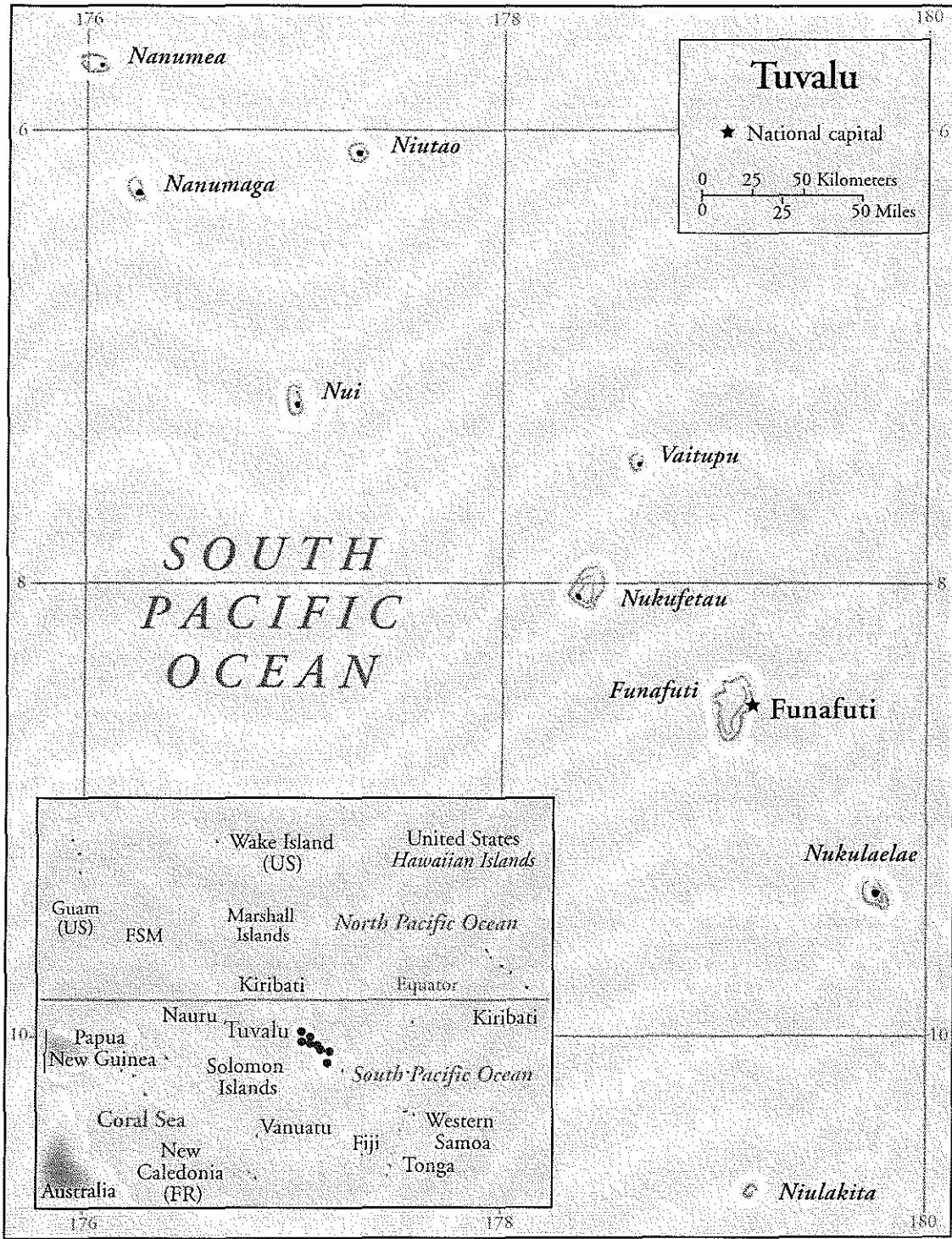


# **Joint Annual Report 2005**

## **Tuvalu European Commission**

**March 2006**



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## Abbreviations and Acronyms

ADB	Asian Development Bank	SOPAC	South Pacific Applied Geoscience Commission
AusAID	Australian Agency for International Development	RSP	Regional Strategy Paper
AWP	Annual Work Programme	SDA	Seventh Day Adventist
BCG	Tuberculosis (live vaccine)	PICTA	Pacific Island Countries Trade Agreement
CSP	Country Strategy Paper (9 <sup>th</sup> EDF)	PM	Prime Minister
DBT	Development Bank of Tuvalu	PRIP	Pacific Regional Indicative Programme (EDF)
DPT	diphtheria, pertussis, tetanus (a combination vaccine)	SPC	Secretariat of the Pacific Community
DSP	Development Support Programme (8 <sup>th</sup> EDF)	SPREP	South Pacific Regional Environment Programme
EC	European Commission	SP	S.Piazzardi, Desk Officer, DEV/C/1
EDF	European Development Fund (6 <sup>th</sup> -9 <sup>th</sup> )	SRH	Sexual and reproductive health
EIB	European Investment Bank	STABEX	Stabilisation of export earnings from agricultural commodities
EU	European Union	TANGO	Tuvalu Association of Non-Governmental Organisations
FA	EDF Financing Agreement	TCS	Tuvalu Cooperative Society
FIP	Fuel Import Programme (7 <sup>th</sup> EDF)	TEC	Tuvalu Electricity Corporation
GDP	Gross Domestic Product	TMTI	Tuvalu Maritime Training Institute
IMO	International Maritime Organization	TNCW	Tuvalu National Council of Women
JAR	Joint Annual Report	TTF	Tuvalu Trust Fund
LDC	Least Developed Country	TuFHA	Tuvalu Family Health Association
MP	Member of Parliament	UNDP	United Nations Development Programme
MTR	Mid-Term Review	WTO	World Trade Organisation
NAO	National Authorising Officer		
NBT	National Bank of Tuvalu		
NGO	Non-Governmental Organisation		
NIP	National Indicative Programme		
NSA	Non-State Actor(s)		
OISDSP	Outer Islands Social Development Support Programme (9 <sup>th</sup> EDF)		
PACER	Pacific Agreement on Closer Economic Relations		
PIC	Pacific Island Countries		
PWD	Public Works Department		
RAO	Regional Authorising Officer		
REI	Regional Economic Integration		
SDE	Special Development Expenditure		

### Currency:

\$/A\$	Australian dollar
€	European currency (Euro, EUR)

## **1. Executive Summary**

Article 5, Annex IV of the Cotonou Agreement requires that the National Authorising Officer and Head of Delegation shall annually undertake an operational review of the indicative programme to ensure that operations are kept in line with the objectives of the Agreement and to take account of any changes in the economic situation, priorities and objectives of the relevant country. This Joint Annual Report for 2005 fulfils this reporting requirement and serves as a basis to carry out the End-of-Term Review (ETR) and start the programming exercise in 2006.

