

THE REPUBLIC OF THE FIJI ISLANDS

EUROPEAN COMMISSION

JOINT ANNUAL REPORT

2005

(March 2006)

1. Executive Summary

The political stability and modest economic growth established since the post-coup elections of 2001 continued throughout 2005, even if there were some indications that the political stability remained an open question.

Politically, the Government ran into political difficulties with the introduction of the so-called Promotion of Reconciliation, Truth and Unity Bill, which contained an amnesty clauses that could potentially benefit persons convicted for their involvement in the previous coups. Following an extremely heated public debate, the Bill was opened up to public consultation and – after a second reading in Parliament – was temporarily set aside, to avoid further controversy in the pre-election period.

Growth in the economy slowed considerably despite tourism continuing to do well and other sectors – notably construction – prospering. Some sections of the manufacturing industry, however, contracted badly. With the loss of the U.S. garment quota and declining preferences in the Australian market, total garment exports declined by no less than 37.2% in 2005, representing a loss of some F\$ 100m.

Sugar production levels again declined slightly, and overall revenues were down by some F\$ 20,000 on 2004.

In terms of EU-Fiji cooperation, 8th EDF programmes (delayed due to the post-coup suspension of aid) progressed well: two major infrastructure projects, the Lautoka Teachers College (€ 4.15 m) and the Kinoya Outfall (€ 4.1m) were both satisfactorily completed in 2005 and the Naboro Landfill (€ 9.1m) was opened in August (works had been completed in 2004). Significant progress was made on the other major project, the construction of the new Rewa Bridge (€ 11m), although technical problems pushed the expected completion date from end-2005 to mid-2006.

The main 9th EDF programme, the Fiji Education Sector Programme, was officially launched in November 2005 and implementation is underway. It is foreseen to upgrade some 300 schools under the programme. While the main programme is considered to be progressing well, the Non-State Actor (NSA) component of the programme has been far more problematic, with real difficulties experienced in getting the component established and keeping its management in line in terms of required administrative and financial practice.

2. Update on the Political, Economic and Social Situation

2.1. Background

The Republic of the Fiji Islands comprises 330 islands and coral atolls of which some 105 are inhabited. The total land area is 18,330 sq km and the EEZ 1.26 million sq km. Fiji's population is estimated at 824,526 (in 2002), made up of two principal communities: indigenous Fijians (51%) and Indo-Fijians (44%). The remaining 5% are Europeans, Chinese and Rotumans (living on an island some 500-km north of Suva). The differences between the two principal communities, but also within the communities, are fundamental for understanding the political, economic, social, and cultural situation of the country.

The capital is Suva. Its main international airport is Nadi on the west coast of Viti Levu, which, together with Vanua Levu, form the two biggest islands of the country. The economy is based on agriculture (mainly sugar), manufacturing (in particular garments) and tourism. Fisheries, forestry and minerals (gold, copper, lead and zinc) also contribute to economic development and export earnings. With a GDP/capita of about € 2,400 Fiji ranks as a middle-income developing country. Nevertheless, its ranking in the UNDP Human Development Index dropped from 81 in 2003 to 92 in 2005.

Social data indicate an absence of absolute poverty, but the percentage of people considered as poor is growing, between 35-50% of the population, in particular among young people, in decentralised rural areas and in disadvantaged urban areas. Social services such as public utilities, health services and educations, in particular in rural areas, need substantial support.

Fiji became independent from the United Kingdom on 10 October 1970. Its political system is built on a Westminster-type democracy. However, ethnic tensions between indigenous Fijians and Indo-Fijians and overall political instability have marked Fiji's recent political history.

The *coup* of 19 May 2000, overthrew the constitutionally legitimate government formed under the first Indo-Fijian Prime Minister Mahendra Chaudhry.

Following a return to democracy and the new political elections in August 2001, power was given back to an indigenous-Fijian-led government led by a former banker Laisenia Qarase, whose party, the Soqosoqo Duavata ni Lewenivanua (SDL), had won a relative majority. As his government failed to include representatives of Mr Chaudhry's Fiji Labour Party (FLP), representing the Indo-Fijian component of the society, as required by the Constitution in respect of those political parties having won more than 10% of the seats at the elections, the formation of the new Government was legally challenged in the Court by the Fiji Labour Party.

2.2. Update on the Political Situation

During the earlier part of the year, a series of Talanoa discussions took place between the Prime Minister, Mr Laisenia Qarase, and the leader of the second largest political party (the Fiji Labour Party), Mr Mahendra Chaudhry, whose party was entitled – having won a significant share of the vote in the 2001 elections – to join Mr Qarase's Soqosoqo Duavata ni Lewenivanua (SDL, or United Fiji Party) in government. The Talanoa discussions ceased towards the end of the year however, following the FLP's decision not to join the SDL in government, having failed to make sufficient progress on a number of crucial issues and been dissatisfied at the number and weight of the ministerial portfolios offered to it. The present Government would be completing its term by September 2006.

In a widely welcomed move, a highly respected lawyer and traditional high chief, Ratu Jone Madraiwiwi, was named as Fiji's new Vice-President in January 2005. The high-profile trials, for coup-related charges, of several other high chiefs and other high-ranking officials, including Cabinet Ministers, were in progress in 2005 and some have resulted in a number of prison sentences.

In May 2005 the Government introduced the Promotion of Reconciliation, Truth and Unity Bill in the democratic process of approval. When the provisions of the proposed

Bill, and in particular its Amnesty provisions, became known, strong public reaction was expressed in several quarters. A Parliamentary Select Committee was mandated to receive public submissions on the Bill, throughout the Summer months and amendments to the Bill were subsequently promised by Government. As at end 2005 the proposed Bill had yet to receive its third reading in Parliament.

Sugar sector reform

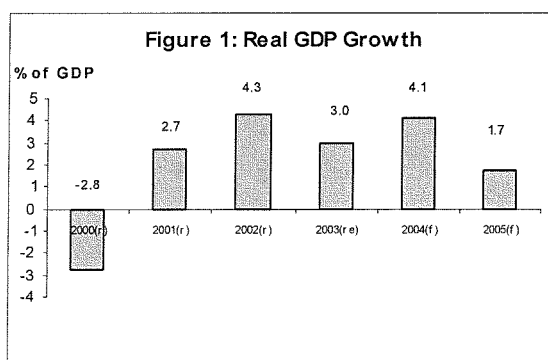
A limited measure of reform was initiated in 2005 in the form of an agreement with the support of the Indian Technology Mission to tackle a number of aspects of mill performance, aimed at reducing costs. Funding for this reform measure, which only partially addresses the problems currently faced by the milling sector, was obtained through a soft loan, backed by Government guarantee. No progress was made in reforming other sectors of the industry (namely labour, transport or cane husbandry), largely because these are sensitive areas in which political as well as than economic considerations have traditionally been paramount, involving as they would a loss of jobs. Equally, no progress was made in reforming land ownership, another critical issue for the sugar industry, affecting certainty on land leases and hence investments and therefore the potential both for cane production and for cane quality.

Such reform was nevertheless recognized as vital for Fiji, with its low levels of competitiveness and its heavy reliance on the EU's subsidised prices for raw sugar for half its production. In November 2005 the nature of the long-awaited EU sugar reforms finally became known. A 36% price reduction was agreed for EU internal sugar market prices (to which Protocol prices are linked), with the reduction being phased in over a 4-year period beginning in 2006/07.

At the same time as the reform proposals were announced, the EU confirmed that it would be offering Protocol countries assistance during a maximum period of 8 years (2006 – 2013) to help the country adapt to the new market conditions.

2.3. Update on the Economic Situation

Growth in the domestic economy was estimated at 1.4% in 2005. This slowdown of growth, compared to 4.1% in 2004, reflected the anticipated negative impact of the expiry of US textile quota on the garment industry.



In 2005, growth was expected to be broad based with agriculture, forestry and fisheries (2.5%); building and construction (10.6 %); wholesale, retail trade, restaurants and hotels (5.5%); Transport and Communication (3.6%) sectors all contributing significantly. The Finance, Insurance, Real Estate and Business Services, and the Electricity and Water sectors were also expected to contribute positively. In contrast, the Mining and Quarrying and Manufacturing sectors were expected to slow down in 2005.

Indicators suggest that consumer spending remained buoyant during the year. Finance, insurance, real estate and business services grew by 3.6 %. Value Added Tax (VAT) collections from domestic retail activities rose by around 1.5% over the 2004 collections. As a result of better revenue collection, the operating surplus was estimated to be of the order of F\$33.11 million. Moreover, currency in circulation and lending for consumption purposes also grew during the year, further supporting the strong growth in consumer demand. In addition, strong growth in personal remittances from abroad continued to underpin consumption activities during the year. The inflation rate for 2005 was 2.7%, lower than in 2004 (2.8%) and is anticipated to be slightly lower still in 2006. Investment expanded in 2005, with private investment in building and construction sectors performing particularly well. The public sector investment increased from F\$205 million to F\$ 237million.i.e. by 15.5%.

Foreign reserves at the end of 2005 were around FJ \$822 million, sufficient to cover 2.9 months of import payments of goods and non-factor services or 4.2 months of imports of goods only.

Along with the other Pacific ACP countries, and after a prolonged period of preparation, Fiji participated in Economic Partnership Agreement negotiations with the European Union to iron out issues in particular the issue of sugar quota.

2.3.1 Natural Resources Sector

The Agriculture, Forestry and Fisheries Sector was expected to have expanded by 2.5% as a result of improvements in agricultural production, mainly fresh fruits and vegetables, yaqona (kava), root crops, coconut and livestock production. The anticipated slowdown in sugarcane sub-sector was expected to dampen growth prospects.

2.3.2 Sugar Industry

Cane output was estimated to be 2.8m tonnes in 2005 showing a decline in production by 2% over 2004. In line with the lower cane output, total sugar production during the season amounted to around 308,000 tons, 1.9% lower than the output during the last season. A lower tonne of cane to sugar (TCTS) ratio recorded for the 2005 season resulted in the slightly lower growth in sugar output, relative to cane output. Revenues for sugar exports in 2005 were estimated at F\$ 193, 000 some F\$ 20,000 down on 2004. Sugar exported under Fiji's Protocol quota accounted for 86.5% of total sugar export earnings.

The sugar industry reform programme was cognizant of the staggered reduction in preferential sugar prices accorded by the European Union (EU) and in turn, the need to improve efficiency and productivity to become more competitive in the world market. In this regard, the new intended reform agenda aims to reduce inefficiencies in production,

harvesting, transportation, and milling processes. Reform agenda embodies the ownership of all industry stakeholders and is based on consensus from extensive consultations undertaken. To support the necessary implementation of reforms, Government had guaranteed Fiji Sugar Corporation a loan worth around \$86 million from the EXIM Bank of India.

