

Republic of PALAU

European Commission/

Joint Annual Report 2005

1. EXECUTIVE SUMMARY

The Country Strategy Paper and National Indicative Programme (NIP) for the Republic of Palau were signed in Koror on 6th September 2003.

The NIP provides for an indicative financial allocation of € 2 m for the “A” Envelope, and € 0.6 m for the “B” envelope. The focal area of EC-Palau cooperation is the energy sector, to which 85% of the A envelope (€ 1.7m) is allocated; a further programme (€ 0.3m) also in the field of renewable energy, is to be implemented by 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:

The Financing Proposal for the Renewable Energy Programme for the 5 new Pacific ACP countries (including Palau) was approved by the EDF Committee in November 2004. The Financing Agreement was signed in June/July 2005. The service contract for the Programme Management Unit was signed in October 2005 and the Global Commitment was also approved end of 2005, with implementation beginning in January 2006.

A Draft Financing Proposal for a NSA Capacity Building and Community Sustainable Economic Development Programme for an amount of € 300,000 is in the process of being finalised.

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

2.1. Update on the political situation

After three decades as part of the UN Trust territory of the Pacific under US administration, this westernmost cluster of the Caroline Islands opted for independence in 1978 rather than join the Federated States of Micronesia. A Compact of Free Association with the US was approved in 1986, but not ratified until 1993. It entered into force the following year, when the islands gained independence. The U.S. retains control of defence and security matters as well as exclusive strategic access to Palau’s waterways. Palau remained within the US monetary system and the currency of Palau is the US dollar. Palau is a constitutional government, and has a market-based democracy modelled after the U.S., although the traditional communal system remains strong. The current president, Tommy Remengesau was re-elected for a second four year term mandate in November 2004.

Palau has a modern tripartite form of government comprising an executive, legislative and judicial branch. Although traditional values remain strong, it is not the case that high office is held only by traditional leaders. Opportunities therefore exist for the population to participate in governance and the decision-making process.

Legislative authority rests with the bicameral National Congress, the *Olbiil era Kehulau*, made up of a Senate and a House of Delegates elected every four years. Next elections are scheduled for November 2008. The timing of that election (just before the end of the first 15 years of the “Compact” – US Grant negotiated until 2009) and ongoing differences between Government and opposition on economic and fiscal policy may limit reform potential, especially given the fact that Palau’s first compact – contrary to FSM and RMI – does not have any automatic re-negotiation clause.

On the international and regional scene, Palau follows usually US positions (and is part of the “coalition” in the ongoing Iraq war). Another traditional support goes to Taiwan which is one of its largest aid donors; Palau is part of the Pacific countries recognising Taiwan. Recently, during the 57th IWC meeting, Palau also supported Japan’s proposal in order to renew with commercial whaling.

2.2. Economic and social situation

2.2.1. Economic situation

The Republic of Palau is an island nation located in the North Pacific Ocean south-east of the Philippines. The total land area is 458 km². The country comprises over 200 islands of which Babeldaob (272 km²) the largest. Only nine of Palau’s islands are inhabited. The Exclusive Economic Zone is 600,900 km².

The population of 20,303 comprises Palauan (70%), Asians (28%), and Europeans (2%). The annual population growth rate of 1.52% (2005) reflects an influx of foreign workers and an outflow of Palauan to neighbouring countries and the USA (6,500 Palauans are currently estimated to live abroad). The bulk of the population (70%) resides on the main island of Koror, which is also the centre of government and formal employment. Further development of Koror is constrained by its small size. To ease overcrowding, Babeldaob, the largest island with one quarter of the population, is being developed as the new capital and centre of government. It is also the location of Palau’s international airport. The development of Babeldaob as the capital of Palau is enshrined in the 1981 Constitution.

Thanks to the Compact of Free Association, Palau will receive grants totalling more than \$500 million over a fifteen-year period to 2009. \$70 million has been set aside in a Trust Fund (which is now more than double the original deposit) for use after Compact grants cease in 2009. Because of these US grants, Palau enjoys one of the highest living standards in the Pacific, with a GDP per capita in 2004 of nearly US\$6000. However, the economic situation and actual growth still depend a lot on external assistance, particularly Government’s ability to negotiate a new “Compact” with the US authorities.

