

**Joint Annual Report**  
**2007**  
**on the Development Cooperation between**  
**Republic of Fiji Islands**  
**and**  
**the European Commission**

as foreseen by the Cotonou Partnership Agreement

## TABLE OF CONTENTS

1.	EXECUTIVE SUMMARY .....	1
2.	UPDATE ON THE POLITICAL SITUATION .....	2
3.	UPDATE ON THE ECONOMIC SITUATION .....	3
4.	UPDATE ON THE POVERTY AND SOCIAL SITUATION .....	5
5.	OVERVIEW OF THE PAST AND ONGOING CO-OPERATION.....	6
5.1.	Country envelopes (NIPs) 9 <sup>th</sup> and 10 <sup>th</sup> EDF .....	6
5.2.	Performance under 9 <sup>th</sup> EDF .....	7
5.3.	Budget Lines.....	9
5.4.	Sugar .....	10
6.	POLICY COHERANCE FOR DEVELOPMENT .....	10
7.	EU STRATEGY FOR THE PACIFIC .....	11
8.	DONOR COORDINATION AND HARMONISATION .....	11
9.	DIALOGUE IN COUNTRY WITH NON-STATE ACTORS, LOCAL AUTHORITIES AND THE NATIONAL PARLIAMENT .....	11
10.	CONCLUSIONS .....	12
11.	ANNEXES .....	1
11.1.	General annexes.....	1
11.2.	Annexes with a retrospective character .....	1
11.3.	Annexes with a prospective character .....	1
11.4.	Annexes on aid effectiveness .....	1
11.5.	Other annexes .....	1

## 1. EXECUTIVE SUMMARY

Fiji experienced its 4<sup>th</sup> coup in 20 years when the military takeover led by Commander Josais Voreqe Bainimara took place on December 5, 2006 and ousted the Qarase led SDL Government which had taken office after the elections in May of the same year.

The military takeover brought the finalisation of the 10<sup>th</sup> EDF Country Support Programme to a halt and resulted in temporary suspension and back-loading of the EC assistance to the Accompanying Measures on the change of the Sugar Trade Regime. However, programmes in implementation were not affected.

The European Union launched consultations with the interim Government evoking articles 9 and 96 of the Cotonou Agreement and article 37 of the Development Cooperation Instrument. On 18 April, 2007 the two parties agreed on a list of commitments by the interim Government focusing on respect for human rights, democratic principles, rule of law, including the upholding of the 1997 Constitution and on return to constitutional governance by having national general elections by March 2009.

On October 1<sup>st</sup>, 2007 the Council decided on the so-called appropriate measures for Fiji establishing a parallel between its respect for the agreed commitments and development cooperation. The Council Decision was communicated to Fiji by means of a letter addressed to His Excellency, President Iloilo.

Fiji's economic performance suffered from the December coup and the GDP growth tumbled to a contraction by 3.9%. Income from tourism sector shrank by estimated 5-6%, not so much due to decrease in arrivals which was less than expected, but due to shorter stays in the country and discounts offered by hotels and resorts. Remittances slumped by 20% and sugar exports to EU remained below the preferential price quota. The interim Government established a revised budget in March 2007. The budgetary measures included savings in the recurrent expenditure, pay-cuts by 5% of civil servants, postponement of capital investments in order both introduce savings and limit imports, and enforced tax arrears collections. The Reserve Bank of Fiji introduced credit ceiling, restrictions on foreign exchange drawings and other tight monetary policy measures.

The 2008 Budget is built upon 2.2% GDP growth, tight control of recurrent expenditure, boosting capital part of the budget, strict monitoring of international transfer prices and continuation of improved tax collections, in addition to some tariff changes in basic food items. In keeping with its mandate, the priorities of the Reserve Bank are safeguarding the foreign reserves and maintenance of anti-inflation monetary policy.

Following from the weak performance of the economy since several years the incidence of poverty has worsened in Fiji. The data from the 2002-03 Household Income and Expenditure Survey indicates that third of Fiji's population lives in poverty and the poverty gap has widened since the HIES 1991 polarising the economy. Migration from rural areas to sub-urban areas has created chains of squatter areas. The urban poverty has different face than that of rural poverty with increase of the degree and frequency of violence, domestic and external, negligence of children, abuse of narcotics, prostitution and the like.

The military takeover brought the 10<sup>th</sup> EDF programming process to a halt and caused delays in the contracting and disbursements of the sugar assistance. In the context of revision of the draft 10<sup>th</sup> EDF Country Support Strategy to introduce a second focal sector which would look into the root causes of the fragility of the Fijian democracy. For an efficient completion of CSP drafting process and for smooth disbursement of the sugar

assistance, it is crucial for the interim administration to make steady progress in the preparations for the elections and to respect the commitments made to the EU in the context of the article 96 consultations, in spirit as well as in text.

## 2. UPDATE ON THE POLITICAL SITUATION

Fiji has experienced four military coups in the last twenty years. The coup in 2000 had its roots in the 1999 elections, which, for the first time in Fiji's history, resulted in a party led by an Indo-Fijian into power. Mr Mahendra Chaudhry and his Labour ministers were kept hostage in the Parliament building until they agreed to resign. General Elections were subsequently held in 2001, and Mr. Laisenia Qarase led his Soqosoqo Duavata ni Lewenivanua (SDL) party, to office. His first government introduced three main policy initiatives, namely affirmative action in support of Fijian institutions, a Bill to protect the traditional Fijian fishing rights and a bill for the Promotion of Reconciliation, Truth and Unity (RTU), which would have provided an amnesty for those involved in the coup. The EU, other members of the international community and several NGO's also expressed opposition to the proposed Bill, which was subsequently amended and finally shelved prior to the 2006 elections, which saw Mr Quarase re-elected for a second term.