To complement the industry restructure plans, Government had also implemented an Alternative Livelihoods Project (with ADB's assistance) to assist all those who were affected in any manner, including sugarcane farmers and other industry workers, by the restructure plans. Diversification of the sugar industry through the production of ethanol and cogeneration of electricity was also part of reform agenda.

The issue of expiring land leases was a concern. Government was committed to putting in place a land use framework which was expected to benefit both landowners and tenants through market based returns for former and security of tenure for the latter.

Though a number of farmers have left Fiji's sugar industry, and many are no longer wholly dependent on farm revenues, the industry still employs 21,000 growers, 15,000 cane cutters and 2,600 mill workers (13% of the workforce) and accounts for 7% of GDP and 22% of export earnings. Some 170,000 Fijians in all (about 20% of the population) depend on the sugar industry in one way or another, whether wholly or partially. Its future is therefore a matter of critical importance to Government and to the population as a whole.

The outlook for the Fijian sugar industry is clearly not rosy: now that the depth and lead-times of the EU's sugar reforms are known, the days of optimal EU prices are numbered. Equal or improved access for Fiji's sugar to the European market could be negotiated under the proposed Economic Partnership Agreement, but lower prices are an inevitability. Restructuring of the industry is widely accepted as vital, but will be difficult – politically – to achieve.

2.3.3 Non-Sugar Crops and Livestock

Growth of 5% percent was anticipated for non-sugar crops production in 2005, compared to 1.7 percent estimated for 2004. This positive outlook was underpinned by an expected increase in crops such as dalo, yaqona (kava), fruits, vegetables, and coconut.

The livestock sub-sector was also expected to contribute positively due to improved production of dairy, poultry and eggs. Growth was expected to expand by 5.7 percent in 2005. Additional investment by the private sector in poultry production in 2005 provided impetus to the performance of this sector. Furthermore, Government's partnership with the private sector through the Viti Corps Company Limited was expected to boost the dairy industry.

Despite strong surges in domestic production of fruits, vegetables and livestock, export potential remains massively untapped. This phenomenon can be attributed to low quality and inconsistency of supply by local producers. In this regard, Government had targeted assistance for purchase of farm inputs, improvement in farm husbandry and extension services to boost the quality of agricultural produce. These Government programmes

were mainly aimed at developing 'value-adding' processes that increased the shelf life of local agricultural produce, thus enhancing export potential. In addition, market access had been secured under various bilateral quarantine agreements for pawpaw, eggplant, chilli, herbs, pineapple, breadfruit and mango, amongst others.

To ease marketing problems in rural areas, Government had established the Agricultural Marketing Authority (AMA), which was expected to improve the storage and handling of farm produce.

An Alternative Livelihood Programme (ALP), developed by Government and funded under an ADB Loan, was expected to boost production in the sector as it targeted to increase sustainable farm livelihoods, particularly in the Western and Northern Divisions. The programme was expected to strengthen commercial farming capacity, transfer technology, develop small and micro enterprises, provide support to vocational training and provide access to credit in rural areas.

Subsistence agriculture contributes around 4.5 percent of GDP. The majority of rural dwellers earn their livelihoods through this sector whilst a significant number of families continue to grow their own food and livestock needs. This sub-sector will continue to play a significant role in the livelihoods of rural communities.

2.3.4 Forestry

Forestry had immense potential for growth, particularly with the commencement of mahogany harvesting on a commercial scale. The sector was anticipated to grow by 2.7 percent in 2005 compared with 6.8 percent growth estimate for 2004. Pine wood chips from Viti Levu were the leading forestry export.

Sustained growth of mahogany production is expected to reach 90,000m³ by 2008. The full utilization of mahogany resources can be realized through higher productivity levels, improved skills, gainful participation of resource owners and more down stream processing activities.

Sustainable forest management and improvement in human resource capacity is a priority, which Government through the Timber Industry Training Center and the Forestry Training Center intends to address. More so, measures to improve compliance with international standards will be put in place.

2.3.5 Fisheries

The fishing industry improved marginally during the year. The sector was estimated to grow by 4.1 percent in 2005, compared to 9.1 percent growth expected in 2004. Trade data indicated that total fish export receipts amounted to around FJ \$ 88.1% million, representing a marginal increase over the previous corresponding period.

The offshore fisheries activity continued to dominate the industry largely through tuna caught for canning and sashimi. However, adverse weather conditions had contributed to lower catches within the Exclusive Economic Zone.

The challenge now is to manage and sustain fisheries resources, through an optimal number of fishing licenses, better monitoring of catch levels in line with total allowable

catch and improved surveillance of vessel movements in high seas. In addition, the industry has to manage prudently in times of low catch rates due to changing climatic conditions and increasing fuel costs.

To promote sustainability in the sector, Government has put in place measures to improve inshore fisheries through aquaculture, mariculture, brackish water, coastal fisheries and seaweed development projects.

2.3.6 Mining and Quarrying

The mining company recorded a drop in production of gold with an estimate of around 23.0 percent in 2005. This low productivity was mainly attributed to poor ore quality, high personnel absenteeism, equipment failures and high fuel prices. However, untapped mining potential remains in other parts of the country and exploration works will continue to be encouraged.

2.3.7 Manufacturing

The manufacturing sector comprises of the textile, clothing and footwear, sugar, beverage and tobacco (including mineral water), food processing and non-food industries. Production in the sector was anticipated to contract by 7.5 percent in 2005, compared with 3.6 percent growth expected in 2004. Output in the clothing and footwear industry was expected to decline in the medium term due to the loss of US garment quota and declining margin of preference into the Australian market. Total garment exports, in 2005 was estimated to be in the order of F\$142.1 million, a decrease of 37.2 % over the corresponding period last year. The garment quota system that limits garment exports to the U.S. expired on 1 January 2005. Fiji had exported garments to the US through a quota under this arrangement, and with the expiry of this system, Fiji had to face the difficult challenge of competing with major garment producers, such as China and India for access into the US market. In December 2004 an agreement was reached between Australia and Fiji on a 7-year extension of export quotas on textiles, clothing and footwear, but in general, stakeholders have every reason to be very concerned about the future of the industry in Fiji.

In the beverages sub-sector, mineral water exports had increased significantly from \$24.5 million in 2001 to an estimated \$61.5 million in 2005. This upward trend is anticipated to continue over the medium term with exports expected to reach a record of \$110.0 million by 2008.

Other food industries sub sector was expected to grow by 18.0 percent in 2005. The other non-food industries that include cement, wood and metal products was anticipated to grow by 10.0 percent in 2005 (5.0 percent in 2004).

2.3.8 Wholesale and Retail Trade

Wholesale and retail trade was anticipated to expand by 5.5 percent in 2005, compared with an 8.6 percent growth estimated for 2004. The slowdown in growth was mainly attributed to lower levels of domestic exports. Higher remittances from abroad and increased visitor arrivals provided impetus to the industry.

2.3.9 Transportation, Storage and Communication

Transportation, storage and communications sector was anticipated to grow by 3.6 percent in 2005, compared with 5.5 percent growth estimated for 2004. Higher visitors arrival anticipated at 532,000 in 2005 compared to 507,000 in 2004, was expected to provide impetus to this sub-sectors' performance.

The communications industry was expected to decline by 3.5 percent in 2005, compared with 5.0 percent growth estimated for 2004. The recent decision of the Commerce Commission to reduce telecom tariffs was anticipated to negatively impact the sector. However, these estimates do not account for the increasing activity in wireless communications and internet services due to methodological limitations in compilation of GDP statistics.

2.3.10 Tourism

The tourism sector remains Fiji's main source of foreign exchange receipts. Restaurant and hotels activity was anticipated to grow by 12.9 percent in 2005, compared with 18.5 percent estimated for 2004. Tourism growth was broad-based particularly with the emergence of eco-tourism, and meetings and conventions markets.

Construction of new hotels and the entry of new air-carriers supported the positive outlook for the sector. Visitor arrival for 2005 had been anticipated to reach 532,000 and projections for 2006 stands at 565,000 arrivals. Furthermore, new markets, such as the People's Republic of China and India, are expected to boost visitor arrivals to around 658,000 by 2008.

The private sector remains the driver of development in the tourism industry. The construction of new hotels, such as Sofitel, Intercontinental in Natadola, Marriott in Momi, and the resort developments in Denarau will increase the availability of high-end accommodation.

Government has initiated a Public Private Partnership Policy to encourage private sector participation in the development of necessary infrastructure facilities to support new investment and further boost the tourism industry.

2.3.11 Building and Construction

The building and construction sector did well in 2005, with around FJ\$ 118 million estimated to be spent on capital works in the year with marginal increase over 2004.

Electricity & water sector was expected to expand by 8.9 percent compared to 4.1 percent estimated for 2004. Growth in this sector emanates from stronger-than-expected growth from water production. Government in partnership with the ADB had funded infrastructure upgrade of the Nadi-Lautoka and Suva-Nausori regional water supply. This would result in higher production capacity

2.3.12 Finance, Insurance, Real Estate and Business Services

The Finance, Insurance, Real Estate and Business Services sector was expected to grow by 3.2 percent in 2005. The anticipated increase in life and general insurance policies coupled with new Fiji National Provident Fund memberships was also expected to contribute positively to this growth.

2.4 Update on the Social Situation

Select Population and Macroeconomic Indicators

Population (2005, preliminary est.)	846,085
Population growth (2005)	-0.9%
GDP per capita (FJ\$ 2005)	5741
Annual GDP growth rate (2005)	1.4%
Annual inflation rate (2005)	2.7%
Expenditure on Education as a % of the 2005 national budget	18.3%
Expenditure on Health as a % of the 2005 national budget	9.6%

(sources ADB and Government of Fiji)

The Government of Fiji continued to state its support for Education and Health, with significant proportions of the budget being allocated to both sectors. Affirmative Action and Social programmes was implemented to assist disadvantaged sections of the community under the provisions of Social Justice Act 2001. The advancement of indigenous Fijians and Rotumans remained a key development issue.

With low levels of investment (both international and local) the job market had not grown as fast as the number of school-leavers and unemployment was high, in particular among young people. On the other hand, scarcity of necessary skills was starting to be felt in several sectors (construction, automotive and others). The private sector reported that large numbers of skilled and highly skilled nationals migrated since the first 1987 *coup* and it seemed that the education system had not being able to produce people with equivalent levels of know- how. A gap was thus becoming visible: scarcity of skills in some fields and many young people leaving school without having acquired a minimum of useful knowledge.

Thus poverty levels remained a concern. The number of people living below poverty line rose sharply after the May 2000 coup from around 25% of the population (est.) to close to 28.2% (est.). This is based on the estimates made in 2002 HIES Survey. Incidence of poverty in rural areas was 36.4% compared to 25.9% in urban areas.

