MDF stimulates business innovation, investment and regulatory reform with the aim to create additional jobs and income for poor women and men in rural and urban areas through sustainable and broad-based pro-poor growth. In Fiji, MDF will create approximately 1,100 jobs and increase incomes for 12,000 households, reaching up to 67,000 men, women and children over a six year period (2011 – 2017). To achieve this, MDF stimulates growth in sectors that represent a major part of the economy, have long-term growth prospects and are relevant for poverty reduction. The two sectors initially chosen in Fiji are Horticulture and Agro-Export, and Tourism and Related Support Services and Industries. MDF’s portfolio will continue expanding to include other growing sectors of Fiji’s economy.

POVERTY IN FIJI

35% of the population is classified as poor. An additional 36% of the total population is highly vulnerable, living just above the poverty line.

The poor are concentrated in the Northern and Western Divisions, which make up former sugarcane growing areas. In some areas such as the Northern Division, more than 50% of the population live below the poverty line. Overall, rural poverty has increased slightly since 2002.

The poor are also concentrated around urban areas such as Suva, Nadi and Labasa. Rural to urban migration has increased steadily over the last ten years as people leave the land in search of a better life in the city. Despite this rural-urban drift, urban poverty is around 25% and decreasing.

Poverty in Fiji is strongly related to employment and is largely the result of a decline in traditional export industries and little economic diversification beyond these traditional industries.

DEVELOPMENT CHALLENGES

DECLINING KEY AGRICULTURAL COMMODITIES. With the decline in production of traditional export industries such as sugarcane and copra, farmers are looking for alternative income earning and employment opportunities. Farmers would benefit from diversification into new export crops, crops which are in demand by the tourism sector, and crops not yet cultivated in Fiji. Farmers would also benefit from using production techniques which have the potential to turn farming into a commercial activity.

LACK OF ALTERNATIVE EMPLOYMENT OPPORTUNITIES. Farmers are leaving the land and with large-scale urban manufacturing having gone through a decline, there is a need for alternative off-farm employment opportunities. Workers would benefit from more off-farm employment opportunities in growing sectors such as tourism, industries supplying the tourism sector, agricultural exports and food processing.

LACK OF ECONOMIC DIVERSIFICATION. Fiji is highly dependent on imports, a few export crops and its entrepreneurial base is small. The Fijian economy needs economic diversification and new entrepreneurs to make use of the opportunities offered by growing sectors such as tourism, horticulture and agro-exports. More opportunities can be developed which turn farming into a commercial activity, create off-farm employment, stimulate growth and reduce the trade deficit.

GEOGRAPHIC INCLUSION. Fiji’s economic activity is concentrated on the island of Viti Levu, leaving other islands with few economic alternatives beyond established yet declining key sectors. Islands beyond Viti Levu would benefit from access to new economic opportunities offered by sectors such as tourism, horticulture and agro-exports.

GROWTH IN FIJI

2.1% GDP growth in 2011 followed at least four years of contraction. Foreign Direct Investment is 52% lower than its peak in 2006. The trade deficit has increased by 24% over the last five years. Fiji currently imports more than double the value of its exports.

About half the workforce is engaged in subsistence-oriented or semi-commercial farming. With total agricultural output declining, subsistence farming is showing an increase. Only 40% of the population earns a wage.

Growth is visible in new private sector-led exports such as horticulture and tourism. Whereas other agricultural exports are declining, horticulture is growing. Tourism is one of the biggest contributors to foreign earnings and employment. Growth in tourism also stimulates growth in supplying industries.

Urban growth is predominantly driven by growth in urban service industries, construction and finance.
### Capturing Opportunities for Growth and Poverty Reduction

#### Market Development Facility
- Focuses on key sectors with high growth potential to capture opportunities for sustainable pro-poor growth
- Tourism and Related Support Services and Industries and Horticulture and Agro-exports identified as growing sectors with the potential to generate employment opportunities and improve livelihoods for many rural families
- Partners with local businesses and organisations within those sectors to develop innovative ideas that address constraints to growth, increase business performance, and improve service delivery which benefits the poor

#### Expected Results
- Activities stimulate economic growth, creating approximately 1,100 new jobs and increasing incomes for 12,000 households
- Access to essential products and services improves for poor producers and consumers
- Local production and exports increase, replacing costly imports

