



Technical Assistance Consultant's Report

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Fiji Islands: Strengthening Commercial Agriculture Development (Financed by the Japan Special Fund)

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For Ministry of Finance, and National Planning
Ministry of Agriculture

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Asian Development Bank

STRENGTHENING COMMERCIAL AGRICULTURE DEVELOPMENT

Final Report for 2006

**TA No. 4572-FIJ
Asian Development Bank
Technical Assistance to the Republic of the Fiji Islands**

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Abbreviations

ADB	Asian Development Bank
ALP	Alternative Livelihoods Project
BFA	Biological Farmers Australia Cooperative
BQA	Bilateral Quarantine Agreement
CIDA	Coconut Industry Development Authority
EU	European Union
FAO	Food and Agriculture Organization
FAS	Farm Assistance Scheme
FCA	Fiji College of Agriculture
FDB	Fiji Development Bank
FOA	Fiji Organic Association
FSC	Fiji Sugar Corporation
HACCP	Hazard Analysis Critical Control Point
MOA	Ministry of Agriculture
MFNP	Ministry of Finance and National Planning
NCSMED	National Centre for Small and Micro Enterprise Development
NGO	Non Government Organizations
NZ	New Zealand
OHS	Occupational Health and Safety
PCU	Project Coordination Unit
PPTA	Project Preparation Technical Assistance
ROI	Rural and Outer Islands Project
SCGC	Sugar Cane Growers' Council
TA	Technical Assistance
TOR	Terms of Reference
TPAF	Training and Productivity Authority Fiji
UNDP	United Nations Development Program
USP	University of the South Pacific
WTO	World Trade Organization

1 Summary

The 24-month Technical Assistance (TA) began in January 2006 and ADB has scheduled its completion by December 2007. Funded by the Japan Fund for Poverty Reduction, the TA is designed to facilitate development of the commercial agricultural sector, including processing and manufacture, supply chain and market development, and support services for commercial agriculture. The TA supports the achievement of ADB loan-funded outcomes of the Alternative Livelihood Project (ALP).

The aim of the TA is to strengthen commercial agriculture development through: (i) support to agribusiness, industry organizations, farmer groups; (ii) advisory assistance for Farm Business Advisory Services; (iii) assistance to reform Ministry of Agriculture (MOA) to achieve its strategic service goals; (iv) facilitating marketing development; (v) facilitating institutional linkages and commercial networks in the region and in target markets.

Substantial progress on the five target outputs envisaged in the TA project framework to be achieved by end 2009 has been made during 2006. At least five private sector-led industry organizations have initiated and have obtained finance for strategic or business development plans, for research, development and marketing activities. Farm business advisory services are established throughout the ALP area, working closely with MOA extension, Fiji Development Bank, industry stakeholders and farmers. Reform of the Ministry of Agriculture is scheduled for early 2007, including corporatization, public-private partnership or disinvestment of viable public services. Progress has been made on standards, labelling, auditing and legislation to satisfy world trade in food and agricultural goods, for example Codex Alimentarius, Food Safety, Certified Organic, Halal, and commodity quality standards. MOA and three private industry organisations have established websites and other media with market information accessible to farmers and agribusinesses. Industry workshops, training seminars and site visits have been conducted on agribusiness opportunities, commercial arrangements, potential partner institutions, marketing processes and standards.

There is still substantially more to be done to consolidate and increase the targeted outputs of the TA. Outputs have been achieved with finance from not only the ALP, but also continuing engagement with the private sector, agribusiness and Fiji Development Bank. The TA work plan identifies activities and outputs for further strengthening industry organisations, rural business services, ability to meet trade standards and business linkages. The Ministry of Finance and Ministry of Agriculture have requested ADB to extend the assignment of the TA agribusiness consultant in 2007.

However, the military coup in December is having severe effects on investor and consumer confidence, and implementation of industry-level and enterprise-level agribusiness development may be delayed until there is relative stability. While return to democracy may take six months or more, it is possible satisfactory conditions to begin commercial recovery should prevail late in the first quarter 2007. Since the TA can work directly with the private sector and non-state actors, early activities the TA can support are for example strategic planning for Fiji Beekeepers Association, accredited auditor training for the Fiji Organic Association, and commercialization of the pulse industry with private agribusiness and farmers.

2 Introduction

2.1 Background to this Report

This report reviews outputs progress and issues at the end of the first year of implementation of the Asian Development Bank's Technical Assistance (TA) "Strengthening Commercial Agriculture Development in Fiji". It provides recommendations for the TA focus and the TA work plan for the proposed remaining year of 2007. Extension of the TA to December 2007 was approved by ADB HQ in September 2006, with extension of the TA consultant agreed in principle but to be confirmed following agreement on revised terms of reference in consultation with the Head of Project Administration, ADB South Pacific Sub-

Regional Office (SPSO), and with written support from heads of Ministry of Finance (MOF) and Ministry of Agriculture (MOA). Terms of reference and supporting letters were provided to SPSO by early December 2006.

Implementation of the 24-month TA began 20 January 2006 with assignment of the Agribusiness Consultant, following the start of the Alternative Livelihoods Project (ALP) in the sugar cane areas in September 2005. The report is prepared following a re-scoping of the Loan Project by the Ministry of Finance (November 2006) to expand the core of the livelihood activities into all other rural and outer island areas following the ADB fact-finding mission on the Rural and Outer Island Project (MOU 16 June 2006). For the re-scope project, "Fiji Islands Rural Enterprise project" (FIRE), to be approved, ADB and Government must consider the re-scoping and revise the Loan Agreement. The TA on the other hand is not tied directly to the ALP or other project area, but aims for outputs nationally at both industry level and enterprise level.

