

Joint Annual Report

2005

European Commission/

Republic of the Marshall Islands

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1. EXECUTIVE SUMMARY

The Country Strategy Paper and National Indicative Programme (NIP) for the Republic of the Marshall Islands (RMI) were signed in Majuro on 8th April 2003.

The NIP provides for an indicative financial allocation of € 3.5m for the “A” Envelope, and € 1.1m for the “B” envelope. The focal sector is the energy sector, to which 65% of the A envelope (€ 2.3m) is to be allocated. A further € 0.7m (20% of the A envelope) is to be allocated to human resource development/capacity building, in the form of support to outer island schools, with the remaining 15% of funds (€ 0.5m) set aside for support to education through the involvement of Non-State Actors.

The preparation of project proposals to be financed under the Cotonou Agreement began in 2003 and the status of proposals in the focal and non-focal sectors by end 2005 was as follows:

In November 2004, a Financing Proposal for the proposed focal sector programme on Renewable Energy (covering 5 of the new PACP countries, including RMI) was approved by the EDF Committee. The Financial Agreement was signed in July 2005, the Service Contract for the Programme Management Unit signed in October 2005. Implementation commenced in January 2006 with the mobilisation of the British/French consulting firm contracted by the Pacific Islands Forum Secretariat.

As regards the non-focal sector (HRD/capacity building), a project proposal entitled “Enhancement of Human Resource Development/Capacity-Building in the Outer Islands: School Construction” was received by the Delegation in November 2003. In 2004 various exchanges with the Commission and the NAO took place, but the document was not finalised. In 2005, due to lack of staff in the Delegation, it was not possible to achieve it. Future reinforcement of the Delegation should ensure that this project is presented for a financing decision in 2006.

Discussions on the NSA programme, in the education sector, began in October 2003. Following comments of the Commission headquarters, a final draft Financing Proposal was submitted for final review in December 2005 to the NAO and to the designated NSA implementing organisation, the Marshall Islands Council of NGOs (MICNGO). The Financing Proposal should be approved in 2006.

2. UPDATE ON THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION

RMI is one of only four atoll nations in the world. It consists of 29 atolls and 5 coral islands scattered throughout the central part of the Pacific Ocean. The total land area is only 181 km², whereas the Exclusive Economic Zone (EEZ) covers an area of more than 2 million km² and contains an abundance of fish and other valuable marine resources. The national capital is Majuro atoll. Recent statistics estimations show that the population is approximately 56,417 with 45 percent under 15 years of age. Two-thirds of the population reside on Majuro and Ebeye, which are the two main district centres with modern infrastructure, while the remaining one-third live in the rural “outer islands” following a subsistence lifestyle. The population growth rate was 3.9% in 2003 and 2005, but there are an increasing number of emigrants to the United States. It is estimated that 10 to 15% of the population live abroad.

2.1. Update on the Political Situation

In 1986, the RMI became an independent nation and established a bilateral agreement with the USA, known as the Compact of Free Association, which outlines the economic and political ties between the two countries. A major agreement of the Compact grants the U.S. exclusive military access to Kwajalein atoll for the U.S. Army strategic missile test range. It also provides for settlement of all claims for nuclear injury compensation following the nuclear testing programme, which the U.S. conducted from 1946 to 1958. By treaty, the national currency is the US dollar. Compact ‘Two’ or Compact as amended (a 20-year agreement) was approved in 2003 and will last through to 2023, and modest signs of growth in the hitherto near-stagnant economy have been noted since.

RMI has maintained a stable and democratic government since independence. The present government, under the leadership of President Kessai Note, the first President who is not a traditional chief, was re-elected in November 2003, with a slightly larger Parliamentary majority than in his first administration. This has replaced the former Kabua regime, which reigned uncontested for 18 years. Traditionally there have been no formally organised political parties. The Marshall Islands Constitution provides for a parliamentary system with legislative, executive, and judiciary branches. Legislative power is vested in the *Nitijela* (parliament) with thirty-three senators, elected every four years and representing 24 atoll/island districts. Larger districts are assigned additional senate seats. The Executive comprises the President and the Cabinet. The President, elected by majority vote from the membership of the *Nitijela*, appoints the ministers who are also member of the *Nitijela*, forming the Cabinet. There is a traditional council of chiefs known as the Council of *Iroij* that acts mainly as an advisory body on wide matters pertaining to customary practices. There are also twenty-four local governments overseeing local affairs and ordinances, most of them relying on the national government for support and assistance. The judiciary consists of the Supreme Court, the High Court and the Traditional Court.

