

Annex

1. IDENTIFICATION

Title/Number	FIJI - Annual Action Programme 2010 – Accompanying measures for Sugar Protocol Countries in favour of the Republic of Fiji –Cris n° FJ/DCI-Sucre/22145		
Total cost	<i>EU contribution: EUR 8 million</i> <i>Farmers/beneficiaries contribution EUR 1.5 million</i>		
Aid method / Method of implementation	Project approach – Centralised Management		
DAC-code	311	Sector 62	Agro-industry

2. RATIONALE

2.1. Sector context

As of 1st October 2009, the industry has faced the full impact of the EU sugar reform, as the final cut in the sugar price resulted in a total price reduction of 36 % compared to the pre 2006 level. The Fiji Sugar Corporation (FSC) has incurred a loss of F\$36.8 million in 2009 and of F\$19.8 million in 2008. If immediate drastic actions are not undertaken, the sugar industry in Fiji will probably collapse after 2015. Currently sugar accounts for 4 % of the Fijian GDP, and more than 16 % of its exports, and it is estimated that 1/4 of its population is directly or indirectly dependent on sugar. The Government of Fiji is committed to reform the sector and to achieve an effective transition to a sustainable sugar cane industry as indicated in its National Adaptation Strategy (NAS). It also recognises the high level of dependency of the Fijian economy on sugar and the importance of diversifying the rural economy to a broader base. However this has not yet resulted in a positive outcome.

The National Adaptation Strategy has set three pillars: the development of a sustainable and equitable sugar cane industry, the diversification into market driven agricultural production that is environmentally sustainable, and the development of improved social safety nets and alternative livelihoods for those exiting the sugar sector. The EU response strategy is based on creating an environment for growth including sugar cane and agriculture in general, focusing on the farm entity as a whole, and promoting the development of alternative income generating activities and social mitigation measures for the most affected farmers. The Multi Annual Indicative Program (2008-2010, EUR 60 million) has sequenced the different activities to achieve the above objectives financed with three Annual Action Programs (AAP), to be implemented through a project approach. In accordance with the Council decision (2007/641/EC) of 1 December 2007, the 2008 and 2009 allocations for Fiji have been cancelled (EUR 32 million) following the December 2006 coup d'état and the non adherence to the agreed commitments, including the interim Government's decision to defer the elections until 2014.

Given the current lack of progress on the road map for the return to democracy, the EU 2010 allocation is reduced from its initial amount, from EUR 28 million to EUR 8 million, and has been adjusted, as a transitional measure, to cater for possible interventions in support to the rural populations most affected by the demise of the sugar industry. The 2010 program will aim at

developing a sector strategy for social mitigation in implementing a pilot local development program for the whole sugar belt area, focussing on alternative livelihoods and poverty reduction. In the meantime, it will provide the necessary technical assistance for coordination and implementing studies in the preparation for possible future funding under Multi-annual indicative programme (MIP II) allocations (2011-2013).

Recently, a decision was taken by the Government to move the sugar portfolio from the Ministry of Finance to the Prime Minister's office. A special task force committee was set up to strengthen the decision making process in liaison with the industry and to reorganise the sugar commodity chain. In this respect, the Government decided early February 2009 to dissolve the Sugar Commission and the Fiji Sugar Marketing Company Ltd and to transfer the marketing and extension services back to FSC as a first step of the structural reforms. In July 2009, the Sugar Cane Growers Council (SCGC) was abolished in order to "remove politics from the industry", while retaining the administrative arm of the Council. In July 2010, the Government decided to reform the Agricultural Land Tenure Act (ALTA) to secure long term leases for sitting tenants while ensuring a better rental return for landowners. The Government has also set up a special Committee for a Better Utilisation of Land in order to address the issue of vacant lands laying idle.