#### Challenges
- 71% of the population is poor or vulnerable to fall into poverty
- Poorest regions are Northern and Western Division
- Concentrated in rural areas with subsistence-oriented farming increasing
- Also concentrations around urban areas, with an increase in rural-urban migration
- Strong correlation with lack of employment opportunities
- 0% average growth rate over the last five years
- Low and declining investment
- Only 40% wage-earning employment
- High imports and growing trade deficit
- Declining agricultural output
- Industries once key for GDP and employment are declining
- Lack of alternative employment opportunities
- Lack of economic diversification
- Need for geographic diversification

#### Relevance to Poverty Reduction
- As the agriculture sector has declined, the share of Fiji’s poor who work in agriculture has increased. This shows the close relationship between growth and poverty in the agriculture sector. As a growing sub-sector, horticulture has the potential to reduce poverty in Fiji.
- Reaches the poorest segments of the population – those working in the agriculture sector and living in rural areas.
- Potential for pro-poor growth by improving farmer yields and income through better cultivation techniques and access to inputs, diversifying production, more continuous year-round production, and increasing access to both international and domestic markets.

#### Long Term Growth Prospects
- Potential for growth in exports through more diversified produce and new processing, packing and preservation methods.
- Opportunities for higher yields, expanded off-season production and introduction of new crops for domestic markets, substituting imports.
- Alternative income opportunities for thousands of former sugarcane growers and those diversifying out of sugarcane industry.

#### Sector Size and Relevance
- The only sub-sector of agriculture with increasing exports.
- Exports grew 18% in 2010, while other agriculture exports have declined.
- Involves or could involve approximately 51,000 farmers in rural areas, where poverty is highest.

#### Growth
- One of the largest contributors to employment and foreign exchange earnings.
- Contributes 13% of total GDP and is expected to continue growing.
- Provides low and high skilled employment to an estimated 53,700 people, a large share of them women.

#### Relevance to Poverty
- As the tourism sector has grown, the number of poor households employed in tourism has decreased. This demonstrates how increased growth in the sector can help to further reduce poverty in Fiji.
- Contributions to employment and livelihood opportunities in areas with few alternatives.
- Potential for pro-poor growth by increasing local sourcing, increasing tourist arrivals and expenditure, and diversifying Fiji’s tourism product to include more activities in more places.

#### Sector | Size and Relevance | Long Term Growth Prospects | Relevance to Poverty Reduction
---|---|---|---
**Horticulture and Agro Exports** | The only sub-sector of agriculture with increasing exports. Exports grew 18% in 2010, while other agriculture exports have declined. Involves or could involve approximately 51,000 farmers in rural areas, where poverty is highest. | Potential for growth in exports through more diversified produce and new processing, packing and preservation methods. Opportunities for higher yields, expanded off-season production and introduction of new crops for domestic markets, substituting imports. Alternative income opportunities for thousands of former sugarcane growers and those diversifying out of sugarcane industry. | As the agriculture sector has declined, the share of Fiji’s poor who work in agriculture has increased. This shows the close relationship between growth and poverty in the agriculture sector. As a growing sub-sector, horticulture has the potential to reduce poverty in Fiji. Reaches the poorest segments of the population – those working in the agriculture sector and living in rural areas. Potential for pro-poor growth by improving farmer yields and income through better cultivation techniques and access to inputs, diversifying production, more continuous year-round production, and increasing access to both international and domestic markets.

**Tourism and Related Support Services and Industries** | One of the largest contributors to employment and foreign exchange earnings. Contributes 13% of total GDP and is expected to continue growing. Provides low and high skilled employment to an estimated 53,700 people, a large share of them women. | Strong growth prospects through expanding to more diversified markets and increasing tourist spending. Opportunities for economic diversification by developing the supporting industries to supply more locally produced inputs and replace current imports. Generates off-farm employment and has potential to reach geographically dispersed communities. | As the tourism sector has grown, the number of poor households employed in tourism has decreased. This demonstrates how increased growth in the sector can help to further reduce poverty in Fiji. Contributes to employment and livelihood opportunities in areas with few alternatives. Potential for pro-poor growth by increasing local sourcing, increasing tourist arrivals and expenditure, and diversifying Fiji’s tourism product to include more activities in more places.
The Horticulture Sector and Agro-Exports covers the cultivation of food products specifically fruits, vegetables and root crops. It covers agriculture production outside of livestock, dairy, sugarcane and cereals. This includes fresh, frozen and processed fruits and vegetables for both domestic and export markets.