Corruption has been an issue in the past, but the present administration is making efforts to bring about greater transparency and accountability in the government operations. To the administration’s credit, it has been receptive to the desire of a number of donors and lenders – including the EU – to channel a portion of development funds to RMI through non-governmental organisations and community groups – particularly for initiatives in the social sectors.

2.2. Update of the Economic situation

The principal aims of the Compact – political sovereignty and exclusive military access by the U.S. – have been achieved, but the economic and social outcomes for the Marshall Islands differ significantly from RMI expectations. The country continues to strive for a self-sustaining economy in view of the natural constraints imposed by its small size, its remote location from major international markets, occasional natural disasters, and limited land resources, notwithstanding the challenge in balancing the effort to preserve its culture, to adapt to modern society and to promote a free market economy. The fact that Marshallese can live, work and study in the U.S. visa-free has provided a social safety valve for the country, but it has probably also undermined sustained efforts at attaining economic self-reliance.

The principal feature of the small RMI economy is the predominance of a semi-subsistence sector, still based primarily on copra production, alongside a limited, modern service-oriented sector which is mainly sustained by the expenditures of the government and the U.S. military base on Kwajalein. During the long period in which the Marshall Islands, as part of the Trust Territories of the Pacific Islands (TTPI), were administered by the USA on behalf of the UN, economic development was not assigned a high priority and local productive capacity has remained relatively undeveloped. The economy is driven by the public sector that has received funding through successive Compact Agreements. Compact assistance remains the mainstay of the RMI economy, contributing an estimated 50% of GDP over the past 16 years. Private sector development has suffered in the past from bureaucratic regulations and subsidies to state-owned enterprises, though efforts are now being made (notably with ADB assistance) to remove obstacles to foreign investment. Efforts are also being taken to improve the line of communication between different sectors in the country.

Recent statistics indicate no real growth in national income per capita since independence and little change in the structure of the economy. Real GDP stood at US \$ 127.44m in 2005. Growth has been stagnant since 1995 when GDP was US\$ 128.79m. In 2005, GDP per capita was estimated at USD 2,470. Inflation has been largely contained, due to cheaper imports arising from the strengthening of the US dollar and sluggish demand, the combination of which more than offset the impact of the sharp rise in fuel prices. Expenditure on imports from the U.S. exceeds the annual value of Compact revenues. The labour force is growing faster than the number of jobs being created and unemployment, which is currently estimated at 30.9% (1999 statistical level) continues to increase. The present government seems more convinced than previous ones of the need to improve the business climate, and through such improvement, the economy as a whole, but bringing about the changes needed will not be a quick or easily-accomplished task.

Economic data: 1999 to 2005

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|--------------------------|-------|------|------|------|------|------|-------|
| GDP USD (million) | 102 | 107 | 110 | 115 | 120 | 126 | 127 |
| GDP Per Capita (USD) | 2102 | 2084 | 2101 | 2156 | 2156 | 2208 | 2273 |
| GDP growth | -4.5% | 3.8% | 0.8% | 2.7% | 2.4% | 2.9% | -0.4% |
| External Debt (% of GDP) | 90% | 83% | 71% | 72% | 73% | 72% | 67% |

Source of the table: RMI Government statistics

Agricultural production is relatively limited but important to the livelihood of people and the economy. It comprises food crops including small livestock and one cash crop, copra, which is processed into coconut oil and other products. Copra remains the most important – almost the only – source of earned income for people in the rural areas. The copra price subsidy is an important way of redistributing income to rural households. Land for agricultural production is limited. In 2004, the Loining Plant was shut down, but negotiations for a new management team for the plant are under way. The fisheries sector comprises two sub-sectors, coastal and oceanic fisheries. Coastal resources are harvested by households for their own

consumption and sale to the urban areas. There is potential for commercially viable (black) pearl farming.

With an Exclusive Economic Zone of more than 2 million km², RMI has an abundance of fish and other marine resources. The fishery resources are exploited through licensing of vessels from distant water fishing nations to fish in RMI's EEZ. RMI has a Multilateral Fishery Treaty with the USA and bilateral fisheries agreements with Japan, Korea and Taiwan. In 1997 the National Fisheries Policy was approved in order to improve the economic benefits from the fisheries sector, promote responsible private sector-led fishery development and strengthen the institutional capacity to facilitate development and management of fishery resources, within sustainable limits. Part of these efforts resulted in the recent establishment of a private tuna loining plant in Majuro with a processing capacity of 50 tons per day and employing some 350 people, of whom 80% are women.