The National Adaptation Strategy (NAS) has been reviewed through an intensive consultation process with all the key stakeholders involved in the agriculture sector. Stakeholders' committees and working groups are organised in order to update the National Adaptation Strategy and coordinate the action plan. Recent studies on the viability of the industry have been published and are taken into consideration in the design of new programs. These studies have reiterated the importance of consolidating the production of sugar in order to keep the industry afloat and minimise the impact on farmers. Additional studies have been undertaken in 2009 (harvesting and transport study, a livestock sector review, a sector Environmental Assessment), and have shown that few economic alternatives exist in agriculture diversification (vegetable farming and livestock production) and that other income generating off farm activities should be promoted. In July 2010 the Government has requested Deloitte Ltd to carry out a study on FSC's debt restructuring and on the overall reform of the industry as a first step before negotiating a loan agreement with IMF that will cover the overall Government financing gap forecasted for 2010 - 2012. The study has made important recommendations in line with the reviewed National Adaptation strategy and the business reorientation of FSC. Without the support of the Government, FSC would be insolvent and under the current industry structure, it has no capacity to service any debt. Therefore the study concludes that the Government should take over all FSC's debt and take full ownership of the company with the objective to return to profitability as soon as possible.

The Project to be financed with the 2010 envelope is aligned with the country priorities as set in the Strategic Development Plan 2007-2011, and is aligned with the UN Millennium Development Goals of poverty reduction by promoting housing development¹, vocational training², access to microfinance³, gender equality and empowerment of women. A socioeconomic study for formulating the detailed activities of this local development Program will be launched at the early stage of its implementation.

¹ 77,794 people live in squatter settlements in Fiji. Squatter settlements are spreading four times faster than housing projects. Census 2007.

² One of the key policy objectives of the SDP 2007-2011 is to strengthen and expand Technical Vocational Education and Training

³ Currently only 10,000 people have access to microfinance in Fiji. Reserve Bank Fiji is setting up financial systems to address microfinance initiatives and is actively promoting the access to rural banking and microfinance through the commercial banking network.

2.2. Lessons learnt

A National Adaptation Strategy (NAS) for restructuring the sugar sector and diversifying the economy was developed by the Government and the stakeholders in September 2006. The plan combines initiatives to reduce costs of producing and processing sugar, to diversify from sugar production and to mitigate the social impacts of the reform. This Strategy was reviewed following the EU mid-term review undertaken in 2009 which concluded that the NAS should target more realistic objectives and should design a consolidation scenario for the production of sugar with restructuring milling capacities and relocation of sugar cane growing areas into the best flat lands. According to the study findings, the EU aid is to focus on activities that would deliver useful results through: continued support to research on sugar cane and alternative crops, to pursue studies and experiments on mechanisation and transport cost reduction, to support the development of producers' organisations and the development of vocational training capacities. The study recommends the use of NGOs and farmers organisations as alternative aid delivery mechanisms given the political deadlock, the application of Article 96 of the Cotonou Agreement and the fact that the NAS is not timely undertaken.

The 2010 AMSP allocation is an immediate response to the most urgent needs faced by the populations affected by the sugar reform. It was adjusted to EUR 8 million to consider the lack of absorption capacity of the civil society and Non State Actors that will be used as service providers and to focus entirely on social mitigation, rather than to support the sugar industry. The project focuses on the initiation of local development strategies and social mitigation measures through a Pilot local development Program. These strategies will be tested and the rural communities will be carefully studied before validating the social measures that could eventually be replicated in a project's second phase starting in 2013. The results of the two ROM annual monitoring have also been integrated in order to reconsider the suspension of AMSP allocations and to provide adequate livelihood alternatives and safety nets to the farmers exiting the industry.

2.3. Complementary actions

There are currently two projects being implemented under the 9th EDF programme in Fiji. The Fiji Education Support Programme will be completed in 2010 and has rehabilitated some 448 schools country wide. The Lami dump rehabilitation programme has just started. The draft Country Support Strategy paper for the 10th EDF programme which initially focused on water and sanitation as well as good Governance is still a non paper given the political context, and its programming is at a standstill.

The Cooperation actions financed with New Zealand AID (NZ AID) and Australia AID (AUSAID) have continued since the military takeover. NZ AID financed activities are confined to operations through the civil society, however, the AUSAID assistance is continuing to support education and health through the government systems. NZ AID is actively involved in the assistance to informal settlements and housing schemes through which lessons and synergies should be found for this project. Lessons from the Pacific Finance Inclusion Program⁴ have also been drawn and the present project will try to assist the selected Micro Finance Institution to become more sustainable by providing technical support as there is a lack of expertise and funding within the MFIs governing bodies.

The Asian Development Bank (ADB) and the World Bank are actively following the structural reforms being undertaken/planned by the Government at a macroeconomic level which include the civil sector streamlining, the land reform and the restructuring of State owned enterprises.

