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## **FIJI: REGIONAL ECONOMIC INTEGRATION AND TRADE SECTOR NOTE**

### **1. Introduction**

This Sector Note on regional integration and trade of Fiji Islands between 1997 and 2006 is part of the output of the 'Evaluation of the Commission's Support to the ACP Pacific Region' carried out during the period March-October 2006. Its findings and conclusions are based on an extensive desk study of related EC and other documentation and a field visit to Fiji from 15-19 June 2006.

### **2. Background**

Since 1989 Fiji has pursued a policy of export development, attraction of foreign investment and integration into the world economy. Fiji's Strategic Development Plan 2003-2005 (SDP)<sup>1</sup> includes amongst its major policy objectives for external trade: 'To improve investment and trade facilitation and negotiation capacity to achieve sustained global integration' and 'To further diversity export markets by pursuing new markets, particularly in Asia-Pacific region'. The SDP summarises the Fiji trade position as follows:

'The last decade has seen Fiji adopt an export oriented, outward looking, approach to trade relations. Import restrictions have been lifted in favour of export promotion, and as a result, Fiji now has a more open economy with increased volumes of both exports and imports. Fiji is signatory to a number of bilateral, regional and multilateral trading agreements. The most significant is membership of the WTO, which offers opportunities to benefit from access to foreign markets. On a regional level, SPARTECA offers duty free access to the products of Forum Island Countries (FICs) to the markets of Australia and New Zealand. Furthermore, in addition to the Melanesian Spearhead Group and bilateral trade agreements, the Pacific Island Countries Trade Agreement (PICTA) has been successfully negotiated and is expected to allow free trade amongst all FICs by 2012. The Pacific Agreement on Closer Economic Relations (PACER) with Australia and New Zealand has also been successfully negotiated and is awaiting ratification. In addition, the ACP-EU Cotonou Agreement provides preferential prices for sugar and duty free access to the EU. A new trade chapter under the Agreement will be negotiated during the Plan period. Nonetheless, Fiji has an opportunity to secure niche and new market opportunities for domestic products and services especially in Asia.'

Fiji is keen to pursue regional trade arrangements and would like to see stronger commitment around the region to the PICTA. Regional integration in a more political sense is understood as a long term process. At present, 'regional cooperation' is closer to the Fiji concept of regional relationships. MSG (Melanesian Spread Group) is developing satisfactorily for Fiji, although progress has been tarnished by disputes over various commodities. It is noted that neither MSG nor PICTA have good dispute resolution mechanisms. MSG is not seen as in any way conflicting with PICTA or the wider movement of the region towards integration.

An analysis of Fiji overseas trade is provided in the Annex.

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<sup>1</sup> Government of Fiji. Rebuilding Confidence for Stability and Growth for a Peaceful, Prosperous Fiji. Strategic Development Plan 2003-2005.

### 3. Overview of interventions investigated

Support for Regional Economic Integration and Trade (REIT) has been approached by the Commission very largely at regional level. It has involved the development of the new partnership agreements with PACP countries (EPAs) and the provision of support through the PACREIP programme. This programme provides valuable support to Fiji in the furtherance of the various policy commitments identified in the SDP, including the advancement of PICTA, WTO representation and the negotiation of partnership agreements with the Commission.

At national level the only interventions related to REIT have been the 'Hubs and Spokes' programme and trade components of the Technical Cooperation Facility (TCP). The 'Hub and Spokes' component of the All-ACP Trade.com project provides an advisor in the Fiji Ministry of External Affairs and Trade. The component was proposed by the Commonwealth Secretariat in recognition of the deficiencies in trade capacity at national level in the Pacific. Trade advisers under 'Hub and Spokes' are also provided to Solomon Islands, Vanuatu, Papua New Guinea and Tonga. The 'Hub' is in the PIFS. The term of the advisor in Fiji expired in August 2006 and there are apparently no plans for a replacement, at least in the immediate future.

The 'Hubs and Spokes' programme is part of the All-ACP intervention Trade.com. It is financed by the Commission but administered by the Commonwealth Secretariat. The project has provided a Trade Advisor in the International Economic Affairs Division of the Fiji Ministry of Foreign Affairs and External Trade, linked to a 'Hub' at the PIFS. The advisor appointment terminated in 2006.

The TCP is planned with finance of €1.1m for the period 2005 to 2011. The Facility is available for various purposes. It is being utilised in Fiji for a study of the options for restructuring the national sugar industry under the National Adaptation Strategy. It is also being used to fund an extension of the supervision contract for the New Rewa Bridge.

Fiji also benefits from the Commission's interventions on an All-ACP basis in the related field of private sector development. A study produced in February 2004 by PROINVEST identified tourism, fishing, Information and Communication technologies (ICT) and agro-industry as potential areas of investment in the Pacific region.<sup>2</sup>

While the Commission has made small interventions in EDF, its support to Fiji through price regulation under the Sugar Protocol has been very substantial. It is estimated that the value to Fiji of the difference between Protocol sugar prices and world sugar prices is around €50m per year. This large income benefits directly sugar cane farmers in Fiji and others involved in the sugar industry. It also has substantial macro-economic impact.

Fiji is the second biggest beneficiary of the Sugar Protocol, after Mauritius, and is entitled to export 165,348 tonnes of white sugar to the EU annually at Protocol prices. In addition, Fiji exported between 8,000 and 20,000 tonnes annually to the EU, at slightly lower prices than Protocol prices, under the Special Preferential Sugar arrangement. This scheme was phased out in mid-2006. These preferential advantages have formed the basis of a large sugar industry in Fiji. Sugar accounted for 30% of exports in 1990, though this fell to 15% in 2004, with the rise of garment exports. The industry generates around 7% of GDP and provides direct or indirect employment to around 41,000 people.

<sup>2</sup> PROINVEST. Sector Orientation Report: Pacific. February 2004.

In November 2005, the EU adopted sugar reform proposals which, because of the link between Protocol and EU internal sugar prices, will have a profound effect on Fiji's sugar revenues. Prices will be reduced by 36% over a four-year period, beginning with a 5% reduction in 2006-07 and reaching the full 36% reduction in 2009-2010. Recognising the impact that a substantial price cut would have on Protocol countries, the EU also made a commitment to assist Protocol countries in adapting to the new market conditions.

It was agreed that all Protocol countries would draw up, in consultation with all stakeholders, National Adaptation Strategies which would define the manner in which assistance could be given to sugar industries, or made available for the development of alternative livelihoods or social impact mitigation initiatives.

Discussions on the National Adaptation Strategy were initiated in Fiji in mid-2005 and a major Stakeholders Meeting was called in September 2005 to explain the nature of the EU reforms. Terms of reference were discussed for the drafting of the Strategy.

The importance of the changes in the sugar industry to Fiji is reflected in the move of responsibility for the issue from the Ministry of Agriculture to the Prime Minister's Office. The issue is made the more difficult by its close connection with issues of land tenure. Sugar is grown largely by Indian-Fijian farmers on smallholdings leased from indigenous Fijians. It is recognised that a viable future for the industry probably lies in part in a shift to larger farms. Production of ethanol from sugar is being investigated. Funds from the Commission's Technical Cooperation Facility are being utilised for the development of an adaptation strategy.

#### **4. Findings**

1. The Commission has made very few interventions at national level in Fiji relating to REIT. Its strategy and interventions have been at regional level, reflecting the nature of the requirements for REIT. (EQ 2)

2. The Commission interventions that assist Fiji towards integration with the world economy are very closely in accord with the policies adopted by the Fiji government. (EQ 1, EQ 5) The PACREIP project in its various components addresses issues central to Fiji trade policy. PACREIP has the following targets (EQ 5, I 5.1.1):

- a) The implementation of PICTA.
- b) The establishment of new trade arrangements between the Pacific ACP region and the EU, reflecting the interests of the Pacific ACP countries.
- c) Improved capacity in Pacific ACP countries to represent and promote WTO related issues including effective promotion and defence of Pacific ACP trade interests in the WTO.
- d) Strengthened capacity in Pacific ACP countries to manage the process of regional integration in the areas of: Private Sector Development; Trade Facilitation; Financial Sector and Fiscal Reform; Environmental Impact Assessment.
- e) Regionally integrated development of environmentally sustainable SME-based tourism.
- f) Efficient coordination and management of regional economic integration and development of appropriate policy framework.

3. Interventions at regional level, in particular through the PACREIP programme, have been affected by limited capacity in trade development and trade analysis at national level. The Fiji Government recognises deficiencies in its capacity, particularly with regard to negotiation of trade treaties and in trade facilitation. The provision of an advisor in Fiji under the 'Hub and Spokes' component of Trade.com was appreciated by the Fiji Government. (EQ 2)

4. Fiji's main exports are sugar and garments. Sugar is exported mainly to Europe, with a quota receiving high prices under the Sugar Protocol. Garment exports are under threat following the ending of the MFA at the end of 2004. Reductions in prices paid under the Sugar Protocol and the fall in garment exports mean significant adjustments in Fiji trade in the immediate future. The Commission is assisting with the necessary restructuring of the sugar industry. (EQ 5, EQ 10)

5. One adverse consequence for Fiji of the process of integration into the world economy is the reduction in preferential prices received for Fiji sugar quotas. This will bring about a substantial reduction in Fiji's trade with the EU and its foreign exchange earnings. The contraction of the industry will reduce employment in the sugar industry, including a reduction in the number of sugar cane farmers. Substantial macroeconomic adjustment will be necessary. (EQ 5)

6. The Commission is assisting with restructuring of the sugar industry through its funding of a study in support of the National Adaptation Strategy. The Commission is also making funds available in direct support of restructuring.

7. Cane farmers receive low returns from their crops. There is likely to be a rise in the incidence of poverty in Fiji as a result of the contraction in the sugar industry. Contractions in garment exports at the same time are also likely to bring about an increase in the number of poor people. (EQ 3)

8. The support of PACREIP in the negotiations relating to the establishment of a new trade partnership agreement between the EC and PACP states is appreciated. The Fiji Government sees EPA agreements specifically as a 'stepping stone' to closer integration into the world economy. (EQ 5)

9. With the contraction of the sugar and garment industries, Fiji needs to take urgent action to diversify and expand its exports. The Fiji Trade and Investment Board (FTIB) sees major emerging opportunities in the services sector – prospects for rapid expansion in commodity exports are more doubtful. Investment has already been attracted in ICT from Australia, New Zealand, the United States and India and further investment is being actively sought. There are opportunities also for the development of financial services. Commission programmes for the support of private sector development have not been effective in Fiji. The FTIB is keen to utilise the services of CDE but cooperation has not been satisfactory. Given the trade and investment policies of the Fiji Government, the full engagement of PROINVEST is also crucial. (EQ 5)

10. Trade facilitation is regarded as a critical element in export strategy for Fiji, and the establishment of product standards is a primary concern. Trade facilitation is the responsibility of the Minister for Commerce and Industry (trade policy is the responsibility of the Minister for Foreign Affairs and External Trade). Customs, quarantine and immigration are cited as issues for immediate attention. Fiji is working with the WTO on trade facilitation. The Commission's PPP project is contributing to trade facilitation. (EQ 1, EQ 5)

11. Increased migration resulting from the coups in 1987 and 2000 has weakened the capacity of the private sector. Many energetic and able people, mainly of Indian origin, though including also some indigenous Fijians, have migrated, depriving the economy of their skills. The Commission's interventions in education are helping to build human capacity to compensate for the loss of skills.

12. There is potential for significant political and social disruption in the next few years in Fiji as a result of the contraction of the sugar industry and the inverse multiplier effects it will have on the economy, employment and poverty levels. The impact comes on top of an already difficult political situation, arising from tensions between Fijians of Indian origin and indigenous Fijians.

## **5. Conclusions and main lessons**

Fiji has to make significant changes in its foreign trade in the immediate future but has limited capacity to do so. The Commission can potentially support Fiji trade development through assistance in capacity building. This would respond to the recognition in Fiji's SDP of its capacity limitations: 'Furthermore, a lack of adequate national trade facilitation capacity, trade standards, negotiation and advocacy capacity are additional constraints'.

Support in this area would also make regional interventions, such as PACREIP, more effective. Any necessary activities arising from the conclusion of EPAs would also be facilitated by improved capacity in Fiji's trade administration. A 'needs assessment' to evaluate existing capacity and identify requirements for staff and training would provide a foundation for interventions.

Trade facilitation is recognised by Fiji trade officials as particularly important in the context of diversification of Fiji exports. Interventions by the Commission at national level for trade facilitation might be linked to the trade facilitations services provided across the region through the Plant Protection in the Pacific (PPP) project.

The changes under the Sugar Protocol are unavoidable but damaging to those engaged in the Fiji sugar industry and to the economy in general. The Commission should maintain its interventions aimed at making the restructuring as smooth as possible.

The potential noted above for significant political and social disruption in Fiji deriving from the contraction of the sugar industry indicates that the Commission should consider the situation in terms of conflict prevention, as well as in strictly economic terms. There is a regional as well as national dimension to the issue, since Fiji is important as a centre of communications and services in the region.

The changes facing the economy suggest also that there will be a significant increase in numbers of people falling below the poverty line. This national issue should be taken up in the context of preparation of a regional poverty strategy recommended in the main report on this evaluation.

## Annex: Fiji Overseas Trade

Table 1 shows Fiji's major commodity exports and total commodity exports since 1990. Table 2 shows the proportion of each commodity in total exports.

**TABLE 1 - FIJI MAJOR COMMODITY EXPORTS, 1990-2004**

F\$ million fob

	1990	1995	2000	2001	2002	2003	2004
Sugar	223.7	276.1	237.5	222.0	235.0	230.7	178.4
Gold	75.8	58.6	75.7	85.4	78.1	76.5	88.5
Molasses	6.4	21.3	9.7	9.5	12.4	10.1	9.9
Coconut Oil	4.9	3.9	3.6	2.4	5.9	4.0	3.6
Fish	49.3	63.9	88.8	98.4	89.9	85.0	85.1
Garments	115.8	185.0	332.9	313.9	245.4	252.7	256.4
Textiles	n.a.	n.a.	38.2	22.1	13.8	9.9	12.8
<b>Total All Exports</b>	731.9	869.9	1,243.7	1,223.9	1,194.8	1,273.1	1,175.2

Source: ADB: Key Indicators of Developing Asian and Pacific Countries

**TABLE 2 - VALUE OF COMMODITY EXPORTS AS PROPORTION OF TOTAL EXPORTS, 1990-2004**

% of Total Exports

	1990	1995	2000	2001	2002	2003	2004
Sugar	30.6	31.7	19.1	18.1	19.7	18.1	15.2
Gold	10.4	6.7	6.1	7.0	6.5	6.0	7.5
Molasses	0.9	2.4	0.8	0.8	1.0	0.8	0.8
Coconut Oil	0.7	0.4	0.3	0.2	0.5	0.3	0.3
Fish	6.7	7.3	7.1	8.0	7.5	6.7	7.2
Garments	15.8	21.3	26.8	25.6	20.5	19.8	21.8
Textiles	n.a.	n.a.	3.1	1.8	1.2	0.8	1.1
<b>Total All Exports</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Derived from ADB: Key Indicators of Developing Asian and Pacific Countries

Sugar exports were valued at F\$223.7m in 1990 and rose to F\$235.0m in 2002. Since then there has been a significant fall in sugar exports, including a fall of 23% in 2004. A further decline in the value of sugar exports is expected as changes in prices on the European market are implemented (see below). Sugar exports accounted for around 30% of Fiji's exports in 1990 and 1995. By 2004, however, the proportion had declined to about 15%. This was in part the result of the expansion of the garment and textiles industry. This industry developed from 1989 in response to a switch from an import replacement trade policy to a more outward-oriented trade policy emphasising export development. Garment and textiles exports expanded from around 16% of total exports in 1990 to around 23% in 2004. The industry was at its height in the early years of the present decade, accounting for 30% of exports in 2000. The decline in recent years is the consequence of increased competition. Further decline is



inevitable with the ending of the Multi-Fibres Arrangement (MFA) at the end of 2004 and expansion of exports from China.

Gold and fish are shown in the above tables as other significant exports of Fiji, though neither is comparable in size to sugar or garments. The value of gold exports has been fairly stable, but exports of fish have increased. Not shown in the above table is the export of mineral water. Fiji has developed in recent years a substantial export of mineral water to the United States, valued at around F\$90m per year.

Table 3 shows Fiji imports by main commodity group from 1990 to 2004. Table 4 shows the proportions of imports of each commodity group to total imports.

**TABLE 3 - FIJI IMPORTS BY MAIN COMMODITY GROUP, 1990-2004**

F\$ million cif

	1990	1995	2000	2001	2002	2003	2004
Food and Live Animals	142.9	182.3	220.7	310.8	337.6	332.5	349.0
Beverages and Tobacco	8.2	13.2	10.2	13.7	16.0	16.9	18.6
Crude Materials excl Fuel	7.6	9.1	15.9	13.5	14.4	16.2	20.2
Mineral fuels etc	157.1	137.5	298.1	271.7	330.3	325.0	320.5
Animal, Vegetable Oil, Fats	11.2	16.5	13.9	16.1	16.3	20.8	15.6
Chemicals	81.6	92.8	117.4	143.3	157.7	162.0	194.7
Base Manufactures	244.2	337.0	486.4	417.4	409.2	440.8	481.0
Machines, Transport Equipment	341.6	312.7	345.5	414.0	450.2	664.4	548.4
Misc Manufactured Goods	106.6	139.3	239.2	200.2	213.8	228.6	245.3
Unclassified	12.0	13.5	9.0	7.2	6.7	7.4	11.3
<b>Total Imports</b>	<b>1,112.9</b>	<b>1,253.8</b>	<b>1,756.4</b>	<b>1,807.9</b>	<b>1,953.2</b>	<b>2,214.6</b>	<b>2,204.7</b>

Source: ADB: Key Indicators of Developing Asian and Pacific Countries

**TABLE 4 - COMMODITY GROUP IMPORTS AS A PROPORTION OF TOTAL IMPORTS, 1990-2004**

% of Total Imports

	1990	1995	2000	2001	2002	2003	2004
Food and Live Animals	12.8	14.5	12.6	17.2	17.3	15.0	15.8
Beverages and Tobacco	0.7	1.1	0.6	0.8	0.8	0.8	0.8
Crude Materials excl Fuel	0.7	0.7	0.9	0.7	0.7	0.7	0.9
Mineral fuels etc	14.1	11.0	17.0	15.0	16.9	14.7	14.5
Animal, Vegetable Oil, Fats	1.0	1.3	0.8	0.9	0.8	0.9	0.7
Chemicals	7.3	7.4	6.7	7.9	8.1	7.3	8.8
Base Manufactures	21.9	26.9	27.7	23.1	21.0	19.9	21.8
Machines, Transport Equipment	30.7	24.9	19.7	22.9	23.0	30.0	24.9
Misc Manufactured Goods	9.6	11.1	13.6	11.1	10.9	10.3	11.1
Unclassified	1.1	1.1	0.5	0.4	0.3	0.3	0.5
<b>Total Imports</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Derived from ADB: Key Indicators of Developing Asian and Pacific Countries

Imports for most commodity groups have grown rapidly since 1990. The main import categories are Machinery and Transport Equipment, Manufactured Goods, Food and Fuel. Growth has been erratic in most commodity groups. Total imports grew by 76% in the period 1995 to 2004, compared with a growth in exports of 35% in the same period.

Table 5 shows the proportions of Fiji exports going to leading destinations in 2004. Table 6 shows the main import sources.

**TABLE 5 - PROPORTIONS OF EXPORTS TO LEADING DESTINATIONS**

% of Total Exports

Destination of Exports	2004
United States	23.6
Australia	19.2
United Kingdom	12.8
Samoa	6.2
Japan	4.1
New Zealand	3.7

*Source: Derived from ADB: Key Indicators of Developing Asian and Pacific Countries*

The United States has been the main destination for Fiji exports since 2001. The rise of mineral water exports is the major factor. Australia is the major market for Fiji garment exports, with the SPARTECA treaty an important factor in the competitiveness of Fiji in that market. The United Kingdom is an important sugar market for Fiji. Fiji also exports canned tuna to the UK, with a derogation for a certain volume relating to rules of origin. However, Fiji is unable to take full advantage of the quota owing to problems with SPS regulations. No other EU Member State appears in the top ten destinations for Fiji exports. Fiji exports raw fish to Japan.

Fiji is an important supplier of a range of goods to the Pacific island countries. 6.2% of its exports go to Samoa, 3.0% to Tonga, 1.9% to Kiribati and 1.6% to Tuvalu. This supplier role of Fiji is partly a consequence of its central location and the role of the port of Suva as a regional trans-shipment centre. Re-exports from Fiji accounted for 21% of total exports in 2004.

**TABLE 6 - MAIN SOURCES OF IMPORTS**

% of Total Imports

Source of Imports	2004
Australia	27.7
Singapore	24.8
New Zealand	18.2
Japan	4.2
China	2.8
Hong Kong	1.8

*Source: Derived from ADB: Key Indicators of Developing Asian and Pacific Countries*

Australia, Singapore and New Zealand account for more than 70% of Fiji imports. However, imports from Australia fell by 14% in the period 2000 to 2004, while imports from Singapore

increased by 385% and from New Zealand by 106%. 2000 was a year of peak imports from Australia.

As the above figures show, Fiji runs a substantial deficit on merchandise trade and the deficit has been widening. This is made possible mainly by earnings from the tourism industry. Table 7 shows visitor arrivals in Fiji from 1992 to 2005, by main countries of origin of the visitors. Table 8 shows the percentage of visitors coming from each country in relation to total arrivals.

**TABLE 7 - FIJI VISITOR ARRIVALS BY COUNTRY OF RESIDENCE**

Number

Period	Australia	New Zealand	United States	Canada	United Kingdom	Continental Europe	Japan	Pacific	Others	Total
1992	87,395	37,227	34,802	12,602	16,795	29,513	35,960	15,627	8,613	278,534
1993	77,609	40,778	42,557	12,447	20,233	29,786	38,203	16,985	8,864	287,462
1994	85,532	53,495	45,351	12,018	23,915	31,004	39,782	17,931	9,846	318,874
1995	78,503	59,019	39,736	10,412	24,409	30,968	45,300	17,461	12,687	318,495
1996	79,534	63,430	38,707	11,431	28,907	31,875	44,598	18,545	22,533	339,560
1997	80,351	68,116	44,376	13,359	35,019	32,806	44,783	20,381	20,250	359,441
1998	100,756	70,840	48,390	12,837	39,341	29,334	35,833	22,850	11,161	371,342
1999	118,272	72,156	62,131	13,552	40,316	28,371	37,930	26,090	11,137	409,955
2000	76,883	49,470	52,534	10,532	29,215	22,506	19,674	21,534	11,722	294,070
2001	98,213	66,472	57,711	10,752	30,508	20,917	20,411	23,608	19,422	348,014
2002	123,606	68,293	58,815	9,802	43,393	21,654	26,382	24,051	21,863	397,859
2003	141,873	75,016	58,323	10,990	49,794	21,847	23,464	28,167	21,326	430,800
2004	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	498,518
2005	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	549,911

Source: Reserve Bank of Fiji. Quarterly Review. March 2006.

**TABLE 8 - FIJI VISITOR ARRIVALS BY COUNTRY OF RESIDENCE: PERCENT OF TOTAL ARRIVALS**

% of Total Arrivals

Period	Australia	New Zealand	United States	Canada	United Kingdom	Continental Europe	Japan	Pacific	Others	Total
1992	31.4	13.4	12.5	4.5	6.0	10.6	12.9	5.6	3.1	100.0
1993	27.0	14.2	14.8	4.3	7.0	10.4	13.3	5.9	3.1	100.0
1994	26.8	16.8	14.2	3.8	7.5	9.7	12.5	5.6	3.1	100.0
1995	24.6	18.5	12.5	3.3	7.7	9.7	14.2	5.5	4.0	100.0
1996	23.4	18.7	11.4	3.4	8.5	9.4	13.1	5.5	6.6	100.0
1997	22.4	19.0	12.3	3.7	9.7	9.1	12.5	5.7	5.6	100.0
1998	27.1	19.1	13.0	3.5	10.6	7.9	9.6	6.2	3.0	100.0
1999	28.8	17.6	15.2	3.3	9.8	6.9	9.3	6.4	2.7	100.0
2000	26.1	16.8	17.9	3.6	9.9	7.7	6.7	7.3	4.0	100.0
2001	28.2	19.1	16.6	3.1	8.8	6.0	5.9	6.8	5.6	100.0
2002	31.1	17.2	14.8	2.5	10.9	5.4	6.6	6.0	5.5	100.0
2003	32.9	17.4	13.5	2.6	11.6	5.1	5.4	6.5	5.0	100.0

Source: Derived from Reserve Bank of Fiji. Quarterly Review. March 2006.

Visitor arrivals in Fiji rose above 500,000 for the first time in 2005, with a total of 549,911. Arrivals data by origin are not yet available for 2004 and 2005. In 2003 Australia, New Zealand and the United States accounted for 64% of visitor arrivals, compared to 57% in 1992. The United Kingdom and Continental Europe account for 17%, making Europe the third largest tourist origin for Fiji after Australia and New Zealand. The UK has increased its share of arrivals since 1992, while Continental Europe has reduced its share. Japan has also reduced its share of visitors.

Fiji, along with other Pacific island countries, is anticipating a considerable expansion in visitors from China as the citizens of that country are given greater freedom to travel. At the first Ministerial Conference of the China-Pacific Island Countries Economic Development and Cooperation Forum, held in Nadi in 2006, the Premier of China, Wen Jiabao, approved Papua New Guinea, Samoa and FSM as countries to which Chinese tourists are permitted to travel. This brings to eight the number of Pacific island countries that have Approved Destination Status (ADS) from China. Fiji was given approval in 2005. The other countries with ADS status are Cook Islands, Tonga, Vanuatu and Niue.

## **SAMOA: SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES SECTOR NOTE**

### **1. Introduction**

This Sector Note on Natural Resources Management (NRM) in Samoa is part of the output of the 'Evaluation of the Commission's Support to the ACP Pacific Region'<sup>3</sup> carried out in the period March-October 2006. Its findings and conclusions are based on an extensive desk study of related EC and other documentation and a field visit to Samoa from 13 to 17 June 2006.

The NRM sector in the context of EC development cooperation in the Pacific ACP region, and for the purposes of this evaluation, addresses important areas of the Pacific islands' economic, social and environmental development. These areas include agriculture; forestry; land and coastal marine resources conservation and management; energy; water and sanitation; and global environmental concerns such as climate change; sea level rise, islands vulnerability; and disaster preparedness.

Coastal and oceanic fisheries are treated as a separate sector given their importance in the framework of the EU-Pacific cooperation. The present note addresses the NRM sector from both regional and national perspectives, with specific focus on the EC cooperation in this sector and taking Samoa as a case study.

### **2. Background**

#### **a. Importance / magnitude of the NRM sector**

Pacific island countries exhibit a unique combination and diversity of geographical, biological, sociological and economic characteristics that can be found nowhere else in the world.

Although some of the larger island groups with significant mineral, forestry, fisheries and agricultural land resources have potential for development, most Pacific Island States and territories and smaller outer islands and isolated rural communities have limited potential. Small size, geographic isolation and extremely limited natural resources constrain options for modern economic development. These communities will, for the foreseeable future, have to depend on the sustainable use of their local resources as a basis for their survival and development.

Most of the natural resource features and management issues encountered throughout the Pacific region can be found in **Samoa**, albeit at the same time with specific ecological, social and economic peculiarities.

**Land** is central to the economic and cultural development of Samoa, with about 80% of all land still under customary or family ownership, and 16% government-owned. Only 4% is freehold land. While the current land tenure system has ensured that the majority of the land has remained with the Samoan people, it has also raised a number of governance constraints which have exacerbated the problems related to the management of forests, water and biodiversity.

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<sup>3</sup> EuropeAid/119887/C/SV/Multi

**Forests** with their ecological biodiversity are the most valuable land resources. Over the years forests have satisfied demand for timber, construction materials, food, firewood and traditional medicine. But a growing population competing for limited resources has fuelled rapid deforestation with only a few years-worth of merchantable native forests remaining.

