ADB

Validation Report

Reference Number PVR–228
Project Number: 32541
Loan Number: 2158
December 2012

Fiji: Alternative Livelihoods Development Project

Independent Evaluation Department

Asian Development Bank

ABBREVIATIONS

ADB	–	Asían Development Bank
DES	–	Department of Extension Services
EU	–	European Union
GDP	–	gross domestic product
MASLR	–	Ministry of Agriculture, Sugar and Land Resettlement
MFI	–	microfinance institution
MFNP	–	Ministry of Finance and National Planning
MOF	–	Ministry of Finance, National Planning, Sugar Industry and Public Utilities
NAS	–	National Adaptation Strategy
NSC	–	National Steering Committee
PCU	–	project coordination unit
PIU	–	project implementation unit
PPTA	–	project preparatory technical assistance
SPSO	–	South Pacific Subregional Office
TA	–	technical assistance
TCR	–	technical assistance completion report

NOTE

In this report, "$" refers to US dollars.

Key Words

alternative livelihoods development, asian development bank, european union, fiji islands, national adaptation strategy, project coordination unit, rural and outer islands project, rural enterprise project

PROJECT BASIC DATA

Project Number:	32541	**PCR Circulation Date:**	Jun 2009	
Loan Number:	2158	**PCR Validation Date:**	Dec 2012	
Project Name:	Alternative Livelihoods Development Project			
Country:	Fiji		**Approved** ($ million)	**Actual** ($ million)
Sector(s):	Agriculture	**Total Project Costs:**	49.778	0.503
ADB Financing: ($ million)	**ADF:**	**Loan:**	25.000	0.503
	OCR: 25.000	**Borrower:**		
		Beneficiaries:		
		Others:	8.690	
Cofinanciers:		**Total Cofinancing:**	16.085	
Approval Date:	28 Mar 2005	**Effectiveness Date:**	27 Sep 2005	6 Sep 2005
Signing Date:	29 Jun 2005	**Closing Date:**	30 Jun 2011	1 Dec 2008
Project Officers:	R. Siy, Jr. K. Kannan R. K. Leonard	**Location:**	ADB headquarters ADB headquarters South Pacific Subregional Office	
Validator:	C. Dingcong, Consultant	**Peer Reviewer:**	F. De Guzman, Evaluation Specialist, IED2	
Quality Reviewer:	C. Kim, Principal Evaluation Specialist, IED2	**Director:**	W. Kolkma, IED1	

ADB = Asian Development Bank, ADF = Asian Development Fund, IED1/2 = Independent Evaluation Department (Division 1/2), OCR = ordinary capital resources, PCR = project completion report.

I. PROJECT DESCRIPTION

A. Rationale

1. Sugarcane has been the dominant crop in Fiji's agriculture sector. In 2002, sugarcane production accounted for 36% of agricultural gross domestic product (GDP), occupying 50% of arable land while employing 13% of the labor force. Sugarcane directly contributed 9% of the total GDP, generating about 30% of domestic exports. For more than 20 years, the sugar industry benefited from the European Union (EU) sugar policies that were three times the prevailing world market prices.[1] This resulted in sending the wrong market signal to the producers. Sugarcane planters did not have the incentive to compete commercially through improvements in efficiency and productivity in terms of yields and product quality. In addition, sugar millers allowed mill efficiencies to drop. The Fiji Sugar Corporation had no incentive for quality improvement in view of its poor financial performance. Thus, urgent industry restructuring was needed to reverse continued falling yields, mill recovery rates, and decreasing area devoted to production, resulting in the reduction in Fiji's sugar output.

2. In 2002, there was already considerable tension and uncertainty among various stakeholders over the future of the sugar industry because of expiring land leases, which began in 1997.[2] At that time, the rural economy urgently needed to diversify away from sugar and

[1] The abolition of EU sugar protocol was to result in a 31% fall for farmgate sugarcane prices by 2010.

[2] According to the project completion report (PCR), between 1997 and 2007, 7,341 agricultural leases expired of which 3,189 (43%) were renewed with the remainder of 4,152 (57%) reverting to communal ownership.

resolve land tenure issues. Although there was initial widespread political support, the sugar restructuring did not take off when funding was planned to be sourced by borrowing. Thus, the Alternative Livelihoods Development Project was envisaged to create job opportunities, especially in the sugarcane belt, with the government to handle sugar-processing issues using alternative funds.