⁴ PFIP is a Pacific wide Program funded by UNCDF, AUSAID, EU and UNDP to help rural people to access credit

The Government is currently negotiating a loan agreement with IMF that could be used to fill the financial gap in the Government's budget for 2010 to 2012. In this context, IMF has requested the Government to assess the debt restructuring of FSC and to develop a strategy for reforming the sugar industry for a business orientation in the medium term.

2.4. Donor coordination

The EU response strategy, the Multi annual Indicative Programme 2008-2010 and the review of the National Adaptation strategy were made through a participatory consultation involving the industry stakeholders and the Government's line agencies as Ministry for Primary Industries or Ministry for Social Welfare Women and Poverty Alleviation, Department of works, National Authorising Officer, Native Lands Trust Board (NLTB). Some Non governmental organisations (NGOs) were also associated to the programming and the defined objectives have been agreed by through Programme Steering Committees.

In line with the Paris declaration and the European Consensus on development, various bilateral donors, ADB and World Bank, NGOs, credit institutions, the sugar industry, and training providers have been consulted in the design of this pilot project.

3. Description

3.1 Objectives

The overall objective of the 2010 pilot intervention is to mitigate the adverse effects of the EU sugar price reform and the overall decline of the sugar industry for the most disadvantaged groups.

The specific objective of this pilot project is to identify socioeconomic needs and validate alternative local development strategies for the most affected populations. It will provide direct assistance with alternative housing, and will promote income earning opportunities for farmers and for those who have lost their livelihoods.

3.2 Expected results and main activities

Result 1. Socio economic needs in the sugar belt are identified and a local development strategy is validated

Although a socioeconomic study will be conducted at the beginning of the project to formulate and update the detailed activities of this program, the main activities have already been identified through the Alternative Livelihood Project feasibility study that was designed by ADB in 2003. However, the activities (vocational training, housing program, access to credit) will not be implemented until the results of the study are available with updated information on the targeted population. The study will furthermore assist in identifying alternative economic activities, local initiatives and assessing the capacity of local partners (Non governmental organisations-NGOs, Small and medium sized enterprises-SMEs, Micro finance institutions-MFIs, service providers).

The overall concept is to develop local development strategies which are more effective and efficient if decided and implemented by actors themselves. The overall Local Level Development Programme will be a 4 years pilot phase from which lessons will be drawn. A future second phase (starting with the 2012 allocation) will expand the activities and outputs of the first one by building on success stories, and will develop a phasing out strategy whereby the local actors should gradually take over the coordination, the management and the expansion of the project activities.

a) Vocational Training

The capacity building will be an essential component of the bottom up approach, involving awareness raising, training, participation and mobilisation of the local population in order to draw up local development strategies. Once the socio economic study would have been completed and results available, a second precise identification of affected people will be conducted. Where possible, an exit strategy for each displaced family or household under a critical situation should be established. Where there are clusters or similar groups then a more general exit strategy could be designed. A special focus should be put on the identification of the role of women in the sugar sector and their involvement in other income generating activities as well as the way household budget is managed so as to ensure their participation in the design and implementation of the project. An NGO will be selected through a call for proposals to conduct this individuals' training needs assessment, to design training maps drawn in liaison with each individual's detailed background and development objectives, and to contract out the training activities to local service providers.

The project will provide assistance to local level Non State Actors organisations (vocational training centres, NGOs, private sector partners) to promote training in alternative sectors. Vocational training programs will be designed to assist farmers and their relatives to develop new skills in setting and running microenterprises, in vegetable/fruits farming, processing and selling, or in acquiring new skills for alternative work (electrical, construction, and automobile skills are most sought after). Partnerships will be sought with existing local development initiatives through NGOs or private partners (local tourism industry, local SME). Fiji National Training Corporation, Fiji Institute of Technologies and the Sangam Institute have good track records in training activities and have demonstrated capacity for curriculum development and training facilities establishment and will extend those activities under their existing management with the project funding. Where potential exists for eco/agri-tourism, agro-forestry activities, small scale agro-processing, handicraft, cottage industry, SME development, viable projects will be promoted and training provided for the development of a sustainable land use.