Squatter areas around the major town were rapidly increasing, fuelled by the expiry of sugar land leases and also because populations from remote areas moved into urban centres looking for better educational opportunities for their children. The ethnic composition of these squatter settlements was quite balanced, reflecting that of the

population in general. Many of these settlements do not have access to basic services, such as water, sanitation and electricity.

2.4.1 Law and Order

Reported crimes, which had been on the decline, have increased in recent years – as could be expected given the rise in poverty levels. In particular, the use of drugs, together with money laundering, fraud, robbery and violence, burglary, house breaking, thefts, forgery as well as sexual offences against women and children, had increased. Parts of the country faced acute shortages of experienced public prosecutors, and legal processes were often slow and highly inefficient. Government put in place various mechanisms to improve the effective and efficient maintenance of law and order in Fiji, including the appointment in 2003 of a new Police Commissioner. As a result, the professionalism of the police force is considered to have improved although lack of funds still impacts heavily on its ability to act optimally.

2.4.2 Poverty levels

According to the 2002/03 Urban and Rural Household Income and Expenditure Survey (HIES), Fiji, 28.5%, of households lived below the poverty line, defined as equivalent to an income of \$9,253 per annum for a family of five consisting of two adults and three children. Incidence of poverty in rural areas was 36.4% compared to 25.9% in urban areas. According to the report Food Poverty Line (FPL) is \$11.0 per capita per week and the Basic Need Poverty Line (BNPL) is \$32.32 per capita per week.

The number of families dependent on the Family Assistance Scheme to meet their basic needs has doubled in a decade, and in 2005 stood at 23,404. Visible signs of poverty include increased numbers of street people such as beggars, street kids, wheelbarrow boys and prostitutes. The huge interest shown by large numbers of unemployed Fijians in finding work in Iraq is a measure of the desperation felt by many of the country's disadvantaged.

The major categories of the poor include the working poor; single parent-headed households, the unemployed and the disabled. Approximately 83% of heads of poor households work. One in seven of the poor households are headed by a single parent.

2.4.3 Health

Fiji has a generally reasonable standard of health, and compares well with other Pacific Island countries. The country's health status meets or exceeds most of the WHO goals for the Year 2000. Priorities for the health sector in 2005 included the improvement of health care facilities (some hospital buildings date back to the colonial era, and were in a poor state) and of staffing (the loss of trained nurses to more lucrative jobs in the U.S., Australia and New Zealand was a problem), and management of HIV/AIDS, diabetes and hypertension. (Diabetes continues to affect one in eight of the population). Road accidents had also become an increasingly important concern, costing the country about F\$ 20m.

The government's focus for health lay more in health education and primary care than in curative care. Changing lifestyles had led to increased incidences of heart and respiratory diseases, diabetes, high blood pressure and cancer, and explains Fiji's relatively low life expectancy rates (68 years for men and 71 years for women). While relatively low in absolute terms, the numbers of confirmed HIV/AIDS cases is increasing steadily, and reached 200 by the end of 2005. A number of initiatives are currently being undertaken by the Ministry of Health to counter the spread of HIV/AIDS, including awareness and training programmes.

2.4.4 Education

Educational expenditure in Fiji consistently absorbs the highest allocation in GoF's overall expenditure. In the 2005 budget, F\$260.4 million are allocated to Education compared with F\$251.5 million in 2004.

About a quarter of the entire population was of school-going age and over 98% of children between 6 and 14 years of age were attending schools. (In 1996, about 70% of the population had already received some secondary education (74% indigenous Fijians and 66% Indo-Fijians)). In the same year, the literacy rate was 92.9 percent and was slightly higher among indigenous Fijians (92.9 %) than among indo-Fijians (89%). The rate was higher among males (94%) than among females (91%). The current education Statistics (2004) showed 100% primary school enrolment, 64.6% completed primary education, ratio of girls to boys in primary school was 0.93 and in secondary school it had reached 1.06. However, there remains much room for upgrading and improving teacher training and working conditions. There is also a need for several hundreds of additional teaching posts: pupil-teacher ratios at primary level were satisfactory in rural areas (1:20 on average) but excessive in urban areas (1: 42), as a direct result of high population growth and rural-urban migration. Specific provisions in the 2005 Budget included funds for school construction and maintenance, provision for additional teaching posts and or additional scholarships.

The Ministry is, with EDF and AusAID assistance, strengthening its various sections, in order to improve the efficiency in carrying out its functions. Regional co-operation is being coordinated with organizations such as UNESCO implementing some programmes such as 'Education of All' and other Regional initiatives. Curriculum development is also an area where sustainable development is being addressed in terms of teaching the children in schools on issues pertinent to sustainable development programmes. Manpower development is a key function of the Ministry of Education and the development of the full potential of all children in Fiji is a prime focus of their programmes.

2.4.5 Rural incomes and Living standards

Urban drift continued to increase. At the time of the last census in 1996, 47% of the population lived in urban areas (as opposed to 39% in 1986). The numbers of those living in urban areas has certainly increased since. Inferior health and education facilities, together with a paucity of employment opportunities had contributed to the overall increase in urban migration. Many of those living in the increasingly big squatter

settlements around the main towns (in particular in the Suva-Nausori corridor) were Indo-Fijian whose farm leases ended in the past five years and were not renewed.

2.4.6 Persistence of Skill Shortages and Constraints to Job Growth

A significant factor hindering economic growth and development was the persistent shortage of skilled workers and middle-and high-level managers. A large number of the pool of skilled workers (many of whom are Indo-Fijians) have left Fiji within the past decade, and a significant number of skilled workers continue to leave for more highly paid jobs outside the country. Within the formal sector, it was the Public Service - where two thirds of middle- and high-level workers with the requisite tertiary level education and training were employed - that suffered the most from manpower shortages. Some 10% of all established posts in the public service are vacant due to the inability to recruit, and particularly to retain, the professional and technical personnel required. This includes not only medical doctors, nurses, engineers and scientists, but – increasingly – electricians, mechanics and joiners, an increasing number of whom have recently been recruited for skilled or semi-skilled jobs in the Middle East.

Cumulative to September, around 4,195 people emigrated, representing a decline of 4% over the corresponding period in 2003. During the review period, fewer workers under the professional & technical and clerical, categories migrated relative to last year. However, this was partially offset by an increase in the number of agriculture and production and administrative workers leaving Fiji.

Securing decent jobs for the 17,000 young people who leave school annually is one of the major challenges for Government. The Integrated Human Resource Development Programme for Employment Promotion (IHRDPEP) was extended to 2004 to complete piloting of the initiatives. Its replication throughout the 14 provinces in 2002 and 2003 facilitated the promotion of sustainable formal and informal jobs in the rural as well as urban areas.

2.4.7 The United Nations Millennium Development Goals (MDG)

Fiji had already achieved, or almost achieved certain MDG targets, although poverty was on the increase, with new forms of poverty – in particular urban slum dwelling. Fiji has very high literacy rates and has achieved universal primary education for boys and girls. However, the quality of education and retention rates remain a problem, in particular in the outer islands. Gender equality has also almost been attained in secondary education.

Child mortality rates had declined over the last decade and are low. Fiji's Infant Mortality Rate is 16.18 for every 1000 live births (LB) and the Child Mortality Rate is 1.18/1000. Immunisation coverage was high (over 95%), both for measles and for other communicable diseases. As in other developing countries, non-communicable diseases are now major causes of morbidity and mortality, however.

Available data suggests that only half the population had access to an improved water source. Access to improved sanitation was reported at 75% in urban areas, but only 12%

in rural areas. Urban squatter areas increased, due to expiring land leases, rural-urban migration and unemployment.

Selected Macro Indicators: Income, Health, Mortality, Education

Type	Indicator	2000	2001	2002	2003	2004	2005
Impact:	1. GDP per capita (current prices FJ\$)	4324	4625	---	---	4674	5741
	2. Prevalence of underweight children (under five years of age)	8.0% (1997)	---	---	---	---	
	Life expectancy (M/F)	65/68	65.8/7	68/71	---	---	
Outcome:	3. Infant mortality rate (per 1,000 live births)	16	0 14.1	---	---	---	
	4. Primary school enrolment (net)	100.%	---	---	---	---	100%
	5. Primary completion rate	*	---	---	64.6	---	64.6
	6. Ratio of girls to boys in:	64.3	---	---	---	---	
	<i>primary education</i>	NA	0.89	0.94	0.94	0.93	
	<i>secondary education</i>	0.98**	1.08	1.086	1.05	1.06	
	<i>tertiary education</i>	0.95**	---	---	---	---	
	7. Proportion of births attended by skilled health personnel	NA 99%	99%	---	---	---	
	8. Proportion of immunisation coverage against measles	95%	95%	---	---	---	
	9. No of new HIV/AIDS cases reported among adults		---	---	---	---	
10. Proportion of population with sustainable access to safe drinking water.	0.1% *** ---	---	77%				

* Estimated 1 € = 2.1 FJ\$ (2004)

** 1998

*** 1999

Sources: ADB and Government of Fiji MTR Conclusions 2004

3. Development Agenda of the Partner Country

The policies are clearly outlined in the Strategic Development Plan (2003-2005) and the medium term strategy for steering the country forward to its vision of “*A Peaceful and Prosperous Fiji*” is summarized as “*Rebuilding Confidence for Stability and Growth*”.

The strategy for 2005 remained the same as that of 2004 and it identified the strategic priorities that were addressed in previous years to 2001 and in the medium term. The strategic priorities were identified after considering the political and socio-economic situation in Fiji. The medium term strategy consisted of twelve (12) strategic priorities that were selected following an assessment of conditions that existed in 2001 and 2002 as follows:

Strategic Priorities

1. Maintaining macro-economic stability
2. Raising investment levels for jobs and growth.
3. Reforming the public sector to reduce the cost of doing business.
4. Rural and outer island development.
5. Structural reforms to promote competition and efficiency.
6. Enhancing security and law and order.
7. Promoting national reconciliation and unity
8. Alleviating poverty
9. Strengthening good governance.
10. Reviewing the Constitution
11. Resolving the agricultural land lease
12. Implementing Affirmative Action

These strategies comprised the priorities, which would contribute to either stability or growth. A Mid-term Review of the 2003–2005 SDP was undertaken in 2004/2005. The Review assessed progress made in implementing the Plan policies, identified implementation constraints and modified Policy Objectives and Key Performance Indicators (KPI's) where necessary.

Following on from the Mid-term Review, a draft SDP 2005-2007 was formulated from information and recommendations contained in the Review. It noted that most of the contents of the SDP 2003-2005 were still relevant to the current situation.

Rebuilding Confidence for Stability

The Government promoted policies and strategies aimed at rebuilding confidence for stability through the enhancement of security and law and order, promoting national reconciliation and unity, alleviating poverty, strengthening good governance, reviewing of the constitution to achieve political stability, resolving the land issue and implementing Affirmative Action. To this end, the work of the various government agencies, private sector, donor agencies and stakeholders had been noteworthy.