Under the 9<sup>th</sup> EDF, the indicative financial allocation for Tuvalu is €3.3 million plus the remaining balance of €665,136 from the 6<sup>th</sup> and 7<sup>th</sup> EDF for the A Envelope, and €0.7 million for the B envelope. The focal area of EC-Tuvalu co-operation is the social development of outer islands delivered through the Outer Island Social Development Support Programme (OISDSP) which covers the entire National Indicative Programme. Based on the conclusions of the 2004 Mid-Term Review of the CSP and NIP, the European Community agreed to increase the A envelope by €0.5 million. This raised the A envelope indicative allocation to €4,465,136. It is envisaged that the B envelope will be used for disaster prevention and preparedness activities commencing in 2006.

The Audit for the 2004 Programme Estimate has been completed. Programme Estimate 3 is expected to end in March 2007.

All past projects under the 6<sup>th</sup> and 7<sup>th</sup> EDF were closed by 2002, with remaining balances transferred to the 9<sup>th</sup> EDF. The 8<sup>th</sup> EDF was closed in 2005 following submission of the 8<sup>th</sup> EDF Final Evaluation. All remaining balances under the 8<sup>th</sup> EDF have been disbursed.

## **2. Political, Economic, Social and Environmental Situation**

### **2.1 Political Situation<sup>1</sup>**

There have been seven changes in Tuvalu's government since 1994, including one change after the 2002 general election. Tuvalu is (and has been) democratically stable since 1978. Human rights are widely accepted, the rule of law is sound, and the principles of good governance are generally adhered to, with improvements to governance regularly attempted. Large-scale organised corruption is unknown. Some observers remain concerned about a lack of media freedom, or at least no independent media, which Tuvalu's small market cannot support with advertising revenue alone.

The last general election was held in July 2002. In 2005, ten MPs formed the majority government, with five MPs in opposition. The present government is led by Prime

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<sup>1</sup> Tuvalu's democratic system uses the Westminster model. The British Crown is Head of State, represented locally by a Governor-General. Tuvalu has a single house of Parliament with 15 members, elected to four-year terms. Members of Parliament elect a Prime Minister, who in turn selects a five-member Cabinet and the House Speaker. There is no official party system in the western sense, with party lines generally formed along personal alliances. Members not part of the majority government caucus form the 'unofficial' opposition.

Minister, Hon. Maatia Toafa (MP, Nanumea), who was the previous Deputy Prime Minister, who assumed office in October 2004 following a vote of no confidence against the then Prime Minister, Hon. Saufatu Sopoanga (MP, Nukufetau), in the August 2004 session of parliament. Hon. Sopoanga subsequently resigned his seat choosing a by-election in October to reaffirm his seat. He won the by-election and rejoined the majority government, assuming the portfolio of Minister of Works and Energy, and Minister of Communications and Transport, and the post of Deputy Prime Minister (the Hon. Toafa's previous Cabinet position). The remaining members of Cabinet are: Hon. Bikenibeu Paeniu, Minister of Finance, Economic Planning & Industries; Hon. Leti Pelesala, Minister of Home Affairs & Rural Development; Hon. Dr. Alesana Kleis Seluka, Minister of Health and Minister Education & Sports; and Hon. Samuelu P. Teo, Minister of Natural Resources. Hon. Otinielu Tausi is Speaker of Parliament.

Three by-elections were held in 2005. The Hon. Kokea Malua, MP (Nanumea) replaced Sio Patiale, who resigned due to ill-health; the Hon. Halo Tuavai, MP (Nanumaga) replaced Namoto Kelisiano, who resigned to pursue other interests; and the Hon. Taom Tanukale, MP (Nui) replaced Amasone Kilei who passed away. All three MPs joined the government as 'backbenchers' without portfolio.

The five member opposition is comprised of the Hon. Kamuta Latasi, MP (Funafuti); Hon. Kausea Natano, MP (Funafuti); Hon. Elisala Pita, MP (Nukufetau); who shifted to the opposition during the August 2004 vote of no confidence; Hon. Apisai Ielemia, MP (Vaitupu); and Hon. Tavau Teii, MP (Niutao).

The next general election is scheduled for 3 August 2006. With the exception of the switch in Prime Minister and Deputy Prime Ministers in 2004, the post-2002 general election period has been the most politically stable since 1994.

## **2.2 Economic Situation**

Select economic, budget and population indicators are summarised in Table 2.1. The Tuvalu economy grew at a real rate of 7.3% from 1986 to 2002 (the last year of measurement), or 6.1% in per capita terms. Almost half of the growth was accounted for by an expansion in the general government sector, with much of the remainder explained by an expansion in public enterprises (PEs) engaged in transport, communication and finance. By 2002, the general government sector accounted for 30% of Gross Domestic Product (GDP), with public enterprises adding a further 39%. Agriculture and fishing contracted over the six years to 2002, with their share of GDP falling from 21% to 12%, while manufacturing activity remained very low at around 2-3% of GDP.