- *Monitoring Indicator: Appropriate vocational training will enable at least 70% of the target group to be trained in new recognized skills and engage in alternative income earning opportunities.*

b) Construction of 8 cluster housing schemes with 30 families in each cluster and implementation of micro-projects

The Ministry of Women, Social Welfare, Poverty alleviation and housing estimates that more than 77,000 people are living in squatter settlements in Fiji. Government has continued to inject resources to upgrade squatter settlements and provide affordable accommodation to the needy but more effort is required to better meet the growing demand, in particular in areas where farmers will be forced to leave their leased lands.

Among possible options for assistance to the evicted farmers a housing construction program as well as micro projects initiatives will be developed in liaison with an NGO that will be selected through a call for proposals among the potential stakeholders operating in these fields (Habitat for Humanity, Housing Assistance Relief Trust or Rotary Home). A close cooperation will be developed with NZAID as the lead donor providing assistance to informal settlements in Fiji⁵.

⁵ NZAID provides assistance to informal settlement through the construction of individual houses (ROTA Home project) and through micro projects interventions (Live and Learn strengthening water, sanitation and hygiene

Where land tenure has to be legally formalised, a formalisation plan should be undertaken by the NGO in liaison with Government of Fiji for informal settlements likely to receive cane growers. Based on the knowledge of the likely location of the displaced growers, informal settlements that are likely to receive displaced growers should be formalised following existing legal procedures⁶ in order to be able to receive potential assistance through the housing scheme and micro-projects intervention. The project will provide housing for 240 households. As much as possible, the project will try to relocate the evicted households in the vicinity of their farm in order to ensure a balanced development of the rural areas. The micro projects intervention will focus on the delivery of basic infrastructures and services in the housing schemes, such as water supply and water conservation systems, soil conservation, forestry, grazing schemes, access to electricity, community micro power systems, wood fuel savings, basic facilities for schools, vocational training facilities, community centres, women and youth groups centres, adult literacy, recreational facilities, health facilities, pit latrines, construction of neighbourhood care points. Minimum local community (beneficiary) contribution will be requested (25% in kind) of the investment cost in order to ensure the ownership and the maintenance of the projects. The micro projects initiative will try to promote income generating activities as there is a good potential for employment generation associated with the use of the new infrastructures and services (nurseries management, infrastructures maintenance, health/schools staff...). A monthly limited rental fee will be requested to each family in order to ensure financial autonomy and a community based council will be elected to ensure the future governance sustainability of each scheme.

- *Monitoring Indicator: 8 cluster housing schemes with 30 families in each cluster initiated and implementation of micro-projects for the cluster housing schemes.*

c) Facilitating the access to credit scheme to support on farm and off farm alternatives opportunities.

Rural households are largely denied access to basic financial services for savings and credit. The urban-based banking sector, which consists of the Government-owned Fiji Development Bank, 6 commercial banks, and 3 licensed credit institutions, has generally failed in rural areas, especially in remote areas. These entities have turned away from agriculture lending, mainly because of small loan sizes, limited collateral, unsatisfactory repayment rates, and high transaction costs. This market failure constrains livelihood activities, and lack of access to financial services is a principal constraint to development. The main issue in relation to the absence of rural financial services is the lack of coverage with only 6 rural microfinance institutions (MFIs). Despite some early successes, microfinance institutions have not reached their full potential, actively serving only 10,000 clients at present. Beginning in 2009 and due to the global credit squeeze, and loan delinquency due to the economic recession, there is a decline in total loans disbursed and outstanding which limits MFI's potential to earn revenue in 2010.

Recognising the aim of creating sustainable economic alternatives, a range of support would need to be given to address the issue of lack of microfinance for new activities start up. With the failure of the formal commercial financial system to efficiently meet rural market needs, the core of the component is to support development of community based MFIs which are better able to address rural market needs.

The project will not establish new institutions but strengthen what already exists through technical and financial support given to a selected MFI. The credit which is promoted is the

education project) – Lessons will be learnt from NZAID which shall be associated as an observer at the steering committee level.