However, the government subsequently re-introduced the RTU, and when it refused to accede to a number of demands from the military, they assumed control of the government on 5<sup>th</sup> December 2006, and the military commander, Mr Bainimarama was appointed as Prime Minister of the interim government.

The international community condemned the 2006 military takeover, and both Australia and New Zealand introduced travel restrictions for persons and close family members serving in the military or in the interim Cabinet. Both countries also reduced the level of financial assistance being provided to Fiji. The Heads of Governments of the Pacific Islands Forum established an Eminent Persons Group to look into the situation in Fiji. The report by the Eminent Persons Group led to the establishment of the Fiji-Forum Joint Working Group to monitor the progress in restoring democratic governance, respect for human rights, the rule of law and independency of the Judiciary. At the 38<sup>th</sup> meeting of the Forum leaders in Tonga in October 2007, the interim Prime Minister, made a commitment to hold elections during the first quarter 2009.

The European Union concluded that the military coup demonstrated a breach of Article 8 of the Cotonou Agreement, and began consultations with the interim Government in accordance with the procedure described in Article 96 of the Agreement and with Article 37 of the Development Cooperation Instrument. Financial assistance and negotiations on the 10<sup>th</sup> EDF Country Support Strategy were suspended. The consultations started in Brussels in April 2007, and on 18<sup>th</sup> April a list of commitments by the interim Government was agreed and signed. The commitments covered the same issues as those made to the Pacific Islands Forum, but also included a number of certain specific actions to be undertaken (i.a. holding of Parliamentary Elections within 24 months from 1<sup>st</sup> March 2007, Tribunal to hear the case of the ousted Chief Justice, appointment of the Supervisor of Elections, re-establishment of the Great Council of Chiefs and maintenance of the 1997 Constitution). There was also a timetable to be respected, and a system of regular quarterly reports to be submitted by the interim Government.

The consultations were concluded on 1<sup>st</sup> October by Decision of the European Council which reiterated the commitments made, and timelines to be respected (i.a. elections by March 2009) and also established a number of appropriate measures which were made a condition for the continuation of development aid.

The Ministers and senior officials of the interim government are from the military, the Labour Party and the National Alliance Party. Mr. Chaudhry, who became Prime

Minister following the elections in 1999, is currently the Minister for Finance, National Planning, Sugar Industry and Public Utilities.

In May 2007 the interim Government launched a major policy initiative, the People's Charter for Change and Progress. Its objectives are to promote the evolution to a non-racial society, fight corruption and create an enabling environment for economic growth. In an attempt to combat corruption the interim Government has established the Fiji Independent Commission to Fight Against Corruption (FICAC). In January 2008 the FICAC concluded an agreement with the Fiji Police to share information and resources.

The Director of the Fiji Human Rights Commission also assumes the office of the Ombudsman and in this capacity holds the Chairmanship of the FHRC. The FHRC has not been very active in any of the cases of alleged violations of human rights following the 2006 coup and is actually widely perceived not to be the right channel for the citizens to defend their fundamental rights. A number of women's organisations, Citizens' Constitutional Forum and Pacific regional civil society organisations have been more active in cases of alleged human rights abuse.

There is little evidence of interference by the Interim Government with the independence of the Judiciary since the removal of Chief justice Fatiaki from office. The Court of Appeal judges resigned in block in 2007 and the appointment of the new judges is challenged in the courts. A number of judges, particularly expatriates, who were appointed before the 2006 coup, have not subsequently renewed their contracts.

Both petty and more violent crime, in particular domestic violence including frequent rape cases, has recently increased, to some extent caused by the increase in poverty, and a growth in squatter camps due to rural urban migration. The Police have launched a number of initiatives in an attempt to control the crime situation including campaigns to raise awareness. In response communities have established their own night watch schemes

### 3. UPDATE ON THE ECONOMIC SITUATION

Fiji belongs to small island states with few economic sectors to earn foreign exchange, mainly based on agriculture, forestry, mining, fisheries, and like in Fiji's case, services, and which are vulnerable to changes in global commodity prices of either their exports or of their essential imports. The adverse developments of Terms of Trade and challenges by more developed countries at World Trade Organisation (WTO) have further exposed these small economies to global competition.

Since 2000, Fiji's economy has been growing at an average rate of 2 % per annum, with a record growth of 5.4% in 2004 followed by a slump in 2005 with growth down to a minimal of 0.7%. The growth of the Gross National Product (GDP) recovered to 3.6% (e) in 2006 but purged down to a contraction of the economy by 4.4% in 2007. An average growth of 5% or more would be necessary to generate sufficient economic activity to decrease poverty rates and to set the nation on solid path of economic development. The National Budget 2008 is built upon a forecasted GDP rate of growth at 2.2%.

The main economic sectors contributing to the GDP are (2006 e)

Agriculture, forestry, fishing, subsistence farming	15%
Manufacturing	15%
Wholesale, Retail trade, Hotels & Restaurants	18%

Visitor arrivals dropped by 1% only in 2007, much less than the expected 8% decline. However, tourism earnings were significantly lower not only as result of the lower tourist arrivals but more so due to discounts offered by hotels and the reduction in the average length of the stay. Most other economic sectors were severely affected in 2007 by the lack of investor confidence surrounding the economy and country more generally.