The military coup in December 2006 has major implications and until the political situation is resolved changes in the scope of the loan project may not be appropriate. However the TA project works closely with the private and non-state sector and can therefore be used to continue strengthening commercial agriculture development. Besides assisting government in the transition to wider loan project scope, there are a number of enterprise development and facilitation activities which require the second year of TA support to result in sustainable commercial and livelihood outcomes.

Administration of the TA and loan project(s) were transferred to the SPSO in November. Unfortunately the transfer from HQ was apparently incomplete by early December, since the Regional Director SPSO advised there were no TA 4572 progress or milestone reports on file at SPSO, despite the consultant copying reports and holding regular briefing with the SPSO Head of Project Administration since September. The Head of Project Administration had agreed with the consultant on terms of reference and received supporting letters from MOF and MOA for the TA but apparently was unable to make a recommendation or briefing to the Director prior to his annual leave. As a result no action has been made on extension of the consultant's assignment into 2007.

The December coup precipitated partial closure of the Ministry of Finance including the consultant's office there, the military commandeered vehicles, caused security and travel constraints, and private sector stopped investing in new development. The consultant's embassy issued high security travel warnings and recommended leaving Suva. The consultant's work in Suva was constrained and he departed station one week early, completing reporting requirements out of Suva. Due to the crisis and work commitments, SPSO staff were unable to take a formal de-briefing from the consultant until too late on the day of his departure, however telephone and electronic briefing was made.

2.2 Scope of the Technical Assistance

The TA aims to strengthen commercial agriculture development through: (i) support to agribusiness, industry organizations, farmer groups; (ii) advisory assistance for Farm Business Advisory Services; (iii) assistance to reform MOA to achieve its strategic service goals; (iv) facilitating marketing development; (v) facilitating institutional linkages and commercial networks in the region and in target markets.

The TA framework is given in Appendix 1.

In conjunction with the Loan Project, the TA will:

- Provide advisory assistance to the private sector through studies, workshops, training, identifying appropriate technologies and quality systems, and developing linkages with markets.
- Facilitate agribusiness study tours and trade missions;

- Facilitate interaction amongst industry organizations and Government to ensure private sector priorities are supported.
- Assist Government in reviewing trade and market-related legislation;
- Identify and review appropriate policies and instruments to foster investment, research and development to stimulate commercial agriculture.
- Advise MOA in corporatization of Fiji College of Agriculture (FCA), develop accreditation for Farm Business Advisors, and to develop fee-for-service packages which could be transferred to private sector providers.

The TA also strengthens and expands commercial information services to farmers and agribusiness. This has involved support to MOA, agribusiness and industry organizations to develop methods to deliver information and services such as: products and markets; farm management; technology; industry events; research and extension; sources of expertise and other sources of information. The TA has assisted in developing websites, mobile information, and may assist on-line access centres, newsletters, radio, and other visual media.

3 Outputs from the TA in 2006

The TA has made fair progress against target outputs specified in the TA framework (Annex 1). However, this represents a basic level of achievement, and the scope of benefits under all outputs can be increased through further advisory assistance, training, mentoring, and enterprise facilitation under the TA.

The impact of the coup should not undermine the outputs made, but will slow investment into opportunities arising from the TA outputs for at least one quarter year. A table indicating the type, scale and likely impact of commercial agriculture investment and development in the pipeline facilitated by the TA is given in Annex 4.

The government and ADB should continue to make use of the TA in its remaining year, 2007, as soon as conditions are adequately secure for travel. Commercial agriculture is continuing to operate despite the coup, and benefits to offset employment shocks in tourism and mine closure will be important.

4 Commercial Agriculture Development Facilitation using ALP, FDB and private sector finance

In collaboration with government, industry groups, enterprises and the Fiji Development Bank (FDB), the TA has developed and tested equity-based assistance to lever additional finance for commercial agriculture enterprise development. There are two kinds of equity based assistance which the TA can continue to facilitate to the private sector: (i) leverage for FDB loans; and (ii) facilitation finance to take up strategic business opportunities or overcome constraints. These have been described in detail in the re-scoped ALP - FIRE project report November 2006. This approach should be continued with support from the TA as it will have a direct impact at private sector level, in terms of employment, market access, improved business returns and rural livelihoods.

4.1 Leverage support for FDB Loans

Equity support will lever investments to increase business scale or scope and aim to raise debt funds which will increase the impact of ADB loan funds. Equity finance will provide up to 20% of investment cost to match the private investment in a 60:40 debt equity plan. Many existing businesses have identified opportunities to improve the productivity of their operations and/or the quality of their products marketed. Typical examples are plant and machinery, livestock herd increase, transport, handling and processing equipment. In most cases the capital items are required for expansion or scaling-up of existing businesses to meet existing market demand, or to take existing products into new markets. In some cases capital

items may be part of planned diversification into new areas of business or to develop new products. Support may also be given to new enterprises.

These items are generally of capital nature and their impact on enterprise profitability should be clearly demonstrable in a business investment feasibility study or business plan. Improved profitability implies improved loan-servicing capacity.

Especially in a period of restructure or growth, businesses have limited capital available to meet the 35% equity requirements for a FDB loan, without exposing the business to liquidity risk. The option available then is to minimize the loan, but this is often inadequate for the required capital items. The Fund will provide financial assistance for up to 50% of the equity required or 20% of the total investment cost, whichever is the lesser. Qualification for support of the project will include requirements to demonstrate the viability of both the incremental investment and the business entity itself, if need be the Project and/or lender may require restructuring of the borrowing entity as a pre-condition of the equity and loan finance.

