data audit and performance management each year; integration of all aspects of project planning, monitoring and evaluation; and adequate resources for capacity building of stakeholders involved in planning/M&E activities at all levels, with a focus on performance-based and participatory approaches.

## Planning and reporting

121. FAPP staff would prepare a consolidated Annual Work Plan & Budget (AWPB) for review and approval by the PSC each year, combining the plans for the first and second component activities implemented directly by the Agribusiness Development Unit with those of the lead and subsidiary service providers delivering the third component. These AWPBs would provide a detailed description of activities to be carried out during the next year, and the sources and applications of funds. To ensure that adequate counterpart funds are budgeted, the AWPBs would be submitted in advance of the GoF's annual budgeting process.

122. The investment proposals generated as bankable business plans by producers and value-adders are pivotal outputs of *Component 2: Assistance to SMEs working with smallholders*. The schemes for SME mentoring and for the capitalisation of enterprise expansion would be refined by the SADA at inception. For the area based interventions of *Component 3: Farming as a business for highland communities*, the main planning instruments would be the Community Development Plans devised through participatory learning and action sessions by each targeted farming community.

123. Information from a variety of sources would form the basis for an integrated management information system focusing on continuous analysis of, rather than generation of, information. The analysis of project results would be used to manage project activities to be more responsive to client needs and project objectives, which in turn would lead to enhanced achievement of impact. The KMMO would monitor routinely all project activities and submit periodic reports to the PM for onward transmission to MoA and IFAD. Whilst maintaining precision and regularity in generating the sequence of FAPP progress reports, the main emphasis should be on the analysis and commentary on current issues arising.

## Results-oriented monitoring and evaluation

124. The monitoring and evaluation (M&E) function would be subsumed within this overall approach to management for results and impact, and be guided by the project's Logical Framework. The M&E system would comprise both performance monitoring and impact evaluation. All M&E data would be disaggregated by gender and district. A manageable number of key indicators would form the basis of the monitoring system, with emphasis on outcomes and outputs rather than inputs. MoA already has in place a system for tracking progress in physical works, including data on expenditures and activities carried out, which would form the backbone of the M&E system. Where possible, existing GoF data sources would be utilised to establish benchmark baseline data for comparison during implementation.

125. The indicators selected as most appropriate for assessing the progress and performance of FAPP would include a number of standard first level, second level and supporting indicators from the IFAD Results & Impact Management System (RIMS). In line with the specific design profile of FAPP, these relate to: *Policy and community programming; Rural enterprise development and employment; Agricultural technologies and production; and Markets*, (see Appendix 6.2 below).

## Surveys and studies

126. FAPP would carry out or commission a number of important surveys and studies: baseline data for eventual comparison with end-of-project impact surveys; annual project planning and implementation reviews; participatory impact assessment studies; mid-term Review; internal Project Completion Report; external Project Evaluation Report; and *ad hoc* case studies.

## Learning and knowledge management

127. There is great potential for learning how best to promote domestic markets with a public private partnership approach in a Fijian context. Annual planning workshops would provide a forum for documenting lessons learned and identifying promising areas for knowledge generation.

128. Knowledge Management (KM) would be a means to making FAPP more effective and efficient, enable it to simplify processes, adapt much faster to emerging realities and lessons, and achieve greater impact. The project's overall KM strategy would focus on four priorities: generating trust and fostering linkages between actors; managing and sharing information, knowledge and experiences among actors in the markets; improving the market's effectiveness (value-adding and innovation activities) and efficiency; and creating conditions for replication, scaling up and sustainability. KM would be linked fully to the planning/M&E system to enable a continuous improvement process,

based on feedback loops from data collection to analysis and interpretation at project and national levels.

129. Communication would be an extremely important aspect of agribusiness development, providing stakeholders with an opportunity to express needs, successes and constraints, as well as fostering collaboration and brokering partnerships. FAPP would have to address two particular knowledge issues to ensure effective implementation: building brand recognition and visibility of FAPP to SMEs, rural women and youth, and farmer organizations; and facilitating the collection, sharing and dissemination of information, lessons learned and best practices related to community uplift, agribusiness development and value addition for the benefit of target groups.

130. FAPP would benefit from existing knowledge networks in the Pacific region. Regional networking would be an important forum for the project to build and share approaches, tools, methodologies, technologies and best practices on all means to rural economic uplift. In addition, South-South learning and sharing opportunities would be explored to ensure that mainly women and youth and their organizations are supported on incremental knowledge and experience sharing of solutions that would improve on their livelihoods.

## **D. Financial management, procurement and governance**

### **Financial management**

131. MoA, the lead project agency (LPA) for implementation of FAPP, would establish an implementation support team at Suva headed by a Project Manager supported, for financial management purposes by a Financial Management and Procurement Officer (FMPO) and Financial Management and Procurement Assistant (FMPA). MoA has its own Finance and Accounts Division consisting of accountants, assistant accountants and accounts clerks led by the Accountant General. The general level of knowledge of the staff seems to be reasonable.

132. Project AWPBs and procurement plans would be prepared by the FAPP implementation support staff and submitted to IFAD for *No Objection* within the time limit prescribed in the *Loan Financing Agreement*. The books of account currently maintained by the Finance Division by and large suffice IFAD requirements, (see Appendix 7 for details). The project would also maintain other records as required by IFAD.

133. The project would use the *Financial Management Information System* (FMIS), the accounting software used across the accounts division of every ministry in the GoF. The Accounts Division would open a dedicated business unit or cost centre in FMIS to record all project-related transactions. Financial Statements of FAPP would be prepared on cash basis with no accruals considered and would be governed by the *Financial Management Act 2004* read with the *Financial Instructions 2010*. These would be supplemented with other information and disclosure as per IFAD requirements.

### **Flow of funds and disbursements**

134. The Debt & Cash Flow Management Unit (DCFMU) of the MoF is responsible for managing and monitoring the Government's External Debt Portfolio, including all GoF's borrowings from abroad and therefore would play the key role in the FAPP disbursement process. IFAD would open a Loan Account (denominated in SDR) at Headquarters in the name of the project and transfer the Initial Deposit and subsequent replenishments to a Designated Account in USD opened in the Reserve Bank of Fiji (RBF). The release of proceeds against *Withdrawal Applications* (WAs) for initial advance and subsequent replenishments would be made by IFAD on receipt of each WA vetted, countersigned and forwarded to the Fund by the DCFMU. The DCFMU would transfer loan proceeds to the Project Account upon request from the FAPP managers, (see Appendix 7 for more details).

135. The *Statement of Expenditure* (SoE) threshold for detailed documentation for a WA is set at USD 50,000. As per standard practice, taxes, VAT and duties for any payment made would not be borne by IFAD and would be waived by GoF as a contribution to the project. A review of fiduciary aspects shall form an integral part of regular supervision missions.

### **Audit arrangements**

136. The accounts of FAPP would be audited on an annual basis and the Audited Financial Statements shall be sent to IFAD within six months of the last day of the financial year in question. The Auditors would be required to report on the Financial Statements and on other aspects as

required by IFAD and also issue a Management Letter. The project would be required to maintain an Audit Log. The Auditor General of the Government of Fiji carries out the audit of all government departments, corporations and projects, and public utilities. Financial audits are carried out in accordance with the International Standards of Auditing which is requirement of the Audit Guidelines of IFAD.

137. The OAG may delegate audit work to external firms through a competitive bidding process. However, this happens normally for the audit of government-controlled corporations or public utility services. External audit firms report to the OAG in line with the ToRs attached to their contract. The formal and final audit reports are issued from the OAG and signed by the Auditor General. The audit of FAPP would be carried out directly by the OAG unless delegated to an independent audit firm. The frequency and expected output of the audits would be in line with the IFAD requirements outlined in the Audit Guidelines.

### **Financial management risk assessment**

138. The national accounting and auditing framework in Fiji appears to be strong and well regulated. However, administrative procedures may act as impediments to the project's set-up and implementation. During FAPP design, a financial management (FM) risk assessment has been completed in accordance with the guidelines of the Controllers and Financial Services Division (CFS) of IFAD. The overall internal controls in the MoA appeared to be reasonably robust. There is a lack of experience in MoA of managing externally-funded projects coupled with the special requirements/concepts of IFAD. The replenishment method of disbursement, WA processes and Special Account Reconciliation appear to be risks which should be mitigated through planned internal control mechanisms, external and internal audits, annual supervision missions and training.

139. The overall project control risk before mitigation actions is rated as **Medium**. With mitigation, the overall project fiduciary risk improves from **Medium** to **Low**. Practical risk mitigation measures are described in detail in Appendix 7. The implementation of some of these would be considered as conditions precedent to any withdrawal of Loan funds.

### **Procurement**

140. IFAD's revised *Project Procurement Guidelines* approved in September 2010 emphasize the possibility of using the borrower/recipient's procurement regulations to the extent that such regulations are consistent with IFAD's Guidelines, (see details on procurement in Appendix 8).

141. Public procurement in Fiji is currently governed by the *Procurement Regulations 2010*, which prescribe various procurement methods including Open Tender, Request for Quotation, Two-Stage Tendering, Pre-Qualified Tendering, Selective Tendering and Single Source procurement. These are supplemented by various other guidelines concerning the tender/evaluation process, expressions of interest and related matters. The *Procurement Regulations* are intended to uphold the principles of open and fair competition, integrity, fairness, accountability and transparency. As such, these precepts match the expectations of an appropriate procurement atmosphere as envisaged by the IFAD *Procurement Guidelines* and so are acceptable if adopted by projects.

142. The Fiji Procurement Office (FPO) is the lead procurement office of the GoF and is responsible for regulating and administering the procurement of goods, services and works for the public sector. The FAPP FMPO would liaise to effect all project procurement through the FPO.

143. Before commencing implementation, the project would provide, together with the initial AWPB, an 18-month *Procurement Plan* to IFAD for approval as stipulated in IFAD's Procurement Guidelines. Thereafter, FAPP would prepare an *Annual Procurement Plan* duly approved by the PSC and submitted to IFAD for *No Objection*. The *Procurement Plan* would form an integral part of the AWPB, be prepared in a template provided by IFAD and specify any additional requirements as set out in IFAD's *Procurement Guidelines* with respect to methods of procurement. Contracts with private sector agencies, wherever required, should be framed to encompass the essential spirit of the *Loan Financing Agreement* and IFAD *Procurement Guidelines*.

144. Procurement would be exclusively undertaken only during the project implementation period. No procurement would be undertaken if it entails a payment to persons or entities or an import of goods prohibited by a decision of the UN Security Council taken under *Chapter VII of the Charter of the United Nations*. Individual contract for goods for value exceeding USD 50,000 cannot be entered into without the prior review of detailed documentation pertaining to the project and the receipt of *No*

*Objection* from IFAD. For consultancy services, prior review would be optional but any major modifications of terms and conditions would be subject to IFAD's concurrence.

145. Supporting procurement documentation, including suppliers' invoices, evidence of payment, analysis of bids, contracts, payment vouchers and receipts, would be retained in an organized manner by the project for inspection during Supervision Missions and examination by auditors.

### **Governance**

146. The GoF has established two bodies to control fraud and corruption in Fiji, namely, the Fiji Independent Commission Against Corruption (FICAC) and Fiji Financial Intelligence Unit (FIU). FICAC is an independent agency that fights against corruption in the public sector of Fiji and reports directly to the President. Its major functions are to investigate and prosecute corruption and bribery-related cases, advise GoF of corrupt practices and procedures, and educate and enlist public support in combating corruption. FIU is a specialized agency created to collect, analyze and disclose financial information and intelligence. It fights against money laundering, terrorist financing, fraudulent activities and other financial crimes. It oversees compliance with the *Financial Transactions Reporting Act (FTR)* by banks, foreign exchange dealers and other institutions. FIU provides useful information to law enforcement and revenue agencies. An orientation training for project staff would be required to instil IFAD's *Anticorruption Policy*.

## **E. Supervision**

147. The FAPP would be supervised directly by IFAD. Supervision and implementation support would be based on IFAD's operational modalities and practices and would include loan administration and project implementation support. Supervision and implementation support would be a continuous process, involving ongoing communication and engagement with GoF, the FAPP team and other relevant project stakeholders.

148. Several instruments would be applied to steer implementation: ongoing policy dialogue with GoF; effective monitoring routines, particularly focused on the viability of new and scaled up enterprises and the conduct of post-award SME recipients of matching grants; fine tuning of AWPBs; revision/updating of implementation manuals; and undertaking of supervision, implementation support and mid-term review missions. IFAD staff and consultants would attend the project start-up workshop, and appropriate specialists would continue to be involved in supervision and implementation support.

149. The supervision plan for the project's first 12-18 months would be devised and validated at start-up. The first implementation support mission would take place soon after project effectiveness and first disbursement, and would include an M&E specialist. The frequency and composition of subsequent supervision and implementation support missions would be determined in the light of requirements and in accordance with GoF wishes, but would consist of at least one full-fledged annual supervision mission complemented by short and focused follow-up missions as needed.

150. The project's regular progress reporting would also form the basis for monitoring implementation arrangements closely, in particular ensuring that cost-effective activities are in line with design considerations, with the flexibility to review and refine any cost issues taking into account any externalities that might have an impact on the achievement of project goals and objectives.

151. The key project features requiring special attention during supervision are: the rigorous and proper conduct of the awareness-raising and institution-building activities; the maintenance of flexibility in approach and modalities as the project evolves; the cost effectiveness of incentives to SMEs to engage with target farmers; the value for money of public sector interventions to stimulate private sector growth; and concentration on the achievement of medium- and longer-term outcomes rather than the deployment of inputs.

## **F. Risk identification and mitigation**

152. The main potential risks external to FAPP are:

- macro-economic stagnation and decline;
- a GoF retreat from its pro-poor policies focused on reducing income disparities;
- scaling back of GoF's ambitious agricultural sector development agenda in the face of budgetary stringencies;

- a policy environment that would hinder private sector willingness to commit to value chain development; and
- private investors not interested in business partnerships with smallholders.

153. None of these risks appears likely to eventuate in the near term. On the contrary, it is assumed that GoF continues to favour private sector-led economic growth and remains committed to creating a conducive environment for agribusiness. The socio-political advances of the past several years appear solid and the prospects for economic growth remain good. It is expected that existing progressive rural economic development policies would continue to be improved and implemented. Fiji has the resolve to tackle the national food deficit through the transformation of agriculture and thereby to reduce the incidence of rural poverty.

154. Below are the identified risks to achieving FAPP's substantive components and associated mitigation measures.

**Table 1: FAPP main risks and mitigation measures**

<b>Risk</b>	<b>Mitigation</b>	<b>Rating</b>
Economic and social instability in target area.	<ul style="list-style-type: none"> <li>• Relocate or suspend project.</li> </ul>	<b>Low</b>
Project fails to capture the interest of farmers at the community level.	<ul style="list-style-type: none"> <li>• Careful and unhurried explanation of FAPP opportunities put to users.</li> <li>• Emphasis on sustainable additional incomes in prospect.</li> </ul>	<b>Low</b>
Social norms and existing behaviours conflict with market approach.	<ul style="list-style-type: none"> <li>• Awareness raising.</li> <li>• Working closely with communities to build their capacities.</li> <li>• Ensuring that economic incentives are well developed.</li> </ul>	<b>Medium</b>
Community initiatives are subverted by old habits of dependency that concentrate attention on immediate material benefits.	<ul style="list-style-type: none"> <li>• Adoption of an exhaustive facilitated planning approach in which an informed target community reaches a consensus on project activities and commits to specific plans.</li> <li>• Implementation through existing structures and experienced partners.</li> <li>• Interventions are based on proven approaches and/or up-scale modalities that have been successful in ongoing or past interventions.</li> <li>• Application of self-selection and meaningful cofinancing arrangements for all private enterprise developments.</li> </ul>	<b>Medium</b>
Farmers fail to mobilize sufficient quality and quantity of crop inputs to achieve productivity gains.	<ul style="list-style-type: none"> <li>• Increased intensity of extension advice and support.</li> <li>• Monitoring of and support for producer organizations.</li> <li>• Farmers maintain and sustain partnerships with private business entities.</li> </ul>	<b>High</b>
Entrenched gender inequalities and lack of women's participation in <i>fora</i> . Lack of support from men or local leaders.	<ul style="list-style-type: none"> <li>• Extensive efforts to ensure participation of women.</li> <li>• Self-selection of individuals and groups engaging with FAPP.</li> <li>• Transparency of material contributions of women to community welfare.</li> </ul>	<b>Low</b>
Women's plots and economic activities may be taken over by male family members if they increase in value and/or become more profitable.	<ul style="list-style-type: none"> <li>• Strengthening women's organizations including their capacity to represent women's interests in the market.</li> <li>• Strengthening women's voice in local decision-making bodies.</li> <li>• Investing in women's literacy programmes and entrepreneurship training.</li> <li>• Monitoring the programme's targeting performance, including the gender and youth perspectives of impact.</li> </ul>	<b>Medium</b>
Frequent staff turnover undermines the intended dedicated team approach.	<ul style="list-style-type: none"> <li>• Increase dialogue with concerned Government officials to ensure continuity in staff development planning.</li> <li>• Use of experienced project staff for full FAPP implementation and recruiting complementary staff through transparent processes.</li> </ul>	<b>High</b>

<b>Risk</b>	<b>Mitigation</b>	<b>Rating</b>
Failure to recruit senior technical adviser.	<ul style="list-style-type: none"> <li>Realistic international contract terms and proactive recruitment process.</li> </ul>	<b>High</b>
Resistance to modernisation of roles of public and private sector in rural economy.	<ul style="list-style-type: none"> <li>Awareness raising and dissemination of best practices regarding reform and modernisation.</li> <li>Strengthening of GoF capacity to deliver residual services such as extension.</li> </ul>	<b>Low</b>
GoF reluctant to create Agribusiness Development Unit within MoA.	<ul style="list-style-type: none"> <li>Satisfactory dedicated structure a condition of Loan.</li> <li>No incremental staff costs associated with redeployment of existing cadres.</li> </ul>	<b>Medium</b>
GoF not prepared to contract specialist service providers.	<ul style="list-style-type: none"> <li>Outsourcing a condition of the Loan.</li> </ul>	<b>Low</b>
Low capacity of private sector service providers.	<ul style="list-style-type: none"> <li>Capacity building analysis and provision of practical training and skills transfer to fill gaps.</li> </ul>	<b>Medium</b>
Deviations from key assumptions in financial and economic analyses.	<ul style="list-style-type: none"> <li>Rolling review of actual investment costs, yields and returns in production and viability of start-up service enterprises.</li> <li>Annual update of sensitivity analysis for productive activities under implementation.</li> </ul>	<b>Medium</b>
Fiduciary risks.	<ul style="list-style-type: none"> <li>Ring-fencing of financial management.</li> <li>Use of pre-approved Standard Bidding Documents.</li> <li>Use of improved procurement plans.</li> <li>Frequent procurement support missions.</li> </ul>	<b>Medium</b>

## **IV. Project costs, financing, benefits and sustainability**

### **A. Project costs**

155. Total project costs are around USD 6 million over a four-year implementation period and include USD 220,081 on physical and price contingencies, accounting for 1% and 3% of the total base costs, respectively. Foreign exchange accounts for about 34% of total project costs, mainly from imported vehicles, electronic equipment and international/regional consultancy services. Duties and taxes make up approximately USD 149,778. Table 2 below summarises the project costs by component.

**Table 2: FAPP estimated costs by component**

	<b>(Local)</b>			<b>(US\$)</b>			<b>% F. Ex.</b>	<b>% Total Base Costs</b>
	<b>Local</b>	<b>Foreign</b>	<b>Total</b>	<b>Local</b>	<b>Foreign</b>	<b>Total</b>		
1. Public sector capacity to support agribusiness	1,259,546	1,563,736	2,823,282	652,614	810,226	1,462,840	55	25
2. Assistance to SMEs working with smallholders	3,626,627	267,052	3,893,680	1,879,082	138,369	2,017,451	7	35
3. Farming as a business for highland communities	2,678,333	169,520	2,847,853	1,387,737	87,834	1,475,571	6	25
4. Project Implementation Support	743,172	929,623	1,672,794	385,063	481,670	866,733	56	15
<b>Total BASELINE COSTS</b>	<b>8,307,677</b>	<b>2,929,931</b>	<b>11,237,608</b>	<b>4,304,496</b>	<b>1,518,099</b>	<b>5,822,595</b>	<b>26</b>	<b>100</b>
Physical Contingencies	83,822	45,409	129,231	43,431	23,528	66,959	35	1
Price Contingencies	243,422	71,672	315,094	126,126	37,136	163,261	23	3
<b>Total PROJECT COSTS</b>	<b>8,634,921</b>	<b>3,047,012</b>	<b>11,681,933</b>	<b>4,474,052</b>	<b>1,578,763</b>	<b>6,052,815</b>	<b>26</b>	<b>104</b>

## B. Project financing

156. IFAD loan resources available for financing the costs of the project amount to approximately USD 3.52 million over four years from mid-2015 to mid-2019.

157. Loan funds would be complemented by the Government of Fiji with about USD 1 million in the form of waived taxes, staff salaries and operating expenses associated with the Agribusiness Development Unit and other recurrent costs associated with Project implementation support.

158. Local banks will participate in the matching grant scheme by financing 50% of the capital requirements of qualified SMEs applying for funds, which would translate into approximately USD 932,642 in loans provided by national financial institutions.

159. SMEs benefitting from *Business planning and management mentoring support for the expansion of individual enterprises* will be requested to make a nominal contribution to the cost of their mentoring support, (about 10%). Enterprises that participate in the loan/grant scheme are expected to match the grant contribution (25% for the total capital requirements) with their own funds. Under Component 3, beneficiaries of *Support to cluster/village level value chain upgrading investments* will provide 20% of the funds in cash or kind, and cofinance the *Expanded use of field crates* by 15%. Overall contributions from beneficiaries are estimated at USD 566,155 or 9.4% of the total project costs.

160. IFAD will actively seek partnerships with other donors and explore the possibility of expanding the project area in future stages, if appropriate.

**Table 3: FAPP financing plan by component (USD)**

	GoF		IFAD Loan		Financing Institutions		Benef.		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Public sector capacity to support agribusiness	529 973	34.4	1 009 282	65.6	-	-	-	-	1 539 255	25.4
2. Assistance to SMEs working with smallholders	4 120	0.2	612 585	30.2	932 642	46.0	479 979	23.7	2 029 327	33.5
3. Farming as a business for highland communities	50 288	3.2	1 429 368	91.3	-	-	86 176	5.5	1 565 833	25.9
4. Project Implementation Support	449 329	48.9	469 072	51.1	-	-	-	-	918 401	15.2
<b>Total PROJECT COSTS</b>	<b>1 033 709</b>	<b>17.1</b>	<b>3 520 308</b>	<b>58.2</b>	<b>932 642</b>	<b>15.4</b>	<b>566 155</b>	<b>9.4</b>	<b>6 052 815</b>	<b>100.0</b>

### C. Summary benefits and economic analysis

161. *Benefits.* FAPP is expected to generate benefits for all the actors involved in the production, trade, processing and exporting of high value agricultural products, as well as for domestic consumers and the country as a whole. Key quantifiable benefits would accrue from: (a) increased and more sustainable incomes for poor highland farmers; (b) increased volume of sales and reduced transaction costs for fruit and vegetable traders, wholesalers, processors and retailers; (c) increased export earnings, especially for organic ginger, organic banana and wild turmeric exporters; (d) savings from import substitution for supermarkets, restaurants, hotels and domestic consumers; and (e) revenue inflows for the GoF from additional income tax collected from all registered operators along the fruit and vegetable value chain.

162. In addition, the project would bring about some intangible benefits, for examples: (a) nutritional benefits, on account of higher quantities and better quality of fruits and vegetables made available to Fijian consumers; and (b) environmental benefits that would be derived from the promotion of good agricultural practices and certified organic production.

163. *Beneficiaries.* FAPP combines location-specific activities and sector-wide interventions targeted at different groups of beneficiaries. The agribusiness sector as a whole will benefit from *Component 1: Agricultural business development* through more supportive policies and a regulatory framework fit for purpose. Stronger and more inclusive value chains will bring about benefits for farmers across the country, traders, processors and exporters, as well as for supermarkets, hotels and end-consumers who will have access to better quality domestic produce. In addition, five MoA staff will receive on-the-job training for three years and about 150 extension officers will participate in short formal training courses to upgrade their skills in agribusiness. Measurable outcomes from *Component 2: Assistance to SMEs working with smallholders* include 45 enterprises receiving mentoring support, 30 of which would also receive financial support to scale up operations benefiting the highland farmers. *Component 3: Agricultural business for highland communities* activities are concentrated on the residents of 26 villages or village clusters in seven highland districts in the Provinces of Ba, Nadroga/Navosa and Naitasiri with a total population of approximately 9,600 people or about 2,000 households.

164. *Financial analysis.* Five representative farm and enterprise models have been constructed and analysed to test financial viability. Two production models – off-season vegetable production and organic ginger production – demonstrate the effects of technology transfer and the establishment of certifications systems for small-scale producers in the highlands; one planting material supply enterprise model analyses the potential and sustainability of establishing fruit and vegetable nurseries in the highlands; examples of medium-scale investments supported by the matching grant scheme are presented in two models – a collection centre for vegetables, root crops and fruits, and an organic ginger processing plant. These models are strongly interrelated and illustrate the connections between the various actors in the value chain.

165. All the models proved financially viable under realistic assumptions. The production models showed very satisfactory incremental returns to labour. The highland planting material enterprise model yielded a 61% Financial Internal Rate of Return (FIRR). On a larger scale, the highland

collection centre for off-season vegetables and root crops and the organic ginger processing plant showed incremental returns per USD invested of USD 0.24 and USD 0.22 respectively.

166. *Economic analysis.* An economic analysis was undertaken to calculate the overall benefits of the project to Fiji using the illustrative models described above based on economic prices. The base case scenario for a 15 year period of analysis shows an Economic Internal Rate of Return (EIRR) of 23% and a Net Present Value (NPV) of USD 2.4 million, discounted at 12%. This estimated EIRR is satisfactory for a project with these characteristics and can be considered conservative, since only some examples of project interventions have been accounted for in the benefit stream.

167. A sensitivity analysis was conducted to assess the effect of variations in benefits and costs (up to 30% cost increase or benefit decrease) and for various lags in the realisation of benefits (up to two years). All these scenarios yielded EIRRs ranging from 16% to 27%. The switching value for the total project benefits is about 187% while for the project costs it is approximately 382%.

## **D. Sustainability**

168. The sustainability of the flow of FAPP benefits, assuming technically appropriate investments, depends on: the capacity and willingness of (non-poor) private sector operators to invest in the agricultural value chains, thereby increasing the demand for produce; a supply side response by farmers to improved income-generating opportunities and increased demand in domestic trade; and the robustness of enterprises built largely on their own resources.

169. The project approach is to develop the competence and confidence of communities to manage their assets and strengthen private sector commercial linkages, at the same time building up the capacity and institutional know-how of Government services to interact with villagers as partners.

170. The sustainability of such investments in private sector agriculture is secured by being realistic about targets. Despite the challenges presented by the prevailing agro-climatic conditions in the highland project area, there is good reason to believe that the farmers can and would respond to increases in real (cash) demand for fruits, vegetables and horticultural products. It is expected that increased agricultural productivity combined with the use of environmentally-friendly best agronomic practices would halt the deterioration of the physical agricultural landscape, (structure and texture of the soil and quality of forest cover).

171. By upgrading the target commodities to higher levels of productivity and profitability, with attendant improvements in income and employment for smallholders and processors, the project has inbuilt economic sustainability. A post-project decline from the improved levels achieved during implementation is considered unlikely, as the upgrade would be achieved through the mobilization of farmers using appropriate and widely-available technologies in real market conditions.

172. At the heart of this strategy is the avoidance of illusory “quick wins” derived from capital injections into feeble or non-existent management structures. Start-up or expanding enterprises of any scale cannot survive without business skills and the experience of dealing with the real economy. It is for this reason that FAPP insists on a sound business plan for all enterprise development, demonstrating the ability to meet the cost of borrowing. The only proposed grant elements are in incentives for SMEs to source produce from the target area.

173. The use of existing Government institutions and farmers’ organizations is expected to establish a strong institutional framework that would support sustainability. Producers and value-adders would be able to enter into productive dialogue with GoF and other private sector operators. Strong market linkages would be able to deal with challenges that arise after project completion. The capacity of producers, SMEs and individual operators would be enhanced with both backward and forward linkages and the process is expected to drive itself once operators have established a stronger presence in market governance.

174. As a development intervention, FAPP is embedded in the GoF structures and has no separate existence or need for an “exit strategy”. The project implementation strategy would prepare beneficiaries and stakeholders from the onset for the post-project period through an orderly gradual transfer of ownership and management responsibilities. The positioning of FAPP as a fixed-term project contributing to an open-ended GoF programme is appealing in terms of sustainability of the investment. However, it does draw attention to the commitment of GoF to provide the necessary recurrent budget for continuing field and enterprise development support services.

## Appendix 1: Country and rural context background

### Introduction

1. The Republic of Fiji (RoF) does not have a Country Strategic Opportunities Paper (COSOP) with IFAD. Consequently, this Appendix is founded on the RoF *Roadmap for Democracy and Sustainable Socio-economic Development 2010-2014* (RDSSSED) and IFAD *Sub-Regional Strategic Opportunities Paper for the Pacific Islands 2013-2017* (SRESOP).
2. FAPP supports directly the RDSSSED, which sets out a strategic framework to achieve sustainable democracy, good and just governance, socio-economic development and national unity. The key foundation of the Roadmap is the *People's Charter for Change, Peace and Progress* (PCCPP), which was compiled through an unprecedented nationwide consultation process involving a wide range of stakeholders. The Roadmap is logically aligned to the mandate handed down by His Excellency the President in 2007, as well as to the Strategic Framework for Change announced by the Prime Minister on 1 July 2009. In addition, this project aligns with the IFAD SRESOP by focusing on Strategic Objective 1: *Improve availability and access to nutritious locally-produced foods for poor and vulnerable rural households* and Strategic Objective 2: *Increase rural incomes from farm and non-farm income generating and employment opportunities*.