Partial economic indicators point to a contraction in the economy over 2005 but lack a clear interpretation for 2003 and 2004: indicators of labor and capital income contracted over 2005 while they moved in opposite directions in the preceding two years. A recent weakening in economic activity is consistent with the completion of a series of major public construction projects in mid 2003 (new Princess Margaret

Hospital) and mid 2004 (new government building), which may have led a rise in the recent unemployment rate in late 2004/2005, as some estimates suggest.

**Table 2.1**  
**Select population, macroeconomic and budgetary indicators**

Indicators	Data			
Population (2002 National Census, total enumerated)	9,561			
Male	4,729			
Female	4,832			
Population growth (1991-2002)	5.7%			
GDP (2002, A\$'000, market prices)	27.49			
GDP per capita (2002, A\$'000 market prices, Balance of Payments est.)	2,875			
Annual GDP growth rate (2000-2002, Balance of Payments est.)	9.1%			
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Inflation rate (Australian CPI)	3.2%	3.7%	3.3%	4.1%
Education: expenditures as a % of the national budget (core + capital)		27.4%	23.2%	27.2%
Health: expenditure as a % of the national budget (core + capital)		9.4%	9.6%	7.9%

Despite an apparent weakening in growth, some partial indicators suggest that aggregate demand has remained firm. The most likely explanations for this firmness is a lag from the years of high activity (2001-2004) and a relaxation of lending practices by the domestic finance industry, principally the National Bank of Tuvalu (NBT) and Development Bank of Tuvalu (DBT). Although the number of Tuvaluans living in Nauru and Kiribati has dropped in recent years, growing remittances from the large increase in the number of Tuvaluans living in New Zealand and Australia also has likely supported recent aggregate demand.

Tuvalu's 2005 budget-deficit is estimated at \$5.4 million, over \$3.0 million higher than the \$2.2 million originally forecast. The financial and economic implications of this higher deficit – together with some of the apparent means of financing it – could have significant impacts on the Tuvalu economy, including those on government, government-owned corporations, and the private sector. The main actual (or potential) impacts of the increased budget deficit include:

- **Restricting the government's financing capacity in the short term:** This means restricting the government's capacity to finance possible new (worthwhile) activities or contingencies that may arise in the near future, because its financial assets have been considerably depleted by a recent succession of budget deficits. In the short-term, this inevitably will make it more difficult for government to sustain further sizeable budget deficits in the immediate future, even if this may be warranted to counter a cyclical downturn in economic activity.
- **Restricting efficient business operations of involuntary creditors:** The lengthy delays in government paying for services received from public corporations effectively transfers part of its liquidity problem to the corporations concerned.

This restricts their ability to manage their operations efficiently by, for example, forcing them to delay sensible business expenditures (e.g., maintenance and/or investments in line with their business plan). This, in turn, risks undermining the reliability and quality of services provided to the government and general public, usually adding to costs in the longer term.

- **Restricting the supply of finance for private sector activities:** These activities must compete for what uncommitted resources are left in the financial sector.

### 2.3 Social Situation

In Table 2.2 are select macro indicators on income, health, education and water. *Note:* Some indicators have been modified to suit the available data (to meet EC reporting requirements). While some of the data is sketchy, most indicators suggest that levels of income and health are generally improving, and access to education remains universal and more or less gender neutral, with 100% primary completion rates.

**Table 2.2**  
**Select macro indicators: income, health, mortality, education**

Indicator	2000	2001	2002	2003	2004	2005
1. GDP (market prices, A\$'000)	24.04	26.41	27.79	na	na	na
2. GDP per capita (market prices, A\$)	2,116	2,529	2,875	na	na	na
3. Prevalence of underweight children (under five years of age)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
4. Life expectancy (M/F)	62/65 <sup>1</sup>	62/65	62/65	62/65	na	na
5. Infant mortality rate (per 1,000 live births)	34.6	25.4	25.3 <sup>2</sup>	32.2	42.3	17.4
6. Primary school enrolment <sup>3</sup>	1,965	1,798	1,693	1,955	2,032	2,010
7. Primary completion rate	100%	100%	100%	100%	100%	100%
Ratio of females to males in:						
Primary education	.88:1	.92:1	.92:1	.93:1	.94:1	.92:1
Secondary education <sup>4</sup>	.89:1	.93:1	.96:1	1.06:1	.91:1	na
Tertiary education <sup>5</sup>	1.1:1	.86:1	na	.46:1	.92:1	.69:1
11. Birth rate attended by skilled health personnel	85%	100%	100%	100%	100%	100%
Immunization coverage rate against tuberculosis and hepatitis B	100%	100%	100%	100%	100%	100%
12. New HIV/AIDS cases reported	0	2	7	0	0	0
13. Population access rate to safe drinking water.	85%	85%	85%	85%	na	na

*Source:* Statistics Division, Ministry of Finance; Department of Education, Ministry of Education and Sports; Department of Personnel and Training, Office of the Prime Minister; Department of Health, Ministry of Health; Asian Development Bank (ADB)

<sup>1</sup> Up from 57/60 for males and females, respectively, in 1990.

<sup>2</sup> Down from 43.5 per 1,000 live births in 1990.

<sup>3</sup> 2003-2005 figures include approx. 160 students enrolled at the SDA primary school.

<sup>4</sup> 2003-2004 figures include, respectively, 99 and 183 students enrolled at Fetuvalu Hugh School.

<sup>5</sup> Based on Tuvalu Government "In-service Scholarships". Does not include donor-funded scholarships. 2003-2004 estimates are incomplete.

### 2.4 Environmental Situation

Climate change and sea level rise remains the most serious medium- to long-term environmental threat facing Tuvalu. Tuvalu is among the world's most vulnerable countries to coastal damage, environmental hazards such as storm and tidal surges, sea



level variability, coastal erosion, and cyclones. Easier access to external assistance to prepare for, reduce, or mitigate these threats is needed.

The Tuvalu Government is aware that economic progress can impose high costs on the environment. With limited financial resources at its disposal, development policies have tried to guard against environmental damage, with some success. However, initiating large-scale remedial measures that repair past natural and man-made environmental damage, and offer greater protection to the existing natural environment will require further external assistance. The economic and demographic growth rate in Funafuti, which has a population of 4,500 (2002), continues to increase environmental pressure on the atoll.