B. Expected Impact

3. The project's envisaged impact was to protect and improve the standard of living of rural people at risk because of sugar sector restructuring. The impact indicator and/or target indicated in the design and monitoring framework at appraisal was that rural families deriving their livelihood from sugar sector activities would be able to at least maintain their real incomes at project completion. The project was to directly benefit approximately 8,000 sugarcane farmers and a large number of rural households. The project targeted the following: (i) farmers whose leases were still in effect or were in the process of being renewed, plus incoming farmers; (ii) landowners, by continuing commercial use of their land, developing community-based rural microfinance institutions (MFIs), and supporting off-farm livelihoods; (iii) exiting farmers whose leases were not renewed, who were to be helped by off-farm livelihoods, microenterprises, rural financial services, and given support in finding new farms; and (iv) sugarcane cutters and mill workers who lost their jobs, who were to be helped by off-farm livelihoods, microenterprises, rural financial services, and new on-farm employment in diversified and high-value agriculture.

C. Objectives or Expected Outcomes

4. The intended outcome of the project, as indicated in the report and recommendation of the President[3] was increased sustainable livelihoods, on- and off-farm, to at least replace those lost during the course of sugar sector restructuring. Five outcome performance indicators were specified: (i) agriculture to continue to account for at least 15% of GDP; (ii) nonsugar cash crops increasing from 15% to 25% of agricultural GDP by 2010; (iii) at least 50% of farmers obtaining at least 50% of farm incomes from nonsugar crops and livestock; (iv) 4,000 new off-farm jobs created in existing enterprises by 2010; and 1,200 new small and microenterprises established by 2010.

5. The project was to (i) maintain a healthy agriculture sector with viable alternatives to sugar farming; (ii) generate sustainable off-farm and self-employment opportunities for people exiting the sugar sector and for the other rural poor; (iii) provide access to savings and credit services in rural communities to facilitate livelihood activities and improve their quality of life; and (iv) provide critical farm access infrastructure for rural communities.

D. Components and Outputs

6. The project area included sugarcane belt areas and nearby rural and peri-urban areas of the western and northern divisions on the main islands of Viti Levu and Vanua Levu. The project had four components:

(i) **Agricultural Diversification.** This component was to establish and strengthen related industry organizations, improve commercial farming capacity, prioritize adaptive research, and support private extension services to develop a strong commercialized agriculture sector.

[3] ADB. 2005. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Republic of the Fiji Islands for the Alternative Livelihoods Development Project.* Manila.

(ii) **Off-Farm Livelihoods.** This component sought to encourage people to engage in off-farm livelihoods to create income-generating capacity in rural areas by strengthening public and private sector vocational training and advisory capacity. The subcomponents were: (a) development of small and microenterprises; and (b) support for vocational training.

(iii) **Rural Financial Services.** This component was to strengthen rural financial services offered by MFIs and promote sustainable MFIs in areas poorly served by commercial banks. This component had two subcomponents: (a) institutional strengthening of microfinance institutions; and (b) supporting wholesale credit line.

(iv) **Project Coordination.** The project coordination component was envisaged to involve a number of implementing agencies that were viewed essential to successful implementation. The project coordination unit (PCU) in consultation with the divisional PIUs was to support and coordinate activities of the implementing agencies in implementation planning, finance, and monitoring. The PCU was to serve as secretariat to the national steering committee (NSC), under which it was to operate.

E. Provision of Inputs

7. At appraisal, the project was estimated at $49.8 million, consisting of a foreign exchange component of $10.7 million and a local cost component of $39.1 million. The project was funded by a loan of $25.0 million from ADB's ordinary capital resources, $8.7 million from the borrower, and 16.1 from other external financing including beneficiaries. The actual disbursed amount was only $503,783, while 24.5 million was cancelled. The cancellation was due to the slow disbursement resulting from the mistrust and complicated procedures between the borrower (MoF) and the Executing Agency (MASLR).