### Agricultural development context

3. Fiji is a country consisting of a group of 330 islands in the South Pacific. Its agriculture, forestry, and marine ecosystems are already threatened by population pressure and climate change. Fiji's exports of sugar, fish, crude coconut oil, root crops, and horticultural crops are facing stiff international competition. The country is still importing many of its basic food requirements. These foods include rice, meat, milk, the needs of the tourism sector and around 90% of the food lines in the supermarkets. While Fiji's agriculture is struggling to be internationally competitive, there is a need to give more attention to the domestic market, which offers the greatest opportunity for the sector. There is also a challenge to produce the feedstock for biofuels to reduce the country's high cost of petroleum fuel importation. Renewable energy is therefore a huge market for agriculturally produced feedstock as advances in ethanol and gasification technologies would soon become affordable and viable on a smaller scale.
4. In the past decade (2001-2011), the agriculture sector made an average contribution equivalent to 10.6% of Fiji's total GDP. The sector has employed close to two-thirds of the labour force. In the 1990s, the contribution of agriculture was close to 16% of GDP. However, the decline in the performance of the sugar industry, the inability to cope with trade liberalization, the occurrence of natural disasters and pest and disease outbreaks, export trade restrictions, political instability and inconsistent public sector support have all contributed to the decline in the growth of the sector. In 2012, the sector contributed only 9.2% of GDP.
5. As the agriculture sector and other natural resources sectors have contracted in their share of total economic activity, other sectors have expanded, in particular the tourism sector as demonstrated by the growth in hotels and restaurants.
6. Traditionally, subsistence farming and sugarcane production have been the mainstay of the agriculture sector in Fiji. Over the past ten years, these subsectors have shrunk while the shares of "Other Crops" and Livestock have increased. The doubling of the share of "Other Crops" is an indication of the accelerating transformation from semi-subsistence to semi-commercial farming. The Other Crops subsector has now surpassed sugarcane as the dominant subsector in primary agriculture. The share of the sugar subsector in the Primary Agricultural Gross Domestic Product (GDP) has shrunk by 50%.
7. The "Other Crops" and Livestock subsectors have contributed an average of 6.8% of GDP over the past decade. The sector includes traditional food crops such as *dalo* (*Caladium Colocasia*), cassava and *yaqona/kava* (*Piper methysticum*), tropical fruits (pineapple, pawpaw and mango), vegetables, spices, cocoa, coconut products, beef, dairy, pork, poultry, goat and bee stocks. The sector generates close to 5% of domestic exports but still accounts for 19.6% of total food imports.

8. The “Other Crops” subsector is mainly driven by root crops and the horticulture industry. The major commodities are *dalo*, ginger, papaya, pineapples and Bilateral Quarantine Agreement (BQA) commodities such as eggplant, okra, and breadfruit. *Dalo* and cassava are the most planted root crops with the former geared mainly to the export market. Small scale processing of cassava into chips has provided an additional local market for the root crop. The production of fruits and vegetables and BQA commodities has been erratic mainly due to the impact of natural disasters.

### **Government strategy for agricultural and rural development**

9. The medium term strategic focus of the RDSSED is to strengthen good and just governance, raise economic growth and improve socio-cultural development. Under good governance, the key strategic priorities include formulation of a new constitution, electoral reforms, strengthening law and justice, ensuring effective, enlightened and accountable leadership, enhancing public sector efficiency, effectiveness and service delivery, and developing an integrated development structure at divisional level. The key strategic priorities for economic development include maintaining macroeconomic stability, export promotion, import substitution, raising investment levels, making more land available for productive and social purposes, enhancing global integration and international relations. The focus under social development would be on reducing poverty to a negligible level, making Fiji a knowledge-based society, improving health service delivery and developing a common national identity and building social cohesion.

10. This project is in line with the RDSSED, MoA’s Strategic Plan and the recently-formulated Fiji Agriculture Development Policy that was prepared with technical assistance received from the Food and Agriculture Organization (FAO). The goal of this policy agenda is to contribute to the national goal as envisioned in GoF’s agricultural policy according to the RDSSED, which is to *Build Sustainable Community Livelihoods through Competitive Exports and Food Security*.

11. The purpose of this policy agenda, which is the immediate result to be attained in line with the goal, is to establish a diversified and both economically and environmentally sustainable agriculture economy in Fiji. To attain this purpose, five policy objectives are proposed in the Strategic Plan:

- Build modern agriculture in Fiji as an organized system of producing, processing and marketing crops, livestock and aquaculture products.
- Develop integrated production, processing, energy and transport infrastructure support systems for agriculture.
- Improve delivery of agricultural support services.
- Enhance capabilities to generate funds and investments through foreign investment, public private partnerships (PPPs) and other innovative business arrangements.
- Improve project implementation and policy formulation capability within the Ministry of Agriculture and its partner institutions.

### **Development partners’ support for agricultural development**

12. Following the political upheaval of 2006, there has been no substantial increase in the number of donor-funded projects to the agriculture sector. Planned major projects have not materialised, such as the Alternative Livelihood Project (ALP) from which the Asian Development Bank withdrew funding. Support to the sector has been contributed largely by GoF budgetary resources with an annual allocation of FJD 30 million.

13. There are 14 projects that are directly supported by development partners with a total value of FJD 28,757,115, as shown in the following table. These include regional projects that are working in Fiji.

**Table A1.1: Details of related projects and programmes**

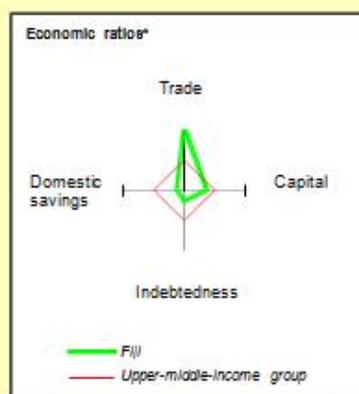
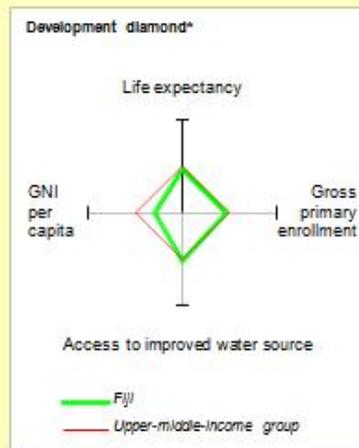
<b>Project</b>	<b>Start</b>	<b>End</b>	<b>Value (FJD)</b>	<b>Donor</b>
Tropical Vegetable and Fruit Cultivation and Extension	2011	2013	1,372,639	ROC
Project on Poultry Development	2011	2012	351,090	ROC
Fiji Sustainable Land Management Project	2011	2012	545,068	UNDP/GEF
Enhancing Livelihood through Food Security	2013	2014	245,061	UNDP
Mushroom Technology Demonstration Centre	2014	2015	14,000,000	ROC
Strengthening the Fiji Papaya Industry	2011	2013	795,827	AusAID
Pacific Agribusiness Research for Development Initiative	2011	2013	2,639,731	AusAID
Strategies for Floriculture in Indigenous Australian and Pacific Island Communities	2011	2013	1,448,991	AusAID
Pacific Horticultural and Agriculture Market Access	2012	2013	4,062,502	AusAID
Cyclone <i>Evan</i> Response Extension Programme & Export Stimulus Scheme	2013	2013	134,907	AusAID
Integrated Water Resource Management	2013	2013	258,340	GEF
Pacific Adaptation to Climate Change	2013	2014	346,802	GEF
Enhanced Resilience Building and Vegetative mapping	2013	2014	254,428	SPC
Sector Micro Projects	2013	2014	578,000	SPC
<b>TOTAL</b>			<b>28,757,115</b>	

## Appendix 1.1: Country Data Sheet

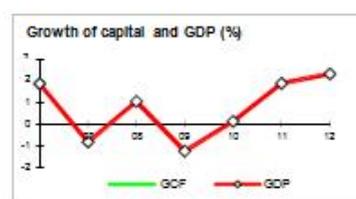
### Fiji at a glance

3/15/14

	Fiji	East Asia & Pacific	Upper-middle-income		
<b>POVERTY and SOCIAL</b>					
<b>2012</b>					
Population, mid-year (millions)	0.87	1,992	2,391		
GNI per capita (Atlas method, US\$)	4,110	4,884	6,969		
GNI (Atlas method, US\$ billions)	3.6	9,728	16,661		
<b>Average annual growth, 2006-12</b>					
Population (%)	0.9	0.7	0.8		
Labor force (%)	1.0	0.9	0.9		
<b>Most recent estimate (latest year available, 2006-12)</b>					
Poverty (% of population below national poverty line)	35	..	..		
Urban population (% of total population)	53	50	61		
Life expectancy at birth (years)	70	74	74		
Infant mortality (per 1,000 live births)	19	17	16		
Child malnutrition (% of children under 5)	..	5	3		
Access to an improved water source (% of population)	96	91	93		
Literacy (% of population age 15+)	..	94	94		
Gross primary enrollment (% of school-age population)	105	112	111		
Male	104	111	111		
Female	105	113	110		
<b>KEY ECONOMIC RATIOS and LONG-TERM TRENDS</b>					
	1992	2002	2011	2012	
GDP (US\$ billions)	1.5	1.8	3.8	3.9	
Gross capital formation/GDP	12.8	19.7	..	..	
Exports of goods and services/GDP	51.9	61.5	59.3	62.3	
Gross domestic savings/GDP	9.7	17.3	..	..	
Gross national savings/GDP	11.6	..	..	..	
Current account balance/GDP	0.7	-1.1	-4.9	-1.1	
Interest payments/GDP	1.2	0.4	0.8	0.7	
Total debt/GDP	16.4	9.7	22.9	18.7	
Total debt service/exports	6.9	1.7	8.3	1.6	
Present value of debt/GDP	..	..	..	13.8	
Present value of debt/exports	..	..	..	21.6	
	1992-02	2002-12	2011	2012	2012-16
<i>(average annual growth)</i>					
GDP	2.5	0.9	1.9	2.3	2.2
GDP per capita	1.5	0.2	1.0	1.5	1.5
Exports of goods and services	..	..	..	..	..



	1992	2002	2011	2012
<b>STRUCTURE of the ECONOMY</b>				
<i>(% of GDP)</i>				
Agriculture	20.1	15.3	13.4	13.2
Industry	25.2	22.9	18.7	18.9
Manufacturing	13.4	14.9	14.0	14.1
Services	54.7	61.8	67.9	67.9
Household final consumption expenditure	72.3	66.6	..	..
General gov't final consumption expenditure	18.0	16.1	..	..
Imports of goods and services	54.9	63.9	64.9	64.9
	1992-02	2002-12	2011	2012
<i>(average annual growth)</i>				
Agriculture	-0.3	-0.4	11.5	1.3
Industry	3.3	0.0	1.4	3.1
Manufacturing	4.9	-0.8	1.6	2.9
Services	3.0	1.5	0.3	2.3
Household final consumption expenditure	..	..	..	..
General gov't final consumption expenditure	..	..	..	..
Gross capital formation	..	..	..	..
Imports of goods and services	..	..	..	..

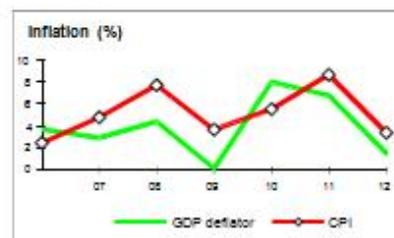


Note: This table was produced from the Development Economics LDB database.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

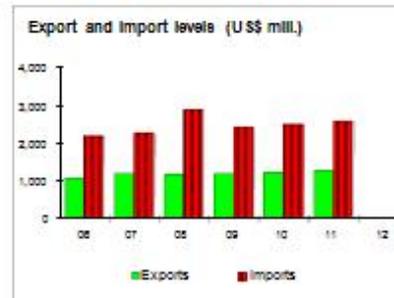
**PRICES and GOVERNMENT FINANCE**

	1992	2002	2011	2012
<b>Domestic prices</b>				
(% change)				
Consumer prices	4.9	0.8	8.7	3.4
Implicit GDP deflator	6.3	3.3	6.8	1.6
<b>Government finance</b>				
(% of GDP, includes current grants)				
Current revenue	34.7	34.5	35.1	..
Current budget balance	-0.9	2.3	14.8	..
Overall surplus/deficit	-12.1	-2.1	2.5	..



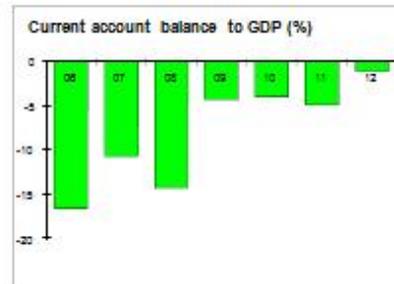
**TRADE**

	1992	2002	2011	2012
(US\$ millions)				
Total exports (fob)	557	719	1,262	..
Sugar	148	115	..	..
Gold	51	2	..	..
Manufactures	155	60	..	..
Total imports (cif)	965	1,795	2,574	..
Food	152	274	..	..
Fuel and energy	136	595	..	..
Capital goods	199	353	..	..
Export price index (2000=100)	..	..	..	..
Import price index (2000=100)	..	..	..	..
Terms of trade (2000=100)	..	..	..	..



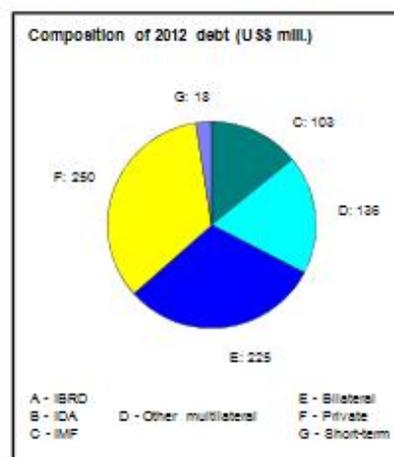
**BALANCE of PAYMENTS**

	1992	2002	2011	2012
(US\$ millions)				
Exports of goods and services	826	987	2,227	2,421
Imports of goods and services	842	1,090	2,437	2,522
Resource balance	-17	-103	-209	-101
Net income	-50	4	-117	-151
Net current transfers	78	..	..	..
Current account balance	11	-21	-183	-41
Financing items (net)	48	30	508	..
Changes in net reserves	-59	-10	-325	..
<b>Memo:</b>				
Reserves including gold (US\$ millions)	317	359	833	921
Conversion rate (DEC, local/US\$)	1.5	2.2	1.8	1.8



**EXTERNAL DEBT and RESOURCE FLOWS**

	1992	2002	2011	2012
(US\$ millions)				
Total debt outstanding and disbursed	250	179	861	732
IBRD	53	12	0	0
IDA	0	0	0	0
Total debt service	59	18	192	39
IBRD	17	5	0	0
IDA	0	0	0	0
Composition of net resource flows				
Official grants	26	6	42	53
Official creditors	-15	2	52	67
Private creditors	-10	0	100	0
Foreign direct investment (net inflows)	104	31	417	268
Portfolio equity (net inflows)	0	2	0	0
World Bank program				
Commitments	0	0	0	0
Disbursements	2	0	0	0
Principal repayments	12	4	0	0
Net flows	-10	-4	0	0
Interest payments	5	1	0	0
Net transfers	-15	-5	0	0



Note: This table was produced from the Development Economics LDB database.



## Appendix 2: Poverty, targeting and gender

### Poverty in rural Fiji

1. One third of the Fijian population lives in relative poverty. Poverty is higher in rural areas, a fact that has been attributed to difficulties faced in earning a rewarding and consistent income, marketing agricultural production and accessing the government services and facilities that are readily available in urban areas.

2. The most recent *Household Income & Expenditure Survey* (HIES) was conducted in 2008-09. A 2011 World Bank analysis of the Survey concluded that one third of the population lived in poverty.<sup>4</sup> The report identified a number of drivers of poverty in Fiji. These are related to household (HH) size, the presence of the elderly and children in the HH, the education level of the head of the HH, female-headed HHs and the employment of the head of HH. Households with eight or more members were considered to have high risk of poverty although rural HHs with four members or more were also at risk. The World Bank study found that HHs with elderly people had a 45% poverty rate, HHs with children had a poverty rate of 39% and HHs with both elderly members and children had a 52% poverty rate. However, it also noted that extended families provided a pool of family labour where everyone contributed to the HH economy; the elderly providing child care and primary school children collecting fuel wood, water, fruits and vegetables. Unlike government services provided for the elderly and the disabled in urban areas, the government has, by and large, not provided rural communities with similar services, so the HHs are the only reliable units to provide care for the two groups.

3. *Rural dwellers earn less income than their urban counterparts.* The same *Household Income & Expenditure Survey* found that in 2008-09 rural adults earned an average weekly income equivalent to two thirds of that in urban areas. Although Fiji had a relatively good ranking in the 2010 UN Human Development Index, 35% of the total population and 40% of the rural population lived below the Basic Needs Poverty Line of FJD 38.30/week/person.

4. A disturbing trend is that rural HH income increased by only 10% between 2002-03 and 2008-09, in contrast to urban HH income, which increased by 51% in the same period. In 2008-09, the rural income per adult was FJD 2,895 in the country as a whole. In the Western Administrative Division, which is largely made up of the west of the island of Viti Levu, the income per adult was FJD 2,639, slightly higher than the lowest figure of FJD 2,631 for the Northern Division, which was the administrative division with the highest poverty count. The same survey found that rural indigenous Fijians produced 54% of their own food needs.

5. An assessment of communities in the PHVA project area, which forms part of the Component 3 project area, revealed that agriculture was the main source of livelihood, supplemented with earnings from informal trading (for example selling individual cigarettes) and small micro-enterprises within the village, such as small retail shops, sewing, food sales and transport. Some men work at sugar cane cutting in coastal areas during the first few weeks of the cane season and logging of the pine plantations also provides some limited employment. There may be some opportunities for farm labour. Outmigration appears to be relatively limited and most HHs reported receiving little in the way of remittances although some had income from previous employment in urban areas. Market vending at urban food markets by women was a major source of HH income in the project area. On a typical market day, income earned by local women market vendors ranged between FJD 60 and FJD 200.

6. *Geography is a major driver of poverty in Fiji.* Rural dwellers live on the periphery of national development and face numerous hardships that place them at risk of poverty. Geography, coupled with isolation and distance, worsens rural hardship and is a barrier to the delivery of government services. While perhaps not as isolated as HHs in some of the outer islands, those in the project area face isolation because of poor, although recently improved, roads that are in mountainous terrain, very limited transport opportunities, and a low population density that complicates delivery of government services.

7. *Land ownership.* Fiji has three categories of land ownership. Native Land accounts for 87% of land. This is communally owned by indigenous/native Fijians and administered by the *Itaukei* Lands Trust Board. The other 13% of the land is either freehold or owned by the State.

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<sup>4</sup> All sources and citations are footnoted with an extensive bibliography in Working Paper 1.

8. All land in the targeted highland area is communally owned Native Land. Some native landowners have leased their group land to give them further security of tenure. The nation's two major dams and hydro-electric power stations are located in the project area and the utility company Fiji Electricity Authority and GoF have leased group-owned Native Land and water resources to generate power. The indigenous communities in the project area were deemed 'resource rich but cash strapped' as income from their land rentals has been locked in trust and cannot be accessed readily by the few landowning units in the area.

9. *Household size.* In the 2007 Census, the national HH size was 4.7 persons and higher in rural HHs at 4.8. Native Fijians have a higher HH size at 5.1 members. Rural HHs tend to be much larger, with 70% of all rural HHs with eight or more members. A survey of HHs of farmers involved in the pilot PHVA in the area revealed that 64% of the HHs had four or more members, 32% had six or more and 9% had eight or more.

10. *Agriculture and livelihoods.* Agriculture provides the principal source of livelihood for rural HHs in Fiji, but is very much correlated with poverty. Nationally, 53% of all poor HHs are headed by those who work in the agricultural sector. The economy of the Component 3 project area is largely dependent on agriculture for both subsistence consumption and income. Cultivation takes place both on flat areas and on steep slopes. Some farmers use a horse, a pair of oxen or a two-wheel tractor for ploughing, although these are too expensive for others to afford. The Ministry of Agriculture has placed a tractor in the PHVA area to provide land preparation services but farmers complain that the operator is often not available and that these services are also expensive. Also, access for tractors to many farms is impossible because of the terrain. The only other significant equipment owned is a chain saw. Many also use horses to provide transport between the main roads and their farms as well as for ploughing. PHVA is presently building some collection points where produce transported on horseback can be kept out of the sun until the bus or other transport arrives.

11. Each HH maintains one or two food gardens (*teitei*), usually cultivated by women, which produce a variety of food crops. Larger-scale production, mainly controlled by the men, includes *dalo*, cassava and banana, and *yaqona* or *kava* (*piper methysticum*). Tree crops include jackfruit. Livestock rearing is largely limited to backyard poultry for domestic consumption. Some farmers also have pigs and cattle in small quantities. *Kava* seems to be the dominant source of cash income.

12. The crops produced do not presently have a clearly organised market outlet. An attempt by a Nadi-based trader to work directly with farmers in the area failed for reasons that appear largely to be based on a lack of trust. Women travel to urban municipal fresh food markets on the coast to sell root crops, vegetables, fruits in season and *yaqona/kava*. These products are sold directly to consumers or, occasionally, wholesale to traders based in the markets. Selling to consumers is more time consuming and incurs greater costs but this provides for social interaction between the women, which is considered to be important. A few traders have vehicles to collect produce from farms, particularly when supply is scarce, but they mainly do this in the Sigatoka Valley and do not reach the Component 3 area.

13. Interviews with women market vendors from the sample villages in the project area revealed that such sales at the urban markets were a significant source of family income. Income increases significantly when sun-dried *yaqona/kava* roots are sold and these can earn an additional FJD 200, depending on the amount taken to market. Women not only sell produce but also buy supplies to take back to their village. Within the Component 3 project area there are only a few retail shops and these offer only a limited range of products.

14. Traditional practices provide a challenge for farmers who wish to farm as a business. Farmers are subject to traditional community leadership, the obligation to maintain traditional relationships, and the need to follow community routine and a communal calendar of events. The obligation to share with extended family members makes it difficult to accumulate capital. Women and young farmers in traditional villages have to overcome traditional practices and attitudes that bar them from participating and benefitting from community decisions and many agricultural activities. For these reasons, many indigenous farmers have moved out of their traditional villages to become independent (*galala*) farmers, to live on their own their communally owned land away from communal and traditional routines, decisions and obligations. There are indications that the children of such farmers do better in school and after leaving school.

15. The 'off-season' in Fiji takes place in the rainy summer months (November to April) when production of vegetables in most parts of the country is severely restricted by the high rainfall, temperature, humidity and a high incidence of pests and diseases and, as a consequence, prices rise. Production in this period would appear to provide the best pathway out of poverty for HHs in the Component 3 project area, where production is less prone to these problems. There is evidence that this is taking place in the area presently supported by the PHVA project, but linkages with suitable markets have yet to be developed. There is also scope for organic production, as input use in the area is negligible.

16. *Education.* Fiji has a high literacy level of 85%. The 2008-09 HIES found that rural HHs spent an average of FJD 36 a year on preschool education. In the same period 5-6% of all rural children were not at primary school, however, with the percentage rising with age. Assessment of the communities in the project area revealed that communities pooled education resources and shared school facilities. All the schools in the area offer boarding facilities for children as young as five years (pre-school), as well as primary and secondary students. Students at local boarding schools spend weekends with their families in their respective villages and local bus owners are contracted to provide the transport. There was an imbalance in numbers of male and female school graduates in the PHVA project villages.

17. *Health services.* The 2008-09 Household Survey found that expenditure on health of rural HHs had declined by 44% compared with the 2002-03 survey. Urban areas spent three times as much per capita on health care. The low rural expenditure on health is attributed to the distance to government health facilities and urban pharmaceutical services. For rural dwellers, transportation to a health facility is costly and the high cost of medication is also a constraint. In the Component 3 project area, the scattered nature of highland communities means government health posts serve a number of villages, with some people living a significant distance from a facility. One of the remote villages is served by a government registered nurse who works from a community-built nursing station that was equipped by government and includes a radio telephone for emergency calls.

18. *Water.* Many rural communities in Fiji continue to face water problems with up to 18% depending on wells. However, water is not a problem in villages and communities in the Component 3 project area. Untreated piped water is available in all villages and the communities work to ensure that there is no human or animal activity upstream from their sources of water. In general, farmers also have reliable access to water although watering is carried out using watering cans and there has been little or no investment in improved techniques such as drip irrigation. This may change if off-season production proves profitable.

19. *Sanitation.* The state of sanitation facilities in most rural areas has been a cause of concern. Although 43% of the national population access adequate sanitation facilities, only 12% of rural dwellers have access to similar facilities. Assessment of villages in the PHVA project area found that some HHs had flush toilet facilities, but the majority used pour-flush, pit latrines and, in some cases, the bush. The majority of the HHs had access to adequate shower facilities.

20. *Housing.* Of the total Fijian population, 39-47% lives in houses with corrugated iron walls. Assessment of the villages in the project area revealed a diversity of building materials in local housing, ranging from concrete to wooden, corrugated iron and thatched walls. However, it was observed that the majority of houses had corrugated iron walls.

21. *Food security.* The 2008-09 survey found that the rural population relies heavily on semi-subsistence agriculture. Although rural HHs produced 35-45% of their food needs in 2008-09, their spending on food increased from 41% of income in 2002-03 to 46% in the period 2008-09. Although this increase could result from a decrease in real disposable income rather than a real increase in spending on food, it does appear that changes in the dietary patterns in rural areas have resulted in increased consumption of shop-bought processed foods, with a resulting possible increase in non-communicable diseases and decrease in the nutritional value of food consumed in rural areas. Certainly, part of farmers' income from sales to the market is spent on purchasing substitute processed food for their families. Women who take produce to market report that the purchase of food items is their biggest expenditure after each market day.

22. *Domestic refrigeration.* 33% of Fijian HHs have no access to electricity but 77% of rural HHs have no refrigeration. However, because of the hydro-electric dams in the area electricity is available in the majority of the highland villages in the Component 3 area and many village households have

domestic refrigeration units, with implications for food security in the home, reduction in women's workload and potential increase in consumption of local fruit and vegetables as these can be stored for longer under refrigeration.

23. *Cooking fuel.* In 2008-09, fuel wood was used by 80% of rural Fijian households. Assessment of the project area revealed that the majority of HHs used fuel wood for cooking, supplemented by kerosene. Gas was a supplemental cooking fuel in very few HHs.

24. *Telecommunications.* Mobile telephones have totally changed telecommunications for remote communities in Fiji. Two-thirds of the population had mobile telephone access in 2009 but it is now much higher. Assessment of the PHVA villages revealed that all but one had good telecommunication connections and mobile telephones are widely used. However, there is little evidence that farmers have yet developed the capacity to use their phones to seek markets for their produce and cell-phone banking has yet to catch on.

25. *Land transportation.* The mountainous terrain and unsealed roads, coupled with the unavailability of reliable transport in the Component 3 area, affect the availability and costs of transportation. Unreliable transportation is a barrier to marketing in the urban centres located in the lowlands, as is the distances to the major markets. These can vary from around 130 km for Lautoka to about 250 km for Suva. As a result, farmers tend to supply the closer, but smaller, markets of Tavua and Ba, with any surplus being transported further by traders operating in those markets. Even for journeys to these markets, the high cost of local transport deters women from regular trading. Public buses service some of the villages in the area but, for the majority, trucks provide the main source of transportation to and from the towns. Where there are buses they are often full. During the main production season on Viti Levu it may often not be profitable to hire transportation even when farmers work together to ensure that the full capacity of the truck is utilised. There are few if any traders who visit the area at present.

26. *Family assistance.* GoF's Department of Social Welfare offers a Family Assistance Programme (FAP) that pays FJD 60 per person a month but only one member of a family can be a FAP recipient. Distance to government social welfare offices discourages eligible rural dwellers from accessing and benefitting from the FAP. Eligible beneficiaries in the FAPP area find it too expensive to apply for the scheme and note that government does not provide convenient delivery mechanisms. Beneficiaries need to travel monthly to the nearest urban centre to receive FAP assistance; it may be possible to combine such a journey with sales to the town market.

27. *Remittances.* Studies indicate that the impact of remittances, especially local remittances, has more impact on poverty in rural areas than in urban areas. On the other hand, of the FJD 116 million of foreign remittances received in 2008-09, only 18% went to rural HHs. In the same period, local remittances totalling FJD 143 million were equally spread between rural and urban HHs. Domestic remittances in both cash and kind from urban-based family members provided 25% of total rural HH incomes. However, interviews in the proposed FAPP area indicate that few HHs receive remittances. For those that do, financial institutions including the post office are located in the nearest towns and costs are therefore incurred in accessing the funds. Again, a visit to town to collect remittances could perhaps be combined with a visit to the market to sell produce. A recent development in the PHVA area is that farmers have been encouraged to open bank accounts. This has been done as part of a pilot loan programme for farmers involving the Bank of the South Pacific (BSP). Remittances could, in future, be credited to these accounts. In other Component 3 areas, few farmers have bank accounts at present but this can be expected to change as there is considerable competition between banks to attract the "unbanked".

### **Gender issues**

28. To work towards gender justice, Fiji has ratified the Convention on the Elimination of all Forms of Discrimination against Women (CEDAW). Some small advancement has been achieved in the legal, socio-political and economic status of Fijian women. However, the country may not meet its obligations to CEDAW nor achieve Millennium Development Goal 3 on gender equality and the empowerment of women, because of an apparent lack of political priority, limited resources and prevailing cultural attitudes and practices.

29. In March 2014, the Ministry of Women launched its National Gender Policy with the overall goal to promote 'gender equity, equality, social justice and sustainable development' and with a mission to 'eliminate gender inequalities' and ensure the government met its obligations under CEDAW.

30. Although some recent legislation has improved the legal protection of women, the majority of women are uninformed of their legal rights and barred from claiming, exercising and protecting those rights. The exclusion of Fijian women from decision-making mechanisms and processes at all levels has been a continuing concern for women's groups. The strong adherence to tradition in highland communities continues to exclude women from decision making about village development, although women often end up raising funds for community development efforts proposed by village males.

31. There is negligible gender disparity in school enrolment in primary, secondary and tertiary education. Girls and boys have increased their enrolment in subjects that were previously dominated by the opposite sex. However, there is marked rural/urban disparity in the availability of education services.

32. The safety, health and dignity of Fijian women continue to be threatened by domestic and sexual violence that puts women at risk, threatens their safety and negatively affects their economic productivity. The report on a 2012 national survey by the Fiji Women's Crisis Centre (FWCC) revealed that the incidence of violence against Fijian women was one of the highest in the world with 64% of respondent women who had had an intimate relationship reporting having experienced physical or sexual violence from their partners. Two in five women have to get permission from their husband/partner to access health care. Extensive advocacy work on violence against women (VAW) by the FWCC, GoF and NGOs has resulted in a marked increase in intolerance of and reporting of violence against women and girls. However, the low number of police stations in rural areas results in high numbers of unreported cases of VAW. The government has recently embarked on the promotion of 'violence-free' communities to increase awareness and reduce tolerance about the problem and billboards announcing that you are in a 'violence-free village' are very visible throughout Viti Levu.

33. More women have entered the formal workforce and there has been a noticeable increase in the number of women in previously male-dominated paid employment. The majority of female paid workers are in the lower level of the workforce with only an exceptional handful rising to the top of the corporate and public sectors. However, women dominate the informal economy, as vendors at urban fresh food markets, home tailors, food processing entrepreneurs and carrying out other informal economic activities. Nevertheless, women in the informal economy are unorganized, unprotected and have their livelihoods exposed to natural disasters as a result climate change.

34. Under the National Gender Policy, GoF has committed itself to strengthen the position of women in agriculture, rural development and the environment. Government would ensure the increased participation of women at all levels of decision making, to train men and women to understand the sexual division of labour, to support the economic empowerment of women in the agriculture sector and to support women's access to 'factors of agricultural production' such as access to financial services. Unfortunately, GoF agricultural extension officers continue to target male farmers rather than the women who also work on the farms.

35. Women in the targeted highland communities work in HH farms on planting, weed control, watering, application of pesticides, harvest and sale at the market. Women do not decide which crops are to be planted on HH farms producing crops for sale but tradition requires all married women in these highland communities to keep a food garden, in which they remain in total control, from deciding the crops to be planted and their cultivation, through to harvest and sale. However, younger married women appear not to be continuing this tradition.