**SECTOR RELEVANCE**

Horticulture makes up approximately 47% of total agriculture GDP. It is estimated that as a sub-sector, Horticulture contributes or could contribute to paid employment for up to 51,000 farmers and workers, which makes up 15% of the total labour force in Fiji. This includes farmers and workers on fruit and vegetable farms, non-commercial root crop farmers and sugarcane farms which have diversified into horticulture. The agriculture sector as a whole is the poorest sector in Fiji, with 49% of households working in agriculture classified as poor.

**GROWTH POTENTIAL**

Total agricultural output has declined within the last three years by an average of 3% per year, largely as a result of declining cash crops such as sugarcane. Horticulture is one of the largest growing sub-sectors of agriculture and holds potential for continued growth. It is the only sub-sector within agriculture with increasing exports of a large variety of products. Further growth potential lies in increasing access to new markets through new modes of transportation, processing and packing; increasing productivity, improving quality, developing year-round production and introducing new crops; and improving access to new production techniques, information and high quality production inputs.

** CONSTRAINTS TO FURTHER GROWTH IN HORTICULTURE AND AGRO-EXPORT**

- Dependence on a limited number of market channels and means of transportation limits the growth potential of horticulture and agriculture in general.
- Limited access to extension services or other alternatives for farmers results in farmers using ineffective cultivation techniques, experiencing low yields and facing high rejection rates for export.
- Limited access to relevant information on farming where and when farmers need it, also results in farmers applying ineffective cultivation techniques, experiencing low yields and facing high rejection rates for export.
- Limited access to good quality and appropriate agricultural inputs (seeds, fertiliser and crop protection) and equipment prevents farmers from getting higher yields and better prices for a higher quality product, cultivating more land, and diversifying crops and seasons.
- The short cultivation window currently utilises results in temporal overproduction followed by periods characterised by undersupply, affecting the price farmers can get for their produce; and limiting exports or year-round supply opportunities.
- The limited number of crops currently cultivated results in overproduction while leaving opportunities in other crops underutilised.
- More could be done to mitigate and manage risks related to flooding, storms or improper disease control, as these undermine consistent supply and willingness to invest in horticulture cultivation.
- More could be done to promote high value agriculture, which can accept slightly higher transportation cost, in areas farther from main markets, such as Vanua Levu.

**MDF’S STRATEGY TO UNLOCK GROWTH IN HORTICULTURE AND AGRO-EXPORT**

- To work with exporters and wholesalers to access new market channels with more diversified produce, new markets, new modes of transportation or new manners of processing, packing and preservation.
- To encourage backward linkages and private extension services which address areas that help increase farmer productivity, consistency and quality.
- To work with local businesses to provide access for farmers to relevant and accurate information on cultivation techniques and input use, so that it is available where, when and how the farmers need it.
- To work with local agriculture suppliers to provide low cost effective equipment and appropriate and quality production inputs for farmers.
- To work with local agriculture suppliers to provide information and materials for year-round production so that farmers can extend cultivation beyond one season and provide a consistent supply of produce.
- To work with local businesses to introduce new crops, by providing cultivation inputs and knowledge to farmers.
- Maintain specific focus on increasing access to good agricultural practices that help reduce agricultural risk and promote environmentally and socially responsible business.
- Maintain specific focus on promoting horticulture and commercial agriculture opportunities on Vanua Levu.

**SECTOR CHANGES**

- Improved private extension services and advice through backward linkages
- Farmers get information on more efficient cultivation techniques and input use
- Suppliers provide better quality production inputs for farmers
- Suppliers provide appropriate and affordable equipment and production materials for farmers
- Farmers reach more diversified end markets as new or more efficient modes of transport are offered
- Farmers reach more diversified end markets as new manners of processing, packaging and preserving are utilized

**BENEFITS TO FARMERS AND PRODUCERS**

- Farmers improve the quality of their products
- Farmers increase their yield
- Farmers can produce year-round and supply produce to the market at off season
- Farmers can grow and sell new crops or new varieties
- Farmers produce more, of greater varieties and better quality
- Farmers increase their sales volumes, including new products to new markets
- Exporters sell more diversified produce into new markets
- Exporters demand/buy more from farmers

**RESULTING PRO-POOR GROWTH**

- Increased Employment
- Increased Incomes
- Increased exports and reduced imports
The tourism sector consists of all industries which are involved in catering to, and creating an experience for, incoming tourists. This includes accommodation, transportation, entertainment, activities, retail and food and beverage services. To stimulate broad-based growth, MDF also focuses on those industries which produce items and supply the tourism sector. This includes food wholesalers, farmers, and handicraft producers.