F. Implementation Arrangements

8. The Ministry of Agriculture, Sugar, and Land Resettlement (MASLR), the Executing Agency, was responsible for project implementation. The chief executive officer of MASLR was the chair of the NSC composed of representatives of the relevant national departments and implementing agencies. The NSC was tasked to provide oversight of project implementation and provide policy guidance to coordinate implementation. A PCU was established in Suva to support and coordinate activities and act as secretariat to the NSC. Under the Western and Northern Divisions' Department of Extension Services, a project implementation unit (PIU) was supposed to be established to work through the extension offices in the project area with MASLR re-orienting the existing posts to staff the PIU. However, the establishment of the regional project offices in the Western and Northern Divisions did not push through on the basis of excessive costs. This presented to be a management issue as the PCU was the sole management unit for the entire project. Compounding this was the award by the Public Service Commission of a one-year contract to the PCU director despite the project's 6-year duration. Moreover, the difficulty of the Project PCU to follow three separate protocols from MASLR, MOF and ADB significantly slowed project startup. The PCU also found ADB's procurement processes inflexible. Most project funds were spent on establishing the PCU, but the process to get field level funding approved was convoluted and slow. The entire process could take from 2 to 4 months.

II. EVALUATION OF PERFORMANCE AND RATINGS

A. Relevance of Design and Formulation

9. The project completion report (PCR)[4] rated the project *highly relevant.* Project design was relevant to development issues facing the sugar industry during the preparatory and appraisal stages. It was technically sound, demand-oriented, and sought to build the capacities of key institutions and farm households. However, the project was undermined and replaced by the proposed new supply-driven sugar adaptation project that was to be funded by the EU on a grant basis. Furthermore, the intentions of the Ministry of Finance, National Planning, Sugar Industry and Public Utilities (MOF) to re-scope the project to expand its livelihood aspects to all of Fiji were not the original intent of the project design. Instead, the Ministry of Finance and National Planning (MFNP) prepared the Fiji Islands Rural Enterprise project document, merging the project with the proposed Rural and Outer Islands project. It re-scoped the project in expectations of the funds from the EU-funded grant for the National Adaptation Strategy (NAS). In this restructured design, the project moved away from its earlier envisaged demand-driven, client-oriented, and rural development orientation to a supply-driven approach to livelihood development. The original project was indeed highly relevant as appraised and approved but became less relevant at the start-up due to the government's preference for the EU grant-funded project. Overtime, the government and politicians had become less interested in the original project design and concept; hence, the original implementation arrangements were not completely followed. Project management teams envisaged to be set up in the two divisions of the Department of Extension Services (DES) were not realized. Given these, this validation downgrades the project to *relevant.*

10. In the context of the agriculture sector, the project was justified. It aimed to directly address the adverse effects of sugar industry restructuring and land lease expiry and to create job opportunities particularly in the sugarcane belt.

11. Project design took into account the lessons learned from previous ADB projects in Fiji, the Agriculture Diversification Program and the Sigatoka Valley Rural Development Project,[5] Moreover, the project design took into account an ADB analysis of Fiji's competitive advantage,[6] and incorporated lessons from other ADB-supported projects on the use of private extension services.[7] Lessons from ADB's extensive experience with MFI development were also incorporated in the project design.[8]

12. The process followed in formulating project design was appropriate and adequate. A project preparatory technical assistance (PPTA) consultant team was mobilized to formulate the project design. The design process covered a wide range of stakeholders, including central government and local government staff; international agencies; nongovernment organization staff; state-owned enterprises staff; and private sector individuals, including farmers, clan landowners, traditional leaders, small business operators, and displaced tenants. The approach of involving public and private sector agencies was relevant to the project's demand-driven philosophy.

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[4] ADB. 2009. *Completion Report: Alternative Livelihoods Development Project in Fiji Islands.* Manila.
[5] Footnote 3, paras. 20−21.
[6] ADB. 1996. *Fiji Agriculture Sector Review: A Strategy for Growth and Diversification.* Manila.
[7] ADB. 1998. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Government of Papua New Guinea for Smallholder Support Services Pilot Project.* Manila; and Government of Fiji. 2002. *The Integrated Human Resources Development Programme Funded by the Fiji Islands Government and the ILO.* Suva.
[8] ADB. 2000. *Finance for the Poor: Microfinance Development Strategy.* Manila.