**Freshwater** is a fundamental resource for Samoa. There is, however, uneven distribution of water availability, with the rain shadow areas of north western Savaii suffering a severe shortage of water and dry land conditions. While the water supply systems have greatly improved with a large number of households now having access to clean water, some parts of the country continue to face water shortages or lack of services altogether. There are also concerns over the status of water resources with limited understanding of existing quantities and quality and *ad hoc* governance of the watershed areas. Despite the fact that about 88% of the population has access to some form of sanitation, the public health implications and environmental standards of the sanitation systems remain a concern.

Apart from indigenous forests, the other most important land use is **farming**, the most important crops being coconuts, cocoa, taro and bananas. At present most cropping and livestock development takes place in areas suitable for agriculture, but it is estimated that 30% of total agriculture and forest activities are carried on in areas with severe limitations. Work is in progress on land capability and zoning systems for Samoa in order to establish mechanisms for the sustainable allocation of land-based resources such as sand, aggregates, rocks etc.

With 70% of Samoa's population and infrastructure located in the low-lying **coastal areas** the country is most vulnerable to the impacts of **climate change and sea level rise**, including strong winds, storm surges, high tides and coastal floods.

There is evidence of declining inshore **fish resources** and related incomes, indicating that the maximum sustainable yield for Samoa's fish stocks may have been exceeded in most parts of the country. This is due to over-fishing as a result of increased demand, use of effective and modern but non-selective and destructive techniques, and the loss of fish habitat due to reclamation, coral sand mining and drainage. Sediment and nutrient pollution of lagoons is also a contributory factor.

Samoa's terrestrial and marine **biological diversity** is central to the country's prosperity. People rely heavily on biological resources for food, artisanal and medicinal purposes. Increased demand puts tremendous pressure on natural ecosystems, threatening the survival of existing flora and fauna. Efforts to conserve the biodiversity of Samoa included the creation of national parks and reserves, and the rehabilitation and preservation of ecosystems, habitats and endangered species. Management regimes have been established to encourage stakeholder participation in the management process, thus promoting sustainable resource utilisation and environmental protection.

A growing urban population, and increased imports of non-biodegradable materials and chemicals related to agricultural development and manufacturing, have brought environmental health problems and issues of management of **waste** and toxic substances. Greater public awareness has resulted in improved public response to waste management issues. A public collection system now covers the whole country with a sanitary landfill established on Upolu Island, while one for Savaii is under construction. Hospital waste treatment has also improved through the use of a new high temperature incinerator. The current focus is on waste recycling and the control of waste generation at source.

There is limited awareness of **energy** efficiency and conservation measures, and misconceptions regarding the capabilities of renewable energy due to previous attempts at installation which did not meet customer expectations. Current challenges with regard to energy include the pressure of urbanization on current energy infrastructure, the high cost of and dependence on fossil fuels for electricity and transportation, the wide distribution and isolation of population centres, and lack of affordable renewable energy technologies.

**b. Policy developments, objectives and issues**

At regional level there has been progress in the elaboration of regional policies and strategies related to the sustainable management of natural resources. The major milestones can be regarded as the following:

1. In 2003 the Pacific islands reviewed (meeting in Apia, Samoa in August 2003) the **Barbados Programme of Action for the Sustainable Development of Small Island Developing States**. The Pacific leaders reiterated the need to pursue the formulation and implementation of national sustainable development strategies, integrating actions across the three pillars of economic and social development and environment protection, and introducing targets, regular monitoring, and evaluation procedures. Capacity building and strengthening of legal and legislative framework remain high priorities.
2. The **Pacific Plan for strengthening Regional Cooperation and Integration** and the related **Kalibobo Roadmap** were adopted by the 36<sup>th</sup> Pacific Island Forum (PIF) in October 2005. They include among their Sustainable Development priorities: (i) Waste/pollution control, (ii) Hazards and Disaster Risk management, (iii) Climate Change and (iv) Biodiversity.
3. **The Action Plan for Managing the Environment** of the Pacific islands region for the period 2005-2009 was elaborated by SPREP in consultation with all member countries and followed the review of the 2001-2004 Action Plan.
4. The **Pacific Islands Regional Ocean Framework for Integrated Strategic Action** was launched at the Mauritius International SIDS Meeting in January 2005.
5. The **Pacific Regional Framework on Climate Change 2005-2015** and the **Pacific Disaster Risk Reduction and Disaster Management Framework** for Action 2005-2015 were approved in 2005 and will continue to require adaptation and mitigation measures.
6. **Pacific islands Energy Policies and associated Strategic Action Plans** are expected to be implemented by the end of 2008, providing, reliable, affordable and environmentally sound energy sources.

Other sectoral strategic frameworks adopted during the year 2005 included:

- The Pacific Regional Framework on Agriculture,
- The Pacific Regional Action Plan on Sustainable Water Management,
- The Pacific Solid Waste Management Strategy.

**Samoa** plays a leading role in the development of regional policy and at the same time has a good record of achievements in its national policy framework, as shown in the Annex below.

In addition to environmental-specific policies and laws, the Government has developed and adopted regulatory measures to encourage environmentally-compatible import and production standards relating to waste, **natural disaster and emergency management, sustainable tourism** and urban development.

The proposed **National Environment Impact Assessment** (EIA) Regulation is still being considered by the Cabinet, awaiting codification of the Planning and Urban Management Bill (2003). The draft EIA Regulations (1998) set out the basic process for impact assessment in

Samoa for both private and public development proposals. They allow only the Ministry of Natural Resources, Environment and Meteorology to issue guidelines on which development proposals, or types of environmental impact, are permitted without further consideration under the regulations. It should be noted, however, that the practice of EIA is already widespread in accordance with national policy and guidelines.

Samoa participates actively in regional and international programmes related to the implementation of environmental multilateral agreements dealing with biodiversity, ozone depletion, climate change, waste management, chemical safety and heritage conservation. Financial and technical support provided by the Global Environment Facility and from bilateral donors has played a strong role in implementation of national projects. Samoa has ratified most **Multilateral Environmental Agreements** (see Annex) and has now joined the other parties in their implementation.

### 3. Overview of interventions investigated

Samoa benefited during the last decade from the implementation of several regional NRM programmes. Summary assessments of these interventions are given below.

Project title: **“Reducing Vulnerability in the Pacific – 8.ACP.RPA.03**  
Implemented by: SOPAC  
Activities/focus: Elaboration of vulnerability index and parameters; SWATH mapping completed  
Island System Management (ISM) established in the Meteorological office;  
Training on GIS and mapping;  
Assessment: Good relevance of result areas. Overlap with other IFI (International Financial Institution) programmes on Hazard and Risk Management. Good progress, except in the water sector because of national level of activities (NIP). Better co-ordination with national projects and improved communication by SOPAC are needed.

**Project title: Development of Sustainable Agriculture in the Pacific – 8.ACP.RPA.10**  
Implemented by: SPC Land Resources Division  
Activities/focus: Soil fertility, plant protection, pest management, plant nurseries, organic farming, cash crops development (vanilla, papaya, fruits, etc.).  
Farmers' associations and marketing. Information and knowledge sharing.  
Assessment: Good relevance. Positive participation and empowerment by stakeholders.  
Efficient management by locally recruited teams

**Project title: Plant Protection in the Pacific (PPP) – 8.ACP.RPA.08**  
Implemented by: SPC Land Resources Division  
Activities/focus: Plant disease survey. Updating Pest List Database (PLD) for Agriculture Quarantine and trade requirements. Support to national research (technical assistance and training)  
Assessment: Good linkages with NARES and DSAP. Useful and appreciated trade facilitation role. High relevance, efficiency and effectiveness. Good coordination with STABEX funded HTFA<sup>4</sup> facility for pest control.

**Project title: Pacific Environmental Information Network (PEIN II) - 9.ACP.RPA.09**  
Implemented by: SPREP  
Activities/focus: Provision of equipment (hardware and software); Training of staff;  
Provision of information materials; Networking and knowledge sharing.  
Assessment: Good relevance, effectiveness and efficiency. Proximity helps empowerment and institutionalisation. Integration with sectoral information from line institutions.  
Improve targeting of beneficiary groups (i.e. students). Positive coordination with other donors and agencies (i.e. UNEP, UNESCO).

<sup>4</sup> HTFA = Heat Treatment Forced Air.



At national level, as described in the Country Note for Samoa (Annex 11), the EC cooperation strategy under the various Lomé Conventions and the Cotonou Agreement focused on water resources management for energy production, water supply, sanitation, public health and quality of life, thus contributing to the sustainable management of key water resources and associated rural and urban habitats. The focus was translated into complementary projects with sector-wide approaches covering policy development, institutional strengthening and infrastructure improvement.

The other consolidated sector of EC-Samoa cooperation is the support to community/village development through the implementation of micro-projects schemes, allowing Non-State Actors (NSA) to receive financial and technical support for investments in the social and productive sectors. This has included investments relating to the exploitation and preservation of natural resources, such as farming, fishing, tourism, water supply, support to women and youth, social and economic integration, and education.

#### **4. Findings**

Samoa has a good performance record in policy and macro-economic development. It is a proactive partner in regional cooperation and has played a leading role in the establishment of regional policy. Samoa is also one of the best performing countries in the adaptation and enforcement of multilateral and regional environmental agreements and legal frameworks, and is a reference for other PICs.

Samoa is host to the Secretariat of the Pacific Regional Environment Programme (SPREP) and a campus of the University of the South Pacific (USP) at Alafua. Both organisations are regional centres of excellence, addressing respectively the broad environmental policy issues and education and research in agriculture and natural resources. Proximity to these regional bodies and good relationships with other regional agencies from the Council of Regional Organisations in the Pacific (CROP) has favoured constructive dialogue and cooperation with national institutions and NGOs throughout the policy and programme cycle. Cooperation has covered assessment of national and regional needs, definition of regional-national priorities and optimisation of regional-national intervention levels.

The EC has pursued consolidated sectoral cooperation in Samoa (water sector and micro-projects approach), allowing transition from a project-programme approach to a sector-wide approach, building on achievements and lessons learnt. A high degree of coherence between national projects and regional programmes helped in the optimisation of use of available resources. Regional policy and methodological support was partially complemented by more tangible and visible investments at national and local levels. The linkages between the regional 'Vulnerability Programme' and the national 'Water Sector Support Project' are a promising example, generating among the national stakeholders strong expectations of improved regional-national complementarity.

At the same time, supporting local development with direct funding to NSAs (e.g. in the micro-projects programme) proved to be effective in enhancing social and economic development opportunities and reducing the incidence of poverty, particularly in rural areas.

Most EC regional programmes in agriculture, fisheries and environmental management have provided Samoa with a diversified set of services, including policy and legal advice, technology transfer, knowledge sharing, capacity building and training. National stakeholders are generally positive in their appraisal of the regional services provided by regional organisations, although co-ordination among CROP agencies could be improved.

Continuous training is needed and appreciated, particularly in the context of competition between employers for limited human resources at regional and national levels. Training has mainly reached senior and middle managers of public institutions through regional seminars, secondments to CROP offices and in-country training. The attractions of regional employment have raised concerns regarding the retention of skilled personnel at national level.

Samoa benefits from a diversified partnership framework and consolidated cooperation with bilateral donors and multilateral development agencies, some of them (e.g. FAO, UNDP) with permanent representation in the country. There is strong interest among the donor community in the sustainable development process in the region and in Samoa, leading to diversified and sometimes overlapping interventions. Strengthened aid co-ordination offices (e.g. Technical assistance to the NAO) and more capable regional agencies (e.g. through Contribution Agreements) enhanced efficiency in aid delivery and facilitated complementarity of external support initiatives.

Although Samoa's Civil Society is still in an early stage of organisation and participation in policy development, there are promising signs of increasing capacity in community groups and NGOs to promote and carry out local development initiatives in the social and economic sectors relating to sustainable management of land and marine resources.

## **5. Conclusions and main lessons**

1. Samoa has a positive performance record in policy, institutional and legal development in the natural resources sector.
2. Good and consolidated governance practices have enhanced the efficiency and effectiveness of development cooperation, making the introduction of a sector-wide approach more coherent.
3. With a proactive role in regional cooperation and integration, Samoa is taking advantage of regional initiatives, particularly in the natural resources sector, becoming a pole and centre of excellence for the provision of regional services.
4. Optimization of regional cooperation opportunities may also lead to better targeting and utilization of national cooperation opportunities and instruments, enhancing the linkages, complementarity and subsidiarity between the various levels of intervention.
5. Consolidated sectoral cooperation in the natural resources sector, as can be seen in Samoa, may improve impact and sustainability of results, as well as the EC's comparative advantage in the country and in the region, thereby facilitating transfer of experience and methods.
6. The provision of regional services, in particular the training of staff, should take account of diversified methods and financing sources. Training should impact on the various levels of policy formulation and management. This is easier and more cost-effective if training is partially carried out in the beneficiary country and allows for involvement of NSAs, where relevant.
7. Progressive strengthening of the involvement of private sector and Civil Society in policy development and programme implementation should facilitate social cohesion, reduce conflicts, enhance impact on economic opportunities and promote sustainability. NSAs, through their diversified forms of association, should be seen as full development partners and promoters, especially when they can provide more efficient and effective services at community level and complement the different levels of governance.

## Annex I: List of Multilateral Environmental Agreements ratified by Samoa

1. United Nations Framework Convention on Climate Change	11. Convention on Conservation of Nature in the South Pacific
2. The Kyoto Protocol to the United Nations Framework Convention on Climate Change.	12. Agreement Establishing the South Pacific Regional Environment Program (SPREP)
3. Vienna Convention for the Protection of the Ozone Layer	11. Stockholm Convention on Persistent Organic Pollutants
4. Montreal Protocol on Substances that deplete the Ozone Layer	12. Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade
5. Convention on Biological Diversity	13. Stockholm Convention on Persistent Organic Pollutants
6. Cartagena Protocol to the Convention on Biological Diversity	14. Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade
7. United Nations Convention to Combat Desertification	15. Convention on Wetlands of International Importance especially as Waterfowl Habitat
8. Convention for the Protection of the World Cultural and Natural Heritage	16. Convention on International Trade in Endangered Species of Wild Fauna and Flora
9. Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal	17. Convention on the Conservation of Migratory Species of Wild Animals
10. Convention to Ban the Importation into Forum Island Countries of Hazardous and Radioactive Waste and to Control the Transboundary Movement and Management of Hazardous Waste	

## Annex II: Recent policy and legal achievements in Samoa

<b>National Policies</b>	<b>Legislation</b>
1. Reclamation Policy 2000	1. MNREM Bill 2003
2. Draft Sand Mining Policy 2000	2. Wildlife Protection Regulations 2004
3. National Policy of Population & Sustainable Development 2001	3. Protection of the Ozone Layer Regulations 2004
4. National Land Use Policy 2001	4. Biosafety Bill 2004
5. National Waste Management Policy 2001	5. Draft Biosafety Regulations 2004
6. National Water Resources Policy 2001	6. Draft Land Registration Act Amendments 2005
7. National Heritage Policy 2004	7. Land Valuation Bill 2005
8. National Bio-Safety Policy 2004	8. Spatial Information Agency Bill 2005
9. Draft National Biological Diversity Policy 2005	9. Draft Surveying Act Amendments 2005
10. Draft National Climate Change Policy 2005	10. Draft Surveying Regulations 2005
11. Draft National Policy on the Sustainable Development of Forests 2005	11. Disaster Management Bill 2006
12. Draft National Policy on the Prevention of Atmospheric Pollution 2005	12. Draft regulations to Ban the Importation of Certain Plastic Products 2006



## **SAMOA: REGIONAL ECONOMIC INTEGRATION AND TRADE SECTOR NOTE**

### **1. Introduction<sup>5</sup>**

This Sector Note on regional integration and trade in Western Samoa between 1997 and 2006 is part of the output of the 'Evaluation of the Commission's Support to the ACP Pacific Region' undertaken during the period March-October 2006. Its findings and conclusions are based on an extensive desk study of related EC and other documentation and a field visit to Samoa from 13 to 17 June 2006.

### **2. Background**

Samoa's economy is small and based on agriculture. Economic growth since the mid-1990s has been driven by fisheries, agriculture, tourism and the government's efforts to promote economic stability. Subsistence agriculture remains the primary economic activity, although its share of GDP is gradually declining. Remittances from Samoans living in New Zealand, Australia and the USA are a significant source of income. In 2005, remittances to Samoa totalled WST248.52m, or 29.7% of Samoa's GDP.

Samoa's private sector is dominated by Yazaki Samoa, a company producing wire harnesses for motor vehicles, which comprise the bulk of Samoa's exports and the bulk of its exports to Australia. Yazaki is Samoa's largest private sector employer, employing over 2,000 workers. The remainder of Samoa's light industrial sector concentrates on providing local substitutes for imports. Samoa has had little success in attracting foreign direct investment despite its stable political environment and extensive economic reforms.

The United Nations reviewed Samoa's Least Developed Country (LDC) status in March 2006 and recommended graduation to Developing Country status. Samoa has sought a review of the decision, despite the impetus graduation might give to foreign investment by lowering the financial risk factors associated with LDC status. Samoa will retain LDC status at least for the two years it will take for the review to be finalised.

Samoa experienced major economic disruption in the early 1990s, due to poor economic management and successive natural disasters. However, strong political leadership and pragmatic economic policies have formed the basis for sustainable economic policies since 1995. The framework for economic and social development in Samoa is the Strategy for the Development of Samoa (SDS) 2005-07. The SDS identifies six key development priorities: the private sector, agriculture, tourism, community, education, and health. The Samoan Government remains committed to macroeconomic stability, involving implementation of measures to contain government expenditure. Its programme of public sector reform has seen a reduction in the number of agencies from 28 departments to 14 ministries.

External trade and investment has a prominent role in the economic policies of the SDS. Samoa is strongly committed to a liberal trade regime and has sought to establish an economic environment favourable to investors. Its programme of trade liberalisation has included reduction and rationalisation of tariffs. Its current tariff schedule has four bands, at 20%, 8%, 5% and 0%; and further reductions are envisaged. Measures have been instituted to accommodate the impact of tariff reductions on government revenues.

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<sup>5</sup> Derived, with minor adaptations, from the website of the Australian Department of Foreign Affairs ([www.dfat.gov.au](http://www.dfat.gov.au)), with input also from the ADB website ([www.adb.org](http://www.adb.org).)

Central to the trade policies of Samoa in recent years have been the PICTA treaty and accession to the WTO. Samoa is amongst the leading intra-regional trading countries that have signed the PICTA. It is one of only three countries (the other two are Fiji and Cook Islands) to pass the enabling legislation permitting it to trade under PICTA.

Samoa applied for membership of the WTO in 2000. It expects to achieve membership by the end of 2006. Discussions are ongoing with Australia and New Zealand on, among other things, the levels of tariff bindings. Issues relating to services are under discussion with the United States, including the services of lawyers, engineers, and architects. The United States is a favoured destination for migrants from Samoa. Samoa received advice on WTO entry from various sources, including the Commonwealth Secretariat in particular.

### **3. Overview of interventions investigated**

Commission interventions at national level in support of Regional Integration and Trade (REIT) in Western Samoa have been very small in terms of EDF funding. The only project categorised as REIT is the Technical Cooperation Facility (TCF). The planned allocation for this project was €600,000. As at May 2006, €561,862 had been contracted and €361,985 paid. The project is planned to run from 2004 to 2009. This Facility is multi-functional and while it is available for REIT interventions it is currently being used in Samoa in support of interventions in the focal water sector.

At regional level, Samoa also benefits from the Commission's regional PACREIP programme. The PACREIP programme is very relevant to Samoa's foreign trade policies and development. PACREIP has the following targets:

- a) The implementation of PICTA.
- b) The establishment of new trade arrangements between the Pacific ACP region and the EU, reflecting the interests of the Pacific ACP countries.
- c) Improved capacity in Pacific ACP countries to represent and promote WTO related issues including effective promotion and defence of Pacific ACP trade interests in the WTO.
- d) Strengthened capacity in Pacific ACP countries to manage the process of regional integration in the areas of: Private Sector Development; Trade Facilitation; Financial Sector and Fiscal Reform; Environmental Impact Assessment.
- e) Regionally integrated development of environmentally sustainable SME-based tourism.
- f) Efficient coordination and management of regional economic integration and development of an appropriate policy framework.

As noted, Samoa foreign trade policy has been particularly concerned with the PICTA treaty and accession to WTO. These correspond to targets a) and c) of the PACREIP project. PACREIP is providing technical assistance for notification requirements, negative lists, training on Rules of Origin and other aspects of the PICTA treaty. The programme is also involved with workshops concerned with the extension of the treaty to trade in services. PACREIP is also supporting the establishment of representative offices for PIFS in Geneva, the headquarters of the WTO. Private sector development (in target area "d" of PACREIP) is identified in the SDS as a leading issue.

PACREIP is of recent origin and is closely identified with the work of the PIFS in foreign trade. Nevertheless, it is notable that a senior trade official in Samoa was not aware of the PACREIP project. Samoa's application for accession to the WTO was lodged in 2000 and advice has been received principally from the Commonwealth Secretariat.

Samoa has been actively engaged with the negotiation processes relating to EPAs. The Minister for Commerce, Industry and Labour of Samoa was the alternate Lead Spokesperson for the Pacific Regional Negotiating Team, but relinquished the post due to pressures on his time. The 'knock-on' effects of an EPA on the PACER agreement are of concern in Samoa, since Australia and New Zealand are major trading partners (See Annex, Tables 4 and 7)

Samoa can potentially benefit as an LDC from the Commission EBA arrangement, providing free access to EU markets for almost all products except arms. However, Samoa makes no substantial exports to the EU. A representative of the Samoa Association of Manufacturers and Exporters commented that the EBA had had little effect on the trade of the Pacific. This was confirmed by a government official. The major factor inhibiting its use was thought to be the 50% local content requirement. While rules of origin may seem reasonable with regard to large countries, they can be very difficult to meet in small countries. The small countries lack the diversity of production that enables a country to achieve high levels of local content.

A major trade dispute involving Samoa and the EU has arisen over exports of kava. Fiji, Vanuatu and Tonga are also involved. These countries were exporting kava to Europe, and to Germany in particular. Kava is a natural anti-depressant, the natural equivalent of the artificial and very widely used anti-depressant Prozac. The market for kava in Europe is regarded as having major potential. There were allegations in Germany that kava caused liver damage. Subsequent research indicated that the allegations were not well-founded. But the reputation of the product has been affected and further health and safety issues are to be resolved. CDE has provided assistance on the issue. The experience has left some suspicions in the region regarding the *bona fides* of trade with the EU.

#### **4. Findings**

1. The Commission has focused its support in Samoa on the water sector and has made little input to REIT at country level. However, Samoa has strong policies and commitments in REIT and has followed and benefited from Commission regional interventions. The Commission's interventions reflect the needs and priorities of the Samoan Government (EQ 1).
2. Samoan external trade has two distinctive characteristics. Firstly, exports are dominated by one single company, the Yazaki Samoa Company, exporting motor vehicle components to Australia (see Annex). Secondly, the country has very substantial remittance income from migrant Samoans. This permits a substantial level of imports to be maintained, without reference to export levels. These characteristics imply some constraints on trade strategy. (EQ 5).
3. The trade between Fiji and Samoa constitutes one of the most important axes of intra-regional trade in the Pacific. Both countries have ratified the PICTA treaty and passed the enabling legislation that permits them to trade under the treaty. Samoa has been a leading supporter of the PICTA and PACER treaties. Samoa is contributing very strongly to regional economic integration and the development of intra-regional trade. Commission support for the PICTA treaty is contributing to the successful development of intra-regional trade. (EQ 5)
4. Relations between Samoa (and certain other PACP states) and the EU have recently been strained by concerns over allegations of detrimental effects on health from consumption of kava. A potentially large and profitable market has been lost, or at least suspended, leading to queries regarding the receptiveness of the EU to Pacific products. (EQ 5)

5. The Commission's policies regarding REIT correspond well to the commitment in Samoa to liberalisation of trade. Samoa has benefited through the PIFS from the contributions of the PACREIP project, even though awareness of the project in Samoa is not high. PACREIP services are generally identified with services provided by the PIFS. PACREIP is a relatively new project and can be expected to develop a more distinct identity over time. (EQ 1)
6. Samoa has played a significant role in the negotiations relating to the establishment of EPAs, even though Samoa, as an LDC, trades with Europe under EBA arrangements. Samoa may lose LDC status in two years time (when their appeal against loss of LDC status is determined), so that they would then trade with Europe under a new partnership agreement. Samoa sees EPAs as part of a general movement towards greater integration into the global economy and recognises that the process of EPA negotiations has brought PACP States closer together. (EQ 5)
7. Trade officials in Samoa expressed some concern over the possible emergence of the MSG as a rival or alternative to the PICTA process. Other sources indicate that there is no intention to give MSG such a role; and that furthermore it lacks the finance and organisation to play such a role. If it were to adopt such a role, it would inhibit regional integration in the broad sense. (EQ 5)
8. Samoan officials are concerned at the limited response from the private sector, local and international, to the reforms which have been introduced in the country. There has been 'no rush of investment'. Advice on the attraction of investment and means of stimulating private sector activity is needed. There was at one time discussion of establishing an 'antenna' in Samoa for CDE, but this 'never worked out'. Contacts with PROINVEST also failed to bear fruit.
9. Samoa has not gained any great advantage in terms of expansion of exports to Europe from the EBA arrangement. It was suggested that this may be partly due to the requirements regarding rules of origin, which are particularly onerous for a small island State. It is recognised, however, that there are significant obstacles in transport costs to the development of significant trade between Samoa and the EU. It is conceivable that Samoa could develop niche markets in the EU, as has been done by other Pacific islands. Experience with kava exports to the EU has unfortunately made EU markets appear less attractive to Samoan exporters.
10. The Samoa Government maintains consultations with private sector representatives on the content of the trade agreements under consideration. Some reservations were expressed by private sector representatives over the effectiveness of consultations. It was stressed that the private sector needs time to prepare for meetings. It was noted that the PICTA treaty would have benefited from greater inputs from the private sector, since some of its provisions raise practical difficulties for traders.
11. Tourism is an important source of foreign exchange for Samoa. Tourist arrivals in 2004/05 were 95,600, which in proportionate terms is comparable to arrivals in Fiji. However, the industry is much less developed than in Fiji. New Zealand accounts for about one third of visitors, with American Samoa accounting for about 25% and Australia for about 15%. About 10% of visitors come from the United States. In 2006 Samoa was given Approved Destination Status by China. European countries, principally Germany and the



United Kingdom, account for about 4% of visitors (see Annex). This represents an important point of contact between the EU and Samoa, with potential for future expansion of tourism from the EU to Samoa. Target area 'e' of the PACREIP targets listed above concerns regionally integrated development of environmentally sustainable SME-based tourism. The component is implemented by the South Pacific Tourism Organisation. The overall objective of the tourism intervention is 'to promote and facilitate sustainable tourism development in the Pacific'.<sup>6</sup> The following activities are involved:

- a) Establishment and improvement of the countries' institutional capacity to formulate and implement sustainable tourism policies and programmes;
- b) Increased capacity of Pacific countries to monitor standardised tourism indicators and data;
- c) Development and promotion of standardised tourism standards and guidelines within the region;
- d) Promote socially and environmentally sustainable tourism development, especially small and medium sized enterprises (SMEs);
- e) Improved capacity at country level to identify, evaluate, facilitate and promote tourism sector investment opportunities;
- f) Enhanced capacity in SMEs for sustainable tourism development through regional training and workshops.

The component aims to promote private sector development in what is potentially one of the most profitable sectors of development for the Pacific. The intervention is particularly well-suited to Samoa. Commission interventions for the provision of sustainable water supplies, the main focus of Commission interventions in Samoa, help to ensure that one of the essential infrastructural requirements for development of a tourist industry is available in Samoa.

## 5. Conclusions and main lessons

The unusual trade orientation of Samoa, with a single company dominating exports, and large remittances from Samoans working overseas, limits the scope for effective intervention with the objective of trade expansion.