Besides a large public sector (typical for all Pacific Islands) the economy has a narrow production base, consisting primarily of subsistence agriculture and fishing. The tourism sector presents the greatest potential for growth and is the main private sector activity. There is a small commercial fishing industry with potential for growth. Agriculture is limited because of the small market,

which cannot take advantage of economies of scale that make commercial agriculture financially successful and represents 4% of GDP (even though it still represents the main livelihood for 20% of the population). As regards secondary sector (industry), it represents 13% of GDP.

As a small Pacific Island State, Palau faces many constraints to development that are similar to those of other Pacific Island economies. These include a narrow resource base, geographical isolation, a small domestic market, vulnerability to natural hazards and external shocks, as well as a lack of infrastructure and skilled labour. These factors, combined with a high dependence on external aid, have developed the government sector as one of the major factors of the economy. The public sector's contribution to GDP increased by 3.5% throughout the 1990s, and government remains the major employer of the workforce, with some 75% (i.e. 2219 direct jobs in 2001) of employees funded by the state. Even though public expenditure as a ratio to GDP has trended down over 1994 to 2004, it remains high at 60 to 65%.

Tourism is a sector with greater development potential, but over-reliance on tourism for government revenue could be a risky strategy. Palau is nonetheless becoming a regional hub for ecotourists and divers. Visitor numbers in Palau have tripled over 1994/2004 to 95,000 – nearly five times the number of the country's population. Despite 2003 SARS crisis, the vast majority of tourists are still coming from Taiwan, the prevalence of one origin for tourists could be considered as a risk.

Services such as trade, hotels, restaurants, transport and communications account for about 83% of GDP, driven by a strong growth in trade and tourism-related services. Financial services have also shown strong growth over the decade, from 8.4% of GDP in 1990 to more than 12% by 2000, however, the banking sector is in need of reform since there are reports on problems with substandards banking regulations, which can undermine investor's confidence in the country.

Economic growth in 2004 was modest (2%) but is in line with global growth over the last decade. Palau has a permanent trade deficit, with imports averaging some ten times that of exports. Unemployment is un-alarming at around 2%.

The main economic challenge facing Palau is to ensure the viability of its economy by reducing its considerable reliance on foreign assistance. The establishment of a Trust Fund to be drawn on after the scheduled end of Compact funds in 2009 constitutes a step in that direction.

EPA negotiations

All Pacific ACP states, including Palau, 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 Palau through PACREIP, the € 9.2m 9th EDF regional programme.

Economic data for 2001 to 2004

	2002	2003	2004	2005
GDP per capita at current market price (USD)	5,771	5,745	5,808	
GDP growth rate		1.5%	2.0%	%
Inflation rate	0.3	0.9	5.0	
Current expenditure (USD millions)	59.1	58.6		
Current expenditure as % of GDP				
Fishing access revenue				
Total exports to the EU (USD millions)	0.00	0.01	0.00	€0.04 M
Total imports from the EU (USD millions)	5.61	4.77		€1.14 M
Unemployment				
External Debt (% of GDP)	26.9			

Sources: UNDP, World Bank, ADB, Comext

2.2.2. Social situation

POPULATION AND SOCIAL INDICATORS 2005

POPULATION INDICATORS	2005
Total population	20,303
Annual population growth rate (% change)	1.52
Migration rate/1000 population	2.85**
SOCIAL INDICATORS	
Proportion of the population below 1 USD per day	NA

Total fertility rate (births per woman)	2.5**
Maternal mortality rate (per 100,000 live births)	NA
Infant mortality rate (below 1 year, per '000 live births)	17.0**
Proportion of births attended by skilled health personnel	NA
Prevalence of child malnutrition (under fives) in %	NA
Life expectancy at birth (years)	70.5*
Female	73**
Male	67**
Adult literacy in English (%)	91*
Primary school enrolment (% of school age)	76%*
Secondary school enrolment (% of school age)	NA
Child malnutrition (% age under 5 years)	NA
Population with access to improved safe water (%)	88.7%*
Population with access to improved sanitation (%)	98%*
TB prevalence rate (per 100,000 people)	NA
Gini coefficient	NA
Human Poverty Index	NA
Rural population, % of national	29**
Telephone lines, per 100 inhabitants	39**

* last available data in 2000

** data from 2004 JAR

Sources: UNDP, SPC, World Bank, ADB

Last indications on Palau's GDP/per capita in 2005 show that it was still one of the highest among the Pacific Island countries. In 2004, life expectancy at birth averages 70 years (67 for men, 73 for women) infant mortality rate is low (17.0 deaths per 1,000 live births in 2004) and literacy is nearly universal.