36. Rural Fijian women face stronger patriarchal traditions than their urban counterparts. Although rural women and their HHs are dependent on agriculture and fisheries, native women in rural areas only have usufruct rights to community-owned land, houses and animals, which are 'owned' through a male relative (father, husband or son). All native-owned rural land is communally owned by the *mataqali*, the landowning unit. Women never marry within their landowning unit. A rural married woman in the target villages only has usufruct rights to the husband's group-owned land. Some couples have legally leased communally owned land, which has provided security of tenure for the family including the women.

37. The majority of Fijian women continue to suffer under the culturally dictated gender-based division of labour. A 2014 survey by the Fiji Bureau of Statistics (FBoS) concluded there was a 'gross gender imbalance' for those in paid work, where men spent 5-7 hours a week on *yaqona/kava* drinking and gatherings whereas women had less than 5-7 hours a week for leisure. Women in paid employment worked 'triple shifts' in their own homes, consequently carrying a heavier workload than

the male members of their households. Highland communities, in particular, continue to hold on to traditional patriarchal customs and practices that render women in these communities politically powerless, carrying heavy domestic workloads coupled with farm-related work.

### Targeting

38. Fiji has 14 provinces, 189 districts and 1,168 villages. Activities envisaged under Components 1 and 2, by strengthening agribusiness and value chain development capacity within the country, can be expected to benefit the entire country, both agricultural producers and consumers. Incentive funding for SMEs would initially be prioritised for those working with Component 3 areas but would subsequently be extended to SMEs anywhere in the country who can present bankable proposals. Under Component 3 FAPP would target highland farmers, their HHs and village communities on Viti Levu in three provinces and seven districts. It should be emphasised that not all villages in any district would be included but only those that are considered to be “highland”, defined as over 450 metres. The economic empowerment of village women from the target communities who take produce for sale at lowland markets would be targeted in a specific activity under Component 3.2. Summary data are presented in Table A2.1: FAPP targeted communities and beneficiaries and in Table A2.2: The provinces and population of administrative districts and villages in the FAPP area.

**Table A2.1: FAPP targeted communities and beneficiaries**

Total No of Provinces	Total No of Districts	No of District Clusters	Total No Villages	No of Village Clusters	Total area population	Estimated total No households	No of farmers to be trained	No of farmers to produce farm plans	No of Women travelling to markets to be trained
3	7	4	41	26	9,613	1,923	500 (min)	300 (min)	300 (min)

39. *Geographical targeting.* Component 3 of the project would target relatively remote highland communities. These communities have been disadvantaged by their isolation, remoteness and the ruggedness of the terrain. The pilot PHVA project area is at the foot of Mount Victoria, the highest peak in Fiji at 1,323 metres above sea level. The terrain of the selected FAPP area is hilly, with steep valleys, limited arable land, a relatively cool climate all year round, villages located far from each other and farming land often located a considerable distance from the village. Farmers often travel daily by foot between the village and their farms, which is time consuming and physically tiring. Daily walks each way to the farm of more than two hours are not unknown. As a result, some HHs have both village houses and (more basic) farm houses. The problem of distance between farms and villages is a nationwide one for indigenous farmers but is particularly acute in highland areas. The 2012 World Bank report on poverty trends in Fiji revealed that 40% of poor Fijians lived in the Western Division. Two provinces and six of the target districts fall under this administrative division.

40. Component 3 would target seven administrative districts (*tikina*) that either include the existing PHVA pilot area or are adjacent to it and have similar geographical and climatic conditions. Within these districts, only those villages considered “highland” would be included in order to target those HHs with similar agricultural potential, particularly the ability to produce profitably in the off-season. The seven project districts represent three provinces; Ba and Nadroga/Navosa under Western Division and Naitasiri under Central Division. All three provinces have been identified as having a high head count of people in poverty. Nadroga /Navosa province recorded 40-50% poverty levels and Naitasiri province (along with Vuda district in the province of Ba) 23% during the 2008-09 Household Income & Expenditure Survey.

41. The seven targeted districts would be grouped into four District Clusters (DCs) based on proximity of the districts, with one to three districts making up a DC. Each DC would be served by a Cluster Coordinator (CC) who would act as the Project Field Assistant (PFA). Together, the seven districts have an approximate total population of 9,613. The contracted agency would hold a one-day annual FAPP Farmers’ Forum (FF) for the four DCs, to be hosted on a rotational basis by each DC over the project life. The FF would bring together beneficiary farmers, women and youth to share stories and experiences, identify common challenges faced and lessons learned and discuss ways

forward for the FAPP to meet their needs and aspirations as a village community and community of farmers involved in farming as a business.

42. *Village targeting.* As noted, FAPP would target 41 villages in the project area. Their population ranges from 60 in the smallest village, Marou in Savatu district, to 754 in the biggest village of Bukuya in the district of Magodro. As village population varies, villages in a DC would be organized into Village Clusters (VCs). The 41 villages would be clustered into 26 VCs and a Community Facilitator (CF) would be appointed for each of the 26 clusters. This draws on the model piloted successfully under the PHVA and involves the VC living in the village.

43. Visits and assessment of the project area revealed that intra-village and inter-village socio-economic disparities exist within the FAPP area. Intra-village disparities stem from traditional relationships of chiefs and commoners, amount of land owned, housing standards, HH sanitation facilities, ownership of HH goods, ownership of micro-enterprises in villages, educational achievement and the limited formal paid employment of HH members. However, there are also similarities between villages in the project area in factors such as community leadership and administration, forestry resources, types of economic activities, nutritional habits, distances to education and health services, access to public transport, and cultural traditions and the similarity of the spoken dialects of native Fijian.

44. Initially targeting whole villages, FAPP Component 3.1 would maintain village/community solidarity, ensure that it would do no harm to community cohesion and strengthen relationships in the village, between the villages and with the Districts themselves. Component 3 would also enhance provincial development efforts. Building on the PHVA, informal group activities for agricultural production and marketing, such as joint planning of production and harvesting, would be promoted and this is likely to further promote community cohesion. Individual farmers and their respective HHs would be targeted as the primary beneficiaries of Component 3.2.

45. *Household targeting.* The FAPP area has an approximate total population of 9,613 and an estimated 1,923 households, all of which would be reached through FAPP activities under Activity Cluster 3.1. Each household has one or two farmers, with other members providing farm labour. Activity Clusters 3.2, 3.3 and 3.4 would target a minimum of 500 farmers including women and youth and, specifically, at least 300 women who travel to markets to sell produce.

46. *Women and Youth.* Age and sex are determinants of social status and rank in Fijian society and are also barriers to inclusive and gender-just development programmes and interventions. Women and youth would make up at least 40% of participants in activities carried out under Component 3 and the FAPP would engage with organized and locally recognized women's and youth groups in the project area.

47. Community empowerment workshops under Activity Cluster 3.1 would address village leadership and governance, resource management, community development issues, gender disparity in villages, sexual division of labour, women's role in agriculture, women in village decision making, gender, and youth justice issues.

48. Under Activity Cluster 3.2, at least 300 women who already market produce in lowland markets, or are keen to do so, would be trained in gender-justice, women's economic empowerment, financial literacy and basic business skills including calculating costs of and returns from their activities. As part-time, temporary and transient market vendors, village women have often missed out on capacity building and training opportunities, such as that designed for women market vendors under the UNDP Pacific Centre Millennium Market Project at Rakiraki in 2012.

**Table A2.2: The provinces and population of administrative districts and villages in the FAPP area**

POPULATION x TARGET VILLAGE x DISTRICT x PROVINCE															
Province	BA				NADROGA/NAVOSA						NAITASIRI				Total Population
Districts	Magodro	Pop	Savatu	Pop	Navatusila	Pop	Noikoro	Pop	Nasikawa	Pop	Nabobuco	Pop	Nadrau	Pop	Villages 8,801 Settlements 812 Total 9,613
Villages	Bukuya	754	Nadala	337	Nabutaute	114	Korolevu	148	Nawairabe	140	Rewasau	421	Nadrau	268	
	Tabalei	210	Naiyaca	96	Nanoko	429	Namoli	316	Korovou	146	Nasoqo	154	Nabawaqa	90	
	Tabuquto	248	Lewa	136	Mare	98	Nukuilau	539	Matokana	178	Roma	158	Naga	114	
	Nasivikoso	494	Marou	60	Nasauvakarua	171	Vatubalavu	354	Navola	108	Nasiriti	197	Qalinasavu	102	
	Nadevo	171	Nagatagata	110			Nabuyanitu	296			Naqelewai	410			
	Navaga	158	Buyabuya	112			Darubuta	229			Navai	129			
			Drala	140			Nakoro	168							
			Koro	139			Wema	61							
						Navitilevu	98								
<b>Total District pop.</b>	Magodro	2,035	Savatu	1,130	Navatusila	1,624	Noiikoro	2,209	Nasikawa	572	Nabobuco	1,469	Nadrau	574	

Sources: Ba Provincial Council Office, Naitasiri Provincial Council Office, Nadroga/Navosa Provincial Council Office

## Appendix 3: Country performance and lessons learned

### Introduction

1. Since 2004, IFAD's commitment to Fiji has been manifested largely through its inclusion in a number of small regional grant programmes, including IFAD sponsorship of WTO Roundtable Meetings and of regional certification standards for organic agriculture.

2. Fiji has benefitted from two recent IFAD initiatives, namely, through a regional grant to the *Mainstreaming of Rural Development Innovations* programme (MORDI) and a national grant to the *Partnership in High Value Agriculture* project (PHVA). This Appendix 3 provides a summary assessment of MORDI and PHVA drawn from Supervision Reports, Project Completion Reports and Evaluation Reports and key lessons learned, to inform the Fiji Agricultural Partnership Project (FAPP).

### Mainstreaming of Rural Development Innovations

3. **Scope and objectives.** MORDI was a two-phase large regional rural development programme completed in 2011 that was grant-funded for a total of USD 3.5 million over six years in Fiji, Kiribati and Tonga. The first phase was approved by IFAD's Executive Board in 2005 and was completed in late 2008; The second phase was completed in June 2011.

4. MORDI targeted vulnerable rural communities in remote and neglected highland areas and Outer Islands. The goal of the programme was to contribute to sustainable improved livelihoods for vulnerable communities, especially youth and women, living in remote rural areas of Pacific Island Countries. The main objectives of MORDI were to:

- strengthen the cohesion and institutional capacity of target communities, with youth and women being primary targets;
- increase employment and sustainable livelihood opportunities, especially for youth and women;
- document and share learning experiences from best practices and innovations; and
- establish sustainable approaches that enable remote rural communities to link with policy and planning processes.

5. The *Foundation of the Peoples of the South Pacific International* (FSPI) was the regional executing agency for MORDI, responsible for programme implementation. *Partners for Community Development Foundation* (PCDF), the continuation of FSPI in Fiji, was the implementing agency for the project in Fiji.

6. Implementation began in 2007 and three Districts, namely Kubulau, Wailevu and Veinuqa, were targeted, given their remoteness and relatively high levels of poverty. The initial stage of the project saw community consultations being undertaken and prioritised development needs identified. Community Facilitators (CFs) were selected and trained. Following initial implementation problems, the project reached the majority of the target population as envisaged.

7. **Achievements.** The overall success of the project depended on the single element of Component 1 which was community empowerment. While reasonably successful in Fiji, this was not an easy task. Introducing a new way of working and changing the mindset of what are very traditional communities, with strong traditional leadership, proved to be a slow process that required frequent repeat visits and numerous sessions following initial participatory learning and action sessions (PLAs). This took place over an extended period and is still an ongoing process in many communities even after two to three years of engagement. It was particularly demanding in relation to the traditional gender roles and achieving the active participation of women and youth in the process, and in community decision making and priority setting.

8. The Supervision Mission in 2010 noted that while women and youth were allocated the priority in project financing, there still needed to be progress made in ensuring their voice in community decision making and the formulation of Community Development Plans (CDPs). In reviewing the projects in the villages visited in Fiji, it became evident that the priorities of the men and the traditional leadership structures prevailed over those of the women and youth in a number of these communities.

The process was further modified to ensure that the priorities of women and youth were accorded priority in the CDPs.

9. The training and development of the right mindset, when developing project ideas and following them into implementation, is often as important as the material investments in projects, though obviously one cannot have the latter without the former. It was essential to make adequate provision for training and support in conjunction with investment, with more emphasis on the provision of marketing support and ensuring that village groups had an adequate understanding of how markets worked and of the value chains that connected their products to market destinations. This constraint became apparent following the closure of the project, when most of the villagers were not able to sell the promoted products, such as virgin coconut oil, as there were no market linkages developed.

10. During Phase 1, a total of 2,581 people (632 women, 1,339 youth and 610 men) and 500 HHs in the 29 target communities benefitted from MORDI. 24 CFs were trained fully on the MORDI approach. As part of the community empowerment process, 27 CDPs were developed, verified and finalised. From these CDPs, a total of 30 project proposals were submitted for financial support under the Community Support Fund; 23 proposals were approved of which six were implemented and completed during Phase 1 and 17 projects were at various stages of completion by the end of the period. The six projects comprised two telephone systems; three boats including outboard motor engine and a water project, and benefited 571 women and 446 youths.

11. MORDI Phase 2 saw an increase in the number of communities from 29 to 32. The inclusion of three new communities increased the number of HHs from 500 to 619, and the target population to 3,447 people. A total of 32 projects were implemented comprising 15 income-generating projects (outboard motor and fibreglass boat for fishing, bee keeping, beef farming, bakery for women and village grocery shop) and 17 small infrastructure projects (satellite phone installation, water supply system, walkways and footpaths, kindergarten and community halls).

12. **Key issues.** There are a number of issues that emerged from the implementation of MORDI. Collated from reports as well as discussions with PCDF programme staff, beneficiaries and other stakeholders during the design missions, these include the following.

13. *Weak planning cycles* undermined achievement of the MORDI goals and objectives. The project was not able to establish a cycle of “planning action learning evaluation planning” as the design anticipated. This was partly due to the arrangements surrounding the recruitment and engagement of CFs, but also to the limited training opportunities given to community members, the lack of a clear roadmap for establishing a continuous planning cycle and the fact that the project managers and staff members of FSPI had insufficient human resources to manage adequately.

14. *High quality of CDPs* proved good enough to inform the general community, Government, the private sector and donors on priority issues. For example, one community used their CDP in a successful negotiation for substantial financial support for road construction from a donor other than IFAD or NZAID; the CDP was the key factor in demonstrating the community’s capacity for preparing and implementing the programme. Other donors, such as JICA (Grant Aid Scheme), expressed their interest in working with the MORDI communities, as the CDPs evidenced a good level of community organization and ownership as well as providing a basis for cooperation.

15. Considerable progress was made on *linking communities with policy and planning processes* at all levels. At the community level, efforts were made to ensure that CFs understood local government structures and processes, and were equipped to approach GoF officials at local, district and national levels with development proposals. MORDI engaged actively with District Officers (DOs) in the planning and implementation process and many of those local-level officials embraced the MORDI approach. Others proved more difficult to influence, but attitudes are slowly shifting away from traditional top-down planning modalities as the benefits of a more inclusive community-based process are demonstrated in practical terms.

16. MORDI was successful in *mobilizing partnership support* for the implementation of CDP activities from GoF, other NGOs and bilateral donors through various mechanisms including partner roundtables and one-on-one dialogue. This resulted in the financing and cofinancing of a range of development activities identified in CDPs. MORDI Fiji, through PCDF, gained a good relationship with officials of the Ministry of Regional Development, MoA and Provincial Councils, resulting in the support of such agencies for community training activities; for instance, MoA for bee-keeping and livestock, and the Ministry of Fijian Affairs for financial literacy.

## Partnerships in High Value Agriculture

17. **Scope and objectives.** The ongoing PHVA initiative is being implemented by the Fijian NGO PCDF with a grant of USD 500,000 over two years from December 2012. It was designed to build on the successes of MORDI and pave the way for an eventual lending programme in the country by piloting a small number of interventions to explore new approaches around community development and the commercialisation of high-value fruits and vegetables.

18. Officially, the project commenced on 21 March 2013 after the signing of the Grant Agreement on 21 December 2012. The expected completion date of the project is 31 December 2014, with a possible extension to apply remaining funds. The project objective is that at least 200 participating farmer HHs would have returns increased by at least 20% from the production of high value products, with an approach that is tested and developed further to lend itself to scaling up in larger public sector investments in agriculture.

19. PHVA targets three relatively remote highland districts in Viti Levu which have good agricultural production potential, due mainly to altitude, but lack effective market linkages to hotels, retail consumer markets and exporters. The two PHVA activity areas are: *Production and Marketing of High Value Crops* (Identification and formation of farmer groups, Training of farmers, Community facilitation and Establishment of a commercial seedling nursery); and *Market Linkages and Facilitation* (Market research, Value chain assessments, Market linkage activities and Pilot credit scheme).

20. **Achievements to date.** Efforts have been made to link farmers effectively both to markets and to market operators, which include exporters, processors, local distributors and hotels. While it is widely acknowledged that there is an enormous demand for local good quality and high value horticulture products, most processors face high costs to source products from relatively remote locations such as the PHVA project area. They prefer that farmers coordinate the collection of their produce so that the buyer only comes to a centrally located collection point.

21. Community facilitation activities have made farmers aware of the objective and rationale of the project. These include the establishment of social/organization profiles, resource/group potential assessment, promotion of community awareness and understanding the project's goal, the activities, roles and responsibilities of participants in the project, the identification of interested and active farmers, and the formation and strengthening of farmer groups.

22. The first major activity undertaken was the identification and formation of farmer groups. PHVA identified, formed and trained farmer groups to ensure that they are effective in the production of high value fruits and vegetables that are of the quality, quantity and reliability to be suitable for export and local markets. The project established a profile of all farmers engaged with the project, with benchmarking of their social, economic and farming status. Approximately 103 farmers have had their statistics collected and been profiled effectively into a database. The farmers were then formed into proximate groups as it is easier to organize activities when they live close to each other. Seven groups with an average membership of about ten farmers have been formed and registered to date. Average land area per farmer is around two acres and they plant a wide range of vegetables including tomatoes, capsicums, lettuce and celery.

23. It is recognized that the appropriate training of farmers (male and female) is critical. About 100 farmers attended the first training on vegetable production techniques that was facilitated by the MoA. The training presented farmers with the basic skills and knowledge required for vegetable production, such as nursery management, plant protection, pest management and post-harvest management. There was significant interest shown by farmers in this type of training. A further 96 farmers have been trained in Farm Business Management focused on basic business skills such as record keeping, budgeting, cash flow recording and business planning.

## Lessons learned

24. A number of lessons have emerged from past donor-supported projects and from experience implementing interventions in rural economic uplift. Some of the most pertinent are:

- Difficulties are often experienced by traders in dealing with the village sector in ensuring *continuity and quality of supplies*. In many cases, subsistence farmers do not understand the way markets work and often supply the market only when they have to meet a pressing financial obligation such as school fees or expenses for festivities.

- Most *value chains comprise several interdependent operators*, from primary producers to ultimate consumers (including those abroad). In a commercial environment, every operator in the chain has to profit from their contribution; everybody wins or everybody loses. The subject value chains in Fiji appear to be poorly developed. One reason may be the reluctance of entrepreneurs to depend on service providers and value-adders that are not under their direct control.
- Past experience has shown that farmers are often encouraged by the MoA *to produce crops without a clear understanding of market prospects*. For the farmers, however organised, the key player is the first link in the chain, the entrepreneur prepared to invest in the marketing of specific commodities within increasingly formal contractual arrangements with primary producers.
- While the engagement of NGOs in project implementation is laudable and effective, such independent action does not *enhance the capacity of Government agencies* in the longer term. Government policy for the important agriculture sector is clear, with the goal of “farming as a business” and the steady transformation from low-input/low-output agricultural activities to a commercial industry built on increasingly efficient small-scale enterprises. GoF has vital roles both in driving the modernisation process and in establishing a regulatory and financial framework in which the private sector can flourish. There is likely to be a need for the reconfiguration and strengthening of public sector capacity to take on these tasks.
- Group enterprise mobilisation/supply-push approach may be most appropriate and relevant when they collectively scale up production to meet increasing market demand and when individual farmers are *rewarded for their individual efforts and responses to incentives* by planning, assembling the necessary resources and applying effort in their own enterprises.
- In the village setting, people do not respond readily to seemingly profitable opportunities in a more market-oriented part of the economy. What has been described as “*subsistence affluence*” appears to be pervasive, that is, the communities can live comfortably by devoting a few hours a week to food production and do not see it as necessary to respond to income-generating opportunities, except to pay for essential services such as education and health. Many communities are content with what they have and have no incentive to increase production and income.
- Supplying technology and training to smallholder farmers is not sufficient to boost profitable production. Long term *commitment to technological support* and solving unforeseen problems is needed.
- It is important to place the community at the centre of initiatives to drive development processes, to ensure that sustainable development is within the *capacity and social/cultural context of each community* and to capitalise on traditional knowledge and customary practices.
- Considerable experience in IFAD community development interventions confirms that empowering the poor and disenfranchised should not be seen as an end in itself but rather a means to facilitate other activities that can bring about *concrete social and economic returns* and increase HH incomes.
- When using group structures and local institutions as the focus for project implementation in community empowerment, it is necessary to *build capable local organizations to ensure the sustainability of interventions*.
- *Mainstreaming gender* is an important part of development projects that requires special attention and effective mechanisms for support.
- Income-generating activities and in particular production-related initiatives need to be *aligned with market demand* and specific products to have a reasonable chance of success and sustainability.
- Government, NGOs and other *service providers can work in partnership* but there is a need for flexibility and adjustments by all parties and specific technical training.

## Appendix 4: Detailed project description

### Component 1: Public sector capacity to support agribusiness (USD 1.52 million)

1. The first component would seek to increase substantially the potential for small farmers in Fiji to meet the very real demand for food crops and export produce that can be grown profitably by them. Beneficiaries would include those living in highland communities in Viti Levu, who are targeted directly by the third component. To this end, FAPP would support GoF in facilitating the growth of the private sector in the agricultural and horticultural crop sectors. "Private sector" is considered to include all value-adders in market chains including input suppliers, traders, transporters, processors, wholesalers, retailers and exporters as well as the all-important primary producers themselves.
2. FAPP would consolidate and extend the technical and managerial capacity of the public sector, particularly MoA, to discharge effectively its role of promoting agribusiness to the benefit of the nation, while not ignoring the fact that the public sector should also play a regulatory role. The component addresses the public environment for agribusiness and the widening and deepening of agricultural value chains through initiatives, promotions and partnerships.
3. **Rationale.** The roles of GoF in the agriculture sector, particularly with regard to food, have converged on sectoral policy, statutory regulation and the maintenance of an equitable and conducive financial environment in which the private sector can operate. The central theme of the approach of the Ministry, as identified in the new *Fiji 2020 Agriculture Sector Policy Agenda – Modernising Agriculture* (August 2014), is now "agriculture as a business". The only remaining significant direct actions of Government agencies influencing markets are the trading activities of the Agricultural Marketing Authority (root crops and honey) and the distribution of post-disaster rehabilitation crop-packs to farmers in kind rather than through private traders. The nation's approach is now consistent with the prevailing view that private sector operators should be expected to respond to the changing patterns of costs and incentives in real markets in deciding how to apply their resources and effort to the production and value addition of food and other crops.
4. With the increasingly clear recognition of the respective roles of public and private actors in the agriculture sector, it is crucial that GoF provides an effective operating framework for profitable and sustainable agribusiness at all levels. MoA has well-established technical capacity in crop production, livestock husbandry and farm management. However, the Ministry does not have corresponding strengths in developing the business side of the sector, beyond the inclusion of "marketing" and financial literacy in extension work with farmer groups. Recent externally supported initiatives in agribusiness development, notably the AusAID-funded Market Development Facility, have bypassed the MoA.
5. **Activities.** FAPP would assist the Government to strengthen its capacity to promote policies, to link more effectively with the private sector, to advise farmers on agribusiness matters and to ensure an appropriate regulatory environment related to agribusiness and related foreign trade that aims to facilitate the work of the private sector. In the process FAPP would embed the capacity to carry out such work in the future. The mechanism to achieve this would be mainly on-the-job training for MoA staff, provided by an international adviser, international training courses for MoA staff, and local training by agribusiness specialists.
6. *Enhancement of institutional capacity of MoA to promote private sector agribusiness.* As part of the ongoing re-orientation of public services to develop and support private enterprise, it is recommended that MoA concentrates agribusiness-related resources in a permanent functional unit mandated to: analyse sectoral value chain issues; consult widely and inform management on proposals for policy refinement; and bring about a conducive agribusiness framework fit for purpose in Fiji.
7. FAPP would support the establishment, capacitation and running of such an *Agribusiness Development Unit* (ADU) or similar focal point within the reconfigured MoA structures. The ADU would support the private sector in areas such as marketing, agribusiness, farm management and post-harvest handling, thereby facilitating supply chains and the conduct of business. Domestic agricultural marketing development, international trade and agro-industry development would be supported by skills upgrading as well as the identification of constraints and ways of overcoming them. The ADU would seek to identify ways of promoting improved linkages between intermediaries

(“middlemen”) and farmers; develop a capacity to advise farmers and farmer organizations on marketing and business; identify and promote market infrastructure requirements consistent with the clearly expressed needs of the relevant value chains, carry out or commission market studies and promote communication both within and between value chains.

8. *Upgrading of extension staff skills in agribusiness.* The project would carry out training for MoA extension staff, as well as staff of relevant NGOs and others. The training would address the broad topic of value chains and how to analyse and upgrade them. For example, training would address a common cause of mistrust between farmers and traders related to a lack of understanding of the reasons why retail prices are so much higher than prices paid to farmers. Training would assist officers to advise farmers on how to interpret price information already being provided by MoA.

9. *Refinement of the public sector framework (policies, procedures, regulations) for the domestic business and export trade of locally produced agricultural products.* The aim should be to facilitate trade as much as possible rather than restrict it. The policies related to the food and agriculture sector extend beyond the remit of MoA, with concerns overlapping with other agencies. MoA is encouraged to take the lead in the articulation of a coherent public sector framework for the business and trade of domestically produced agricultural products. Studies would be carried out in order to facilitate the preparation of evidence-based policy recommendations on issues such as quarantine, food safety and linking farmers with the tourism industry. As required, MoA would promote the orderly revision and updating of statutes and regulations related to agricultural value chains and foreign trade, particularly concerning barriers to entry for small-scale producers and traders.

10. *Generation of knowledge: value chain mapping of products grown by smallholders.* MoA would carry out or commission a systematic audit of the structure, turnover and constraints facing the value chains of significant agricultural products in the country. The knowledge generated would identify market opportunities that can be translated into increased demand for the produce of smallholders. The value chain mapping and analysis would be conducted within the first year of FAPP and the capacity of the MoA would be developed to replicate it on a regular basis, given the ever-changing scene of agricultural production.

11. *Creation and operation of technical working groups.* In the longer term, it is likely that operators, service providers and value adders in the major value chains, comprising generic categories such as root crops as well as single commodities, would form common economic interest groups that progress gradually into trade associations that seek to influence policy and offer multiple services to their members.

12. To expedite this constructive process, MoA would collaborate with the Fiji Crop & Livestock Council (FCLC) and its planned constituent member associations (some have yet to be fully formed), as well as with the Fiji Chamber of Commerce and Industry, to facilitate discussions between industry groupings. Promotion of such value chain stakeholder initiatives would be to the private enterprises identified in the value chain mapping exercise, to GoF technicians, farmer organizations and cooperatives and other stakeholders, including NGOs. Key partners in this initiative would include the hotel/restaurant industry. Associations under the FCLC are likely to include those covering the various livestock sectors, root crops, ginger, fruit, vegetables and coconuts. It is envisaged that the private sector would assume rapidly the ownership and leadership of the associations, with MoA collaborating with the FCLC to provide support and advice as a reliable partner, as and when asked. Regular meetings of these sector associations would be supported.

13. *Private sector information exchange promotion.* On a case-by-case basis, if requested by an association, MoA would sponsor the exchange of practical experience and “know-how” between established enterprises engaged in similar work in selected value chains. Such peer-to-peer exchanges wholly within the private sector would build on the networking of the associations and are likely to be limited to exchanges within Fiji.

14. *Outputs.* The expected outputs of Component 1: *Public sector capacity to support agribusiness* would be:

- an effective proactive unit operational within MoA driving agribusiness expansion;
- five Government officials trained on the job;

- completed studies as the basis for a coherent and supportive agribusiness policy approach, with an emphasis on small farmer linkages with commercial partners and founded on partnerships and sound commercial principles;
- MoA staff trained to support the development of an enabling public structural and financial environment for private sector agribusiness; and
- value chains supported to accelerate the formation of trade associations related to agribusiness.

## **Component 2: Assistance to SMEs working with smallholders (USD 1.96 million)**

15. Under this component, FAPP would finance an innovative GoF initiative to expand individual small- and medium-scale enterprises that want to improve market linkages with small-scale farmers. This would include a programme to mentor participating SMEs and a scheme to provide matching grants to SMEs interested in accessing financial services from private banks to expand targeted operations.

16. **Rationale.** By driving up efficiency and productivity in national value chains, Fiji's producers should become more competitive with foreign suppliers and all domestic smallholder producers should benefit from increased volumes of business. For multiple reasons, it is preferable that a tomato consumed in Fiji is grown within the country rather than abroad, but there is also undoubted scope for increasing the quantity of agricultural produce exported.

17. The proposed programme is designed to address the existing poorly developed linkages between farmers in areas with production potential and market intermediaries who are able to find markets for that production. Mentoring and grants would be provided to intermediaries throughout the country who are expanding business with small scale farmers. Particular attention would be paid to those intermediaries working with highland area farmers on Viti Levu.. The justification for such an action is that there is presently a "chicken and egg" situation in much of the country: traders do not go to farmers because they have insufficient production, and farmers do not produce because they have no buyers. A matching grant, which would meet 25% of a planned investment, is designed as an incentive to expand business with small scale farmers, in recognition of the initial costs and risks implied in forging new relationships.

18. Examples of how matching grants might typically be used include:

- *A vehicle to enable the SME to access remote farming areas.*
- *Other infrastructure to promote improved market-oriented production.* This could comprise: construction of a retail facility for the sale of inputs; a simple collection and storage centre that links directly into the value chains being developed by a commercial company; improved facilities at the premises of the buyer; or appropriate post-harvest equipment.
- *Operating capital.* Intermediaries invariably must pay farmers immediately on delivery of the produce. However, those exporting or supplying the hotel and supermarket sectors have to wait significant periods before they are paid. This gap causes significant cash flow constraints and limits companies' access to operating capital, which in turn leads to underuse of fixed assets and can hamper the profitability of investments in such assets.
- *Support for contract farming ventures.* Rural finance provision is relatively limited in Fiji. Companies wishing to promote production of high value crops may therefore have to provide some support to farmers in terms of inputs, such as seeds, fertilizer and land preparation.

19. In accessing loans, however, many SMEs are intimidated by the complex loan procedures of banks and by the need to develop convincing business plans based on detailed market analysis. The remedy in these circumstances is to provide professional advice to companies in advance of their seeking access to affordable investment capital, in return for a commitment to engage with producers who have previously been under-served by commercial buyers.