Nevertheless, there is an urgent need for Samoa to diversify its exports and strengthen its trade balance. Samoa has pursued macro-economic reform programmes and reforms specifically related to trade and investment that are appropriate to this purpose. However, the actual returns to date have been disappointing. Commission interventions through CDE and PROINVEST can potentially help the Samoan Government to stimulate growth in the private sector. Samoa reports disappointing experience with these agencies, so that a review of their operations, as recommended in the main report of this evaluation, is appropriate.

The PACREIP regional project has targets well adapted to the needs of Samoa. PACREIP works closely with PIFS and through PIFS Samoa benefits from the services provided by PACREIP. PACREIP should nevertheless strengthen its direct contact and dialogue with trade officials in Samoa to ensure that maximum benefit is derived. This implies provision in the Samoan trade administration for increased contacts with PACREIP.

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<sup>6</sup> European Commission. Contribution Agreement Between Regional Authorising Officer Pacific Islands Forum Secretariat and The Chief Executive Officer South Pacific Tourism Organisation: Pacific Regional Economic Integration Programme (PACREIP). October 2004.

There are indications of difficulties for private traders in the provisions of the PICTA. The slow adoption by signatories of the treaty of the enabling legislation necessary for trade under the treaty may be linked to these shortcomings. PACREIP, through its component designed to give support to PICTA, should investigate whether the concerns raised have any substance and need to be investigated in depth in order to ensure the success of PICTA.

Links between the EU and Samoa can potentially be developed through increased tourism. The PACREIP programme is assisting with development of tourism in the Pacific, and the provisions of an EPA for trade in services between the EU and PACP States can be expected to support the further development of tourism.

## Annex: Samoa Overseas Trade

Table 1 shows the value of the main commodity imports and exports of Samoa.

**TABLE 1 - SAMOA IMPORTS, EXPORTS AND TRADE BALANCE**

WST '000, fob

	Imports	Exports	Balance
2001	472,759	217,545	-255,214
2002	447,465	240,130	-207,335
2003	450,039	260,280	-189,759
2004	583,264	237,168	-346,096
2005	647,402	236,329	-411,073

Source: Ministry of Finance, Statistical Services Division (through [www.spc.int/prism/Country/WS](http://www.spc.int/prism/Country/WS)).

Imports increased by 37% in the period 2001-2005, while exports increased only by 8%, resulting in a substantial widening of the merchandise trade balance.

Table 2 shows imports by main SITC Sections. Table 3 shows the shares of each SITC sector in total imports.

**TABLE 2 - IMPORTS BY SITC SECTION, 2001-2005**

WST '000, cif

	2001	2002	2003	2004	2005
Food and Live Animals	109,883	115,012	117,316	104,659	106,676
Beverages and Tobacco	3,852	4,063	4,417	6,381	6,458
Crude Materials excl Fuel	7,468	7,391	9,221	14,738	18,686
Mineral fuels etc	58,996	58,103	60,719	83,222	99,914
Animal, Vegetable Oil, Fats	1,424	2,219	2,118	11,080	10,959
Chemicals	36,410	32,023	32,317	38,002	42,104
Base Manufactures	90,879	87,596	84,501	145,811	176,207
Machines, Transport Equipment	127,329	102,578	98,573	111,589	115,184
Misc Manufactured Goods	36,397	37,814	40,853	67,783	71,098
Unclassified	122	665	4	0	123
Total Imports	472,759	447,465	450,039	583,264	647,402

Source: Ministry of Finance, Statistical Services Division (through [www.spc.int/prism/Country/WS](http://www.spc.int/prism/Country/WS)).

**TABLE 3 - SHARES OF IMPORTS BY SITC SECTION**

% of Total Imports

	2001	2002	2003	2004	2005
Food and Live Animals	23.2	25.7	26.1	17.9	16.5
Beverages and Tobacco	0.8	0.9	1.0	1.1	1.0
Crude Materials excl Fuel	1.6	1.7	2.0	2.5	2.9
Mineral fuels etc	12.5	13.0	13.5	14.3	15.4
Animal, Vegetable Oil, Fats	0.3	0.5	0.5	1.9	1.7
Chemicals	7.7	7.2	7.2	6.5	6.5
Base Manufactures	19.2	19.6	18.8	25.0	27.2
Machines, Transport Equipment	26.9	22.9	21.9	19.1	17.8
Misc Manufactured Goods	7.7	8.5	9.1	11.6	11.0
Unclassified	0.0	0.1	0.0	0.0	0.0
Total Imports	100.0	100.0	100.0	100.0	100.0

Source: Derived from Ministry of Finance, Statistical Services Division (through [www.spc.int/prism/Country/WS](http://www.spc.int/prism/Country/WS)).

Imports of Machinery and Transport Equipment fell in the period 2001-2005, suggesting weak investment; they fell below WST100,000 in 2003. Machinery and Transport Equipment accounted for 18% of imports in 2005, compared with 27% in 2001. Imports of Mineral Fuels rose by about WST40,000 from 2001 to 2005, accounting for 15% of imports in 2005, compared with 12% in 2001. The rise in world oil prices is the main cause of this substantial increase. Imports of Base Manufactures and Miscellaneous Goods increased substantially.

Table 4: shows the main origins of Samoan imports

**TABLE 4 - IMPORTS BY SOURCE COUNTRY**

% of Total Imports

	2001	2002	2003	2004	2005
Australia	24.7	18.7	23.2	23.1	23.1
New Zealand	33.9	37.5	39.2	36.2	36.2
United States	10.6	11.0	12.4	13.6	13.6
China	1.1	1.6	1.3	1.9	1.9
Japan	10.8	4.6	3.9	5.8	5.8
Other	18.9	26.6	20.1	19.5	19.5
Total Imports	100.0	100.0	100.0	100.0	100.0

Source: Derived from Ministry of Finance, Statistical Services Division (through [www.spc.int/prism/Country/WS](http://www.spc.int/prism/Country/WS)).

New Zealand and Australia are the main sources of imports into Samoa. New Zealand accounted for 36% of Samoan imports in 2005, while Australia accounted for 23%. The United States accounted for 13.6% of imports. The shares of the leading suppliers have remained reasonably stable, except that the share of Japan has fallen quite sharply and that of the United States has risen. Central Bank of Samoa data indicates that Fiji accounted for 7.3% of imports in 2004/05,<sup>7</sup> and Europe 1.2%.

<sup>7</sup> Central Bank of Samoa. Bulletin. March 2006.

Table 5 shows Samoan exports by main SITC category for the period 2001-2005. Table 6 shows the shares of each SITC category in total exports.

**TABLE 5 - EXPORTS BY SITC SECTION, 2001-2005**

WST '000, fob

	2001	2002	2003	2004	2005
Food and Live Animals	60,043	50,761	33,055	35,747	32,011
Beverages and Tobacco	5,450	5,857	5,989	6,657	7,820
Crude Materials excl Fuel	1,135	1,746	2,141	1,197	1,999
Mineral fuels etc	381	1,755	1,266	6,958	8,737
Animal, Vegetable Oil, Fats	4,233	3,680	5,949	4,016	4,445
Chemicals	420	503	529	1,172	952
Base Manufactures	3,663	12,321	6,067	6,413	2,229
Machines, Transport Equipment	137,326	159,041	186,169	170,689	176,540
Misc Manufactured Goods	4,893	4,464	19,113	4,315	1,596
Unclassified	1	2	2	3	0
Total Exports	217,545	240,130	260,280	237,168	236,330

Source: Ministry of Finance, Statistical Services Division (through [www.spc.int/prism/Country/WS](http://www.spc.int/prism/Country/WS)).

**TABLE 6 - SHARES OF TOTAL EXPORTS BY SITC CATEGORY**

% of Total Exports

	2001	2002	2003	2004	2005
Food and Live Animals	27.6	21.1	12.7	15.1	13.5
Beverages and Tobacco	2.5	2.4	2.3	2.8	3.3
Crude Materials excl Fuel	0.5	0.7	0.8	0.5	0.8
Mineral fuels etc	0.2	0.7	0.5	2.9	3.7
Animal, Vegetable Oil, Fats	1.9	1.5	2.3	1.7	1.9
Chemicals	0.2	0.2	0.2	0.5	0.4
Base Manufactures	1.7	5.1	2.3	2.7	0.9
Machines, Transport Equipment	63.1	66.2	71.5	72.0	74.7
Misc Manufactured Goods	2.2	1.9	7.3	1.8	0.7
Unclassified	0.0	0.0	0.0	0.0	0.0
Total Exports	100.0	100.0	100.0	100.0	100.0

Source: Derived from Ministry of Finance, Statistical Services Division (through [www.spc.int/prism/Country/WS](http://www.spc.int/prism/Country/WS)).

Samoan exports are dominated by exports in the Machines and Transport Equipment category. Exports in this category have increased from WST137m in 2001 to WST176m in 2005. Much of this is destined for Australia (see below). The share in total exports of Machines and Transport equipment increased from 63% in 2001 to 75% in 2005. This export comprises mainly the output of the Yazaki Samoa Company, mentioned above.

Exports of Food and Live Animals have almost halved since 2001, falling from a share of exports of 28% in 2001 to only 13% in 2005. This section includes exports of fresh fish.

Table 7 shows the main destinations of Samoan exports.

**TABLE 7 - DIRECTION OF EXPORTS**

% of Total

	2001	2002	2003	2004	2005
Australia	62.8	65.3	71.5	71.5	74.8
New Zealand	2.9	4.9	2.8	2.7	2.0
US	8.2	4.5	3.5	6.3	6.3
China	0.0	0.0	0.0	0.0	0.0
Japan	0.3	3.6	3.2	0.9	0.4
Others	25.8	21.7	19.1	18.5	16.5
Total	100.0	100.0	100.0	100.0	100.0

*Source: Derived from Ministry of Finance, Statistical Services Division (through [www.spc.int/prism/Country/WS](http://www.spc.int/prism/Country/WS)).*

Australia is the main destination for Samoan exports, principally the products of Yazaki.

The Central Bank of Samoa publishes export data exclusive of Yazaki exports. Samoa's total exports excluding Yazaki in 2004/5 were WST35.2m, only about 15% of total exports. The main components of this trade were beer, coconut cream, fresh fish and garments. About 40% of this trade goes to American Samoa, mostly in the form of fresh fish. The United States accounted for about 23% of non-Yazaki exports in 2004/5. Europe accounted for 11%. Non-Yazaki trade has declined substantially from its value of WST49.9m in 2000/01.

The substantial imbalance between Samoan merchandise exports and merchandise imports is made possible mainly by very high levels of remittances. Many Samoans migrate to work overseas, mostly in the United States, Australia and New Zealand. It is estimated that around 40,000 Samoans are currently living in Australia, out of an estimated population in Samoa of 180,900 (2004). These migrants send back substantial sums of money to friends, relatives, churches and schools in Samoa. Table 8 shows the levels of these transfers and the major sources.

**TABLE 8 - GROSS INFLOW OF PRIVATE UNREQUITED TRANSFERS BY SOURCE COUNTRY.**

% of Total; Total in WST million

	2001/02	2002/03	2003/04
United States	54.3	48.0	42.2
New Zealand	16.4	21.8	24.9
Australia	14.5	14.9	14.2
American Samoa	9.4	10.7	10.8
Hawaii	1.1	0.4	0.2
Fiji	0.9	0.8	0.4
Others	3.4	4.1	3.8
Total (WST Million)	184.8	200.7	235.5

*Source: Central Bank of Samoa. Bulletin. March 2006*

The total value of these private transfers in 2003/04, WST235.5m, represents 24% of GDP, or about WST1.30 per head of population. These remittances have helped to cushion Samoa against the full consequences of declining export performance and rising imports in recent years.

Tourism is also an important source of foreign exchange for Samoa. Tourist arrivals in 2004/05 were 95,600, which in proportionate terms is comparable to arrivals in Fiji. However, the industry is much less developed than in Fiji. New Zealand accounts for about one third of visitors, with American Samoa accounting for about 25% and Australia for about 15%. About 10% of visitors come from the United States. European countries, principally Germany and the United Kingdom, account for about 4% of visitors. In 2006 Samoa was given Approved Destination Status by China.





## **SOLOMON ISLANDS: HUMAN RESOURCES DEVELOPMENT SECTOR NOTE**

### **1. Introduction**

This note on the Commission's support to the Human Resources Development Sector of Solomon Islands between 1997 and 2006 is part of the output from the 'Evaluation of the Commission's Support to the ACP Pacific Region' (EuropeAid/119887/C/SV/Multi) conducted between May and October 2006. Its findings and conclusions are based on an extensive desk study of related EC and other documentation and a field visit to Solomon Islands from 21-24 June 2006.

### **2. Background**

Solomon Islands is situated to the east of Papua New Guinea and north-east of Australia. The country is made up of six large and several hundred small islands, most of them populated, with a total land area of 27,990 sq. km. and an ocean area within an exclusive economic zone of 1.34m sq. km.. The population of 409,000 is growing at 2.8% per year. Of the total population 42% is under the age of 15. In the age range 5-14 years, 57% attended school during 1999. Only 23% of the population over 14 years of age are employed, highlighting the importance of the subsistence sector (agriculture and fishing) in the economy of Solomon Islands. Agriculture accounts for about 25% of GDP. The country's main natural resources include timber, fish, gold, copra, cocoa and oil palm.

#### **a. HRD sector in Solomon Islands**

Since 2005, intake rates into primary school have increased dramatically to 93.3% due to the removal of primary school fees. Admission rates of boys and girls have become almost equal. Gender disparity in favour of boys still becomes more pronounced as students progress through the system. Within its tight budgetary constraints, the SIG is prioritising the education sector with total government expenditure rising from 19% in 2003 to 27% in 2005 (7% of GDP). Major investments are however still needed in school infrastructure. Education quality remains an issue. Constraints yet to be resolved include employment conditions for teachers, head teacher motivation, lack of trained inspectors, and teacher training facilities in need of urgent upgrading. There are major concerns over medium term funding, and the employment of secondary school leavers and tertiary graduates, especially in rural areas.

The failing higher education system, and in particular the continued financial crisis in Solomon Islands, have had a severe impact on basic social services such as health. Shortage of trained medical staff and medicines has been felt in most rural and urban clinics. As many medical and teaching staff cannot be paid regularly, half of the schools and clinics in the country remain closed. Some clinics have re-opened with assistance from Australia in provision of essential drugs.

#### **b. Policy Developments, Objectives and Issues**

The need for structural reform in the education sector has been recognised by three successive SIGs, including the new SIG elected in April 2006. In 1999, SIG undertook a sector-wide evaluation of the status of all levels of education and of the vocational sector to identify problems, causes and solutions. The findings were supported by an EDF-funded study in October 1999, which highlighted the desperate state of the education sector in Solomon Islands. In 2002, with international assistance, the SIG devised a National Economic Recovery, Reform and Development Plan (NERRDP) for the 4-year period 2003-2006, designed to address the post-conflict recovery problems and provide a framework for resuming more active donor programmes. Work is underway to prepare a new NERRDP for

the period of 2007-2010 with the aim of achieving a transition from 'recovery and rebuilding' to 'managing for development'. Both NERRDPs have a strong focus on the development of the education sector.

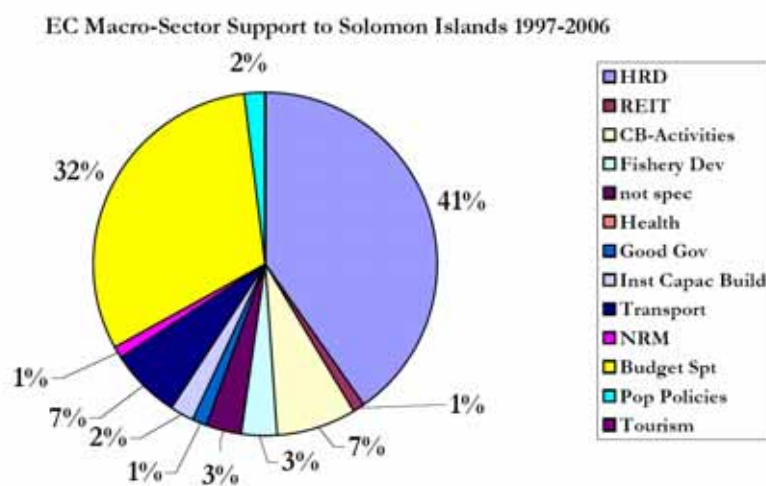
Core problems of the HRD sector in Solomon Islands are linked to (i) lack of resources, both financial and human, of the government and citizens; (ii) lack of motivation of many teachers and principals and their low level of training; and (iii) a curriculum which is often not adapted to the realities of the country and the economy. The problems are essentially threefold:

- Basic education is not universally accessible to all children in Solomon Islands;
- The quality of basic education is insufficient, thus compromising the scope for Solomon Islanders to take up opportunities for social, economic and political development.
- There is structural under-funding of education institutions at all levels, including institutions of higher learning such as the Solomon Islands College of Higher Education (SICHE) and the National Institute of Public Administration (NIPA). These train young people for professional employment, including teaching.

### 3. Overview of interventions investigated

The **focal sector** of the 2002-07 National Indicative Programme (NIP) for the Solomon Islands and of the EC Country Strategy Paper (CSP) was identified as **Sustainable Rural Development** – with particular emphasis on micro-projects and capacity building. The focal sectors of both the 7<sup>th</sup> and 8<sup>th</sup> EDFs were (1) **Rural Development**, (2) **Human Resources Development and Education**, and (3) **Rural Transport and Communication**. Focal Sectors of STABEX 98 were Rural Transport (54%), Forestry (16%), Marine Resources (8%), Agriculture (13%), and Institutional Support and Capacity Building in Sector Programme Management (9%).

Until 1999, the education sector of Solomon Islands did not receive any immediate EC support. The sector was left to other donors, including Australia and New Zealand, which had already built-up long-term HRD development relationships with SI. Even after the EC RIP identified HRD as one of its focal sectors, neither the 2002-2007 SI NIP nor the EC Stabex 98 support to SI made provision for intensified HRD coverage in the country. The Commission's strategy changed significantly in 1999, when most of the remaining non-allocated STABEX 98 funds and 90% of the STABEX 99 funds were committed to the HRD sector. The focal sector of STABEX 99 was restricted to education supporting implementation of the Education Sector Investment and Reform Programme (ESIRP), which is being co-funded with the New Zealand and Solomon Islands Governments from 2003 to 2009.



The overall allocated financial support to Solomon Islands from 1997 onwards currently stands at € 117,9m (June 2006). The HRD sector has gained substantially in importance in Solomon Islands since 1997. Mainly as a result of the almost exclusive budget allocation of STABEX 99 funds to HRD, the Commission's financial support to the sector between 1997 and 2006 reached **40.3% or € 47.5m**

compared to 59.7% or € 70.3m for all other development sectors combined.

The EC is currently the lead donor to Solomon Islands' Education Development Sector, followed by New Zealand. Currently there are eleven EC-funded projects in process in Solomon Islands, of which seven are funded by the STABEX 99 facility in the HRD sector. In June 2004 a tripartite Memorandum of Understanding (MoU) between SIG, EC and NZ was signed, assigning €26.5m or 90% of the STABEX 99 funds of € 29.2m, along with NZAID funds of NZ\$33m, in support of the ESIRP. The MoU provides the framework for this major ongoing sector-wide approach, which will continue until 2009.

In addition, and in complementarity, the Commission's regional HRD interventions, such as the Pacific Regional Initiatives for the Delivery of Basic Education project (PRIDE) implemented by USP, include Solomon Islands in their coverage and were designed to develop mutual support for national-level HRD development interventions.

#### **4. Findings**

The 2002-2007 CSP/NIP for Solomon Islands states its Education Sector Strategy as 'The objective of reform in education is to redirect resources to the majority of the population at the primary, secondary school and community education levels. Higher education will continue, but the level of public funding will be drastically reduced and redirected at the lower reaches of the education system. Education has been and remains a priority for the government. This applies to secondary education and in the aftermath of the coup the government has recognised the need also to strengthen considerably primary level education'.

The objectives of the Commission's support to Solomon Islands education sector are essentially three-fold. The first objective is to address domestic labour market needs, both government and private, for professionals. From a mid-term perspective, SICHE, NIPA and possibly other institutions will continue to require financial support as well as substantial management and accounting training. The second objective is to restructure the formal education system to meet the future needs of the country. Thirdly, the RTCs that provide non-formal education need strengthening. The non-formal sector is important in filling rural gaps, providing education to those young people who have not been able to pursue their education in the formal schooling system. A start has been made on a fundamental revision of education sector policy. STABEX 99 funds have been entirely targeted to this end. The next step will be provision of support to Technical and Vocational Training (TVET) through the integration of RTCs into the secondary school system (formalising the non-formal). EC will support this process with about €6m from the B-envelope and the residual balances from former EDFs.

Based on its strategic position and its financial volume, with the EC as the largest donor to the HRD and Education sector, the Commission's ongoing support is highly **relevant** to the country. The available budget of approximately € 50m means the EC can potentially make a significant impact on the educational development of Solomon Islands. The Commission's implementation strategy covers both short and medium-term interventions in response to immediate development needs, and long-term strategic interventions using a sector-wide approach to targeting structural deficiencies of the education sector up to 2009 and possibly beyond. The Commission's assistance to the education sector is recognised as the pre-condition and basis for specific interventions by most other sector donors in Solomon Islands.

Taking account of the adverse political and social conditions in Solomon Islands after the unrest of 2000, the **efficiency** of the EC's short and long-term HRD sector interventions can be rated as satisfactory to high. Projects continue to be affected by adverse development

conditions over which they have no control. The overall **effectiveness** of the Commission's long-term national HRD interventions, most notably the ESIRP, is scheduled for evaluation in 2009. However, being designed and implemented as a sector-wide approach (SWAP), and being composed of a high number of ongoing HRD-related micro-projects, high levels of individual effectiveness are already apparent.

The **consistency and coherence** of EC HRD interventions under the NIP/CSP and with related SIG policies is high, although coordination management on the government side is very limited. As for much of the current international development assistance to Solomon Islands, EC interventions are still almost exclusively donor-managed. The Commission's relations with the NAO are efficiently facilitated through a Project Management Unit (PMU) located in the Ministry of Planning and Aid Coordination, which also assists in organising programming and project implementation meetings with SIG, Civil Society and NSA stakeholders. As experienced by all international donors in Solomon Islands, donor-government coordination is very often inefficient and brings problems in the implementation of individual interventions. The root of this problematic situation is the lack of capacity and consistency of policies in government. Coordination meetings between the SIG and the donor community are infrequent and lack structure in relation to strategic development. However, SIG has been able to convene such a meeting each year in November, providing a much-needed opportunity to evaluate and discuss individual and combined progress and constraints on donor interventions. The meetings also provide an opportunity for changing overall or sectoral development priorities.

Several specific donor agreements to foster **donor coordination, harmonisation and synergies** have been signed by the EC. In the education sector, the MoU between the EC and NZ is of outstanding importance. It is considered and recognised as the only SWAP approach in the country. Based on other memoranda, the EC, WB and AusAID are working jointly together to prepare a SIG agricultural strategy and a subsequent investment programme. Similar collaboration is expected in the transportation sector with ADB.

Regarding the consistency and coherence of the **national** HRD sector **with regional** EC programming and interventions, consistent mutual support between the 8<sup>th</sup> and 9<sup>th</sup> EDF NIP/CSPs was planned, with Solomon Islands benefiting in particular from the USP PRIDE project designed to assist in reinforcing primary education planning in Pacific countries. There have been some difficulties in communications between the PRIDE project and national education authorities in the Solomon Islands, so that the Solomon Islands has not maximised its benefits from the project. Nevertheless, there has been a number of national support activities conducted under PRIDE. Solomon Islands has also proposed two in-country sub-projects to be financed by PRIDE:

- Provision of education for blind and visually impaired children and youth; *and*
- Assessment Resource Teaching, Training and Learning (ARTTLE).

Within its very limited budget resources, SIG is prioritising education improvements through increased government expenditure on education and human resource development. With the current substantial donor assistance, progress towards achieving the **MDG** targets in education, including universal basic education by 2015, can be expected. Important improvements in rates of primary intake and in gender equality were noted above.

**NSAs and community-based organisations (CBOs)** are receiving continued EDF support through the micro-projects programme (Phase I and ongoing Phase II). A number of NSAs/CBOs act as intermediaries between communities and the NAO. These organisations will continue to benefit from EDF support for strengthening their project initiation and

management capacity. In addition, in accordance with the Cotonou Agreement, Non-State Actors are granted a direct financial allocation from the EDF 9 A-envelope, amounting to 15%, or €1.0m, in particular for capacity building support in critical areas. The Technical and Vocational Training Centre run by Don Bosco receives an EC contribution of €750,000 for 'Technical training in life skills for secondary school leavers'. This project commenced in 2005 and shows a very good performance. A number of NSAs are also receiving direct support from European NSAs. It is recognised that more efforts are needed to promote closer collaboration between local NSAs. The government does not necessarily consult the various organisations systematically on major policy matters, but there is growing awareness amongst Civil Society groups of the need to develop a lobbying capacity.

## **5. Conclusions and main lessons**

The failing education sector of Solomon Islands significantly compromises the country's capacity for general development. It constitutes a major development disadvantage for Solomon Islands, compared to most other PACP States which have higher levels of the human skills needed to compete in the global market. The Commission's ongoing substantial HRD support to Solomon Islands provides the necessary resources to revitalise and implement the education reform initiative as a coherent long-term plan.

**1. Relevance, logic and coherence.** The Commission's HRD sector interventions between 1997 and 2006 were highly relevant to Solomon Islands and to their respective NIP/CSPs. Interventions continue to be strategically clear and coherent at national level and are well coordinated with other donors in the sector. In conjunction with NZ, the EC is the largest donor in the sector. Although no longer regarded as 'donor-driven', the Commission's HRD interventions are largely donor-managed.

**2. Efficiency and effectiveness.** The Commission's HRD interventions in Solomon Islands are efficiently managed and are producing target results, as specified in their terms of reference and based on the 8<sup>th</sup> and 9<sup>th</sup> EDF NIP/CSPs. However, the Commission's TAs, and most notably the EC PMU in the Department of National Planning and Aid Coordination, are acting in government line positions owing to lack of SIG coordination capacity. As a result there is a prevailing lack of SIG ownership in the development process. This situation will have to be gradually changed in the coming programming period. In addition, poor donor coordination with SIG is still a concern.

**3. Consistency between programming and implementation.** The implementation of the Commission's HRD interventions in Solomon Islands is fully consistent with programming under the 8<sup>th</sup> and 9<sup>th</sup> EDF NIP/CSPs. Driven by its considerable STABEX funding, EC support has achieved an appropriate balance between short-term interventions meeting urgent present-day needs and long-term interventions in a sector-wide approach aimed at structural reform and sustainable capacity building.

**4. Assessment of links and mutual support between regional and national strategies.** Disruptions in the Solomon Islands arising from political and social unrest, and the consequent decline in government capacity to attend to routine administration, has impeded the development of mutual support between regional and national programmes. Weakness in communication by regional project management may also have contributed to lack of liaison. The priority given to HRD at national level implies considerable scope for linkage with the regional USP-HRD and PRIDE projects. Some activities under PRIDE have taken place in Solomon Islands in recent months, and there is a prospect of implementation of sub-projects in Solomon Islands. Further links must be cultivated.

## Annex I: Bibliography

Note: All findings and conclusions of this country note are mainly based on interviews and discussions. The documents below were used as additional reference and are also recommended for further in-depth reference.

In addition to individual Project FA, CA, FR, PS, MR and Project Reports (see project list in Annex I):

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- 2004. ADB. Key Indicators of Developing Asian and Pacific Countries – Solomon Islands. Asian Development Bank. 298 pp.
- 2001. SIG - EC: Country Strategy Paper and National Indicative Programme for the period 2002 – 2007.
- 2000. SIG Department of Fisheries & FFA. Tuna Management Plan 2000 - A National Policy for the Management of Tuna Fisheries. 33 pp.
- 1998. SPC. Tuna Fishery Development Options and Constraints including Infrastructure and Personnel Needs within the Fishing Industry and Support Services in the Solomon Islands. 53 pp.