In 2005, waste management continued to be a serious issue in Tuvalu, particularly Funafuti. The Tuvalu Waste Management Project (TWMP), begun in 1999 and ongoing in 2005, has been innovative and comprehensive, and could become a model for other Pacific atolls.

Large areas of Funafuti are now tidier, although litter and rubbish stockpiling remain endemic. The villages north and south of the island centre of *Vaiaku* are in a less attractive environmental state. Successes are in danger of being negated because of failing equipment (no budget for maintenance or replacement), the lack of a coherent waste management plan, and the general lack of resources and domestic funds to address waste issues.

Discussions and observations made during the 2005 evaluation of the 8<sup>th</sup> EDF indicate that:

- Island-wide garden refuse collection continues to be effective but differences of opinion and the division of responsibility between the Tuvalu Government and the island council – the *Kaupule* – continue and create inefficiencies;
- Island-wide collection and centralised composting continues;
- A growing number of households have small gardens using compost to grow fruits and vegetables;
- The two ‘permanent’ refuse dumps in northern Funafuti are still in use;
- Several borrow pits have been reclaimed, but there appears to be no current clean-up of borrow pits and *taisala* swamps; and
- There is incineration of toxic hospital wastes but, when inspected in April 2005, some wastes were stored outside in bins easily accessible by the general public.

Although some waste management issues remain unresolved, collection, disposal and recycling are far better than they were before formal waste management began and most Funafuti households now have a reliable and regular service. The impact on households has been significant. Waste collection and waste management efforts are likely to continue to be considerably better than before the Waste Management project began.

## 2.5 Millennium Development Goals

Annex 1 describes in detail the progress Tuvalu has made (so far) in meeting the eight MDGs. Tuvalu has made significant progress on some MDGs, but not on others, and overall remains a long way from hitting many MDG targets. Also in Annex 1 are examples of some broad but key special issues and concerns if Tuvalu is to reach all the MDG targets, and hit those targets in a way that is 'sustainable' over the long term.<sup>2</sup>

The MDGs are enmeshed in "*Te Kakeega II: National Strategies for Sustainable Development 2005- 2015*", which was published in November 2005, and is a product of Tuvalu's July 2004 National Summit on Sustainable Development. In Annex 2 are the eight strategic areas defined in *Te Kakeega II*, which contain 161 sector priorities and strategies.<sup>3</sup> The strategic areas are defined both broadly and specifically, and are to be pursued over the next ten years. Cutting across the eight strategies are any number of important issues, for example: outer island depopulation and urbanisation of Funafuti; declining rural agricultural production, food security; increasing youth unemployment; nutrition; and the incidence of non-communicable disease (NCD); the threat of HIV/AIDS; and the hardship and poverty still experienced by many families. The expected results arising from the eight strategies are: more employment opportunities; higher economic growth; better health care; better education; better basic infrastructure; and continued social stability.

## 3. 9<sup>th</sup> EDF Ongoing Tuvalu-EU Cooperation<sup>4</sup>

The European Court of Auditors conducted an in-country environmental audit in March 2005. In March-April 2005, a four-week field visit was made by an external contractor to conduct the final evaluation of the Development Support Programme (8<sup>th</sup> EDF). His final evaluation report was submitted to the Commission in June 2005. In May, Tuvalu submitted its final draft of the 2004 Joint Annual Report to the European Commission. The 2005 Programme Estimate (PE) was endorsed in June 2005 in the amount of A\$2,419,189, covering the single focal sector: Social Support, through the Outer Islands Social Development Support Programme, under which there are three sub-sectors: education, environment and water, including the 2005 NSA component in water. In August 2005, an independent 9<sup>th</sup> EDF Monitoring Mission was conducted in Tuvalu, the findings of which were submitted to Tuvalu and the Commission in September, with Tuvalu and the Commission arriving at divergent views and conclusions stemming from the Monitor's Report. The contract to conduct the audit of

<sup>2</sup> Parts of Annex 1 have been adapted in highly abbreviated form the "National Millennium Development Goals Report: Tuvalu" (jointly prepared by the Secretariat of the Pacific Community [SPC] and Tuvalu Government [version 15/04/05]). See the draft MDG Report for more background, detail, and technical analysis. Reproduced from: "*Te Kakeega II: National Strategies for Sustainable Development 2005 – 2015*" (Tuvalu Government, November 2005).

<sup>3</sup> See *Te Kakeega II* for more detail.

<sup>4</sup> The 9<sup>th</sup> EDF Country Strategy (CSP) paper and National Indicative Programme (NIP) was signed in December 2002, with an overall financial A allocation of €3.96 million, inclusive of €0.7 million for the B envelope. The Financing Agreement for the OISDSP, which covers the entire NIP, was signed in August 2003. The FA is comprised of €3.3 million (the NIP), plus the remaining balance of €665,136 from the 6<sup>th</sup> and 7<sup>th</sup> EDFs. The OISDSP primarily targets development in the outer islands. The first Annual Work Programme was endorsed on 4 December 2003.

the 2004 Annual Work Programme was awarded in December 2005 to BDO Zarin Ali (Suva, Fiji), and conducted in February 2006.

Based on the findings of the 2004 Mid-Term Review of the Country Strategy Paper and National Indicative Programme, and on the basis of Article 5(7) of Annex IV to that Agreement, and in the light of current needs and performance, the European Community decided to increase the funds available under the 9<sup>th</sup> EDF A envelope by €500,000, raising the A allocation to €4,465,136. Following submission of a Rider to the 9<sup>th</sup> EDF Financing Agreement in September 2005, the Commission approved a €500,000 increase in the A envelope in November 2005, spread across the three sub-sectors in proportion to existing allocations, including the 10% NSA component. Simultaneously, the Commission approved Tuvalu's proposal to transfer "...an amount equivalent to at least 50% of the expenditures under the previous year's AWP [or Programme Estimate] to the TTF [Tuvalu Trust Fund]", which is a drop from the 100% requirement, which dates back to the Fuel Import Programme under the 7<sup>th</sup> EDF.

