

## TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PAHQ

<b>TA No. and Name</b> TA 3888-FIJ: Intermediation of Sugar Sector Restructuring			<b>Amount Approved:</b> \$660,000	
			<b>Revised Amount:</b>	
<b>Executing Agency:</b> Sugar Commission of Fiji	<b>Source of Funding:</b> TASF		<b>TA Amount Undisbursed</b> \$242,945.35	<b>TA Amount Utilized</b> \$417,054.65
<b>Approval</b>	<b>Date Signing</b>	<b>Fielding of Consultants</b>	<b>Completion Date</b>	
			<b>Original</b> 31 Dec 2002	<b>Actual</b> 01 Aug 2006
24 June 2002	31 July 2002	1 August 2002	<b>Closing Date</b>	
			<b>Original</b> 31 Dec 2002	<b>Actual</b> 31 Aug 2006

### Description

Given the sugar industry's major contribution to the country's gross domestic product (GDP), foreign exchange earnings and employment, its collapse would have serious economic and social consequences. The sugar industry is facing a major restructuring and a significant reduction of income as a result of preferential tariff reduction. Significant changes are also taking place in landholding patterns as the longstanding sugar farmers' leases expire, and traditional landowners reclaim their land, and tenant sugar farmers are forced to find alternative livelihoods. In addition, the sugar processing infrastructure of Fiji Sugar Corporation (FSC), mainly a Government-owned sugar processing entity, is seriously degraded and the company is in poor financial state. In the past, several proposals have been floated for the restructuring of the industry but so far, all have failed to gain support among stakeholders. It became clear that there is considerable lack of unanimity among stakeholders, particularly regarding the potential solutions to imminent challenges in the sugar industry.

### Expected Impact, Outcome and Outputs

The TA was to provide a neutral forum for stakeholder discussions and consultations on the restructuring of the sugar industry, along with the expertise to provide sound technical advice to the restructuring process. The intent was to initiate fully informed consultations and negotiation among all parties. It was acknowledged that achieving consensus with all stakeholders may not be possible, however, it was conceivable to achieve enough common understanding to proceed with a medium-term consensus-building exercise as to how the sugar industry could be best be structured in the future.

The scope included support from a team of experts in: (i) raising the knowledge of all concerned stakeholders to ensure that all parties fully understand the current tenuous situation of the sugar industry and the implications of inadequate action; (ii) initiating substantive discussions among and between stakeholders based on full knowledge of the industry as it now exists and the consequences of lack of early action on the sugar growers and the industry as a whole in the Fiji Islands; and (iii) assisting in the preparation of a time-bound action plan for sugar sector restructuring, including an on-going process of consensus building for areas of disagreement. The expected result of a successful intermediation exercise was improved political stability as stakeholders realized the gravity of the situation facing the industry.

### Delivery of Inputs and Conduct of Activities

Ten individual consultants were recruited for TA implementation: (a) Land Tenure Specialist (1 pm); (b) Mediator (3.87 pm); (c) Research Management Specialist (1.4 pm); (d) Sugarcane Quality Evaluation Specialist (1.07 pm); (e) General Sugar Specialist (1.03 pm); (f) Macroeconomist (6.0 pm); (g) Rail Transport Specialist (1.17 pm); (h) Irrigation Specialist (2.17 pm); (i) Land Valuation Specialist (3.17 pm); and (j) Business Restructuring Specialist (1.9 pm). Recruitment of individual consultants proved to be cost-effective and advantageous in terms of flexibility to mobilize the consultants at optimal times. These benefits may not have been realized had the consultants been recruited through a firm.

The TA consultants were highly qualified and were able to quickly grasp the issues, and challenges facing the sugar industry. Due to the unique nature of the TA, consultants were fielded as and when an expert was needed and agreed by the Steering Committee. As a result, there were some changes in the type of expertise proposed in the TA against actual fielding. Generally, the TA consultants' inputs were relevant to the need to resolve the industry problems and build consensus among stakeholders.

The TA implementation period was extended in response to Government requests to support a number areas such the overall sugar sector restructuring, proposed support to the sugar industry by the European Union, land issues related to sugar cultivation, support to the Native Lands Trust Board for strengthening their land valuation methods, and assistance for number of parliament approvals which were needed for sugar reforms to proceed at each step, which was lengthy.