## Annex II: List of Interventions in the Sector

EC **regional and national HRD sector interventions** of relevance for Solomon Islands between 1997 and 2006. Interventions are shown in regressive chronological order based on year of commencement. Interventions still in process are marked light grey. Financial statuses as of 15.06.2006. (in €)

Instrument	Project Number	RIP/ NIP	Project Title	Planned	Contracts	Paid	Start	End	Sector	Macro Sector
EDF 9	9 ACP RPA 1	R	Pacific Regional Initiatives for the Delivery of Basic Education (PRIDE)	8,000,000	7,840,000	1,314,763	2003	12/31/2011	Education Policy & Admin Management	Human Resources Development
EDF 8	8 ACP RPA 9	R	USP Human Resources Development Project	5,000,000	4,954,950	2,967,241	2002	05/31/2007	Higher Education	Human Resources Development
EDF 8	8 ACP RPA 6	R	Fiji School of Medicine Human Resources Development Programme	7,500,000	7,376,000	7,248,640	2002	09/30/2005	Higher Education	Human Resources Development
EDF 6	6 ACP RPR 528	R	HRD in the PACP Energy Sector	3,471,228	3,471,228	3,471,228	1995	08/06/2001	Electrical Transmission/Distribution	Human Resources Development
Stabex 99	---	N	Education Sector Investment and Reform Programme (ESIRP) in conjunction with NZ	26,257,000	?	?	2003	2009	Education (sector wide approach)	Human Resources Development
Stabex 99	---	N	PIU in the MEHRD (Coordination of ESIRP)	800,000	?	?	2003	2009	Education	Human Resources Development
Stabex 99	---	N	Secondary School Grant	4,000,000	?	?	1999	?	Education	Human Resources Development
Stabex 99	---	N	Tertiary School Grant	6,000,000	?	?	1999	?	Education	Human Resources Development
Stabex 99	---	N	Capacity Building to the Department of Education and HRD	2,600,000	?	?	1999	?	Education	Human Resources Development
Stabex 99	---	N	Provision of Education Materials to the Department of Education and HRD	1,980,000	?	?	1999	?	Education	Human Resources Development

Stabex 99	---	N	Infrastructure Support for Rehabilitation Improvement of Secondary Schools	1,920,000	?	?	1999	?	Education	Human Resources Development
Stabex 99	---	N	Support to the Solomon Islands College of Higher Education (SICHE)	2,000,000	2,000,000	2,000,000	1999	2004	Education	Human Resources Development
EDF 8	8 ACP SOL 6	N	Rural Training Centres Phase II	1,960,000	1,960,000	1,943,981	2000	06/30/2004	Vocational training	Natural Resources Management
EDF 7	7 ACP SOL 44	N	Rehabilitation Programme: Education Sector in Guadalcanal & Malaita	34,330	34,330	34,330	1999	10/14/1999	Education Policy & Administrative Management	Human Resources Development



## **VANUATU: FISHERIES SECTOR NOTE**

### **1. Introduction**

This Sector Note on the fishery sector of the Republic of Vanuatu during the period 1997-2006 is part of the output of the 'Evaluation of the Commission's Support to the ACP Pacific Region' (EuropeAid/119887/C/SV/Multi) carried out in the period March-October 2006. Its findings and conclusions are based on an extensive desk study of related EC and other documentation and a field visit to Vanuatu from 15-19 June 2006.

### **2. Background**

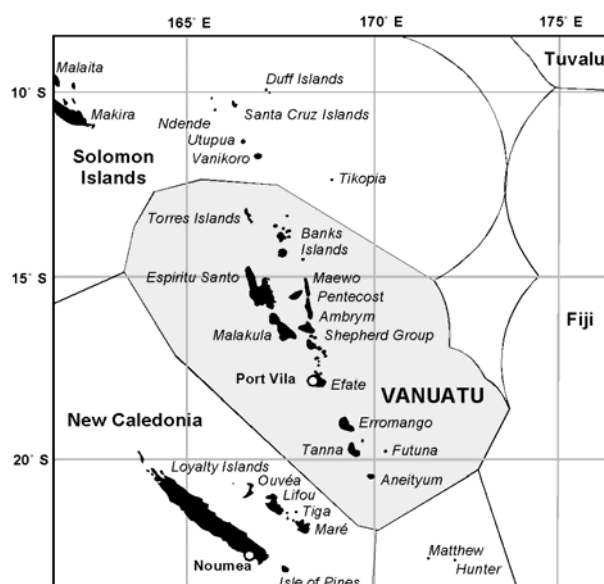
#### **a. Fisheries sector in Vanuatu**

The Republic of Vanuatu has an EEZ of 680,000 sq. km, with a land area of just 12,190 sq. km. The EEZ of Vanuatu borders three Pacific Island Nations: the Solomon Islands to the north, Fiji to the east, and New Caledonia to the west. Around 15% of its EEZ borders international waters to the east. The waters around Mathew and Hunter to the south are disputed between the Republic of Vanuatu and France (New Caledonia). Given its outstanding general significance in the PACP region and in view of the potential economic benefit of a domestic tuna fishery in Vanuatu, it is surprising how little importance the sector currently has to the Republic of Vanuatu. Its contribution to GDP is not even mentioned.

This has not always been the case. The sector has experienced ups and downs since the late 1950s when Japanese and Taiwanese fishing companies first started to venture into tuna fishing, and tuna processing facilities were established in Vanuatu. Since 1997 no tuna has been exported from Vanuatu. Revenues generated from tuna fisheries are limited to fishing access fees. In 2004 licences to 46 foreign regional purse seiners at US\$ 5,000 each generated annual revenue of € 180,000. In the same year, 118 DWFN longliners and pole-and-line vessels at US\$ 9,000 each generated approximately € 840,000. In theory, Vanuatu could also benefit from 15% shares from US DWF based on the US Treaty; but for more than 10 years no US fishing vessel has been seen in Vanuatu waters.

For 30 years (1957-1986), commercial fisheries had a key economic role in Vanuatu, accounting for 26% of total export earnings, second only to copra at 42%. This mainly involved frozen tuna landed at the longliner base of the South Pacific Fishing Company (SPFC) at Santo, and stored in a cold chamber prior to export to American and Japanese canning companies. SPFC was operating around 60 Taiwanese fishing boats (250 BRT) in the late 1970s within the framework of a joint venture set up in the region by Japan.

Exclusive Economic Zone of Vanuatu, and neighbouring countries.



After 1973 yearly tuna catches dropped sharply from 16,000 tonnes to less than 6,000 tonnes in 10 years. From 1980 to 1984 the fishing fleet was reduced from 57 boats to 18 at the Santo longliner base, where all fishing activities were halted in May 1986. The fisheries facilities quickly became outdated thereafter, marking the end of another chapter in Vanuatu's economic history.

The latest development regarding the domestic tuna fishery, and a good example of the importance of this sector to Vanuatu, was the failure of Vanuatu Fishing Interests Limited (VFIL), established in 1995 as a locally incorporated company owned by New Zealand interests. In 1997 the company's licensed fishing vessels pulled out of Vanuatu waters for reasons unclear to this day. Since the failure of VFIL, no further commercial tuna fishing has taken place and the Natai fish market was sold to private interests who bulldozed the premises in early 2000 to build a supermarket with a fish display and take-away food section. However, charter operators continue their operations with a great reliance on FADs to increase their fishing prospects for tuna and billfish. In July 2000, there were eight charter vessels operated by five different companies in Port Vila, and one vessel working out of Luganville.

## **b. Policy Developments, Objectives and Issues**

In 1997 the Government of Vanuatu initiated its Comprehensive Reform Programme (CRP) as a long-term framework to achieve the goal of raising welfare. The Department of Economic and Sector Planning (DESP) developed a first Priorities and Action Agenda (PAA) in 2003 to complement the CRP. The main CRP priority is to create an environment for private-sector-led economic growth, including activities in the primary sectors of agriculture, forestry and fisheries, as well as in tourism. At the next level of priority is human resource development.

The Vanuatu Private Sector Economic Recovery Plan of 2005 postulates an increase in exports of marine products to 10,000 tonnes per year. It is likely that this figure includes aquaculture production.

The development and management of marine resources within Vanuatu falls under the jurisdiction of the Fisheries Department of the Ministry of Agriculture, Quarantine, Forestry and Fisheries. The Fisheries Department works under the Fisheries Act 55 (2005). The development of fisheries is also covered in the Corporate Plan (2005-2009) for the Ministry of Agriculture, Quarantine, Forestry and Fisheries. The document states that this Corporate Plan replaces the 5-year National Development Plan previously published by the National Planning Office. The Fishery Department states its vision as: 'To ensure sustainable development of the Fishery Sector with particular focus on the establishment of rural-base commercial fishing in achieving a long-term utilisation of Marine Resources'.

Current issues are as follows:

### **1: Tuna Management Plans**

At present, tuna fishing is mainly conducted by DWFNs licensed to fish under fishing access agreements. To manage the tuna fishery, the Fisheries Department, with support from SPC and the EC-funded PROCFISH project, drafted and implemented a Tuna Management Plan (TMP) in 2000 (Annex III).

### **2: Deep-water fishing and rural and urban fishing centres**

The Fisheries Department is working towards development of management plans for several domestic fisheries, the most important being a deep-water snapper fishery, which currently is the

only existing target fishery in Vanuatu, with approximately 100 small-scale vessels of 5.6–7.5 m, 3 vessels of 9–10 m, and 2 vessels over 10m (the latter required to fish outside the 6 nautical mile zone).

### **3: GOV - Chinese Government plans for a tuna processing factory / fishing base**

A government-to-government agreement for the establishment of a joint venture enterprise is currently being negotiated. It is proposed that 51% of the joint venture company will be owned by CNFC (owned by the Chinese Government) and 49% by the Vanuatu Government. The capital outlay is Vt 600m (€4.32m). The Vanuatu Council of Ministers has already generally approved the undertaking and the company has been registered.

### **3. Overview of interventions investigated**

Currently there are eleven EC-funded projects in process, nine of which are under the 9th EDF. **None of the ongoing projects falls into the Fishery Sector and the last supported national fishery project was closed in 1999.** A list of EC programme and project interventions during the period 1997-2006 and their updated financial status is given in Annex 8. There are 10 provincial fishing centres in Vanuatu, but only two of them have ice plants and processing facilities (Tafea and Shefa Provinces). Until 1999 some of these centres received EDF assistance under 7 ACP VA 29 'Fisheries Extension Service Training Centre'. The centres were supposed to be run by local fishing associations after an initial start-up phase under provincial government ownership. Unfortunately this ownership transfer never took place, which is the main reason why the above-mentioned EDF project has to be considered a failure. There are two private sector fish markets in Port Vila.

- a. A national oceanic fishery sector does not currently exist in Vanuatu and the coastal fishery sector is limited to subsistence fisheries. With support from the EC-funded DEVFISH project, the Vanuatu Government is in the process of re-developing a national tuna fishery in the form of a joint-venture with the Peoples Republic of China. This includes the construction of a tuna processing and packing factory at Port Vila.
- b. The main factor hampering development of a commercial offshore fishing industry in Vanuatu is the lack of a fishing base to attract foreign vessels. It is thought that the presence of such foreign fishing vessels doing business in Vanuatu would motivate national investors to venture into the sector.
- c. Fish account for only 2% of the annual food budget of rural households. On average every household consumes only 5 kg/year of 'commercial' fish bought at the equivalent of €1/kg. Only approximately 50% of this weight is edible. Consumption amounts to an annual consumer protein intake of approximately 425g per head, which is enough to meet protein requirements (50g/day) for 9 days. In comparison, 13 times more protein is obtained from tinned fish by rural households. Commercial fisheries development will therefore definitely enhance Vanuatu's trade balance and reduce animal protein food imports.
- d. Another major constraint to increased economic development of fisheries in Vanuatu is inter-island transport of fresh fish. Air and sea services are essential for the carriage of small-scale commercial fisheries products to Port Vila and Luganville, the two main fresh fish consumer markets. However, airfares are too high to support viable marketing and potential sea transport routes often lack the necessary cooling facilities. Road systems between fishing villages and airports are still at the planning stage on many islands. As regards intra-island marketing, there are too few trans-island roads and inland villages are only accessible by bush trails – this is the case for a third of the villages on Malakula and Pentecost Islands and more than a fifth of the villages of Torres and Ambae Islands.

- e. Throughout the country, near-shore fishing is still being carried out by traditional methods. This subsistence activity is generally undertaken by villagers on a small-scale using a broad range of fishing gear and techniques (poisons, hand spears, fishing lines, spear guns and nets) to catch a wide range of species. The fishing effort is mainly concentrated in shallow waters, where two-thirds of the fish are caught. Most are eaten by the fishermen and their families – fishery products are distributed solely to coastal inhabitants.
- f. Each coastal near-shore zone is fished using different methods:
  - Men, women and children living in coastal villages fish for subsistence purposes in the shallowest areas along the coast;
  - A few hundred fishermen tap the deep-reef slope fisheries resources and pelagic species that are marketed through a government-supported distribution network set up to increase fresh fish consumption throughout the country;
  - Less than one hundred commercial fishermen living mainly in Port Vila and its vicinity focus their fishing activities on the deepest parts of the reef slope and pelagic zone, especially around FADs. Their catches are mostly sold to hotels and restaurants in Port Vila.

#### **4. Findings**

- Sectoral co-ordination and mutual support between regional fisheries programmes and national level is functional but still in its early stages (EQ 2).

GOV is aware of ongoing national interventions by regional programmes, although there is concern about the delays in certain activities. This is mainly due to the small size of the oceanic fishery sector and a lack of national fishery stakeholders in Vanuatu. GOV is currently initiating a major tuna fishery joint venture with China, which may change this situation considerably in the near future.

- The effectiveness of EC regional interventions in supporting Vanuatu's participation in coordinated regional fisheries management policies (EQ 4) is very low, being limited to passive coverage of Vanuatu within the fishery recommendations to the WCPFC drawn up by the EC-supported PROCFISH project.

Vanuatu is covered by the EC-supported regional PROCFISH, CO-FISH and DEV-FISH projects conducted by SPC and FFA. DEV-FISH is just starting its activities in Vanuatu. Conclusions on impacts cannot yet be drawn. PROCFISH/O has been covering Vanuatu for some years in its recommendations for fishery management to the WCPFC, but necessary fishing data still have to be extrapolated from landings in Fiji of tuna caught in Vanuatu waters, since no local fishing harbour and port sampling potential exists.

- A regionally coordinated national fishery management of Vanuatu's oceanic fishing grounds does not exist (EQ 2).

The issuing of fishing licences to DWFNs, which is Vanuatu's single source of revenue from oceanic fisheries, is not based on fishery management strategies, but is determined by demand and the attractiveness of Vanuatu's fishing grounds in comparison to those of other PICTs. Due to the comparatively limited attractiveness of Vanuatu's fishing grounds, the number of licences is currently believed to be well within the carrying capacity of the EEZ. However, at least with respect to the fishing licences issued to Taiwanese vessels, estimates of catches are highly

unreliable because, much to the surprise of any serious fishery manager, no catch ceilings were defined in long-term contract licence options.

- Vanuatu is contributing within its very limited possibilities to the effectiveness of EC regional fisheries interventions in regionally coordinated fisheries management (EQ 4).

Within their limitations, Vanuatu's fisheries authorities are supporting and participating in activities of WCPFC, FFC, FFA and in particular in project activities of DEV-FISH and the Oceanic and Coastal Components of PROCFISH (FFA, SPC). The activities of the Vanuatu Department of Fisheries are severely limited on account of deficiencies in human resources.

- Vanuatu Civil Society has been fully involved in EC fisheries development interventions (EQ 9).

Fishing Associations play an important role in Vanuatu. They are the main counterparts of limited national support to the fishery sector. Over the past 25 years, more than 100 fisherfolk associations and cooperatives have been founded in Vanuatu. Unfortunately most of them have had a rather short life span, having been limited to the duration of a particular Government or foreign-donor-sponsored project.

The EC-supported EDF 7 project (1992-1999) 'Vanuatu Fisheries Extension Service Training Centre' (7 ACP VA 29) is a good example of the problems the Vanuatu Government has in handing over infrastructure and management responsibilities to fishing associations, even if clearly anticipated in project logframes. While the Government still today claims that the associations' management capacity was and is insufficient, the associations' view is that responsible government offices – in this case the Provincial Governments – are reluctant to let go a source of income and political control in their areas.

- Neither regional nor national EC interventions in support of sustainable management and exploitation of oceanic fish stocks in the Pacific ACP region have yet contributed to enhancing Vanuatu's equitable shares in sustainable regional fisheries (EQ 7).

Vanuatu's national oceanic fisheries have always been driven and sustained by foreign investment and a succession of joint ventures, all of which were terminated after shorter or longer periods for various economic reasons. It has to be acknowledged that lack of domestic investment capital means that joint ventures are the only means of developing this sector. Vanuatu is now seeking to establish a domestic tuna fishery through a joint venture with the Chinese Government-owned CNFC company. The company has been registered, land has been allocated and construction plans are being developed. With support from the DEVFISH project, an Environmental Impact Assessment will be conducted early in 2007.

- EC fishery interventions in Vanuatu have been sustainable in the longer term (EQ 7).

Based on the generally positive assessments of the three regional oceanic fishery projects PROCFISH, CO-FISH and DEV-FISH, EC regional fishery interventions in Vanuatu have been designed so as to ensure that their outputs and results are sustainable in the longer term. However, as noted above, DEV-FISH activities in Vanuatu have only just started. Between 1997 and 2006, the two EC-supported fishery projects at national level show a satisfactory-to-low level of sustainability.

The project (2002-2004) 'Strengthening the Vanuatu Maritime College (VMC), (8 CP VA 11, 9 ACP VA 4), which was intended partially to serve the HRD needs of commercial fishermen on charter vessels, was sustainable in its exclusive limitation to infrastructure support (construction). The VMC is still operating at nationally acclaimed levels, but the number of students in fishery courses is negligible. Most students leave the college with navigation degrees ready to become seamen on national and regional transport lines.

As noted above, the EC-supported project (1992-1999) 'Vanuatu Fisheries Extension Service Training Centre' (7 ACP VA 29) has to be regarded as a failure in terms of its ultimate goals of establishing sustainable community-owned fishing centres. About 50% of the fishing centres remain operational but are still managed by the respective Provincial Governments. After 6 years, none has been handed over yet.

## **5. Conclusions and main lessons**

There are numerous reasons for the current absence of a national oceanic fishery in Vanuatu, most of which relate to a lack of political will and a lack of domestic investment. Both factors are intricately related to each other.

Vanuatu's political decision-makers and government administration responsible for economic development have a long history of preferring foreign investment for fishery sector development, rather than establishing a favourable environment for domestic investors. This preference is currently reflected in the decision to engage in a joint venture with a Chinese company.

Vanuatu is still moving towards a full understanding of the need for proper national and regionally coordinated management of the fisheries resource. It has not recognised that revenues from a domestically-owned fishing fleet might be significantly higher than its current revenues from licensing.

It remains to be seen whether the Commission's DEV-FISH project, which explicitly targets the development of domestic tuna fisheries, will be able to advance Vanuatu's current position. It is recommended that Vanuatu should be given some priority status regarding DEV-FISH assistance.

It is also recommended that the EC-supported 'TA to the Competent Authority', which has already been very successful in terms of furthering the general economic development of Vanuatu, should give attention to the development of a domestically-owned tuna fishery in Vanuatu.

## Annex I: Bibliography

Note: All findings and conclusions of this country sector note are based on interviews and discussions. The documents below were used as additional reference and are also recommended for further in-depth reference.

In addition to individual Project FA, CA, FR, PS, MR (see project lists in Annexes II and 8):

- 1995. European Commission & GOV. National Indicative Programme 1995-2002. 9 pp.
- 1998. European Commission, DG-DEV. Country Report – Vanuatu 1998. 14 pp.
- 1998. Delegation of the EC to Vanuatu. Annual Report 1997. 26 pp.
- 1999. European Commission. 8<sup>th</sup> EDF Mid-term Review - Vanuatu. 75 pp.
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- 2003. Delegation of the EC to Vanuatu. Joint Annual Report 2002. 35 pp.
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- 2006. (Draft, in negotiations). Government of the Republic of Vanuatu. Priorities and Action Agenda 2006 – 2015, “An Educated, Healthy and Wealthy Vanuatu”. 52 pp.
- 2006. (Draft). Delegation of the EC to Vanuatu. Joint Annual Report 2005. 42 pp.

## Annex II: List of Interventions related to fisheries

EC **regional and national fishery sector interventions** of relevance for the Republic of Vanuatu between 1997 and 2006. Interventions are shown in regressive chronological order based on year of commencement. Interventions still in process are marked light grey. Financial statuses as of 15.06.2006. (in €).

Instrument	Project Number	Regional / Country Level	Project Title	Planned	Contracts	Paid	Start	End	Sector	Macro Sector
EDF 9	9 ACP RPA 8	Regional	Development Of Tuna Fisheries in the Pacific ACP Countries (DEV-FISH)	3,000,000	2,810,000	490,400	2004	31/12/2010	Fishery Development	Fisheries Development
EDF 9	9 ACP RPA 4	Regional,	Pacific Regional Coastal Fisheries Development Programme (CO-FISH)	1,997,476	1,965,476	542,151	2003	31/12/2009	Fishery Development	Fisheries Development
EDF 8	8 ACP RPA 4	Regional	Pacific Regional Oceanic And Coastal Fisheries (PROCFISH)	8,100,000	8,053,465	5,426,508	2002	01/03/2007	Fishery Development	Fisheries Development
EDF 8	8 ACP VA 11 & 9 ACP VA 4	Vanuatu	Strengthening of the Vanuatu Maritime College (VMC)	785,514	785,514	785,514	2000	12/31/2004	Fishery policy and administrative management	Fisheries Development
EDF 7	7 ACP RPR 271	Regional	South Pacific Regional Tuna Resources Assessment & Monitoring (SPTRAMP)	5,037,534	5,037,534	5,037,534	1994	15/01/2003	Fishery Development	Fisheries Development
EDF 7	7 ACP RPR 273	Regional	Integrated Fisheries Surveillance And Management Programme	44,255	44,255	44,255	1993	29/05/1997	Fishery Development	Fisheries Development
EDF 7	7 ACP VA 29	Vanuatu	Fisheries Extension Service Training Centre	148,371	148,371	148,371	1992	1999	Electrical transmission/distribution	Energy



## **Annex III: Summary of changes suggested by the Vanuatu Tuna Management Plan 2000.**

### **Foreign tuna fishing vessels**

#### Current Situation

A fleet of mostly Taiwanese vessels fishes in the Vanuatu EEZ - but rarely come close to land

36 Foreign vessels are currently licensed to fish; they pay \$5,000 per vessel per year to fish, and must fish outside the Territorial Sea - a 12 mile zone around the archipelago

#### Changes

A limit will be set on the maximum number of licences for foreign vessels

Licence fees will be increased from \$5,000 to \$10,000 per vessel per year for tuna longliners. They must fish outside a 24 mile zone; there must be no fishing on sea mounts by foreign vessels; vessels must carry satellite locators; observers will be placed on some vessels; by-catch will be monitored; enforcement activities will be increased

### **Vanuatu-flagged foreign tuna fishing vessels**

#### Current Situation

For a fee, foreign vessels are allowed to fly the Vanuatu flag

85 Vanuatu flagged fishing vessels operate around the world - may be many more soon

Currently little is known about their operations

If these vessels violate international agreements it can result in embargoes and retaliation by other countries against Vanuatu

This could damage future fish exports from Vanuatu

#### Changes

Vanuatu-flagged tuna fishing vessels will be required to pay a fee, initially set at \$5,000, to cover management costs

Vanuatu will participate in international conventions and commissions

The Vanuatu government will be involved in access agreements with foreign countries

Vessels will be required to provide information on their activities or face penalties

### **Local tuna fishing vessels**

#### Current Situation

Vessels less than 10 meters are not required to be licensed

Charter game fishing vessels sell their catch without regulation

Duty exemptions are provided to commercial fishermen with and without licences but not game fishing vessels

Authority within 6-mile provincial zone unclear

#### Changes

Only licensed vessels will be eligible for duty exemptions on fuel and fishing equipment

Vessels 8 meters or more will be required to be licensed, smaller vessels may be licensed to obtain exemptions

Charter game fishing vessels that sell their catch will require a commercial licence and then be eligible for duty exemptions

The licence fee will be 20,000VT plus 5,000VT per meter over 8 meters

"Local" vessels must be locally-owned

Fisheries Division will be the final authority for conservation and management within 6-mile zone

Local vessels larger than 15 meters may be required to:

Carry an observer; have a satellite locator (ALC) on board; file Telex Reports for entry and exit to EEZ and weekly catches. Local vessels larger than 20 meters will not be allowed within the 12-mile zone or on sea mounts

### **Coordination and management**

#### Current Situation

Resources for managing tuna fisheries are limited

No forum for strategic planning

Limited operational coordination between the different agencies involved including: Fisheries Division, Vanuatu Maritime Authority, Police Maritime Wing

#### Changes

A Fisheries Management Account external to general government revenues that will collect a portion of foreign and local licence revenues

Fisheries Management Account will finance: observers on foreign vessels; local development activities; better management of foreign fishery; permanent Tuna Management Advisory Committee to coordinate and plan; Tuna Management Coordinator position

### **Local tuna fishery development**

#### Current Situation

Small scale tuna fishing mainly being carried out by charter game fishing vessels and small vessels trolling around the Fish Aggregating Device (FAD)

Only one FAD currently in operation and placement and maintenance are by donation

Currently no export of tuna although there is interest and has been in the past

#### Changes

Monies from the Fishery Management Account will be used to place and maintain FADs around Vanuatu to encourage small scale fishing and local sale of tuna

Plan will promote necessary health and sanitary regulations to facilitate future tuna exports

Promotion of foreign investment in local tuna fishery

## **ANNEX 11 – COUNTRY NOTES**



## **ANNEX 11A - COUNTRY NOTE: FIJI**

### **0. Country features and development needs**

Fiji consists of 322 islands, of which 106 are inhabited, and 522 smaller islets. The two major islands, Viti Levu and Vanua Levu, account for 87% of a total population of 840,800. World Bank figures put GDP per capita at USD 2,438 in 2004. With a Human Development Index of 0.752 Fiji ranks 90 among 177 countries.

Endowed with forest, mineral and fish resources, Fiji is one of the most developed of the Pacific island economies, though it remains a developing country with a large subsistence agriculture sector. Agriculture accounts for 18 % of GDP, although it employs some 70 % of the workforce. Sugar exports and a growing tourist industry are the major sources of foreign exchange. Sugar cane processing makes up one-third of industrial activity; coconut, ginger and copra are also significant. Tourism has expanded rapidly since the early 1980s and is the leading economic activity in the islands.

Since independence in 1970 there have been four coups in Fiji, two in 1987, one in 2000 and one in late 2006. The military has been either ruling directly, or heavily influencing governments since 1987.

The coups contributed to heavy Indian emigration. A 2004 report of the OECD found that 61 percent of Fiji's skilled workers have either emigrated or gone abroad as guestworkers. Indo-Fijians comprised more than 90 % of those leaving. Low investment rates and uncertain property rights are long-term problems. By law, five sixths of the land is owned communally by indigenous Fijians and may be leased to others, but many of the leases are now expiring. In recent times, the government has been reviewing investment laws and relaxing work permit requirements, in order to encourage foreign investment.

Fiji runs a persistently large trade deficit. Foodstuffs, machinery, mineral fuels, beverages, tobacco, and manufactured goods are the principal imports. The two largest exports are sugar and garments. Fish, lumber, molasses, coconut oil and ginger are also important exports, although the last two are in decline. Forestry became important as an export trade in the mid-1980s, when the pine plantations planted in the 1950s and 1960s began to mature. Gold and silver are also exported.