13. However, the political situation at the time of design and implementation was unstable. In 2000, the military initiated a coup that removed the duly elected government. The government elected in 2001 took a pro-indigenous Fijian approach that favored indigenous Fijians in development investments.[9] This important issue on race and ethnicity was not recognized in the project design. In December 2006, another military coup occurred when the project was already being implemented. Thus, the project was implemented amid political instability and issues on ethnicity that later proved too much to overcome.

14. This validation agrees with the PCR that the technical aspects of the project were sound.[10] However, the project did not move very far into the implementation phase. It was prematurely canceled after a very protracted start-up phase due to the following: (i) a proposed sugar adaptation project to be funded on a grant basis by the EU that overlapped with the project; (ii) a proposed major re-scoping of the project; and (iii) political indecisiveness. The PCR cited these key factors that caused the project's premature cancellation.

15. On 8 September 2006, the EU and the MOF announced the NAS, which sought to enhance sugar competitiveness, promote economic diversification, and provide social mitigation. The strategy was to utilize many aspects of the original project design.[11] The EU was to provide funding with grant funds amounting to about $205 million.[12] This huge amount relative to ADB's loan undermined the project's basic demand-driven philosophy. It indicated a reversal to the old supply-driven approach to development aid.

B. Effectiveness in Achieving Project Outcomes

16. This validation concurs with the PCR's *ineffective* rating of the project. There were no project outputs because of the cancellation. This validation agrees with the PCR that the project was introduced at a time when the political environment was unstable, and when land tenure and land lease renewal were politically and ethnically charged issues. In essence, the implementation of the project was untimely. It was closed 26 months after it became effective. The closure came after 5% of loan disbursement, a protracted start-up phase, and a military coup.

C. Efficiency of Resource Use in Achieving Outputs and Outcomes

17. This validation rates the project *inefficient*. Administrative processes and procedures were cumbersome. Approvals for requests to incur expenditure and release of funds were slow. Separate protocols and procedures of the three agencies – Ministry of Agriculture, Sugar and Land Resettlement (MASLR), MOF, and ADB that needed to be satisfied by the PCR significantly slowed project start-up. Expected project outcomes were not achieved. The PCR also rated the project *inefficient.*

18. The project had no outputs. The PCR viewed the expected outputs of the project as realistic and achievable but these were not realized due to the cancellation. On hindsight, this

[9] Usually termed as affirmative action.
[10] Footnote 4, paras. 26−28.
[11] Footnote 4, Appendix 2.
[12] The amount was indicative and was subject to several conditions, including implementation performance on an annual basis.

validation views these expected outputs to be overly optimistic in an environment of political volatility and ethnicity issues, given the doubtful capacity of the MASLR.[13]

D. Preliminary Assessment of Sustainability

19. The PCR rated the project *unlikely sustainable*. Expected outcomes were not realized, thus, there was no likelihood for sustainability. This validation is of the view that project sustainability could not be validated since envisaged project outputs and therefore outcomes did not materialize.

E. Impact

20. The envisioned direct impact to sugarcane farmers and rural households was not achieved due to the very limited period of project implementation.

III. OTHER PERFORMANCE ASSESSMENTS

A. Performance of the Borrower and Executing Agency

21. The PCR rated the performance of borrower partly satisfactory. This validation agrees with the *less than satisfactory* rating of the borrower's (MOF) performance. The borrower was delayed in establishing the imprest account. This significantly slowed the start-up phase and frustrated the MASLR and PCU staff. The borrower was entangled in the choice of project loan funds versus EU grant funds, which was the major reason for the request to re-scope the project. Furthermore, noncompliance to ADB's Guidelines on Procurement caused unnecessary delay in implementation.

22. In the short implementation period, the PCR rated the performance of the executing agency (MASLR) as *satisfactory.* The PCR justified this in view of the diligence and knowledge of the project's director and accountant, and the groundwork already carried out particularly with participating private sector agencies. The MASLR also worked closely in cooperation with the associated technical assistance (TA) project in identifying new areas for alternative livelihood. It was difficult to make any substantial assessment of the MASLR performance given the very limited period of project implementation. In this context, In view of the absence of deliverables, this validation could not validate the executing agency's performance.