**SECTOR RELEVANCE**

In 2011, tourism contributed 13% of Fiji’s total GDP. When considering indirect contributions, such as those industries supplying the tourism sector, tourism is responsible for estimates as high as 35% of total GDP. Direct employment within the tourism sector is estimated at 38,500, or almost 12% of the total labour force. When including the total number of jobs within supporting industries the total employment figure is 53,700. As a result of its strong growth, poverty within the sector has declined; however there are still 25% of households working in tourism which live in poverty.

**CONTRIBUTION TO GROWTH**

The tourism sector grew 7.8% in 2010 and is expected to grow an average of 4.9% per annum over the next ten years. Growth within the tourism sector and supporting industries is also a step towards increasing exports. Further growth potential lies in increasing and diversifying tourism in Fiji. This includes bringing more tourists to Fiji who stay longer, visit more parts of the country, and increase spending on shopping, activities and entertainment; and by increasing local purchasing of supplies by hotels and resorts.

**CONSTRAINTS TO FURTHER GROWTH IN THE TOURISM AND SUPPORTING INDUSTRIES**

| Domestic and international transportation linkages are limited, inefficient and expensive, making it difficult for tourists to get to and travel within Fiji. | To encourage improvements in international and domestic travel linkages, opening up options for tourists, and improving efficiency and cost. |
| A lack of well-organised travel information and booking options prevent tourists from arranging longer or more diverse trips. | To support local organisations to offer diversified, informative and well-organised travel information and streamlined booking options for tourists. |
| Limited shopping and entertainment activities outside of resorts restrict tourist spending and decrease demand for locally made products. | To work with local suppliers and producers to offer more diversified locally-produced goods attractive to tourists, and more diversified activities and entertainment options for tourists. |
| High use of imported produce and processed food results in tourism spending leaving Fiji through higher imports and puts increasing pressure on tight margins for hotels, resorts and restaurants. | To work with local wholesalers to offer more year-round processed and fresh produce for use in hotels, restaurants and resorts. |
| Lack of awareness of Pacific cuisine results in limited use of locally available produce by chefs and higher imports. | To encourage promotion of Pacific cuisine and the use of locally available ingredients, enhancing the tourist experience in Fiji and increasing purchase of local produce. |
| Lack of hospitality skills that match the cost-level and ambitions of Fiji as an exclusive destination. | To work with local organisations to increase access to appropriate hospitality and hotel management skills. |
| Hotels and resorts use a high percentage of imported non-food supplies due to lack of suitable local manufacturers or suppliers, thus increasing costs and imports. | To work with local businesses on innovative solutions to offer locally produced non-food related supplies for hotels, restaurants and resorts. |
| More could be done to brand Fiji as a ‘green’ or ‘unspoiled paradise’ destination, to strengthen its brand and mitigate the environmental impacts of tourism. | Maintain specific focus on promoting use of sustainable practices in the tourism industry, such as renewable energy or organic farming. |
| More could be done to stimulate tourism in areas with few economic alternatives such as Vanua Levu. | Maintain specific focus on capturing opportunities on Vanua Levu. |

**SECTOR CHANGES**

- Hotels can buy more diversified fittings and supplies made locally
- Local wholesalers provide more year-round processed produce and food-stuff
- Unique Pacific cuisine promoted along with the use of local ingredients
- Improved online travel information and booking options available to tourists
- Improved international and domestic travel links available for tourists
- Local businesses offer more diversified and attractive activities for tourists
- Local businesses offer more diversified and attractive goods for tourists

**BENEFITS TO FARMERS AND PRODUCERS**

- Suppliers increase turnover and expand
- Tours buy more locally produced goods and services (activities)
- More tourists arrive from existing and new markets, tourists stay longer, and visit more locations
- Resorts increase turnover and expand
- Suppliers increase turnover and expand

**RESULTING PRO-POOR GROWTH**

- More laborers employed longer
- Increased Income
- Increased exports and reduced imports