Rebuilding Confidence for Growth

The low growth level in 2005 was primarily associated with the loss of tariff concessions in the garment sector, phasing out of the EU preferential price arrangement to the sugar industry, and the impact of rising oil prices.

There is no doubt that 5% growth per annum in the current economic environment is a challenging task. Nevertheless, Government is committed to managing the economic pressures over this period by implementing pro-growth policies that will raise productivity and encourage greater private sector participation. This will be supported by the conduct of Government fiscal policy within a medium term fiscal framework to ensure that Government finances are stable and sustainable over time.

4. Relations with the European Union

Relations with the European Union have been long and fruitful and, although they suffered as a consequence of the May 2000 coup, they have returned to a normal and cordial stand since Article 96 consultations were concluded in 2004. During 2005 a series of high-level meetings were held both in the broader cooperation and political contexts and also specifically focusing on Sugar-related themes, such as the reform of the Fiji sugar sector and the CAP sugar sector reform. The European Union is deeply committed to assist Fiji in modernising and improving the efficiency of its sugar sector, so as to enable the country to address the challenge caused by reduced CAP prices.

5. Overview of past and ongoing cooperation

The Mid-Term Review (MTR) for Fiji, undertaken in 2004, confirmed that there would be no change in the CSP for Fiji and that its 9th EDF allocation would remain unchanged.

5.1. Focal sectors

The 9th EDF CSP/NIP foresees a sole focal sector, Education, with an allocation of € 20.5 million, including participation of the NSA and an allocation of € 0.5 million for non-identified operations outside the focal sector. Subsequently it was jointly decided to use the total allocation of € 21 million for Education.

Focal sectors under the 8th EDF were Human Resource Development and Environment.

5.1.1 Focal Sector 9th EDF - Education

- **Results:** The signature of PE1, disbursement of the first tranche (50% of PE1) and the arrival of the Programme Director, all occurred in April. The PMU is operating within the Ministry of Education. The Fiji Forum of Non-State Actors (FFoNSA) is responsible for implementing the NSA component of FESP, but requires much support from the Delegation and the PMU to build managerial capacity. PE2, of a total amount of F\$ 33 million, has started on 1 November for a duration of 18 months.

FESP was officially launched on 4th November in the presence of Director A. Henriksson. The France Ambassador and the UK High Commissioner were invited to attend the ceremony. Both Member States also receive regular updates on implementation progress. Co-ordination with Australia and their FESP programme is very successful. MoE has been hosting regular donor coordination meetings.

- **Progress in activities:** PE 1 focused on activities relating to the establishment of the PMU and to develop PE2, on preparatory result specific activities such as the selection of schools and the establishment of systems and structures. Given the centrality of key result area No. 1 of the programme – schools infrastructure and facilities, for which F\$ 21 million are foreseen – there was a need

to conceptualise and design the school selection process in an inclusive, transparent, objective and justifiable manner, appropriate to the Fiji context.

A schools disadvantage index has been developed, using existing schools' data. It listed all 875 schools in the country and ranked them from the most disadvantaged to the least disadvantaged. The schools selection process and the final 300 schools list was approved by the Programme Steering Committee and the Cabinet. The list was made public in a supplement to all national newspapers (English, Fijian, Hindi) on 3rd December 2005.

PMU internal systems, processes and structures were developed to coordinate the tendering, contract management and payments. A call for Expression of Interest was published in all national newspapers on 3rd December 2005.

Activities under the NSA component focus on key result area No. 5 of FESP – Community Building through Education and Partnership. In PE1, the FFoNSA office has been set up and two local staff appointed. Eleven projects under a schools water and sanitation programme have been completed by the Fiji Red Cross and eight projects in the area of "Fostering better community/school relationships for the Development of children" implemented by the National Council of Women Fiji.

FFoNSA was finally registered under the Cooperative Act and has meanwhile 23 affiliates. A call for proposals was launched on 1st December, requesting FFoNSA affiliates to hand in project proposals for funding under the FESP-NSA component by end of January 2006.

- **Degree of integration of cross-cutting themes:** Fiji is a multi-cultural society; the programme will ensure that all ethnic communities will have equal access to the programme's benefits and that priority for funding will be given to disadvantaged communities. Gender issues and the case of people with special needs (disabilities, for instance) will also be important considerations for determining priorities. The project is consistent with the "Education for All" initiative, the strategic development plans of the GoF and MoE, and the GoF's human resources development plan. These all address equity and access issues in education.

A further project proposal, for a € 0.8m National Initiative for Civic Education (N.I.C.E.) was developed during 2005, to be financed from funds made available by project closures and decommitments. Following early indications of Government acceptance of such a programme (to be co-funded with New Zealand in the context of a wider UNDP Governance Programme) a Financing Proposal was developed. As at end-2005, a formal Government request for the project to be funded was awaited.

5.2 Non-focal sector (9th EDF)

9th EDF: Technical Cooperation Facility (€ 1.1m)

In response to the need to be able to fund a certain number of essential studies, in particular the National Adaptation Strategy (NAS) (Sugar), a Financing Agreement for a € 1.1m Technical Cooperation Facility (TCF) was signed in November 2005, funded from available 7th and 8th EDF balances. In addition to funding the NAS, the Facility will allow for the necessary extension of the supervision contract for the 8th EDF Rewa Bridge project, as well as for various other studies, evaluations or audits as may be needed.

5.3 Focal sectors (8th EDF)

5.3.1 Human Resource Development

- **Results :** The first focal sector of the 8th EDF concentrates on the improvement of the Human Resources sector, with a special focus on primary education, and vocational and public sector training. The programme initially covered three projects (all infrastructures): Fiji School of Medicine (FSM), Lautoka Teachers College (LTC) and Fiji Institute of Technology (FIT). However, since the second 30% tranche of Fiji's 8th EDF NIP was not released, due to the suspension of cooperation following the *coup* of 2000, the FIT project was cancelled, and the FSM project had to be financed from regional funds.

Altogether, the HRD components (design, supervision and construction) account for 31% of the 8th EDF National Indicative Programme.

- **Progress in activities:** The Financing Agreement for the LTC upgrade was signed by the NAO and the Head of Delegation in January 2003, for an amount of € 4.15 million. Works started in March 2004 and while some buildings were handed over throughout the year 2005 the works were officially completed in September 2005.
- **Degree of integration of cross-cutting themes:** Environmental concerns are being taken into consideration to the extent possible. The student residence buildings are, for example, designed and oriented in a way that they will operate without central air conditioning. Wherever possible, environmentally friendly construction materials, such as local timber, are being used.

5.3.2 Environment

- **Results:** The Environment Programme under the 8th EDF focuses on solid and liquid waste treatment and disposal. The programme's main activities are the construction of a new landfill at Naboro (near Suva) and a 1.8 km outfall pipeline for the Kinoya Sewage Treatment plant (also in Suva). The programme objective is to improve the living conditions of the urban population in the greater Suva area.

The Financing Agreement for the environment programme was signed in 2002 for an amount of € 8.5 million. A rider of € 0.6 million has also been issued, to cover the high cost of the liquid waste component. 2005 marked not only the completion of the works at the Kinoya Outfall (handed over in February 2005), but also the official opening of the new Naboro Landfill (August 2005). The main remaining task is to contribute to the rehabilitation of the Lami dump following its closure in 2005. Altogether, environment components account for 54% of the 8th EDF National Indicative Programme.

- **Progress in activities**

Solid waste component, € 4.4 million: Following the completion of the EDF-financed construction of the new Naboro Landfill in August 2004 (achieved with only a minimal cost overrun of 3%) the selection of a professional landfill operator encountered difficulties, and the official landfill opening could only take place in August 2005.

Since October 2005 the new landfill is fully operational, and the Lami dump could subsequently be closed, paving the way for rehabilitation measures that are foreseen to be carried out in 2006/2007. This will constitute the last major activity under the Environment Programme (the validity of the Financing Agreement was extended until mid-2007.)

Liquid waste component, € 4.1 million: The works on the construction of a new outfall pipeline at Kinoya, which were carried out by McConnell Dowell, were successfully completed in February 2005, within the contractually foreseen period and practically within budget.

- **Degree of integration of cross-cutting themes:** This being an environment programme, it is obvious that environmental aspects are at the core of its objectives. Improvement in living conditions through better management of solid and liquid waste will benefit all clusters of society.

5.4 Projects and Programmes outside focal sectors

5.4.1 8th EDF - Rewa Bridge:

The design and construction of the new Rewa Bridge was originally financed under the 6th and 7th EDF NIPs. This bridge constitutes a strategic infrastructure link by connecting Suva with the North-East of Viti Levu and the international airport at Nausori. Since the cost estimate at the time of the design was above the initial budget, the project was delayed until a new Financing Agreement could be signed in 2002, for an amount of € 11 million. The tender, launched in 2002, was awarded to Fletcher Construction at the end of 2003, after the government agreed to allocate an additional € 2.5 million to the project, since all the offers were above the € 11 million budget. The works contract was signed in December 2003, and works commenced in February 2004.

The project made significant progress during 2005, even though a number of unexpected technical hurdles had to be overcome. The contract foresees extensions of time for bad weather, which pushed the project completion date beyond the originally foreseen time of December 2005. However, completion is expected for mid-2006.

5.4.2 Cyclone Ami rehabilitation programme

The project (€ 500,000) started in April 2003, 3 months only after the cyclone. Progress was very slow and reporting inadequate. The validity of the programme expired on 29 April 2004. The Delegation and the NAO have decided to launch an external audit to clarify the situation, which had not been completed at the time of the preparation of this report.

5.4.3 Rural schools rehabilitation Microprojects

Similar to the above, it was decided to launch an external audit for this project (€ 500,000). The audit is expected to be completed in early 2006.

5.5 Utilisation of resources for Non-State actors (NSA)

The FESP includes an allocation of 3,150,000 Euro for NSA. The Fiji Forum of Non State Actors is the body selected for implementing the programme. For further details please refer to section 4.1.1.

5.6 Use of the 'B' envelope

Fiji, like all Pacific Island countries, is very vulnerable to a number of natural disasters including cyclones, tidal waves, earthquakes, droughts and volcanic activity. For these reasons it was agreed to use the € 2.1 million under the B-envelope primarily for the purposes of emergency and/or reconstruction, in case of natural disasters. So far Fiji has been spared major natural disasters during the implementation period of the 9th EDF, and discussions are under way for the potential use of Fiji's B-envelope either for a regional disaster preparedness initiative or for a bilateral initiative.

5.7 Other instruments

5.7.1 Regional cooperation

9th EDF

The regional allocation amounts to € 29m and includes three focal sectors "Economic Integration and Trade" (€ 9m), "Human Resources Development" (€8m) and "Fisheries" (€ 5m) and a non-focal sector, for extension of the 8th EDF programmes to the 6 new ACP countries (€ 7m). The RSP was signed in 2002 by Commissioner Nielson, during his first visit to the Pacific.