B. Performance of the Asian Development Bank

23. The PCR rated ADB's performance as *partly satisfactory.* This validation concurs with the assessment and rates ADB's performance *less than satisfactory*. ADB could have transferred the administration of the project to the South Pacific Subregional Office (SPSO) at an earlier stage, and thus could have provided it with more focused support. Support from ADB headquarters ceased following staff movement, after which the project began to drift during its critical start-up phase in 2006. The SPSO formally took responsibility of the project in November 2006, but following the military coup in December 2006, there was difficulty proceeding with the major change in project scope to develop the Fiji Islands Rural Enterprise Project.

[13] Paras. 20–22 of the PCR discussed the institutional capacity of the MASLR to implement the project. There was concern within the MOF of MASLR's capacity. This was also recognized by the PPTA design team. MASLR was perceived to be ineffective and inefficient. There were doubts on whether the incentives for MASLR staff were sufficient for them to carry out the additional tasks expected from the project.

C. Others

24. **Project Cost, Disbursements, Borrower Contribution, and Conformance to Schedule.** Project cost at appraisal was estimated at $49.78 million. Of the approved $25 million loan, $503,783 was disbursed over the implementation period. This amount also represented the actual cost of the project at cancellation. The loan was canceled on 21 August 2007 after becoming effective in June 2005.

25. **Implementation Arrangements, Conditions and Covenants, Related Technical Assistance, and Procurement and Consultant Performance.** The MASLR was designated executing agency of the project, and was responsible for coordinating overall project implementation. The NSC, composed of representatives from relevant national departments and implementing agencies and relevant civil society organizations, was responsible for overseeing project implementation and providing policy guidance to coordinate implementation. The PCU was established in Suva to support and coordinate activities and act as secretariat to the NSC.

26. The western and northern divisions' DES was to establish a PIU to work through extension offices in the project area. However, these regional project offices did not materialize due to excessive cost implications. Instead, a sole management unit in Suva was set up, which was a deviation from the project design. Lack of regional presence to monitor, coordinate, and implement the project placed project management at risk. Adding to this risk was the Public Service Commission's decision to award only a 1-year contract to the PCU director, despite the project's 6-year duration.

27. Administrative processes and procedures were cumbersome to the PCU. The required processes of the three agencies—MASLR, MOF, and ADB—had to be followed by PCU staff. These three agencies had separate protocols and procedures, and the need to satisfy their requirements significantly slowed project start-up. The PCU had to resort to preparing two separate reports (for MOF and ADB), which was time consuming and wasteful given the limited institutional capacity. The process to secure funding for field level operations was slow and cumbersome. There was a work plan and budget but it took 2 to 4 months for funds to be released.

28. The conditions for loan effectiveness were met. Of the 22 loan covenants, the executing agency was able to fully comply with one covenant. Four covenants were partly complied with and the rest were not complied with due to the cancellation of the project.

29. Consultants were not engaged because of the cancellation. The call for tender for the purchase of 17 vehicles by the Fiji Government Tender Board was not realized. ADB disagreed with the process used for the procurement. Subsequent negotiations with the Fiji Government Tender Board did not produce a solution to the problem. The process did not follow ADB's procurement guidelines, and thus, ADB declared a mis-procurement. As a result, only two vehicles were purchased using government funds.

30. The project had a related advisory TA to support the strengthening of commercial agriculture development to ensure that appropriate policies, institutions, and capacities were in place at project completion to sustain the performance of the private agriculture sector.[14] The TA inputs were completed in December 2006. The PCR highlighted the salient points of the three reports produced by the TA (inception, midterm, and final report), including the following:

[14] ADB. 2005. *Technical Assistance to the Fiji Islands on Strengthening Commercial Agriculture Development.* Manila.

(i) the need to build the capacity of the MASLR PCU and its field staff; (ii) the slow rate of project implementation due to unfamiliarity of MASLR department heads with project documents and MOF's slow release of funds; (iii) the re-scoping of the project due to the EU-funded NAS that resulted in the reorientation of the TA from MASLR and project implementation, to assisting the MOF in re-scoping the project; and (iv) the severe effect of the military coup that affected investor and consumer confidence, resulting in delays to enterprise agribusiness development strategies.