Assessment of applications would review projected financial statements to assess cash flows, debt service and balance sheet ratios to ensure criteria on enterprise sustainability are met.

In addition to FDB lending criteria (such as loan servicing capacity, risk assessment, adequate security), "Approved Borrowers" will:

- Be an existing viable business demonstrated by two years audited accounts, sales records, or other evidence;
- Meet the standard Project assistance criteria including it must:
 - address government and industry strategic priorities for rural and outer island areas, especially agri-business and tourism;
 - provide quantified economic and employment impacts in rural area;
 - provide environmental benefits or have neutral impact;
 - demonstrate viability through a sound business plan.

A typical small enterprise with turn-over of \$100,000 would be able to increase sales volumes by 25-50%, including for export and import replacement, would increase employment and supplier purchases by 25-50%.

The assistance mobilizes substantial FDB capital with reduced risk of debt write-off due to financial stress. It would also promote and develop commercial agriculture and also the profile of FDB as a key partner in commercial rural growth.

4.2 Enterprise development facilitation

The facilitation will complement investments in production by supporting preparation of investments or raising the standard of goods and services so that greater value added can be achieved. The facilitation finance is generally to address smaller and specific issues rather than full scale investment in production. This will be less highly geared and the loan project's \$1.5m equity will be complemented by \$1m private equity for a total fund of \$2.5m. Application will be enhanced by the TA consultant, farm business advisory services and rural enterprise services, using a holistic, industry development approach encompassing all aspects necessary for sustainable enterprise and rural industry development, involving production, supply chain management, market access and access to finance and management support services.

Export marketing requires assured supply of high quality goods. Around \$350m of agricultural products are imported into the country by the tourism sector, supermarkets, food processors and meat industry. For local farm businesses to achieve success in supplying these markets, they must be able to meet quality requirements and maintain consistent supply. Quality and consistency has been demonstrated by a few

Table 2: Examples Standards and Eligible Compliance Cost Items

Typical MSME	Standards relevant											Compliance cost items		
	Service code	safety	Eco-tourism	Food safety	OH&S	Organic	Fair Trade	Quarantine BQA	Facilities	Management System	Training	Certification		
Virgin coconut Oil, Cosmetics				✓	✓	✓			✓	✓	✓	✓		
Honey, bee products				✓	✓	✓		✓	✓	✓	✓	✓		
Preserved foods				✓	✓		✓		✓	✓	✓	✓		
Spice products				✓	✓	✓	✓	✓	✓	✓	✓	✓		
Fruit extracts				✓	✓	✓			✓	✓	✓	✓		
Tourism	✓	✓	✓	✓	✓				✓	✓	✓	✓		
Service	✓	✓							✓	✓	✓	✓		

Estimated demand is \$5,000 – \$30,000 each for 30-50 enterprises and industry organizations per year, including exporters, food processors, suppliers, handling and distribution chain (incl. coconut oil, honey, noni, fruit and vegetables, preserved foods, bakeries, dairy, meat), and businesses wishing to access standards-based market opportunities (e.g. certified organic, HACCP, BQA, Fair Trade, certified seed, quality-assured feeds).

Enterprises frequently can improve performance and reduce risks by getting specialist advice, mentoring, and staff training. At industry level, assistance for strategic planning and research on problems and opportunities in production, product development and marketing can address industry development priorities.

Assistance will be provided to industry organizations and enterprises to access technical and management advice and training from service providers on a competitive basis, including MOA, industry organization extension, consultants, TPAF, FIT, FCA and other service organizations. Competition amongst providers to meet the service demands of private enterprises means service providers will tend to improve services and service packaging. For example, MOA may negotiate and provide a client a service contract involving an farm enterprise work plan, agreed number and schedule of advisory visits, specialist visits and recommendations on pest and disease control, irrigation etc.

Industry groups and groups of enterprises will also be assisted to facilitate future enterprise development.

For example:

- Access to cost-effective Organic and HACCP accredited auditing and advisory services to meet market standards;
- Commercialization of pulse (dahl, etc.) involving Punja & Sons Ltd, group of farm enterprises, and MoA research and seed certification;
- Development and implementation of quality standards e.g. honey, virgin coconut oil, BQA.

5 Policy Developments related to Commercial Agriculture

Since the Mid-term Report, the TA has assisted government and private sector in policy and planning relevant to the sector. Outputs include:

- Strategic Development Plan (SDP) 2007-11 (Ministry of Finance and National Planning);

- National Export Strategy (Ministry of Commerce and private sector representatives);
- From the above, the National Budget allocations for Ministry of Agriculture, ALP and Outer Island development;
- Clarification of the role and implementation of ALP in the National Adaptation Strategy (NAS) to sugar reform, and based on funding procedures, distinction of EU funds for public sector activities and ADB finance for facilitating private sector development (MFNP, MOA).
- Strategic plan for Fiji Development Bank, plans for rural outreach services and commercial agriculture equity scheme to lever F\$40m FDB development loans;
- Report and recommendations for re-scoping the ALP into Fiji Islands Rural Enterprise (FIRE) project (MFNP, ADB);
- Terms of Reference for the Scoping Study of Re-Organization of Ministry of Agriculture (MOA, Ministry of Public Enterprise, MFNP);
- Ministry of Agriculture corporate plan for 2007;
- Cabinet paper on “Promoting Investment in Commercial Agriculture”;
- Minister’s presentation on Agriculture to the Australia-Fiji Business Council conference;
- Plans for re-organization of the Meat Industry Board;
- Legislative and commercial options for implementation and management of Virgin Coconut Oil Standards (Coconut Industry Authority);

The implications of the December military coup may result in review of some policy and prioritization of outputs, and the expected drop in revenues will result in both government and private sector taking a conservative approach to investment. However, the commercial agriculture and processing sector is in good shape following successive growth in exports and domestic sales since 2000 (apart from the sugar industry).