⁶ Government of Fiji and housing agencies (housing Authority, Public Rental Board and NGOs) are playing an important role in providing affordable housing to low income earners. A squatter resettlement unit has been established by the government to set up and apply standards and to carry out formalisation aspects such as (topographical survey, scheme plan engineering, works supervision).

existing general savings and credit programme of existing institutions without requirements for new project based special credit programmes. Each of the rural microfinance institutions that are present in the area (CCSLA⁷, FSCUL⁸, Credit Unions) will be closely assessed in terms of management capacities and long term sustainability potential and a MFI will be appointed through a call for proposal to deliver credit to the targeted people. The MFI model of savings followed by credit means that rural savings will be mobilised to fund much of the new lending but, to promote alternative livelihood and microenterprise development, it is desirable that credit availability be expedited through channelling adequate funding for growth. A credit line will be made available by the project through a grant to a selected MFI, in the amount of EUR 1 million⁹. The lending policy and control mechanisms will be designed with the support of Short term Technical Assistance provided by the project. Additional short term TA will be mobilised for capacity building within the Microfinance Institution and to develop an exit strategy¹⁰. The access to larger loans will also be facilitated by the project. For that, it will liaise with commercial banks which have recently expressed a genuine interest in better servicing rural areas where small scale rural lending has a high cost. Their involvement will be needed on larger scale projects and would be in line with Reserve Bank of Fiji's policy on enhancement to rural credits. No particular support will be provided to the commercial Banks operating in the rural areas, but the project will support business plans preparation and their presentation to the local banks, for possible funding.

- *Monitoring Indicator: Facilitating the access to credit to support on farm and off farm income earning alternatives for 70% of the target beneficiaries. Outreach, repayment, portfolio quality and social performance will be monitored.*

Result 2. NAS and the related policies and Programs are properly developed, coordinated, and monitored

a) Coordination and programming of future MIP II and Monitoring of the NAS implementation

Under the 2006 AMSP, the Sugar Commission of Fiji (SCOF) and then from 2010 the Sugar Industry Tribunal (SIT) were in charge of the coordination and monitoring of the National Adaptation Strategy Program. This task was undertaken by a technical manager seconded to the Program till end of 2010. An accountant officer was recruited by the program in 2009.

This coordination structure, located under the premises of the Sugar Industry tribunal, is to be maintained. The premises will be rented by the project. One long term TA is foreseen for four years and additional support staff (one technical manager, one accountant and one secretary) will be needed to carry out technical and financial aspects of the coordination and monitoring of the overall EU support for the next four years. This support will provide the coordination and administration of the three components of the social mitigation project as well as the overall coordination of the three pillars of the NAS, ensuring a proper programming, implementation and monitoring of the future annual AMSP allocations and maintaining a good communication link with other Government and donors' actions. The coordination structure will provide the human and institutional capacity for coordinating the implementation of the second Multi-annual indicative programme (2011-2013) (MIP II) in liaison with the implementation of the NAS and

⁷ Cane Farmers Co-operative Savings and Loans Association

⁸ Fiji Savings and Credit Union League

⁹ For the credit line only – a technical assistance for products development, accounting, transparency is planned under Short Term TA

¹⁰ An exit strategy will be developed at the design level, according to an agreed procedure in order to clearly set the rules for the use of the funds and maintain the target policy after EC exits. Once the seed capital is exhausted (EUR1m.), the cumulated interest plus capital ownership will be transferred to the MFI.

the development of future projects, in close cooperation with the Steering Committee associating the different stakeholders: associated NGOs, farmers associations, Government line Agencies involved in the monitoring. The coordination unit will commission studies and short term TA under the 2010 AMSP but also under the future AMSP 2011-2013 and will provide strategic analysis where relevant. A particular focus will be placed on the strengthening of institutional capacities of the farmers associations and NGOs involved in the programme for facilitating the policy dialogue and the pursuing of key agriculture sector reforms and sustained social mitigation measures much needed to ensure the strategy long term viability. The Coordination Unit will be instrumental in launching and managing in particular all the interventions to be supported by the EU for the period 2011-2013. It will supervise and monitor all activities as defined under MIP II and will provide an overall result based monitoring system.

A short term expertise will also be needed for carrying out studies for: 1) firstly, detailing the scope of the social mitigation activities based on a socioeconomic assessment of the local populations,¹¹ 2) secondly, detailing the scope of the future EU's interventions, in access road rehabilitation, and in engineering of transport infrastructures, 3) in designing the credit scheme and products¹². Short term TA will also be used for capacity building for farmers associations and institutional strengthening for microfinance. The socio economic study will be launched immediately at the project's start as well as the short term technical Assistance for designing the micro credit component. Other studies/short term TA will be launched in the course of the implementation of the main activities of the project.