For a complete overview regarding the cooperation under the regional indicative programme please refer to Annex 2.

The Mid-Term Review of the 9th EDF is being finalised and it is expected that the Pacific Regional Indicative Programme will be awarded additional funds for good performance.

5.7.2 8th EDF and balances of previous EDFs

The 8th EDF Pacific Regional Programme is fully committed. Implementation of projects is on schedule with most projects having reached the half-way stage of implementation. Mid-Term Reviews have been undertaken on several projects throughout 2004 and 2005.

5.7.3 Community budget lines

The following NSA projects are being managed by the Delegation:

1. Sustainable Management of Sites of Global Importance for Biodiversity in the Pacific- Bird Life International - €1.293 million for implementation over 4 years, from 05/09/2003 to 04/09/2007.
2. Coral Gardens Initiative- Foundation of the Peoples of the South Pacific International (FSPI) - €0.543 million for implementation over 2 years, from 29/07/2003 to 28/07/2005.
3. Sustainable Management of Aquarium Reef Trade (SMART), Just World Partners (& FSPI & MAC) - €0.619 million for implementation over 24 months, from 24/02/2003 to 23/02/2005.
4. Grassroots Opportunities for Action and Leadership – Foundation of the Peoples of the South Pacific International (FSPI) (original beneficiary: Just World Partners) - € 0.5 million for implementation from 2003 to 2007.
5. Transforming Our Communities Through Good Governance – University of the South Pacific (USP) - € 0.635 million for implementation over 3 years, from 2003 to 2007.
6. Capacity Building support for the Fiji Human Rights Commission – Fiji Human Rights Commission - € 0.453 million for implementation from 2003 to 2008.
7. Governing water – Live & Learn Environmental Education - € 0.461 million for implementation over 3 years, from 13/01/2004 to 12/01/2007.
8. Imagining Tomorrow: Towards a Peace Building Education for Children – Live & Learn Environmental Education - € 0.2 million for implementation over 3 years from 2006 to 2009.
9. Democratisation, Human Rights and Ethnic Group Reconciliation in Fiji Islands – Citizens Constitutional Forum - € 0.813 million for implementation over 3 years, from 2004 to 2007.

10. Capacity Building to support the implementation of national biodiversity strategic action plan in the South Pacific - Live & Learn Environmental Education - €0.523 million for implementation over 42 months, from 19/12/2005 to 13/06/2009.

Most Budget Line projects in Fiji are well on track. Activities in 2005 were continued in accordance with Annual Work Plans. A recurring problem, however, is the issue of delayed payments to the beneficiaries. 2005 was a difficult year for two of our partner organisations in particular when they had to wait for payments for more than three months. These delays create cash-flow problems and force smaller NGOs to close parts of their operations.

5.7.4 European Investment Bank

During the year under review, EIB undertook a due diligence of Fiji Development Bank with a view to grant to this institution a global loan of up to € 10 m under the Pacific Islands Finance Facility for the financing of small, medium and micro-sized private sector initiatives . This proposal is foreseen to be presented to EIB's decision powers in early 2006.

Discussions were also held during the year with Fiji Electricity Authority and the Fiji Government in the context of a possible contribution of EIB to the financing of major renewable energy projects. EIB's contribution to these projects, foreseen to be of the order of € 20-30 m, will fall under a co-financing arrangement with World Bank and Asian Development Bank and it is expected that such proposal will be presented for decision to EIB's Board of Directors during 2006.

5.7.5 Sugar Protocol

Fiji is the second biggest beneficiary of the Sugar Protocol, after Mauritius, and is entitled to export 165,348 tonnes of white sugar to the EU annually at Protocol prices. In addition, it exports between 8,000 and 20,000 tonnes annually to the EU, at slightly less prices than Protocol prices, under the Special Preferential Sugar arrangement (a preferential scheme which is due to be phased out in mid-2006). The added value to Fiji of its Protocol quota (i.e. the difference between its Protocol sugar sales and the sales of equivalent amounts at world market prices) is an estimated at between €50 - 60m annually - i.e. an amount far in excess EU-Fiji cooperation funds, if considered on an annual basis.

Cane production levels fell in the 2005 season to 2.8m tonnes, producing 288,209 tonnes of raw sugar and 115,536 tonnes of molasses. Nevertheless, revenues were slightly up on 2004 (when cane production reached 3m tonnes), due to the favourable Euro-F\$ exchange rates.

In November 2005, the EU adopted sugar reform proposals which, because of the link between Protocol and EU internal sugar prices, will have a profound effect on Fiji's sugar revenues. Prices will be reduced by 36% over a four-year period, beginning with a 5% reduction in 2006/07 and rising to the full 36% reduction in 2009/10. Recognising the impact that a substantial price cut would have on Protocol countries, the EU also made a commitment to assist Protocol countries in adapting to the new market conditions that would obtain as of the time of the reform proposals taking effect.

To this effect, it was decided that all Protocol countries would draw up, in concert with all stakeholders, National Adaptation Strategies which would define the manner in which assistance could be given to the sugar industry, or to the development of alternative livelihoods or to social impact mitigation initiatives.

In Fiji, discussions on the National Adaptation Strategy were initiated in mid-2005, and a major Stakeholders Meeting was called in September 2005 to explain the nature of the EU reforms and to seek stakeholder agreement to terms of reference (ToRs) for the drafting of the Strategy. By end-2005, the ToRs were close to finalization.

Export Sugar Net Proceeds for Sugar : U Market		2001	2002	2003	2004 (est.)
Sugar Protocol	Tonnes Delivered	173,256	178,805	167,347	169,129
	Net Value FJ\$m	166.14	170.86	166.71	173.97
SPS	Tonnes Delivered	18,963	17,423	17,073	8,500
	Net Value FJ\$m	19.48	17.44	15.46	8.24

Source: Fiji Sugar Marketing Co. Ltd.

6. Programming perspectives

The 8th and previous EDFs are gradually closing down and all these projects and programmes should be completed by end 2006. A Technical Cooperation Facility (€ 1.1m) was signed in November 2005, allowing for the funding of future studies, including the National Adaptation Strategy referred to above, and for the preparation of the next programming cycle of the CSP.

6.1. Balances from previous EDFs: A sustained effort was made in 2005 to close all concluded projects. At the end of the year, only one project was awaiting closure: the Micro-projects programme No. 7 FIJ 7, the balance of which could be close to € 65,000.

The Delegation is in contact with the NAO's office and the Ministry of Education in view of a speedy closure of the project and de-commitment of all balances. It is expected that all will be cleared in the coming months. Two other projects, 7 FIJ 26 – Rural Primary School Up-grading and 6 FIJ 39 – Assistance for Cyclone Ami Rehabilitation, are being audited prior to closure. Both should be closed by end 2006 and together they may free a total of € 145.000. Finally, project 6 FIJ 38 – Rider 1 – Augmentation de plafond – Kinoya, is linked to project 8 FIJ 5 – Environment programme, and they must be closed together. It is expected that no balances will come out of the 6 FIJ 38 part of this operation and it is not possible at this moment to forecast the balances freed when 8 FIJ 5 is closed (most likely only in 2007).

All balances freed up by the 2005 closures were either absorbed by the Technical Cooperation Facility or are earmarked for the proposed National Initiative for Civil Education (N.I.C.E.), expected to be approved mid-2006. Discussions are on-going on the use to be given to the balances likely to be freed by the 2006 closures. Given the limited amount (estimated less than € 300.000), it is likely that they will top-up one of the on-going projects.

6.2. Proposal for revision of strategy

There are no proposals to revise the country strategy.

6.3. Preparation for the next programming exercise 2008-2013

In October 2005 the European Commission represented by Mr A. Henriksson, Director DEV/C, proposed to the Pacific Forum Leaders to focus the EDF's future assistance in the Pacific on the sustainable management of natural resources, a sector of strategic importance to all PICs, where there is a general commonality of interests between the region and the European Union and where the EU has significant expertise. Sustainable development is also one of the four key pillars of the regional framework underpinning the Pacific Plan, which was approved by the Forum Leaders on the same occasion, in October 2005. Further details will be elaborated in 2006, once the 10th EDF programming exercise is launched and negotiations formally begin

The European Commission and the Fiji Government jointly recognize that there may be important environmental issues which may become an essential part of the development agenda of the country. Issues related to the reliable provision of water and sanitation, sustainable management of solid waste, coastal protection, ecologically sustainable tourism, and renewable energy can certainly play a crucial role in the future partnership. At this stage it is not excluded that part of the 10th EDF funds can be used for other sectors, in particular in the social areas.

7. Dialogue in-country with the NAO and NSAs, and donor coordination

7.1. Dialogue in country with the NAO and NSAs

In Fiji the NAO is the Chief Executive Officer for Finance (i.e. the Head of the Ministry of Finance). As in previous years, dialogue with the NAO and other national authorities proceeds constructively, focusing most particularly on development cooperation matters.

Dialogue with NSAs took various forms in 2005, and focussed in particular on implementation modalities for their specific allocation under the Fiji Education Support Programme. The FESP includes an allocation of 3,150,000 Euro for NSA. The Fiji Forum of Non State Actors is the body selected for implementing the programme

7.2. Donor coordination

Donor coordination takes place on a regular basis, not only between the EC and the two Member States represented in Fiji, France and the U.K., but also with other donor countries and organisations, on political and cooperation issues, as well as with trade issues and aid to the NSA sector. The Ministry of Education organises donor coordination meetings on a regular basis, in which the Delegation participates as the major donor in the sector. A feature of 2005 was increased coordination with EU Member States represented in Canberra and Wellington.

8. Conclusions

Overall, 2005 was a positive year for Fiji, both in terms of economic progress and in terms of relation with the EU under the Cotonou Agreement.


Global commitments under the 9th EDF have already reached 98 % and the implementation of the focal sector "Fiji Education Sector Programme" is progressing well with a Programme Management Unit well-established in Suva.

It is therefore proposed to:

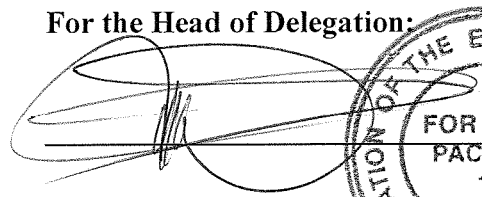
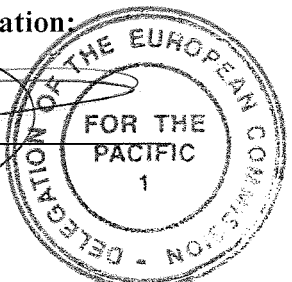
- Maintain the country strategy and the funds available in the A envelope for Fiji, as contained in the CSP and NIP.
- Maintain the funds available under the envelope B. Any funds uncommitted by August 2007 will be transferred to the general reserve.