Despite of exogenous pressures the inflation rate has remained moderate over the recent years averaging slightly less than 3% from 2000 to 2007 with peaks in 2001 (4.3%), 2003 (4.2%) and 2007 (4.8%). The continuing increases in world prices of oil and basic commodities have inflated domestic prices in spite of the efforts of price controls that aim to break this link. The beginning of 2008 saw the inflation rate climb up to 7.6%. Since the basic food items (e.g. flour, rice) have experienced the highest increases, the poorest cohorts of the population are likely to be the worst affected, especially in view of the current urbanisation trend.

Total imports for 2007 were FJD2,890.1 million, as compared with 2006 of FJD 3,124.4, a decrease of 7.5%. Total domestic exports amounted to FJD828.8 million – a decline of -0.7% from 2006 - and total exports were valued at FJD1,209.8 million in 2007 – a slight improvement of 0.7%.

Goods and merchandise imports consist mainly of mineral products (oil), machinery and vehicles, basic minerals and textiles.

	<b>Value</b>	<b>Percentage of Total Value of Imports</b>	<b>Percentage Change Between 2007 and 2006</b>
Mineral products	€437 million	34.0	- 6.7
Machinery	€183 million	14.0	-12.0
Vehicles, aircrafts	€76 million	6.0	-24.8
Base metals	€73 million	5.6	-13.3
Textiles	€68 million	5.0	- 2.2

Main sources of imports are Singapore, predominantly for mineral fuel products and Australia and New Zealand with a greater variety of imported products.

Main commodities exported by Fiji are prepared food stuff (mainly sugar), textiles, live animals and vegetable products.

	<b>Value</b>	<b>Percentage of Total Value of Imports</b>	<b>Percentage Change Between 2007 and 2006</b>
Prepared Food Stuffs	€168 million	45.0	2.6
Textiles	€48 million	13.0	1.6
Live Animals	€49 million	13.0	1.4
Vegetable Products	€27 million	7.0	11.7

Main destinations of domestic exports are United Kingdom, USA, Australia, New Zealand and Japan.

The trade deficit for 2007 amounted to €751 million.

Foreign reserves increased in the second half of 2007 rising to 4.3 months of imports at the end of the year. The major reasons for this improvement were the decline in the economy particularly in investment, in addition to the credit ceiling imposed by the Reserve Bank of Fiji. The Reserve Bank's policy for the future will be to safeguard the reserves and dampen the inflation in order to create stability in the economy for investments and growth.

Remittances are the second largest earner of foreign exchange next to tourism. They had peaked at a value of €143 million in 2001. Year 2007 saw a decline by 20%. The Reserve Bank has identified four main courses for the drop: the security personnel in the Middle East has come down significantly, the families which used to receive remittances may have migrated, the transaction costs are high causing the people to carry cash which is not captured in the official statistics and the weakening of US dollar against Fiji dollar.

Foreign exchange earning from exports of sugar have dropped to third place from the first ranking source of injection to the economic performance.

### **Economic Partnership Agreements**

Fiji together with Papua New Guinea initialled Interim Agreements on EPA which covers only goods. The objective for 2008 is to conclude full EPA on regional basis by end of 2008. There are however some opinions that a Rendezvous clause should be agreed upon concerning Services in the wait of conclusions of PICTA negotiations, or of a solid outline of the same.

### **Export of Fish from Fiji to European market**

The Fisheries and Veterinary Office of DG SANCO conducted an inspection mission to Fiji in July 2007. The outcome of the mission was unfavourable to Fiji with wide-ranging list of deficiencies and non-compliances recorded by the inspectors. At the time of the inspection Fiji was registered on the so-called list II which basically is a waiting or preparatory list for full admissibility. Following from the negative outcome of the inspection mission, DG SANCO proceeded to propose to the European Council to de-list Fiji from the eligible countries. The de-listing is expected to take effect in April 2008.

The authorities in Fiji have submitted to the EU in December 2007 the actions that have been taken to address the deficiencies noted by DG SANCO which also includes technical assistance of training and capacity building to be funded by the EU.

## **4. UPDATE ON THE POVERTY AND SOCIAL SITUATION<sup>1</sup>**

Over the past three decades, a higher percentage of the population fell below the poverty line in Fiji. Social indicators for Fiji, such as the UNDP's Human Development Index (HDI), are higher than for other Pacific island nations. However, the global HDI ranking has slipped from 44 in 1996 to 66 in 1997, to 92 in 2003 and to 93 in 2005 out of 177 countries. Measured by Human Poverty Index (HPI-1) Fiji ranks 50<sup>th</sup> amongst 108 countries for which this index has been calculated (year 2004). The repeated coups with ensuing political turmoil had serious economic, social and poverty consequences.

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<sup>1</sup> If not otherwise mentioned in the text, the analysis is based on Dr. Rukmani Gounder's research article "Strengthening Fiji's national poverty policies in the context of regionalism" published in the Pacific Economic Bulletin Volume 22 Number 2 2007

In 1977, 15 percent of the households lived in absolute poverty. This share increased to 25.2 percent by 1990-91. However, the poverty estimates from the HIES indicate that 34.4 percent of Fiji's population live in poverty.