In September 2002, the government announced a 20-year development plan. Among other things, it aims to give indigenous Fijians a great stake in the economy. The plan envisages tax-relief to businesses owned or managed by ethnic Fijians, along with greater protection for indigenous land and fishery rights. A major aim of the Fijian government is to achieve self-sufficiency in rice production. Cattle farming, fishing, and forestry (especially pine trees) are being encouraged in order to diversify the economy; the leading manufacturing industries involve the processing of primary products.

The government's policy of awarding tax concessions to large multinational companies investing in Fiji has not proved universally popular. The Asian Development Bank (ADB) has criticized it, saying that the concessions have been abused and have not generated long-term investment. The 2005 report of the ADB accused foreign entrepreneurs of leaving as soon as their concessions expired, and alleged that administration of the concessions encouraged corruption and bribery.

## 1. Overview of the European Commission Support to the Country from 1997 to 2007<sup>1</sup>

Objective of the **National Indicative Programme (NIP) for the second Financial Protocol of Lomé IV (EDF 8)** was to support implementation of a sustainable economic and social development based on increased competitiveness of the Fiji's economy, progressive diversification of its economic base and improved access to productive employment, including for under-privileged groups.

Whereas until EDF 7 EU cooperation mainly focused on infrastructures and rural development in a broad sense, cooperation under this NIP shifted to two new focal areas: Human Resources Development and Environment<sup>2</sup>.

Out of a total of programmable resources of €25.5m, 45% was earmarked for Human Resources Development. The specific objective pursued was to improve education and vocational training facilities. It was planned that the programme would include upgrading of rural schools and teacher training facilities, strengthening of vocational training facilities and training for officials in key ministries.

35% of programmable funds were allocated to environment. The programme focused in particular on the environmental problems associated with urban waste and was oriented to improving the environment of the Suva/Nausori/Lami urban area.

As a consequence of the 2000 coup, the second tranche of the programme, amounting to 30% of funding, was not committed.

Under **EDF 9** total allocation to the A-envelope amounts to €21.0m. In the **Country Strategy Paper (CSP)** it was agreed that EU support should be entirely concentrated on improving the standard and quality of formal and non-formal education programmes, specifically in rural areas. Accordingly 82.5% (i.e. €17.325m) of the A-Envelope was allocated to promotion of education in rural areas, of which €3.15m was earmarked, for activities implemented by Non-State Actors in the context of the Rural Education Programme and for NSA capacity building projects.

Outside the focal sector, 2.5% (€0.525m) of the envelope is set aside for activities to be identified at a later date.

The B-envelope of €2.1m is intended for provision of additional support when necessary (for example in emergencies), for debt relief, or for compensation of losses in export earnings.

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<sup>1</sup> Adapted mainly from Fiji CSP and NIP. European Commission. Republic of the Fiji Islands – European Commission. Country Strategy Paper and National Indicative Programme for the Period 2003-2007. I:\CSP\Fiji\Final version CSP.doc (version of 08.10.2002.)

<sup>2</sup> Until EDF 7 cooperation mainly focused on infrastructures and rural development in a broad sense.

**Table 1 – Strategic Allocations per sector to Fiji, 1997-2007, €m**

	Strategic Allocations €m		
	8 <sup>th</sup>	9 <sup>th</sup>	Total
<b>Human Resources Development</b>	11.47	20.47	31.94
<b>Environment</b>	8.92	-	8.92
<b>Other</b>	5.1	0.52	5.62
<b>Total</b>	25.5	21	46.5

Source: 8<sup>th</sup> NIP, 9<sup>th</sup> CSP, MTR

The strategies developed in the NIP for EDF 8 as well as in the CSP for EDF 9 mention the necessity to ensure coherence with other resources made available to Fiji should these be from the Commission (emergency aid, institutional and administrative support measures and assistance under budget lines – tropical forestry, environment, democratisation and human rights) or from the European Investment Bank. In particular, Fiji has been selected as a focus country for the European Initiative for Democracy and Human Rights (EIDHR) which entails a stable allocation for the period 2002-2004 (averaging €1.3m per year).

## 2. Overview of the implemented interventions supported by the European Commission in the country<sup>3</sup>

Implementation during the period was significantly disrupted by the coup of 2000 and its consequences. Commission cooperation with Fiji was suspended for one year following the coup.

From 1997 to 2005 close to €58m were committed to Fiji. 25 projects were implemented during this period out of which 18 were closed by the beginning of 2006.

**Table 2 - Amounts committed, contracted and paid to Fiji from 1997-2005. Situation as of 31-12-2005**

Source of funding	Number of projects	Commitments (a)	Contracted	Paid (b)	Disbursement rate (b/a)
6 <sup>th</sup>	3	1,129,357	1,124,357	1,007,952	89.25%
7 <sup>th</sup>	9	13,634,499	13,629,630	10,491,455	76.95%
8 <sup>th</sup>	7	17,212,248	17,056,485	16,380,089	95.17%
9 <sup>th</sup>	2	22,100,000	17,950,497	8,560,319	38.73%
<b>Budgetary Lines<sup>4</sup></b>	4	3,803,303	1,192,705	1,034,555	27.20%
<b>TOTAL</b>	25	57,879,407	50,953,674	34,474,370	

Source: CRIS DATA BASE

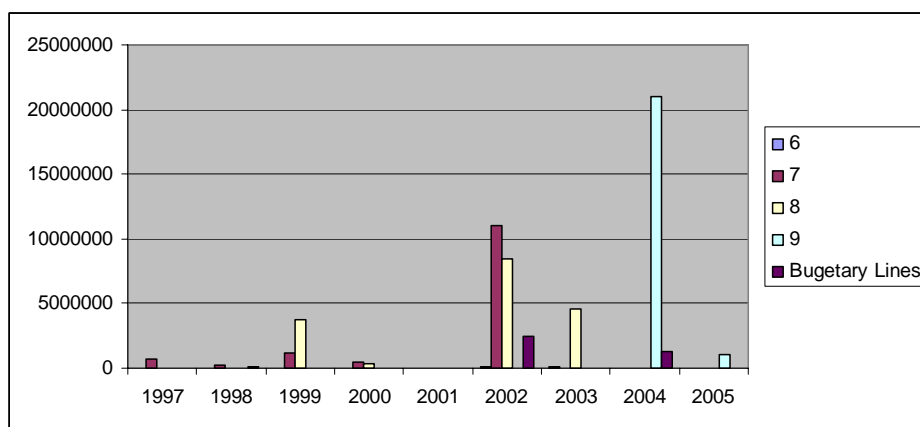
<sup>3</sup> Derived with minor adaptation mainly from the Mid-term Review 2004 and the Joint Annual Report. Republic of Fiji Islands/European Commission. Joint Annual Report 2005. March 2006.

<sup>4</sup> Mainly Human Rights and Democracy Initiative, see here below.

Commitments were very weak in the first years of the period. Further, no commitment took place in 2001 as a consequence of the 2000 coup. EDF 7 and 8 funds were mainly committed in 2002 and 2003. EDF 9 funds were almost fully committed in 2004 to one programme: the FESP (Fiji Education Sector Support Programme) in the sole focal sector of Human Resources Development.

Disbursement of EDF 7 funds was slowed by technical problems experienced in the implementation of infrastructure projects. On the contrary, considering the few years of implementation, the disbursement rate is quite high for EDF 8. Implementation of EDF 9 is underway without particular delays as is evident from the disbursement rate and in particular the high level of contracted amounts.

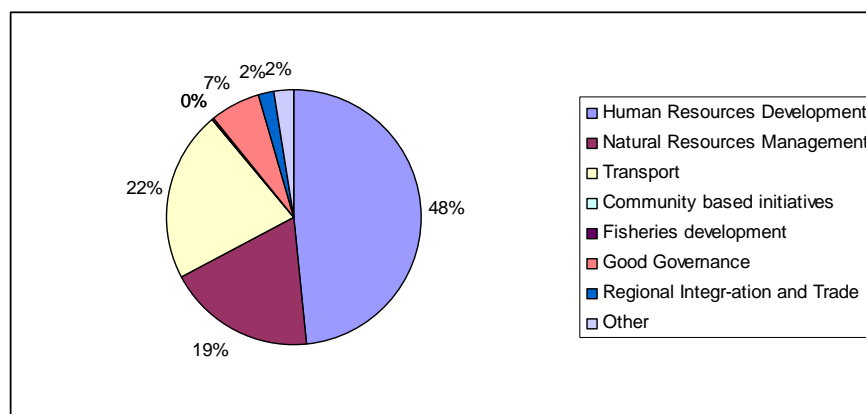
**Table 3 – Commitments to Fiji per year and financial instrument from 1997 to 2005**



Source: CRIS DATA BASE

The three main sectors supported during the period correspond to the focal areas of the three relevant NIP (see Table 4). Human Resources Development was by far the main sector supported under EDF 9 (€21m) and well supported during the period through EDFs 7 and 8. Expenditure on Natural Resources Management consisted mainly of the Environment Programme of EDF 8. Support to the transport sector covers different projects financed by EDF 7.

**Table 4 - Commitments to Fiji from 1997 to 2005, by macro-sector**



Source: CRIS DATA BASE



### *EDF 8 Implementation*

Under EDF 8, three educational programmes were initially planned (all infrastructural): Fiji School of Medicine (FSchM), Lautoka Teachers College (LTC) and Fiji Institute of Technology (FIT). The programme was significantly disrupted by the coup of 2000 and its consequences. Commission cooperation with Fiji was suspended after the coup, leading to cancellation of the FIT project, while the FSchM project was switched to regional funding. Only the LTC project was implemented under the NIP. The Financing Agreement for the LTC upgrade was signed by the NAO and the Head of Delegation in January 2003, for an amount of €4.15m. Work started in March 2004 and was officially completed in September 2005.

Under the second focal area for EDF 8, the Environment Programme main activities were the construction of a new landfill at Naboro (near Suva) and a 1.8 km outfall pipeline for the Kinoya Sewage Treatment plant (also in Suva). The Financing Agreement was signed in 2002 for an amount of €8.5m. A rider of €0.6m was subsequently issued, to cover the high cost of the liquid waste component.

Other interventions financed under EDF 8 non-focal sector allocation included the New Rewa Bridge. Provision had originally been made for design and construction of the new Rewa Bridge under the EDF 6 and 7 NIPs. However, financial allocations proved insufficient and the project was postponed to EDF 8.

### *EDF 9 Implementation*

The bulk of EDF 9, €21m, is concentrated on one programme: the Fiji Education Sector Support Programme (FESP). It was officially launched in November 2005. The PMU is situated in the Ministry of Education. The Fiji Forum of Non-State Actors (FFoNSA) is responsible for implementing the NSA component of FESP.

A project proposal for a National Initiative for Civic Education (NICE) was developed during 2005. The budget for this project is €0.8 m, to be financed from funds made available by project closures and de-commitments. The project will be co-funded with New Zealand in the context of a wider UNDP Governance Programme, developed in consultation with the Fiji Government.

A Financing Agreement for a Technical Cooperation Facility (TCF) was signed in November 2005. This establishes a fund of €1.1m for studies relating to the NIP and other purposes. Funds are derived from balances available under EDF 8 and 9 provisions. The TCF is being used to fund a study of the options for restructuring the national sugar industry under the National Adaptation Strategy, following the reduction in prices paid under the Sugar Protocol. It is also being used to fund an extension of the supervision contract for the New Rewa Bridge.

The B-envelope of EDF 9 has not been mobilized so far as no major natural disasters have beset Fiji. Preparations are therefore being made to use the B-envelope allocation in a regional disaster preparedness initiative.

### *Other interventions*

Smaller projects implemented during the period from remaining funds from previous EDFs or from budget lines addressed a variety of issues:

- Repair of damages provoked by the Ami cyclone ;
- Rehabilitation of rural schools ;

- Good governance ;
- Respect of human rights and easing of tensions between ethnic groups.

### *European Investment Bank*

In 1995 the EIB entered into a loan agreement with Fiji Telecom for an amount of €8.0m. for the development of telecommunications. This followed an earlier loan in 1989 for €7.0m for telecommunications development.

In 2005, EIB undertook a due diligence study of Fiji Development Bank with a view to granting this institution a global loan of up to €10m under the Pacific Islands Finance Facility for the financing of small, medium and micro-sized private sector initiatives. An EIB decision on the loan is expected in the near future.

In November 2006 an agreement was signed by the EIB with Sustainable Energy Ltd for the construction of a hydroelectric power plant in the North of the island of Viti Levu. The project is co-financed with the World Bank and the Asian Development Bank, with a total cost of €49.1m The EIB loan totals €24.5m

EIB earlier agreed to finance the construction of the Novotel Denarau Hotel with two loans of €6m and €5m.

### *Sugar Protocol*

Fiji is the second biggest beneficiary of the Sugar Protocol after Mauritius, and is entitled to export 165,348 tonnes of white sugar to the EU annually at Protocol prices. In addition, it exported between 8,000 and 20,000 tonnes annually to the EU, at slightly lower prices than Protocol prices, under the Special Preferential Sugar Arrangement. This special arrangement ended in 2006. The added value to Fiji of its Protocol quota (i.e. the difference between its Protocol sugar sales and the sales of equivalent amounts at world market prices) is estimated at between €50 and €60m annually, that is an amount far in excess of EU-Fiji annual cooperation funds. This income directly benefits cane farmers and others engaged in the sugar industry. It also has macro-economic effects on the country. The implications of changes in sugar prices under the Sugar Protocol are considered in the Fiji Sector Note on Regional Economic Integration and Trade (Annex 10).

## **3. Assessment of the results and impacts of the implemented interventions and comparison with those expected**

### **3.1 Relevance, logic and coherence of the CSP**

Fiji Government policies governing the EDF 8 period were established in 1993 with the publication of 'Opportunities for Growth: Policies and Strategies for Fiji in the Medium Term' (1993). This document commits the Fiji Government to policies of macro-economic stability and to establishing an environment favourable to sustainable growth, focusing on raising rates of effective investment, sustaining the competitiveness of the labour force and efficient government. A National Environment Strategy was also approved by the Fiji Government in 1993. Policy on 'The Alleviation of Poverty' was set out in a supplement to the 1994 Budget Address.<sup>5</sup> The overall approach was to fight poverty through high levels of investment and good education and training for the labour force. At the same time, it was recognised that communal support would be required for some sections of the community.

<sup>5</sup> Government of Fiji. The Alleviation of Poverty. Supplement to the 1994 Budget Address, April 1994.

A new statement of Fiji Government development policy was published in 2002, titled 'Rebuilding Confidence for Stability and Growth for a Peaceful, Prosperous Fiji: Strategic Development Plan 2003-2005'.<sup>6</sup> The Plan has two major aspects. The first is concerned with 'Rebuilding Confidence for Stability', including promotion of national reconciliation, alleviating poverty and resolution of the agricultural land lease issue. The second is 'Rebuilding Confidence for Growth', including raising investment levels, reforming the public sector, and rural and outer island development. Education is identified as a priority of the strategy:

'Education and training is a priority in nation building as it is the medium for nurturing a well educated, highly skilled, motivated labour force, as well as responsible citizens with high moral and ethical values... If Fiji is to become the hub of education excellence in the region and become competitive in the global market, improvement in the quality and delivery of education at all levels including higher education and vocational training is essential.'

The Strategic Development Plan emphasises the importance of rural education. Standards in rural schools are markedly below those of urban schools. The quotation above continues, 'A particular focus must be on raising education standards in rural schools to be on a par with urban schools.'

The CSP for EDF 8 mentions 'Opportunities for Growth' as a basic reference and refers to the National Environment Strategy and legislation based on the strategy expected in the course of 1997. The priorities of the CSP listed in Section 1 reflect the commitments of the Fiji Government. The focal area of HRD is linked to the requirement for a competitive labour force, both for economic expansion and for reduction of poverty. The Commission's strategic commitment to environmental protection links directly to the National Environmental Strategy.

The CSP for EDF 9 refers to a 'New Strategic Development Plan' in a late stage of preparation at the time the CSP was finalised. This was later published as the 'Strategic Development Plan 2003-2005' referred to above. The policies of the Strategic Development Plan were largely taken into account in the formulation of the CSP. The CSP refers also to a report of the Fiji Education Commission setting out proposals for education policy. These policies of the Fiji Government were instrumental in the selection of education as the focal area for EDF 9, with a special attention given to rural education. This sector is seen as contributing most specifically to poverty alleviation, rural development and human resource enhancement. It is also seen as contributing to conflict resolution, since much tension and conflict in the country is associated with an information and education gap between rural and urban Fijians. An outline of a Rural Education Programme is provided in the CSP.

The CSP for EDF 9 gives substantial attention to coherence, complementarity and coordination. It notes the coherence of the education sector focus in EDF 9 with earlier Commission support to Fiji. In particular, support given to the training of teachers at the Lautoka Teacher's College under EDF 8 is directly relevant to the improvement of rural education. The CSP also commits the Commission to take into account in its interventions the cross-cutting issues of gender, environmental protection and principles of good governance. A report is made on cross-cutting issues associated with each project in the JAR for 2006. The CSP also notes that support for rural education is coherent with the EIDHR initiative, which

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<sup>6</sup> Fiji Government. Parliamentary Paper No 72 of 2002. 'Strategic Development Plan 2003-2005: Rebuilding Confidence for Stability and Growth for a Peaceful, Prosperous Fiji'. November 2002.

specifies Fiji as a focal state. The Commission intervention in education is complementary to interventions by Australia and New Zealand in the same sector. New Zealand is focusing on pre-school and special education support. Australia is working on curricula upgrading, teacher training and material for rural school libraries.

**The Commission CSPs are highly relevant to the needs of Fiji. All government strategic documents identify education and training as a key condition to easing tensions within the society, and promoting economic development. Focus on rural areas, that lag behind urban areas as regards the provision of social services, and close coordination between the Commission and other major donors active in the sector further enhances the relevance of EC assistance.**

### **3.2 Consistency between programming and implementation**

Implementation significantly moved away from what had been programmed. The divergences arose from different elements:

- Substantial funds from EDF 7 have been disbursed during the period 1997-2005, leading to a scattering of activities in a variety of sectors in contrast with the concentration on one or two focal sectors promoted by the CSPs for the 8<sup>th</sup> and 9<sup>th</sup> EDF.
- Implementation of EDF 8 was disrupted by the coup of 2000 and the subsequent suspension of Commission support.
- Although EDF 9 commitments are well advanced and concentrated on the focal sector of education, a substantial change has to be noted at objective level. The education programme was initially conceived specifically to reduce the gap between rural and urban areas in educational attainments. Rural schools, however, are predominantly attended by Fijians indigenous to the territory, whilst urban schools are predominantly attended by Fijians of Indian origin. The project was revised at the instigation of the Commission to cover both urban and rural schools so as to maintain the balance between ethnic groups. The inclusion of urban schools in the FESP was contrary to the strong strategic commitment to rural educational development. But it sustained the commitment, also prominent in Commission strategy, to non-discrimination between ethnic groups.

Aside from the programmable funds, Fiji has received substantial benefits from the Sugar Protocol. As noted above, this benefit is estimated at €50-60m annually – far in excess of the support allocated through conventional development aid. The high selling-price of sugar mainly benefits smallholder farmers.

### **3.3 Analysis of the NIPs implementation**

The coup of 2000 interrupted the implementation process, but changes were accommodated with the minimum of disruption to the overall strategy.

Monitoring reports indicate a sound implementation of the projects funded from EDF 8 and 9. Five projects out of 25 have been monitored. Performance rate of the monitored projects range from 2.2 to 3.0 with an average at 2.7<sup>7</sup>. Efficiency, effectiveness and expected impact are rated as good. Rates for relevance and sustainability suggest problems in these respects.

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<sup>7</sup> This has average has been reached by transforming the letter codes in numbers (a=4, b=3, c=2, d=1).

**Table 5 – ROM conclusions**

Project	Title	Budget €m.	Start	End	Visit date	Conclusions
8 ACP FIJ 5	Environment Programme	8.5	2/05/2002	31/12/2005	3/03/2003	c - c - c - b - c
8 ACP FIJ 5, 6 ACP FIJ 38	Environment Programme – REMONITORING	9.1	2/05/2002	31/12/2005	21/06/2004	c - c - b - b - c
8 ACP FIJ 2	Design and supervision of the Human Resource Infrastructure Development	1.5	30/11/1999	31/07/2005	3/03/2003	b - a - b - b - c
8 ACP FIJ 2	Design And Supervision of the Human Resource Infrastructure Development REMONITORING	1.5	30/11/1999	31/07/2005	21/06/2004	b - b b - b - b
B7- 6200/2002/ 066- 075/RPA	Coral Gardens Initiative: Poverty Alleviation Through Capacity Building	0.5	29/07/2003	29/07/2005	21/06/2004	b - b - c - c - b
7 ACP FIJ 27, 8 ACP FIJ 6	New Rewa Bridge	11.0	17/12/2003	15/12/2006	15/08/2005	c - c - c - b - b

Key to letter codes:

The codes refer to: 'relevance; efficiency; effectiveness; impact; and sustainability'.

a = very good; b= good; c = problems; d = deficiencies.

The new buildings for the Lautoka Teachers College were completed in September 2005. ROM reports indicate good performance in implementation of this project.

Under the second focal area for EDF 8, environment, the programme achieved the construction of a new landfill at Naboro (near Suva) for solid waste disposal and a 1.8 km outfall pipeline for the Kinoya Sewage Treatment plant (also in Suva). The Naboro Landfill for solid waste disposal was completed in August 2004, with a cost overrun of only 3%. There were subsequent difficulties in identifying a professional landfill operator, and the official landfill opening could only take place in August 2005. The new Naboro Landfill was officially opened in August 2005. Since October 2005 the new landfill has been fully operational. This has opened the way for closure of the Lami dump whose rehabilitation is now under way. The Financing Agreement has been extended to mid-2007 to cover completion of the rehabilitation. The Kinoya Outfall was completed and handed over early 2005.

The programme objective was to improve the living conditions of the urban population in the greater Suva area. Although it is too early to assess the impact, the first results of the project show that this objective will probably be achieved. It is however important to note that the results are very much localised, while the intended objective of the CSP is more global.

The re-monitoring ROM report of June 2004 on the Environment Programme indicates good performance of the relevant projects with regard to effectiveness and impact, but poor performance with regard to relevance, efficiency and sustainability. The Delegation queried the assessment of limited relevance, pointing out that the Monitoring Report recognises that the projects are very much needed. The problems identified in the Monitoring Report relate mainly to budgetary problems, management issues, lack of appropriate legislation on waste management and problems encountered in identifying a suitable operator. Sustainability of the projects implies that appropriate legislation is passed and the necessary management capacity is established in line ministries.

Outside the focal sector, the new Rewa Bridge is also an infrastructure project. Dating from EDF 6 and 7, when infrastructure was a focal sector of the EC cooperation, the project faced implementation problems as a result of initial under-estimates of the project cost, and because of technical innovations in construction. Further information on this project is provided below.

The major project under EDF 9, the FESP, is in its early stages. It is therefore too soon to assess its effectiveness. But the project is advancing as planned except for its NSA component. The Fiji Forum of Non-State Actors (FFoNSA) is responsible for its implementation, but requires much support from the Delegation and the PMU to build managerial capacity. Co-ordination with Australia Aid and their FESP programme is very successful. The Ministry of Education has been hosting regular donor coordination meetings. Further information on the FESP is provided below.

Performance of small infrastructure projects has been disappointing. The Cyclone Ami Rehabilitation Programme progressed very slowly and reporting was inadequate. The programme expired on 29 April 2004. The Delegation and the NAO launched an external audit to clarify the situation. The same decision was taken for the Rural Schools Rehabilitation Microprojects.

Most Budget Line projects in Fiji are well on track. However there have been delays in payments to beneficiaries which have created problems in some partner organisations.

### *Project Analysis 1: Fiji Education Sector Programme*

The FESP-EU is part of a broader FESP financed by the Commission and by Australia. The latter is making available A\$8m over a period of three years, with the possibility of further funding for an extension. The identification study for the EU component of the Programme was carried out during the first half of 2003, by a team of USP (University of the South Pacific) consultants. Consequently a Financing Proposal for the entire amount of €21m was completed in December 2003 and approved in July 2004. The programme will include structural improvements to existing schools, including renewal of roofs, water and sanitation, training of Ministry of Education staff, provision of school furniture and non-formal training at community level. The programme was developed with a specific focus on conflict prevention and will be carried out in synergy with the regional PRIDE programme developed by the USP and financed through EDF 9.

The purpose of the programme is 'to create enabling environments that increase learning and employment opportunities for disadvantaged communities, to develop the values, attitudes, knowledge and skills cognisant of their cultural heritages, to prepare them to be responsible and productive citizens in their communities and our society<sup>8</sup>.'

52% of funds are allocated to infrastructure. A further 22% is allocated for resources and materials.

A donor coordination group was established by the Ministry of Education (MoE), which meets quarterly. Informal contacts are maintained between donors. There is provision for the involvement of NSAs in the programme, coordinated by the Fiji Forum of NSAs (FFoNSA).

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<sup>8</sup> The European Commission and the Republic of the Fiji Islands. Financing Agreement: Fiji Education Sector Programme (FESP-EU). (FI/7102/001). September 2004.

The Programme is in its early stages, so it is not possible to make any evaluation of its performance. The Third Progress Report<sup>9</sup> records schools identification for upgrading and responses to calls for tenders for various items of equipment. Given the centrality of Result area No. 1 of the Programme – schools infrastructure and facilities - there was a need to conceptualise and design the school selection process in an inclusive, transparent, objective and justifiable manner, appropriate to the Fiji context. 300 schools have been selected for coverage in the FESP, on the basis of a list of all 875 schools in the country ranked according to a school disadvantage index. The school selection process and the final list of 300 schools were approved by the Programme Steering Committee and the Cabinet. The list was made public in a supplement to all national newspapers (English, Fijian, Hindi) on 3<sup>rd</sup> December 2005.

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

Indicators for the FESP are currently being developed. It is proposed to select four long term impact indicators: student retention rate; examination results in literacy (English, Fijian, Hindi), maths and science; percentage of schools with adequate classrooms; (for non-formal education) number of enterprise projects established annually by ex-trainees of rural youth training programmes. Short-term indicators will be identified annually as part of the annual work programmes and cost-estimates and will stem directly from the activities identified (e. g. number of schools refurbished, number of formal and non-formal training courses delivered, equipment delivered, etc.).

The indicative timetable for commitments and disbursements for the FESP, including support to NSAs, is as follows:

(€m)	2005	2006	2007	2008
Commitments	0.25 + 2.0 (2 <sup>nd</sup> & 3 <sup>rd</sup> quarters)	6.0 (1 <sup>st</sup> quarter)	6.0 (1 <sup>st</sup> quarter)	5.75 (1 <sup>st</sup> quarter)
Cumulative Disbursements	1.25 (by 4 <sup>th</sup> quarter)	5.0 (by 4 <sup>th</sup> quarter)	10.0 (by 4 <sup>th</sup> quarter)	18.0 (by 4 <sup>th</sup> quarter)
<b>Total (cumulative)</b>	<b>2.25</b>	<b>8.25</b>	<b>14.25</b>	<b>21</b>

Activities under the NSA component focus on Result area No. 5 of the FESP – Community Building through Education and Partnerships. Eleven sub-projects under a school water and sanitation programme have been completed by the Fiji Red Cross and eight sub-projects in the area of 'Fostering better community/school relationships for the development of children' have been implemented by the Fiji National Council of Women. A further call for proposals from FFoNSA affiliates has been made.

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

<sup>9</sup> Fiji Education Sector Programme. Progress Report No. 3 and Record of Expenditure (1<sup>st</sup> November 2005 to 31<sup>st</sup> January 2006).