In the past five years RMI has received about US \$16.4 million from licences and trans-shipment fees, with annual receipts between US \$2 to US \$5 million. This represents a significant contribution to the government's General Fund. Apart from the multi- and bilateral fisheries agreements, an important strategy of RMI is to make Majuro an attractive port for trans-shipment, not only to derive additional revenues from trans-shipment fees, but also to inject spending into the local economy.

Tourism at present is a very small sector, employing less than 10% of the labour force, but may have development potential in certain niche markets. Tourism infrastructure, hotels and restaurants are located mostly in Majuro with some small facilities on the outer islands. Development aims at niche markets in Japan and the USA for outer island/atoll cultural experience, diving and fishing. In the longer term, the plan is to shift to the development of self-contained, private island resorts.

The public sector in RMI plays a dominant role in the economy, and is the country's main employer, by a wide margin. The Government recognises the challenges that this poses, and has been focusing on economic reform, greater accountability and improved performance, as well as on increasing NSA involvement in a country where the expectation has long been that government should take care of everything. The establishment of the council of NGOs entitled Marshall Islands Council of Non-Government Organisations, which is the umbrella for about 600 NSAs, is an indication of the increased role of NSAs in society and vis-à-vis the Government. There are efforts to improve domestic capacity to administer Government more efficiently and promote private sector growth by further streamlining the requirements for new business, particularly foreign investors. In addition Government continued to: 1) retain expenditure levels 25% lower than 1995 expenditure levels, 2) decrease subsidies on a number of government entities and allow for privatisation process, 3) maintain the government hiring and wage freeze policy, and 4) concerted more efforts to collect unpaid taxes.

In terms of long-term fiscal policy, RMI has established the Marshall Islands Intergenerational Trust Fund (MIITF), with an initial deposit of US\$18 million, to set aside maximum savings so as to generate uncommitted future income. The aim is that a proportion of Compact transfers (and potentially other external contributions) will be saved and invested in the Intergenerational Trust Fund to

create post-Compact income and enhance self-reliance. Currently, and estimated US\$ 30 – 40 million has been invested in the MITF.

The Government has been attempting structural adjustment to stimulate economic development and contain budgetary deficits for over half a decade. The Government requested the Asian Development Bank (ADB) support for public sector reforms as far back as 1994. This resulted in a Public Sector Reform Programme (PSRP) loan in 1997. Overall, RMI's performance under the PSRP has been positive and include improving the policy environment for the private sector, strengthening the financial sector for growth and achieving an economy which is less dependent on external aid flows. Recent actions taken include anti-corruption and good governance measures.

RMI has as yet failed to commit to the standards of transparency and effective exchange of information for tax purposes agreed by the OECD Global Forum on Taxation. It is therefore currently on the OECD's list of "Uncooperative tax havens".

Compact as amended assistance is scheduled to last through to 2023, but in order to advance the cause of economic self-reliance, and to reduce the increasing social problems associated with the high unemployment, or under-employment rate, it is vital that the authorities devise and implement policies capitalising on the potential for economic growth. This is likely to involve a degree of privatising of areas at present in the public sector and, more generally, to create a more enabling environment for private sector development, reducing dependence on imports and government subsidies.

EPA negotiations

Trade/EPAs

The traded goods sector of commercial agriculture, local handicrafts, black pearls and niche tourism contribute minimum input, but continue to gain steady growth.

All Pacific ACP states, including RMI, continued their participation throughout 2005 in the EPA regional negotiation process through the established negotiating machinery. Progress in the Pacific negotiations was, however, slower than might have been hoped for, a reflection both of the very limited capacity of certain PACP states and of the varying levels of interest on the part of the states in a EPA (only a small number of smaller PACP perceive an interest in an agreement on goods). Discussions focussed on the architecture of the Agreement, as well as on investment promotion and protection and on certain sectors of importance to most PACP – including some of the smaller countries – such as fisheries, tourism and services in general. There was little in the way of discussions on goods in 2005: Such discussions have been back-loaded for fear of triggering free trade discussions with Australia and New Zealand under PACER.