The incidence of poverty in rural areas increased substantially to 31.8 percent of the population, a 15 percentage points increase between 1991 and 2002-03. Rural poverty worsened since the land leases of many Indo-Fijian sugar farmers were not renewed or farmers could not afford the higher rents. Poverty has become a significant urban problem, with many of the rural poor migrating to urban areas. Signs of rising urban poverty include the increasing numbers of street people such as beggars, street children, wheel barrow boys, prostitutes and squatters in urban and peri-urban areas. (Annex 11.5.1 Incidence of poverty).

Education and health sectors have received the bulk of funding, followed by water supplies. The allocation of funds for primary education increased in the 1990s, however funds allocated to other priority social areas have been reduced (that is, rural primary education, rural public health and rural water supplies.) Only about 50% of the population has access to safe water and proper sanitation. Access to sanitation is about 75% for urban areas and 12% for rural areas.

Rural services, social welfare and housing sector expenditures have not increased sufficiently to address the deepening poverty problems. Education, health and water supply have been largely supported by aid programmes. (Annex 11.5.2 Social spending)

According to a study conducted by Asian Development Bank in 2003, the Fiji Islands has made considerable progress in achieving the Millennium Development Goals. It is close to achieving targets in education, health, and gender-related goals. Literacy rates are very high for both youths and adults. Universal primary education for boys and girls has been achieved, though the quality of education and retention rates remain a problem, particularly on the outer islands. Infant and child mortality rates have decreased and are low. Gender disparities in primary and secondary enrolments have almost been eliminated. (Annex 11.1.2.MDG progress)

The unstable political and socioeconomic situation has led to a significant increase in hardship and poverty. New pockets of poverty are emerging in urban squatter settlements and in rural areas.

The provisional data on 2007 Population Census released by Bureau of Statistics records the following changes in the demographic structure

Population cohort	2007	1996	Change
Fijian	473,983	393,575	+ 80,408
Indian	311,591	338,818	- 27,227
Other	42,326	42,684	- 358
Total	827,900	775,077	+ 52,823

More data can be found in Annex 11.5.3

## 5. OVERVIEW OF THE PAST AND ONGOING CO-OPERATION

### 5.1. Country envelopes (NIPs) 9<sup>th</sup> and 10<sup>th</sup> EDF

The End-of-Term review confirmed the following structure of allocations and focal/non-focal sectors for Fiji's 9<sup>th</sup> EDF National Indicative Programme.



	Initial indicative allocation		Indicative allocation after the ETR	
<i>Rural Education Programme, including non-state actors</i>	20.475.000	97.5% of total	21.000.000	88.3 % of total
<i>Non-focal sector (Technical cooperation facility. Civic Education. Waste Management).</i>	525.000	2.5% of total	2.788.842	11.7 % of total
	21.000.000	100%	23.788.842	100%

On global level, all funds have been committed.

The A-envelope of the 10<sup>th</sup> EDF amounts to €30,240,000. A draft Country Support Strategy paper had been negotiated and completed for submission to EC Headquarters in September 2006. However, the events of December 5, 2006 brought the process to a halt.

In keeping with the programming guidelines, the draft CSP foresaw one single focal sector of Water and Sanitation, with Technical Cooperation Facility and Non-State Actors programme absorbing the maximum 15% of the country envelope for non-focal sectors. At the time of drafting of this Joint Annual Report, discussions on the re-orientation of the country strategy are still ongoing.

## 5.2. Performance under 9<sup>th</sup> EDF

### 5.2.1. Fiji Education Sector Programme (9 FIJ 1), Euro 21.000.000

The FESP program encompasses 5 Key Result Areas (KRA): 1) Improved infrastructure and upgraded facilities; 2) Capacity building and enabling environment; 3) Quality and adequate resources and materials; 4) Effective and efficient processes and mechanisms and 5) Community building through education and partnerships

Implemented through Programme Estimates, each PE then defines the specific activities geared to achieve the expected results.

PE1 ran from April 2005 till end of October 2005, PE 2 started in November 2005 with an original period of execution of 18 months which was later extended until the end of October 2007. PE 3 became operational on 1<sup>st</sup> November.

Following a comprehensive analysis of the political situation in Fiji after the Coup of 5 December 2006, and taking into account potentially delaying consequences for the **Fiji Education Sector Programme (FESP)**, it has been decided to de-commit 50% of the allocation of PE 2. These de-committed funds were then made available for re-commitment under PE 3.

#### KRA 1:

In Phase I of schools infrastructure development in PE2 only 1 contract for one Lot of 6 schools in Macuata/Bua could be signed. However, quality checks in October 2006 revealed that the foundation slabs were below the required standard and the contractor has been instructed to remedy the situation. The contract has meanwhile been terminated and legal proceedings against the contractor are on-going. As a consequence, it was decided that more stringent monitoring of the contractors and the clerks of works is

required so that the quality of the works being provided is not jeopardised. The PMU as well as the Delegation have since stepped up their monitoring activities.

Phase II tenders for schools infrastructure upgrading targeted 96 schools (inclusive of the 56 Phase I schools for which contracts were not awarded). The budget estimates for individual buildings were increased to reflect the poor market response to Phase I.

61 contractors were invited to tender for phase II and indicative budgets were included in the tender documentation. Of the 24 tenders received, only 1 supplied all the required documents. However, in total 18 tenderers were examined for the technical and financial capacity.

The military coup of 5 December 2006 had important repercussions and caused subsequently further delays in the contracting process for infrastructure upgrading under FESP, as instructions were received to beef up scrutiny and further monitoring. Eventually, in June 2007, 10 contracts, covering 64 buildings at 46 schools have been awarded. Controls and monitoring of the contractors and Clerks of Works have been tightened because of poor supervision.