### 3.1 Focal sector: Social support (sub-sectors: education, environment, water)

The education sector was allocated the largest share of planned expenditure under the 2005 PE (83.0%), followed by the NSA sector (6.6%), environment sector (4.1%), and water (2.1% – or 6.8% if the NSA water project is factored in).

**Table 3.1**  
**2005 Programme Estimate:**  
**OISDSP budgetary allocations by sector (\$)**

Sector	Allocation	Rate	Rate vs. FA
Education	2,008,215	83.0%	56.9%
Environment	100,000	4.1%	10.8%
Water <sup>1</sup>	50,000	2.1%	5.4%
NSA activities	159,974	6.6%	29.9%
Technical assistance	107,800	3.8%	21.4%
Audit	10,000	0.4%	26.7
Evaluation	0	—	—
Total Indicative Allocation	2,419,189	100%	33.4%

Source: OISDSP 2005 Programme Estimate

<sup>1</sup> Does not include the \$114,974 water project captured under the NSA component.

The largest planned outlay in the 2005 PE was \$600,000 to complete construction of primary school buildings in Nukulaelae and Nanumaga, material and labour costs to construct new primary school buildings in Nui and Niutao, conduct a site survey (completed) and the designs and plans (not completed) for the new primary school in Vaitupu, which is being relocated because the existing site cannot accommodate the new, larger school building. The second largest outlay was Primary Teacher Salaries (\$599,236), followed by Secondary Teacher Salaries (\$389,474), NSA operational and project grants (\$159,974), and waste management (\$100,000). A sample of the smallest outlays are: Primary School Supplies (\$15,000); Secondary School Supplies (\$12,000); and Preschool Support (\$10,000).

## a) Results and progress

Activities carried out and (or) completed in 2005 include: provision of contract labour retention fees to finish construction of the Nukulaelae and Nanumaga primary schools; labour and material costs to complete construction of the Niutao and Nui primary schools (works to be completed in early 2006); site survey and site clearance and preparation for the new Vaitupu primary school; operational support to SDA Primary School and Fetuvalu High School; construction of a new preschool in Funafuti; maintenance of infrastructure at Motufoua Secondary School and the upgrade of its water system; purchase of textbooks and school supplies for primary and secondary schools to replace and (or) expand teaching aids; provision of preschool support; provision of primary and secondary teacher salaries (to help overcome the government's recurrent revenue shortfall); carry out solid waste collection, management and disposal; and the NSA component of the 9<sup>th</sup> EDF, which included the five NSA operational grants to TANGO, TuFHA; Red Cross, TNCW; TNYC), and an NSA project grant to purchase and install water tanks in the outer islands (see Section 3.4 below).

In 2005, the new primary school buildings on Nukulaelae and Nanumaga were completed (with the exception of some remedial work that remains to be done) and opened for use, greatly improving school infrastructure on those islands. By year-end 2005, construction of the new primary school buildings on Niutao and Nui was 98% complete, with issuance by PWD of the certificate of completion pending.

Waste management activities in Funafuti continued in 2005. (Planned supplementary appropriations to extend waste management activities to at least one outer island did not occur due to government revenue constraints; the same as occurred in 2004.) In its current form and reported on extensively elsewhere, separate waste collection (organic and household) now reaches, generally on a weekly basis, approximately 90% of Funafuti households. The organic waste is shredded and composted, often with pig waste generated by the pilot piggery component of the original waste management project, and sold to residents at a cost of A\$2.00 per roughly 25 kg, while household waste is dumped at two landfill sites at the northern end of Funafuti. Owing to the waste management project, Funafuti residents enjoy a cleaner environment, are more aware of the benefits derived from proper waste disposal, and of the benefits of separating organic garden refuse from household waste, which has led to a proliferation of household gardens using compost produced by the waste management product. Apart from waste management, no other environment-related projects were contained in the 2005 national budget, and subsequently the 2005 PE.

With the exception of the NSA water project (see Section 3.4 below), there was one outer island water-related project in the 2005 national budget (A\$50,000 to continue general upgrading of the water system at Motufoua Secondary School), subsequently included in the 2005 PE.

### 3.2 Utilisation of Resources for Non-State Actors

Non-State Actors were allocated 10% of the NIP, or €330,000, with as yet no allocation from the remaining balance of €665,136 from the 6<sup>th</sup> and 7<sup>th</sup> EDFs. NSA's were also allocated additional funding equal to 10% (or €50,000) of the €500,000 increase resulting from the Mid-Term Review.<sup>5</sup>

In 2005, in addition to five NSA operating grants (totaling \$50,000), funding for the Nui Women's Water Tank Project, as approved by the NSA Forum Management Committee, the Ministry of Health and Ministry of Finance in 2004, was included in the 2005 national budget and subsequently incorporated into the 2005 PE and NSA-AWP. Funding for Phase 1 of the project totals A\$114,964 (see Table 3.2), with remaining project funding of \$55,026 included as part of Phase 2 in the 2006 national budget and PE, and when completed will substantially increase the island's infrastructure of water catchment and storage.

**Table 3.2**  
**Approved and funded NSA projects: 2004 and 2005**

Sector (Year)	Project description	Cost
Education (2004)	8 Preschool Playground Projects (one on each island)	<b>A\$100,000</b>
Environment (2004)	Can-Care Expansion Project (aluminum recycling and export)	<b>A\$32,000</b>
Water (2005)	Matapulapula Association (Women of Nui): Purchase/installation of 109 6,000 ltr plastic water tanks and ancillary catchment gutters and drainage piping.	<b>A\$170,000</b>
	<b>Phase 1: 2005 PE budget</b>	<b>A\$114,974</b>
	Water tanks and equipment	A\$99,974
	Technical assistance	A\$15,000

#### a) Results and progress

70% of the preschool playgrounds have been completed, with the remainder to be completed in the 1<sup>st</sup> quarter of 2006. To date, all fencing materials and playground toys/apparatus have been delivered to the outer island preschools. Each island community has supplied free labour to construct the fencing and erect the playground toys and apparatus.