20. **Activities.** Component 2 comprises an MoA development intervention to increase substantially the volume and value of the business transacted between small-scale farmers and SMEs in agricultural value chains, with priority being given to those businesses intending to purchase from highland farmers to be supported under Component 3.

21. *Business planning and management mentoring support for the expansion of individual enterprises.* MoA would run a voluntary scheme to strengthen the business capacity of SMEs working in the agricultural sector. To be eligible businesses would have to demonstrate that they will be expanding business with small-scale farmers. Priority would be given to businesses working with farmers in highland areas. Examples of possible participating businesses would include input suppliers, transporters, local traders, exporters, processing firms, and food retailers such as supermarkets, hotels and restaurants.

22. Mentoring durations would vary but the activity is likely to entail a period of intensive on-site professional support to the entrepreneur/s, centred on the development of a robust business plan for the scaling up and the subsequent implementation of the plan including, if needed, an application to an appropriate institution for affordable investment finance. The mentor would ensure that the projected budgets would satisfy the due diligence of a bank, including such factors as past banking history and credit record, submission of necessary documentation such as company registration and a Tax Identification Number, and full consideration of the business plan centred on the potential markets for inputs or outputs. Elaboration of a business plan would be a necessary but not sufficient condition for access to grant funding under FAPP.

23. Each business could receive up to fifteen days of individual mentoring and advice on their business expansion project and its subsequent implementation. Provision has been made for 45 SMEs to be mentored over the first three years of FAPP, based on a full fifteen days of mentoring. If some SMEs require less time, more businesses could be accommodated.

24. *Incentive scheme to capitalise the growth of enterprises increasing directly the potential purchase of produce from small farmers.* The requirements for accessing the matching grant would be: (i) the participating bank has approved the borrower's loan application, according to the bank's own lending criteria; (ii) the borrower contributes equity equal to at least 25% of the total value of the investment for which funds are being borrowed; and (iii) the investment is intended to lead to expanding business with small-scale farmers. First priority for grants would be given to intermediaries making proposals related to the highland areas covered under Component 3 and in other remote areas.

25. *Operational details.* Participating banks would conduct their loan appraisals according to their own procedures. The loan application would specify the full amount of the investment. The loan may constitute up to 50% of the total cost of the investment. The borrower must contribute equity equal to at least 25% of the total investment and a matching grant can be provided of an amount equal to the borrower's equity contribution up to 25% of the total investment. On approval the bank would request the project to disburse the amount of the grant from the project account into the borrower's account at the bank.

26. *Size of grants.* There is likely to be a variety of expansion proposals by SMEs with differing asset bases and investment financing requirements. It is expected that the total cost of the investment package required by applicants, including equity and grant components, would range from FJD 40,000 to FJD 200,000, translating into matching grants of FJD 10,000 to FJD 50,000. The maximum size of a matching grant would be FJD 50 000. The FAPP budget provides for 30 matching grants of an average of FJD 30,000 (USD 15,000) but a greater number of grants could be provided if the average request is lower than that sum.

27. The expectation is that the market linkages developed as a result of the grant support would be profitable for both intermediary and the farmers, would lead to long-term trust-based relationships and, as a consequence, subsequent capital replacement and other reinvestment can be carried out on commercial terms.

28. **Outputs.** The expected outputs of Component 2 *Assistance to SMEs working with smallholders* are:

- 45 enterprises accessing non-financial services facilitated by the project;
- 45 SMEs trained to develop stronger technical and financial management capacity to enable them to add value to products grown by smallholders in Fiji, of which at least ten would be servicing farmers in Component 3 highland areas;
- 30 SMEs supported to develop a sound and bankable business plan for expanding agribusiness with primary producers; and

- 30 enterprises accessing facilitated financial services.

### **Component 3: Farming as a business for highland communities (USD 1.55 million)**

29. In harmony with existing cultural norms and mutual support systems within communities, FAPP would support interested and active farmers in the selected highland areas to engage with markets by providing technical advice and skills development to improve cropping systems and, particularly, to strengthen all aspects of conducting a farming business.

30. With regard to crop selection, some crops with a given market potential have already been identified for promotion in the highlands, based on earlier analytical work. However, the project would be open to facilitate any proposal with a sound business plan emanating from operators within the target area or further along the value chain. The project could provide strategic support for the trial and incubation of various products for niche or general markets, to take advantage of particular agro-climatic conditions. The enterprises that thrive would generate income for only a few households, but would demonstrate the potential for others to replicate with far less initial risk.

31. On the production side, the project would promote the revitalisation and enhancement of traditional farming skills and knowledge, including: (i) the indigenous farming knowledge for traditional crops such as *dalo* and yams; (ii) the integration of high value vegetables, predominantly grown in the wet and warm season (“off-season”) in Fiji, and other tree crops to provide long-term income generation; and (iii) the revamping of seasonal planting methods, with an emphasis on off-season production. All technologies recommended under the project would be ones that improve the management of natural resources and explicitly increase resilience to climate change. Emphasis is likely to be placed on the promotion of organic agriculture technologies.

32. As a major presence in the target area over four years, (and longer in the legacy PHVA areas), the project would facilitate regular discussions convened by the Lead Implementing Partner (LIP) and the Extension Division of MoA: between entities contributing to highland agricultural development and related activities, to optimise effort and effectiveness; and between local enterprises, including farmers, involved in agricultural value chains.

33. In addition to production support, FAPP village and community level staff would seek to reduce constraints and gaps in farmer support services by helping to forge partnerships with the private sector. They would also assist communities in identifying other ways to reduce the transaction costs of farmers who are dependent on distant suppliers and market outlets. Community Facilitators appointed under the project would play an important subsequent role in following up initial meetings with potential buyers and assisting farmers to coordinate supply. FAPP would also support traditional marketing practices by providing basic business and other training for women who travel regularly to urban markets to make retail sales.

#### **Activity Cluster 3.1: Highland community empowerment**

34. **Rationale.** Most rural highland village farmers lack information about available services let alone access these services. The majority live in traditional villages that have their own administrative and leadership structures and systems. Village administrators (*turagani-koro*) often lack information and the networking skills to make such services available to farming households.

35. In this cultural environment, functional well-led communities are the key to the mobilization of the human and land resources that are necessary to make a successful transition from semi-subsistence to commercially orientated agriculture. Conversely, disorganized and poorly led communities are severely constrained in making such a transition. Community members need to be able to assess critically and understand the dynamics of the situation in which they live. They require an understanding of good leadership skills and governance, resource management and planning, gender disparity and related justice issues, and environmental sustainability. Communities also need to be able to collect and analyse information about themselves for planning and advocacy purposes.

36. Due to improvements in infrastructure, the highlands are now more accessible and therefore more attractive as potential supply areas for agribusiness companies. The most critical factors to achieve business exchanges between these buyers and producers are a consistent supply of quality produce grown by highland farmers, with quantities large enough to attract buyers to these remote locations. Farmers have to become organised to coordinate their production and farm plans and to supply the same market. This requires a marked change to their traditional ‘growing and selling’

practices and a willingness to collaborate amongst themselves and with buyers. The project's Community Facilitators would be agents of change that help farmers achieve this change of mindset.

37. **Activities.** The activities designed to help communities make the transition from semi-subsistence to commercially-oriented agriculture fall into two broad areas: mobilisation of resources in highland communities; and planning and management of resources.

38. Initial activities would provide small-scale farmers with a full understanding of the project's goals and objectives and their respective roles, responsibilities and obligations, should they choose to engage. The village communities would be concerned directly with planning, implementation and subsequent monitoring and evaluation of their farming and resource use. Activities to do this were developed successfully in the IFAD-supported *Mainstreaming of Rural Development Innovations Programme (MORDI)* and replicated the IFAD-funded *Partnerships in High Value Agriculture (PHVA)* project in parts of the three relatively remote highland districts in Viti Levu. They include training for communities in leadership, planning and management skills to be effective partners in the success of FAPP. Another important activity is the one-day Farmers Forum. This Forum would bring together farmers engaged in the project, for M&E purposes, to share experiences, discuss challenges faced, and identify the best ways to move forward towards achieving their desired outcomes.

39. **Outputs.** The expected outputs of *3.1 Highland community empowerment* are as follows. In sum, they would form a substantial investment in local social capital, enabling villagers to take up opportunities for individual advancement and communal uplift.

- 26 existing village communities or groups of farmers within communities have committed to engage with the project as full implementing partners.
- 26 suitable Community Facilitators identified by the communities are recruited and trained by the implementing agency.
- 26 village communities or village groups receive training in leadership skills, good governance, community planning, gender awareness, resource management and environmental sustainability.
- Community Development Plans in place for all participating villages.
- Vernacular training materials produced to be used by other providers in other communities.

### **Activity Cluster 3.2: Farming as a business**

40. **Rationale.** Most HHs in remote highland communities are semi-subsistence farmers who do not farm as a business. While their skills as agricultural producers relate to production, they tend not to be skilled in the basic requirements of a successful business such as planning, budgeting, saving and investing. They have only a limited understanding of how value chains function. Business skills have neither been inculcated as part of their cultural or family traditions nor been part of their limited formal school curriculum or non-formal adult education programmes. This lack of basic business knowledge puts these farmers at a significant disadvantage as they endeavour to move towards income generation through commercial agriculture.

41. On the demand side, there are potential buyers that are seeking to increase their supply of crops that are grown or potentially grown in the highlands. These are the local market traders, companies supplying the tourism industry, supermarkets, processors or exporters. The project would facilitate and establish linkages between the farmers and buyers. In doing this, there is likely to be close involvement with Component 2 activities.

42. **Activities.** Cluster 3.2 activities are designed to transfer "farming as a business" skills to target farmers in the highland areas utilizing a non-formal adult education approaches that may include farmer field schools, farmer business schools or other forms of group learning. The main types of activities are listed below.

43. *Promotion of farm enterprise management for the market.* These activities are intended to build basic business skills and financial literacy. Farmers would be trained in business practices such as enterprise planning, budgeting, savings and investment, record keeping, product pricing, customer relations and product presentation.

44. *Facilitation of relationships between producers and value chain operators for commercial farmer-to-market linkages.* This activity is a combination of training and meetings between the value chain actors. Meetings would be held with potential buyers to alert them to project activities.

Interested companies and individuals would then be invited to visit the farmers in the project area to discuss possible collaboration. These grower-buyer meetings would be facilitated by the project and lead to the identification and bilateral understanding of critical factors (including consistent supply of quality produce, minimum quantities at agreed prices, and compliance with documentation requirements for GAP certification), which have to be in place in order for buyers to procure produce regularly from highland farmers. Follow-up activities to assist farmers to meet buyer requirements and to engage in regular commercial exchanges would be identified and included in the project Work Plan. Training to assist the start-up of seed and planting material propagation for the production of high quality produce under Activity Cluster 3.3 would be one such expected follow-up activity.

45. *Strengthening of capacity of women who do occasional market vending:* Special attention would be given to women vendors who travel to retail markets to do direct marketing of outputs. They would be trained in how to improve their marketing and business activities.

46. Capacity building on aspects of primary marketing and engagement with value chains would include:

- commercial training for farmers focusing on an understanding of how value chains work and how the various entities in each chain contribute to its success. This training would utilise the user-friendly value chain manual for the Pacific Islands recently published by CTA-SPC;
- specific information sharing and network facilitation that focuses on linking farmers, buyers and other marketing agents such as transporters;
- facilitated grower-buyer meetings to understand risks and constraints faced by both sides, identify critical success factors (CSFs) to make business work, agree on how to address the constraints and create transparency and trust, (see Annex 5 on implementation modalities);
- encouragement and assistance to entrepreneurs to become dedicated traders in both inputs and produce in the target villages, in order to reduce significantly the transaction costs of farmers presently dependent on distant suppliers and market outlets;
- financial support to the realization of required small farming and market infrastructure improvement at farm and community level to address constraints identified during grower-buyer meetings, including the promotion of the expanded use of field crates to reduce post-harvest losses through a “rent to own” scheme;
- an *in situ* (home village) capacity-building programme targeted at women market vendors. The training programme would address particularly women’s economic empowerment and business literacy, building on the work of the UNDP Millennium Market Project.

47. **Outputs.** The expected outputs of 3.2: *Farming as a business* are as follows.

- 500 farmers trained in business skills and financial literacy.
- 100 farmers assisted to prepare three-year business plans at the end of PY2, increasing to 300 farmers by the end of the project.
- 300 women market vendors from the project area trained in women’s economic empowerment and business literacy.
- User-friendly training materials produced on business and financial literacy, which could be used elsewhere by other business training service providers.
- 500 farmers trained to understand how the value chains in which they operate function and to have a practical knowledge of key concepts, such as marketing margins.

### **Activity Cluster 3.3: Technology transfer for increased productivity and profitability**

48. **Rationale.** Favourable agro-ecological conditions exist in the highland areas (above 450 m above sea level) for the production of a number of off-season horticultural crops such as tomatoes, capsicum, cabbage, ginger, citrus and cut flowers. Furthermore, *dalo*, ginger and bananas find favourable conditions in some highland zones, but due to the sloping terrain require agro-forestry types of production systems for sustainable cultivation and climate change resilience. For smallholder farmers to benefit from this comparative advantage to improve farm profitability requires the adoption of appropriate, environmentally sound and climate change-resilient technologies, as well as effective farm management.

49. In November 2014, MoA requested the Taiwanese Technical Mission (TTM) to establish two demonstration sites in the Nadarivatu PHVA area. Community Facilitators would monitor the adaptation and impact of these activities and, as appropriate, work in partnership with the TTM/MoA on the further promotion of viable technologies.

50. One important constraint on commercial farming in the target area is the lack of timely supplies of seeds and planting materials suited to local conditions. The project would facilitate the establishment at strategic locations of small nursery enterprises and local seed production systems, with appropriate climate-proof technology. This intervention builds up on the successful experience of the seedling enterprise project funded by AusAID. Input companies would also be eligible for support under Component 2.

51. **Activities.** On the production side, the project would promote the revitalisation and enhancement of traditional farming skills and knowledge. Activity Cluster 3.3 is about the transfer and promotion of appropriate technologies and farm management skills to target farmers using a peer-to-peer technical knowledge-sharing approach. It is closely linked to and would be informed by the outcomes of the grower-buyer meetings under Activity Cluster 3.2. It would also support the establishment of input supply enterprises in the highlands, especially nurseries and for seed and planting material propagation and seedling production. The specific intended activities include the following.

52. *Promotion of technologies* including: nurseries and improved planting materials, integrated pest management, climate change-resilient and environmentally sound production systems, and improved post-harvest handling, as well as introducing or reintroducing open-pollinated vegetable seed varieties and smallholder seed saving technologies. This activity includes a series of training courses and the supply of appropriate seeds by the MoA Research Station. It would build on the Solomon Islands Planting Material Network Model and the Asian Vegetable Research and Development Centre (AVRDC)/Secretariat of the Pacific Community (SPC) work on tomatoes and capsicum.

53. *Promoting the expanded use of vegetable seedlings rather than traditional direct planting methods*, possibly through a cost-sharing scheme.

54. *Introducing or reintroducing improved germplasm* for fruit with identified market potential that can take advantage of environmental conditions. This activity includes a series of training courses and transfer of quality trees from other areas in Fiji to the highlands. It would draw on expertise from the MoA Research Division, the Tutu Fruit Tree Development Programme and the recently established Biosecurity Authority of Fiji (BAF)-certified but private-sector operated post-entry quarantine facility.

55. *Training and material support to farmer group-managed planting material supply enterprises.* A major constraint on profitable farming in the highlands is the timely supply of seeds and planting materials suited to local conditions. In response to this, direct support would be provided to creation of private nurseries, owned by the communities and operated by nursery managers whose salary is derived from sales of nursery outputs. Arrangements for creating nurseries as enterprises would build on the experience and lessons learned by the AusAID-funded Seedling Enterprise Development Project, PHVA and the Pacific Island Farmers Organization Network (PIFON) members such as the Tutu Rural Training Centre on Taveuni.

56. *Establishment of planting material supply enterprises for organically certified bananas and "baby" ginger.* Training and setting up of demonstration sites would be done to promote the use of an integrated crop management package of practices for pest and disease control. This would draw heavily on recent MoA/Australian Centre for International Agricultural Research (ACIAR)/SPC research and training materials for integrated crop management (ICM) of brassicas – an important off-season vegetable crop for the project area.

57. *Training and setting up of demonstration sites to promote low-cost protective cropping structures at the farm level.* This would draw on recent experiences from the Taiwan Technical Mission (TTM), MoA and ACIAR Pacific Agribusiness Research and Development Initiative (PARDI).

58. *Training in post-harvest handling of vegetables to minimise wastage.* This would draw on recent research and training by the ACIAR PARDI project on tomatoes.

59. *Technical knowledge sharing between farmers* to improve resilience to natural hazards and climate-related deterioration of natural resource productivity through the promotion of soil conservation, soil fertility management and traditional horticultural knowledge. This would utilise

farmer-to-farmer exchanges with PIFON affiliates in Fiji and Vanuatu. MoA would have a key role to ensure that sustainable agriculture lessons learned from the commercial development of Fiji ginger on sloping lands in Naitasiri are incorporated.

60. **Outputs.** The expected outputs from *3.3 Technology transfer for increased productivity and profitability* are the following. Over time, the benefits to farmers would extend far beyond the project area:

- 200 farmers trained to become commercial off-season vegetable farmers and 500 farmers trained to become semi-commercial off-season vegetable farmers;
- 20 farmers trained to become commercial and 200 farmers trained to become semi-commercial fruit tree growers;
- Ten MoA Extension Service Officers trained in appropriate highland farming technologies;
- Four commercial seedling enterprises supported to be established by the end of PY2, and 25 farmer and farmer group managed small-scale seedling nurseries established by the end of the project; and
- Two planting material supply enterprises supported to be established for organically certified ginger and one for organic bananas by the end of PY2, increasing to five and two enterprises respectively by the end of the project.

#### **Activity Cluster 3.4: Certification systems (organic/wild harvested) for highland farmers**

61. **Rationale.** There are private sector enterprises in Fiji that want sources of organically certified or wild-harvested certified products. These are in immediate demand. Such products include organically certified “baby” ginger and bananas, and certified wild harvest turmeric. These crops are well-suited to the agro-ecological conditions and prevailing smallholder farming systems of the highland areas, and a significant number of poor farm HHs could benefit. However, sustainable commercialisation of these products would require technical assistance and internal controls for certification and good market access.

62. **Activities.** Activity Cluster 3.4 comprises the establishment of participatory certification and the promotion of value chain linkages to identified exporters. This can be done by replicating and scaling up the recent experiences of the IFAD-supported Pacific Organic and Ethical Trade Community (POETCom) where farmers in parts of Fiji are successfully expanding the production of organically certified virgin coconut oil and papaya for export.

63. **Outputs.** The expected outputs of *3.4 Certification systems (organic and wild harvested) for highland farmers* are:

- Farmers supported to put in place market-recognised certification systems to permit higher returns to producers;
- 50 growers trained to be able to produce up to 500 mt per year of organic certified ginger in an environmentally sustainable fashion;
- 50 growers trained to produce up to 2,000 mt per year of organic certified bananas: and
- 300 village-based farmers trained to harvest up to 1,000 mt of wild-harvest turmeric from the project area and adjacent locations.



## Appendix 5: Institutional aspects and implementation arrangements

### Project direction and oversight

1. The Ministry of Agriculture (MoA) will be the Lead Project Agency (LPA) for FAPP on behalf of GoF.
2. *Project Steering Committee.* Strategic oversight and guidance of the project will be provided by a Project Steering Committee (PSC), which will include the Permanent Secretary of MoA, the Director of the Division of MoA hosting the Agribusiness Development Unit, the Chair or Chief Executive Officer of the Fiji Crop & Livestock Council (FCLC), a representative of one of the participating commercial banks and a farmers' representative from Viti Levu, as well as representatives of a women's group, post-production value-adding entities and the hotel/restaurant industry, and one coordinator of a closely related ongoing project. No representative of the PSC should benefit directly from the activities of the project.
3. *Inter alia*, the responsibilities of the PSC will include approval of the AWPB, PIM and Procurement Plan, the review and follow-up of audit recommendations, and ensuring that overall project operations are within the legal and technical framework agreed between the Government and IFAD. The PSC should meet at least twice a year to review implementation progress and approve AWPBs.

### Project management and facilitation

4. As a development initiative of GoF, FAPP would be driven by the Agribusiness Development Unit of MoA with the technical and professional support of project staff embedded in the Ministry structures. The management of implementation will be streamlined and simple, with the substantive activities of FAPP facilitated by responsible staff in temporary/supernumerary posts created within MoA in Suva.
5. *FAPP management resources.* FAPP implementation support would be provided by five fulltime professional staff – Project Manager (PM), Financial Management and Procurement Officer (FMPO), Knowledge Management/M&E Officer (KMMO), Administrative Assistant (AA) and Financial Management and Procurement Assistant (FMPA), all recruited competitively on fixed-term contracts for up to four years. MoA will facilitate and coordinate the recruitment of project staff, in close consultation with IFAD. These will either be assigned within GoF or contracted independently.
6. The remit of the FAPP implementation support team will be to:
  - coordinate the project under the direction of the PSC;
  - manage proactively service and consultancy contracts;
  - conduct participatory planning and liaison activities, including the crucial Annual Work Plan & Budget (AWPB) planning exercises;
  - carry out project monitoring and knowledge management functions, including periodic and *ad hoc* project reporting for GoF, IFAD and other stakeholders, as well as informing management decision-making processes;
  - manage programme finances including grant administration, (details in Appendix 7);
  - arrange external audits, reviews and evaluation studies; and
  - ensure compliance with the Loan Agreement.
7. The organization and management arrangements for FAPP implementation will be set out in a bespoke *Project Implementation Manual* (PIM, see summary in Appendix 11), to be drafted by the Final Project Design Mission, finalized by the FAPP implementation support team during the first three months of implementation in close collaboration with key stakeholders, and subsequently subject to revision as required.
8. Human resource development is central to the main purpose of FAPP to build up the capacity of the public and private sectors to expand agribusiness in Fiji, and thereby increase the incomes of small-scale producers. Professional and technical skill development for individuals, enterprises and

producer groups is the core activity in all three components, as summarised below in *Appendix 5.2: Capacity building plan*.

### **Implementation arrangements**

9. FAPP will be implemented by GoF, through the MoA, complemented by external contractors as needed for the delivery of specific specialist services. All FAPP activities will be implemented by the most appropriate and best-qualified service providers including MoA technical service units if available and private sector entities contracted by the project. All service contracts will be procured and supervised in a commercial fashion. The PIM sets out the selection criteria for service providers. The selection will be done by MoA/FAPP within IFAD rules and regulations.

10. FAPP will adopt a contract-based implementation arrangement with each service provider, with memoranda of understanding and contracts renewed from time to time based on satisfactory performance. All implementing partners will be monitored closely by managers, supervision missions and the FAPP management information system, for their efficient and timely delivery of project results, outputs, outcomes and impacts.

11. All project activities will be realized and managed by an Agribusiness Development Unit (ADU) to be established within MoA, either directly through public sector structures or through various contracts with specialised individual and institutional service providers.<sup>5</sup> MoA will allocate appropriate existing staff or new recruits to staff the ADU.

12. As a new operating entity, the ADU would be supported in fulfilling its remit by a Senior Agribusiness Development Adviser (SADA) recruited internationally.<sup>6</sup> The importance of securing the services of the best international Adviser available cannot be stressed too strongly. The FAPP implementation support team should advertise the position widely in journals such as *Islands Business*, *The Economist*, newspapers in Australia and New Zealand and the International Development Jobs email Newsletter published by Devex.

13. At project start-up the FAPP implementation support team and MoA will review the revised structure of the Ministry as a result of organizational changes implemented following publication of *Fiji 2020 Agriculture Sector Policy Agenda – Modernising Agriculture* (August 2014), in order to establish where the Agribusiness Development Unit will best fit and contribute to the overall reform process.

### **Implementation of Component 1: Public sector capacity to support agribusiness**

14. The FAPP capacity building programme for MoA ADU and field staff would be built up from institutional and individual training needs assessments conducted by the PM with the assistance of the Senior Agribusiness Development Adviser. The main vehicle for building up the capacity of the new MoA section charged with agribusiness development will be the incumbent professional staff learning-by-doing in the regular conduct of their duties, with the on-the-job advice and mentoring of the full-time SADA for three years. FAPP will supplement that invaluable day-to-day experience with short formal international training courses.

15. In addition to professional career development, MoA will be strengthened with commissioned studies to inform policy development or to investigate issues arising in advancing the public sector role in the promotion of agribusiness. These studies will include basic value chain mapping assessments, with a particular emphasis on the crops that can be grown in the highland areas (see outline ToRs in the PIM) and studies to address emerging policy issues that arise during FAPP implementation, an example of which could be the ongoing problems with quarantine requirements of export markets. Participation of the members of the Agribusiness Development Unit in such studies and in the preparation of their ToRs is envisaged. These studies will also be used to identify regulatory constraints to agribusiness development as the basis for proposing legislative changes, if required.

16. Training of extension officers in agricultural marketing, agribusiness and value chains will be conducted by the SADA, members of the ADU and contracted experts from Fiji. There is a range of training materials available on these topics, including one recently published by SPC, and the preparation of new publications is not foreseen. However, the consultants will be expected to prepare

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<sup>5</sup> Scope of work of Agribusiness Development Unit in Appendix 5.3 below.

<sup>6</sup> Terms of reference in Appendix 5.4 below.

presentational materials and appropriate handouts. Outline ToRs for the training courses are provided in the PIM for further development by MoA.

17. FAPP will support MoA initiatives to strengthen its commodity councils and work with FCLC to strengthen its constituent associations and merge its council/association activities with those of MoA. FAPP will assist in the identification of potential members of such associations as a result of information gained from the value chain mapping exercise. More importantly, support will be provided to the associations to enable them to hold national and regional (Divisional) meetings on a regular basis. Assistance will be provided to a range of value chains and will not be limited to those products produced in the highland areas of Viti Levu.

### **Implementation of Component 2: Assistance to SMEs working with smallholders**

18. The second component will be realized by the Agribusiness Development Unit of MoA, drawing heavily on contracted external companies and individuals with appropriate business mentoring skills and working in partnership with participating commercial banks, with which memoranda of understanding will be signed.

19. Organizations or individuals capable of offering mentoring support covering business development, business plan preparation, financial management and techniques for linking with farmers will be identified through a competitive process that will also take remuneration expectations into account. The successful mentors will be retained on an "as required" basis ready to respond with support when a request for mentoring is received from an SME. Outline ToRs for mentors are provided in the PIM and should be further developed by the Agribusiness Development Unit after detailed consultations with potential beneficiaries and the participating banks.

20. MoA will carry out a widespread SME mentoring scheme promotion campaign through the media and directly to companies and individuals identified during the value chain mapping exercise under Component 1. The campaign will highlight the potential benefits of business mentoring, the different mentoring options (up to 15 days), and the fact that this could also lead to favourable loan and grant consideration. MoA will also establish a small committee to review all applications for mentoring support, on the basis of submissions prepared by the Agribusiness Development Unit.

21. Commercial banks will be consulted to reconfirm their interest in the grant programme and establish final arrangements for its implementation. A memorandum of understanding will be signed with each bank. As the programme should lead to no additional work for banks and, in contrast, should reduce their loan assessment workload by ensuring that only well-mentored business plans and loan applications are submitted, it is expected that the banks will not require fees for participation in the programme. Payment of the matching grants will be solely dependent on the loan decisions of the commercial banks and no committee will be necessary to review their decisions.

### **Implementation of Component 3: Farming as a business for highland communities**

22. The area-based third component will be carried out through service agreements with a competent Lead Implementing Partner (LIP) and, for specific deliverables, with specialized service providers. The contracts will be established and managed by the FAPP implementation support team on behalf of MoA, with technical supervision by the SADA and field coordination by the LIP. The remit of the service providers will be to implement the planned technical training for production and business skills for sustainable production, agricultural business and more resilient communities. Five contracted temporary field staff, (a team leader and four Cluster Facilitators), will work alongside and augment MoA staff on the ground. The 26 retained Community Facilitators will play an important subsequent role in following up initial meetings with potential buyers and assisting farmers to coordinate supply.

23. The training programmes in *Highland Community Empowerment* will be delivered in all 26 villages or village clusters in the project area (see Appendix 2) with the participation of the Community Facilitators and MoA extension staff. Independent farmers (*galala*), who are often the most dynamic, will be encouraged actively to participate in the programme delivered at their original village of residence. The appointed LIP will be responsible for all content, learning and teaching materials, delivery, course evaluation by participants, and reporting.

24. The LIP will be responsible overall for the implementation of 3.2 *Farming as a business*. A subcontract will be entered into with a specialist service provider to deliver *Promotion of farm enterprise management for the market* to build basic business skills and financial literacy. The other

activities will be subcontracted to an agribusiness development entity that has practical field experience with Pacific Island value chains. Under a separate contract, FAPP will also support traditional marketing practices by providing basic business and other training for women who travel regularly to urban markets to make retail sales. Interested value chain operators may be eligible for support with mentoring and investment finance under Component 2 above.

25. A Fiji-based organization with regional expertise and a strong network of linkages to commercial farmers and farmer organizations will be contracted to manage and deliver technical activity cluster 3.3 *Technology transfer for increased productivity and profitability*. There will be close collaboration with the MoA and the Taiwanese Technical Mission in delivering these technical inputs, resulting in skill upgrading and professional enhancement for Extension Division staff.

26. A regionally based organization that is experienced in various forms of market-determined certification systems will be contracted to manage and deliver activity cluster 3.4 *Certification systems (organic and wild harvested) for highland farmers*. Interested value chain operators may be eligible for support with investment finance under Component 2 above.

### **Monitoring and evaluation arrangements**

27. The M&E functions will be the responsibility of the FAPP implementation support team with day-to-day operation delegated to the Knowledge Management/M&E Officer. The M&E Plan, developed at project start-up, will be grounded in the FAPP Logical Framework, with care taken to adhere to the exact impact indicators identified at design. Major assignments will be contracted out to qualified service providers, including the Baseline Study, Mid-term Review and Project Completion Evaluation/Review.

### **Implementing agencies and strategic partnerships**

28. *Implementing agents*. The sourcing of competent service providers to be contracted by this project is a challenge. Whilst it is appropriate to apply loan funds to encourage private sector growth for the common good, the perceived shortage of managerial and technical capacity in the public sector to support the private sector points to the need for specialised technical assistance, particularly in business management consultancy. Project financing will be allocated to mobilising several dynamic actors in the private sector and other development assistance projects to apply their technical knowledge and resources in the project area.

29. Whilst the potential implementing partners (both public and private sector) for Component 3 are endowed with some strengths, including structures, facilities and experience in building the capacity of producer organizations, they face challenges including inadequacies to carry out the envisaged tasks in terms of number and quality of qualified staff, resources and mobility. Consequently, they will require appropriate capacity building and strengthening in terms of training, equipment and resources.

30. *Public services*. The key implementing partners in the public sector comprise technical services within the MoA including extension staff. Other public sector bodies, such as the National Centre for Small and Micro Enterprises Development (NCSMED), may wish to submit expressions of interest for some of the studies and training to be conducted.