The re-scoping of the ALP loan proceeds into the nation-wide FIRE project was completed to the satisfaction of the government just prior to the coup. MFNP was unable to present the re-scoping for discussion of Cabinet, but may be expected to do so once government is re-formed. If the EU grant finance for the NAS is withheld, there is strong rationale for the ALP to be implemented without changes in scope. The situation will need to be reviewed in first quarter 2007.

6 Work Plan

The work plan has been updated in Annex 2 to reflect the progress to date and other developments discussed in this report. It is substantially the same as approved in March 2006 with updates in September, reflecting the TA framework and the priorities and issues reviewed above, including implementation progress. Activities relate to outputs specified in the TA Framework. Apart from TA consultancy, all costs have been covered by ALP. This provides an opportunity to use the TA in the transition period until disbursement of loan proceeds can resume.

Based on this situation the CEOs of the Ministries of Finance and Agriculture have written to ADB requesting extension of the consultant’s assignment duration by to December 2007. This extension was flagged in March by ADB based on the Inception Report work plan and is well within scope of the TA budget. A schedule is given in Annex 3.

At present, implementation is suspended. Staff are in place and staff costs will continue to be paid. Recruitment of new rural enterprise advisers has been substantially completed to the point that posts can now be offered. Commitments have been made for investments with the private sector, which are now on hold. Training activities have been prepared but are now on hold. Loan commitment fees and interest continue to be incurred.

The option of Government continuing to incur costs with no benefits, after it has decided the direction it wishes the project to take, is not attractive, considering the resources in terms of staff and loans for which Government is already paying. The necessary facilitating commitment from ADB is the continuation of the

Japanese grant funded TA for commercial agriculture, which incurs negligible expense for either Government or Bank but provides the necessary expertise to allow utilisation of the staff and loan funds.

The activities which can be continued in transition during the first quarter of 2007 include:

- implementation of certified seed commercialization pipeline projects which are critical to the export papaya industry with BAT Ltd;
- implementation of commercialization projects for the domestic pulse industry with Punja & Sons Ltd;
- industry strategic plans for the honey and fruit and vegetable industries, which will identify development priorities to be addressed by private and public sector as appropriate;
- establishment of accredited auditing and management services for certified organic enterprises;
- implementation of the approved project to expand quarantine treatment capacity and outreach service of the Nature's Way Cooperative, in partnership with Fiji Biosecurity and Market Access Authority, is a major strategic development critical to resolving a bottleneck in the growing export fruit and vegetable industry;
- eight established and trained rural enterprise advisors continue on Government payroll and, through the transition period, can continue outreach services to rural entrepreneurs with:
 - (i) assistance to prepare rural business plans, including in support of loan applications;
 - (ii) rural enterprise analysis and recommendations on how to improve performance, reduce risks, manage change such as expansion or restructure, and implement quality and supply chain management systems;
 - (iii) referral of clients to market opportunities, sources of finance, information and assistance schemes including those administered by MOA, FDB and other agencies;
 - (iv) development of business and industry networks and marketing linkages.
- NCSMED has completed recruitment processes for enterprise outreach staff and had scheduled staff placement for November 2006. Re-scoping adjustments including outreach staff location assignment, orientation and administrative arrangements for integrating the farm business and new recruits can be substantially progressed, ready for further implementation.

These measures will allow agreed progress to continue through the transition period to provide benefits in return for committed Government expenditures, maintain momentum of implementation and credibility of the project as a partner for significant private sector entities - e.g. Punjas and BAT.

6.1 TA activities in transition

The original rationale for the TA was that the private agricultural sector is fragmented, there is limited scale of commercial agriculture and limited capacity in support services for commercial agriculture and related business with rural supply chains. Ministry of Agriculture (MOA) also needed to strengthen its capacity and orientation towards commercial agriculture development. By providing the Ministry policy advice, guiding establishment of the Farm Business Advisory service and implementing demand-driven, market-led planning procedures for MOA's research and extension planning, the TA has strengthened MOA's orientation to commercial agriculture and agri-industry. Terms of reference for the scoping study of the re-organization of MOA were drafted by the TA consultant in collaboration with Ministry of Finance and Ministry of Public Enterprise.

As the project has shifted to a greater focus on commercial agriculture and rural enterprise the need for the TA has become greater.

The coup and project re-scoping does not diminish the government's priority for developing a viable and diverse commercial agriculture sector based on existing market opportunities such as export papaya (type 1 in the ALP study); opportunities requiring specific actions such as organic certification and market access (type 2); and opportunities requiring significant investment such as commercialization of the pulse

industry (type 3). Government made commitments with private sector partners to address some of these through the ALP National Steering Committee during 2006. The TA should support government in completing these commercial agriculture initiatives.

Development of the National Adaptation Strategy (NAS) for EU sugar reform has contributed to the rationale for ALP re-scoping and opportunity to re-allocated resources to other rural and island areas in Fiji. The TA needs to assist ADB, Ministry of Finance and MOA in clarifying the definition of commercial agriculture so that it use EU grant and ADB loan finance appropriately.

Fiji Development Bank is increasing its agricultural and rural enterprise lending, which will be facilitated by the re-scoped project's enterprise outreach and facilitation. The enterprise outreach services integrates established Farm Business Advisory service with NCSMED Counsellors. Continued guidance and support from the TA will strengthen services capacity and support FDB's lending to commercial agriculture.