Support to EPA preparation efforts, including in-country stakeholder meetings and participation in EPA-related meetings at all levels, was provided for RMI through PACREIP, the € 9.2m 9th EDF regional programme.

2.3. Update of the social situation

POPULATION AND SOCIAL INDICATORS: 1990 TO 2005

| POPULATION INDICATORS | 1990 | 1995 | 1999 | 2002 | 2004 | 2005 |
|--|-------|-------|-------|-------|-------|-------|
| Total population (million) | 0.046 | 0.047 | 0.051 | 0.054 | 0.055 | 0.056 |
| Annual population growth rate (% change) | 1.5 | 1.5 | 1.5 | 1.7 | 1.85 | 1.8 |
| SOCIAL INDICATORS | | | | | | |
| Proportion of the population below 1 USD per day (%) | | | | | | |
| Average | | | 20 | | | |
| Outer islands | | | 65 | | | |
| Total fertility rate (births per woman) | 7 | 6.4 | | 5.5 | | 3.9 |
| Prevalence of child malnutrition (% children under 5) | 19 | | 27 | | | |
| Maternal mortality rate (per 100,000 live births) | | 0 | 0 | 74 | | |
| Infant mortality rate (below 1 year, per '000 live births) | 63 | 59 | 37 | 54 | | 29 |
| Under five mortality rate (per '000 live births) | 92 | 81 | 48 | 66 | | |
| Proportion of births attended by skilled health personnel | | 95 | 95 | 95 | | |
| Life expectancy at birth (years) | | | | | | 70 |
| Female | 63 | 70 | | 65 | | 72 |
| Male | 61 | 66 | | 61 | | 68 |
| Adult literacy (%) | | 98 | | 91 | | 94 |
| Men | 79 | 98 | | | | 94 |
| Women | 69 | 98 | | | | 94 |
| Primary school enrolment (% of school age) | 82 | 95 | 84 | | | |
| Prevalence of TB (per 100,000 people) | | 107 | 134 | | | |
| Population with access to safe water (%) | | | 14 | | | |
| Population with access to sanitation (%) | | | | | | |
| Average | | 77 | 90 | | | |
| Outer islands | | | 42 | | | |
| Human Poverty Index | | | 19.5 | | | |

Source: ADB and EPSO

The external support provided to RMI has produced a reasonable standard of living, especially in the urban centres. Income per capita has been above the regional average, with most health and education indicators comparable to the average for other Pacific Island countries. Still an estimated 20% of the population live below the USD 1 per day poverty line, most (65%) in the outer islands. Delivery of both education and health services suffer from the vast dispersion of the islands, and educational facilities, on the outer islands especially, have been badly neglected in recent years. The education sector is now receiving a large proportion of donor funds (32%), while health services will receive 20%, but despite the higher budgets the effect of long years of neglect will be felt for a number of years to come. Nevertheless, there has been a significant improvement in the health status over the past years, with infant and child death rates have been considerably reduced. Life expectancy has decreased from 69 for women and 63 for men to 65 and 61 respectively, possibly due to high incidences of TB and outbreaks of cholera in the outer islands, due to lack of clean water. Apart from radiation-related health

problems caused by the nuclear testing, much ill health in RMI is lifestyle-and nutrition-related.

The primary enrolment rate was 84% in 1999, but retention rates, secondary enrolment and educational achievement need to be improved, particularly in the outer islands. In 2002, 80% of the population had been vaccinated against measles, compared to 70% in 1998. Access to clean water and sanitation is low, with significant differences between urban and outer islands areas. RMI has a young population with a median age of 18 years old. Unemployment is running at 30%, with unemployment rates highest among the youth, in the age group between 15-19, and the job market is limited, as population growth exceeds economic growth. The working-age population is under-employed, especially the women, who make up 30% of the labour force. Ironically, semi-skilled workers are sometimes brought into the country from other countries to work on e.g. construction projects, because Marshallese workers lack the required work ethic.

2.4. Environmental situation

There are several resource and environmental issues, common to island nations, affecting sustainable development in the Marshall Islands. These include an array of issues, the most important being lack of potable water, soil erosion, degradation of the coastal zone and loss of land, waste management, and renewable sources of energy.

Common issues in the Pacific

Isolation Though communications have been improved, the geographic position of the Pacific Island Countries continues to present a fundamental challenge to development, and it has also contributed to the specialised ecosystems, species endemism, and vulnerability to invasive species that occur in the region.