Signed:

For the National Authorising Officer:


National Authorizing Officer
European Development Fund
Republic of Fiji

For the Head of Delegation:

Annex 1 – Bilateral Cooperation under the 9th EDF

1. Intervention framework

Policy measures – Education

Education is the government's top priority. It has received the highest allocation in the national budget in the past years and this is again the case for the 2005 budget. The government further increases the resources available for education by requesting donor assistance for the sector. A wide number of donors support either individual schools or the activities launched by the Ministries of Education and of Youth (see table) and these resources will be further increased once the 9th EDF programme starts implementation. Education is a long-term investment and it is our view that this level of financial allocation must be maintained, or increased in the future if the country's fiscal position allows, if the desired results are to be attained.

Education in Fiji is still divided along racial lines, contributing to perpetuate a schism within the society, which in turn constitutes one of the highest risks for the country's stability and future prospects. Education in Fiji must be called to play a role in building an inclusive and cohesive society which does not discriminate against any of its citizens.

Education in Fiji and other countries of the Pacific is often seen as severed from its cultural roots, a consequence of Colonial influence. What children learn in school has little links with their lives outside school, with what they share with their families and communities. The same applies to the teachers. This is one of the reasons Pacific educationalists identify as being responsible for inadequate teaching methods and consequent poor learning outcomes. PRIDE, funded under the 9th EDF regional programme, has this matter high among its priorities. It is expected that the strategies developed under PRIDE will, in the mid-to-long term, contribute to bringing education contents and practices, in areas such as curriculum development and teacher training, closer to the cultures and values of the Pacific and, consequently, facilitate the learning process and achieve deeper learning outcomes.

Indicator data and targets – Education

Indicators for the Fiji Education Sector Programme are currently being developed. Given their present unavailability, the identification study for the EDF's contribution to the Programme proposes:

- 4 impact indicators (long-term) based on MoE's strategy and for which the source of verification will be MoE annual statistics:
 1. student retention rate;
 2. examination results in literacy (English, Fijian, Hindi), maths and science;
 3. percentage of schools rating classrooms as adequate.

The other impact indicator refers to non-formal education:

4. number of enterprise projects established yearly by ex-trainees of rural youth training programmes.

- short-term indicators, will be identified annually as part of the annual work programmes and cost-estimates and will stem directly from the activities identified (eg. number of schools refurbished, number of formal and non-formal training courses delivered, such equipment delivered, etc.).

2. Chronogramme of activities

Titles	Amount (in € million)	Financing decision	Start of implementation
Education sector programme (including support to NSA)	21.000	Aug-2004	2 nd quarter 2005
Total	21.000		

3. Indicative timetable for commitments and disbursements

Education sector programme (inc. support to NSA)	2005	2006	2007	2008
Commitments (in € million)	0.25 + 2 (2 nd & 3 rd quarters)	6 (1 st quarter)	6 (1 st quarter)	5.75 (1 st quarter)
Disbursements (cumulative, in € million)	1.25 (by 4 th quarter)	5 (by 4 th quarter)	10 (by 4 th quarter)	18 (by 4 th quarter)
Total (cumulative)	2.25	8.25	14.25	21

Annex 2 – Cooperation under the Regional Indicative Programme

1. “Reducing Vulnerability in the Pacific – 8.ACP.RPA.03

Implementing Agency:	SOPAC
Budget:	€ 7 million
Financing Agreement Signed:	March 2002
Duration:	4.5 years
Project Closure:	March 2006

The Project addresses vulnerability reduction in the Pacific ACP States through the development of an integrated planning and management system in the sectors impacting on hazards, aggregates and water and sanitation. The Project addresses problems such as: unavailability of accurate, sound, and timely data; weak human resource base; limited resources (money and infrastructure); and lack of appropriate management plans, policies and regulatory frameworks to deal with these three focal areas.

Total audited amount spent so far is € 2,761,167. A Mid-Term review of the project was carried out by MWH Europe in November 2005 and their recommendations are as follows:

- That this EDF8 Project be granted a time extension in to 31st December 2007 to coincide with the contract completion date of the EDF 9 Project.
- That progress on both the EDF 8 and EDF 9 Projects be reviewed together early in 2007 to ensure outputs in accordance with the Logframe can be achieved.
- That the Work Plan be urgently revised with a budgeted and programmed activity plan to be developed in association with stakeholders for the balance of the Project
- That the SOPAC Directorate, together with the Member Country Representatives, provide the necessary leadership in the promotion of the original Project purpose, by ensuring better coherence of the Project outputs and associated integration of the Project into respective Government plans
- That consideration be given to the definition and introduction of 3 roles into the project, namely a Peer Reviewer, Technical Editor, and Map Server Product Developer to process the backlog of Project reports and format outputs to be posted with the respective Country Data Resource Centres
- That the multi-Stakeholder Steering Committees be urgently convened to review progress to date against the Logframe and participate in the preparation of the revised Work Plan

- That SOPAC develop a transparent policy on selection criteria for Project fellowships
- That Data Resource Centres be redesigned to ensure SOPAC strengthen the Capacity Building programme with a focus on sustainability of the Project
- That SOPAC Directorate strengthen their capacity to self monitor against EU/FORSEC performance measures
- That the SWATH mapping programme be revised and the budget be reallocated to consolidate outputs from activities to date
- That project communication between SOPAC and the Stakeholders be improved in line with verifiable indicators in the Project Logframe as follows:
 - Five information brochures published per year
 - Regular (monthly/bi-monthly) press releases written
 - Email news released fortnightly
 - National workshops/training convened with at least 20 participants per country per year
 - Two National stakeholder meetings convened per year
- Mechanisms need to be urgently put in place by the SOPAC Directorate to ensure project communications between SOPAC and the Stakeholders are improved in line with the verifiable indicators in the Project Logframe.

2. Plant Protection in the Pacific (PPP) – 8.ACP.RPA.08

Implementing Agency:	SPC
Budget:	€ 4,300,000
Financing Agreement Signed:	December 2001
Duration:	5.5 years
Project Closure:	November 2007

The total budget is € 5.181million of which € 4.3 million is sourced from the EDF. Given the importance of agriculture for Pacific Island countries, the threat to agriculture posed by plant pests, which reduces yields and quality of agricultural commodities, likewise poses a substantial threat to regional economies. The project is designed as the second phase of the Pacific Plant Protection Services project, aimed at facilitating sustainable production and trade of agricultural produce, by minimizing pests in the new age of free trade, global quarantine standards and increased economic integration.

Since the commencement of the project training has been undertaken in participating countries on risks associated with imports, quarantine border operations and trade facilitation workshops have been undertaken. Several pest surveys have also been carried

out. Emergency Response Plans were also drafted together with harmonised model quarantine laws. Publications have been produced and awareness campaigns have been carried out.

Total audited amount used so far is €2,872,891. A Mid-Term review of the project was carried out in May 2005 by Eco-Consultants, where they recommended the following:

1. Quarantine development should be continued and planned in such a way that countries will become as self-sufficient as possible, with due consideration to cost-recovery and 'user-pays' systems. Countries should be encouraged to use fees charged for quarantine and quality inspection services for maintenance of the services and not disappear in consolidated funding, without further reference to a quarantine budget.
2. On-going IPM activities should concentrate on initiating and introducing participatory methods and making extension staff ready to promote and foster farmers' empowerment. Topics on hand should be prioritised and work on problems that cannot be solved within the last project year should be reduced or stopped. Similarly, work on rhinoceros beetle control should cease for reasons explained earlier.
3. Weed and pest surveys and control activities should be continued until all participating PICTs have been covered and data included in the PLD. However, the building of national capacity to continue such surveillance in the future should be given very high priority.
4. Promotion of reduction in pesticide use, production of labels in local languages and improved pesticide legislation should be accelerated.
5. Continue work on provision of information (including national training) and completion of the PLD to PICTs, as well as stimulate more use of other plant protection databases, expert systems and assistance to NGOs.
6. Promotion of the IPM school/college curriculum in more PICTs could have a long-term impact on attitudes of farmers and the general public, and should intensify during this last phase.
7. SPC should continue to facilitate the delivery of training in basic pest diagnostics to NPPSs. Whilst SPC appears to strictly adhere to international pest identification procedures, new technologies become available or are updated continuously and should therefore be taken into account when developing and providing training on pest diagnostics and identification. Examples of expert systems that could be considered in this are those operated by CABI, EcoPort and PestNet.

8. Countries that currently lack a strong NPPS should be encouraged to set up a small unit for plant protection activities including IPM development attached to the quarantine service (as done in Vanuatu). If research capacity is present in the country, good linking structures need to be developed between these units to maximise benefits from cooperation, rather than the two competing with each other. SPC-PPP should take on a facilitating role in this process.

3. Development of Sustainable Agriculture in the Pacific – 8.ACP.RPA.10

Implementing Agency:	SPC
Budget:	€ 4,306,000
Financing Agreement Signed:	November 2002
Duration:	4 years
Project Closure:	December 2007

The purpose of the project is to increase sustainable agricultural production of targeted farm families in participating countries. This is to be accomplished through the participatory approach with farmers and rural communities in the identification and adoption of technologies.

The project builds on the foundation of PRAP 1 and PRAP 6 and attempts to address problems faced during implementation of these projects. In the atolls, the approach will be problem identification and testing of technologies with farmers, to improve the traditional tree crop-based multi-storey agricultural systems, including better integration of livestock into this system. In the low lands, the emphasis will move from research, to identification and promotion of potential technologies: improved crop varieties, pest and disease management, land conservation and agro-forestry technologies.

Total audited amount used so far is €1,309,728. A Mid-Term review of the project has been carried out by Eco-Consultants and the 2nd draft report received in January is still being reviewed. Some of the recommendations within this draft report are stated below:

- The project should promote simple, eco-friendly technologies, using local, inexpensive or freely available materials whenever possible.
- Comprehensive trials need to be carried out to develop sustainable farming systems for steep land, where this can improve the livelihood of existing impoverished communities, through the incorporation of permanent crops to avoid frequent tillage is strongly advised.
- Consideration should be given to establishing regular schedules for voice communication by satellite between the participating countries, for technical advice, information and informal discussions.

- The project should give closer technical support in nursery techniques, management, plant quality and sales of produce for all DSAP sponsored nurseries.

4. USP Human Resource Development Project – 8.ACP.RPA.09

Implementing Agency:	USP
Budget:	€ 5 million
Financing Agreement Signed:	March 2002
Duration:	5 years
Project Closure:	May 2007

The main goal of this project is to increase human capital through skills enhancement in the three key areas of tourism, public sector management and labour & employment studies.

Tourism sector - An important constraint on tourism development relates to the lack of an adequately educated workforce in the public and private sectors, especially at middle and upper management levels. In particular, there is an acute shortage of professional tourism planners in the region. This component of the project will deliver hospitality and tourism management at the degree and postgraduate level including the establishment of a tourism center of excellence.