An NGO with an established record of implementing community based projects in rural areas will be selected for managing the vocational training component. Some locally based NGOs have been consulted and have expressed an interest in stepping in. The role of the appointed NGO will be to identify specifically the target beneficiaries and their aspirations for training. The NGO will then contract out the training delivery to local service providers and will monitor its implementation. The NGO will assign a full time project Manager to be based in the Coordination Unit in Lautoka, with a deputy to be based in Labasa and will appoint 8 field officers working in each district.

Another NGO will be selected for managing the housing and micro-projects scheme and for contracting out with local works contractors. It will not be integrated in the Coordination Unit so as not to create a parallel structure to already existing and operating structures. Management fees and cost overheads for this NGO are therefore included in the Housing scheme component.

3.3 Risks and assumptions

The assumptions that have been made in preparing the 2010 program are:

- i) The institutional weaknesses of the Non State Actors and their weak absorption capacity is viewed as a risk but, wherever possible activities have been made as simple and neatly defined as possible to be within the capacity of the implementing bodies. The project will also dilute this risk by contracting out with multiple service providers (private sector partners and NGOs). Where the implementing agencies (Micro Finance Institutions) have limited demonstrated capacities, then capacity building measures are included in the project design to ensure long term sustainability

¹¹ A first social impact assessment and NGOs capacities assessment has been conducted in 2010 and has confirmed the main orientations of the programme however, should any activity be substantially modified by the recommendations of the socio economic assessment conducted at the beginning of the project, a rider to the financing decision will be made.

¹² In liaison with PFIP technical assistance team

- ii) Years of dependency on a single commodity crop sold to a single customer have left farmers with little capacity to innovate and be market oriented. Individuals' technical support (business plan, technical support) through an NGO intervention seeks to specifically address this risk.
- iii) Savings generated by credit unions members will be accumulated slowly. The project will address this risk by providing wholesale funds immediately but with time, savings funds should gradually take over in order to expand and sustain the lending scheme of the project.
- iv) The structural reform of the industry is timely implemented and allows to keep the sugar industry afloat in the medium term. The Fiji Government has recently taken the helm for implementing the reform and is determined and able to inject the required investments to sustain the sector (F\$ 100 million/year).
- v) The land lease renewal is successfully accelerated through the Government interventions. This assumption is currently being covered by the active involvement of the Government reforming the land lease act and its repeated efforts to make idle lands available to sugar cane farmers. The formalisation of the land tenure for informal settlements should be cleared as a prerequisite before any housing schemes could be initiated. The Government of Fiji is committed to make available some crown lands and leased lands for this purpose. The selected NGO will work closely with the squatter resettlement unit to formalise the land development aspects.
- vi) The Government will facilitate the strategic orientations of the NAS and the organisational and management setting of the program coordination.
- vii) Sugar Cane Growers Council still plays its role of leadership to steer the industry. The Government has now decided to keep the Sugar Can Growers Council (SCGC) in place, though revamped.

3.4 Crosscutting Issues

A Strategic Environment Assessment was undertaken early 2010 and has made some important recommendations to stakeholders in order to address the environmental compliance plans of the sugar industry. This social mitigation project will have some environmental positive impacts by promoting sustainable farming practices and better land uses than sugar cane farming on poor soils and steep slopes, promoting agro-forestry activities, reducing land erosion and reducing cane burning. Through the housing and micro projects scheme, the project will promote the access to safe water, electricity and its better utilisation.

A socioeconomic study will be conducted at an early stage of the project in order to get an in depth understanding of the socioeconomic fabric of the targeted communities and to better identify the viable economic alternatives from a market based approach, the local initiatives, and to assess the capacities of local partners and civil society. Further structured consultations will be undertaken with women groups in the cane growing families to inform on possible exit strategies for women and to empower women in training on leadership and awareness of indigenous rights, and health issues.

3.5 Stakeholders

The target beneficiaries will be mainly the 200,000 people living in the sugar cane belt's five provinces (an estimated 90,000 indo-Fijians and 104,000 native Fijians) whose livelihoods rely in whole or in part on sugar cane farming with 17,000 registered growers (of which 80% are indo-fijian) and 12,000 seasonal cane cutters. The project addresses the needs of the farm households rather than individual farmers, and also focuses on the needs of women household members in relation to on and off-farm activities.