31. *Private sector operators and service providers*. Potential private sector service providers include a number of NGOs (including PCDF, PIFON and POETCom) that have the expertise and facilities to deliver institution-building interventions in remote locations. The LIP for Component 3 will hire five full-time staff to be based in the highlands of Viti Levu and take overall responsibility for the implementation of all four activity clusters. There are a number of consulting firms and other organizations qualified to undertake value chain and policy studies under Component 1 and there are trained mentors and others who combine a business and agricultural outlook who could support Component 2.

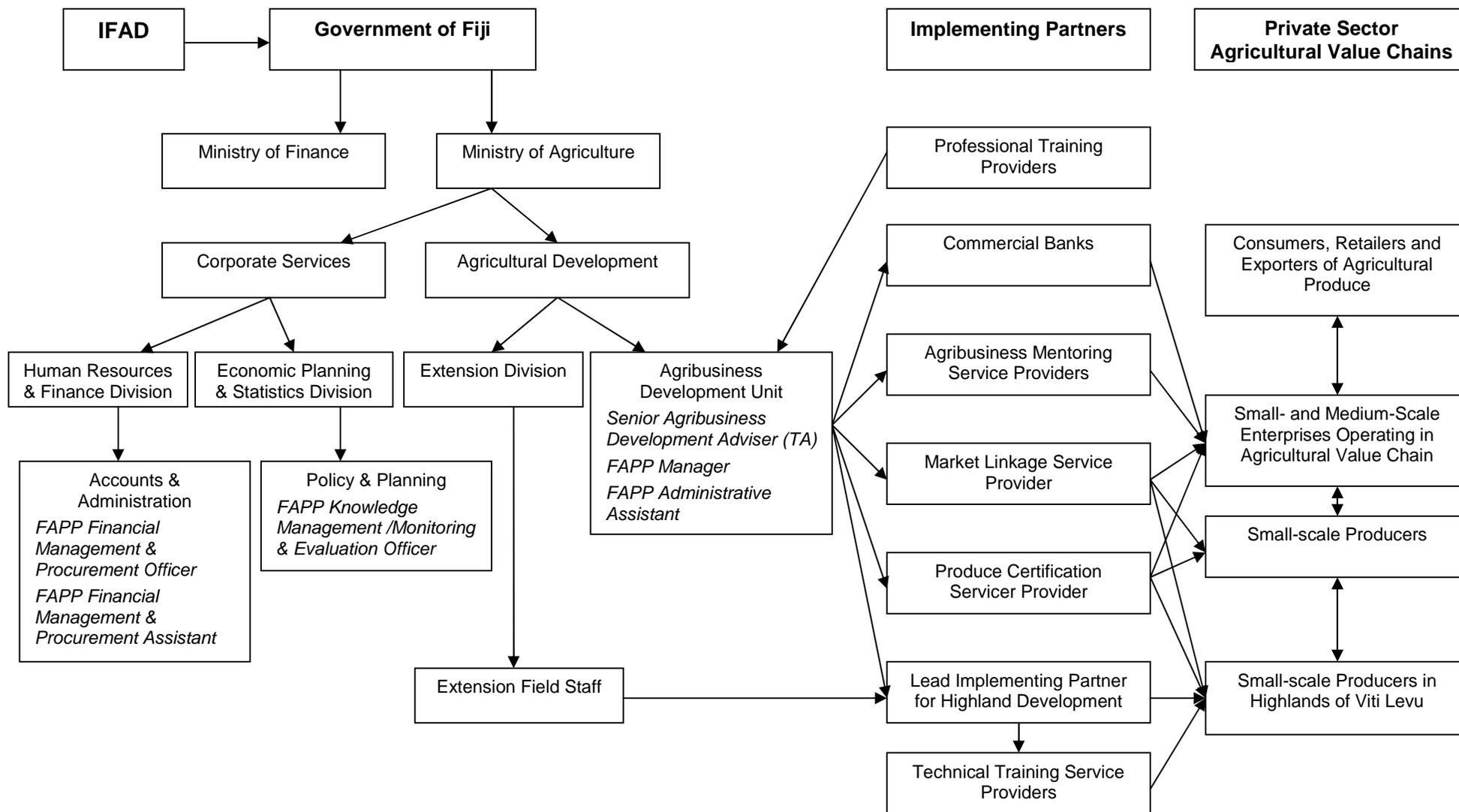
32. Emergent and expanding SMEs are central to the project as both beneficiaries and front-line operators engaging in business with the producers in the highland area of Viti Levu. The scope and scale of the existing smaller-scale enterprises in the value chains, along with the larger firms, are described in Working Paper 2: *Smallholder value chain development*.

33. *Producer and community organizations*. Many of the groups of producers/processors with which the project would engage are relatively weak in activity planning, group dynamics, marketing, entrepreneurship, resource mobilization and knowledge of modern production techniques. Under

implementation of the substantive components, the project will seek to address these weaknesses and ensure participating groups serve their members to increase productivity by: organization of mapping at community level, including capacity assessment of groups involved in production, processing and marketing; participatory needs/opportunity assessments; analysis and prioritization of activities in the project; and training on group dynamics, promoting good governance and entrepreneurship (business management).

34. *Strategic partnerships.* FAPP should benefit from the practical experience of the ongoing IFAD-supported PHVA project and seek to build on or establish close links with other recent and current rural development projects. At the international level, the present proposal is likely to be of interest to other countries seeking to tackle rural poverty from a market-based resource management perspective, given the increasing numbers of people without the resources to sustain themselves from subsistence agriculture alone and the pressing issues of affordable energy depletion and climate change.

### Appendix 5.1: FAPP organization chart



## Appendix 5.2: Capacity building plan

### Individual and institutional human resource development

Activity	Time Frame				Responsibility
	PY1	PY2	PY3	PY4	
On-the-job training of staff of MoA Agribusiness Development Unit.	X	X	X		Senior Agribusiness Development Adviser.
In-service short courses in region for staff of MoA ADU.	X	X	X	X	PS Agriculture.
Training on value chains for extension workers (workshops).	X	X			Agribusiness Development Unit and Service Providers.
Value chain association development (workshops).	X	X	X	X	ADU and service providers.
Mentoring management support for emergent SMEs.	X	X	X		ADU and service providers.
Training/refresher training for Community Facilitators.	X	X	X	X	Lead Implementing Partner.
Community capacity-building events.	X	X	X	X	LIP.
Community empowerment training.	X	X	X		LIP.
Training in Farming as a Business.	X	X	X		Service providers.
Annual farmers' forums.		X	X	X	ADU and LIP.
Training of women market vendors.			X		LIP and service providers.
Value chain training for communities.	X	X			LIP and service providers.
Information sharing/networking tours.	X	X	X	X	ADU and LIP.
Grower-buyer forums.	X	X			ADU and LIP.
Training on appropriate nursery enterprises for fruit and vegetables.	X	X			LIP and service providers.
Technology transfer training	X	X	X		LIP, service providers and MoA field staff.
Establishment of internal control systems for certification.	X	X	X		Service provider.
Certified farmers-buyers meetings		X	X		LIP and service provider.
KM/M&E training for FAPP staff, ADU and LIP.	X				Technical Assistance.
FAPP start-up phase including finalisation of Project Implementation Manual	X				Technical Assistance.

### **Appendix 5.3: Duties of Agribusiness Development Unit (Ministry of Agriculture)**

The Agribusiness Development Unit (ADU) would be the focal point for MoA's drive to make smallholder agriculture more market oriented and the major source of information about agribusiness development in Fiji. Staff of the ADU should become well-known to and respected by agricultural stakeholders in the country, such that those stakeholders will see value in consulting the ADU when appropriate. The ADU should be in a position to address problems faced by farmers, traders, exporters and processors and to make representations to other ministries regarding desired changes to policies and regulations, where necessary. It should be able to organize and carry out training in agribusiness, value chains, business management and related topics for a range of beneficiaries, calling on external support, as required. It should be able to conceptualize research in response to requests from the Minister, Ministry and stakeholders and identify appropriate individuals and agencies to conduct that research. Specifically, the ADU should undertake the following tasks.

1. Consult widely with leading stakeholders in the main agricultural crop and livestock sectors at their places of work and through formal and informal meetings in various locations. Such stakeholders will include farmers, traders, processors, exporters and their organizations, such as the Fiji Crop & Livestock Council (FCLC), Pacific Island Farmers Organization Network (PIFON), and the Pacific Islands Private Sector Organization (PIPSO), as well as other relevant development projects. Such consultations should be to: (1) ensure that the ADU's staff get to know all of the leading individuals, companies and organizations involved in the sector; and (2) identify problems faced by the agricultural sector that the ADU can assist in resolving.
2. Visit major agricultural areas in Viti Levu, including the highland areas being supported under FAPP, as well as Vanua Levu, Taveuni and important outer islands, to ensure full familiarization with the problems faced by small-scale farmers and to develop possible solutions to those problems.
3. Develop and agree on arrangements for on-the-job training by the Senior Agribusiness Development Adviser, as well as international training, to enhance the institutional capacity of MoA to promote private sector agribusiness.
4. In association with FCLC, organize stakeholder meetings for all leading crop categories (up to eight, with a particular emphasis on those products produced predominantly by smallholders<sup>7</sup>), in addition to the existing export crop councils. These should be regular meetings in addition to special meetings in response to emerging problems. Meetings should be held at national and divisional level, (for example, a root crops meeting could be held in Taveuni).
5. As a result of widespread stakeholder consultations, identify studies that need to be carried out, design Terms of Reference (ToRs) and commission appropriate studies. Such studies could include, but not be limited to, export market identification, quarantine issues, the impact on domestic trade of new food and safety legislation, branding of Fijian products on domestic and international markets, ways of improving linkages with the tourism sector, ways of responding to production constraints of *dalo* on Taveuni, and ways of enhancing greater trust between farmers and traders (in association with the agency implementing Component 3 of FAPP). Where possible, ADU staff should also participate in such studies and this should be noted in the Tender documents.
6. Revise and improve the outline ToRs for value chain assessments, (see the PIM), making them relevant to specific crops or livestock. In association with FAPP staff, commission value chain assessments to be carried out by external agencies. Where possible, ADU staff should participate in such studies and this should be noted in the Tender documents.
7. As a result of consultations, identify policies, procedures and regulations related to the business and trade of domestically produced agricultural products that require change, update or amendment and make representations for such changes to the appropriate authorities.

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<sup>7</sup> Note: FAPP is unable to support work on *yaqona* (kava).

8. Prepare a detailed outline for a three-day training course on agribusiness and value chains to be given to all relevant agricultural extension officers of MoA and to be offered for a small fee to staff of NGOs, other development agencies and the private sector. Identify appropriate external service providers able to assist with such training, in addition to the input of the Senior Agribusiness Development Adviser and the staff of the ADU, and consult with those service providers regarding course structure and implementation.
9. As a result of widespread industry consultations, identify problems faced by agricultural SMEs, including farmers who also trade, in managing their business, particularly from a financial management standpoint. Clarify the range of assistance and advice that SMEs would require and develop a selection of mentoring packages from 2-3 days to a maximum of 15 days, in association with organizations with mentoring experience, such as the Market Development Facility (AusAID). The draft PIM contains an initial outline for further development.
10. In association with FAPP staff, identify and recruit mentors who would respond to requests for assistance from SMEs on an “as required” basis. Ensure full promotion of mentoring opportunities to be offered by the ADU through the stakeholder meetings and associations, local media, and other appropriate channels. Establish a small committee within MoA, including a representative from the ADU, to approve requests for mentoring and prepare submissions to that Committee outlining all requests received and the recommendations of the ADU.
11. Consult with the six commercial banks regarding a programme of grant assistance to be given in association with loan finance, SME equity and the mentoring programme. Full details are provided in the Final Project Design Report and the PIM. Together with the FAPP staff, agree with the banks regarding procedures and develop a common MoU to be signed with each participating bank.
12. Maintain close collaboration with the agencies chosen to implement Component 3 of the project in the highland areas of Viti Levu, providing appropriate support in activities such as staff training, identification of potential buyers of produce from highland areas, and advice on linkage development between farmers and buyers. Maintain close liaison with other similar development projects working directly with farmers to promote their access to markets.

## **Appendix 5.4: Terms of reference of Senior Agribusiness Development Adviser**

**Duration of Assignment:** Three years; following successful completion of a six-month probationary period.

**Duty Station:** Based in the Agribusiness Development Unit of MoA HQ Suva, with regular visits to other parts of Fiji as required.

### **Qualifications and Experience**

A higher degree in agribusiness, agricultural marketing, agricultural economics, economics, business administration or related subject. A minimum of ten years at a senior level in a relevant public institution, the private sector or an international organization, with proven skills in the implementation of activities to support agribusiness development.

Knowledge of the Pacific Islands environment would be a distinct advantage. Computer literacy and good command of spoken and written English are essential. Demonstrated ability to carry out training activities, particularly on-the-job training, is desirable.

### **Job Description**

The Senior Agribusiness Development Adviser (SADA) will provide advice to the Ministry of Agriculture (MoA) on the development of a programme of support to private sector agribusiness, with an emphasis on the linkages between the private sector and small farmers. S/he will be responsible for on-the-job training of up to five staff of MoA and for advising on the technical implementation of the IFAD-Government of Fiji "Fiji Agricultural Partnerships Project" (FAPP), in close collaboration with MoA and the FAPP implementation support team. Emphasis of the assignment is on the Adviser supporting MoA to carry out the necessary activities, rather than carrying them out by her/himself. Specifically, the Senior Agribusiness Development Adviser would undertake the following tasks.

1. Familiarize her/himself with Fiji's agricultural and agribusiness environment, reviewing existing documentation on the topic, including FAPP Working Papers.
2. Hold discussions with counterpart staff of the proposed new Agribusiness Development Unit (ADU) of MoA and with senior staff of all divisions of the Ministry.
3. Accompanied by at least one staff member of the ADU at all meetings, meet with leading stakeholders of the main agricultural crop and livestock sectors, including farmers, traders, processors, exporters and their organizations, such as the Fiji Crop & Livestock Council (FCLC), Pacific Island Farmers Organization Network (PIFON), and the Pacific Islands Private Sector Organization (PIPSO), as well as development organizations and projects working on these topics.
4. Accompanied by at least one staff member of the ADU, visit major agricultural areas in Viti Levu, including the highland areas being supported under FAPP, as well as important outer islands, in particular Vanua Levu and Taveuni.
5. Develop and agree arrangements for on-the-job training of ADU staff that would, *inter alia*, enhance the institutional capacity of MoA to promote private sector agribusiness, including through market identification, quality and safety enhancement and the improvement of market linkages with farmers.
6. Following familiarization with the strengths and weaknesses of the staff of the ADU, identify and propose international training courses they could attend to strengthen their skills. Provide assistance with any distance learning component required in association with overseas training. Ensure that no more than one staff member is on external training at any one time.
7. In consultation with FCLC and other relevant parties, provide advice to the ADU on the organization of a series of consultative technical working group meetings for stakeholders (farmers, traders, transporters and processors) of various commodity sectors (up to eight), with particular emphasis on those sectors predominantly supplied by small farmers.
8. In consultation with MoA staff, revise and improve the outline Terms of Reference (ToRs) for value chain assessments provided in the Draft Project Implementation Manual, making them more relevant to the specific crops or livestock chosen for the studies. Work with the FAPP

implementation support team to commission value chain assessments to be carried out by external agencies and provide professional training to ADU staff to enable them to participate in such studies.

9. As a result of the widespread stakeholder consultations, work with ADU staff to identify studies that need to be carried out, assist in designing ToRs and work with the FAPP implementation support team to commission appropriate studies. Where possible, facilitate the participation of ADU staff in the conduct of such studies and provide training to them to enable them to carry out their responsibilities to a high professional level.
10. As a result of the widespread stakeholder consultations and the commissioned studies, work with ADU staff to identify policies, procedures and regulations related to the business and trade of domestically produced agricultural products that require change, update or amendment and advise the Unit on the best approach towards making representations for such changes to the appropriate authorities.
11. Collaborate with ADU staff and the Head of Extension in MoA to prepare a detailed outline for a three-day training course on agribusiness and value chains, to be given to all relevant agricultural extension officers of MoA and others from external agencies. Assist in identifying roles for her/himself and ADU staff in such training and work with the FAPP implementation support team to identify appropriate external service providers able to assist with the training. Consult with those service providers regarding course structure and implementation, including material preparation.
12. As a result of the widespread industry consultations, work with the ADU to identify problems faced by agricultural SMEs, including farmers who also trade, in managing their business, particularly from a financial management standpoint. Clarify the range of assistance and advice that SMEs would require and, together with MoA staff, develop a selection of mentoring packages from 2-3 days to a maximum of 15 days, in association with organizations with mentoring experience, such as the Market Development Facility (AusAID).
13. In association with MoA and the FAPP implementation support team, identify mentors who would be recruited to respond to requests for assistance from SMEs on an "as required" basis. Work with ADU staff to ensure full promotion of mentoring opportunities to be offered by the ADU through the stakeholder meetings and commodity associations, local media, and other appropriate channels.
14. Advise on establishment of a small Committee within MoA to approve requests for mentoring and serve on that Committee, together with one other staff member of the Unit and others from MoA. Advise the ADU team on preparation of submissions to the Committee that would outline all requests received and the recommendations of the ADU.
15. In association with staff of the ADU, consult with the six commercial banks regarding a programme of grant assistance to be given to agricultural SMEs in association with loan finance, equity of the SME and the mentoring programme. Together with the FAPP implementation support team, agree with participating banks regarding procedures and develop a common MoU to be signed with all banks.
16. Maintain close collaboration with the agencies chosen to implement the component of the project that will provide direct assistance to farmers of the highland areas of Viti Levu, providing appropriate support in areas such as staff training, identification of potential buyers of produce from highland areas, and advice on linkage development between farmers and buyers. Together with members of the ADU maintain close liaison with other similar development projects working directly with farmers to promote their access to markets.
17. Prepare and submit periodic reports to the FAPP implementation support team as required under IFAD regulations. Assist staff of MoA with meeting their reporting obligations, if required.

## **Appendix 5.5: Terms of reference senior FAPP implementation support staff**

### **1. FAPP Manager**

**Duration of Assignment:** Up to four years; following successful completion of a six-month probationary period, with renewable contracts from time to time if performance is satisfactory.

**Duty Station:** Based in Agribusiness Development Unit of MoA HQ Suva, with regular visits to the project sites as required for monitoring, reporting and coordination.

#### **Qualifications and Experience**

1. A higher degree in agricultural economics, economics, business administration, forestry, agriculture, public administration or related discipline relevant to FAPP with sound knowledge of contemporary issues in the rural economy of Fiji and natural resource management. A minimum of five years at a senior level in a relevant public institution, the private sector or an international organization, with proven skills in the management and coordination of internationally financed development programmes.

2. The candidate would be expected to have a creative, energetic but pragmatic approach to problem solving and an appreciation of the respective roles of the public and private sectors in rural economic development and natural resource management. Computer literacy is requisite and good command of spoken and written English is essential.

#### **Job Description**

3. The Project Manager (PM) would be responsible for the overall management of FAPP and would report to the PS Agriculture through the Head of the Agribusiness Development Unit.

4. With specific reference to administration and financial management of FAPP funding, she/he will have the following main responsibilities:

- ensure the completion of the procurement process and full compliance with IFAD and Fiji Government procurement guidelines;
- coordinate the contract administration of the service providers/specialists hired for implementation and assess their performance on a regular basis;
- secure the submission of a detailed expenditure report on quarterly advance payments;
- ensure timely endorsement of Withdrawal Applications and submit them to IFAD and Treasury;
- coordinate preparation of Annual Work Plans & Budgets;
- manage and motivate project staff; and
- liaise with the Fund on project implementation issues, and facilitate and participate in regular supervision of project activities.

## 2. Financial Management and Procurement Officer

**Duration of Assignment:** Up to four years; following successful completion of a six-month probationary period, with renewable contracts from time to time if performance is satisfactory.

**Duty Station:** Based in Finance Division of MoA HQ Suva, with visits to project sites as required for monitoring, reporting and coordination.

### Qualifications and Experience

1. An acceptable accounting and finance qualification (BSc, ACCA or last stage of AAT), with at least five years' experience at a senior level in a relevant public institution, the private sector or in an international organization, with proven skills in the financial management and procurement aspects of internationally-financed development programmes.
2. The candidate would be expected to have a thorough understanding of accounting practices, finance and investment. Familiarity and experience in use of accounting software would be required.

### Job Description

3. The Financial Management and Procurement Officer (FMPO) is responsible for the management of project accounts in accordance with the requirements of IFAD and the procurement of goods and services in strict accordance with the procedures of GoF and IFAD. She/he will report directly to the Project Manager but be located within the MoA's financial management structure.
4. Operating within a computerized environment, the FMPO will perform the following duties:
  - manage the computerized accounting system and ensure daily backup;
  - report on a monthly, quarterly and annual basis, identifying areas of divergence from projected cash flows;
  - implement robust internal financial control systems and policies to minimize the risks of fraud or errors in the financial statements and misuse of donors' funds;
  - ensure timely and accurate preparation of Statement of Expenditures;
  - prepare accounts for external auditors and follow up on any audit queries/management letters;
  - ensure compliance with operating procedures as defined in the project documents including donor guidelines, for examples, procurement, disbursements and audit;
  - coordinate and assemble the budgetary information required for the preparation of Annual Work Plans & Budgets;
  - keep accurate and up-to-date records and documents in respect of all resources received by the project and any expenditure incurred with the funds made available;
  - ensure that all expenditures are in conformity with provisions of the project's Work Plans & Budgets;
  - assist MoA in carrying out procurement functions for FAPP in line with current regulations, with implementing agencies providing necessary technical specifications, bills of quantities and terms of reference. Bids would be evaluated by the MoA Contract Committee; and
  - undertake any other duties within her/his area of competence as assigned by the Project Manager.

### 3. Knowledge Management and M&E Officer

**Duration of Assignment:** Up to four years; following successful completion of a six-month probationary period, with renewable contracts from time to time if performance is satisfactory.

**Duty Station:** Based in Policy and Planning Division of MoA HQ Suva, with regular visits to the project sites as required for monitoring, reporting and coordination.

#### Qualifications and Experience

1. A relevant qualification in agricultural economics, social sciences or related discipline with experience in a monitoring and evaluation role, integrated rural development or a field of social science with training in conducting participatory rural appraisal and group development. A minimum of five years of experience with a relevant public institution, civil society or private sector entity, or an international organization.
2. The candidate is expected to have a thorough understanding of group dynamics, management and resource mobilization within a rural setting, focusing on women and youth, have a thorough understanding of analytical tools and be computer literate.

#### Job Description

3. The Knowledge Management/Monitoring & Evaluation Officer (KMMO) would be responsible for the operation of the project's information gathering, monitoring and internal evaluation systems. The FAPP knowledge/M&E system would be designed to provide an ongoing stream of management information, whilst evaluations would be undertaken by an external body. She/he will report directly to the Project Manager but be located within the MoA's policy and planning cadre.

The responsibilities of the KMMO would be to:

- monitor routinely all project activities and prepare/submit quarterly and annual monitoring reports to PM;
- identify and monitor key project performance indicators;
- design and implement report formats so that all reports from implementing partners can be regularly and conveniently compiled;
- provide technical expertise for determining the specific information needs of IFAD, other development partners and implementers so that these can be made known to community groups to incorporate into their processes;
- determine the requirements for evaluations by arranging and submitting ToRs and contracts for the conduct of these evaluations;
- facilitate information flows among stakeholders;
- provide capacity building needs assessments of service providers and producer organizations;
- prepare programme reports on activities implemented;
- facilitate farmer, community and other local stakeholder participation in planning processes, ensuring their views and needs are taken into account;
- participate in annual planning cycles and contribute to FAPP AWPBs and reports; and
- carry out other related tasks as agreed with the Project Manager.

## **Appendix 5.5: Scope of Services to be provided by Lead Implementing Partner for Component 3: Farming as a business for highland communities**

### **Background**

1. The Government of the Republic of Fiji (GoF) has requested IFAD financial assistance to strengthen the development of agribusiness within the country in order to promote more profitable production and trade of agricultural produce for export, processing, the tourism sector and domestic markets. One of the project components is to scale up successful elements of the existing IFAD grant-funded Partnerships in High Value Agriculture (PHVA) pilot project. It is envisaged that this component will work in the areas of Viti Levu above 450 metres, consisting of around 2,000 households.

2. The project, entitled Fiji Agriculture Partnerships Project (FAPP), will also strengthen the capacity of the Ministry of Agriculture (MoA) to support the development of agribusiness throughout Fiji. Two components will be directly implemented with MoA to strengthen its capacity to support nationwide agribusiness development and provide direct assistance to small and medium enterprises working with small farmers, such as those farmers in the highlands of Viti Levu. Under the third component, for which it is proposed to appoint a lead implementing partner, FAPP will support interested and active farmers in the selected highland areas in engaging with markets by providing technical advice and skills development on improved cropping systems and on all aspects of conducting a business for sustainable commercial linkages with markets, with a particular reference to “off-season” production of vegetables.

### **Activity Cluster 3.1: Highland community empowerment**

#### **Scope of activities**

3. This activity cluster will provide small-scale farmers with a full understanding of the project’s goals and objectives and their respective roles, responsibilities and obligations should they choose to participate. Through this activity cluster, the village communities will be directly concerned with planning, implementation and subsequent monitoring and evaluation of their farming and resource use. This will be consistent with cultural norms and mutual support systems within communities.

#### **Deliverables**

- Hire 26 Community Facilitators to be based in the participating 41 villages (completed by month 6); organize a 3-day introductory training course for these facilitators and regular refresher training.
- Organize four annual planning workshops for Field Cluster Coordinators and Community Facilitators.
- Develop a concept for and implementation of three types of annual farmer forums (village cluster, inter-cluster and whole project area) per year.
- Conduct training in 26 village clusters in leadership skills, good governance, community planning, gender awareness, resource management and environmental sustainability and related topics, to be completed by the end of the first year.
- Prepare a livelihood and business profile for target farmers (by month 6) and Community Development Plans for all participating community clusters by the end of the first year.
- Prepare and print vernacular training materials for the above training (by month 10).

### **Activity Cluster 3.2: Farming as a business**

#### **Scope of activities**

4. Most households in highland communities are semi-subsistence farmers. They tend not to be skilled in the basic requirements of a successful business such as planning, budgeting, saving and investing. Business skills have neither been inculcated as part of their cultural or family traditions nor been part of their limited formal school curriculum. On the other hand, there are potential buyers seeking to increase their supply of crops that are grown or potentially grown in the highlands who require basic business skills from farmers in order to develop successful linkages. The project will facilitate and establish linkages between the farmers and buyers.

### **Deliverables**

- Prepare ToRs and briefing notes for service providers to run training exercises on financial literacy and value chains and to facilitate grower-buyer meetings to identify critical success factors (CSFs) and make business arrangements in the 26 community clusters (by month 6).
- Prepare and lead training in selected community clusters on financial literacy and gender issues for women market vendors (from month 24 to 36).
- Organize farmer-to-farmer information-sharing visits (ongoing).
- Manage the procurement of inputs and small-scale farming and market infrastructure improvements at farm and community level to address constraints identified during grower-buyer meetings, including the promotion of the expanded use of field crates to reduce post-harvest losses through a “rent to own” scheme. (Year 2 onwards).

### **Activity Cluster 3.3: Technology transfer for increased productivity and profitability**

#### **Scope of activities**

5. Favourable conditions exist in the highland areas for the production of off-season horticultural crops such as tomatoes, capsicum, cabbage, ginger, and citrus. *Dalo*, ginger and bananas also find favourable conditions in some highland zones. For smallholder farmers to benefit from these advantages to improve farm profitability requires the adoption of appropriate, environmentally sound and climate change-resilient technologies, as well as effective farm management.

#### **Deliverables**

- Prepare ToRs and briefing notes for specialised service providers for the provision of training on appropriate nursery enterprises for fruit and vegetables (by month 6).
- Procure and distribute inputs for the establishment of nurseries and plant propagation facilities (starting month 6, completed month 18).
- Prepare ToRs and briefing notes for specialised service providers for the provision of technical training on various sustainable crop production technologies and post-harvest handling and the establishment of demonstration sites (months 6 to 18).

### **Activity Cluster 3.4: Certification systems and record keeping for highland farmers to facilitate market access**

#### **Scope of activities**

Private sector enterprises in Fiji want to purchase organically certified or wild-harvested certified products, which are in immediate demand on export markets. Products include organically certified “baby” ginger and bananas, and certified wild-harvested turmeric. These crops are well-suited to the highland areas and a significant number of poor farm households could benefit. However, sustainable commercialization will require technical assistance and internal controls for certification, as well as good market access.

#### **Deliverables**

- Prepare ToRs and briefing notes for a service provider or a regionally based organization experienced in market-determined certification systems (by month 6).
- Ensure and facilitate participation of Field Coordinators and Community Facilitators in and their support to all of the training activities and meetings under this activity (ongoing).

## Appendix 6: Planning, M&E, learning and knowledge management

### Overview

1. The successful development of markets requires a sound planning framework and access to best available information and knowledge to improve the actors' effectiveness and efficiency. In this context, an integrated system of planning, Monitoring & Evaluation (M&E) and Knowledge Management (KM) would be established to meet the needs of FAPP management and other stakeholders for:

- timely and accurate information on implementation progress;
- constant feedback for decision making and addressing potential plan deviations and problems during implementation;
- assessing the achievement of project results; and
- providing a platform for continuous knowledge sharing and learning activities.

2. To achieve these purposes, the project's planning, M&E and KM system should have the following features:

- a sound planning framework (Logical Framework) with a limited number of indicators at impact, outcome and output levels, to be operationalized in the form of an *M&E Plan* at FAPP start-up;
- the use of Annual Work Plans & Budgets (AWPBs);
- use of simple M&E processes, structures and instruments that make information accessible to key stakeholders on a quarterly basis;
- alignment with MoA's existing M&E frameworks to strengthen the links between stakeholders and avoid duplication of efforts; the project databases would become an integral part of the MoA databases;
- timely collection of baseline data for key indicators in the Logical Framework as specified in the M&E Plan;
- data audit and performance management at the end of each year;
- integration of communications and KM in all aspects of project planning and M&E to encourage feedback and reflection on results for effective adaptive management; and
- provision of adequate resources for capacity building of stakeholders involved in M&E activities at all levels, with a focus on performance-based and participatory approaches.

### Planning

3. FAPP staff would prepare a consolidated Annual Work Plan & Budget (AWPB) for review and approval by the PSC each year, combining the plans for the first and second component activities implemented directly by the Agribusiness Development Unit with those of the lead and subsidiary service providers delivering the third component.

4. These AWPBs would provide a detailed description of activities to be carried out during the next year, and the sources and applications of funds. The AWPBs would link clearly the budgetary envelope with physical results to be achieved, and take into account the utilisation of resources and achievement of plans from prior years. To ensure that adequate counterpart funds are budgeted, the AWPBs would be submitted in advance of the GoF's annual budgeting process.

5. The investment proposals generated as bankable business plans by producers and value-adders are pivotal outputs of *Component 2: Assistance to SMEs working with smallholders*. The draft related schemes for SME mentoring and for the capitalisation of enterprise expansion would be refined by the SADA at project inception.

6. For the area based interventions of *Component 3: Farming as a business for highland communities*, the main instruments for planning project activities would be the Community Development Plans (CDPs) devised through participatory learning and action sessions by each targeted farming community.