In KRA 2 provisions were made for allowing students to gain teaching practice in rural and remote primary schools as well as for primary and secondary teachers to attend in-service courses.

Under KRA 3, preparations started in 2006 to tender for library resources, laboratory and IT resources, furniture, sports equipment and copying/duplication equipment. The tender process went smoothly and the resources were handed over in November 2007.

Under KRA 4, provisions were made for road and marine transport resources and a printing press, these resources were procured without any problem and handed over in the course of 2006. A tender process for three more vehicles for the Ministry of Education started in December 2007 and the vehicles were handed over in February 2008.

For KRA 5, NSA activities were supported by grants following locally launched calls for proposals. Problems were faced in the selection process of suitable project proposals due to a very weak capacity and/or lack of willingness of FFO NSA to guarantee a fair and transparent process and subsequently during the implementation phase of various projects in terms of financial accountability. Consequently it was decided to tighten controls and shift the management of the NSA activities to the NAO, supported by a NSA program management unit.

Under PE 2, 10 grant contracts had been previously awarded to NSA-organisations following calls for proposals. The program director for the NSA component took up duties in the NAO office in July 2007 and drafted a new Program Estimate for NSA activities that entered into force equally on 1<sup>st</sup> November. A first call for proposals has been launched and received an overwhelming response, Out of 40 proposals, 19 contracts to NSAs for training activities and creation of employment will be awarded. Preparation had started to launch a second call for Proposals for Upgrading of schools' infrastructure through award of grant contracts to NGOs working in this area. Award of contract is expected in April 2008.

#### 5.2.2. Fiji Solid Waste – Lami Dump Rehabilitation (9 FIJ 5 & 9 FIJ 6) Euro 2.723.226,43

Following Fiji's eligibility to FLEX support, it was decided to use the B-envelope (€2,100,000) and the remaining uncommitted funds of the 9<sup>th</sup> EDF for rehabilitation of this environmentally risky waste depot. The intervention continues the environmental

programmes carried out under the 8<sup>th</sup> EDF where the Naboro Landfill and the Kinoya Outfall Pipeline were successfully completed.

Lami dump was on fire for several weeks in 2005. It represents a considerable health risk, not only in case of fire, but also due to leachate emission to the densely populated environment.

The detailed design of the project was carried out in 2007 and the Financing Decision was signed on 21 November 2007. Recruitment of Technical Assistance is under way.

#### 5.2.3. Technical Cooperation Facility (9 FIJ 2), Euro 1.100.000

It is foreseen that the remaining funds, approximately €400.000 after closure of some ongoing contracts, will be used to provide a short-term technical assistance to the NAO's office and to carry out a feasibility and identification study to the Water & Sanitation sector in preparation for the interventions under the 10<sup>th</sup> EDF.

#### 5.2.4. National Initiative for Civic Education (9 FIJ 3), Euro 800.000

The Financing Agreement was signed on 22 December 2006. However, the December 2006 events delayed the start of the implementation. Finally the Project Document, a requirement by UNDP was re-negotiated to reflect direct implementation mode and the Contribution Agreement with UNDP could be signed on 13 December 2007. The first Steering Committee meeting convened on the same day. Since then two more Steering Committee meetings have taken place, the programme management unit is staffed, has established its premises and has started its operations. Initial pre-financing of €244,000 was paid on 18 January 2008.

### 5.3. Budget Lines

**EIDHR – Live & Learn: Imagining Tomorrow, peace education €200,000:** the project was launched in April 2006. Implementation of activities is well under way, most notably with the recent launch of the Peace Bus that is travelling all over the two main islands of Fiji.

**EIDHR – USP: Good governance €635,000:** the project has come to an end during 2007.

**ENV – Birdlife: Sustainable management of sites of global importance for biodiversity in the Pacific €1,293,032:** the project has been extended through a rider. It is now scheduled to end its activities on 06/03/08.

**EIDHR – Live & Learn: Governing Water €461,890:** the project has been extended to the end of 2007. Activities and disbursement were on track

**EIDHR – CCF: Democratisation HR and Ethnic Reconciliation €813,467:** the project was extended to 1 September 2007 taking into account the disruptions it experienced as a result of the 2006 Coup d'état. The final report was received on time and a final payment is being processed.

**CDC – FSPI: Grassroots opportunities for action and leadership (GOAL) €499,877:** project has finished at the end of May 2007. There is a considerable amount left unpaid.

**ENV – Live & Learn: Biodiversity Education €523,941:** the first interim report was received. Activities and disbursements are on track.

#### 5.4. Sugar

Fiji's financial envelope for the sugar assistance, including the 2006 initial contribution, amounts to €64,026 million broken down to annual allocations as follows:

Year	2006	2007	2008	2009	2010	Total
Allocation	4,038,000	0	8,000,000	24,009,000	28,015,000	64,062,000

The 2006 Financing Agreement is in the implementation with some €400,000 uncommitted. The 2006 funding was attributed to two main actions in keeping with the Financing Agreement, namely to the Accelerated Cane Replanting programme and to the Reinforcement of the Research and Extension Services. The Programme Management Unit is established in the auspices of the Sugar Commission of Fiji in Lautoka. In principle only running expenditure and salary top-up of the Programme Manager and auxiliary staff are covered by the EC assistance.