Management and Development - Training will focus on the broad themes of good governance and corporate governance. This component will focus on topics ranging from public sector reform, private sector development, accountability and transparency. The target group will be ministers, politicians and senior civil servants.

Labour Studies - Policymakers recognise the importance of the private and informal sector in employment absorption and economic growth, but the linkages of the state to private and informal sectors is poorly understood. Consequently, labour market policies and interventions have focused excessively on a narrow base of public sector wage/salaried employment. This component will develop and participate in a 5-year research programme looking at information on labour market processes and institutions in the Pacific-ACP states.

Total audited amount used so far is €1,757,997. A Mid-Term review of the project was carried out by Proman Consultants in October 2004. The recommendations that emerged are stated below:

- USP's contribution to project costs is itemized by component as part of the annual budget and that expenditure against budget is monitored.
- The functioning and membership of the PSC be reviewed.

- The University continues to build the managerial capacity to strengthen and support the efficient and effective implementation of projects and academic activities generally.

5. Fiji School of Medicine Project – 8.ACP.RPA.06

Implementing Agency:	NAO, Government of Fiji
Budget:	€ 7.5 million
Financing Agreement Signed:	March 2002
Duration:	3 years

The total project budget is € 10.25 million, with € 7.5 million from the EDF. The origins of the Fiji School of Medicine date from the early colonial period. The Fiji School of Medicine has for many years served the training needs of health professionals throughout the Pacific ACP region. Small island states in particular are dependent upon the school for training. Regional countries have shortages of medical personnel and need to train more local health staff. The present facilities used by the school date from 1970s and are considered to be inadequate for current and future demand.

The objective of this project is to develop human resources and capacity in the health sector in order to provide the skills needed for long-term development of the PACP countries. This is an infrastructure project that will expand the physical capacity, teaching facilities and student accommodation at the Fiji School of Medicine.

The Fiji School of Medicine building has been completed and will be opened by the end of March 2006. Total amount spent as of January 2006: € 7,376,000.

6. Pacific Regional Oceanic and Coastal Fisheries Programme – 8.ACP.RPA.04

Implementing Agency:	SPC, Noumea
Budget:	€ 8 million
Financing Agreement Signed:	December 2001
Commencement:	March 2002
Duration:	5 years
Project Closure:	March 2007

Tuna stocks are the most important renewable natural resource for Pacific Island countries (PICs) with annual catches estimated at around 1.4 million tonnes, with a landed value of around € 1.5 billion. The long-term sustainable management of the region's key renewable natural resource is thus of vital importance. Of equal importance are domestic reef resources, which underpin current livelihoods and continued food security for the vast majority of Pacific Islanders. This programme aims to address the information gaps in both areas and, in so doing, will specifically strengthen the long-term

sustainable management of the fisheries resources of the Western and Central Pacific Ocean (WCPO).

The oceanic component, will build upon the work undertaken in the main tuna species of the 7th EDF assisted South Pacific Regional Tuna Research and Monitoring Programme (SPR TRAMP) programme, extending this to include the need for detailed analysis and monitoring of 'bigeye' tuna and by-catch species. This programme will run for three years at which time it is planned to continue as a core activity under the regional organisation that emerges from the Multilateral High-level Consultations (MHLC).

The coastal component of the programme will run for five years and will involve a comprehensive comparative assessment of reef fisheries in the Pacific Islands region. This will be groundbreaking research as no comparable activity of this kind has ever been undertaken in the Pacific Islands region. The results of both components will provide invaluable scientific advice to the governments and agencies responsible for the sustainable management of the region's fisheries resources.

Total audited amount used so far is € 4,938,190. A Mid-Term review of the project was carried out by Marine Resources Assessment Group LTD in March 2005. Some of their recommendations from the review carried out are stated below:

- The steering committee should develop an up-to-date logical framework to reflect more accurately what the project is doing while ensuring the project activities and results remain within those laid out in the financing agreement.
- The Oceanic Fisheries Programme (OFP) scientists should consider reporting the state of the fishery in terms of changes of variables such as catch rates, which give greater relevance to the fishing industry.
- The Scientific Committee (under the new Commission) should be encouraged to develop and review future projects in more detail rather than simply developing wish lists.
- Port sampling training should continue as it is currently conducted, developing along the same lines as planned for the observer training, with greater emphasis on developing competency in key skills.
- The project should continue its focus on key ACP coastal states, to consolidate data collection systems and continue to increase localization of data management skills.

7. Technical Assistance Support to the RAO – 7.RPR.648

Implementing Agency:	Pacific Islands Forum Secretariat (PIFS)
Budget:	€ 1,320,000
Financing Agreement Signed:	March 2003
Duration:	4.5 years
Project Closure:	December 2007

The project is located at the PIFS under the Development and Economic Policy Division. The objective of the project is to provide technical assistance to the Regional Authorising Officer (Secretary General, PIFS) to ensure the efficient coordination and implementation of the regional indicative programme in accordance with the Lomé and Cotonou Agreements. The project funds the position of two professional staff and two divisional assistants.

Since its inception in 1997 the project has been involved in supporting the RAO in the programming and design of projects under the 8th EDF regional programme, implementation and closure of projects under the 6th and 7th EDF and programming for the 9th EDF. A major achievement of the 8th EDF regional programme is that all projects, with the exception of those approved under a DAG, are now implemented through Grant Agreements with the CROP implementing agencies.

Support was also given to the six new Pacific ACP countries (Cook Islands, Federated States of Micronesia, Marshall Islands, Nauru, Niue and Palau) accede to the Cotonou Agreement. An important milestone was the adoption of the Regional Strategy Paper signed in October 2002.

The audited amount that has been used by the project so far is € 206,564.

8. Regional Economic Integration Project (PACREIP) – 9.ACP.RPA.06

Implementing Agency:	Pacific Islands Forum Secretariat, SPTO, SPC
Budget:	€ 9.2 million
Financing Agreement Signed:	February 2004
Duration:	5 years
Project Closure:	June 2009

Confronted with the phenomenon of globalisation, the Pacific ACP countries have accepted that integration into the world economy is a vital element in the strategy to achieve sustainable economic growth. They have further accepted that an integrated regional approach is the most effective strategy. Regional economic integration thus becomes an important objective of the region, reflected in its adoption as a focal area in

the 9th EDF Pacific Regional Indicative Programme. Integration of the region's trade is in turn an essential element of regional economic integration.

This programme will support regional economic integration of the Pacific ACP countries in two important ways. First, consolidation of the Pacific ACP countries as an integrated regional unit through the support to the establishment of a free trade area covering the Pacific ACP countries. And second, the assistance in the engagement of the Pacific ACP countries as a regional unit in the wider regional and global processes, including the negotiation and subsequent operation of trade with developed country partners such as the European Union, and also in multilateral negotiations at the WTO.

The programme is estimated to cost € 14,270,000 of which € 9,200,000 if funded by the EDF. The audited amount used by the project so far is € 213,277. A Mid-Term review of this project should take place at the end of 2006.

9. Extension of the Plant Protection in the Pacific to 6 New Countries ADDPIC(PPP) – 9.ACP.RPA.03

Implementing Agency:	SPC
Budget:	€ 1,512,000
Financing Agreement Signed:	February 2004
Duration:	3 years
Project Closure:	December 2007

The agriculture sector in Pacific ACP countries is largely subsistence in nature and employs approximately 40 to 80% of the labour force and contributes 20 to 30 per cent of GDP. Plant Protection is central to addressing Food security concerns, supply and quality of agricultural exports for existing and emerging markets. A geographical extension of the PPP project will contribute to the development of sustainable agriculture and the environment in the six new ACP member countries, which is consistent with the 9th EDF Pacific Regional Indicative Programme.

The total amount used by this project so far is € 71,738. Recommendations made by the visiting monitoring team from the EU are stated below:

- EC Services, RAO: Consider the possibility of longer term programme financing to support SPC and the countries
- SPC, RAO, EC Del.: Significantly intensify efforts to increase the level of achievement as well as the visibility of the project purpose. Introduce the issue of wider impact into the project management and stakeholders thinking.
- RAO, SPC: Adjust the project design as necessary and feasible and put it in harmony with the Strategic Plan of the LRD.

- SPC: Keep sustainability aspects continuously on the management's agenda, and investigate them at every action and report of the project.
- EC Del., RAO: Consider modifying requirements regarding work planning and reporting to enable comparison with both the plans and the project performance in the previous periods.

**10. Development of Sustainable Agriculture in the Pacific (DSAP II) –
9.ACP.RPA.02**

Implementing Agency:	SPC
Budget:	€ 1,999,800
Financing Agreement Signed:	February 2004
Duration:	4 years
Project Closure:	December 2008

This project complements the work commenced under the 7 and 8th EDF supported 'Development of Sustainable Agriculture in the Pacific' to the six new Pacific ACP States of Cook Islands, Federated States of Micronesia, Marshall Islands, Nauru, Niue and Palau.

The purpose of this project is to increase the farming households' production and productivity by:

1. Identifying farmers' specific production problems and solutions.
2. Identifying appropriate technologies and verify them through on farm demonstrations
3. Upgrade farmer participatory extension methods and technical skills for farmers, NARES and NGOs staff
4. Promote appropriate technologies and enhance capability in extension communications
5. Ensure an appropriate and monitoring of DSAP project at national and regional levels.

The audited amount that the project has used so far is € 35,826. Recommendations made by the visiting monitoring team from the EU are stated below:

- EC Del., RAO, SPC: Specify the project purpose and overall objective and their indicators for both regional and national levels and introduce and utilize these categories in both project management and thinking of the leading stakeholders.

- SPC: Analyze the overall standing level of the project and take corrective measures. Speed up the project implementation and the delivery of results.
- RAO, SPC: The logical framework should be updated as regards realistic formulation of the overall objectives and the project purpose.

**11. Pacific Regional Coastal Fisheries Development Programme (COFISH) –
9.ACP.RPA.04**

Implementing Agency:	SPC
Budget:	€ 2,212,231
Financing Agreement Signed:	February 2004
Duration:	4 years
Project Closure:	December 2007

Pacific ACP countries have a combined Exclusive Economic Zone (EEZ) of some 20 million km², a total land area just over half a million km² and a total population of about 7 million. The Region attaches particular importance to the sustainable development of Fisheries as this sector is considered to have the most potential for revenue generation and sustainable economic growth. Whilst tuna fisheries underpin the region's main hope for future economic self-sufficiency, it is the coastal fisheries which underpin current livelihoods and continued food security.