## Reporting

7. Information from a variety of sources would form the basis for an integrated management information system focusing on continuous analysis of, rather than generation of, information. The analysis of project results would be used to manage project activities to be more responsive to client needs and project objectives, which in turn would lead to enhanced achievement of impact.

8. The FAPP Knowledge Management/M&E Officer (KMMO) would monitor routinely all project activities and prepare/submit quarterly and annual reports to the PM for onward transmission to MoA and IFAD. To this end, the KMMO would determine the specific information needs of IFAD, other development partners and implementers in order to design report formats for implementing partners that can be regularly and conveniently compiled. Whilst maintaining precision and regularity in generating the sequence of FAPP progress reports, the main emphasis should be on the analysis and commentary on current issues arising.

## Results-based M&E

9. The monitoring and evaluation (M&E) function would be subsumed within this overall approach to management for results and impact, and be guided by the project's Logical Framework. The M&E system would comprise both performance monitoring and impact evaluation. All M&E data would be disaggregated by gender and district.

10. A manageable number of key indicators drawn from the Logical Framework, CDPs, institutional needs assessments and business proposals by producers and value chain stakeholders would form the basis of the monitoring system, with emphasis on outcomes and outputs rather than inputs. MoA already has in place a system for tracking progress in physical works, including data on expenditures and activities carried out, which would form the backbone of the M&E system. Other appropriate indicators of project progress would be added during start-up. Where possible, existing GoF data sources would be utilised to establish benchmark baseline data for comparison during implementation.

11. The indicators selected as most appropriate for assessing the progress and performance of FAPP would include a number of standard first level, second level and supporting indicators from the IFAD Results & Impact Management System (RIMS). In line with the specific design profile of FAPP, these relate to: *Policy and community programming; Rural enterprise development and employment; Agricultural technologies and production; and Markets*, (see Appendix 6.2 below).

## Surveys and review/evaluation studies

12. FAPP implementation support staff, principally the KMMO, would carry out or commission a number of important surveys and studies, as follow.

13. *Baseline survey.* At and preferably before project start-up, a socio-economic survey of conditions prevailing within the small-scale agriculture sector, particularly in the highland target area, would be carried out to assess the situation and establish benchmarks against which the outcomes and impact on beneficiaries, primarily women and youth, would be assessed. It would be concentrated on the indicators of anticipated changes related to the goal and development objectives of FAPP. Complementary baseline data would also be collected in the process to assess: the scope, capacity and particular needs of women and youth groups; the profile of the main value chains; and the needs for capacity building for project staff, service providers, women and youth.

14. *Annual project planning and implementation reviews.* Towards the end of each project year, a thorough review of progress against the targets set by the current AWPB would be conducted by compiling the periodic and summary reports of all FAPP implementing agencies (MoA and contracted service providers) and by consulting stakeholders. The process would inform the planning and budgeting exercise for the following year by analysing and reviewing lessons and challenges.

15. The usefulness and effectiveness of this exercise would depend on the quality and nature of the analysis carried out. The analysis must therefore be targeted on the key measures of project outputs, and their interrelationships. It would provide the basis to:

- review the overall implementation progress and poverty focus;
- identify successes and means for replication; and

- analyse problems encountered in the course of implementation and agree on corrective actions.

16. *Participatory impact assessment studies.* The participatory planning processes centred on the production of Community Development Plans in the highlands would be mirrored by simple impact assessment exercises conducted by the beneficiaries themselves with project guidance and support. An impact study would be carried out in PY4 to assess overall project impact in terms of the targets set and would provide verifiable quantitative data captured by both project and national M&E systems. *Ad hoc* participatory impact studies after PY2 may be carried out as appropriate and indicated in the *M&E Plan*, to assess the impact of interventions, specific themes or issues.

17. Information on physical progress would be augmented by visits to the targeted communities. Provision has been made for FAPP staff to visit the project areas as necessary. The PM and KMMO would discuss with villagers their perceptions of the project, focusing initially on outputs but later on outcomes. These targeted and focus group interviews would allow MoA managers to ensure that project activities are received positively by villagers and to make changes as required.

18. *Mid-term Review.* A Mid-Term Review (MTR) of FAPP would be undertaken, during the third quarter of PY2. The main objectives would be to assess:

- project achievements against targets, including numbers of expected beneficiaries (women and youth);
- interim project impact;
- efficiency and effectiveness of project management;
- sustainability arrangements, primarily focused on progress with management and business capacity-building at all levels;
- the initial impact of piloted activities, distilling lessons learned, best practices and innovations and determining potential scopes and spaces for possible scaling up; and
- in general, the continuing validity of the project design.

19. The MTR team would also identify any unforeseen constraints encountered during implementation and propose measures to improve overall project performance. Based on its findings, the team may adjust the approach, activities and/or implementation arrangements for the remaining project life and suggest any needed changes to the PIM. This may include revising the scope, objectives, components, Logical Framework, M&E Plan and cost tables, if required.

20. *Project Completion Report.* The PCR process would include a validation workshop to provide an opportunity for stakeholders themselves to evaluate performance, to promote accountability, to identify and elaborate upon factors that would improve sustainability and to lay out key successes and shortcomings. At a late stage of the project, the FAPP team would prepare an internal *Project Completion Report* (PCR), which would include an assessment of the achieved versus the planned outcomes and impact, to be submitted to GoF and IFAD three months before project completion. The process to prepare the PCR would include a stocktaking of innovations, lessons and good practice. The review would also assess to what extent project knowledge and experience have been captured, analysed and documented for wider dissemination and possible scaling-up of project interventions in Fiji or elsewhere.

21. The internal PCR would provide the basis for an independent *Project Evaluation Report*, which would assess:

- project effects and impact;
- the sustainability of the project effects;
- the potential for scaling-up of project activities;
- lessons learned from FAPP implementation and recommendations for subsequent follow-up projects and programmes; and
- FAPP's outcomes and impact in terms of contributions to the achievement of GoF development plans.

## Learning and knowledge management

22. *Project knowledge products and learning.* There is great potential for learning how best to promote domestic markets with a public-private partnership approach in a Fijian context. Annual planning workshops would provide a forum for documenting lessons learned and identifying promising areas for knowledge generation.

23. Knowledge Management (KM) would be a means to make FAPP more effective and efficient, enable it to simplify processes, adapt much faster to emerging realities and lessons, and achieve greater impact. The project's overall KM strategy would focus on four priorities: generating trust and fostering linkages between actors; managing and sharing information, knowledge and experiences among actors in the markets; improving the market's effectiveness (value-adding and innovation activities) and efficiency; and creating conditions for replication, scaling up and sustainability.

24. The main purpose of KM processes within the project would be to ensure that the knowledge generated is systematically identified, analysed, documented, used to improve the performance of FAPP and shared. The KM would be linked fully to the FAPP planning and M&E functions to enable a continuous improvement process, based on feedback loops from data collection to analysis and interpretation at project and national levels. Communication would be an extremely important aspect of agribusiness development, providing stakeholders with an opportunity to express needs, successes and constraints, as well as fostering collaboration and brokering partnerships.

25. FAPP would have to address two particular knowledge issues to ensure effective implementation:

- building brand recognition and visibility of FAPP to SMEs, rural women and youth, and farmer organizations; and
- facilitating the collection, sharing and dissemination of information, lessons learned and best practices related to community uplift, agribusiness development and value addition for the benefit of target groups.

26. These knowledge-sharing processes would be supported by a series of learning events. In addition, the project would create a mechanism for learning and exchanging knowledge among IFAD-supported programmes, and between them and other in-country programmes, as well as in policy dialogue.

27. *Regional knowledge networking.* FAPP would benefit from existing knowledge networks in the Pacific region. Regional networking would be an important forum for the project to build and share approaches, tools, methodologies, technologies and best practices on all means to rural economic uplift. In addition, South-South learning and sharing opportunities would be explored to ensure that mainly women and youth and their organizations are supported on incremental knowledge and experience sharing of solutions that would improve their livelihoods.

### Appendix 6.1: Preliminary FAPP planning, M&E and reporting schedule

Main Activity	2015		2016				2017				2018				2019	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Planning, monitoring and evaluation</b>																
Finalize PIM	X															
Convene Steering Committee Meeting	X		X		X		X		X		X		X		X	
Conduct start-up workshop	X															
Training on M&E	X				X				X				X			
Finalize M&E plan	X															
Convene technical coordination meetings		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Prepare AWPB	X			X				X				X				
Carry out regular M&E activities		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Participate in M&E consultations	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
<b>Reporting</b>																
Compile service providers reports	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Prepare project quarterly reports	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Prepare project annual progress report				X				X				X				X
<b>Survey, review and evaluation studies</b>																
Report on lessons learned								X								X
Thematic/case/impact/ad hoc studies			X		X		X		X		X		X		X	
Baseline survey	X															
Mid-Term Review							X									
Prepare internal Project Completion Report															X	
Commission external Project Evaluation Report															X	

### Appendix 6.2: Results & Impact Management System (RIMS) Indicators

COMPONENT	FIRST LEVEL RESULTS	SECOND LEVEL RESULTS	SUPPORTING INDICATORS
<b>1: Public sector capacity to support agribusiness.</b>	<b>Policy and community programming.</b>		
	Government officials trained.	Effectiveness: promotion of pro-poor policies and institutions	Number of enabling policies promulgated.
<b>2: Assistance to SMEs working with smallholders.</b>	<b>Rural enterprise development and employment.</b>		
	People trained in business and entrepreneurship. (*)	Effectiveness: creation of employment opportunities	Number of new jobs created. (*)
	Enterprises accessing facilitated financial services.	Sustainability: likelihood of sustainability of enterprises	Number of active borrowers. (enterprises)
<b>3: Farming as a business for highland communities.</b>	<b>Agricultural technologies and production.</b>		
	People trained in crop production practices and technologies.	Effectiveness: improved agricultural and livestock production.	Number of farmers adopting recommended technologies.
			Number of farmers reporting production/yield increase.
			Incremental hectares of crops grown. (additional to RIMS)
			Change in cropping pattern. (additional to RIMS)
	<b>Markets.</b>		
People trained in post-production, processing and marketing.	Effectiveness: producers benefiting from improved markets access.	Number of farmers with increased amount of marketed produce. Number of farmers having sale contracts with buyers.	

## Appendix 7: Financial management and disbursement arrangements

### Implementation arrangements

1. The lead project agency (LPA) for FAPP would be the Ministry Agriculture (MoA). The MoA would establish internal FAPP implementation support structures that would have the overall responsibility for project management, coordination and reporting including all financial aspects. The Project would recruit a senior person as the Project Manager (PM) who would report to the Permanent Secretary.

2. The PM would have the overall fiduciary responsibility of the project, including initial signing of Withdrawal Applications (WAs), initiating requests for the transfer of amounts from the Designated Account (USD) to the Project Account (FJD), and operations of the Project Account. The FAPP finance unit would be adequately staffed, headed by a Financial Management and Procurement Officer (FMPO) and supported by a Financial Management and Procurement Assistant (FMPOA). The FMPO would be identified and recruited by the PM, to whom she or he would report in accordance with the current finance procedures of MoA. The FMPO would also be charged with procurement-related responsibilities including liaison with the Fiji Procurement Office (FPO) at the Ministry of Finance, (see Appendix 8). These organizational arrangements would ensure that there are adequate segregation of duties and the correct set-up of internal control mechanisms.

3. MoA has its own Finance and Accounts Division headed by the Principal Accountant. There are two senior accountants, three accountants, ten assistant accountants and about thirty clerks working in the Division, spread over the Head Office in Suva and other parts of Fiji. The Principal Accountant is highly qualified and well experienced in financial management. The general level of knowledge and experience in the finance unit appears to be good. The FMPO would from time to time liaise with the MoA Principal Accountant on certain accounting decisions and would be assisted by the procurement officers at the finance departments on procurement matters.

4. **Contracts with service providers and implementing partners.** The project foresees a number of private sector agencies engaged in the implementation of parts of all three Components. As project funds would be transferred to non-governmental agencies, GoF would enter into a contract with each of them. Among other things, the provisions of these contracts should include:

- the agency to declare its commitment to the goal and objective of FAPP and undertake to carry out the project in accordance with the Financing Agreement between Fiji and IFAD;
- preparation of annual planning and fund flow arrangements;
- physical and financial reporting requirements;
- auditing and submission of FAPP Financial Statements to MoA;
- adherence to IFAD and FPO Procurement Guidelines and approved Procurement Plan;
- using bank interest earned for eligible expenditures; and applicability of IFAD Policy on Fraud and Anti-corruption

### Financial Management and disbursement arrangements

5. **Budgeting.** FAPP would be required to prepare its Annual Work Plan & Budget (AWPB), including the procurement plan, in consultation with the implementing partners and service providers. The implementing partners would prepare and submit their AWPB to FAPP, which would consolidate the AWPB. The AWPB would be subject to the approval of the Steering Committee and submitted to IFAD for "no objection" at least two months before the start of the fiscal year. During the first year, the project would prepare its AWPB which would be accompanied by an 18-month Procurement Plan.

6. **Disbursement arrangements and Flow of Funds.** The proceeds of the financing would be used for eligible expenditures as defined in the Financing Agreement, and in line with the disbursement allocations specified in the relevant section of the Financing Agreement.

7. The Ministry of Finance (MoF) through its Debt & Cash Flow Management Unit (DCF MU) shall open and maintain the Designated Account in USD with the Reserve Bank of Fiji (RBF). The DCF MU would set up and maintain efficient disbursement arrangements for FAPP, with DCF MU playing the

key role in the disbursement process. The DCFMU is responsible for managing and monitoring the Government's External Debt Portfolio, including all GoF's borrowings from abroad. The Borrower Representative authorized signatories would be senior officials of the DCFMU. The disbursement process is designed as follows, (see Appendix 7.1: Flow of funds chart).

8. The funds would be disbursed by IFAD into the Designated Account following the imprest/replenishment mechanism. The Authorised Allocation (initial deposit) would be based on the approved Annual Work Plan & Budget (AWPB) and cash flow forecast for the first six months planned activities. The initial advance would be released by IFAD upon opening of the Designated Account and when other conditions for disbursement, as set in the Financing Agreement, have been met. The ceiling for the Authorised Allocation would be specified in the Letter to the Borrower (LTB).

9. The Designated Account would be replenished on the basis of Withdrawal Applications prepared and submitted to IFAD by FAPP, signed by the authorised representatives of the Borrower, accompanied by the required supporting documentation. Detailed instructions for disbursements would be included in the LTB issued for FAPP. Withdrawal applications would be prepared by FAPP, signed by the PM, vetted by the DCFMU and forwarded to IFAD for the transfer of funds to replenish the designated account.

10. FAPP at MoA would open a Project Account in FJD in a commercial bank acceptable to IFAD to carry out project-related expenditures. Such an account would be managed in accordance with the existing FMIS. The authorized signatories to the Project Account would be the PM and either of the FMPO or the Principal Accountant of MoA. The DCFMU would transfer loan proceeds to the Project Account upon request from the PM and the FMPO.

11. The Statement of Expenditure (SoE) threshold is fixed at USD 50 000 for all cost categories. All expenditures above the established thresholds shall be accompanied by related supporting documentation, as well as all expenditures of every amount related to contracts of value exceeding USD 50 000. FAPP shall prepare and submit the withdrawal application to IFAD through MoF on a timely basis within 15 days after the end of each quarter starting from the first quarter after the first disbursement is made. Withdrawal Applications should be submitted to IFAD every quarter or when the required amount is approximately USD 1.0 million minimum.

12. **Internal Controls.** FAPP's internal controls would rely on the Government-established accounting and internal control guidelines as documented in the Financial Management Act 2004 and the Financial Instruction Act 2010. Furthermore, the controls would follow authorisation and approval processes stipulated in the internal control guidelines in the MoA Financial Procedures and would be specified in the FAPP financial manual, which would be prepared during early stages of the programme implementation. The system of joint signatory for operating the bank accounts or appropriate authorization processes would be introduced. Detailed procedures for adequate recording, management and safeguard of project fixed assets should be specified in the Project Implementation Manual (PIM).

13. Internal controls would also be verified during the annual audit exercise and reported to IFAD in a Management letter, in line with IFAD's Audit Guidelines. Sample internal control guidelines and segregation of duties include the following:

- The persons ordering material, receiving material, checking quality and authorising payment should be different.
- The person authorising a transaction and the person making payment should be different.
- The person making bank payment should not prepare bank reconciliation statements.
- The persons preparing financial reports and those responsible for project implementation should be different.
- There must be cross-referencing between accounting and fixed asset records.

14. **Accounting Systems, Policies, Procedures and Reporting.** The accounting software used by the Accounts Division of MoA is called the Info Global Financial Management Information System (FMIS). This software is used by the accounts division of every ministry in the GoF and FAPP is also expected to use it. The Accounts Division would open a dedicated business unit or cost centre in the FMIS to record all project related transactions. Such records would be the basis for financial report preparation. The *Basis of Accounting* to be used by FAPP would be **cash basis** to align with MoA

and national requirements. Transactions in the system shall be prepared by the accounts clerk and approved by the FMPO.

15. The financial statements of MoA currently reflect receipts, payments and variance from Budget figures. A Balance Sheet is also prepared and the information generally required for IFAD-funded projects is mostly covered. Financial statements would be drawn on the basis of requirements as spelt out in the *Financial Management Act 2004* read with the *Financial Instructions 2010*.

16. Project stand-alone financial statements shall be prepared annually, taken from the general ledger of MoA. In addition, FAPP financial statements would contain specific information and disclosure as required by IFAD including a *Withdrawal Application Statement, Movements in the Designated Account, Special Account Reconciliation, and Disclosure of Project Expenditures by Component and Cost Category and Variance analysis comparing actual and budget*. If possible, the FMIS would be customized accordingly; otherwise these additional reports would be drawn down from the system and prepared manually. Annual project financial statements should be sent to IFAD within four months of the end of the fiscal year.

17. **Internal Audit.** FAPP internal controls would rely on the Government-established accounting and internal control guidelines as documented in the *Financial Management Act 2004* and the *Financial Instructions Act 2010*. Furthermore, the controls would follow authorisation and approval processes stipulated in the internal control guidelines issued by MoF, and would be specified in the Finance Section of the PIM

18. MoF has a functioning internal audit unit to help ensure a sound control environment for transaction processing. There are MoF staff deployed to the internal audit unit of MoA who are responsible for all internal audit activities under MoA. The unit would include FAPP in its annual internal audit plan and be subjected to audit at least once a year.

19. **External Audit.** In compliance with IFAD's General Conditions, the FAPP financial statements, prepared by FAPP, would be audited on an annual basis and the auditor's report submitted to IFAD no later than six months after the end of each fiscal year. In line with its mandate as per the *Fiji Audit Act 2006*, the Auditor General is solely responsible for auditing funds under the Consolidated Fund and all public funds as received by Government ministries, agencies and departments. In this regard, and consistent with IFAD's policy to maximise use of country systems where feasible, the Office of the Auditor General; would conduct the audit of FAPP's financial statements and furnish copies to IFAD within six months of the end of the fiscal year. The technical capacity of the OAG is considered satisfactory.

20. The Auditor General of the Government of Fiji carries out the audit of all government departments, corporations and projects, and public utilities. The Office of the Auditor General (OAG) of Fiji is a member of the International Organization of the Supreme Audit Institutions (INTOSAI) and the Pacific Association of Supreme Audit Institutions (PASAI). The Office carries out both performance and financial audits. Financial audits are carried out in accordance with the International Standards of Auditing which is a requirement as per IFAD audit guidelines.

21. In the event that the OAG delegate the audit work to external firms, the selection would be through a competitive bidding process. However, this happens normally for the audit of government-controlled corporations or public utility services. External audit firms report to the OAG in line with the ToRs attached to their contract. The formal and final audit reports are issued from the OAG and signed by the Auditor General. The audits of government ministries/departments are normally carried out by directly by the OAG. The audit of FAPP would be carried out directly by the OAG unless delegated to an independent audit firm. The frequency and expected output of the audits would be in line with the IFAD requirements outlined in the Audit Guidelines.

22. The auditor shall issue separate opinions covering the financial statements, statements of expenditures, management of designated accounts and project bank accounts as well as a management letter outlining any internal control weaknesses and recommended remedies; more particularly, the auditor must ascertain that the information included in the annual financial statements is correct, reliable, and presents a true and fair description of the Project financial position. The management letter would provide an update on the status of implementation of audit recommendations issued in previous years.

23. **Taxes, VAT and duties.** All procurement financed from the proceeds of the IFAD loans would be exempt from national and local duties and taxes, including expenditures made for items procured under Local Shopping arrangements. All procurement would be authorised only against the procurement plan as per the approved AWPBs, specifying items to be procured, responsibility for the procurement and the appropriate procurement methodology. The amount of taxes and VAT foregone would be accounted for as Government In-kind contributions to the project. Social security benefits (employee's portion) and income tax (employee deductions) are eligible for financing.

24. **Financial Management Supervision Plan.** Based on the outcome of the assessment carried out during the Final Project Design, the supervision plan would be aligned with risk-based supervision for financial management arrangements. One or more onsite fiduciary-focused visits during the regular supervisions would be carried out each year as deemed necessary.

### Financial management risk assessment

25. During design, a Financial Management (FM) risk assessment has been completed in accordance with Financial Services Division (CFS) guidelines. The objective of the assessment is to ensure that:

- adequate FM arrangements are in place to ensure programme funds would be used for purposes intended with due consideration to efficiency and economy;
- the project's financial reports would be prepared in an accurate, reliable and timely manner; and
- the programme's assets would be safeguarded.

26. The assessment has been developed after visiting the MoA, Office of the Auditor General (OAG) MoF and two probable implementing partners, PCDF and POETCom.<sup>8</sup> The summary analysis of perceived risks and corresponding mitigating actions is presented in Appendix 7.2 below.

27. FAPP internal financial controls would be built on mechanisms in place at the MoA. The overall controls appear to be sufficiently solid. Segregation of duties for the authorization, recording and custody of assets is applied. Procedures for ordering, receiving, accounting and paying for goods and services are well established and duly segregated. The management and monitoring of bank accounts are adequate.

28. However, MoA does not have substantial experience in managing externally funded projects, intermediary financial institutions (IFIs) and the related coordination effort to include these in the MoA business model, which presents a major risk area for FAPP implementation.

29. This weakness would be addressed through rigorous consultation with internal stakeholders to ensure the use of national systems while preserving the integrity of transactions and adherence to IFAD fiduciary standards. The entire financial management practices and procedures of FAPP would be laid out clearly, disclosing FAPP's staffing needs and roles with regard to establishing proper maintenance of accounts, monitoring and review of financial achievements against budget projections, internal controls, internal audit, capacity building of finance staff, financial reporting and external audit.

30. The overall FAPP fiduciary risk rating assigned at this stage is **Medium** before any mitigation measures are put in place, decreasing to **Low** with the application of basic FM practices. Practical risk mitigation measures are described in detail in the following paragraphs. The implementation of some of these would be considered as conditions precedent to withdrawal.

31. **Inherent risks.** No Public Expenditure and Financial Accountability (PEFA) assessment or similar valuation has been conducted for Fiji. The latest set of available data includes a Financial Sector Assessment performed by World Bank in 2007. The study is mainly focussed on the banking sector but provides some assurances on the overall functioning of the Public Financial Management sector. The report highlights that a public country regulatory framework is in place as well as its implementation. Some risks are linked to the adequacy of human resources to ensure sustainability. The national accounting and auditing framework in Fiji appears to be strong and well regulated.

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<sup>8</sup> Financial Management Assessment Questionnaire retained on IFAD x-desk cluster corner.

32. Main risks are represented by possible bottlenecks linked to the incorporation of project's activities in the administrative structure of the country, which may impact project's set-up and implementation. The overall inherent risk assessment is **Medium** with a positive trend.

33. **Control risks.** FAPP would be established in the MoA which currently is not implementing any externally funded project and has a very limited historical experience in this area. Main issues are summarized as follows.

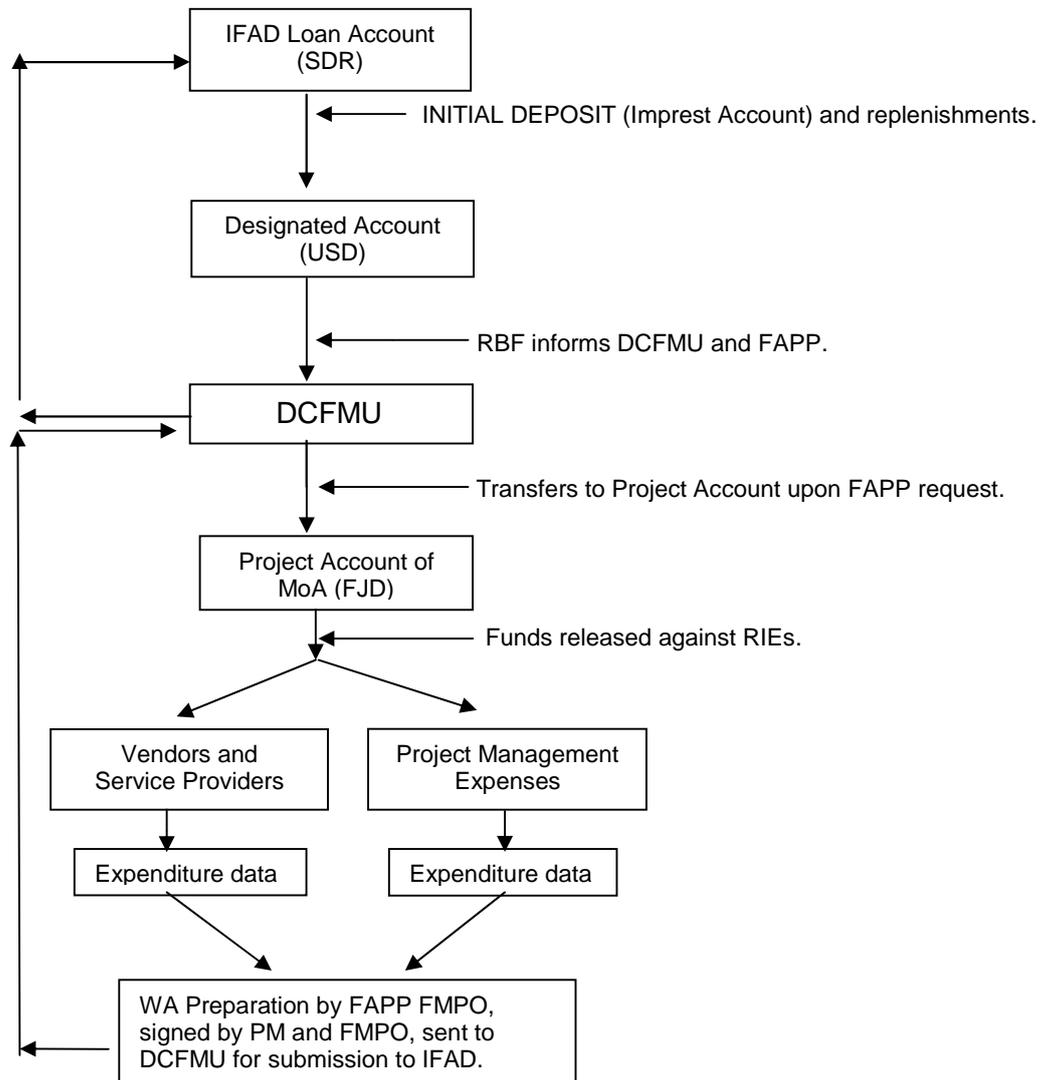
- Coordination between FAPP and the MoA in terms of staff, procedures and systems.
- Coordination between FAPP/MoA and the MoF DCFMU which would administer the DA, submission of WAs and reporting.
- Limited specific experience in managing externally funded projects and first-ever dealing with IFAD and its procedures, including accounts, segregation of duties, and asset management. Currently, debts are disbursed mostly under the direct payments method; the replenishment method of loan disbursement is a new concept.

34. The overall project control risks before mitigation actions are rated as **Medium**. After mitigation, the overall project fiduciary risk improves from **Medium** to **Low**.

35. **Anti-corruption measures.** The GoF has established two bodies to control fraud and corruption in Fiji. The Fiji Independent Commission Against Corruption (FICAC) is an agency that fights against corruption in the Public Sector of Fiji, as mandated by Promulgation N° 11 of 2007. Although FICAC is a public organization, it is independent of the government and reports directly to the President. FICAC aims to protect the public interest, prevent breaches of public trust, guide the conduct of public officials and promote the integrity and accountability of public administration. Its major functions are to investigate and prosecute corruption and bribery-related cases, advise government of corrupt practices and procedures, and educate and enlist public support in combating corruption.

36. The Fiji Financial Intelligence Unit (FIU), established by the Financial Transactions Reporting Act of 2004 is a specialized agency created to collect, analyse and disclose financial information and intelligence. FIU is an integral part of Fiji's fight against money laundering, terrorist financing, fraudulent activities and other financial crimes. It oversees compliance with the Financial Transactions Reporting (FTR) Act by banks, foreign exchange dealers and other institutions. FIU provides useful information to law enforcement and revenue agencies. Orientation training for project staff would be required to instil IFAD's Anticorruption policy.

### Appendix 7.1: Flow of funds chart



## Appendix 7.2: Financial management risks and mitigating actions

Risk category	Initial risk rating	Risk mitigation measures	Residual risk rating
<b>Inherent risks</b>			
<b>1. Country level.</b>	<b>M</b>	Refer to paragraphs 25 and 26 above.	<b>M</b>
<b>2. Entity level.</b>  Limited experience in implementing externally funded projects. No experience with IFAD.	<b>H</b>	Clear roles and responsibilities to be included in the project framework and policy, oversight and implementation responsibilities to be spelt out. Accounting Software with customisation of reporting would be installed. The local IFAD Country Office (ICO) would support and facilitate compliance with IFAD rules and procedures.	<b>M</b>
<b>3. Project level.</b>  Implementation support structure still to be set up.	<b>H</b>	Skilled staff shall be recruited; financial management and procurement procedures would be incorporated into the Project Implementation Manual (PIM), approved by IFAD. The facilitation of the ICO would reduce the time-lag in setting up new systems and best practices.	<b>M</b>
<b>Control risks</b>			
<b>4. Staffing.</b>	<b>M</b>	Availability of skilled workforce at country level and at MoA. FAPP would recruit qualified finance staff with clear ToRs from open market or GoF staff on deputation. The tenure of any government staff should be for at least a two-year period. Draft ToRs would be provided during the FAPP Final project design mission. The engaged staff would be exposed to best practices and the procedures of externally-aided projects through orientation by ICO.	<b>L</b>
<b>5. Budgeting.</b>  Preparation of the FAPP budget within the MoA budget for submission to MoF.	<b>M</b>	An Annual Work Plan and Budget would be prepared by FAPP staff and approved by the Steering Committee. The approved AWPB would be used as a management tool to identify any bottlenecks in implementation. ICO facilitation.	<b>M</b>
<b>6. Flow of funds and disbursement arrangements.</b>  Limited experience in managing donor funds or understanding of imprest account arrangements.	<b>H</b>	Flow of funds arrangements would be finalized during the FAPP Final project design mission. ICO would support.	<b>M</b>
<b>7. Internal controls.</b>	<b>L</b>	Internal control function at MoA is well established and in effective. The PIM would be a useful reference guide for the discharge of finance functions at project level.	<b>L</b>

<b>Risk category</b>	<b>Initial risk rating</b>	<b>Risk mitigation measures</b>	<b>Residual risk rating</b>
<b>8. Accounting.</b>	<b>L</b>	The accounting function is well established at MoA level. Cash basis accounting is used. This would be replicated at project level. Training would be required to ensure compliance with IFAD minimum standards. Relevant provision would be embedded in the PIM.	<b>L</b>
<b>9. Financial reporting and monitoring.</b>	<b>L</b>	The project would use the country FMIS which would need some customization to ensure the correct categorization of expenditures. The assessment of the FMIS was positive.	<b>L</b>
<b>10. Internal Audit.</b>  No internal audit function is established at MoA.	<b>M</b>	Internal audit activities are performed by a dedicated unit in MoF, which would include FAPP.	<b>L</b>
<b>11. Audit.</b>  The audited party cannot determine the audit ToRs as the Office of the Auditor General follows its own procedures.	<b>M</b>	The auditor of MoA is the Office of the Auditor General, which carries out its audits on an annual basis in accordance with INTOSAI standards. The review of the last three audits and management letters did not disclose any major issues. ICO would support the inclusion of IFAD requirements in the audit scope.	<b>M</b>
<b>Overall project fiduciary risk.</b>	<b>M</b>		<b>L</b>
Key: <b>H</b> = High, <b>M</b> = Medium, <b>L</b> = Low.			