#### 5.5. Other instruments

Fiji benefits together with 10 other ACP countries from a project called 'Tackling Child Labour through Education – TACKLE, ACP RPR 100). The Contribution Agreement between the European Community and the International Labour Office (ILO) entered into force on 21<sup>st</sup> of December 2007. At country level, a partnership protocol will be signed between the European Commission, the ILO and Ministry of Labour and the Ministry of Education. The project's purpose is to strengthen capacity of the national and local ACP authorities in the formulation, implementation and enforcement of policies to fight child labour in coordination with social partners and civil society. The detail of interventions will be formulated in consultation with local stakeholders taking into account local needs and circumstances in different countries. However, in all regions, the strategy followed by the project will have two main elements. Firstly the project will try to strengthen the enabling environment (legal and policy framework, capacity building, etc.). And secondly the project will focus on withdrawal of children from child labour, the prevention of child labour, and development of effective intervention models which can be replicated.

The European Communities will provide up to €14,750,000 to the ILO to support the implementation of the action, the duration of the project is 48 months.

### 6. POLICY COHERANCE FOR DEVELOPMENT

Fiji benefits from the Pacific Regional Economic Integration Programme (PACREIP) which through its six components facilitates and supports trade negotiations, legislative and regulatory harmonisation and regional cooperation in economic areas. Beside PACREIP, Fiji benefits from a trade policy adviser financed through the Trade.com facilities (under the Hubs & Spokes project) and based in the Fiji Ministry for Industry, Tourism, Trade and Communication. Another regional trade policy adviser, based in the PIFS, is funded through the Commonwealth Secretariat.

The Lami Dump Rehabilitation project under the 9<sup>th</sup> EDF will continue the environmental strategy of 8<sup>th</sup> EDF CSP. Water and Sanitation is proposed as a possible focal sector under the 10<sup>th</sup> EDF CSP.

Fiji has been eligible to export fish to Europe and was included in the Annex II of the Regulation (EC) 2076/2005 regarding imports of fishery products to Europe. Following the negative outcomes of the inspection mission in July 2007, Fiji is proposed to be excluded from the Annex II list. The Delegation has given proactive support to the

Competent Authority and sector stakeholders in remedying the situation and in getting Fiji back to the eligible countries list.

Sugar is together with tourism and remittances the major source of foreign currency earning for Fiji. The Commission is supporting the revitalisation efforts of the sector through the Accompanying Measures to the Reform of the Sugar Trade Regime. Pillar II of the National Adaptation Strategy and EC Multi-annual Programme focus on agricultural diversification in an effort to broaden the commercial agriculture base.

Good governance and non-state actors are supported through several projects funded by Community Thematic Budget Lines and EDF (FESP, NICE).

## **7. EU STRATEGY FOR THE PACIFIC**

During the discussions on the programming of the 10<sup>th</sup> EDF, key strategic directions contained in the EU Pacific Strategy have been taken into account while agreeing on the development response strategy for the European Community support. In this framework, the EU Strategy's focus on the sustainable management of natural resources in the Pacific provides a clear, result-oriented opportunity for the Fiji - EU development cooperation under the 10<sup>th</sup> EDF with the proposed focal sector of water and sanitation.

## **8. DONOR COORDINATION AND HARMONISATION**

The Ministry of Education hosts annually two regular sectoral coordination meetings in the form of Programme Steering Committee of the EDF and AUSAid funded Fiji Education Sector Programme. Similar coordination takes place for the NICE programme to which UNDP, NZAid and EDF contribute. PFTAC leads donor coordination efforts for economic and public finance management issues. An Elections Donor Coordination Committee, chaired by Permanent Secretary of Justice, was established to coordinate the assistance to preparations and conduct of the 2009 elections.

Apart from the programme or ad-hoc needs based forums described above, there is no systematic, regular and cross-sector/cross-agency coordination mechanism in place in Fiji and it is also observed that the agencies do not have the tradition of sharing financial information of their assistance programmes.

Due to the specific political situation, the Delegation does not meet with the DNAOs for regular portfolio meetings. However, contacts on technical level with the two Deputy Authorising Officers are frequent.

Looking into the internal coordination on political aspects, the EU Troika meets regularly and the spirit of the meetings is constructive.

## **9. DIALOGUE IN COUNTRY WITH NON-STATE ACTORS, LOCAL AUTHORITIES AND THE NATIONAL PARLIAMENT**

Apart from programme based meetings with non-state actors and local authorities in the context of the thematic budget line programmes and given the particular circumstances in Fiji, the Delegation meets frequently with different civil society actors. As for consultation with the NSA in terms of programming of the EC assistance to Fiji, the 2006 draft of the CSP 10<sup>th</sup> EDF was widely consulted.

## 10. CONCLUSIONS

Fiji experienced its 4<sup>th</sup> coup in 20 years when the military takeover led by Commander Josais Voreqe Bainimara took place on December 5, 2006 and ousted the Qarase led SDL Government which had taken office after the elections in May of the same year.

The military takeover brought the finalisation of the 10<sup>th</sup> EDF Country Support Programme to a halt and resulted in temporary suspension and back-loading of the EC assistance to the Accompanying Measures on the change of the Sugar Trade Regime. However, programmes in implementation were not affected.

The European Union launched consultations with the interim Government evoking articles 9 and 96 of the Cotonou Agreement and article 37 of the Development Cooperation Instrument. On 18 April, 2007 the two parties agreed on a list of commitments by the interim Government focusing on respect for human rights, democratic principles, rule of law including upholding of the 1997 Constitution and on return to constitutional governance and having national general elections by March 2009.