All Palauans have universal access to free education and health provision, a right which is enshrined in the Constitution. Palau has relatively high levels of sanitation and public health services, which have been instrumental in bringing many communicable diseases under control. However, with changing lifestyles and dietary patterns, Palau is now experiencing higher rates of non-communicable diseases (cardiovascular and hypertension-linked diseases, obesity and cancer) that create new challenges for public health and curative services. A growing challenge is to design and implement effective health promotion and information

campaigns with adequate financing mechanisms that focus on preventive rather than curative care to reduce the incidence of lifestyle diseases.

In recent years the quality of education has deteriorated as a result of the enactment of a mandatory 30-year service retirement law which led to the loss of experienced teachers and a shortage of qualified and experienced successors.

Women in Palau have traditionally enjoyed a high social status and equality with men. They enjoy full equality under the Constitution and have guaranteed access to a full range of health services and education.

2.3. Update of the environmental situation

Compared to many other Pacific Island countries, the environment in Palau is in relatively good condition, although the impact of tourism and climate change on the environment is growing. The success of the tourism industry is closely related to the country's unspoilt environment, specifically as regards the marine resources, and the use of several dive sites is already considered beyond their absorption capacity. Further degradation of these resources will suppress the long-term development potential of the tourist industry. Waste management is also a serious concern. The rate at which solid waste and sewerage are generated exceeds the country's absorption capacity. With the current extensive development of public infrastructure on the island of Babeldaob, watershed protection and conservation is of the highest concern and may require restrictions to land use to protect fresh water resources.

2.4. Development agenda of the partner country

In 1996, a National Master Plan was developed establishing the framework and policies for the pursuit of sustained economic and social development over a 25-year period. The main long-term development objectives of the Master Plan are summarised as follows:

(i) a substantial shift in economic activity from the public sector to the private sector aimed at increasing productivity and efficiency of the resource use; (ii) strengthening of government institutions to improve co-ordination of the decision making processes while, at the same time, reducing the relative size of government; and (iii) identification of financing strategies, including tax reform, to offset the decline in US assistance over time.

Within the framework of the Master Plan, a five-year National Development Strategy was adopted with the emphasis on infrastructure development and other capital investment.

The Government's vision, goals, macroeconomic framework and related development strategies are set out in the National Master Plan, the key elements of which are:

Vision:

“To substantially enhance the quality of life of Palauan and future generations of Palauan.”

Goals:

- increase real economic growth per capita on a sustained basis;
- share the benefits of economic growth on an equitable basis, in ways that reward enterprise, risk taking and hard work, and allow foreign workers and investors a genuine stake in development;
- enrich and enhance confidence in the Palauan culture, raise national consciousness, and protect the natural environment.

Macroeconomic Framework and Development Strategies / Key Macroeconomic Policy

“To establish a stable, predictable and internationally competitive macroeconomic environment for private investment; financing of government expenditures; and sustained economic growth.”

Development strategies focus on the following areas: fiscal management, the labour market, foreign investment, taxation and charges, and the financial sector.

3. OVERVIEW OF PAST AND ONGOING COOPERATION IN THE REGION

3.1. 9th EDF NIP Focal sector – Energy

The Financing Agreement for a renewable energy programme covering Palau as well as the Federated States of Micronesia (FSM), Nauru, Niue and the Republic of the Marshall Islands (RMI) 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 between the contracting authority, the Pacific Islands Forum Secretariat and a British/French consortium led by IT Power Ltd.. The PMU started operations in early 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.

In Palau, a significant part of the Government resources is allocated to renewable energy, due to very high cost for the imported fossil fuels and the low levels of overall energy efficiency. Savings on fossil fuel imports – an expected result of this EDF intervention - can be better reallocated to socio-economic development. Consequently, as far as Nauru, Palau and Niue are concerned, 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.

3.2. Utilisation of resources for Non-State Actors (NSAs)

NSA Programme “Palau Renewable Energy Programme” (€ 0.3m)

Following discussions between the Delegation and Non-State Actors in Palau, it was decided to focus the programme on enhancing and expanding community-based activities in the field of renewable energy. A draft Financing Proposal was transmitted to Commission headquarters in September 2005. Following comments, the document is now still under review by the NAO and the designated NSA implementing organisation, the Palau Community Action Agency. The Financing Proposal should be approved in 2006.