Increasing emphasis on enterprise development (MSME) places greater demands on the National Center for Small-Medium Enterprise Development (NCSMED), at a still early stage in its institutional life – it is less than 4 years old. By November 2006 NCSMED had completed recruitment for eight rural enterprise advisors for ALP, and the TA needs to assist NCSMED establish, expand and manage the rural enterprise development and facilitation activities. The TA must also support NCSMED to expand its scope into rural and agri-enterprise.

Extension of the Agribusiness and Agricultural Institutions consultant's assignment from January to December 2007 was envisaged by ADB prior to ALP re-scoping and the coup. In light of developments, the focus and needs of the agriculture sector, the extension should be confirmed based on the rationale above and the following terms of reference. Terms of reference are given in Annex 5

**6.1.1.1 Revised ToR – Agribusiness and Agricultural Institutions Specialist Duration: 11 months:
15 January – 15 December 2007**

Annex 1: Outputs against TA Framework

<p>Output Target 1 At least five private sector-led industry organizations have prepared strategic and business plans and have obtained financial support to undertake research and development and marketing activities.</p>
<p>Outputs Five industry organizations have prepared plans and have obtained commitment for financial support for strategic industry development activities:</p> <ul style="list-style-type: none"> • Pulse industry commercialization plan with Punja & Sons Ltd; • Fruit and vegetable industry export treatment capacity expansion plan with Nature's Way Co-op Ltd.; • Export Papaya industry product differentiation and seed certification; • Organic industry action plan - auditor accreditation, website, market study, membership expansion; • Honey Industry strategic plan with Fiji Beekeepers Assn.; • National Export Strategy (agricultural sector) completed and incorporated into Government SDP 2007-11. <p>Four industry organization planning and development activities identified but funding not fully confirmed:</p> <ul style="list-style-type: none"> • Meat Industry Board – re-organization plan, strategic plans for Vanua Levu and Taveuni; • Coconut Industry Authority – re-organization plan, grower association registration; • Floriculture Industry Council – update of strategic plan, tourism market development; • Root Crops Council – marketing system development plan.
<p>Output Target 2 Farm business advisory services supported by appropriate policy, legislation and professional accreditation.</p>
<p>Outputs Eight farm business advisors accredited as Enterprise Trainers and Advisors by CEFE Ltd Philippines, and plans made to privatise in 1st quarter 2007 as the Rural Enterprise Service using the Small Enterprise Act with policy and outsourcing arrangements of NCSMED. Policy endorsement by Cabinet by end 2006. Eight more rural enterprise advisors pending completion of recruitment in 1st qtr 2008 will expand service coverage. Accreditation with Valuation Inst. Of Fiji and with FDB as Financial Advisors planned 2nd qtr 2007.</p>
<p>Output Target 3 Fiji College of Agriculture (FCA) corporatized.</p>
<p>Outputs Commercial arrangements including course franchise delivery between FCA and private sector training organizations FIT and TPAF established by 3rd qtr 2006. Terms of reference for scoping study for re-organization of Ministry of Agriculture, including FCA corporatization prepared 4th qtr 2006 with Ministry of Public Enterprise, Ministry of Agriculture and Ministry of Finance. Cabinet approval for re-organization to be completed by mid-2008.</p>
<p>Output Target 4 Product standards, labelling, auditing and legislation satisfy major markets.</p>
<p>Outputs Private sector services accredited to ISO 65 auditing standard for Food Safety certification (ISO 2200), includes labelling for EU, US, Japan and other markets. Major food processing agribusinesses have or are in process of Food Safety HACCP certification. Accreditation to EU, US, Japan and Australasian Certified Organic standards postponed Nov 2006 to Feb 2007 due to re-scoping, five agro-processors certified organic, 10 more in conversion. Needs to be followed up in February 2007 or soonest. Quality standards for honey drafted and for virgin coconut oil adopted, industry groups considering legislation or trade mark licensing for enforcement. Meat inspection and abattoir hygiene standards training completed 1st qtr 2006. Halal certification system established for domestic and export markets. Export horticulture biosecurity market access protocols auditing systems established for papaya, breadfruit, eggplant and chillie, but need development of new protocols for USA and Australia. Feed grain standards adopted by major agribusiness. Enterprise facilitation scheme adopted by government to enable enterprises to get assistance to comply with standards.</p>
<p>Output Target 5 Government and industry organisations provide agricultural market information services to farmers and agribusinesses.</p>
<p>Outputs Website constructed for Ministry of Agriculture (launched Dec 2006) will include information on marketing, production economics, recommended practices. Needs further development. Websites and links established for Noni industry and Organic industry. Agro-marketing Fiji Ltd provides market information via rural commission agents consolidated 2006. Needs strengthening to provide timely and relevant information, also needs completion of national internet coverage expected complete by mid-2007.</p>

Output Target 6

At least five industry workshops, training seminars, and/or study tours conducted on agribusiness opportunities, commercial arrangements, potential partner institutions, marketing processes and standards, etc.

Outputs

A number of seminars have been conducted, mostly in regional centres to agribusiness or rural enterprise groups, but also as presentations at business forums and conferences, industry and board meetings on: market standards and food safety regulations compliance; product development, licensed use of trade marks; supply and distribution chain management; servicing the tourism food market;; facilitated organic industry participation in trade fair. Other issues need to be covered in 2007, including: bee industry development strategy; seminars on farming contracts, agribusiness and rural enterprise business structures and management; and, participation in regional trade promotions and missions.