Fiji Education Sector Programme (Fesp-Eu); 2004-11; 9 ACP FIJ 1		17,699,000
Specific Objectives	<ul style="list-style-type: none"> <li>▪ To create enabling environments that increase learning and employment opportunities for disadvantaged communities,</li> <li>▪ To develop the values, attitudes, knowledge and skills cognisant of their cultural heritages,</li> <li>▪ To prepare them to be responsible and productive citizens in their communities and our society.</li> </ul>	
Activities realised	<ul style="list-style-type: none"> <li>▪ Improved infrastructure and upgraded school facilities</li> <li>▪ Capacity building and enabling environment</li> <li>▪ Quality and adequate resources and materials</li> <li>▪ Effective and efficient processes and mechanisms</li> <li>▪ Community building through education and partnerships Improved infrastructure and upgraded school facilities</li> </ul>	
Intermediate Results Analysis	<ul style="list-style-type: none"> <li>▪ Project is in its early stages</li> <li>▪ Schools disadvantage index has been developed</li> <li>▪ PMU internal systems, processes and structures were developed to coordinate tendering, contract management and payments.</li> <li>▪ Eleven sub-projects under a schools water and sanitation programme have been completed by the Fiji Red Cross and eight sub-projects in the area of 'Fostering better community/school relationships for the development of children' have been implemented by the Fiji National Council of Women.</li> </ul>	

### *Project Analysis 2: New Rewa River Bridge*

The project is designed to relieve congestion on the existing Rewa River Bridge by replacing it with a wider and better quality bridge. The bridge links Suva, the capital and major port of Fiji, with Nausori Airport, the airport serving Suva. It is also a link to the road that circuits Viti Levu, the main island of Fiji, hence linking the capital with extensive rural areas. The present bridge dates from 1937 and is the sole crossing of the Rewa River. The new bridge is expected to stimulate private sector growth.

Construction is funded under a works contract from EDFs 7 (€8.4m) and EDF 8 (€2.6m). The total cost of the project is €12m, with a €1m contribution from the Government of Fiji.

The breakdown of costs is as follows:

(€'000)	EDF	Government of Fiji
Land acquisition	-	300
Relocation of utilities	-	250
Bridgeworks	8,200	
Road works	2,400	
Project Management	-	150
Contingencies	400	300
<b>Total Costs</b>	<b>11,000</b>	<b>1,000</b>

The Financing Agreement was signed in 2002.<sup>10</sup> Under a separate financing decision, €1.2m was provided for a separate service contract covering detailed design, preparation of tender documents and supervision of the works.

<sup>10</sup> The European Commission and Fiji. Financing Agreement: New Rewa River Bridge (FIJ/7012/002). 2002.



The tender, launched in 2002, was awarded to Fletcher Construction at the end of 2003, after the Government agreed to allocate an additional €2.5m to the project, since all financial proposals were above the €11m budget. The works contract was signed in December 2003, and works commenced in February 2004.

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

An independent Environmental Impact Assessment (EIA) was carried out by the University of the South Pacific as part of the Feasibility Study. The main conclusions of the EIA were that the new bridge itself would have no significant environmental impact on the Rewa River ecology. The increased traffic in the areas of the bypass will be more than compensated for by the effects of de-congestion of Nausori town. The overall impact of the proposed changes was assessed as positive on balance and responsive to the identified needs of the local population.

Improved traffic access will improve availability and reliability of transport for villagers to carry their agricultural produce to market. Children's attendance at school will be facilitated and access to medical facilities and social amenities improved. The above aspects impact positively on women and school children.

The Monitoring Report of December 2005 is distinctly adverse, rating the project on the standard criteria at c-c-c-b-b (for relevance, efficiency, effectiveness, impact, sustainability). The Commission response queries sharply the findings of the Monitoring Report. There have been delays and difficulties with the project, partly because the technology used is new to Fiji. The bridge is nevertheless likely to be completed towards the end of 2006 and is expected to deliver the desired impacts.

Rewa Bridge Construction; 1999-06; 7 ACP FIJ 24, 7 ACP FIJ 27, 8 ACP FIJ 6,		11,000,000
Overall Objective	<ul style="list-style-type: none"> <li>The overall objective of the project is to facilitate the growth of private sector economic activity in the greater Suva/Nausori area and to reduce atmospheric pollution in Nausori town.</li> </ul>	
Specific Objectives	<ul style="list-style-type: none"> <li>The purpose of the project is to provide an efficient, safe and less polluting vehicular traffic across the Rewa River.</li> </ul>	
Activities realised	<ul style="list-style-type: none"> <li>Construction of the bridge following an international call for tenders.</li> <li>Construction of associated approach roads.</li> </ul>	
Intermediate Results Analysis	<ul style="list-style-type: none"> <li>The project made significant progress during 2005, even though a number of unexpected technical hurdles had to be overcome.</li> <li>Completion is expected in 2006.</li> </ul>	

**Monitoring reports of projects implemented in Fiji under EDF 8 and 9, as well as the assessment of the Fiji Education Sector Programme and of the New Rewa River Bridge Project demonstrate that in spite of an extremely instable political situation implementation of Commission funded projects has been satisfactory.**

However two weaknesses may be noted with reference to the Environment Programme:

- The programme delivered its expected outputs and contributed to solve a serious environmental problem in the Suva area. But the programme impact is strictly limited to the area where the equipment for solid waste disposal has been implemented;
- While being effectively implemented, the project faced difficulties linked to the lack of an appropriate legislation on waste management and to an insufficient management capacity of the administrations responsible for environmental protection issues.

These weaknesses are not specific to the Environment Programme, nor are they specific to Fiji. They are typical weaknesses of the project approach to cooperation, when projects are implemented on a piece-meal basis. To that extent the sectoral approach adopted under EDF 9 with the Fiji Education Sector Programme is an important step in the right direction.

#### 4. Assessment of the links and mutual support between regional and national strategies

Table 5 below shows focal sectors and main projects under the Commission country strategies for Fiji and the Pacific regional strategies for the EDF 8 and 9 periods.

**Table 5 - Fiji and Pacific Regional Focal Sectors and Main Projects, EDF 8 and EDF 9**

	<b>Focal Sectors and Main Projects: Fiji</b>	<b>Focal Sectors and Main Projects: Pacific Region</b>
EDF 8	Human Resource Development (45%); Projects: FSchM <sup>a</sup> , LTC, FIT <sup>b</sup> Environment (35%). Projects : Naboro Landfill ; Kinoya Outfall	Human Resources Development (45%); Projects: FSchM-HRD, USP-HRD; Sustainable management of natural resources and environmental management and protection (35%) Projects: PEIN; DSAP; PPP; RVP
EDF 9	Education (97.5%, inc NSA component). Project: FESP	Regional Economic Integration and Trade (31%); Project: PACREIP Human Resources Development (28%); Project: PRIDE Fisheries (17%) Projects: CO-FISH; DEV-FISH

a. Diverted to regional funding

b. Cancelled

#### **4.1 EC regional and country strategy documents are complementary**

Systematic linking of national and regional activity is limited at the strategic level. Different channels are used to develop national and regional strategies. While the development of national and regional strategies both involve NAOs and government authorities, regional strategy development is more the preserve of RAOs and regional organisations. The different channels tend to produce different priorities. The country strategies respond to national strategic development priorities, while the regional strategies respond to needs articulated by the regional organisations and reflecting some amalgam of the needs of the Member States and their perceptions of which issues are best addressed at regional level.

Nevertheless there is growing recognition that national programmes can gain in effectiveness when complemented by regional programmes, and *vice versa*. The maximum benefits of such interaction will be attained if the formulation of national and regional programmes is integrated more closely and projects are designed specifically to capture national-regional synergies.

The CSP for Fiji under EDF 9 makes several references to the regional strategy. In particular it points out that Fiji, being an important hub for regional affairs, and the geographical host to the PIFS, is a major beneficiary of regional programmes and regional activities, notably in the field of regional integration and trade policy. The CSP comments that: 'Fiji remains committed to the principles and objectives of regional integration in the Pacific. In this regard NIP resources may be used to complement regional resources especially aimed at building of capacities for trade related analysis.' The strategy paper also underlines that efficient coordination between regionally and nationally funded EDF operations in the HRD sector is essential and will be followed-up closely in Fiji.

#### **4.2 Interventions in the same sector at regional and country level are designed and implemented in complementarity**

There are Fiji country projects that are linked to regional projects by their content – for example the FESP and PRIDE – even though they are not designed specifically to function in a complementary manner. There are Fiji country projects that are distinctly responsive to national interests without reference to regional programmes, such as the Environmental Programme projects under EDF 8. There are also regional projects such as PACREIP, PROC-FISH and CO-FISH that are distinctly regional in their concept and operations.

In EDF 8 and 9, HRD was selected a focal sector for both Fiji and regional strategies. Indeed Fiji has a special position amongst PACP states with regard to regional HRD development, in that the two CROP organisations concerned with tertiary education, the FSchM and the USP, are located in Suva.

Close links between national and regional interests for Fiji in the development of HRD were clearly illustrated in the treatment of the EDF 8 project on development of the infrastructure of the FSchM. Initially formulated as a national project, development of the FSchM was allocated regional funding when Commission support for Fiji was suspended in the aftermath of the coup in 2000.

Under EDF 9, interventions of the Fiji Education Sector Programme interventions are targeted on disadvantaged urban and rural schools, with the largest component (52%) concerned with building construction. At regional level, HRD has a stronger focus on Basic Education, reflected in the PRIDE project. The links are not strongly made at the level of

strategic planning, though there is reference in the Joint Annual Report to synergy of the FESP with PRIDE. The main links arise through the responsibility of the Fiji Ministry of Education for Fiji interests in both national and regional HRD projects. It is at this sectoral level, rather than at strategic level, that the implementation of national and regional programmes is most closely coordinated.

Complementarity between projects at the national and regional level was less obvious in the environment sector, which had been selected under EDF 8 as a focal sector both for Fiji and the Pacific region. The Fiji programme concerned the improvement of infrastructures for urban waste disposal through the Naboro Landfill project and the Kinoya Outfall. These projects responded specifically to country interest regarding pollution of an urban area.

#### **4.3 Regional interventions address problems that can be more effectively tackled at regional level**

Certain types of intervention have emerged as being best addressed at regional level. Sustainable management of natural resources, human resources development and trade and private sector development are the three areas consistently cited in CSPs as appropriate priorities for a regional approach. (See Annex 9, Evaluation Question 2, I 2.1.1).

In EDF 9 regional strategy focuses on REIT, HRD and Fisheries.

REIT is of necessity addressed mainly at regional level.

HRD is an area in which regional cooperation develops actively since Ministers of Education of Pacific countries adopted in 2001 a Forum Basic Education Action Plan. The consensus within the region is that the regional strategy in the field of HRD should deliberately take a two-pronged approach, supporting both basic education and regional formal and non-formal technical and vocational education and training, with TVET initiatives accompanying improvements to basic education and picking up where the latter leaves off.

Fisheries interventions at regional level concern the conservation of regional fish stocks and are of a type that requires a regional approach. While the fisheries interventions do not entirely neglect the national dimension, it would be possible to design interventions in fisheries that generate synergies from interaction of regional and national levels.

## Annex I: List of Interventions

This inventory is the result of a combination of CRIS Consultation and CRIS Production databases. The macro-sector aggregation is a proposal from the evaluator. Blank spaces are data missing in CRIS. Start and end dates (by day/month/year) are usually the dates of start and end of the project. In some cases these dates were not available and therefore, for indicative purpose, the year of decision or closure of the project has been indicated.

Where available OLAS numbers have been aggregated in one row to reconstruct the entirety of a project (in some cases a single project/programme has more than one OLAS number).

The macro-sectors at regional level are directly related to the focal sectors identified in the RIPs and therefore in the intervention logic. These macro-sectors can be also found at country level but, given the diversity of the interventions justified by a different context of intervention, other macro-sectors have been identified.

Project Number	Project Title	Planned	Contracts	Paid	Start date	End date	Sector	Macro sector
7 ACP FIJ 19	Microprojects Programme - Rural Schools Rehabilitation	500,926	500,926	500,926	7/01/1997	7/01/1998	Primary Education	<b>Human Resources Development</b>
7 ACP FIJ 20	Domestic Airports Development Project	138,768	138,768	138,768	2/01/1997	8/07/1997	Air Transport	<b>Transport</b>
7 ACP FIJ 7	( Ex 05 P035 ) Sixth Microproject Programme	93,851	93,851	26,486	1997	x	Rural Development	<b>Community based initiatives</b>
7 ACP FIJ 21	Human Resource Development Study (Hrd)	75,718	75,718	75,718	23/3/1998	22/6/1998	Higher education	<b>Human Resources Development</b>
7 ACP FIJ 22	Hrdp Outline Design Architect	62,145	62,145	62,145	24/3/1998	23/9/1998	Advanced technical and managerial training	<b>Human Resources Development</b>
7 ACP FIJ 23	Natadola Marine Resort Study	63,090	63,090	63,090	1/01/1998	31/12/1999	Fishery policy and administrative management	<b>Fisheries development</b>
PVD/1999/89	Chevalier Hostel And Chevalier Farm Training Centre - Fiji	104,705	104,705	104,705	1/01/1998	x	Agricultural education & training	<b>Natural Resources Management</b>
7 ACP FIJ 24	Rewa Bridge Construction Design & Supervision	1,200,000	1,195,131	1,065,106	7/01/1999	31/1/2003	Road Transport	<b>Transport</b>

Project Number	Project Title	Planned	Contracts	Paid	Start date	End date	Sector	Macro sector
8 ACP FIJ 1	Outrigger Reef Rehabilitation ( 71142)	2,000,000	2,000,000	2,000,000	1/01/1999	31/12/1999	Bio-diversity	<b>Natural Resources Management</b>
8 ACP FIJ 2	Design/Supervision Of Human resources Infrastructure Dev Prj.	1,200,000	1,200,000	1,076,510	11/01/1999	31/7/2005	Education facilities and training	<b>Human Resources Development</b>
8 ACP FIJ 3	Naboro Landfill Consultancy Services	582,765	582,765	582,765	11/01/1999	31/12/2004	Urban Development And Management	<b>Non identified</b>
7 ACP FIJ 26	Rural Primary Schools Upgrading	500,000	500,000	471,008	7/01/2000	30/6/2001	Primary Education	<b>Human Resources Development</b>
8 ACP FIJ 4	Kinoya Outfall Consultancy Services	364,766	364,766	364,766	3/01/2000	31/3/2006	Urban Development And Management	<b>Non identified</b>
6 ACP FIJ 38	Rider 1 : Augmentation De Plafond - Projet 8 Fij 5 Note 8637 Du Xx/Xx/2003 - Mr G.Bonacci	60,000	600,000	600,000	31/12/2002	30/06/2007	Environmental Policy And Admin. Mgmt	<b>Natural Resources Management</b>
7 ACP FIJ 27 and 8 ACP FIJ 6	New Rewa Bridge ( & 7 Fij 27)	11,000,000	11,000,000	8,088,208	31/12/2002	31/12/2006	Road Transport	<b>Transport</b>
8 ACP FIJ 5	Environment Programme	8,500,000	8,416,537	7,922,049	31/12/2002	39/6/2007	Environmental Policy And Admin. Mgmt	<b>Natural Resources Management</b>
DDH/2002/002-463 (EC)	Transforming our Communities through Good Governance	1,232,866	635,000	635,000	2002	1/12/2006	Human Rights	<b>Good Governance</b>
DDH/2002/002-948 (EC)	Capacity Building Support for the Fiji Human Rights Commission	1,232,866	453,000	294,850	2002	31/12/2003	Human Rights	<b>Good Governance</b>
6 ACP FIJ 37	Rural Education Identification Study	29,357	29,357	29,357	6/01/2003	31/12/2003	Education Policy & Admin. Management	<b>Human Resources Development</b>
6 ACP FIJ 39	Assistance For Cyclone Ami Rehabilitation	50,000	495,000	378,595	30/04/2003	29/04/2004	Education Policy & Admin. Management	<b>Emergency</b>

<b>Project Number</b>	<b>Project Title</b>	<b>Planned</b>	<b>Contracts</b>	<b>Paid</b>	<b>Start date</b>	<b>End date</b>	<b>Sector</b>	<b>Macro sector</b>
8 ACP FIJ 7	New Building Of Lautoka Teachers'college	4,150,000	4,077,700	4,019,282	7/01/2003	30/6/2007	Education facilities and training	<b>Human Resources Development</b>
8 ACP FIJ 9	Echo/Fji/254/2003/01000 Emergency Humanitarian Aid For Fiji Islands Affected By Cyclone Ami	414,717	414,717	414,717	22/1/2003	31/8/2003	Emergency aid	<b>Emergency</b>
9 ACP FIJ 1	Fiji Education Sector Programme (Fesp-Eu)	21,000,000	17,699,000	8,560,319	2004	31/8/2011	Education Policy & Admin. Management	<b>Human Resources Development</b>
DDH/2004/016-739 (EC)	19 04 03 EIDHR Microprojects 2004, Fiji	1,232,866	0	0	2004	31/12/2005	Human Rights	<b>Good Governance</b>
9 ACP FIJ 2	Technical Cooperation Facility Tcf	1,100,000	251,497	0	2005	31/12/2011	Trade related assistance	<b>Regional Integration and Trade</b>

## Annex II: Development Assistance to Fiji

Since independence in 1970, Fiji has received development assistance from bilateral and multilateral sources. Fiji receives an average of €22m as foreign aid every year. Actual cash grants of €5.0m (average) form just under 1% of Government revenue; however the inclusion of “aid-in-kind” means that total aid is the equivalent of an additional 3.5% of total Government expenditure. These figure show that whilst Fiji is not reliant on aid in terms of fiscal stability, aid still plays an important role in financing additional economic and social development programmes and capital expenditure.

Because of its level of GDP *per capita*, Fiji is no longer a “least developed country”, and this reduces its access to most concessional loans and grants.

Out of the total foreign aid to Fiji during the period 1995-2000, as shown in Table 1 below, approximately 80% was given to Fiji in the form of aid-in-kind, whilst 20% was as cash grant. Australia was the biggest donor, accounting for more than 1/3 of the total aid given to Fiji. On average, the European Union provided 26% (benefits of the Sugar Protocol not included), followed by Japan and New Zealand, which provided 16% and 12% respectively, whilst donors such as the Republic of China, United Kingdom, UNDP, France and others were responsible for the remaining 10% of the total funding.

**Table 1: Foreign Aid by Source, 1995-2000 commitments (Million FJS)**

Donor	1995	1996	1997	1998	1999	2000
AusAID	15.0	15.2	15.0	15.0	15.0	7.0
NZODA	5.1	5.1	5.1	5.0	5.0	2.0
Japan	1.0	7.5	6.2	6.0	6.0	6.0
China	0.0	0.5	0.5	0.5	0.5	0.3
UK	0.4	.3	0.4	0.4	0.4	0.3
France	0.0	2.0	2.0	1.5	1.0	0.5
EU	20.4	20.5	11.3	8.0	4.0	2.5
UNDP	0.7	1.2	0.9	0.7	0.7	0.9
Others	1.5	2.4	2.1	2.9	2.0	1.0
Total	44.1	54.7	43.5	40.3	4.6	20.5
Cash	8.1	7.3	9.6	9.1	6.0	5.2
Aid in Kind	36.0	47.4	33.9	30.9	28.6	15.3

*Source: Ministry of Finance and National Planning*

Table 2 shows more recent data on aid provision and forecasts, derived from the Fiji Mid-Term Review 2004<sup>11</sup>.

<sup>11</sup> European Commission. Fiji: Mid-term Review 2004. 2004.



**Table 2: Aid to Fiji: Actual and Forecast, 2002-2006. Million F\$**

Donor	2002 Actual	2003 Estimate	2004 Forecast	2005 Forecast	2006 Forecast
Australia	6.8	15.65	12.26	7.65	7.63
Canada	0.25	0.25	0.27	0.13	0.0
China	2.75	6.00	2.00	1.50	0.0
EU	12.84	23.58	27.82	17.0	10.0
Japan	4.80	8.22	12.99	8.50	8.00
Korea	0.20	0.20	0.0	0.0	0.0
New Zealand	0.86	3.43	1.05	0.71	0.71
UNDP	0.25	0.98	1.63	0.27	0.27
Others	1.60	2.69	2.96	1.72	2.36
Total	30.35	61.00	60.98	37.48	28.97

Source: Ministry of Finance and National Planning (revised)

Australia concentrates most of its aid on the promotion of institutional strengthening, health and education. New Zealand focuses its aid on health, education, poverty alleviation, and gender in development. Japan assists Fiji in infrastructure, cultural and grassroots assistance. China favours mainly agriculture and sports. Out of the three major multilateral aid donors, the World Bank and the ADB provide concessionary loans for economic and social infrastructure, while the European Union provides grants for different sector developments. The rest is normally on an *ad hoc* necessity basis.

The figures in Tables 1 and 2 above show levels of bilateral support. They do not take into account aid to the region that benefits Fiji. Though hard to quantify, significant aid donations to organisations such as the Secretariat of the Pacific Community, the University of the South Pacific and SOPAC mean that Fiji has substantial further benefits from aid.

Preferential trade agreements are another source of aid, albeit in a more indirect form. Through the Sugar Protocol of the Lomé Convention, Fiji sugar receives a price on average two times higher than the world market price, which amounts to benefit of approximately €50m per annum. Other preferential trade agreements, such as SPARTECA, with Australia and New Zealand, also offer substantial advantages, but again this is difficult to quantify.

### Annex III: List of Informants

<b>Informant</b>	<b>Position/Organisation</b>
A.m Zakaria	Director, ILO Office for the South Pacific
A. Nath	Principal Agriculture Officer MASLR, Fiji
Alefina Vuki	CEO Ministry of Fisheries and Forests (MFF) , Fiji
Aleki Sisifa	Director of Land Resources Division (LRD) Secretariat of the Pacific Community (SPC) , Fiji
Amena Yavoli	Acting Deputy Secretary Ministry of Foreign Affairs and External Trade, International Economic Affairs, Suva, Fiji
Ana Kubuabola Raivoce,	Director, South Pacific Board for Educational Assessment, SPBEA
Anju D. Keetharuth	Overseas Development Institute Fellow (Economist) Ministry of Foreign Affairs and External Trade, External Trade and Sustainable Development Division, Suva, Fiji
Anne Kohli	Attaché for Cooperation and Culture French Embassy, Suva, Fiji
Anqian Huang	Country Economist Asian Development Bank, South Pacific Subregional Office, Suva, Fiji
Apisai Ucuboi	Director of Extension Ministry of Agriculture, Sugar and land resettlement (MASLR) , Fiji
Apolosi Turanivalu	Technical Principal Fisheries officer MFF, Fiji
Bakanebo Tamaroa	Pacific Islands Association of Non-Government Organisations (PIANGO), Suva, Fiji
Bhaskar Rao	Deputy Director SOPAC, Fiji
Chris Landel Lane	Consultant, ALP MASLR, Fiji
Dale Withington	Representative WWF-South Pacific, Fiji
Danny Hunter	Team Leader of "Development of Sustainable Agriculture in the Pacific (DSAP)" SPC-LRD, Fiji
David Brewster	Dean, Fiji School of Medicine (FSchM)
David J. E. Smith	Regional Advisor, Development Policy United Nations Economic and Social Commission for Asia and the Pacific, Pacific Operations Centre, Suva, Fiji
Diane McFadzien	Climate Change Coordinator World Wide Fund for Nature (WWF), Suva, Fiji
Dimitri Geidelberg	NZAID Manager (Regional) and First Secretary New Zealand High Commission, NZAID, Suva, Fiji
Dr Biman C. Prasad	Head of School of Economics, Director of the USP-HRD component on Employment and Labour Market Studies (ELMS)
Dr Bob Teasdale	Director PRIDE
Dr Esther Batiri Williams	Deputy Vice-Chancellor of USP
Dr Helen Tavola	Forum Secretariat, Social Policy Advisor, Development and Economic Policy Division
Dr Lepani Waqatakiwewa	Ministry of health, Director Public Health
Dr Tracy Berno	Head of Department of Tourism and Hospitality, Director of Tourism Studies Programme (TSP), component of USP-HRD
Drs John Stunnenberg	EU/USP Senior Projects Coordinator, USP-HRD
Elaine Lameta	Monitor for PRIDE
Elena Volavola	Deputy National Authorising Officer, Fiji Budget Division, Ministry of Finance, Suva, Fiji
Eleni Tokaduadua	Environmental Officer Ministry of Environment, Fiji

<b>Informant</b>	<b>Position/Organisation</b>
Fernando C. Garcia	Principal Country Programs Specialist Asian Development Bank, South Pacific Subregional Office, Suva, Fiji
Filipe Jitoko	Ministry of Education, Deputy Secretary of Education, National PRIDE Coordinator
Gabriela Koehler-Raue	First Secretary, Social Sectors Delegation of the European Commission for the Pacific, Suva, Fiji
George Beck	TA to RAO Pacific Islands Forum Secretariat, Suva, Fiji
Gerhard Zieroth	Project Manager, "Pacific Islands Energy Policy and Strategic Action Planning (PIEPSAP)" SOPAC, Fiji
Govind Singh	Council of Pacific Educators
Hugh Govan	Manager, Communities and Coasts Programme Foundation of the Peoples of the South Pacific – International, Suva, Fiji
Inoke Wainiqolo	Divisional Forest Operation officer MFF, Fiji
James Millet	Senior Technical Adviser Birdlife International, Fiji
James T. Movick	Chairman Pacific Islands Private Sector Organisation, Suva, Fiji
Janine Constantine	Forum Secretariat, Executive Officer, Pacific Plan Office
Jeremy Hodges	Political Officer for Regional Affairs British High Commission, Suva, Fiji
Jim McMaster	Director of the Management Development Programme of USP-HRD
Joape Waqabaca	Project Coordinator, ADB Alternative Livelihood Project (ALP) MASLR, Fiji
Kakee P. Kaitu	Deputy High Commissioner High Commission of Tuvalu, Suva, Fiji
Kirk Yates	NZAID Manager and First Secretary New Zealand High Commission, NZAID, Suva, Fiji
Krishna Prasad	Chief Economic Planning Officer National Planning Office, Ministry of Finance, Suva, Fiji
Lailun Khan	Chief Executive Fiji Islands Trade and Investment Bureau
Louise Heaps	Regional Marine Coordinator World Wide Fund for Nature (WWF), Suva, Fiji
Maggie Hodges	Projects and Education Officer British High Commission, Suva, Fiji
Mahendra N.C. Singh	Project Manager PRIDE
Malcolm Ponton	Attaché, Natural Resources and Environment Section Delegation of the European Commission for the Pacific, Suva, Fiji
Manase Sovaki	Principal Environmental Officer Ministry of Environment, Fiji
Maria J. Ralha	Counsellor Operations Delegation of the European Commission for the Pacific, Suva, Fiji
Michael Graf	Attaché Social Sectors, EC-Delegation
Michel Gauché	First Counsellor, Natural Resources Delegation of the European Commission for the Pacific, Suva, Fiji
Monica Fong	Forum Secretariat, Human Resource Development Policy Officer
Moses Mose	Trade Policy Advisor-EC Pacific Islands Forum Secretariat, Suva, Fiji
Myfany Van de Velde	Trade section EC Delegation, Fiji
Nilesh Goundar	Pacific Administration and Oceans Team Leader Greenpeace Australia Pacific, Suva, Fiji
Padma Lal	Sustainable Development Adviser Pacific Island Forum Secretariat (PIFS) , Fiji

<b>Informant</b>	<b>Position/Organisation</b>
Pisaina Leilua-Lei Sam	Programme Manager, Pacific Regional Economic Integration Programme Pacific Islands Forum Secretariat
Rex S. Horoi	Foundation of the Peoples of the South Pacific – International, Suva, Fiji
Richard Davis	Plant Pathologist, “Plant Protection in the Pacific (PPP)” SPC-LRD, Fiji
Richard Wah, UNICEF	Project Officer - Education/Early Childhood Development
Roberto Ridolfi	Head of Delegation Delegation of the European Commission for the Pacific, Suva, Fiji
Roman Grynberg	Manager, Regional Trade Development Pacific Islands Forum Secretariat, Suva, Fiji
Saimoni Tuilaucala	Director of Fisheries MFF, Fiji
Sakuisa Tubuna	Chief Economist MASLR, Fiji
Stephanie Copus Campbell	Counsellor, Development Cooperation Australian High Commission, Suva, Fiji
Sushil Narayan	Divisional Administrative Officer SPC-LRD, Fiji
Tapu Panuve	President Tonga Chamber of Commerce and Industry
Temo Vakayatu	Economic Planning Officers Aid Unit, Ministry of Finance, Suva, Fiji
Teresa Manarangi_Trott	Director Pacific Consultant Limited, Nadi, Fiji
Thomas Gloerfelt-Tarp	Head, Project Administration Unit Asian Development Bank, South Pacific Subregional Office, Suva, Fiji
Tom Lee (and 3 staff)	Deputy Secretary, Public Service Commission
Tom Williams, Director	Fiji Education Sector Programme
Tupou Vere	Pacific Concert Resource Centre, Suva, Fiji

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## **COUNTRY NOTE: SAMOA**

### **0. Country features and development needs**

Samoa has a land area of around 2,935 km<sup>2</sup> divided in two main islands with an exclusive economic zone of 120,000 km<sup>2</sup>, the smallest in the Pacific. The population is estimated in 2000 to be around 170,000 of which 40,000 live in the capital Apia with additional 100,000 Samoans living overseas (Australia, New Zealand, USA). The country is mountainous with important forest and water reserves. About 98% of the population is spread along the narrow coastal plains.