## Appendix 8: Procurement

### Review of IFAD and Fiji Procurement Regulations

1. The IFAD Procurement Handbook was reviewed and compared with the Procurement Manual published by the Fiji Procurement Office in line with the provisions of the Fiji Procurement Regulation 2010. The purpose of the review was to determine the acceptability of the country procedures with regard to IFAD procurement principles and international standards. The review confirms that the Fiji procurement procedures generally conform to the IFAD procurement principles. The national procedures could be used on IFAD projects, without risk, provided the procurement team is well trained and qualified. However, IFAD's procedures shall supersede the Borrower's procedures where there are inconsistencies between the two procedures.

2. IFAD's revised "Project Procurement Guidelines" approved in September 2010 emphasize the possibility of using the borrower/recipient's procurement regulations, to the extent that such regulations are consistent with IFAD's Guidelines. The revised IFAD Project Procurement Guidelines focus less on the details of procurement methods and more on the general principles, standards and policies that borrowers/recipients must adhere to when implementing IFAD-financed projects

### General principles

3. Procurement under FAPP is to be carried out in accordance with the loan agreement and any duly agreed amendments thereto. The Borrower's (GoF) procurement methods and procedures will be applied for the IFAD Loan to the extent that they are consistent with IFAD procedures. The prerequisite for carrying out procurement under FAPP shall be an Approved Procurement Plan which shall be part of the Programme's Annual Work Plan and Budget (AWPB). To the extent possible, the Procurement contracts shall be bulked into sizeable bid packages in such a manner as to permit the optimal use of competitive bidding.

4. Public procurement in Fiji is currently governed by the Procurement Regulations 2010. Such regulations have been adopted from the procurement practice guides of the Australian government, United Nations Commission on International Trade Law (UNCITRAL) and ADB. Such Procurement Regulations are supplemented by various other guidelines, including:

- (a) *Guide to the Procurement Policy Framework;*
- (b) *Guide to the Tender and Evaluation Process;* and
- (c) *Expression of Interest Guide.*

The Procurement Regulations 2010 and related Guidelines are applicable for all GoF procurements made in Fiji and so will be applicable to FAPP.

### Fiji Procurement Office

5. The Ministry of Finance has established the Fiji Procurement Office (FPO). The FPO, led by the Director, is the lead procurement office of the GoF and is responsible for regulating and administering the procurement of goods, services and works for the Government. The FAPP Financial Management and Procurement Officer will liaise to effect all project procurement by the FPO.

6. *Procurement methods.* The various procurement methods enumerated in the Procurement Regulations 2010 are:

- (a) Request for quotation method.
- (b) Open Tender Method.
- (c) Two Stage Tendering.
- (d) Pre- Qualified tendering.
- (e) Selective Tendering.
- (f) Single Source procurement.

### **Annual Procurement Plan**

7. The Procurement Regulations require the preparation of an Annual Procurement Plan by each GoF ministry or department and submission of the same to the Fiji Procurement Office. This matches the procurement requirement of IFAD. An Annual Procurement Plan will be prepared by FAPP in consultation with other project stakeholders and submitted for approval to the PSC and to IFAD for *No Objection*. Reviewing the Procurement Regulations 2010 and various associated guidelines, it appears that these uphold the following principles.

- (a) Value for money.
- (b) Maximum economy and efficiency and the ethical use of government resources.
- (c) Promotion of open and fair competition.
- (d) Promotion of integrity, fairness and public confidence in the procurement process.
- (e) Achievement of accountability and transparency in the procurement procedures.

These precepts match the expectations of a procurement atmosphere as envisaged by IFAD Procurement Guidelines and so are acceptable if adopted by projects.

### **18-month procurement plan**

8. Before commencing implementation, the project will provide, together with the initial AWPB, an 18-month *Procurement Plan* to IFAD for approval as stipulated in IFAD's Procurement Guidelines. The project will prepare and send to IFAD the PSC-approved *Procurement Plan* on an annual basis. The procurement plan prepared by FAPP will have the following minimum requirements:

- (a) a brief description of the procurement;
- (b) estimated cost;
- (c) procurement method which will be used;
- (d) pre- or post-qualification requirements;
- (e) IFAD prior review requirements; and
- (f) the time frame in which the procurement will be carried out.

9. The Procurement Plan will be prepared for goods, works and consultancy services separately. During the programme year, FAPP may modify the Procurement Plan as per the need and all modifications to the Procurement Plan should also be approved by IFAD.

10. IFAD will provide a template for a Procurement Plan, which will specify the method of procurement for each contract to be financed, including thresholds, ceilings and preferences. The Procurement Plan will also specify any additional requirements as set out in IFAD's Procurement Guidelines with respect to certain methods of procurement. This will be revised and further detailed at the start of the project and submitted to IFAD for a *No Objection*.

11. Procurement will be undertaken exclusively only during the project implementation period. No procurement will be undertaken if it entails a payment to persons or entities or an import of goods prohibited by a decision of the UN Security Council taken under Chapter VII of the Charter of the United Nations.

### **IFAD prior review threshold**

12. The award of any contract for goods and services for goods costing USD 50,000 or more per contract will be subject to prior review of IFAD. The ToRs, process of selection and full documentation in respect of any proposed contract will be reviewed by IFAD. Such contracts can be entered into only on receipt of *No Objection* from IFAD.

13. All direct contracts for goods and civil works and single source selection for service providers above the prescribed procurement and selection method thresholds shall be undertaken in accordance with the provisions of IFAD Procurement Guidelines for direct contracting and single source selection and subject to IFAD prior review.

14. For the procurement of consulting services and studies, ToRs, conditions and terms of contracts, and the qualifications and experience of consultants will be subject to prior review and approval of IFAD, if requested. Before agreeing to any material modification or waiver of the terms and conditions of any contract granting an extension of the stipulated time for performance of such a contract or issuing any change order (except in cases of extreme urgency) which would increase the

cost of the contract by more than 10% of the original price, the project will seek IFAD's approval of the proposed modification. This is to be confirmed upon review of Fijian procurement procedures.

#### **Audit provisions**

15. Contracts with major service providers will include provisions for the submission to the project of audited Statements of Expenditure (SoEs) on contract expenditures within three months of the end of each fiscal year. These provisions will:

- (a) require major service providers to maintain all documents and records related to activities performed for three years after completion of the contract; and
- (b) require the delivery of any document necessary for the investigation of allegations of fraud or corruption (and the availability of employees or agents of the bidders, suppliers, contractors, subcontractors or consultants with knowledge of the activities financed by IFAD) to respond to questions from IFAD's personnel or any properly designated Auditor, investigator, agent or consultant relating to review or audit of the document.

16. If the bidder, supplier, contractor, subcontractor or consultant fails to comply or otherwise obstructs the review process, IFAD may at its sole discretion take appropriate action against the bidder, supplier, subcontractor or consultant, including the imposition of sanctions in accordance with the administrative procedures of the Fund.

17. The procurement-awarded services for auditing of the project shall be done at least twice during the project implementation period. In the event that the project accounts are audited by private audit firms, these will be selected through the quality- and cost-based selection process, with a ratio of 70% quality and 30% cost.

#### **Procurement documentation**

18. Supporting documents, including suppliers' invoices, evidence of payment, analysis of bids, contracts, payment vouchers and receipts, will be retained in an organized manner by the project for inspection during Supervision Missions and examination by auditors.

## Appendix 8.1: Eighteen-month procurement plan

*Note: Detailed schedule with time lines available on Excel file.*

**Table A8.1: FAPP 18-month procurement plan –  
 Estimated total contract values**

Category	Value	(USD)
Goods:	52,232	
Vehicles		39,369
Electronic equipment		10,166
Furniture		2,697
Consultancy Services – firms:	43,144	
Baseline studies		43,144
Consultancy Services – individuals:	216,892	
Technical Assistance – regional		75,718
Technical Assistance – international		72,806
Implementation support staff		68,368
Total	312,358	

## Appendix 9: Project cost and financing

### I. MAIN ASSUMPTIONS

This section describes the assumptions underlying the derivation of Project costs, that are based on November 2014 prices. The proposed project would be financed over a four-year period and expected to start in mid-2015. Expenditure and disbursement accounts used for this analysis conform to the new standard categories established by IFAD in August 2013.

**Price and physical contingencies.** The Economist Intelligence Unit forecasts that domestic consumer price inflation will average 3% a year in 2015, compared with an average 1.2 % in 2014, and that domestic inflationary pressures will be contained by lower international food and oil prices in the coming years. Foreign inflation rate has been set at 1.8 %, as per FMI's projections for 2015<sup>1</sup>. These rates were applied to all expenditure categories subject to price increases during project implementation, including contracts with service providers under the expenditure category "Consultancies". In addition to price contingencies, physical contingencies have been applied (see Table 1: Expenditure accounts, assumptions and parameters).

**Exchange rates.** The Fiji dollar has depreciated against the US dollar over the past years and further depreciations are expected during the project implementation period. The base exchange rate for this analysis was set at F\$1.93:US\$1 as per EIUs estimates for 2015, and will be updated as longer term projections become available.

**Taxes and Duties.** There is a Value Added Tax (VAT) levied on the supply of goods and services in Fiji at the rate of 15%, including agricultural products purchased from enterprises with total annual sales over 100,000 FJ\$. Customs charges include 15% fiscal duty and 15% excise on imported vehicles. International technical assistance does not carry any taxes. The Government will finance the cost of all taxes on goods and services procured under FAPP. Any future possible amendments to tax treatment at IFAD level would be applied to the Loan.

Expenditure accounts, together with the breakdown of taxes, physical contingencies and the average rates for foreign exchange used in the analysis are shown in Table 1 below.

**Table 1: Expenditure accounts, assumptions and parameters.**

Expenditure Accounts	Physical contingencies (%)	VAT (%)	Foreign Exchange (%)	Duty/Excise (%)
1. Vehicles	0	15	85	30
2. Equipment & Materials	0	15	85	0
3. Goods, Services and Inputs	5	0 or 15	50	0
4. Consultancies*	0 or 5	0	100	0
5. Training	5	15	0	0
6. Workshops And Meetings	5	15	0	0
7. Grants And Subsidies	0	0	0	0
8. Salaries&Allowances	0 or 5	0	0	0
9. Operating Costs	5	15	50	0
10. Salaries GoF	0	0	0	0

\* Consultancies: 100% foreign exchange in international and regional TA, 0% on national TA.

### II. PROJECT COSTS

**Total Costs.** Total project costs are around USD 6 million over a four-year implementation period and include USD 220,081 on physical and price contingencies, accounting for 1% and 3% of the total base costs, respectively. Foreign exchange accounts for about 34% of total project costs, mainly from

<sup>1</sup> World Economic Outlook, January 2014.

imported vehicles, electronic equipment and international/regional consultancy services. Duties and taxes make up approximately USD 150,662. Table 2 below summarises the project costs by component.

**Table 2: Project Costs by Component**

	(Local)			(US\$)			% F. Ex.	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
1. Public sector capacity to support agribusiness	1,259,546	1,563,736	2,823,282	652,614	810,226	1,462,840	55	25
2. Assistance to SMEs working with smallholders	3,626,627	267,052	3,893,680	1,879,082	138,369	2,017,451	7	35
3. Farming as a business for highland communities	2,678,333	169,520	2,847,853	1,387,737	87,834	1,475,571	6	25
4. Project Implementation Support	743,172	929,623	1,672,794	385,063	481,670	866,733	56	15
<b>Total BASELINE COSTS</b>	<b>8,307,677</b>	<b>2,929,931</b>	<b>11,237,608</b>	<b>4,304,496</b>	<b>1,518,099</b>	<b>5,822,595</b>	<b>26</b>	<b>100</b>
Physical Contingencies	83,822	45,409	129,231	43,431	23,528	66,959	35	1
Price Contingencies	243,422	71,672	315,094	126,126	37,136	163,261	23	3
<b>Total PROJECT COSTS</b>	<b>8,634,921</b>	<b>3,047,012</b>	<b>11,681,933</b>	<b>4,474,052</b>	<b>1,578,763</b>	<b>6,052,815</b>	<b>26</b>	<b>104</b>

**Project Structure.** FAPP will be implemented by GoF structures complemented by external contractors for specific specialist services, based on the experience of recent IFAD-supported interventions.

For the implementation of *Component 1: Public sector capacity to support agribusiness* (25% of base costs or USD 1,539,255 with contingencies) FAPP would support the establishment, capacitation and running of an Agribusiness Development Unit (ADU), where all agribusiness-related resources within MoA will be concentrated. The ADU will coordinate or directly implement all the activities within the component.

Under *Component 2: Assistance to SMEs working with smallholders* (35% of base costs, or USD 2,029,351) FAPP would finance a GoF initiative to expand individual small- and medium-scale enterprises that want to improve market linkages with small-scale farmers. This would include a programme to mentor SMEs and a programme to provide matching grants to SMEs interested in accessing financial services from private banks to expand targeted operations. MoA may contract one or more service providers to deliver the mentoring programme, while the matching grant programme will be managed by private banks.

Implementation of *Component 3: Farming as a business for highland communities* (26% of base costs or USD 1,570,704 with contingencies) will be achieved through service agreements between MoA and competent providers for specified deliverables. A national NGO with experience in the target areas will be contracted for the delivery of *Activity cluster 3.1: Highland Community Empowerment*, and for the overall coordination of other service providers and activities within the component. The National Centre for Small and Micro Enterprises Development (NCSMED) or other specialist service provider would deliver *Farming as a business*. Implementation of *Enhancement of the value chain and its linkages* would be contracted to a qualified agribusiness development entity with practical field experience with Pacific Island value chains, which will also be in charge of delivering *Activity cluster 3.3: Technology Transfer for Increased Productivity and Profitability*. A regionally-based organisation specialized in certification systems will be contracted to manage *Activity cluster 3.4: Certification Systems (organics and wild harvested) for highland Farmers*.

Resources allocated for overall implementation support make up for 15% of total base costs, or USD 918,401.

**Table 4: Project Components by Year - Totals Including Contingencies (USD)**

	<b>15/16</b>	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	<b>Total</b>
1. Public sector capacity to support agribusiness	528,890	429,506	415,780	165,078	1,539,255
2. Assistance to SMEs working with smallholders	56,055	357,370	683,259	932,642	2,029,327
3. Farming as a business for highland communities	582,281	428,307	374,144	181,101	1,565,833
4. Project Implementation Support	359,609	172,919	197,699	188,174	918,401
<b>Total PROJECT COSTS</b>	<b>1,526,835</b>	<b>1,388,103</b>	<b>1,670,882</b>	<b>1,466,995</b>	<b>6,052,815</b>

Detailed and summary cost tables are provided in a separate excel file.

### III. FINANCING

**IFAD Loan.** IFAD loan resources available for financing the costs of the project amount to approximately USD 3.52 million over four years from mid-2015 to mid-2019. Fiji, as a Middle Income Country, qualifies for 'Ordinary' borrowing terms, as opposed to concessional terms. Ordinary terms for the funds available to Fiji consist of a rate of interest, based on the Euribor rate, that is currently 1.07% per annum, and a 15-year maturity period, including a 3-year grace period.

**Government of Fiji.** Loan funds would be complemented by the Government of Fiji with about USD 1 million, in the form of waived taxes, staff salaries and operating expenses associated with the Agribusiness Development Unit. In the spirit of mainstreaming FAPP activities within the work plan of the MoA, the recurrent costs associated with Project implementation support (estimated at USD 0.43 million) are assigned to GoF funding rather than the IFAD Loan.

**Financing Institutions.** Local banks will participate in the matching grant scheme by financing 50% of the capital requirements of qualified SME's that apply for funds. For budgetary purposes, provision is made for thirty investments in SME expansion of about USD 64,161 each, that would translate into approximately USD 932,642 in loans provided by national financial institutions.

**Beneficiaries.** SMEs benefitting from *Business planning and management mentoring support for the expansion of individual enterprises* will be requested to make a nominal contribution to the cost of their mentoring support (about 10%). Enterprises that participate in the loan/grant scheme are expected to match the grant contribution (25% for the total capital requirements) with their own funds. Under component three, beneficiaries of *Support to cluster/village level value chain upgrading investments* will provide 20% of the funds in cash or kind, and co-finance the *Expanded use of field crates* by 15%. Overall contributions from beneficiaries are estimated at USD 566,155 or 9.4 % of the total project costs.

**Other Donors.** IFAD will actively seek partnerships with other donors and explore the possibility of expanding the project area in future stages, if appropriate.

**Table 5: Project Components by Financiers (US\$)**

	GoF		IFAD Loan		Financing Institutions		Benef.		Total		F. Ex.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
1. Public sector capacity to support agribusiness	529,973	34.4	1,009,282	65.6	-	-	-	-	1,539,255	25.4	836,237	644,557	58,461
2. Assistance to SMEs working with smallholders	4,120	0.2	612,585	30.2	932,642	46.0	479,979	23.7	2,029,327	33.5	149,319	1,875,888	4,120
3. Farming as a business for highland communities	50,288	3.2	1,429,368	91.3	-	-	86,176	5.5	1,565,833	25.9	88,581	1,426,964	50,288
4. Project Implementation Support	449,329	48.9	469,072	51.1	-	-	-	-	918,401	15.2	504,625	375,982	37,794
<b>Total PROJECT COSTS</b>	<b>1,033,709</b>	<b>17.1</b>	<b>3,520,308</b>	<b>58.2</b>	<b>932,642</b>	<b>15.4</b>	<b>566,155</b>	<b>9.4</b>	<b>6,052,815</b>	<b>100.0</b>	<b>1,578,763</b>	<b>4,323,390</b>	<b>150,662</b>

**Table 6: Expenditure Accounts by Financiers (US\$)**

	GoF		IFAD Loan		Financing Institutions		Benef.		Total		F. Ex.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
<b>I. Investment Costs</b>													
A. VEHICLES	29,493	15.0	167,026	85.0	-	-	-	-	196,518	3.2	155,509	11,517	29,493
B. EQUIPMENT&MATERIALS	36,465	15.0	120,801	49.6	-	-	86,176	35.4	243,442	4.0	21,866	185,111	36,465
C. GOODS, SERVICES AND INPUTS	5,858	0.5	1,263,531	99.5	-	-	-	-	1,269,389	21.0	18,550	1,244,981	5,858
D. CONSULTANCIES	0	-	633,112	97.9	-	-	13,658	2.1	646,770	10.7	573,621	73,149	-
E. TRAINING	9,347	15.0	52,965	85.0	-	-	-	-	62,311	1.0	-	52,965	9,347
F. WORKSHOPS AND MEETINGS	24,325	15.0	137,841	85.0	-	-	-	-	162,165	2.7	-	137,841	24,325
G. GRANTS AND SUBSIDIES	-	-	466,321	25.0	932,642	50.0	466,321	25.0	1,865,285	30.8	-	1,865,285	-
H. SALARIES&ALLOWANCES	-	-	678,712	100.0	-	-	-	-	678,712	11.2	658,230	20,482	-
<b>Total Investment Costs</b>	<b>105,487</b>	<b>2.1</b>	<b>3,520,308</b>	<b>68.7</b>	<b>932,642</b>	<b>18.2</b>	<b>566,155</b>	<b>11.0</b>	<b>5,124,593</b>	<b>84.7</b>	<b>1,427,776</b>	<b>3,591,330</b>	<b>105,487</b>
<b>II. Recurrent Costs</b>													
A. SALARIES	627,056	100.0	-	-	-	-	-	-	627,056	10.4	-	627,056	-
B. OPERATING COSTS	301,166	100.0	-	-	-	-	-	-	301,166	5.0	150,987	105,004	45,175
<b>Total Recurrent Costs</b>	<b>928,222</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>928,222</b>	<b>15.3</b>	<b>150,987</b>	<b>732,060</b>	<b>45,175</b>
<b>Total PROJECT COSTS</b>	<b>1,033,709</b>	<b>17.1</b>	<b>3,520,308</b>	<b>58.2</b>	<b>932,642</b>	<b>15.4</b>	<b>566,155</b>	<b>9.4</b>	<b>6,052,815</b>	<b>100.0</b>	<b>1,578,763</b>	<b>4,323,390</b>	<b>150,662</b>

**Table 7: Expenditure Accounts by Years - Totals Including Contingencies (US\$)**

	15/16	16/17	17/18	18/19	Total
<b>I. Investment Costs</b>					
A. VEHICLES	196,518	-	-	-	196,518
B. EQUIPMENT&MATERIALS	48,862	88,303	86,181	20,096	243,442
C. GOODS, SERVICES AND INPUTS	470,492	344,007	290,891	163,999	1,269,389
D. CONSULTANCIES	301,691	122,628	160,986	61,465	646,770
E. TRAINING	18,775	23,319	9,959	10,258	62,311
F. WORKSHOPS AND MEETINGS	40,863	39,245	40,422	41,635	162,165
G. GRANTS AND SUBSIDIES	-	310,881	621,762	932,642	1,865,285
H. SALARIES&ALLOWANCES	222,348	226,214	230,149	-	678,712
<b>Total Investment Costs</b>	<b>1,303,645</b>	<b>1,299,549</b>	<b>1,154,597</b>	<b>1,440,351</b>	<b>1,230,095</b>
<b>II. Recurrent Costs</b>					
A. SALARIES	149,883	154,380	159,011	163,782	627,056
B. OPERATING COSTS	77,402	79,126	71,520	73,118	301,166
<b>Total Recurrent Costs</b>	<b>227,285</b>	<b>227,285</b>	<b>233,506</b>	<b>230,531</b>	<b>236,900</b>
	1,526,835	1,388,103	1,670,882	1,466,995	6,052,815

**Table 9: Expenditure Accounts by Components - Totals Including Contingencies (US\$)**

	Public sector capacity to support agribusiness	Assistance to SMEs working with smallholders	Farming as a business for highland communities	Project Implementation Support	Total
<b>I. Investment Costs</b>					
A. VEHICLES	39,369	-	117,780	39,369	196,518
B. EQUIPMENT&MATERIALS	12,862	-	217,717	12,862	243,442
C. GOODS, SERVICES AND INPUTS	-	27,463	1,230,336	11,590	1,269,389
D. CONSULTANCIES	129,776	136,578	-	380,416	646,770
E. TRAINING	50,005	-	-	12,306	62,311
F. WORKSHOPS AND MEETINGS	133,992	-	-	28,173	162,165
G. GRANTS AND SUBSIDIES	-	1,865,285	-	-	1,865,285
H. SALARIES&ALLOWANCES	678,712	-	-	-	678,712
<b>Total Investment Costs</b>	<b>1,044,716</b>	<b>2,029,327</b>	<b>1,565,833</b>	<b>484,717</b>	<b>5,124,593</b>
<b>II. Recurrent Costs</b>					
A. SALARIES	341,031	-	-	286,026	627,056
B. OPERATING COSTS	153,508	-	-	147,658	301,166
<b>Total Recurrent Costs</b>	<b>494,538</b>	<b>-</b>	<b>-</b>	<b>433,684</b>	<b>928,222</b>
<b>Total PROJECT COSTS</b>	<b>1,539,255</b>	<b>2,029,327</b>	<b>1,565,833</b>	<b>918,401</b>	<b>6,052,815</b>
Taxes	58,461	4,120	50,288	37,794	150,662
Foreign Exchange	836,237	149,319	88,581	504,625	1,578,763

## Appendix 10: Economic and financial analysis

### Project benefits

1. FAPP is expected to generate benefits for all the actors involved in the production, trade, processing and exporting of high value agricultural products, as well as for domestic consumers and the country as a whole. Key quantifiable benefits would accrue from:

- increased and more sustainable incomes for poor highland farmers;
- increased volume of sales and reduced transaction costs for fruit and vegetable traders, wholesalers, processors and retailers;
- increased export earnings, especially for organic ginger, organic banana and wild turmeric exporters;
- savings from import substitution for supermarkets, restaurants, hotels and domestic consumers; and
- revenue inflows for the GoF from additional income tax collected from all registered operators along the fruit and vegetable value chain.

2. In addition, the project would bring about some intangible benefits, for example:

- nutritional benefits, on account of higher quantities and better quality of fruits and vegetables made available to Fijian consumers; and
- environmental benefits that would be derived from the promotion of good agricultural practices and certified organic production.

### Project beneficiaries

3. FAPP combines location-specific activities and sector-wide interventions targeted at different groups of beneficiaries.

4. *Component 1: Agricultural business development* seeks to improve the public environment for agribusiness, strengthen the linkages along the agricultural value chains, and improve the conditions of doing business for operators who buy agricultural outputs from small-scale farmers. Its interventions would affect all stakeholders in the Fijian agricultural sector. Hence, the precise number of direct beneficiaries is difficult to quantify, but likely to be large. The agribusiness sector as a whole will benefit from more supportive policies and a regulatory framework fit for purpose. Stronger and more inclusive value chains will bring about benefits for farmers across the country, traders, processors and exporters, as well as for supermarkets, hotels and end consumers who will have access to better quality domestic produce. In addition, five MoA staff will receive on-the-job training for three years, and about 150 extension officers will participate in short formal training courses to upgrade their skills in agribusiness.

5. *Component 2: Assistance to SMEs working with smallholders.* Under this component, FAPP would finance a GoF initiative to expand individual small- and medium-scale enterprises that want to improve market linkages with small-scale farmers. This would include a programme to mentor SMEs and a programme to provide matching grants to SMEs interested in accessing financial services from private banks to expand targeted operations. Measurable outcomes include the 45 enterprises that would receive mentoring support to expand their activities, and about 30 enterprises that would also receive financial support to scale up operations with about 3,000 smallholders across the country, with priority being given to those businesses intending to purchase from highland farmers to be supported under Component 3.

6. *Component 3: Farming as a business for highland communities:* FAPP would support interested and active farmers in the selected highland areas to engage with markets by providing technical advice and skills development to improve cropping systems and, particularly, to strengthen all aspects of conducting a farming business. Component 3 direct beneficiaries include communities in Viti Levu areas higher than 450 metres above mean sea level and can take advantage of favourable climatic and geographic conditions for the production of selected crops. About 26 villages in seven districts in the Provinces of Ba, Nadroga/Navosa and Naitasiri,

with a total population of approximately 9,600 people or about 2,000 households<sup>10</sup> would benefit from financial literacy and business training, technology transfer activities and new livelihood opportunities created through organic and wild harvest certifications. The project may consider extending these activities to areas in Vanua Levu, Kadavu and other islands at a later stage. The table below provides specific information on FAPP activities and beneficiaries. Households and farmers may benefit from more than one training activity.

**Table A10.1: FAPP beneficiaries by component**

Beneficiaries	Unit	Number
<b>COMPONENT 1: Public sector capacity to support agribusiness</b>		
<u>1.1 - Enhancement of institutional capacity of MoA to support agribusiness</u>		
MoA staff trained (Agribusiness Development Unit)	staff	5
Upgrading extension staff skills in agribusiness	staff	150
Agribusiness sector as a whole		not quantified
<u>2.2 -Refinements of public sector framework</u>		
Farmers across the country		not quantified
Municipal market vendors, domestic traders, agro-processors and fresh produce exporters		not quantified
Hotels and restaurants		not quantified
<b>COMPONENT 2: Assistance to SMEs working with smallholders</b>		
Number of enterprises trained in business plan preparation	enterprises	45
of which, number of enterprises receiving a competitive matching grant	enterprises	30
Farmers across the country	farmers	3,000
<b>COMPONENT 3: Farming as a business for highland communities</b>		
Total population in project area, approx.		9,600
Number of households (average rural household = 4.8 persons)		2,000
<b>3. Farming as a business for highland communities</b>		
<u>1.1 - Highland Community Empowerment</u>		
Communities trained and mobilized	villages	26
<u>1.2. - Farming as a business</u>		
<i>Promotion of farming as a business</i>		
Framers trained in business skills and financial literacy	farmers	500
<i>Enhancement of the value chain and it's linkages</i>		
Framers trained in value chains and participating in networks	farmers	500
Women market vendors trained in economic empowerment and business literacy	women	300
<i>Off-season vegetable growers</i>		
Commercial	farmers	200
Semi-commercial	farmers	500
<i>Fruit tree growers</i>		
Commercial	farmers	20
Semi-commercial	farmers	200
<i>Promotion of planting material supply enterprises</i>		
Nursery - seedlings	enterprises	4
Nursery - organic ginger	enterprises	5
Nursery - organic banana	enterprises	2
<u>1.4. - Certification systems (organic and wild harvested) for upland farmers</u>		
Organic ginger growers (+ cassava and taro)	farmers	50
Organic banana growers	farmers	50
Wild turmeric	farmers	300

<sup>10</sup> Source: Nadroga/Navosa and Naitasiri Provincial Council Office.

## Financial Analysis

7. Five financial models have been prepared to illustrate examples of activities that would be supported by FAPP.

8. The models are organized into three categories: small producers, highland enterprises and competitive grant scheme investment models:

- two small producer models attempt to demonstrate the effects of technology transfer and establishment of certifications systems in the highlands, namely off-season vegetable production and organic ginger production;
- one planting material enterprise model analyzes the potential and sustainability of establishing fruit and vegetable nurseries in the highlands; and
- two additional models illustrate possible investments to scale up activities serving the highlands through the matching grant scheme, namely one highland collection centre for off-season vegetables and root crops and an organic ginger processing plant.

9. These models are strongly interrelated and illustrate the connections between the various actors in the value chain. For instance, the highland nursery would supply critical inputs to the farmers who deliver their produce at the newly established collection centre. The organic ginger producers and the ginger processing plant would engage in a mutually beneficial and durable relationship in the form of an out-grower scheme.

10. The first production model illustrates a vegetable grower that produces tomato, capsicum and English cabbage in order to take advantage of favourable climatic conditions in the highlands and higher off-season prices, but suffers from low yields and high production losses due to a lack of knowledge on appropriate cultivation technologies and post harvest handling practices. Furthermore, remoteness and deficient road infrastructure make timely access to planting materials and outlet markets a difficult and costly task that often results in further damage and losses.