Annex 2: Work Plan for the TA (revised Dec 2006)

Narrative Summary	Performance Targets	Activities	Progress Comments	Revised Start – finish
Output Enterprises and industry organizations developed	Fiji Organic Association, Beekeepers Association, Fruit & Vegetable industry organization have prepared strategic and business plans	<ul style="list-style-type: none"> • TA Consultant and Farm Business Advisors attend industry meetings, provide feedback on industry plans and facilitate industry proposals to ALP. • Domestic consultancies for plan preparation. 	Use TA consultant if ALP loan finance unavailable for local consultancy.	Q2 06 - Q1 07
	Three national industry organizations have obtained financial support for development activities, including: <ul style="list-style-type: none"> • Organic auditing training and accreditation to international standards; • Industry and market review and membership drive; • Papaya BQA manual; • Improved export post-harvest handling capacity; • Industry services including fruit and vegetables extension and development. 	<ul style="list-style-type: none"> • TA consultant facilitates industry proposal preparation, assessment by ALP PIU, and supports implementation. • Training • Workshops and seminars. • International training consultancy – organic auditor course. • TA consultant supports industry participation in regional organic industry strategy conference, Samoa. • Materials and publication • Contribution for post-harvest facility design, equipment. • Contribution to industry development officer costs. 	Substantial ALP and private sector support approved, but needs ADB approval of post-coup situation and satisfactory interim govt. before implementation. Private sector continuing with preliminary activities. Organic auditor training could go ahead with Fiji Organic Association – and NGO.	Q2 06 Q1 07
	Root crops, Floriculture and one other industry organization established as above and including industry-government planning forums as below		Preliminary discussions held	Q1-3 07
Improved performance and customer focus by Government, industry organizations, and agribusinesses	Farm business advisor (FBA) services supported by appropriate policy, training and professional accreditation	<ul style="list-style-type: none"> • TA consultant advise and support establishment of FBA service. • Facilitate training to FBA by FCA and NCSMED for CEFE accreditation. • Facilitate farm business planning training by FBA to MOA extension, research and FSC field staff. 	Established. FCA and CEFE training complete Further accredited training (e.g. HACCP), and accreditation required (e.g. licensed financial advisor, and property valuation institute) Need further mentoring	Q1-06 - Q3 07
	Farm management information system established and accessible to FBA and industry.	<ul style="list-style-type: none"> • TA consultant assists in developing and institutionalizing farm management information collection and publication, standardization of formats and procedures for update, develops training, and assists in design of website publication. 	Some progress on economic information and Good Agricultural Practices benchmarked. Further development into website following Dec-06 launch.	Q3-4 06 Q1-4 07
	At least three industry-government planning forums institutionalised, and industry priorities	<ul style="list-style-type: none"> • TA Consultant and EP&S strengthen government – industry consultation and 	Agri-Export strategy forum supported in conjunction with National Economic summit.	Q1-4 07

Narrative Summary	Performance Targets	Activities	Progress Comments	Revised Start – finish
	incorporated into government policy and action plans for 2007.	<ul style="list-style-type: none"> planning mechanisms. MOA departments and other government bodies participate as appropriate, and prepare policy papers, implementation plans, and budget submissions as required. 	Link to Industry strategic Plans output.	
	Three more industry-government planning forums as above			Q2-4 07
	At least three agribusinesses or organizations have obtained financial support to improve demand and supply side business arrangement, processes and products.	<ul style="list-style-type: none"> TA consultant and Agrade assist industry organizations and agribusiness to identify opportunities and develop proposals. Training or consultancy by a local service provider may be required. 	Progress in coconut, honey and spices industries. Due to limited support from Agrade, implement direct with industry organizations	Q2-4 06
	Four more agribusinesses as above			Q1-4 07
	As preliminary to corporatization, Fiji College of Agriculture has proposed a business plan based on wider training scope and entry into the commercial training market.	<ul style="list-style-type: none"> TA consultant assists FCA to develop a work plan for corporatization in collaboration with Ministry of Public Enterprise; TA consultant assists FCA in market analysis for agricultural training, including competency-based vocational qualifications framework. TA consultant assists FCA to draft business plan. Local service provider input to finalize corporate and business plans. 	<p>Continue as part of re-organization of MOA, scheduled for early 2007</p> <p>TA works with other vocational training agencies e.g. TPAF and non-formal education</p>	Q1 06 - Q3 07
	Competency-based agricultural vocational training that complies with Educational Qualifications Framework is being delivered.	<ul style="list-style-type: none"> TA consultant assists industry organizations, government and training providers to identify priority agricultural competencies, courses and qualifications for employment in agriculture; Policy advice to improve relevance and value of agricultural qualifications; Industry organizations advocacy in education qualifications framework; Assist ALP to establish funding support mechanism for training in priority competencies. 	As above	Q1-4 07
	Requirements for in-service training for MOA staff identified and incorporated into revised Staff Development Plan	<ul style="list-style-type: none"> TA consultant assists PCU, PIU and MOA Training Section to identify training needs and revise Staff Development Plan; TA consultant assists with training where appropriate. 	MOA training following re-organization plan in 2007	Q2 06 - Q3 07
	Quarantine strengthening	<ul style="list-style-type: none"> TA consultant assists 	TOR finalized and	Q2 06