The can crusher/baling machine for the Can Care Expansion Project has been purchased, delivered and installed at the Matagi Gali Bar, as overseen by the TANGO Project Officer. The machine operator has been trained using the manufacturer's operations manual.

<sup>5</sup> By way of background The first NSA-AWP was prepared by TANGO in mid-2004, reviewed and approved by the EC Advisor-Development (in June), reviewed by the NAO's Office and the Aid Coordinator's Office (in July). The NSA-AWP was approved by the Minister of Finance in November 2004 and NSA-AWP funding of A\$132,000 was disbursed in November and December 2004. TANGO included two of the three NSA approved projects in its 2004 AWP: Preschool Playgrounds and Can-Care Expansion, deferring the Nui water tank project to 2005 (see Table 3.2).

In late 2005, TANGO placed an order for 60 reinforced plastic water tanks at a cost of \$86,232 to commence Phase 1 of the Nui Women's Water Tank Project. TANGO expected the tanks to arrive before year-end 2005. The tanks were ordered through the Tuvalu Cooperative Society (TCS). Shipment and installation of the tanks in Nui is expected to begin in the 1<sup>st</sup> quarter of 2006. Phase 2 of the project to purchase the remaining 59 tanks is contained in the 2006 PE.

### **3.3 Utilisation of envelope B**

There was no change to the B envelope of €0.7 million. As a natural disaster-prone country, plans are in motion to set up disaster prevention and preparedness mechanisms, as provided for in Article 72(3)(e) of the Cotonou Agreement. Commitments and disbursements are expected to begin in 2006-2007.

### **3.4 Other instruments and 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 8<sup>th</sup> 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 No.4.

## **4. Programming Perspectives: 2006 – 2007**

### **4.1 Pipeline and absorption capacity**

Based on the findings of the 2004 Mid-Term Review, the European Community, in light of current needs and performance, agreed to increase the funds available under the 9<sup>th</sup> EDF A envelope by €500,000. The addendum to the CSP/NIP was signed on 26 January 2005. Following submission of a Rider to the 9<sup>th</sup> EDF Financing Agreement in September 2005, the €500,000 increase was approved in November 2005. This raised the 9<sup>th</sup> EDF indicative allocation from €3.96 million to €4.47 million. Negotiations between the NAO and the NSA are encouraged to determine how the NSA sector can absorb additional funds allocated to the NSA component after the MTR.

Annex 3 includes an activity pipeline chronogram of the 9<sup>th</sup> EDF to date, including a summary table of 9<sup>th</sup> EDF A envelope disbursements, commitments, and projected commitments and disbursements through 2007. No new Programme Estimates can be signed after 5 August 2006. Any possible extension of PE3 to absorb available balances and to finance ongoing activities can be included in a rider to be signed by 5 August 2006. All past projects under the 6<sup>th</sup> and 7<sup>th</sup> EDF were closed by 2002, with remaining balances transferred to the 9<sup>th</sup> EDF. The 8<sup>th</sup> EDF was closed in 2005 following submission of the 8<sup>th</sup> EDF Final Evaluation. All remaining balances under the 8<sup>th</sup> EDF have been disbursed.

Based on foreseen rates of expenditure under the 2006 PE, all 9<sup>th</sup> EDF A envelope funds should be fully absorbed by mid-2007. It is expected that commitment of B envelope funds will begin in 2006. There remains some uncertainty concerning the rate of expenditure under the 2005 PE (the final report will not be ready until after Tuvalu's Department of Treasury has closed the 2005 accounts in March-April 2006). Due to the late submission of a first draft of PE2 this Programme Estimate could only be endorsed in June 2005, and thus was unable to capture expenditure during the first 5-6 months of the government's financial year. It is therefore likely that additional funds will be available under the above mentioned rider to the Programme Estimate..

#### 4.2 Revision of the country strategy

Presently, there is no foreseen need to revise the 9<sup>th</sup> EDF Country Strategy, although there may be some need to reappportion the indicative share allocations to the three focal sectors – education (60%), environment (15%) and water (15%) – if the government is unable to boost budgetary support in environment and water. Such a need will be determined when past (2003 – 2005) expenditures are analysed and projected expenditures (2006 – 2007) are estimated. The allocation for NSA-related activities in the three focal sectors will remain unchanged, fixed at 10% of the 9<sup>th</sup> EDF, including 10% Mid-Term Review increase.

#### 4.3 Preparation for the next programming exercise 2008 - 2013

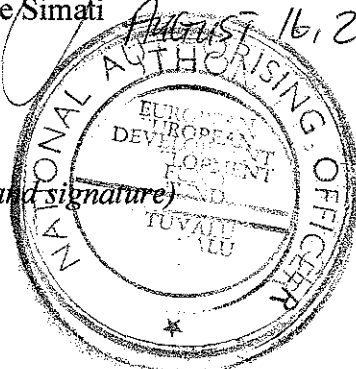
In October 2005 the European Commission represented by Mr. A. Henriksson, Director DEV/C, proposed to the Pacific Forum Leaders to focus the EDF's future assistance in the Pacific on the sustainable management of natural resources, a sector of strategic importance to all PICs, where there is a general 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. Further details will be elaborated in 2006, once the 10<sup>th</sup> EDF programming exercise is launched and negotiations formally begin.

The European Commission and the Government of Tuvalu jointly recognize that there may be important environmental issues which may become an essential part of the development agenda of the country. Issues related to the reliable provision of water and sanitation, sustainable management of solid waste, coastal protection, ecologically sustainable tourism, and renewable energy can certainly play a crucial role in the future partnership.