11. Through the construction of crop protective structures and use of fields crates for transport, production and post-production losses could be reduced significantly, up to 20% in some cases (see assumptions in the reference Excel files). A more efficient use of fertilizers and insecticides would increase yields by 25% and appropriate cultivation techniques would reduce labour costs for weeding and water management. With the project, newly established nurseries would ensure ready access to good quality planting materials. Rather than selling the vegetables in the market, the farmer can save transportation costs and losses by delivering the production at a nearby collection point built with the matching grant funds.

12. As a result of the adoption of all these measures, the off-season vegetable farmers can obtain a gross margin of more than USD 6,000, about USD 4,000 increment with respect to the 'without' project situation, that would translate into higher returns to labour (up to USD 83 per labour day) and 11 additional labour days. More importantly, farmer's incomes would be lifted from slightly above the basic needs poverty line (USD 16 per adult equivalent per week) to about USD 800 per week during the off-season period. These results are to be interpreted as a best-case scenario, with full adoption of new technologies and in combination with other project interventions. FAPP estimates that about 200 highland farmers have the potential to become full-time commercial farmers and 500 would operate as semi-commercial.

13. A second production model analyzes the effect of switching from traditional ginger, cassava and taro cultivation to organic production of immature ginger in a four-year rotation (ginger/taro/cassava/fallow) to prevent pests and create the conditions for certified organic ginger production. The model assumes an expansion of the previously underutilized cultivated area in response to the immediate demand for organic ginger from processing and exporting companies for which the farmers could become outgrowers once the necessary internal control systems are in place. Taro and cassava cultivated area would also expand, with the output delivered to nearby collection centres.

14. A significant number of poor farm households would benefit from organic certification through a premium in output price (from FJD 0.96/kg to FJD 1.40/kg), a stable relationship with the buyer and continued technical support. Gross margins in the 'with project' situation would average USD 3,000 per year (including the fallow year) and returns to family labour would increase by USD 26 per labour day. In order to ensure the successful implementation of this activity, FAPP would utilise the recent

experience with other organic certified products of the IFAD-supported POETCom. About 50 farmers could become organic ginger producers by the end of the project.

**Table A10.2: Summary results from small producer models (FJD and USD)**

Small producer models		Off-season vegetable production			Organic ginger + taro and cassava		
Incremental and average values	Unit	WoP	WP - Average/year	Incremental	WoP	WP - Average/year *	Incremental
Gross margin (excl labour)	FJD	4,037	12,016	7,979	6,864	7,036	172
Gross margin (excl labour)	USD	2,159	6,426	4,267	3,671	3,763	92
Gross margin (incl hired labour)	FJD	3,802	11,547	7,745	6,426	6,796	370
Gross margin (incl hired labour)	USD	2,033	6,175	4,142	3,436	3,634	198
Gross margin (incl family labour)	FJD	2,946	10,700	7,754	4,284	5,621	1,336
Gross margin (incl family labour)	USD	1,575	5,722	4,147	2,291	3,006	715
Return to labour	FJD/day	44	104	59	40	79	39
Return to labour	USD/day	24	55	32	21	42	21
Return to family labour	FJD/day	53	155	102	45	93	48
Return to family labour	USD/day	29	83	54	24	50	26

\*average for a 4-year production cycle: ginger/taro/cassava/fallow

15. A commercial fruit and vegetable nursery model is presented as an example of planting material enterprises to be supported by FAPP through training and provision of equipment and materials. Ready and timely access to planting materials is a critical factor to profitable fruit, vegetable and root crop production. For this reason, FAPP would facilitate the establishment of about four commercial nurseries at strategic locations that will eventually be handed over to farmers' groups and function as private sector operations. The financial model looks into the sustainability of such operations, using the data from off-season vegetables, taro and cassava production as a proxy for the expected nursery sales. Results from the analysis show that such investments would not only be financially viable, but also an attractive investment, provided that demand projections are sustained. The estimated net present value is USD 2,553 and the financial rate of return is 61%.

**Table A10.3: Summary results from planting material enterprise model (FJD and USD)**

Planting material enterprises: Fruit and vegetables nursery	Unit	Nursery
		WP* = Incremental
Gross margin (excluding labour)	FJD	5,475
Gross margin (excluding labour)	USD	2,928
Gross margin (including hired labour)	FJD	3,450
Gross margin (including hired labour)	USD	1,845
Gross margin (including family labour)	FJD	2,654
Gross margin (including family labour)	USD	1,419
Return to labour	FJD/day	29
Return to labour	USD/day	16
Return to family labour	FJD/day	103
Return to family labour	USD/day	55
NPV	FJD	4,774
NPV	USD	2,553
IRR	%	61%

\* With project at full development

16. FAPP would seek to increase the demand for crops grown by small-scale farmers in the highlands through different means. One proposed intervention is to provide professional advice and investment capital to SMEs in return for a commitment to engage with producers in the target areas. Qualified enterprises would be invited to apply for a commercial loan to fund 50% of the required investments, with 25% of own funds matched by 25% as a grant. Examples of medium-scale investments supported by the matching grant scheme are presented in two models: a collection centre for vegetables, root crops and fruits, and an organic ginger processing plant.

17. The first example assumes a USD 39,305 investment to establish a collection centre close to the highland production areas that would be supplied by about 25 commercial and 50 semi-commercial farmers. At full development, this trader would be able to source 42 mt of tomatoes, 40 mt of capsicum, 2 mt of English cabbage and more than 200 mt of root crops from highland

producers, generating an annual net income of USD 17,795. The net present value of the investment would be USD 45,846.

18. The matching grant scheme in the organic ginger processing plant model is used to expand the factory's processing capacity beyond its current level. The model assumes that imported raw materials are substituted by locally produced organic ginger. Incremental benefits of more than USD 13,000 accrue not only from the expanded capacity but also from the fact that organic certified ginger can be sold with a substantial price premium, especially in the US and EU markets. The model yields a 39% financial internal rate of return, and a USD 15,589 net present value.

19. Financing plans were prepared to assess whether the mix of funding sources would be sufficient and adequate to provide incentives for enterprise creation and expansion. Results from the analysis show that, in order to generate a positive cash flow from the first year, the collection centre would need additional financing in the form of a working capital loan of about 12% of its operating costs. The ginger processing plant's cash flow in the 'without' project situation is positive, but insufficient to make the capital investment required for expansion. Such investments are made possible with the grant and loan financing.

**Table A10.4: Summary results from competitive grant scheme investment models (FJD & USD)**

Competitive grant scheme	Unit	Collection centre	Organic ginger processing plant
Total Investments	FJD	73,500	115,000
IFAD grant	FJD	18,500	29,000
Beneficiaries contribution	FJD	18,500	29,000
Loan	FJD	36,500	57,000
Total Investments	USD	39,305	61,497
WoP - Net income	FJD	0	61,650
WP - Net Income after financing *	FJD	17,795	87,205
Incremental Net Income	FJD	17,795	25,555
Incremental Net Income	USD	9,516	13,666
Benefit/Cost Ratio	FJD	1.03	1.56
NPV	FJD	85,733	29,151
NPV	USD	45,846	15,589
IRR	FJD	-	39%
Incremental returns per USD of investment	FJD/USD	0.24	0.22

\* With project at full development

### Economic analysis

20. An economic analysis was undertaken to calculate the overall benefits of the project using the illustrative models described above based on economic prices. The main assumptions adopted were as follow.

#### 21. Benefit stream:

- The analysis identifies quantifiable benefits directly related to the project activities, taking into account the incremental net benefits from the two production models, one planting material supply enterprise and two competitive matching grants investment models.
- Incremental benefits from production and planting material supply enterprise models have been aggregated using the assumptions on number and phasing of beneficiaries described in Section 1 of this Appendix and in the "Economic Analysis" page of the Excel computations on file.
- Incremental net benefits from the two competitive matching grants investment models have been calculated by applying the average incremental returns per USD of investment at economic prices (0.83) to the overall scheme funds (USD 1.8 million).
- No financing flows were included in the calculations as they are already reflected in the project costs in the form of cofinancing and beneficiary contributions.

- It is assumed that benefits would be realized gradually from project year 2017 and achieve full development in year 2022.
- In addition, it is assumed that 80% of the project investments achieve the expected returns to account for implementation risks.

22. *Costs stream:* economic costs are net of duties, taxes and price contingencies, but inclusive of physical contingencies. In order to avoid double-counting of costs, investment items included in the models that are to be provided by FAPP have been deducted from the overall economic costs, that is, subsidized field crates, planting materials for nurseries and demonstration sites, and competitive matching grants. Total economic cost of the project amount to USD 3.29 million.

23. *Shadow prices:* a Standard Conversion Factor (SCF) of 0.85 was applied to all items to adjust financial prices to economic by removal of Value Added Tax (VAT), with a few exceptions. Import parity prices have been calculated for urea and rock phosphate, and a 1.07 SCF (equal to the one derived for urea import parity price) have been used for other imported inorganic fertilizers. For labour, a 0.8 SCF was used to account for the high unemployment and underemployment rates present in the target districts. Derivation of financial and economic prices, as well as key parameters, are shown in the Excel computations on file.

### Results of the analysis

24. *Economic analysis.* The base case scenario for a 15 year period of analysis shows an Economic Internal Rate of Return (EIRR) of 23% and a Net Present Value (NPV) of USD 2.4 million, discounted at 12%. The estimated EIRR is satisfactory for a project of these characteristics and can be considered conservative, since only examples of project interventions have been accounted for in the benefit stream. Main results for the cost-benefit analysis are presented in Table A10.5.

**Table A10.5: Project Economic Analysis (USD)**

Project Economic Analysis		2016	2017	2018	2019	2020	2021	2022 to 2030
Total incremental net benefits	USD	0	193,418	1,003,371	1,365,156	1,809,875	1,809,875	1,809,875
Realization of benefits	%	0.00%	15.00%	30.00%	45.00%	60.00%	75.00%	100.00%
Success rate	0.8							
Incremental net benefits after success rate	USD	0	23,210	240,809	491,456	868,740	1,085,925	1,447,900
Economic costs	USD	1,442,948	973,048	930,230	451,921			
Total project incremental net benefits	USD	-1,442,948	-949,838	-689,421	39,535	868,740	1,085,925	1,447,900

NPV @ 12%	USD	2,440,512
IRR	%	23%

25. *Sensitivity analysis and switching values.* A sensitivity analysis was conducted to assess the effect of variations in benefits and costs (up to 30% cost increase or benefit decrease) and for various lags in the realisation of benefits (up to two years). All these scenarios yielded EIRRs ranging from 16% to 27%. The switching value for the total project benefits is about 187% while for the project costs it is approximately 382%. Results of the sensitivity analysis are shown in Table A10.6.

**Table A10.6: Sensitivity Analysis and Switching Values (USD)**

Sensitivity Analysis	Base case	Costs Increase			Increase of Benefits		Decrease of Benefits			Delay of Benefits	
		+10%	+20%	+30%	+10%	+20%	-10%	-20%	-30%	1 year	2 years
IRR	23.0%	21%	19%	18%	25%	27%	21%	19%	16%	19%	16%
NPV (USD)	11,943,093	11,563,278	11,183,464	10,803,649	13,517,217	15,091,341	10,368,969	8,794,845	7,220,721	10,495,193	9,047,293
Discount rate	12%										

Switching values			
NPV incremental benefits	6,395,032	-5,548,061	187%
NPV incremental investment cost	3,123,506	15,066,599	382%

## **Appendix 11: Draft Project Implementation Manual**

A draft of the Project Implementation Manual (PIM) has been prepared during the Final Project Design Mission and should be revised during the Inception Phase by the FAPP staff, the IFAD-recruited Project Management Specialist and, if recruited by that time, the Senior Agribusiness Development Adviser. During project implementation, subsequent further revision of non-fiduciary sections is desirable. The Project Implementation Manual is available [here in the IFAD xDesk](#) section for the Fiji Islands or by request from the CPM ([ch.palmeri@ifad.org](mailto:ch.palmeri@ifad.org))



## Appendix 12: Compliance with IFAD policies

1. The design of the FAPP is aligned to all relevant IFAD strategies and policies, including:
  - *Strategic Framework 2011-15*;
  - *Targeting Policy – Reaching the Poor* (2010);
  - *Gender Strategy*;
  - *Climate Change Strategy* (2010);
  - *Environment and Natural Resource Management Policy* (2011);
  - *Policy on Supervision and Implementation Support*; and
  - *Environmental & Social Assessment Procedures*.
2. Of these, the recent *Environment and Natural Resource Management Policy: Resilient livelihoods through the sustainable use of natural assets* has particular significance for the subject project. The policy distils lessons learned in previous IFAD initiatives that have sought to reduce rural poverty through interventions related to the environment. The ten core principles encapsulate both the core issues to be addressed and suggested approaches.

### IFAD ENRM policy: summary of core principles

*IFAD would promote:*

1. Scaled-up investment in multiple-benefit approaches for sustainable agricultural intensification.
2. Recognition and greater awareness of the economic, social and cultural value of natural assets.
3. 'Climate-smart' approaches to rural development.
4. Greater attention to risk and resilience in order to manage environment- and natural-resource-related shocks.
5. Engagement in value chains to drive green growth.
6. Improved governance of natural assets for poor rural people by strengthening land tenure and community-led empowerment.
7. Livelihood diversification to reduce vulnerability and build resilience for sustainable natural resource management.
8. Equality and empowerment for women and indigenous peoples in managing natural resources.
9. Increased access by poor rural communities to environment and climate finance.
10. Environmental commitment through changing its own behaviour.

### IFAD's Strategic Framework

3. **Targeting.** In order to ensure project benefits reach IFAD's target group, target groups have been defined, a targeting strategy developed and means of operationalizing that strategy integrated into project design and implementation modalities. The latter includes: geographic targeting to poor districts; self-targeting as related to economic opportunities and empowerment; and capacity building, (see Working Paper 1 Poverty, Gender and Targeting).

**Table 12.1: Targeting checklist**

Issues	Comments
1. Does the main <b>target group</b> – those expected to benefit most – correspond to IFAD’s target group as defined by the Targeting Policy (the extremely poor and food insecure)?	<i>Yes. See Working Paper 1 on Poverty, Gender and Targeting and Appendix 2.</i>
2. Have <b>target subgroups</b> been identified and described according to their existing socio-economic characteristics, assets and livelihoods – with due attention to gender issues?	<i>Socio-economic characteristics, assets and livelihood characteristics of the project’s primary target group are described in Working Paper 1, including their key gender-related constraints.</i>
3. Is evidence provided of <b>interest in and likely uptake of the proposed activities</b> by the identified target subgroups?	<i>Yes, the value chains present profitable business opportunities, which can contribute to pro-poor growth and women’s economic empowerment as they are heavily dominated by poor smallholders, in particular women. The success of the pilot PHVA provides clear evidence of interest in and likely uptake of such support.</i>
4. Does the design document describe a feasible and operational targeting strategy in line with the Targeting Policy?	<i>Yes, see below.</i>
4.1 Geographic targeting.	<i>The project would operate in rural poor areas in the highlands of Viti Levu, and scaling up the pilot area of the IFAD-supported PHVA.</i>
4.2 Enabling measures.	<i>The enabling measures have been described in Working Paper 1 and include training of service providers on youth and gender-sensitive enterprise development and support to policy dialogue on inclusiveness.</i>
4.3 Empowerment and capacity building.	<i>The project would strengthen producer and women groups to enable them to negotiate win-win deals with value chain operators, sensitise grassroots leaders on gender and youth issues that hinder development, provide functional literacy training for women, sensitise youth on employment opportunities in the markets, apply minimum quotas for women and youth on decision-making bodies, and facilitate access to labour saving devices for women.</i>
4.4 Direct targeting.	<i>FAPP targets the entire population of the project area and applies eligibility criteria for selecting participants in group and individual activities. The criteria applied for awarding access to the matching grant scheme would avoid elite capture.</i>
4.5 Attention to procedural issues.	<i>Attention has been paid to procedural issues. There are no cash contributions from participants in the target area. The amount of beneficiary contribution for accessing business development mentoring is limited to 10% of the total cost, which is within the financial capacity of the target SMEs. The ceiling on matching grants of USD 15,000 would avoid the risk of elite capture.</i>
5. Monitoring of targeting performance.	<i>A participatory monitoring and evaluation system would be developed to monitor targeting performance and to reflect gender and youth perspectives of impact. Particular attention would be paid in monitoring number of participants in project activities, project’s impacts on women’s workload, impact on women’s and youth’s access to land, women and youth participation in decision-making committees, and lessons learned from SMEs expanding business ventures under the project. Data collected would be disaggregated by sex and age.</i>

**Table 12.2: Gender checklist**

Item	Yes	No	Part	Issues and recommendations
<b>1. The project document contains poverty and gender analysis data.</b>				
<b>2. Based on the above, the project articulates a gender strategy that aims to:</b>				
<ul style="list-style-type: none"> <li>expand women's access to and control over fundamental assets – capital, land, livestock knowledge and technologies;</li> </ul>				<i>The project is specifically targeting women's groups to enhance their access to land and knowledge.</i>
<ul style="list-style-type: none"> <li>strengthen their agency – thus their decision-making role in community affairs and representation in local institutions; and</li> </ul>				<i>The project promotes women's and youth's involvement in community affairs by applying minimum quotas on local decision-making bodies.</i>
<ul style="list-style-type: none"> <li>improve wellbeing and ease workloads by facilitating access to basic rural services and infrastructures.</li> </ul>				<i>The main FAPP instruments to ease women's workloads are income-generating opportunities that would enable the purchase of, for examples, domestic refrigerators.</i>
<b>3. The project identifies operational measures to ensure gender-equitable participation in, and benefit from, planned activities, and in particular:</b>				
<ul style="list-style-type: none"> <li>sets specific targets in terms of proportion of women participants in different project activities and components;</li> </ul>				<i>All project activities specifically target women within farm households.</i>
<ul style="list-style-type: none"> <li>ensures women's participation in project-related decision-making bodies;</li> </ul>				<i>The Project Steering Committee would include women.</i>
<ul style="list-style-type: none"> <li>clearly reflects actions identified in the gender strategy in the cost tables;</li> </ul>				<i>The actions in the gender strategy are reflected in the cost tables.</i>
<ul style="list-style-type: none"> <li>ensures that the Terms of Reference of the Project Organizing Unit include responsibilities for gender mainstreaming, especially at level of project director, M&amp;E officer, extension officer;</li> </ul>				<i>Gender awareness is included in the ToRs for all FAPP staff and the Knowledge Management/M&amp;E Officer would also be responsible for reflecting gender and youth perspectives of impact in the project's monitoring system.</i>
<ul style="list-style-type: none"> <li>explicitly addresses the issue of present and likely availability of field staff to ensure outreach to women, and design activities accordingly; and</li> </ul>				<i>The project features embedded Community Facilitators who would work directly with women's groups. The project would also enhance the technical capacity of GoF extension cadres.</i>
<ul style="list-style-type: none"> <li>establishes experience working with women and marginalized groups and willingness to work with these groups is a criterion for NGO selection.</li> </ul>				<i>No criterion is included but all selected service providers would work directly with women groups and would be trained in gender-sensitive enterprise development and social inclusion.</i>
<b>4. The project logical framework and suggested monitoring system specify sex-disaggregated performance and impact indicators.</b>				<i>Yes, the logical framework and monitoring system include sex-disaggregated indicators and all data to be collected under the project's monitoring system would be disaggregated by sex and age.</i>
<b>5. The project provides opportunities for policy dialogue on issues related to gender equality and empowerment of women.</b>				<i>Rural and agricultural policy dialogue is an overt feature of the project design.</i>

## Appendix 12.1: Environmental and Social Review Note

### Introduction

1. The Environmental and Social Review Note (ESRN) for the 'Fiji Agricultural Partnerships Project' (FAPP) was prepared in accordance with IFAD's new Environmental and Social Assessment (ESA) Procedures (2009) on the basis of information gathered by various mission members in the course of a Detailed Project Design Mission to Fiji from 8 March to 10 April 2014. The project is not expected to have any significant negative environmental impact and is considered under environmental classification of Category B.

### Major site characteristics

2. The FAPP would extend over much of the land higher than 450 metres above mean sea level on Viti Levu, including communities in the Provinces of Ba, Nadroga/Navosa and Naitasiri, where transport infrastructure and population density justify efforts to exploit climatic conditions that would favour the development of agricultural businesses for selected crop varieties.

3. While many of the highland areas of Viti Levu share similar climatic conditions in terms of temperature and rainfall, there are distinct differences in terrain and soil types which affect the cropping systems. In very general terms, there are two distinct land types that can be observed in the highland horticulture production areas of Viti Levu and these are: flat lands on plateaus and river valleys and sloping lands.

4. The cropping systems that exist in these highland areas are very much affected by the land type along with other factors such as access to markets (scale of production), mechanisation, capital and labour.

5. Most of the vegetable production in the highland areas is done by smallholders planting less than ¼ acre of vegetables as part of cropping rotations which include staple root crops (cassava, sweet potato and yams), cash root crops (*dalo* and *yaqona*), fruit (banana, plantains, pineapple, citrus) and staple leafy greens (*bele* and *rourou*). Generally, the rotation of vegetables on the farm is done during the 'off-season' to take advantage of the high prices on offer in the local markets. Short term vegetable production is also carried out by intercropping with other cash crops.

6. In the more developed vegetable production areas including Navai and Nadrala, cropping systems resemble those which can be found in lowland areas such as the Sigatoka Valley. Many of these farms have much larger areas of vegetables planted (greater than one acre), where vegetables are planted primarily in the off-season and in rotation with other cash crops, most notably *dalo* and more recently Irish potato as part of government promoted programme.

7. Especially in the project area located in the Naitasiri Province, the agro-ecological conditions support the production of *dalo*, ginger and banana. However, the sloping terrain together with heavy rainfall at times require the promotion of agro-forestry production systems. Such technologies are measures of climate change adaptation and mitigate the negative impact caused by extreme weather. For smallholder farmers to benefit from good climatic conditions and improved market access, the adoption of appropriate, environmentally-sound and climate change-resilient technologies need to be promoted, together with sound farm management and marketing advice.

### Potential social and environmental impacts and risks

8. The majority of the activities under FAPP promote sustainable natural resource management through improved agricultural production practices and therefore are projected to have no negative environmental impact with very limited risks.

9. The agro-ecological conditions that exist in the highland areas of Viti Levu very much favour organic production through fertile soils and reduced pest and disease pressure. Having a suitable agro-ecological environment is a fundamental necessary condition for profitable certified organic production. In the Pacific, the major certified organic agricultural products are virgin coconut oil, *noni*, coffee, spices, wild harvest fruit for puree production and previously cocoa. These products are usually grown in agro-forestry systems and are very well adapted to the Pacific growing conditions and therefore require very few inputs on the production side. The promotion of certified organic

production in the highland areas through FAPP is projected to contribute to sustainable increases of farmers' income and to have a positive environmental impact.

10. Fiji became a major exporter of *dalo* following the decimation of the Samoan *dalo* industry by taro leaf blight (TLB) in 1993. A direct correlation has been established with the minimum night time temperature and the incidence of TLB (Bourke, 2010). While TLB is currently not present in Fiji, in the face of climate change the country would become increasingly more vulnerable to this devastating disease (Taylor *et al* 2014). However, highland areas such as Nadarivatu with lower minimum night temperature would be far less vulnerable than the current main production areas such as Taveuni. These highland farmers face far less land pressure than Taveuni's commercial *dalo* farmers thus they are far better placed to adopt sustainable production practices featuring extended fallow periods and crop rotations. It can be concluded that these highland farmers currently have an agronomic competitive advantage in *dalo* production, which can be expected to increase over time in the face of climate change. In order to ensure productivity remains high, soil structure does not get damaged and fertility is not depleted, however, sustainable technologies now being practiced in Taveuni need to be promoted also in the highlands of Viti Levu.

11. With few exceptions, all of the vegetables grown in the highland areas of Viti Levu are produced using hybrid seeds. These seeds are produced in South East Asia and selected under prevailing conditions. FAPP would be promoting the use of open-pollinated vegetable seeds to the targeted highland farmers. With the introduction of these open-pollinated vegetable seeds would come the technology for seed saving and storage. Many of the varieties that would be introduced are selected for their disease tolerance. These lines would help farmers battle current disease pressure and prepare for an increase in disease pressure projected as a result of climate change.

12. Much of the sloping land used for crop cultivation in the highland areas is susceptible to soil erosion. As cropping systems evolve from traditional shifting cultivation of trees and root crops to semi-commercial vegetable production, there is a significant threat of soil erosion. Observations from field visits in the highland areas revealed that there is little practice of basic soil conservation techniques such as contour farming, terracing, erosion control using *vetiver* grass and agro-forestry. Experiences from other parts of Fiji including Naitasiri and Taveuni provide an indication of the scope of this threat on the long term viability of production on these sloping areas. Experience shows that unless appropriate soil conservation and soil enhancement measures are taken, seemingly fertile soil rapidly loses its fertility. The FAPP has the introduction and promotion of these soil conservation technologies as a core component of the technology transfer to highland areas.

13. An example from the Waibau area in Fiji shows the importance of promoting sustainable and agro-forestry based production systems in the fragile highland slopes of Viti Levu. The Fiji fresh ginger export industry is an example of an initially successful development of a non-traditional export industry (McGregor 1988), but it did not last for long. All actors along the value chain received a good return from their participation. The returns to farmers exceeded the returns from growing most other crops at the time. A major weakness in the value chain that threatened its long term sustainability was the unsustainable production systems practised by farmers. To ensure adequate drainage and to minimise labour inputs, farmers grew ginger on steep land, planting up the slope rather than along the contour with rows of soil conserving *vetiver* grass. This cropping system initially provided the farmer a very high return to labour. However, within two to three plantings, yields fell dramatically due to soil erosion and many of these farmers were out of business after a few years.

14. Managing soil fertility is critical for profitable commercial crop production and discussions with farmers in the highland areas indicate that there is a lack of understanding on crop nutrition and the tools available to farmers. Soil fertility must be properly managed from the onset in order to ensure long term profitability. Technologies need to promote mulching, inter-cropping and appropriate crop rotation.

15. Despite the favourable vegetable growing conditions in the highland areas, there still exists pest and disease pressure which if not properly managed, would lead to reduced yields and undermine profitability. Observations and farmer interviews in the highland areas have revealed that there are significant information gaps in the area of pest and disease management. In the case of one commercial cabbage farmer interviewed, he was applying an expensive contact pesticide to control moth larvae. The farmer had been wasting his money on the chemical while the insects continued to destroy his valuable off-season crop. Battling pests and diseases is not a simple task and there is no single remedy. Appropriate training on integrated crop management is required to

help farmers identify the pests they are facing and apply a range of tools to try and combat these pests.

### **Environmental category**

16. FAPP is an agricultural development project that is expected to promote medium- and long-term environmental benefits. Few, if any, negative environmental impacts are expected to result from the supported interventions.

17. The project would help to reduce pressure on natural resources and assist men and women to engage in more productive farming that would help to support livelihoods, use the natural resources more efficiently, employ more efficient use of energy and thus enhance the resilience of rural HHs to shocks and reduce their vulnerability to extreme weather events. Many of the investments planned would result in positive benefits. However, and because these “soft” investments are taking place in an already fragile ecosystem, the FAPP is classified as Category B.

### **Further Information required**

18. No further information is required to complete the environmental screening and scoping exercise for the project.

### **Recommended features of project design and implementation**

19. The project does not have any major infrastructure investment activities, and the work to be undertaken is limited to improving and expanding agricultural cropping systems. These activities are expected to contribute positively to the environmental, social and health well-being of the target communities.

20. Fiji has ratified all of the most relevant environmental conventions – Convention on Biodiversity (CBD), UN Framework Convention on Climate Change (UNFCCC), Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) – and related national policies and strategies have been introduced. Hence, necessary environmental legislation exists and would form the overarching regulatory requirements for implementation of project activities.

21. For follow-up of future initiative to the proposed FAPP, IFAD may consider investing in a two-pronged agro-forestry-tourism type of initiative. A first component could promote reforestation activities and agro-forestry systems in the highlands, with a second component supporting tourist infrastructure and marketing campaigns to promote mountain hikes, mountain-bike and cultural tours in the highlands. Such activities would benefit watershed preservation and protect and stabilize sloping land. A project approach based on “payment for ecosystems services” may be used as the modality and justification for such an initiative. Anticipated positive effects include a positive return to investment in the long run because of the availability of fuel wood, raw materials for handicrafts, buildings and constructions, food from agro-forestry systems, money spent by tourists in the highlands, job creation and income from taking tourists on tours and hosting them overnight, saving of long term environmental costs (because of reduced damage, erosion and burning). Such an initiative may also contribute to the preservation of traditional culture and customs.

### **Monitoring aspects**

22. Monitoring of the work would be embedded within the project’s M&E system. The use of the Geographic Information System would ensure the clear definition of the baseline and allow for precise monitoring of the project outcome. The collection of data to be layered within this system would also allow for monitoring the relationship between project implementation and poverty reduction in the project area.

23. FAPP would be responsible for ensuring adherence to the requirements of the environmental legislation of Fiji and IFAD Guidelines on Environmental Assessment in order to avoid any negative impacts, and, if and when necessary, to introduce appropriate mitigation measures.

24. In the course of its supervision missions, IFAD would review regularly the relevant Environmental Assessment documents and implementation of the recommended measures for randomly selected activities.

## Appendix 13: Contents of the Project Life File

### *Project design documents*

Project Design Report with Appendices

Working Papers

Excel Financial Analysis Workbook

Excel Economic Analysis Workbook

Excel File Project Cost Workbook

AM of detailed design mission 4 April 2014

AM of final design mission 25 November 2014

OSC Minutes 9 January 2014

Concept Note 4 December 2013

Concept Note Issues Papers 9 January 2014

QA Concept Note Review 6 January 2014

CPMT Minutes 12 December 2013

CPMT Minutes 19 May 2014

### *Important references*

Agricultural Value Chain Guide for the Pacific Islands (SPC/CTA; 2014)

A Guide to Marketing Costs and How to Calculate them. (FAO Marketing Extension Guide No 1, 2007) <ftp://ftp.fao.org/docrep/fao/010/u8770e/u8770e00.pdf>

Understanding and using market information (FAO Marketing Extension Guide No 2, 2011) <http://www.fao.org/3/a-x8826e.pdf>

Horticultural Marketing (FAO Marketing Extension Guide No 5, 2005) <ftp://ftp.fao.org/docrep/fao/008/a0185e/a0185e00.pdf>

Traders of fresh produce in Fiji's Western Division – Baseline mapping, surveying and analysis, (Fiji - Improvement of Key Services to Agriculture Project (IKSA), August 2013)

Developing Sustainable, Green and Inclusive Agricultural Value Chains in the Caribbean and the Pacific Islands, (CTA, 2014) <http://publications.cta.int/en/publications/publication/1790/>

Matching Grants: Technical Note. (IFAD, September, 2012)

Helping small farmers think about better growing and marketing. (FAO Pacific Farm Management and Marketing Series No 3) [http://www.ruralfinance.org/fileadmin/templates/rflc/documents/1132328579282\\_Helping\\_small\\_farmers\\_think\\_about\\_better980322567.pdf](http://www.ruralfinance.org/fileadmin/templates/rflc/documents/1132328579282_Helping_small_farmers_think_about_better980322567.pdf)

Approaches to linking producers to markets (AGS Occasional Paper No 13, FAO, Rome, 2007) <ftp://ftp.fao.org/docrep/fao/010/a1123e/a1123e00.pdf>