Fragile Island Environments. Island environments have the highest rates of species extinction globally, and recent evidence of the negative impact of ocean temperature rise on the health of coral reef (through the “bleaching” effect) is indicative of the relative fragility of the island ecosystems.

Limited Land Resources. Fragility of ecosystems is often compounded by their small size. Limited land resources make many terrestrial and near shore resources, including freshwater, vulnerable to over exploitation and pollution from poorly planned waste disposal. Limited land resources have become especially troubling for low lying atolls, in view of the projected rates of sea level rise over the next 50-100 years.

Rapid Population Growth. Rebounding from the depopulating diseases of first contact with colonial powers, Pacific Island Countries’ populations have grown rapidly over the past 100 years, and this has been linked to the degradation of forests and fisheries and to loss of species. These pressures are easing now as population growth rates are beginning to slow and are further offset in some places by an upward trend of out migration.

Dependence on Marine Resources. With the exception of some higher islands, there remains a strong dependence on marine resources to meet daily needs of many Pacific families – providing food, transport, and waste disposal. This may be slowly

weakening in certain areas with the increase in international trade, but it remains a fundamental characteristic of the smaller atoll-dominated Pacific Island countries such as Kiribati, Marshall Islands and Tuvalu.

Vulnerability. This trait of the Pacific islands countries has received increasing attention over the last decade. Exposure to natural disasters and to external global perturbations (for instance in climate change, trade, and capital markets) and a heavy reliance on a limited range of economic sectors, creates a high degree of vulnerability. Moreover, the factors contributing to islands vulnerability appears to have increased in recent years. The baseline of assets and live at risks is also increasing as population and infrastructure located in coastal areas expand and Pacific island economies open to global economy.

2.5. Development Agenda

The government's national policy framework and development strategies were set out in the Strategic Development Plan Framework 2003-2018 (Vision 2018). Vision 2018 sets out in very broad terms the goals and objectives over the next 15 years and how the RMI will go about achieving them. Vision 2018 is the result of the Second National Economic and Social Summit held in 2001.

The deliberations revolved around six discussion papers: RMI's Current Socio-Economic Challenges and Objectives over the next 15 Years; The Role of Government; The Role of the Private Sector; The Role of Civil Society; Human Resources Development; Sustainable Development. Following extensive debate and discussions, a number of common themes came through which included human resources development, environmental sustainability, outer island development and respect for culture and tradition.

RMI has identified ten key conditions to achieve Vision 2018:

A sound system of governance with political stability and commitment to Vision 2018, and a competent and honest public service;

High investment in education and research;

Foster a culture of high savings, investment and productivity;

Ability to take advantage of emerging global trends;

Effective and responsible economic and financial institutions;

Facilitating equitable development of the Outer Islands;

Strengthening the spirituality of the Marshallese people;

More harmonised development in the context of healthy lifestyles, and the prevailing culture and sustainable environment;

Fostering fundamental change in the attitudes and behaviour of all citizens, government, local governments, businesses, public corporations and NGOs, and

Effective "Partnership and Co-ordination" among National Government, Atoll Local Governments, NGOs, the Private Sector, Civil Society, and the Citizens.

3. OVERVIEW OF PAST AND ONGOING COOPERATION IN THE REGION

3.1. 9th EDF NIP Focal Sectors

3.1.1. Energy (2.3 M €)

The Financing Agreement for a renewable energy programme covering the Republic of Marshall Islands (RMI) as well as the Federated States of Micronesia (FSM), Palau, Nauru and Niue was signed in July 2005. The tender award procedure for the recruitment of a professional company to operate the Programme Management Unit (PMU) was concluded in October 2005 when the service contract was signed with the British consultancy group IT Power. The PMU started operations in January 2006 with the establishment of offices in Suva, Fiji and in Pohnpei, FSM.

The small size of the individual allocations for the five countries, together with the need for economies of scale related to project management capacity, were the reasons for choosing this sub-regional approach.

The specific objectives of this initiative are to improve the overall efficiency of the energy sector and, where justified, to increase power production through renewable energy. This will allow allocating more resources to sustainable development, reducing local pollution and environmental risks associated with current energy generation practices.

3.1.2. Utilisation of resources for NSAs (0.5 M €)

Since the end of 2003 a project proposal was emerging in the HRD/capacity sector. However progress in finalising the document was slow due to the fact that in countries where there is no EC representation, and which are distant from the Fiji-based Delegation, face-to face contacts between interlocutors are scarce, and often the postal services are slow and unreliable.