SIGNED

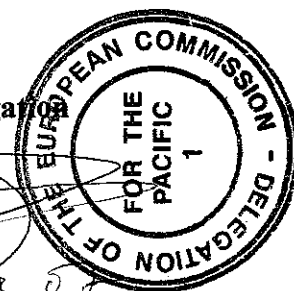
*Aunese Simati*  
The National Authorising Officer  
Aunese Simati

*August 16, 2007*  
(date and signature)



*Roberto Ridolfi*  
The Head of Delegation  
Roberto Ridolfi

*22.08.07*  
(date and signature)



## 5. Conclusion

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

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



**Annex 1**  
**Millennium Development Goals**  
**MDGs: Targets 1-18 and Progress To Date**

**GOAL 1: Eradicate Extreme Poverty and Hunger**

**Target 1:** Halve between 1990 and 2015, the proportion of people living in poverty.

**Progress:** To be determined.

**Target 2:** Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

**Progress:** There is no information on this target, but available evidence suggests that malnutrition is not widespread. But there is some risk to 'food security' in the outer islands as populations decline.

**GOAL 2: Achieve Universal Primary Education**

**Target 3:** Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

**Progress:** Tuvalu is consistently in the upper end in regional comparisons of literacy, with 95% of its population literate. Tuvalu has achieved the MDG target in net enrolment in primary education, achieved the MDG target of equality of opportunity at primary and secondary levels for boys and girls, and balance has all but been achieved at tertiary level too. Progress remains to be made in educating and training the population in technical and vocational skills.

**GOAL 3: Promote Gender Equality and Empower Women**

**Target 4:** Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.

**Progress:** The ratio of girls to boys in primary, secondary and tertiary education is about equal. Tuvalu has met and will continue to meet the MDG target. The share of women in wage employment in non-agricultural sector jobs is growing and now stands at 44% of the labour market (2002), with some qualifications. Apart from one ministerial seat held by a woman in the late '80s and early '90s, no women have been elected to parliament, though several have stood for election.

**GOAL 4: Reduce Child Mortality**

**Target 5:** Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

**Progress:** The under-five mortality rate dropped from 59 in 1991 to 32 in 2003, and the infant mortality rate decreased from 41 to 21, indicating Tuvalu is on its way to achieving the MDG target. Immunization coverage for one-year olds is almost 100%, hitting the MDG target.

**GOAL 5: Improve Maternal Health**

**Target 6:** Reduce by three-quarters, between 1990 and 2015, the maternal mortality rate.

**Progress:** Tuvalu has achieved the lowest possible level of maternal mortality and nearly 100% of births are attended by health personnel, reaching the MDG target.

**GOAL 6: Combat HIV/AIDS, Malaria and Other Diseases**

**Target 7:** Have halted by 2015 and begun to reverse the spread of HIV/AIDS.

**Progress:** Based on current health practices, public awareness and action, Tuvalu should be able to achieve the MDG target combating the spread HIV/AIDS.

**Target 8:** Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.

**Progress:** Malaria does not exist in Tuvalu. The rate of new tuberculosis cases is decreasing, and 92% of new cases are successfully treated, but the rate of new infections is still high, and much progress remains before the MGD target is reached. Coverage for Rubella vaccinations is 95-100%, to be reached in 2005.

**GOAL 7: Ensure Environmental Sustainability**

**Target 9:** Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.

**Progress:**<sup>6</sup> Although almost half of Tuvalu is covered by forest, an assessment of the forest area will provide an indication of the relative importance of forests, and if the natural forest coverage is being maintained or declining over time. The area of 'official' protected reserves is very small; but this excludes community managed conservation areas or marine reserves. A comprehensive 'stock take' of community reserves is required to accurately measure this target.

**Target 10:** Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.

**Progress:** Tuvalu is well on track to achieve the target for access to safe drinking water. Tuvalu is well on track to achieve the target for access to sanitation, although progress has been slower in the outer islands than on Funafuti.

**Target 11:** By 2020, have achieved a significant improvement in the lives of at least 100 million slum dwellers.

**Progress:** Although the concept of 'slum' does not apply, in Funafuti temporary squatter-type housing is increasing, and the continuing urbanisation of Funafuti raises many serious issues for government in respect of urban planning and management, land and waste management, and overall urban health.

**GOAL 8: Develop a Global Partnership for Development**

**Target 16:** In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. **Progress:** No progress to date. **Target 17:** In co-operation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries.

**Progress:** No progress to date.

**Target 18:** In co-operation with the private sector, make available the benefits of new technologies, especially information and communications.

**Progress:** Access to information communication services have expanded over the last ten years. Internet access (in Funafuti only) was established in 1998, with significant service upgrades in 2001 and 2004, which will continue on a regular basis as the domestic network is upgraded. Wireless Internet access was established in 2003, as was the government computer network. Mobile telecommunications was also introduced in 2004.

### Key Tuvalu MDG Issues, Concerns and Responses

- The unique development challenges of Tuvalu do not necessarily fit easily within the MDGs.

<sup>6</sup> The definition of 'forest' used by the UN is not particularly suitable for Tuvalu since the number of forest types and land uses that are of significant importance (such as mangroves, coconut trees, and agro forestry) are not included.

- Some MDG indicators do not work (or work well) statistically in small populations such as Tuvalu.
- There remains a pressing need for new overseas development assistance through grants and direct funding sources from the international community to ensure MDG sustainability, highlighted by Tuvalu's special status as an LDC and Small Island Developing State (SIDS).
- The need for a full and effective implementation of the Brussels Programme of Action (POA) for LDCs and the Mauritius Strategy to help Tuvalu as an LDC and SIDS to achieve the MDG targets over the long term.
- Capacity building, lack of infrastructure, and lack of financial resources are some of the special vulnerabilities Tuvalu faces as an LDC and SIDS in trying to meet its MDG targets.
- Environmental sustainability is crucial to meeting most if not all of the MDG targets, which in particular will require additional funding and technical assistance to adapt to the impacts of climate change and sea level rise.
- Medium and long-term MDG trends could suddenly change due to climate events, which in turn could rapidly trigger severe shortages of food, water and shelter and a high vulnerability to disease – hallmarks of poverty.