The economy is relatively small, with aggregate GDP in 2000 of US\$ 235 million, implying a GDP per capita estimated at € 1,544. Economic growth is satisfactory (5.6% in 1999, 6.8% in 2000), thanks to strong performance of the construction sector. Inflation is relatively low, estimated at only 1% in 2000. Economic performance however is constrained by distance to markets, a small local market, a skill base that finds it difficult to compete with Asian countries in labour-intensive production.

The agricultural sector (taro, coconut, copra, cocoa, bananas) accounts for 10% to 15% of GDP and is characterised by a substantial subsistence base, which continues to provide a source of livelihood for over 80% of the population and a high level of domestic food security.

However, Samoa is confronted with population pressure along the coasts, increased urban development and impacts on resource base and on quality of natural and human habitats, resulting in public health risks and vulnerability to natural disasters, particularly cyclones and sea level rise.

### **1. Overview of the European Commission Support to the Samoa from 1997 to 2006**

EC cooperation strategy in Samoa over the last two programming periods (8th and 9th EDF)<sup>1</sup> confirmed two focus areas of intervention: (i) the water sector and (ii) community development through micro-projects schemes. Both sectors consolidate areas of cooperation started in the first Lomé Conventions.

The Water sector support evolved from specific interventions (hydropower, water supply, sanitation) to a sector-wide approach building on achievements of past cooperation and addressing rural and urban water infrastructure, water resources conservation, sewerage systems, as well as institutional & legal framework.

The **8<sup>th</sup> EDF National Indicative Programme** for Samoa defined the following priorities:

- a) "Development and consolidation of democracy and of the rule of law, as well as respect for human rights and fundamental freedom;
- b) Campaign against poverty;
- c) Sustainable economic and social development, with particular stress on the development of human resources, especially questions of gender and environmental protection;
- d) Integration into the world economy, in particular through the promotion of the private sector and the development of trade".

Focal sector	Economic and social infrastructure in rural areas	11.00 MEuro
Non-focal sector	Human resources development, tourism or culture	0.50 MEuro
<b>TOTAL</b>		<b>11.50 MEuro</b>

<sup>1</sup> This period includes also some remaining projects of 7<sup>th</sup> EDF (see Table 4).

The 9<sup>th</sup> EDF Country Strategy Paper introduced a change in the formulation of priority sectors as compared to 8<sup>th</sup> EDF as shown in the table 2 below.

Focal sector :	Public health: water supply and sanitation	15.00 MEuro
Non-focal sector :	Development of the village economy: Micro-projects	4.00 MEuro
Reserve		1.00 MEuro
	A Envelope	20.00 MEuro
	B Envelope	7.10 MEuro

The new focus on public health improvement via water supply and sewage operations is at the same time a sign of evolving needs and an indicator of changed perception of the country development needs. While the EC-Samoa cooperation show a continuity in water sector interventions (see Table 4), the changed focus indicate a strategic move from a infrastructural approach aimed at providing access to social and economic facilities to a more qualitative service delivery improving health conditions in consideration of the growing development and urbanisation of Samoa.

In addition the development of the village economy was supported as a non-focal sector. With different degree of priority and allocations, the socio-economic development at village and community level was supported throughout the different programming phases, showing continuity in the sector and in the approach. The micro-projects schemes were successfully implemented in the past with positive appreciation by national authorities and stakeholders.

Samoa satisfactory performance under the past Lomé Conventions lead to an increase of € 2.7 million in 8<sup>th</sup> EDF financial envelope. The 9<sup>th</sup> EDF Mid-Term Review confirmed that no change of strategy or focal sector was required but revised the financial allocations. In light of the country's good policy performance and additional focal sector needs, it was recommended that funds available from the A envelope for the focal sector be supplemented with a transfer of € 5.0 million from the B envelope. Subsequently, € 0.94 million of Samoa's FLEX entitlements were programmed for the water sector programme and € 1.16 million to complement the current micro-projects intervention.

## 2. Overview of the implemented interventions supported by the European Commission in Samoa

For the period under reference, the programmable Aid was covered by EDFs 8 and 9 with some remaining project under EDF 7. €46m were committed and almost €25m was spent.

**Table 3 – Financial summary of EC-Samoa cooperation in the period 1997-2005**

Source of funding	Number of projects	Commitments (a)	Contracted	Paid (b)	Disbursement rate (b/a)
EDF 7	1	533,698	533,698	533,698	100%
EDF 8	7	23,934,521	23,082,574	22,327,255	93%
EDF 9	4	21,567,661	4,539,890	2,090,949	9.6%
<b>Total EDF</b>		46,035,880	28,156,162	24,951,902	
EIB	3	9,000,000	9,000,000	9,000,000	100%
Stabex	1	33,057	33,057	33,057	100%
<b>TOTAL</b>	14	55,068,937	37,188,219	33,984,959	

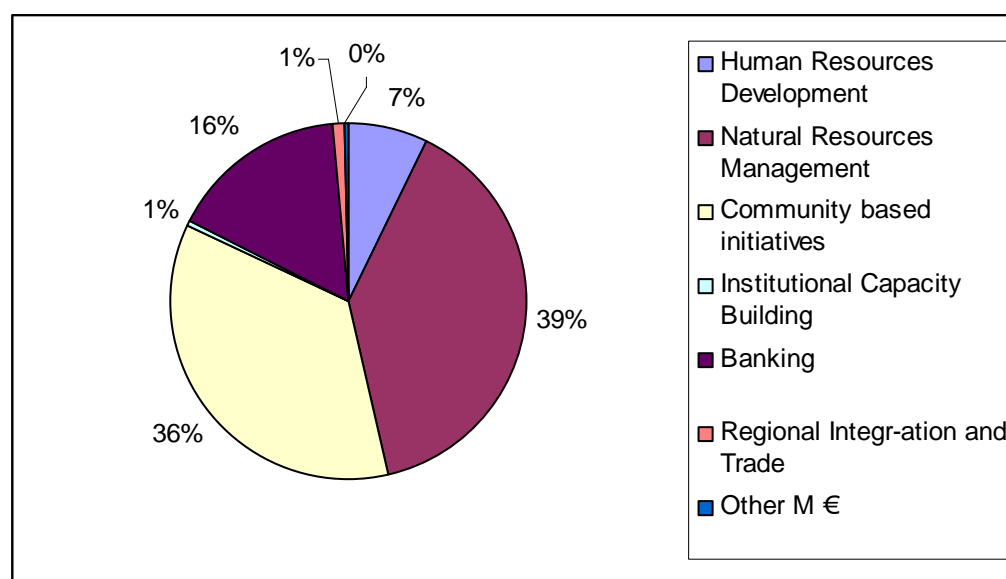
Source: CRIS DATA BASE

In the period under consideration 14 interventions were committed. At the beginning of 2006 9 were closed. Their current status in terms of timeframe and finance is shown in Table 4.

The disbursement rate in EDF 8 has advanced well. The EDF 9 envelope has been fully committed. But EDF 9 projects are currently at or before the mid-term implementation stage. These consequently have much lower rates of contracting and disbursement.

Given the good past performance of Samoa and the more comprehensive nature of programmes in EDF 9 (often continuing from past EDFs), the duration of the interventions in the water sector has been extended within and beyond the EDF 9 programming period, evolving from specific interventions (hydropower, water supply, sanitation) to a sector-wide approach building on the achievements of past cooperation and addressing rural and urban water infrastructure, water resources conservation, sewerage systems, and the institutional and legal framework.

**Figure 1 – Project allocation by sector (from CRIS database May 2006)**



**Table 4 – Project Status (from CRIS database May 2006)**

Project N.	Project Title	Planned	Contracts	Paid	Start	End	Sector
6 ACP WSO 25, 7 ACP WSO 29, 8 ACP WSO 3	Rural Water Supply Programme	18,705,694	18,705,694	18,705,694	1998	2003	RURAL
7 ACP WSO 28 7 ACP WSO 30	Public Awareness Programme (Rural Water Supply)	533,698	533,698	533,698	1997	2000	WATER
7 ACP WSO 31	DBS V GI (21769) (BEI)	4,000,000	4,000,000	4,000,000	2002	2004	FINANCE
8 ACP WSO 1	DBWS Pret Global III (BEI)	2,000,000	2,000,000	2,000,000	1997	1999	INDUSTRY
8 ACP WSO 4	Microproject Phase II	935,848	935,848	935,848	1999	2003	RURAL
	<b>Total completed projects</b>	<b>26,175,240</b>	<b>26,175,240</b>	<b>26,175,240</b>			
			<b>100%</b>	<b>100%</b>			
8 ACP WSO 10	Microprojects Programme Phase III	4,000,000	3,147,052	2,392,734	2003	04/2007	EDUCA-TION
9 ACP WSO 1	Appraisal Study Water And Sanitation Sector	177,661	177,661	177,661	2003	12/2006	WATER
9 ACP WSO 2	Rural Water Supply Consolidation Project (RWSCP)	1,700,000	1,668,417	1,073,712	2004	09/2008	WATER
9 ACP WSO 3	Technical Cooperation Facility	600,000	561,862	361,985	2004	10/2009	TRADE



	(TCF)						
9 ACP WSO 4	Water Sector Support	19,090,000	2,131,950	477,592	2005	12/2012	WATER
9 ACP WSO 5	Programme (WaSSP)						
	<b>Total ongoing projects</b>	<b>25,567,661</b>	<b>7,686,942</b>	<b>4,483,684</b>			
			<b>30%</b>	<b>18%</b>			

One major rural water supply project with an EDF funding of €18.7m dominates the first part of the reference period. In parallel, micro-projects to a total amount of €2.0m for community based operations were implemented, in sectors such as fisheries, agriculture, health, education, village tourism development and youth programmes.

Under EDF 9 assistance to the water sector was characterized by three complementary projects to a total amount of nearly €21m, allowing for consolidation of past EDF interventions (RWSCP) and for transition to a sector-wide approach for water (WaSSP).

The micro-projects programmes have been sustained over the different EDFs with increased allocations in recognition of their positive performance and stakeholders interest.

Regarding non-programmable aid, Samoa has benefited from STABEX, the European Investment Bank (EIB) and the Centre for Technical Cooperation in Agriculture (CTA).

Samoa received more than €26m in **STABEX** transfers between 1975 and 2000 to help stabilise export earnings from copra, coconut oil and cocoa beans. Under EDFs 7 and 8<sup>2</sup> STABEX transfers, including interest up to December 2004, amounted to €7,217m, whilst total commitments under agreed FMOs totalled €7,084m. The difference between available funds and commitments is accrued interest on bank accounts from 2002 and 2005.

In 2005 the **EIB** approved a global loan of up to €7m to the Development Bank of Samoa under the Pacific Islands Finance Facility. This is the sixth EIB operation with this development bank, which has proved an efficient user of EIB resources in recent years, operating in a sound economic environment, as stated by the interviewed authorities (Ministry of Finance and Deputy Prime Minister). The EIB held frequent meetings during the year with the Manager of the Samoa Venture Capital Fund, a private equity fund for which EIB was one of the founding investors alongside IFC and ADB. The EIB chaired the fund during the years 2005-2006.

The EDF-funded **Technical Centre for Agriculture and Rural Cooperation (CTA)** based in the Netherlands has signed several Memoranda of Cooperation (the last in 2004) with the Institute for Research, Extension and Training in Agriculture (IRETA). IRETA is part of the University of the South Pacific and is based in Alafua Campus, Apia, Samoa. CTA provides institutional and technical support to IRETA to promote CTA products and services and carry out projects and activities in the Pacific region, particularly in the fields of agriculture and natural resources information, publications and training. This cooperation enhanced the role of IRETA as a regional centre of excellence and as a provider of regional services to other Pacific countries in coordination with other regional agricultural institutions such as SPC.

<sup>2</sup> Disclaimer, the main part of this transfer was done prior to 1997 and does not appear in table 2.

### **3. Assessment of the results and impacts of the implemented interventions and comparison with those expected**

#### **3.1 Relevance, logic and coherence of the CSP**

EC intervention has been targeted to outstanding and evolving needs given the country macroeconomic achievement and the growing importance of urban development requiring a major attention to be paid to quality of services and health implications in the management of natural resources, first of all water and related utilisations. Aid programming has been facilitated and influenced on the one hand by the continuity of EC interventions and on the other hand by a limited NIP envelope that lead to a limited portfolio of focal areas and projects.

The EC's consolidated and continued support to the water sector is relevant to the country's socio-economic developmental needs, as stated in the different Strategies for the development of Samoa drafted since 1996, and it covers the multi-dimensions of these needs. EC intervenes both in urban and rural areas and rightly takes into account the importance of water resources in Samoa ecological features, in terms of management of watersheds, preservation of its high biodiversity heritage, and protection from natural risks and socio-economic hazards for both inland and coastal environments.

By prioritising investment in the water sector (75% of the EDF 9 NIP), both the Government of Samoa and the EC are building on past investments and seeking to make progress toward the global goal of poverty alleviation. This sectoral strategy strives to consolidate improvements in public health with a wider range of benefits for the population and the natural environment, shifting from a project basis to a sector-wide approach, thus considering and addressing multiple aspects and impacts of sustainable water resources management.

The logic behind the water sector support strategy is based on past experience and achievements, as it aims at consolidating the long-term benefits, extending the areas and beneficiaries of improved access to water facilities, and strengthening the long-term management of this crucial resource. It is also oriented to address problems from a more holistic and comprehensive point of view in line with the evolving development needs as perceived and faced by civil society and public authorities, in particular as regards to the changing patterns and relationships between urban and rural livelihoods. The transition from physical investments to a more comprehensive approach that includes strengthening of institutional capacity, policy and legislative aspects together with improved access of stakeholders to socio-economic resources and opportunities can be seen as a major improvement for the achievement of the global objectives of sustainable development and poverty reduction.

Continued support to community socio-economic development is covered in the CSP as a non-focal sector (20% of the EDF 9 NIP). It is, however, a consolidation of past experiences and demonstrates coherence with the water sector strategy and with the country vulnerability response. On one side, the EC is supporting improvements to the population's access to basic and healthy resources, in both rural and urban areas. On the other side, the micro-project schemes provide the same communities and stakeholders with facilitated access to financial and technical services, thus enabling them to invest in social and economic sectors and improve their livelihoods and quality of life.

Moreover, as shown in Annex 1 (donors matrix), EC interventions are also complementary to other donors interventions, which are focused on other Samoan strategical sectors. From a

strategic point of view and considering the diversity of development partners (see Annex I), the continuity in EC country support is clearly recognised and appreciated by national stakeholders. The favourable reactions and participation of stakeholders have given EC programmes high public profile.

**The EC strategy is relevant with the socio-economic country's needs in both urban to rural areas. Its sectors of intervention are coherent with the Government of Samoa policy papers, as defined also in its national and sectoral development plans.**

### **3.2 Consistency between programming and implementation**

The programming and implementation phases fully correspond and are mutually consistent not only in terms of sectoral and financial allocations but also for the use of diversified financing (EDF, Stabex, Budget Lines) and management instruments (institutional and policy support, infrastructure investments, support to NSA micro-projects).

The nature of the interventions and the target groups (urban vs. rural, public vs. private stakeholders, policy vs. infrastructure) indicated in the CSP have been respected at the implementation stage, as it results from project documents, interviews with the officials from the NAO office and EC representative in the field.

### **3.3 Analysis of the implementation of the NIP**

#### Efficiency:

As indicated in Section 2, the financial commitments and the disbursement rates of EDFs 8 and 9 are very positive and in line with forecasts. A 100% NIP commitment for EDF 8<sup>3</sup> was expected in 2006 following the anticipated approval of an extension for the Micro-projects programme, based on positive achievements and favourable evaluation reports<sup>4</sup>. More specifically, efficiency of 8<sup>th</sup> EDF MPP (8-ACP-WSO-10) was described as satisfactory.

EDF 9 projects are progressing in line with schedule. The recruitment of Technical Assistance to the National Authorising Officer (NAO) has proved to be efficient and has helped in the planning and implementation of projects. The mobilisation of a TA specialised in the focal sector (water) has been instrumental in optimising the support of other donors contributing to the same sector (i.e. ADB project in drainage and sanitation). Furthermore, monitoring and evaluation reports together with national partners consultation show good performance in achieving the expected results and the positive outreach effects in terms of visibility and management. In the water sector, for example, the projects helped establish and institutionalise inter-sectoral and inter-institutional steering, advisory and management bodies, thus establishing a sound basis for their sustainability.

The move towards a Sector Wide Approach (SWAP) has certainly helped developing participatory approaches and negotiation tools among public and private stakeholders as reported by interviewed people. The empowerment of these management instruments had favourable effects on the efficiency of planning, implementation and decision-making process and consequently on the effectiveness of the Aid delivery systems.

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<sup>3</sup> It should be noted that when a project is closed, the commitment level included in CRIS database is equalised to the contracted amount. However, even if a 100% commitment rate does not necessary mean that a project is highly efficient, in the case of Samoa several evaluation reports show positive results regarding this aspect.

<sup>4</sup> See Bibliography in Annex III

For the MPP, the last phase of the microproject facilities has capitalise on lessons learnt and recommendations from monitoring and evaluations reports, in particular as regards to reduction of eligible sectors, inclusion of a monitoring and maintenance plan for project and investments and strengthening linkages with other structural and policy initiatives such as the Water Sector Wide Approach.

**The country political and economic achievements and the EC strategy to support the focal sector development using a strategic and comprehensive approach are both key factors of success. Good governance, continuity and sector-wide approach are all contributing to efficiency of Aid. The example of Samoa should be promoted in the region.**

Effectiveness:

The **water sector** has been supported since the first Lomé Conventions, building on achievements and lessons, adjusting to emerging needs and issues, and leading finally to a sector-wide approach supporting the *Water for Life* process and implementation of the *Sector Plan and Framework for Action*. This consolidated water sector support has led to quantitative and qualitative outputs and results such as increased access to water services for urban and rural stakeholders, enhanced coordination between water-related authorities and better knowledge of the resource base (quantity and quality)<sup>5</sup>. Reliable data collection and processing systems have been established as part of the process, contributing to development of a long-term sector-wise policy framework . The mix of physical infrastructure and institutional support furthered achievement of the expected results, addressing at the same time basic population requirements and long-term development perspectives.

Several generations of **Micro-projects Programmes (MPP)** have been carried out since the early 1990s. These also have built on past achievements and lessons. The EDF 8 MPP was evaluated in April 2006. It concluded that the project has been successful in delivering results to target beneficiaries and in contributing to the alleviation of poverty in many areas of Samoa.

**Table 5 – ROM Conclusions for Microproject Programmes (MPP)**

Project	Title	Budget €m.	Start	End	Visit date	Conclusions
8 ACP WSO 4	MICROPROJECTS PROGRAMME (PHASE II).	1	18/10/1999	30/04/2003	3/03/2003	c - b - b - b - b
8 ACP WSO 10	MICROPROJECTS PROGRAMME (PHASE III)	4	30/04/2003	29/04/2007	15/08/2005	a - b - b - b - b

*Key to letter codes: The codes refer to: 'relevance; efficiency; effectiveness; impact; and sustainability'.  
 a = very good; b= good; c = problems; d = serious deficiencies.*

The MPP has undoubtedly reached a large number of beneficiaries, both directly and indirectly. However, to build on its success the evaluation recommends that the MPP now fine-tunes its approach and focuses more precisely on opportunities that lie behind people's immediate needs. Such an approach could help development in rural communities of Samoa to move ahead from basic needs fulfilment to a more proactive and profitable growth, thus further alleviating hardship and improving welfare conditions of the poorest strata of Samoan society. The following SWOT analysis was elaborated by the MPP evaluators.

<sup>5</sup> Source: EU-Samoa Joint Annual Report 2005

STRENGTHS	<ul style="list-style-type: none"> <li>▪ <i>immediate impact on the very target beneficiaries;</i></li> <li>▪ <i>strong sense of 'community' and 'enlarged family';</i></li> <li>▪ <i>attuned to the limited resources of the population;</i></li> <li>▪ <i>large base of direct and indirect beneficiaries;</i></li> <li>▪ <i>strong women participation;</i></li> <li>▪ <i>capacity to adapt and respond to changes in given circumstances.</i></li> </ul>
WEAKNESSES	<ul style="list-style-type: none"> <li>▪ <i>scarce attention to linkages with stakeholders' or other donors' initiatives;</i></li> <li>▪ <i>inadequate notice to possible synergies;</i></li> <li>▪ <i>lack of a specific environment component;</i></li> <li>▪ <i>want for standardized technical solutions;</i></li> <li>▪ <i>absence of logical framework.</i></li> </ul>
OPPORTUNITIES	<ul style="list-style-type: none"> <li>▪ <i>linking with other projects and programmes and relevant national authorities;</i></li> <li>▪ <i>widening and strengthening MPP staff competencies and expertise;</i></li> <li>▪ <i>exploiting development opportunities in-built in microprojects;</i></li> <li>▪ <i>deepening interventions in selected sectors;</i></li> <li>▪ <i>streamlining applied methodologies and procedures.</i></li> </ul>
THREATS	<ul style="list-style-type: none"> <li>▪ <i>fading of stakeholders' support due to lack of focus and incisiveness;</i></li> <li>▪ <i>widening of gap between approved and implemented microprojects;</i></li> <li>▪ <i>increasing of administrative costs incidence.</i></li> </ul>

### **3.3.1 Project Analysis 1: INTERVENTION IN THE WATER SECTOR<sup>6</sup>**

The Rural Water Supply Consolidation Project (RWS-CP) is addressing immediate needs in the sector by consolidating the impacts and benefits of newly installed water infrastructures on both islands (in NW Upolu and SE Savaii), implemented under EDF 6, 7 and 8 support.

Tangible benefits became evident during 2005 as the project moved into its fully operational phase with access to safe potable drinking water increasing by 6% and with national figures for access rising from 41% to 47% of the population. The RWS-CP brought about an additional 810 customers, in a population of 6,000, for connection to upgraded water supply systems through construction of new sub-mains and metered household connections. Total connections in the target areas now exceed 6,100 customers in a population of 45,100 and it is anticipated that works planned for 2006 will achieve the target of 7,400 connections in a population of 55,000 by September 2006. Complementary community consultation and awareness programmes also resulted in improvements in the development of water-wise communities with average *per capita* consumption figures falling below the target level of 300 litres/person/day in many areas.

### **3.3.2 Project Analysis 2: SECTOR PLANNING AND SECTOR POLICY DIALOGUE**

A major stakeholder consultation process, known as the *Water for Life* initiative, was launched in early 2005 and has led to the development of an initial medium-term *Water for Life: Water Sector Plan and Framework for Action*. The process is driven by the Government's sector planning process under the Economic Policy and Planning Division (EPPD). The *Water for Life* document provides a strategic sector-wide framework for addressing sector issues and concerns and is intended as a tool for helping coordination and focus of sector activities.

<sup>6</sup> Source: Joint Annual report 2005 (JAR) for Samoa, Draft Final version of March 2006.

During the year 2005, the foundations were laid for the development of a new sector-wide approach. With coordinated contribution from the ADB-funded 'Apia Sanitation and Drainage Project', the WaSSP programme is providing support for attaining medium- to long-term goals in the water sector with tangible results and impacts expected by the end of 2006. The WaSSP programme is expected to provide the following benefits for public and private stakeholders and for the population as a whole:

- Increased access to safe and reliable potable water supply for a further 53,500 rural villagers, i.e. approximately 30% of the total population.
- Improved effectiveness and efficiency of existing water supply systems and levels of cost recovery.
- Improved sanitation and wastewater disposal facilities with provision of appropriate and environmentally sensitive sanitation facilities to 200 schools, encompassing 42,000 pupils, and 15 district hospitals.
- Enhanced health and environmental conditions through hygiene education programmes and safe collection and disposal of waste.
- Improved water sector governance and coherent water resources management strategy through institutional support, with focus on effective and sustainable allocation, conservation and protection of water resources.
- Effective statistical and monitoring system for the water sector through coordinated effort by Samoa Water Authority (SWA), the Ministry of Natural Resources, Environment and Meteorology (MNREM) and other stakeholders.

Tangible results at sector level include formalisation of a high-level Water Sector Steering Committee (WSSC), a focal point for co-ordination of sector implementation within the Ministry of Finance and with representatives of relevant Government institutions and Non-State Actors (NSA). The provision of specialist Technical Assistance to the NAO in water resources management has been influential in this process.

The WaSSP programme is building the institutional capacity that will ensure that the *Water for Life* document is periodically enhanced and updated, including the strengthening of a medium-term expenditure framework (MTEF) to guide future investments in the sector. The WaSSP programme technical assistance support is oriented to make co-ordination bodies become fully effective and efficient.

Continuing institutional reforms favoured and supported by the EC interventions have led to the Meteorological Office (formerly under the Ministry of Agriculture, Forestry and Fisheries) being placed under the Ministry of Natural Resources, Environment and Meteorology (MNREM). The move has strengthened MNREM's capacity for water resources assessment and integration of activities with those planned under the new Water Resource Unit (WRU) to provide a stronger basis for future updates and adaptation of the water resource management strategy.

**The adoption of a comprehensive approach in Aid delivery with a clear sectoral focus, given the size of the country is certainly an advantage in the achievement of tangible and visible results. The sector-wide approach applied in the water sector in Samoa consolidates past results and opens for longer-term initiatives and impacts. This combined with aid concentration have demonstrated to be an effective approach in the Samoan context to bring to the expected impacts. However, it is to be taken into account that at the moment of the evaluation (June 2006) the programme was in place since only one year.**

#### 4. Assessment of links and mutual support between regional and national strategies

The EDF 8 NIP refers to consultations between the EC, Samoa and its partners on priorities and possible orientations on regional cooperation (Annex 3 of the NIP). Among the sectors identified in the 8<sup>th</sup> Regional Indicative Programme (RIP), Samoa has attached particular importance to the development of human resources, particularly in the fields of education and health. EDF 9 CSP mentions that NIP resources may be used to complement RIP resources.

**Table 5- Samoa And Pacific Regional Focal Sectors (8<sup>TH</sup> and 9<sup>TH</sup> EDF)**

	<b>Focal Sectors: Samoa</b>	<b>Focal Sectors: Pacific Region</b>
<b>EDF 8</b>	Economic and Social Infrastructure in Rural Areas (water, community development) (95%) Human Resource Development, including training, tourism, trade, cultural cooperation (5%)	Human Resources Development (45%); Sustainable management of natural resources and environmental management and protection (35%)
<b>EDF 9</b>	Public Health through Water and Sewerage development (84%) Village economy micro-projects (16%) Contingencies (5%)	Regional Economic Integration and Trade (31%); Human Resources Development (28%); Fisheries (17%).