Narrative Summary	Performance Targets	Activities	Progress Comments	Revised Start – finish
	plan, policy and services delivery plan are endorsed by export agricultural industry groups.	Quarantine and PCU to agree on specialist consultancy TOR; TA consultant facilitates dialogue between industry and Quarantine.	supporting bilateral TA agreed. ALP Consultant recruitment delayed and govt prefers to use EU grant under NAS. TA to continue to facilitate with govt and industry.	- Q1 07
	Government and industry organizations provide agricultural market information services to farmers and agribusinesses	<ul style="list-style-type: none"> • TA consultant facilitates FBA and other MOA departments and industry groups to prepare information resources on farm management economics, market profile and quality standards, benchmark practices, BQA protocol; • TA consultant assists in establishment of information and software for FBA services; • TA consultant assists in establishment of industry profiles, assistance and other information to encourage agribusiness investment. 	Major progress will be achieved once internet services established to district offices – expected Q1-07; Some standards training done	Q2-4 06 Q1-4 07
Marketing development and awareness of business opportunities facilitated. Institutional linkages, commercial networks, and agribusiness training facilitated.	Product standards, labelling, auditing, and pertinent legislation satisfy major markets	<ul style="list-style-type: none"> • TA consultant assists Agrtrade to work with industry organisations and relevant Ministries/agencies on international market standards and compliance, particularly Codex Alimentarius and WTO provisions • TA consultant works with Quarantine consultant in relevant areas. 	Progress made by TA consultant with organic, coconut and honey industry. Agrtrade limited capacity to support	Q3-4 06 Q1-4 07
	At least five industry workshops, training seminars, and/or study tours conducted on agribusiness opportunities, commercial arrangements, potential partner institutions, marketing processes and standards	<ul style="list-style-type: none"> • TA consultant identifies opportunities, interest and organize workshops, seminars, market and industry study tours, trade missions and 	Seminars given on organic, Food Safety stds, supply chain management, with FDB on finance, and agribusiness investment to NZ-Fiji and Aust-Fiji Business Councils	Q2-4 06 Q1-3 07
Support PCU with project coordination	Demand-driven processes, and R&D proposals prepared and incorporated into Implementation Plans	<ul style="list-style-type: none"> • TA consultant prepares guidelines, formats, participate in training 	Guidelines completed, Mentoring ongoing	Q1-4 06 Q1-3 07
	Other sub-components implemented by Agrtrade, FCA, training, information	<ul style="list-style-type: none"> • TA consultant proposes guidelines, and provides assistance 	Weak commitment from these MOA agencies during 06	Q1-4 06 Q1-3 07
	Policy advice provided to MOA on services, industry policy and planning partnership, role of public enterprises in sustainable industry development.	<ul style="list-style-type: none"> • TA consultant prepares and submits policy papers and seminars in collaboration with other agencies 	Papers for Cabinet, internal and inter-ministry prepared	Q2-4 06 Q1-4 07

Annex 3: TA Activity Schedule

Activity Schedule	2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Industry Organization development								
1 st three Strategic planning workshops, local consultancy, proposals preparation								
Support industry development proposals								
2 nd three As above								
Improved support services								
Farm business advisory services training								
Farm management information system								
Industry-government planning forums								
Agribusiness/ organizations business development (incl. local consultancy)								
FCA business planning and market assessment (incl. local consultancy)								
Competency-based agricultural training establishment and delivery								
Review of MOA staff training needs and revised Staff Development Plan								
Quarantine – industry policy, planning and services dialogue								
Preparation and delivery of improved commercial farming information services								
Marketing and business opportunities accessed and commercial linkages improved								
Improved adoption and compliance to market standards, legislation								
Workshops, seminars, trade and study tours on agribusiness opportunities								
Support ALP implementation								
Support for demand-driven processes								
Sub-component activity support								
Policy advice								

Annex 4: Indicative scale and scope of commercial agriculture facilitated by the TA (cane area only)

COMMERCIAL AGRICULTURE DEVELOPMENT AND FACILITATION: IN PROGRESS	No. of groups, businesses	No. of direct employees, suppliers	ALP Cost \$	Private Sector Contribution	Impact
1. AGRI-INDUSTRY DEVELOPMENT					
<u>National – Strategic Industry Priorities</u>					
Fiji Organic Association - accreditation of Organic Auditors and Advisers for business certification to international trade standards	1	200	30,000	8,000	74% reduction in business certification costs
Fruit and Vegetable Industry Association formed with Strategic Plan listing development priorities	1	2,000	70,000	20,000	industry roadmap
Beekeepers Association strategic plan and development priorities	1	500	23,000	10,000	industry roadmap
Meat Industry strategic plan and development priorities (note FMIB identified for reform)	1	500	30,000	10,000	industry roadmap
Root crops Industry strategic plan	1	2,000	30,000	10,000	industry roadmap
Dairy Industry strategic plan	1	500	45,000	12,000	industry roadmap
Pawpaw seedling supply under Bilateral Quarantine Agreement - critical for sustaining export , pilot public private partnership production of 91,000 seedlings	120	600	38,000	12,000	export continuity worth \$800,000
Export quarantine treatment centre capacity extension (NW Coop Ltd: critical constraint to strategic export growth)	1	1,100	1,100,000	1,640,000	export expansion from \$200,000 to \$3.5m
SUB-TOTAL	127	7,400	1,366,000	1,722,000	
<u>Enterprise Level - Strategic Priorities for Commercial Agriculture</u>					
Grants to existing small agro-processing businesses and suppliers to comply with export and domestic standards and certification (food safety, organic, quarantine: for honey, coconut oil, noni, spices, cocoa, fruit, dairy)	20	200	200,000	200,000	30% price premium; access to export markets
Grants to existing farm businesses, packers and suppliers to improve quality and consistency of supply (tourism, export and domestic markets: vege., fruit, floriculture, dairy, grains)	10	100	100,000	100,000	IRR about 25%, import replacement
Small Agri-business equity finance scheme with FDB for business expansion (mobilize loans, reduce repayment risk)	20	100	300,000	1,200,000	IRR about 25%
SUB-TOTAL	50	400	600,000	1,500,000	IRR about 30%
2. DEMONSTRATIONS AND TRIALS NON-CANE					
<u>Labasa</u>					
Coconut oil enterprises	2				
Noni organic export	1				
Beef enterprise	1	50	35,000	35,000	
<u>Seaqaga</u>					