Consequently, at the end of 2004 a final draft Financing Proposal was developed, submitted for comments to the Commission headquarters and forwarded to the NAO in December 2005 for final review and comments. The focus of the programme is on Human Resource Development and Capacity Building, as foreseen in the Country Strategy Paper. The programme is expected to be approved in 2006.

3.1.3. Education Infrastructure

A €700,000 proposal on Education Infrastructure for the outer islands is under preparation and will be submitted for a financing decision in 2006. The project involves the construction of new classrooms using passive solar designs; the installation of solar domes in all new classrooms; the repair of roofs of existing buildings and the provision of furniture for new classrooms.

3.1.4. Utilisation of the B envelope (1.1 M €)

The Marshall Islands have not been subject to any natural disasters, and have not been eligible for HIPC or FLEX, so their B envelope is still intact. In November 2005 the Government of RMI agreed to participate in a regional

Disaster Preparedness Initiative currently being prepared in close coordination with SOPAC.

Other instruments

3.1.5. Regional Cooperation

The regional allocation amounts to €29 million and includes three focal sectors “Economic Integration and Trade” (€9 million), “Human Resources Development” (€8 million) and “Fisheries” (€5 million) and a non-focal sector, for extension of the 8th EDF programmes to the 6 new ACP countries (€7 million). 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 4.

4. PROGRAMMING PERSPECTIVES FOR THE YEARS 2006-2007

4.1. Pipeline and absorption capacity

| 9 th EDF NIP | 2005 | 2006 | 2007 | 2008 |
|-------------------------------------|------------------|------------------|------------------|------------------|
| Commitments (in € million) | | | | |
| Energy Programme (€ 2.3m) | 2.3 | | | |
| HRD/capacity programme (€ 0.7m) | | 0.7 | | |
| NSA programme (€ 0.5m) | | 0.5 | | |
| Total (cumulative) | 2,300,000 | 3,500,000 | | |
| 9 th EDF NIP | 2005 | 2006 | 2007 | 2008 |
| Disbursements (in € million) | | | | |
| Energy Programme | - | 1 | 1 | .3 |
| HRD/capacity programme | | .1 | .3 | .3 |
| NSA programme | | .1 | .4 | - |
| Total (cumulative) | | 1,200,000 | 2,900,000 | 3,500,000 |

RMI, as a new ACP state, has no RAC or RAL under previous EDFs.

Programming of the 9th EDF has experienced some delays, given the fact that this is a new and inexperienced ACP state, and lack of staff in the Delegation. The biggest teething problems have now been addressed, and a Financing Agreement for one programme for the most of the A envelope was signed in July 2005. Implementation of this programme commenced in January 2006.

4.2. Proposal for revision of strategy

No change of strategy for the 9th EDF is foreseen

4.3. 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.

The European Commission and the Government of the Marshall Islands 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 wastes, coastal protection, ecologically sustainable tourism, and renewable energy could certainly play a crucial role in the future partnership. Further details will be elaborated in 2006, once the 10th EDF programming exercise is launched and negotiations formally begin.

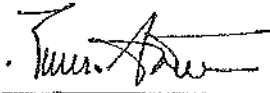
The issue of RMI's non-compliance with OECD standards for 'tax havens' and the lack of a commitment to comply therewith could be linked to the incentive allocation of the 10th EDF, to provide the authorities with assistance to overcome any difficulties in this area.

5. CONCLUSIONS

In the light of the above analysis and taking into account the special considerations, it is proposed to:

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

SIGNED



National Authorising Officer



Head of Delegation

Date 9-14-07

Date 20-09-07

Annex 1

DONOR MATRIX

| Sector/Thematic/area | EU | ADB | Other Development partners |
|-------------------------------------|----|---|---|
| A. Law and Public Sector Management | | <p>Ongoing</p> <p>TA 4199: Strengthening EPPSO</p> <p>TA 3668: RMI: Fiscal, Financial and Economy Advisory Services (almost completed)</p> <p>TA 3941: Land Mobilization</p> <p>Programmed</p> <p>Civil Service Review and Reform and Government Asset Rationalisation</p> <p>Strengthening sector and thematic policy and institutional development (EPPSO II)</p> | <p>US compact funded m-MIITF</p> <p>DOI support to strengthening performance budgeting</p> <p>Budget support (Taipei, China)</p> <p>Auditing and accounting training, capital maintenance planning, Ministry of Finance intern programme (DOI)</p> <p>US Federal grant support to judiciary, foreign affairs, internal affairs, public works, and finance</p> <p>Immigration System Improvements (AusAID)</p> <p>Other US assistance- FAA, NOAA, USDA</p> |
| B. Private sector development | | <p>Programmed</p> <p>Enhancing environment for private sector development (§2004)</p> <p>Further enhancing the environment for private sector development</p> | <p>Focus of US compact but so far only financing ongoing tourism, trade and industry recurrent operations</p> <p>Small Business Development</p> |

| | | | |
|--|---|---|--|
| | | | (US) |
| C. Education | Outer Island Schools Development - €0.7m. Small-scale projects | Ongoing Loan 1791: Skills Training and Vocational Education | Major US Compact focus Other US Federal Support Small Grants for education, Education statistics, Textbooks and computer, College Scholarship (AusAID) Library Improvements, Elementary schools Solar small-scale pilot project (Canada) Small-scale projects (Japan) Small-scale projects (Taipei, China) |
| D. NSAs | € 0.5m | | |
| E. Health, Nutrition and social protection | | | Major US Compact focus Special supplement health programs (US) Youth to Youth in Health (AusAID) FAO telefood program (UN) Majuro Hospital Reconstruction (Japan) Small-scale projects (Taipei, China) |

| | | | |
|---------------------------------|---|---|--|
| F. Inclusive Social Development | | <p>Ongoing Loan 1791: Skills training and vocational education Youth social services loan</p> <p>Programmed Loan: Omnibus Infrastructure Development Project (2004) TA: Public Utilities Corporate Governance (2004)</p> | <p>Youth to Youth in Health (AusAID) Community Center on Outer Islands (Canada) Mili Atoll Community Center, Majuro Atoll road paving (Japan) Renovation and construction of government buildings (Japan)</p> |
| G. Transport and communications | | <p>Ongoing Loan 1948: Outer Island Transport Infrastructure and TA 4004: Improving the delivery of sea and air transport services TA 5990-REG: ICT Assessment in the Pacific Outer Island Transport Infrastructure project (2002)</p> | <p>Major US Compact focus <i>Waan Elon Kein</i> (Canoes of these Islands) (AusAID) Eijit Island Dock (Japan) Outer Island Transportation Infrastructure, Majuro Airport Hangar (Taipei, China) Fiberglass Boat/Canoe Program (US) Secondary Road Paving (Japan)</p> |
| H. Energy | <p>Sustainable energy - € 35m. Solar Project - Namdrik Atoll and Mejit Island (EU)</p> | | <p>Solar tubes for Outer Island Schools (Canada) Solar Electrification Project (France) Wotje Island Power Plant</p> |

| | | | |
|---|--|---|---|
| I. Water Supply Sanitation and Waste Management | | Programmed Urban Solid Waste Management | Small-scale projects (Japan) Small-scale projects (Taipei, China) |
| J. Industry and trade | | | Equipment upgrade of tobolar copra processing plant (Taipei, China) Ebeye infrastructure grant, rural housing grants/loans (US) |
| K. Environment Sustainability | | None | Major US Compact Focus Water catchments for 2 Outer Island Atolls (Australia) Disaster Preparedness Grand (US) |
| L. Agriculture and natural resources | | None | Small-scale Outer Island Fisheries Projects (Japan) Agriculture Training; Agriculture projects in Jaluit, Majuro and Wotje Atolls (Taipei, China) Animal Husbandry, Support of agriculture activities in the Outer Islands (FAO) Agriculture Research grant, Outer Island agriculture training (US) Outer Island Development Fund (Taipei, China) |

ADB: Asian Development Bank; AusAID: Australian Agency for Intern. Development; FSM: Federated States of Micronesia; PFTAC: Pacific Financial Technical Assistance Centre; PRC: People's Republic of China; REG: regional; TA: technical assistance; UNDP: United Nations Development Programme, UNEP: United Nations Environment Programme; UNESCO: United Nations Educational, Scientific and Cultural Organisation

Annex 2

Indicators to measure results of the focal sector programme would be the number of renewable energy initiatives running in the country and/or the share of energy consumption derived from renewable sources.

Annex 4 – 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 is 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 IIRD.

□ 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.