On October 1<sup>st</sup>, 2007 the Council decided in the form of the so-called appropriate measures to create a parallelism between Fiji's respect for the agreed commitments and development cooperation. The Decision was communicated to Fiji by means of a letter addressed to His Excellency, President Iloilo.

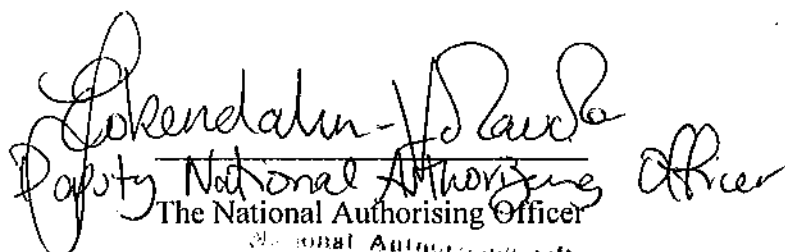
It is crucial for the finalisation of the 10<sup>th</sup> EDF programming process and for smooth flow of the sugar assistance that the interim administration makes solid progress in the preparations for the elections promised for March 2009.

Drawing conclusions from the history of coups in Fiji, the European Commission has encouraged the interim administration and the Delegation to embark on revision of the

draft 10<sup>th</sup> EDF Country Support Paper and to introduce interventions which would look into the root causes of the fragility of the democracy in Fiji.

Signatures:

Suva, at

  
Deputy National Authorising Officer  
The National Authorising Officer  
National Authorising Office,  
European Development Fund  
Republic of Fiji



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The Head of Delegation  
**RITVA SALLMÉN**  
Chargé d'Affaires a.i.

## **11. ANNEXES**

### **11.1. General annexes**

11.1.1. Key macro-economic performance indicators

11.1.2. Key MDG indicators

### **11.2. Annexes with a retrospective character**

11.2.1. Financial situations of EDFs as per closure of the financial year 2007

11.2.2. Sector concentration of the engagements under 9<sup>th</sup> EDF

11.2.3. Regional projects

11.2.4. EIB projects

11.2.5. Use of budget support

### **11.3. Annexes with a prospective character**

11.3.1. Indicative time table for disbursements of 9<sup>th</sup> EDF and any previous EDFs

### **11.4. Annexes on aid effectiveness**

11.4.1. EAMR aid effectiveness questionnaire

11.4.2. Donor matrix – financial support (none provided)

11.4.3. Donor matrix – roles of donors (none provided)

### **11.5. Other annexes**

11.5.1. Incidence of poverty

11.5.2. Social spending

11.5.3. 2007 Census, preliminary results



		2000	2001	2002	2003	2004	2005	2006	2007
<b>Basic data</b>									
1	Population (in 1000)							853,445	827,900
	- annual change in %								- 3%
2a	Nominal GDP (in millions FJD)	3584.8	3779.4	4029.8	4390.6	4726.8	5010.0	5483.3p	5561.4e
2b	Nominal GDP per capita (in millions €)								
2c	- annual change in %	-	5.0	6.6	8.9	7.6	6.0	9.4	1.4
3	Real GDP (annual change in %)	2637.9	2690.4	2777.3	2806.7	2959.4	2979.8p	3087.p	2948.5e
4	Gross fixed capital formation (in % of GDP)	15.4	15.3	19.2	21.4	18.5	18.5	-	-
<b>International transactions</b>									
5	Exports of goods and services (in % of GDP)	43.8	45.4	40.8	45.2	40.7	40.0	38.9	33.6
	- of which the most important: ... (in % of GDP)								
6	Trade balance (in % of GDP)	-25.3	-29.6	-30.2	-36.2	-43.8	-51.4	-62.3	-45.5
7	Current account balance (in % of GDP)								
8	Net inflows of foreign direct investment (in % of GDP)	-0.001	0.025	0.017	0.016	0.042	0.005	0.050	0.027
9	External debt (in % of GDP)	5.8	5.2	4.8	3.9	3.7	3.6	7.7	8.6
10	Service of external debt (in % of GDP)	1.0	0.5	0.5	0.4	0.2	0.3	0.2	1.2
11	Foreign exchange reserves (in months of imports of goods and non-factor services)	4.6	5.1	4.4	5.6	5.6	4.0	3.7	4.3
<b>Government</b>									
12	Revenues (in % of GDP)	26.0	23.5	26.6	24.6	25.8	26.5	25.8	24.4
	- of which: grants (in % of GDP)							0.007	0.009
13	Expenditure (in % of GDP)	29.2	29.9	32.3	30.6	26.0	30.1	28.7	24.0
	- of which: capital expenditure (in % of GDP)	4.2	5.2	6.3	5.7	4.5	4.6	3.9	2.2
14a	Deficit (in % of GDP) including grants	-3.2	-6.4	-5.7	-5.9	-3.2	-3.7	-2.9	0.4
14b	Deficit (in % of GDP) excluding grants							-0.035	-0.005
15	Debt (in % of GDP)	40.9	43.8	48.3	49.3	50.2	52.5	52.7	50.3
	- of which: external (in % of total public debt)	0.14	0.12	0.10	0.08	0.07	0.07	0.15	0.17
<b>Other</b>									
16	Consumer price inflation (annual average change in %)	1.1	4.3	0.8	4.2	2.8	2.4	2.5	4.8
17	Interest rate (for money, annual rate in %)								
18	Exchange rate (annual average of national currency per 1 US\$)	0.4391	0.4376	0.4741	0.5605	0.5977	0.5477	0.5881	0.6183 (sep)
19	Unemployment (in % of labour force, ILO definition)								
20	Employment in agriculture (in % of total employment)		1.7						