3.3. Utilisation of the B envelope

Palau has not been eligible for FLEX, nor for HIPC, and has not been subject to disasters in the last years. It has therefore not called upon its B envelope reserve. A multi-country programme on disaster preparedness is being developed with SOPAC's assistance and Palau can use its B envelope to join and benefit from this programme.

3.4. Other instruments

3.4.1. Budget lines

Budget line B7-6200 Environmental protection

Contract 2002/065-159

Sustainable management of sites globally important for biodiversity in the Pacific

In an effort to identify areas of high biodiversity using birds as indicator species, the Palau Conservation Society is carrying out a pilot project entitled “Important Bird Area”, conducted in partnership with Birdlife International, under an umbrella programme being carried out three other other Pacific islands (Fiji, French Polynesia, New Caledonia). The four-year project began in November 2003, and implementation is well under way, and is due to finish in 2006/7. So far, only the initial tranche of €265,661 has been disbursed (of the total of €1.3 million).

3.4.2. Regional Cooperation

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

For a complete overview regarding the cooperation under the regional indicative programme please refer to Annex 1.

4. PROGRAMMING PERSPECTIVES FOR THE YEARS 2006-2007

4.1. Pipeline and absorption capacity

Palau, 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 greatest challenges seem now to have been addressed, and a Financing Agreement for one programme for 85% of the A envelope was signed in July 2005. Implementation began in January 2006, and there should be no further delays in programming under the 9th EDF.

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 Palau 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.

5. CONCLUSIONS

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

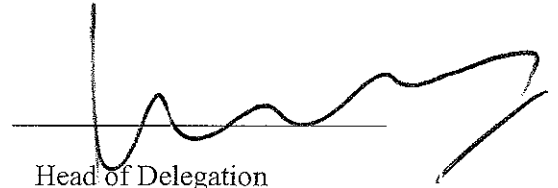
- Maintain the country strategy for Palau, as contained in the CSP and NIP.
- Maintain the funds available under the envelope A for the focal sector.
- Maintain the funds available under the envelope B. Any funds uncommitted by August 2007 will be transferred to the general reserve.

Joint Annual Report 2005
European Commission – Palau

SIGNED



National Authorising Officer



Head of Delegation

Date: 11/13/07

Date: 07/01/2008

Annex 1 – Cooperation under the Regional Indicative Programme

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

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

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

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

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

□ That the SWATH mapping programme be revised and the budget be reallocated to consolidate outputs from activities to date

□ That project communication between SOPAC and the Stakeholders be improved in line with verifiable indicators in the Project Logframe as follows:

- Five information brochures published per year
- Regular (monthly/bi-monthly) press releases written
- Email news released fortnightly
- National workshops/training convened with at least 20 participants per country per year
- Two National stakeholder meetings convened per year

□ Mechanisms need to be urgently put in place by the SOPAC Directorate to ensure project communications between SOPAC and the Stakeholders are improved in line with the verifiable indicators in the Project Logframe.

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

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

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

Since the commencement of the project training has been undertaken in participating countries on risks associated with imports, quarantine border operations and trade facilitation workshops have been undertaken. Several pest surveys have also been carried out. Emergency Response Plans were also drafted together with harmonised model quarantine laws. Publications have been produced and awareness campaigns have been carried out.

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

1. Quarantine development should be continued and planned in such a way that countries will become as self-sufficient as possible, with due consideration to cost-recovery and 'user-pays' systems. Countries should be encouraged to use fees charged for quarantine and quality inspection services for maintenance of the services and not disappear in consolidated funding, without further reference to a quarantine budget.

2. On-going IPM activities should concentrate on initiating and introducing participatory methods and making extension staff ready to promote and foster farmers' empowerment. Topics on hand should be prioritised and work on problems that cannot be solved within the last project year should be reduced or stopped. Similarly, work on rhinoceros beetle control should cease for reasons explained earlier.
3. Weed and pest surveys and control activities should be continued until all participating PICTs have been covered and data included in the PLD. However, the building of national capacity to continue such surveillance in the future should be given very high priority.
4. Promotion of reduction in pesticide use, production of labels in local languages and improved pesticide legislation should be accelerated.
5. Continue work on provision of information (including national training) and completion of the PLD to PICTs, as well as stimulate more use of other plant protection databases, expert systems and assistance to NGOs.
6. Promotion of the IPM school/college curriculum in more PICTs could have a long-term impact on attitudes of farmers and the general public, and should intensify during this last phase.
7. SPC should continue to facilitate the delivery of training in basic pest diagnostics to NPPSs. Whilst SPC appears to strictly adhere to international pest identification procedures, new technologies become available or are updated continuously and should therefore be taken into account when developing and providing training on pest diagnostics and identification. Examples of expert systems that could be considered in this are those operated by CABI, EcoPort and PestNet.
8. Countries that currently lack a strong NPPS should be encouraged to set up a small unit for plant protection activities including IPM development attached to the quarantine service (as done in Vanuatu). If research capacity is present in the country, good linking structures need to be developed between these units to maximise benefits from cooperation, rather than the two competing with each other. SPC-PPP should take on a facilitating role in this process.