The specifically targeted beneficiaries will be:

- the farmers and their families whose leases have not been renewed and who are willing to move into alternative off-farm livelihood opportunities,
- the remaining farmers who have extended their lease but need alternative income to sustain their livelihood;
- the cane cutters and mill workers who will lose their jobs because of the workforce rationalisation process and who are willing to develop alternative economic opportunities. It is estimated that around 600 to 1000 FSC workers will be made redundant.

Of all the existing sugar cane farms approximately 22% are of 2 Ha or below which equates to 4,110 households. Of these around 20% are located on low fertile and/or steep slopes and amount to around 822 households. With an average of 71% of all sugar cane farms located on native land, the pilot project will target approximately 583 households as priority target whom will abandon their leased farms and the remaining 239 households who will cease sugar cane growing but are likely to remain on the freehold land.

Local level development partners and non state actors (local communities and farmers groups, NGOs, training vocational centres, private sector partners, microfinance institutions and commercial banks) have been identified in past studies (Alternative Livelihood Project, 2003-ADB) as potential partners to deliver the assistance in social mitigation. They will be actively involved in the consultation process that will be initiated during the socioeconomic study.

4. IMPLEMENTATION ISSUES

4.1 Method of implementation

After the Financing decision has been taken by the European Commission the project will be implemented in direct centralised management. The EU Delegation will prepare calls for proposals and calls for tenders in order to respectively attribute grants, services and works contracts.

4.2 Procurement and grant award procedures

1) Contracts

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the Regulation applicable to the EU Budget using the DCI instrument. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in *articles 31(7) and (8) DCI*.

2) Specific rules for grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80 %. Full financing may only be applied in the cases provided for in

Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities.

- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 112 of the Financial Regulation applicable to the general budget.

4.3 Budget and calendar

COMPONENTS	EU contribution in million EUR	Type of contract	Farmers and private million EUR
<i>Activity 1.1 Vocational training</i>	2.8	Grant, services	0.5(in kind)
<i>Activity 1.2. Construction of 8 cluster housing schemes with 30 families in each cluster and implementation of micro-projects</i>	2.0	Grant , works	0.5(in kind)
<i>Activity 1.3. Facilitating the access to credit scheme to support on farm and off farm alternatives opportunities.</i>	1.0	Grant	0.5 (cash)
Coordination Unit and Short Term TA*	1.9	Services	
<i>Audit and Evaluation</i>	0.05		
Communication/visibility	0.05		
Contingencies	0.20		
TOTAL	8.0		1.5

*EUR 1 million. for monitoring of the AMSP2010 and for the overall coordination and programming of the MIPII (2011-2013) +EUR 0.9 million for short term TA (studies and engineering, microfinance TA, assistance to farmers associations)

The total operational duration of the project will be 48 months and the total execution period will be 72 months.

4.4 Performance monitoring

The Coordination Unit will establish a permanent internal, technical and financial monitoring system to the project which will be used to elaborate the progress reports and monitor the annual disbursement and commitment rates, as well as other indicators for capacity building of farmers organisations (e.g. the number of farmers associations established for fair-trade), or for monitoring the development of sector strategies (e.g. the number of designed plans for harvest and transport by 2012). The selected NGOs (training component and housing component) will be requested to design their respective system for monitoring the number of people trained among which women will be clearly identified, the number of people engaged in new alternative income generating activities, the number of new houses and micro-projects built. The selected Micro Finance Institution will monitor the number of the target beneficiaries accessing credit, the loan portfolio increase, the loan delinquency. Independent consultants recruited directly by the Commission on specifically established terms of reference will carry out annual external monitoring ROM missions and external evaluations (a mid-term evaluation mission in 2012 and a final evaluation in 2014).

4.5. Evaluation and audit

A mid-term and a final evaluation will be carried out by specifically established terms of reference by independent consultants recruited directly by the EU. Audit and evaluation contracts are always concluded by the Commission. The EU shall appoint, in accordance with EU procurement rules, a reputable external auditor/accountant to audit the accounts and the financial records of the project.

4.6. Communication and visibility

The communication and visibility of the 2010 programme will be implemented in accordance with the EU's guidelines for external actions and will be ensured through publications to farmers, quarterly and annual progress reports from executing NGOs and the Coordination Unit.