	Indicator	1997	2000	2004	2005	2006	2007	2008	2009	2013	2015
Impact	1. Proportion of population living on less than USD 1 per day <sup>2</sup>	25%									
	2. Prevalence of underweight children (under-five years of age)	11%									
	3. Under-five mortality rate	27.8	21.8	22.4	18 (2002)						
Outputs	4. Net enrolment ratio in primary education	92	94.7	102							
	- boys	91.7	94.9	102							
	- girls	92.4	94.6	102							
	5. Primary Completion Rate			64.3							
	6. Ratio of girls to boys in:										
	- primary education										
	- secondary education										
	- tertiary education										
	7. Proportion of births attended by skilled medical personnel	98	99	98.6							
	8. Proportion of one-year-old children immunised against measles	86	73.6	76.4							
9. HIV prevalence among 15- to 24-year-old pregnant women	< 0.01	< 0.02	< 0.01								
10. Proportion of population with sustainable access to an improved water source			47								
- urban			43								
- rural			51								

Source: HIES 1990-1991

Fiji Govt & UNDP 1997 Fiji Poverty Report  
National Nutrition Surveys 1993  
Ministry of Health/UNICEF  
Ministry of Education –only available in census years  
Ministry of Health Annual reports

<sup>2</sup> Indicator 1 may be replaced by an equivalent indicator based on national poverty thresholds, in which case a comment will be needed to permit consistent interpretation of data over time.

8<sup>th</sup> EDF

TOTAL ALLOCATION (in Million EURO)		COMMIT- TED	UNCOMMIT -TED	COMMIT- MENT RATE %	PAID	PAY- MENT RATE %
Envelope 'A'	16,94	16,94	00	100%	16,91	99,8%
Envelope 'B'	00	2,42	00	100%	2,42	100%

9<sup>th</sup> EDF

TOTAL ALLOCATION (in Million EURO)		COMMIT- TED	UNCOMMIT -TED	COMMIT- MENT RATE %	PAID	PAY- MENT RATE %
Envelope 'A'	23,52	23,52	00	100%	15,19	64,6%
Envelope 'B'	2,10	2,10	00	100%	0	0

Separate Excel-table

**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:	December 31 <sup>st</sup> 2007. Request to extend till December 31 <sup>st</sup> 2008

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 + 8PTF REG 3**

Implementing Agency:	SPC
Budget:	€4,300,000
Financing Agreement Signed:	December 2001
Duration:	5.5 years
Project Closure:	30 September 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 +8RPA 10 +PTF REG 4 +7RPR 782**

Implementing Agency:	SPC
Budget:	€ 6226,000 m4
Financing Agreement Signed:	November 2002
Duration:	4 years
Project Closure:	December 31 <sup>st</sup> 2007. Request for extension till 31.12.2008

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:	31 <sup>st</sup> May 2007. Closed

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. Closed 16/01/2007.

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 + 8PTF REG2

Implementing Agency:	SPC, Noumea
Budget:	€ 8 .1 million ( RPA.04) 2.4 m ( 8PTF REG 2. Total= 10.5 m
Financing Agreement Signed:	December 2001
Commencement:	March 2002
Duration:	5 years
Project Closure:	1 March 2009

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 (OFF) 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:	31 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:	€11.2million
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:	€1,981,000

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: €1997476m  
 Financing Agreement Signed: February 2004  
 Duration: 4 years  
 Project Closure: 31<sup>st</sup> December 2007

Pacific ACP countries have a combined Exclusive Economic Zone (EEZ) of some 20 million km<sup>2</sup>, a total land area just over half a million km<sup>2</sup> 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:	€ .5m
Financing Agreement Signed:	December 2003
Duration:	2 years
Project Closure:	30 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:	31 <sup>st</sup> 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 was conducted in August/September 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:	31 <sup>st</sup> 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.

#### 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 . Request for extension up until 31<sup>st</sup>.12.2009

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).

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

Implementing Agency: IT Power  
 Budget: €1.8million  
 Financing Agreement Signed: July 2005  
 Duration: 4 years  
 Project Closure: 31<sup>st</sup> 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 focus on renewable energy is also in line with EIB's strategy to give support to renewable energy schemes in the Pacific region and might open a window for cooperation. 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 was held in Suva in March 2006.

On 28 November 2006, the EIB signed a loan agreement for the Construction of hydropower plant in Viti Levu for a total amount of € 24,500,000. Pending political developments disbursements of the loan have not yet commenced.

In the face of high oil prices, and given the country's commitment to energy security, the EIB may consider supporting some of the numerous renewable energy projects being developed. Further, the Bank continues to prioritise enhancing financial intermediation and supporting Micro, Small and Medium sized Enterprises. The EIB has also indicated it may consider supporting the revitalisation of the sugar sector and sugar sector reform e.g. agricultural diversification, possibly through a dedicated credit line.



Under the present circumstances Fiji is not eligible for use of budget support as aid delivery mechanism. However, preparations to this effect are envisaged to continue with update of the PEFA assessment and a study to the macro-economic policies.

Refer to EAMR/AMP financial forecast tables.

See separate annex.

There is no tradition in Fiji to maintain a donor matrix. No responses were received to request sent to the donors to contribute the EC template matrix. Obviously this situation is a consequence of the missing overall donor coordination mechanism in the country. Efforts to improve the situation will be launched by the Delegation in the course of 2008.

See comments in the previous annex.