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

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

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

The project builds on the foundation of PRAP 1 and PRAP 6 and attempts to address problems faced during implementation of these projects. In the atolls, the approach will be problem identification and testing of technologies with farmers, to improve the

traditional tree crop-based multi-storey agricultural systems, including better integration of livestock into this system. In the low lands, the emphasis will move from research, to identification and promotion of potential technologies: improved crop varieties, pest and disease management, land conservation and agro-forestry technologies.

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

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

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

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

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

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

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

Labour Studies - Policymakers recognise the importance of the private and informal sector in employment absorption and economic growth, but the linkages of the state to private and informal sectors is poorly understood. Consequently, labour market policies and interventions have focused excessively on a narrow base of public sector

wage/salaried employment. This component will develop and participate in a 5-year research programme looking at information on labour market processes and institutions in the Pacific-ACP states.

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

- USP's contribution to project costs is itemized by component as part of the annual budget and that expenditure against budget is monitored.
- The functioning and membership of the PSC be reviewed.
- The University continues to build the managerial capacity to strengthen and support the efficient and effective implementation of projects and academic activities generally.

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

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

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

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

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

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

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

Tuna stocks are the most important renewable natural resource for Pacific Island countries (PICs) with annual catches estimated at around 1.4 million tonnes, with a

landed value of around € 1.5 billion. The long-term sustainable management of the region's key renewable natural resource is thus of vital importance. Of equal importance are domestic reef resources, which underpin current livelihoods and continued food security for the vast majority of Pacific Islanders. This programme aims to address the information gaps in both areas and, in so doing, will specifically strengthen the long-term sustainable management of the fisheries resources of the Western and Central Pacific Ocean (WCPO).

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

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

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

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

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

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

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

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

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

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

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

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

Confronted with the phenomenon of globalisation, the Pacific ACP countries have accepted that integration into the world economy is a vital element in the strategy to achieve sustainable economic growth. They have further accepted that an integrated regional approach is the most effective strategy. Regional economic integration thus becomes an important objective of the region, reflected in its adoption as a focal area in the 9th EDF Pacific Regional Indicative Programme. Integration of the region's trade is in turn an essential element of regional economic integration.

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

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

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

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

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

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

- EC Services, RAO: Consider the possibility of longer term programme financing to support SPC and the countries
- SPC, RAO, EC Del.: Significantly intensify efforts to increase the level of achievement as well as the visibility of the project purpose. Introduce the issue of wider impact into the project management and stakeholders thinking.
- RAO, SPC: Adjust the project design as necessary and feasible and put it in harmony with the Strategic Plan of the LRD.
- SPC: Keep sustainability aspects continuously on the management's agenda, and investigate them at every action and report of the project.
- EC Del., RAO: Consider modifying requirements regarding work planning and reporting to enable comparison with both the plans and the project performance in the previous periods.

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

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

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

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

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

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

- EC Del., RAO, SPC: Specify the project purpose and overall objective and their indicators for both regional and national levels and introduce and utilize these categories in both project management and thinking of the leading stakeholders.
- SPC: Analyze the overall standing level of the project and take corrective measures. Speed up the project implementation and the delivery of results.
- RAO, SPC: The logical framework should be updated as regards realistic formulation of the overall objectives and the project purpose.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Implementing Agency: FFA & SPC

Budget: 3 Million Euro

Financing Agreement Signed: December 2004

Duration: 4 years

Project Closure: December 2008

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

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

The project is designed to support regional thinking and national action. At present the economic contribution of the fisheries sector is poorly measured; the only performance

measures available are catches or values of catches and fish trade data from existing national and regional reporting systems. These indicators are inadequate to measure the benefits received by P-ACPs at the level of the project objective and purpose. The project will build on the existing data, improve them with new indicators and regional workshops will be held to strengthen the capacity of national statistical administrations to improve measurement of benefits from tuna fisheries.

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

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

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

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

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

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

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

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

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

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

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