ADB and the executing agency's (EA) performance were highly satisfactory. Originally, the Sugar Commission of Fiji was identified as the EA, however, during early implementation stage, in consultation with the stakeholders, it was decided that the Prime Minister's Office would be the appropriate EA for better coordination, ownership and success.

## **Evaluation of Outputs and Achievement of Outcome**

The main outputs of the TA were:

- (i) A Steering Committee (SC) was established and a very well respected retired civil servant, Mr. Charles Walker was appointed as the Chairman of the SC. The SC comprised representatives from all parties including growers unions, FSC, Sugar Commission of Fiji, private sector, etc. The SC was successful in reaching a broad consensus on the industry needs to ensure viability based on international best practices. Although there were many disagreements, overall, there was consensus for industry reforms to ensure the industry's survival.
- (ii) A Research Management Specialist reviewed the sugar research services, and prepared a Report titled "Fiji Sugar Industry Research Services". Two important recommendations of the TA have been accepted and implemented by the Government, which included the recommendation to establish an independent Sugar Research Institute. The Research Institute Act 2005 was enacted by the Parliament and is now being implemented. Another recommendation which was accepted was the repeal of the FSC Act to allow FSC to operate commercially under the Companies Act.
- (iii) A Cane Quality Payment System Report was prepared, which recommended a quality-based cane payment system to replace the current practice of cane payment by weight. The recommendations were generally accepted by all and it was agreed that it will be implemented gradually after several field trials.
- (iv) The Sugar Cane Quality Evaluator provided valuable assessment of the status of the sugar mills and also assisted in reviewing the Indian Team's proposals for sugar industry restructuring. (The Indian Team was invited by the Fiji Government as part of Indian Government's bilateral assistance to the Fiji Islands). As a result, the Government was able to secure long term loan from an Indian Bank to restructure the sugar industry, which is currently being implemented.
- (v) The Rail transport specialist examined the feasibility of the current rail transport system in the sugar industry. In this regard, a report titled "Review of the Rail Transport system Operations in the Fiji Sugar Industry" was submitted for the Government's review.
- (vi) The Irrigation specialist assessed the economic and financial viability of setting up an irrigation scheme to support the sugar industry to ensure higher yields. A Report titled "Water Resources Development for Sugarcane Irrigation in Fiji" was submitted for the Government's review and implementation.
- (vii) The Business Restructuring Expert reviewed the status of the sugar industry and provided recommendations for restructuring. A Report titled "Sugar Industry Restructuring" was submitted to the Government.
- (viii) The land tenure specialist reviewed the current system of valuing land as prescribed under the Agricultural Land Tenure Act (ALTA) and the Native Land Trust Act (NLTA). The consultant developed the methodology for valuing agricultural land, developed guidelines and conducted training to Native Land Trust Board staff.

## **Overall Assessment and Rating**

Overall the TA is assessed as successful. The TA was a catalyst in creating awareness to the problems facing the sugar industry, and challenges to salvage the industry and helped in building consensus among stakeholders which was not achieved before the TA implementation. The TA resulted in accelerating the sugar industry reforms as well as resulted in securing a sizeable loan from India to modernize the sugar cane production and processing infrastructure. One of the major successes of the TA has been that it has helped to build considerable trust among communities. This view is widely acknowledged by stakeholders including the Government. As a result of the TA, ADB has raised its profile in the Fiji Islands as an effective development partner, and it has helped in improving ADB's operations in the medium term.

## **Major Lessons Learned**

- (i) The TA's success was mainly due to the overwhelming support from Government and other key stakeholders, which is essential for such TA. Selection of an appropriate agency as EA is key to TA success.
- (ii) Adequate flexibility should be provided in TAs to ensure that such TA builds on demonstrated successes. An approach with strong stakeholder participation and flexibility to accommodate the needs as it arises should be made available.
- (iii) TAs that may involve difficult reforms should be implemented on a longer term to achieve the intended results.
- (iv) As far as possible, ADB should ensure that the staff who processed the TA does implement it up to closing to ensure the intended outputs are achieved.
- (v) It is important to ensure that appropriate consultants are fielded, otherwise, consultants who failed to build credibility with stakeholders could actually damage the reputation of ADB.

## **Recommendations and Follow-Up Actions**

It is recommended that ADB monitor the progress in the sugar industry restructuring which are currently being financed through a grant from the European Union.