Commercialization of all-year pineapple (Seaqaqa)	5	50	25,000	50,000	
Youth group model - mechanized, post-harvest processing	1	25	55,400	16,500	
Sheep, cropping	1	20	18,000	5,000	
Coop irrigated fruit, veg, root crops	1	6	40,000	10,000	
Cocoa - food manufacturing enterprise	1				
Sheep cooperative	35	140	70,000	50,000	
<u>Nadroga</u>					
Floriculture group market link to Momi resort	4	40	10,000	2,500	
Mataqali model farms fruit and veg supply to hotels	3	150	100,000	25,000	
<u>Nadi</u>					
Commercialization of pulses with Punjas - stage 1: certified seed multiplication (import replacement)	6	30	30,000	15,000	
Effective irrigation demonstration group	1	50	25,000	8,000	
Village Dairy pasteurized business management model	1	150	77,000	94,000	
<u>Lautoka</u>					
Model yam farming	4	100	7,500	500	
Pineapple demonstration	1	10	10,000	5,000	
Model intercropping papaya with vegetable	1	500	8,000	4,000	
<u>Ba</u>					
Intensive vegetable production	1	20	15,000	5,000	
Upland agroforestry farming system	1	100	8,000	4,000	
Smallholder dairy	1	15	8,000	4,000	
Upland Kava farming	10	50	5,000	2,500	
Taro improvement	10	60	8,000	4,000	
<u>Tavua</u>					
Export breadfruit development	5	100	15,000	5,000	
Irrigated papaya development	7	200	10,000	3,500	
<u>Rakiraki</u>					
Expand organic banana for export processor	10	20	12,000	3,000	
Commercial vegetable production practices	1	14	15,000	5,000	
Commercialization of dalo and yaqona	1	50	20,000	5,000	
Expand export papaya	1	20	15,000	5,000	
Piglet breeder unit for village piggeries	12	24	24,000	6,000	
SUB-TOTAL	126	1,994	665,900	372,500	IRR about 25%
TOTAL	303	9,794	2,631,900	3,594,500	

Annex 5: Terms of Reference for Agribusiness and Agricultural Institutions Consultant February – December 2007 (10 months)

The Consultant will work closely with the Loan Project and be located in the PCU in Suva, with regular travel to rural and island areas of the Fiji Islands.

The Consultant will address the following immediate priorities to facilitate loan implementation:

- (i). Assist Government to clarify the relationship between the ADB Loan project and the EU-funded components of the National Adaptation Strategy to sugar reform;
- (ii). Assist NCSMED and the PCU to consolidate the farm business and rural enterprise advisory service and its orientation;
- (iii). Working with the farm business and rural enterprise service, assist agribusiness and rural enterprises to improve enterprise performance, employment, and economic growth by mobilizing private sector, FDB and other investment using the established enterprise services and networks;
- (iv). Complete National Steering Committee commitments to assist the fruit and vegetable, and the honey industries to prepare strategic plans identifying priorities for private sector and government, making use of the rural enterprise service (formerly farm business advisors), Nature's Way Co-operative, Fiji Beekeeper's Association and other stakeholders;
- (v). Complete already NSC-approved training for accreditation of auditors and advisors for the certified organic industry in collaboration with Fiji Organic Association and TPAF, ensuring accredited service can be accessed by existing and potential organic enterprises in Vanua Levu, outer islands and Viti Levu, with technical skill relevant to coconut/oils/products, noni juice, wild harvest fruit processing, vanilla and spices, honey, poultry, farming inputs, tourism projects and export quarantine;
- (vi). Assist in detailed planning and preparations for implementation of the NSC-approved project to expand the export quarantine treatment facility and its outreach service;
- (vii). Guide further development and implementation of certified seed commercialization pipeline projects which are critical to the export papaya industry (with BAT Ltd.) and the domestic pulse industry (with Punja & Sons Ltd);
- (viii). Assist Ministry of Finance to establish detailed management arrangements for the enterprise development finance, including assessment and approvals structures and procedure, criteria and eligibility;

The Consultant will also, following stabilization of government and the loan project:

- (ix). Assist the Ministry of Public Enterprise Reform, Ministry of Agriculture and Ministry of Finance in the scoping study for the reo-organization of the Ministry of Agriculture;
- (x). Strengthen agro-industry and rural and island enterprise groups and assist them to identify strategic priorities and plans for future enterprise development through comprehensive stakeholder consultation, situation analysis, issues identification and industry priorities;
- (xi). Develop and strengthen private enterprise agricultural and rural industry information and advisory services;
- (xii). Assist Government and rural industry groups to develop and implement mechanisms including public-private partnership and competition for grants for extension, research and information services to agriculture and rural enterprise;
- (xiii). Provide advisory assistance to agribusiness and rural enterprise to facilitate establishment of new enterprises, and expand or improve existing enterprises;
- (xiv). Facilitate agribusiness and rural enterprises to adopt business management systems and capacity to meet international market quality and regulatory standards;
- (xv). Advise agribusiness and rural enterprises in market opportunities, product development, customer servicing and supply chain strengthening;
- (xvi). Using the provisions of the TA, organize workshops, seminars, training, promotions, trade missions, market and industry studies for agribusiness and rural industries.