31. While the PCR presented the main points of the reports of the advisory TA, there was no assessment on the overall performance of the TA. It was not clear to what extent the TA met its objectives. Moreover, there was no technical assistance completion report (TCR) appended to the PCR. Project Administration Instruction No. 6.07A stipulates that "If the TCR is prepared concurrently with the PCR, the PCR should be appended to the PCR and salient features, including any variations from appraisal, should be noted in the PCR text."

IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment

32. Overall, both the PCR and this validation rated the project as *unsuccessful*. It was validated as *relevant* but was *ineffective*, *inefficient*, and *unlikely sustainable* (see table). The project was canceled after a very protracted start-up phase. The PCR pointed out that the failure of the project was mainly due to (i) leadership failure within the government at the political level as the project became embroiled with the self interests of politicians; (ii) the allure of unsecured EU grant money distracted the MOF resulting to its decision to prematurely cancel the loan; (iii) lack of capacity within the MASLF to implement a comprehensive rural development project; and (iv) the move away from the original project design by expanding the scope beyond the sugarcane belt, undermining the project's basic concept and rationale. This validation concurs with the PCR in attributing project failure to these key factors.

Overall Ratings

Criteria	**PCR**	**IED Review**	**Reason for Disagreement and/or Comments**
Relevance	Highly relevant	Relevant	The government's involvement with the EU grant-funded project for sugar adaptation undermined the project. The government became less interested in the project's demand-driven approach. The original design for implementation arrangement was not followed (para. 9).
Effectiveness in achieving outcome	Ineffective	Ineffective	
Efficiency in achieving outcome and outputs	Inefficient	Inefficient	
Preliminary assessment of sustainability	Unlikely	Unlikely	
Overall assessment	**Unsuccessful**	**Unsuccessful**	
Borrower and executing agency	Borrower: Partly satisfactory	Borrower: Less than satisfactory	

Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
	Executing agency: Satisfactory	Executing agency: Not rated.	
Performance of ADB	Partly satisfactory	Less than satisfactory	
Impact	No direct impact	No direct impact	
Quality of PCR		Satisfactory	Refer to para. 36.

ADB = Asian Development Bank, EU = European Union, IED = Independent Evaluation Department, PCR = project completion report, TA = technical assistance, TCR = technical assistance completion report.
Note: From May 2012, IED views the PCR's rating terminology of "partly" or "less" as equivalent to "less than" and uses this terminology for its own rating categories to improve clarity.
Source: ADB Independent Evaluation Department.

B. Lessons

33. The lessons drawn by the PCR are valuable to ADB. ADB needs to seriously consider the socioeconomic and political environments in designing projects. Implementing a project in an unstable environment is not likely to yield positive outcomes. Proper timing is important in introducing a project especially when it entails a paradigm shift (i.e., from supply-led to demand-driven). The experience with this project highlighted the need for greater coordination with other donors in addressing the country's strategic development needs. There was no ownership of the government during project implementation.

C. Recommendations for Follow-Up

34. The PCR gave no specific recommendations but reiterated the importance of paying attention to the socioeconomic and political situation especially when this has the tendency to become volatile. Project designs need to consider this aspect.

V. OTHER CONSIDERATIONS AND FOLLOW-UP

A. Monitoring and Evaluation Design, Implementation, and Utilization

35. The very limited period for project implementation did not allow for the installation and use of a monitoring and evaluation system.

B. Comments on Project Completion Report Quality

36. In general, the PCR followed the PAI 6.07A guidelines and was internally consistent. The PCR had a very substantive discussion on the relevance and design of the project and the political context under which the project operated. The thorough discussion in Appendix 2 on the implementation issues was very helpful. One weakness is that the PCR did not assess the performance of the advisory TA (para. 35). On balance, this validation rates the PCR quality as *satisfactory*.

C. Data Sources for Validation

37. Data sources used for this validation include loan review reports, the report and recommendation of the President on the proposed loan and TA, project completion report, project progress reports, procurement documents and communications, and aide memoires.

D. Others

38. No other issues were raised by the PCR related to governance, and anticorruption and fiduciary aspects of the project.

E. Recommendation for Independent Evaluation Department Follow-Up

39. None.