Coastal fishery is the main source of cash and subsistence for many rural communities. Coral reef fisheries in particular are characterised both by their strong influence on the everyday lives of ordinary women and men, and by the lack of hard information necessary for governments and communities to make decisions about the management of reef fisheries. The Secretariat of the Pacific Community (SPC) has inter alia the region's mandate for fisheries research and stock monitoring, including both oceanic and coastal components. Findings are used to promote the economic and social development of the region.

The audited amount used by this project so far is € 40,024. A mid-term review of this project is currently in progress

12. Reducing Vulnerability of Pacific ACP States through Island Systems Management – 9.ACP.RPA.05

Implementing Agency:	SOPAC
Budget:	€ 2,549,600
Financing Agreement Signed:	December 2003
Duration:	2 years
Project Closure:	June 2007

This project will permit to cover the extension of the existing regional project (8 ACP RPA 007) to the 6 new ACP Pacific Islands countries. This project addresses vulnerability reduction in the 6 Pacific ACP States through the development of an integrated planning and management system (Island Systems Management) in the sectors impacting on hazards, aggregates and water and sanitation. The Project strengthens integrated development in Pacific ACP States by concentrating on three major and essential focal areas in the island system: hazard mitigation and risk assessment; aggregates for construction; and water resources supply and sanitation.

The Project will address problems such as: unavailability of accurate, sound, and timely data; weak human resource base; limited resources (money and infrastructure); and lack of appropriate management plans, policies and regulatory frameworks to deal with these three focal areas.

Spread through six Pacific ACP States, field surveys in selected onshore areas and coastal harbours, lagoons, bays and shallow waters will form the basis of the extension. User-friendly spatial databases will be developed from these surveys areas (together with up-to-date air photos and satellite images) through application of Geographic Positioning Systems (GPS), and Geographic Information Systems/Remote Sensing (GIS/RS) tools. Access for all stakeholders to these common spatial databases via effective communications networks will be established.

The audited amount used by this project so far is € 133,636. An extension of the programme to December 2007 is under consideration.

13. Pacific Regional Initiatives for the Delivery of Basic Education – 9.ACP.RPA.01

Implementing Agency:	University of the South Pacific
Budget:	€ 8 Million
Financing Agreement Signed:	November 2003
Duration:	5 years
Project Closure:	December 2009

Pacific ACP countries (PACP's) place high priority on education, spending large proportion of budget and receiving significant donor assistance in order to meet growing demands. While some PACPs have almost achieved universal access to primary education, the larger Melanesian countries are a long way from attaining this goal.

Weakness in the planning process in both the formal and informal education sectors has been identified as a key constraint. This Project will improve the quality of basic education strengthening the education planning and implementation process in each PACP. In doing so it will enhance the capacity of Pacific education agencies to effectively plan and deliver quality basic education through formal or non-formal means, providing children and youth a foundation for further education, training, personal development and employment activities in the formal or in-formal sectors.

A fundamental principle of the project is flexibility, as countries will be able to determine their own needs within it. The development of an on-line resource centre will encourage sharing of best-practice and experience among PACPs and will provide back-up for other areas of the project.

The audited amount used by this project so far is € 783,458. Recommendations made by the monitoring team from the EU to USP and the RAO are to:

- Ensure the integration of the PRIDE project within the Institute of Education.
- Invest in and provide project management support
- Continue to support the National Project Coordinators and develop structural solutions to build capacity at the Ministries to implement the PRIDE tasks.
- Review the proposal procedure for in-country subprojects and find ways to make it easier for the National Project Coordinators to submit proposals.
- Set up a monitoring system that will indicate the efficiency, effectiveness and impact of the results achieved.

A mid-term review of PRIDE is scheduled in Q1 2006.

14. Development of Tuna Fisheries in the Pacific ACP Countries – 9.ACP.RPA.08

Implementing Agency: FFA & SPC

Budget: 3 Million Euro

Financing Agreement Signed: December 2004

Duration: 4 years

Project Closure: December 2008

Overall objective of this project is to increase the contribution from the sustainable use of marine resources to the poverty alleviation in Pacific ACPs. The project will contribute to this objective through a focus on the sustainable development of highly migratory oceanic living resources, particularly tuna fisheries.

The purpose of the intervention is to contribute to the establishment of a concerted policy and economic environment conducive to the further development of Pacific ACPs owned fishing and processing operations and to an increased contribution of foreign fleets to the economic development of these countries.

The project is designed to support regional thinking and national action. At present the economic contribution of the fisheries sector is poorly measured; the only performance measures available are catches or values of catches and fish trade data from existing national and regional reporting systems. These indicators are inadequate to measure the benefits received by P-ACPs at the level of the project objective and purpose. The project will build on the existing data, improve them with new indicators and regional workshops will be held to strengthen the capacity of national statistical administrations to improve measurement of benefits from tuna fisheries.

The cost estimate for Work plan 2005 is € 613,000.

15. Pacific Environmental Information Network (PEIN II) - 9.ACP.RPA.09

Implementing Agency:	South Pacific Regional Environment Programme
Budget:	€ 560,000
Financing Agreement Signed:	December 2004
Duration:	3 years
Project Closure:	December 2007

This project builds on the achievements of the earlier project [8th EDF PEIN project], consolidates the environment libraries created in the original eight states and broadens and extends PEIN to the six new Pacific ACP countries (Cook Islands, Niue, Palau, Federated States of Micronesia, Republic of the Marshall Islands and Nauru).

In this way the PEIN II project will provide assistance to all 14 Pacific ACP countries and improve the national capacity for environmental management and sustainable development of the Pacific Island countries. The project will produce a significant improvement in access to environmental information within member countries, by strengthening the capacity of national environment agencies to identify, collect, organise and disseminate environmental information. The PEIN II will service and link National Environment Libraries (NEL) who in turn will have established National Environmental Networks (NEN).

The cost estimate for Work plan 2005 was € 149,840.

16. Support to the Energy Sector in 5 ACP Pacific Islands - REG/7001/000

Implementing Agency:	IT Power
Budget:	€ 11.4 million
Financing Agreement Signed:	July 2005
Duration:	4 years
Project Closure:	December 2009

This initiative can actually be more accurately described as a sub-regional programme than a regional one. Consistent with the promotion of economic and social development, the Governments of the Federated States of Micronesia (FSM), Nauru, Niue, Palau and the Republic of the Marshall Islands (RMI), in consultation with civil society, have targeted the energy sector, especially the identification and use of new and renewable sources of energy, as the area of concentration for the 9th EDF funding. The National Authorising Officers have therefore delegated their role for the implementation of this programme to the Regional Authorising Officer, the Secretary General of the Pacific Islands Forum Secretariat.

The five Pacific States targeted in this programme are all characterized as Small Island Developing States (SIDS). Their development challenges are particular, compared to other developing countries, given their very small population (from 1,200 in Niue to 116,000 in FSM), their isolation in the South Pacific Ocean, their relatively small GDP per capita (from €1,100 in RMI to € 6,157 in Palau) and their fragile environment. While FSM, RMI and Palau have numerous outer islands, Nauru and Niue are single-island states.

The tender for the PMU was launched in June 2005 and contract awarded to IT Power Ltd (UK). PMU offices are currently being established in Suva and FSM. The first Project Steering Committee meeting will be held in Suva in March 2006.

Annex 3 – Donor Matrix

DONOR MATRIX				
PROJECT	2005 PROVISION \$	2006 PROPOSED	2007 PROPOSED	2008 PROPOSED
European Development Fund Assistance				
New Rewa Bridge	\$6,000,000.00	\$6,000,000.00	1000000.00	0.00
Human Resources Infrastructure	\$4,000,000.00	0.00	0.00	0.00
Environment Programme	\$2,700,000.00	0.00	0.00	0.00
Fiji Education Sector Programme	\$17,000,000.00	\$21,000,000.00	\$3,600,000.00	0.00
Australian Government Assistance				
Australian Development Scholarship (ADS) (AusAID)	\$597,500.00	\$544,323.48	0.00	0.00
Australian Regional Development Scholarship (ARDS) (AusAID)	\$2,500,000.00	\$699,844.47	0.00	0.00
Fiji Law and Justice Sector Programme (AusAID)	\$4,670,000.00	\$6,998,444.79	0.00	0.00
Pacific Technical Assistance Facility (AusAID)	\$64,800.45	\$114,048.73	0.00	0.00
Support for the Elections Office (AusAID)	0.00	\$1,300,000.00	0.00	0.00
Fiji Education Sector Programme (AusAID)	\$4,050,000.00	\$5,832,037.32	0.00	0.00
Fiji Health Sector Improvement Programme	\$4,000,000.00	\$5,184,033.17	0.00	0.00

(AusAID)				
Pacific Technical Assistance Facility (AusAID)	\$139,709.70	\$139,709.70	0.00	0.00
Assistance to Textiles, Clothing and Footwear Industry (AusAID)	0.00	\$518,403.31	0.00	0.00
Staffing Supplementation for Commissioner of Police (AusAID)	\$330,000.00	\$ 400,000.00	0.00	0.00

New Zealand Government Assistance

In-Country Training (ICT) Short Term Training Attachments (STTA) (NZAID)	\$405,609.00	\$473,260.77	\$473,260.77	\$473,260.77
PSC Support for Institutional Strengthening (NZAID)	0.00	\$118,315.19	\$236,630.38	\$236,630.38
New Zealand Development Scholarship (NZDS) (NZAID)	0.00	\$88,736.39	\$266,209.18	\$354,945.58
National Trust Ecotourism (NZAID)	\$347,665.00	\$319,451.02	\$319,451.02	\$165,641.27
Elections Assistance (NZAID)	0.00	\$5,162,000.00	\$2,366,303.83	\$1,183,151.91
Fiji Human Rights Commission (NZAID)	\$173,883.00	\$177,472.79	\$177,472.79	0.00
Support to DPP's Office (NZAID)	0.00	\$70,989.12	\$70,989.12	\$70,989.12
Medical Treatment Scheme (NZAID)	\$115,889.00	\$118,315.19	\$118,315.19	\$118,315.19
Interim and On-going Activities (NZAID)	0.00	\$1,774,727.88	\$4,732,607.67	\$4,732,607.67

Support to Quarantine Services (NZAID)	\$1,158,883.00	\$1,183,151.92	\$769,048.75	\$591,575.96
Fiji Land Information Systems - Continuing Links (NZAID)	0.00	\$59,157.60	\$76,904.87	\$76,904.87
Taiwan Government Assistance				
Taiwanese Grant - Small Grant Scheme (Taiwan)	\$1,111,564.00	\$1,061,841.66	\$1,061,841.66	\$1,061,841.66
Taiwanese Grant - Village Improvement Scheme (Taiwan)	\$1,111,564.00	\$1,061,841.66	\$1,061,841.66	\$1,061,841.66
Japan Government Assistance				
Fisheries	n/a	n/a	n/a	n/a
ICT Industry	n/a	n/a	n/a	n/a
Human Grassroots Projects Village Upgrading	n/a	n/a	n/a	n/a