## Annex 2

### Tuvalu's Eight National Strategies for Sustainable Development

- 1. Good Governance.** Inspired leadership, as well as honesty, transparency and consistency in the application of the rule of law is a pre-condition for the other seven strategic areas to make a difference (i.e., to achieve the vision of *Te Kakeega II*).
- 2. Economic Growth and Stability.** Sound economic management, fiscal discipline, the right policy environment (fiscal, monetary, regulatory), strong and well managed institutions that offer a high standard of governance, a cost effective, efficient and customer-oriented public sector, are but a few of the desired results to be achieved.
- 3. Social Development.** Health and social welfare, including issues of nutrition, youth, gender, age and other special needs; good health and ensuring that the social and welfare needs of the various sections of society are catered for will help to ensure a stable social environment; HIV/AIDS, NCDs and hardship and poverty are emerging issues and need to be considered as potential threats to the achievement of the Vision.
- 4. Falekaupule and Outer Islands.** The outer islands have always been regarded as the heart of the nation, however in the last decade the heart has become weaker as outer island populations have declined and production in the traditional subsistence economy has fallen. To counter this the Falekaupule Trust Fund was established and the challenge now is to identify strategies that will reverse the outward migration and falling output from the outer islands and to help ensure that the outer island economies are sustainable in the long term.
- 5. Employment and Private Sector Development.** Private sector development and employment creation, including in tourism, agriculture and fisheries; creating an environment in which economic opportunity is created forms the core of the strategic framework.
- 6. Education and Human Resources.** Education, training and human resource development are essential to the achievement of each individual's own potential and aspirations; they are also central to the nation's ability to achieve sustainable development. Education and training will target the skill and manpower demands in the different sectors of the economy.
- 7. Natural Resources: Agriculture, Fisheries, Tourism and Environment.** The traditional structure of Tuvalu society and its subsistence economy have been built on the sustainable use of the nation's limited, but nevertheless valuable natural resources, and the conservation and careful exploitation of its fragile atoll ecosystems. These are now under threat from changing attitudes in society and from a continuously growing cash economy. With traditional subsistence production in decline, the challenge is to reconcile these conflicting factors to create sustainable growth and greater stability
- 8. Infrastructure and Support Services.** Reliable, competitively priced economic infrastructure and utilities are an essential requirement for sustainable development. Without these supporting services it will be impossible to attract investment, create employment, new wealth and opportunities for the people. The strategies will put in place whatever support services are needed which provide the nation with a satisfactory quality of service at a reasonable price.

## Annex 3

**Activity Pipeline Chronogram  
9<sup>th</sup> EDF Commitments (€'000 and A\$'000)**

Titles	Amount (€)	Identified	Appraisal	Financing decision	2003 AWP (A\$)	2004 AWP (A\$)	2004 MTR (€)	2005 PE (A\$)	2006 PE (A\$)
OISDSP (incl. NSA support)	3.3 + 0.66 from the 6 <sup>th</sup> & 7 <sup>th</sup> EDF	2 <sup>nd</sup> qtr 2002	3 <sup>rd</sup> qtr 2002	3 <sup>rd</sup> qtr 2003	4 <sup>th</sup> qtr 2003	1 <sup>st</sup> qtr 2004	4 <sup>th</sup> qtr 2005 CSP/ NIP	2 <sup>nd</sup> qtr 2005	1 <sup>st</sup> qtr 2006
<b>Total</b>	<b>3.96</b>				<b>0.68</b>	<b>1.93</b>	<b>0.50</b>	<b>2.42</b>	<b>1.17</b>

**9<sup>th</sup> EDF Commitments and Disbursements:  
Actual and Estimates (A\$'000)**

AWP	Committed	Disbursed	Date	Actual	Estimate
2003	0.681		4 <sup>th</sup> qtr 2003	√	
2003		0.341	4 <sup>th</sup> qtr 2003	√	
2004	1.929		1 <sup>st</sup> qtr 2004	√	
2004		0.965	1 <sup>st</sup> qtr 2004	√	
2003		0.341	3 <sup>rd</sup> qtr 2004	√	
<b>PE</b>					
2005	2.419		2 <sup>nd</sup> qtr 2005	√	
2005		1.210	2 <sup>nd</sup> qtr 2005	√	
<b>AWP</b>					
2004		0.965	3 <sup>rd</sup> qtr 2005	√	
<b>PE</b>					
2006	1.168		1 <sup>st</sup> qtr 2006	√	
2006		0.584	1 <sup>st</sup> qtr 2006	√	
<b>2005<sup>1</sup></b>		<b>0.500</b>	2 <sup>nd</sup> qtr 2006		√
2007	0.957		1 <sup>st</sup> qtr 2007		√
2007		0.479	1 <sup>st</sup> qtr 2007		√
2006		0.584	2 <sup>nd</sup> qtr 2007		√
2008		0.479	2 <sup>nd</sup> qtr 2008		√
<b>Total</b>	<b>7.154</b>	<b>7.154</b>	2 <sup>nd</sup> qtr 2008		√

<sup>1</sup> The rate of expenditure under the 2005 PE, and the size of the second disbursement, remains uncertain until the final report is prepared once Tuvalu's Department of Treasury has closed the 2005 accounts in March-April 2006. The uncertainty stems from endorsement of the 2005 PE in June, and thus was unable to capture expenditure during the first 5-6 months of the government's financial year. If the disbursement is lower than expected, this will influence potential disbursement rates in 2007

## 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 changers of variables such as catch rates, which give grater 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 km<sup>2</sup>, a total land area just over half a million km<sup>2</sup> and a total population of about 7 million. The Region attaches particular importance to the sustainable development of Fisheries as this sector is considered to have the most potential for revenue generation and sustainable economic growth. Whilst tuna fisheries underpin the region's main hope for future economic self-sufficiency, it is the coastal fisheries which underpin current livelihoods and continued food security.

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

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

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

Implementing Agency:	SOPAC
Budget:	€ 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.