#### JC 2.1 EC regional and country strategy documents are complementary

Samoa has benefited in various degrees from EC regional cooperation during the last decade through implementation of several regional programmes in the sectors of Regional Integration and Trade (REIT), Human Resources Development (HRD), Fisheries and Natural Resources Management (NRM). NIP documents refer to complementarity of approaches and funding with regional programmes. However no specific financial and technical allocations to Samoa (and to other PICs) were made in the regional programmes design, thus leaving the country and the regional implementing agencies to discuss and arrange specific contributions and actions during implementation.

At the same time, reference to regional strategies in the national programming documents (NIP, CSP) is just mentioned without clarifying the areas of complementarity and neither identifying appropriate synergies, leaving the development of operational complementarity to the implementation level.

**There is no overlapping in regional and national intervention sectors. However, effective complementarity has been neglected in strategy documents and left to be explored and eventually put into work at implementation level.**

#### JC 2.2 Interventions in the same sector at regional and national level are designed and implemented in complementarity

In the field of trade, Samoa applied for WTO membership in 2000 and expected to achieve it by the end of 2006. It has benefited from support provided by PACREIP in developing links with the WTO, closely identifying this initiative with the Pacific Islands Forum (see the Country Sector Note on REIT for Samoa in Annex 11). Samoa is actively engaged in the development of a partnership agreement on trade and development with the EC.

In the human resources development (HRD) sector, Samoa benefits from the Fiji School of Medicine (FSchM) and the Pacific Initiatives for the Delivery of Basic Education (PRIDE) projects. All Samoan medical students go to FSchM, along with radiographers and physiotherapists. It has been observed locally that students going to FSchM are more likely to return to Samoa after their training than those that go to Australia or New Zealand. There is, nevertheless, a continuing problem of migration of doctors and other health workers with a few years of experience. For this reason, expatriate medical staff are still employed in significant numbers in Samoa.

PRIDE provided two consultants to assist in the development of a 9-year strategic plan for the Ministry of Education, Sport and Culture. The consultants helped in the development of the plan by giving focus and defining priorities. PRIDE also supported the project with finance, and a PRIDE officer participated in consultations for one week. The inputs from PRIDE are regarded as very effective. Two sub-projects are running under the PRIDE programme:

1. Introduction of new subjects at secondary level. These include performing arts, music, computer studies, physical education and a health curriculum.
2. Inclusive education, the objective being strategies that include all students. NGOs currently cater for students with special needs, but there is pressure from the community to include them in mainstream schooling. It involves simple tasks such as building ramps.

The USP campus in Apia is largely confined to agriculture. It houses the School of Agriculture and Food Technology. It has not been involved with the Commission's USP-HRD programme, but has been a key contributor to regional capacity in the natural resources sector, maintaining dialogue and cooperation with other regional agencies involved in this sector.

In fisheries, the Ministry of Agriculture and Fisheries of Samoa recognises being part of a regional fisheries policy framework. The Government is fully supportive of Multilateral Fishery Agreements and has invested in making the fishing fleet in the EEZ fully domestic. It has also recognised the following contributions from regional initiatives in the sector:

- Strengthening of community-based fishery management (PROCFISH);
- National off-shore fishery legislation review by FFA (DEVFISH);
- Improved capability of fish traders to meet market requirements;
- Capacity-building and training of staff with preference for in-country training.

In the natural resources sector Samoa has benefited from all the regional programmes, namely:

- The 'Pacific Environmental Information Network – PEIN'. The project is managed by SPREP, based in Apia. This location has favoured the national-regional relationship and the establishment of national information points and relays in the Ministry of Environment and in the University library. Integration of national sectoral information and data in the system is progressing and should be pursued for the benefit of national institutions and stakeholders and to serve eventually as a model for other countries, not so much for the products as for the process of data integration and institutional negotiation. The high visibility and appreciation of the PEIN system are demonstrated by the award of an international prize and by the willingness of UNEP and UNESCO to contribute to future expansion of the system in the Pacific region.
- The 'Reducing Vulnerability in the Pacific - RVP' programme has strong links with the EC national strategy and in particular with the water sector support programme. For this reason, the focus of RVP was on other target areas such as 'aggregates for coastal



management' and Island System Management (ISM). Better communication with SOPAC and consolidation of mutual achievements was strongly advocated by national stakeholders so as to avoid overlaps and optimise synergies and impacts.

- The 'Development of Sustainable Agriculture in the Pacific – DSAP' is perceived as very relevant and effective, with positive participation and empowerment by rural communities, farmers' groups and national agriculture research and extension services (NARES). The consolidation of the DSAP participative approach in broader natural resources management initiatives should be pursued in future programmes as well as its linkages with community-based development (MPP).
- The 'Plant Protection in the Pacific – PPP' project shows good linkages with NARES and with DSAP project teams and results. The trade facilitation role is highly needed and appreciated. The pest list database (PLD) for agriculture quarantine was updated, and STABEX funds were used to establish pest control facilities. The contributions of the PPP and its integration into the larger idea of a Pacific regional health observation and monitoring system for plant, animal and food products should be supported in the future. This concept is being developed in other regions, usually in the context of human public health, but also in relation to food and animal products.

In the field of smallholder agriculture and coastal fisheries development, the contribution of the MPP is seen as complementary to regional approaches, and particularly effective in supporting socio-economic development at village and community level, and the emergence or consolidation of small and micro enterprises in rural and urban areas.

**Complementary between regional and national strategies is rather indicative at design level and becomes more effective during implementation, in particular for the capacity of regional programmes to involve national stakeholders in their country-based components. However, these complementarities are not sufficiently demonstrated, promoted and disseminated so as to be mutually beneficial and to make provision of regional services more effective, visible and sustainable.**

### **JC 2.3 Regional interventions address problems that can be effectively tackled at regional level**

*From a sectoral point of view*, regional financed interventions appear to have a comparative advantage compared to national projects. In REIT the size and human capacity of most PICs do not allow them to adequately tackle those issues and thus take advantage of regional organizations representing them in regional and international fora. For HRD the regional approach responds in part to the regional Forum Basic Education Action Plan of 2001 in which the necessity of sharing experiences and resources was seen as an asset, as well as the necessity to use existing regional services. Also, having HRD covered by EDF at regional level was explicitly welcomed in the Plan. As for fisheries, being the regional interventions directly addressed to regional migratory fish stocks, the regional approach appear to be the most appropriate level for ensuring the best return for fish catches and trade earnings through multilateral agreements rather than bilateral ones in which their negotiation position is much weaker.

*From a strategic point of view*, the regional treatment of these sectors of intervention has had positive results for the country. Samoa demonstrated proactive participation in regional policy development and programme implementation. Its position and influential role in the Pacific integration scenario and the positive governance achievements were crucial aspects in optimising the regional cooperation opportunities and ensuring a leadership role in the

regional policy development dynamic. Samoa shares with Fiji the role of regional coordination pole for the presence of regional education & training institutions (e.g. USP), regional agencies (SPREP, IRETA) and/or offices of international organisations (FAO/UNDP) and for the political stability and economic successes that made Samoa a reference for other PICs. This has strengthened Samoa's capability to provide advisory and assistance services to other Pacific countries in areas of excellence for the region, particularly in the sector of human resources development and in the sustainable management of natural resources (off-shore fisheries, agriculture research, risk assessment and vulnerability response, environmental information, etc.). As underlined by national top officials<sup>7</sup> during the evaluation mission, Samoa has well understood the importance of a regional approach to shared resources and common issues and wishes to take advantage of its regional excellence to support development in smaller and weaker countries and to lead the regional dialogue and strategy adaptation process.

**However, in spite of the correctness of addressing these issues at regional level and in spite of the country's role in the regional scenario, there are certain weaknesses, mainly in terms of regional cooperation dynamics and of empowering regional stakeholders: (i) weak consideration of the prevention and mitigation measures and on their effects on the sustainability of the regional heritage and socio-economic development, and (ii) weak weight of non-State actors participation and empowerment.**

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<sup>7</sup> Reference to meeting with Honourable Misa Telefoni, Deputy Prime Minister and NAO

## Annex I: Donors Development Assistance

The Government of Samoa has consolidated and diversified partnerships with international development agencies and donors as summarised in the Table below:

**Table: Donors Sectoral Matrix**

Sector	AUS	NZ	EU	Japan	PRC	WHO	UNDP	WB	ADB	Germany
Finance & Trade	••	••	••		•		••	••	•	
Education	••	••	•	••	•	•	•		••	
Health	••	••	•	••	•	••		••		
Water	•		••			•			•	•
Transport	•			•				••		
Law & Order	••	••					•			
Women & youth	•	•	•			•	•		•	
Environment	•	•	•	•		•	•	•		
Communications				•	•		•	••		
Sports & Leisure	•	•		•	•					
<u>Legend:</u> •• Lead partners in the sector – Sources: Samoa JAR 2005 and others										

### Legend of Donors:

**AUS = Australia**

**NZ = New Zealand**

**EU = European Union**

**PRC = People's Republic of China**

**WHO = World health Organisation**

**UNDP = United Nations Development Programme**

**WB = The World Bank**

**ADB = Asian Development Bank**

## Annex II: Informants Met

Aiono Mose Sua	Chief Executive Officer Ministry of Foreign Affairs and Trade, Apia, Samoa
Bismarck Crawley	Regional coordinator of the Regional programme for Food Security in the PIC FAO Sub-Regional Office, Samoa
Bruce Chapman	Pacific Futures Programme Manager SPREP, Samoa
David Hunter	Acting Head of School University of the South Pacific, Alafua Campus, Apia, Samoa
Doreen Tuala	National Project Coordinator for PRIDE Ministry of Education, Sport and Culture, Apia, Samoa
Dr Stanley Dean	Doctor Ministry of Health, Apia, Samoa
F. Vitolio Lui	Deputy Director Secretariat of the Pacific Regional Environmental Programme (SPREP) Samoa
Hinauri Petana	CEO Ministry of Finance Government of Samoa, Apia, Samoa
Julius Fruenan	Building Supervisor PMU Micro-Projects, Samoa
Klaus J. Stünzner (Jr)	President Samoa Chamber of Commerce, Apia, Samoa
Latu s. Kupa	Consultant to SWA Kew Consult, Samoa
Lemalu Lemi Taefu	Business Manager University of the South Pacific, Alafua Campus, Apia, Samoa
Ludo Prins	Project Adviser Samoa Water Authority, Samoa
Malaki Iakopo	CEO Ministry of Agriculture & Fisheries (MAF), Samoa
Mathias Aru	Forestry officer FAO Sub-Regional Office, Samoa
Misa Telefoni, Hon.	Deputy Prime Minister and NAO Minister of Commerce, Samoa
Moefaauo Taputoa Titimaea	Managing Director Samoa Water Authority (SWA), Samoa
Nadia Meredith-Hunt	Ministry of Finance Samoa
Nigel Walmsley	TA to the NAO Ministry of Finance, Samoa
Noelani Tapu	Senior Aid Officer Ministry of Finance, Samoa
Noumea Simi	Head of Aid Management Government of Samoa, Ministry of Finance, Apia, Samoa
Palatinata Toelupe	Chief Executive Officer Ministry of Health, Apia, Samoa
Papalii Grant Percival	President Samoa Association of Manufacturers and Exporters, Apia, Samoa
Peter Woperels	Team Leader, TA Water Sector Support Programme (WaSSP) Samoa Water Authority, Samoa
Philip Hewitt	Aid Manager/First Secretary NZAID, New Zealand High Commission, Apia, Samoa
Satui Bentin	Pacific Environmental Information Network (PEIN) Manager SPREP, Samoa
Setefano Tupufia	Project Manager PMU Micro-Projects, Samoa
Stuart Chape	Island Ecosystems Programme Manager SPREP, Samoa
Taupau Atonio Mulipola	Assistant CEO MAF, Fisheries Division, Samoa

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Tu'u'u Ieti Taulealo	CEO Ministry of Natural Resources, Environment, Forestry & Meteorology, Samoa
Vili Fuavao	Director FAO Sub-Regional Office

## **Annex III: Bibliography**

### a) EC Regional cooperation

- Mid Term Review of “Plant Protection in the Pacific (PPP)” – 8ACP RPA08 & 8PTF.REG.03, December 2004
- Mid Term Review of “Development of Sustainable Agriculture in the Pacific (DSAP)”, 8 ACP RPA 10, May 2006
- Mid Term Review of “Reducing Vulnerability in 8 Pacific ACP states” – 8 ACP RPA 07, November 2005
- Report of the Evaluation of SPREP Information Resource Centre and Pacific Environmental Information Network, Eco-Consult Pacific Co. Ltd, September 2003

### b) EC National cooperation with Samoa

- EDF 8 National Indicative Programme for Samoa
- EDF 9 Country Strategy Paper and National Indicative Programme
- Samoa - Joint Annual Report 2005, Draft Final, March 2006
- Micro-Projects Programme – 8 ACP WSO 10 - Mid-Term Evaluation, April 2006
- Micro-Projects Programme Phase III – 8 ACP WSO 10 – several progress reports 2004 & 2005

### c) Others

- Asian Development Bank - Sanitation and drainage project in the independent state of Samoa, Summary Initial Environmental examination, October 2003
- UNESCAP economic and social survey for the Pacific Islands 2006
- Strategies for the development of Samoa, 1996 onwards.

## **ANNEX 11C - COUNTRY NOTE: SOLOMON ISLANDS**

### **0. Country features and development needs**

Solomon Islands is situated to the east of Papua New Guinea and northeast of Australia. The country is made up of six large and several hundred small islands, most of them populated, with a total land area of 27,990 km<sup>2</sup> and an ocean area within an exclusive economic zone of 1.34m km<sup>2</sup>. The population of 409,000 is growing at 2.8% per year. Of the total population 42% is under the age of 15. In the age range 5-14 years, 57% attended school during 1999. Only 23% of the population over 14 years of age are employed highlighting the importance of the subsistence sector (agriculture and fishing) in the economy of Solomon Islands. The country's main natural resources include timber, fish, gold, copra, cocoa and oil palm. Agriculture accounts for about 25% of GDP.

Solomon Islands is one of the least developed among the ADB's Pacific developing member countries (PDMCs), with social and health indicators amongst the lowest in the Pacific. On the UN HRI Index SI ranked at 128 in 2005, that is below all but one of the PDMCs (table below). No PRSP was elaborated for Solomon Islands.

The country is prone to natural hazards, in particular cyclones. Over several years and with the latest incident in April 2006, continuing civil unrest has led to an almost complete breakdown in normal civil life. In July 2003 Solomon Islands issued an official request for international help. Since then, the Regional Assistance Mission to Solomon Islands (RAMSI), led by Australia and New Zealand, has been in the country. As a result of riots and civil unrest, real GDP dropped by a staggering 20% between 1996 and 2000. GDP per capita in 2001 dropped to €440 and has since increased again at a rate of 4.5% to €591 in 2006. It is estimated by WB and ADB that Solomon Islands will need approximately 20 years to recover to its pre-2000 GDP.

In 2002, and with international assistance, the Government of Solomon Islands devised a National Economic Recovery, Reform and Development Plan (NERRDP) for the 4-year period 2003-2006, designed to address the post-conflict-related recovery problems and provide a framework for resuming more active donor programmes. Work is underway to prepare a new NERRDP for the period 2007-2010 to achieve a transition from "recovery and rebuilding" to "managing for development". This process, which received a severe set-back during the renewed civil unrest following the elections in April 2006, started with a review of progress, achievements and constraints so as to develop key strategies for the next four-year period for adoption by the recently-elected new government in 2006. A summary of the main points and observations arising from this review is the following:

- Until April 2006 good progress in normalising the security situation;
- Some progress in improving transparency and accountability in the public sector;
- Good progress in restoring control in government finances, although further consolidation is needed;
- Some progress in reform of state-owned enterprises, except in public service reform;
- A comprehensive reduction strategy of international debt being implemented;
- Further coordination with donors through consultative meetings necessary;
- The Foreign Investment Bill and tax reform proposals expected to improve private sector investment;

- Progress in re-building physical infrastructure: shipping, airline services, roads;
- Good progress in restoration of social services, education and health services;
- Preparation of an Agricultural and Rural Development Sector Strategy initiated; and
- Environmental assessments being undertaken for new projects.

Several issues outstanding and to be taken into account in the new 2007-2010 NERRDP are:

- Government Decentralisation (draft federal constitution has already been prepared);
- Insufficient Government support and facilitation to smallholder rural production of cash crops;
- Improvement of rural financial services;
- A formal national strategy on HIV/AIDS urgently needed;
- Need for a formal national strategy on poverty reduction;
- Need for preparation of a comprehensive national environmental profile, and for environmental planning to be mainstreamed into development planning.

## **1. Overview of the European Commission support to Solomon Islands from 1997 to 2007**

The Commission's National Indicative Programme (NIP) for EDF 8, covering the period 1997 to 2002, identifies development of the rural sector as the overall objective. It singles out three focal areas: **rural transport, human resources development and agricultural production**. Rural development was pursued with the idea of reinforcing the welfare of the population and contributing to sustainable economic development.

Rural Transport received 55% of the funds allocated to the NIP, Human Resources Development 20% and agricultural production and commercialisation 5%.

The Country Strategy Paper (CSP) for EDF 9 identifies Sustainable Rural Development as the sole focal sector. The overall objective pursued is to reduce poverty, social inequality and dependence on State intervention. The specific objective is to respond to the needs expressed by rural communities for social and socio-economic development within their socio-cultural context. Major planned interventions are micro-projects, to which are allocated 85 percent of the NIP, and community capacity building in close relation with the microprojects that are allocated the remaining 15 percent.

The Commission made available €6.7m in programmable aid (A-envelope) and €7.8m in non-programmable aid (B-envelope) to Solomon Islands in the period 2002-2007. This amount was topped up by transfers from previous NIPs of €6.6m to an overall total of €21.1m. Following the MTR for EDF 9 in 2005, it was agreed that envelope B funds should be used in the same sectors as envelope A, retaining only €0.55m for the emergency fund. Commission support for Solomon Islands over the period from the 6<sup>th</sup> EDF to the current 9<sup>th</sup> EDF has remained fairly stable at around €20m per year.



**Table 1 – Strategic Allocations per Sector to Solomon Islands, 1997-2007,  
 €ms**

		Strategic Allocations €ms		
		EDF 8	EDF 9	Total
<b>Rural development</b>	<b>Rural transport</b>	<b>10.45</b>	<b>11.3</b>	<b>26.5</b>
	<b>Rural Education</b>	<b>3.8</b>		
	<b>Agricultural Production</b>	<b>0.95</b>		
	<b>Direct Support to Non-State Actors</b>	<b>-</b>	<b>1.9</b>	<b>1.9</b>
	<b>Other</b>	<b>3.8</b>	<b>-</b>	<b>3.8</b>
	<b>Total</b>	<b>19</b>	<b>13.2</b>	<b>32.2</b>

Source: 8<sup>th</sup> NIP, 9<sup>th</sup> CSP, MTR

The strategies developed in the NIP for EDF 8 as well as in the CSP for EDF 9 mention the necessity of ensuring coherence with other non-programmable resources made available to Solomon Islands whether these are from the Commission (emergency aid, institutional and administrative support measures and assistance under budget lines – tropical forestry, environment, democratisation and human rights, Stabex) or from the European Investment Bank (EIB).

## **2. Overview of the implemented interventions supported by the Commission in Solomon Islands**

In the early 2000s the Commission programme in Solomon Islands was implemented against a background of substantial unrest relating to ethnic tensions and other issues. Following an easing of the situation the Commission announced in November 2003 the re-establishment of full dialogue with Solomon Islands.

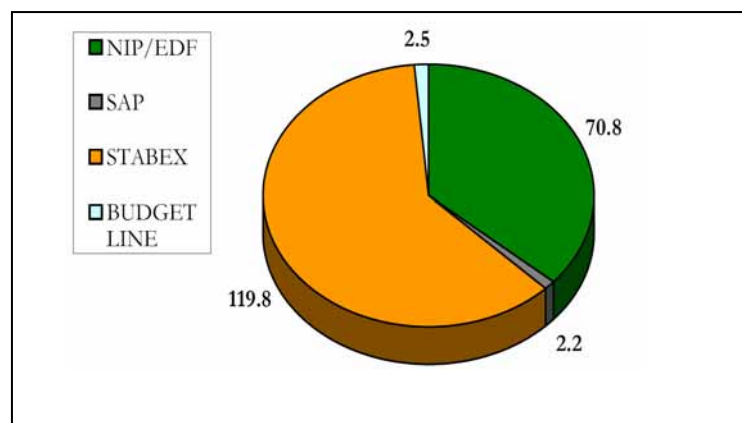
Between 1997 and 2006 the Commission has provided €195.3m to Solomon Islands through its EDF, STABEX, FLEX, Structural Adjustment Programmes (SAP), and Budget Lines. The amounts provided under each of these facilities are shown in Table 2 below. The relative amounts can be seen clearly in the diagram of Table 3.

**Table 2 - Allocations and Disbursements as of December 2005 (€m)**

Financial instrument	Amount Allocated	De-Commits /Transfers /Interest	1st year	Disbursements						Total Undisbursed
				to 2000	2001	2002	2003	2004	2005	
<b>NIP</b>										
EDF 6	17.0	-0.7	1998	14.6	1.0	0.2	0.1	0.0	<b>15.9</b>	0.4
EDF 7	20.9	-1.4	1998	14.8	2.5	1.2	0.6	0.4	<b>19.5</b>	
EDF 8	19.0	-4.8	2000	1.0	2.2	2.6	3.6	1.5	<b>12.4</b>	1.8
EDF 9	14.5	+6.6	2003					0.5	<b>0.5</b>	20.6
Total NIP	<b>70.8</b>			30.4	5.7	4.0	4.3	2.4	<b>48.3</b>	22.5
<b>SAP</b>	<b>2.2</b>	(-2.0)	1998	1.8	0.4				<b>2.2</b>	
<b>STABEX</b>										
EDF 6 (FMOs 86-93, 94-95)	31.3			31.3					<b>31.3</b>	
EDF 7 (FMO 96)	8.1			8.1					<b>8.1</b>	
EDF 8 (FMO 98)	41.8	+7.2			0.6	0.4	1.4	1.5	<b>4.9</b>	44.1
EDF 8 (FMO 99)	29.1	+2.3			1.0	1.5	6.3	5.8	<b>17.8</b>	13.6
Total Stabex	<b>119.8</b>			39.4	1.6	1.9	7.7	7.3	<b>62.1</b>	57.7
<b>Budget Lines</b>	<b>2.5</b>		2005					0.3	<b>0.3</b>	2.2
<b>TOTAL</b>	<b>195.3</b>			71.7	7.7	5.9	12.0	9.3	<b>112.9</b>	83.6

Source: EC documentation, mainly JAR 2005.

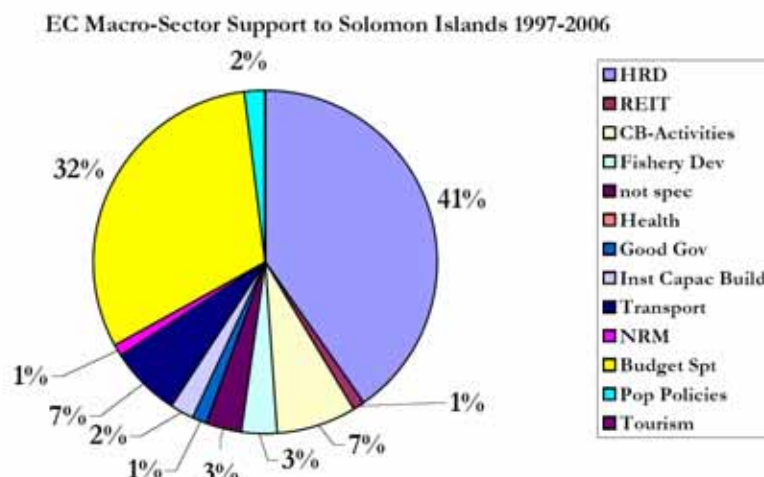
**Table 3 – EC funding to Solomon islands between 1997 and 2006 (€m)**



STABEX facility has contributed more than 60 percent (€119.8) to the Commission cooperation with Solomon Islands against 36 percent (€70.8m) for the NIP. SAP provided €2.2m up to termination in 2001. Budget Line Support was granted to Solomon Islands in 2005 to a total of €2.5m.

Allocations of Commission total support to Solomon Islands by macro-economic sector are shown in table 4 below.

**Table 4 – EC Macro-Sector Support to Solomon Islands 1997-2006**



A list of all Commission programme and project interventions during the period 1997-2006, with their current financial status, is given in Annex I.

Currently there are eleven EC-funded projects active in Solomon Islands. Two of these projects come under EDF 9: 9 ACP SOL 4 Technical Cooperation Facility (TCF) and 9 ACP SOL 3 Micro-projects Programme - Phase II. The latter project is a successor to the Micro-projects Programme Phase I under EDF 8, which was phased out in October 2003. It is financed (€5.7m) using the greater part of the EDF 9 A-envelope. It is planned that the remaining €5.5m transferred from the B- to the A-envelope after the 2004 MTR will be used for a TVET project extending the Rural Training Centres II project, which ended in June 2004. The remaining nine projects, two in the fishery sector and seven in the HRD sector, are funded through the Commission's STABEX facility.

A summary of current programme funds allocated to EDF, Stabex 98 and 99 and specific programmes and projects, whether active or in the planning phase as of December 2005, is shown in Table 5 below.

**Table 5 – Programmes active or in planning phase at December 2005**

Programmable Funds	€m	Comments
<b>EDF</b>		
1. Sustainable Rural Development (EDF 9a)		
a. Micro-Projects Phase II	5.7	Project commenced in Oct 2005
b. Support to non - State Actors	1.55	FP submitted and awaiting AIDCO approval
c. Technical Cooperation Facility	1.3	FA signed; project about to start
d. Studies	0.1	Disbursed
e. Emergency Reserve	0.55	Reserved (committed)
2. Capacity Building (EDF9b)	11.9	TVET; studies required and FPs to be prepared or finalised
Sub-total EDF 6 to 9	21.1	
<b>STABEX 98 (including interest to end 2005)</b>		
Signed IPs:		
a. NAO / PMU support	3.5	Extended until February 2006
b. De-mobilisation of SCs	0.2	Finished

c. Micro-projects Phase I (Agric)	2.3	Finished supplement to EDF 8
d. Studies etc.	0.2	Finished
e. Commercialisation of Seaweed	1.2	Project commenced in July 2005
f. Support to Competent Authority for Fish Products	0.9	Project commenced in Oct. 2005
g. Marine Infrastructure	8.0	Project commenced in Feb. 2006
Sub-Total Stabex 98 allocated	16.3	
IPs to be prepared in 2006*		
a. Transport & Infrastructure	12.6	IP not done; in conjunction with ADB
b. Sustainable Forestry and Conservation Project	7.0	IP to be finalised in Feb 2006; Joint funding with EIB
c. Agriculture Development (including inter-island shipping & feeder roads, but excluding offshore marine development)	8.8	In conjunction with WB & AUSAID; IP to be finalised in 2006;
d. Capacity Building (TA to above)	3.9	TA does also include Forestry and Agriculture (€2.5m)
Sub-Total IPs to be prepared in 2006	32.3	
Not-allocated Stabex 98	0.1	
Sub-Total Stabex 98	48.7	Only €4.8m disbursed at end 2005
<b>STABEX 99 (including interest to end 2005)</b>		
a. Education Sector Investment and Reform (ESIRP)**	26.5	2003-2009, in conjunction with NZ
b. ESRIP: PIU Administrative Work Programme	0.8	
c. Capacity Building Programme (WP)	2.6	
d. Education Materials (WP)	2.0	
e. Infrastructure (WP)	1.9	
f. Bridging from RTC Phase II	0.4	
g. Secondary Schools Assistance	4.0	
h. Tertiary Education (incl. WP)	6.0	
i. Solomon Islands College of Higher Education (SICHE) Phase 1 (WP)	1.7	
Non-allocated Stabex 99	2.4	
Sub-Total Stabex 99	48.3	€17.7m disbursed and €30.6m to be disbursed at end 2005
Total Programme Funds	118.1	
Allocated	115.6	
Not yet allocated	2.5	

\* Revised FMO Rider submitted to EC and waiting signature in Brussels;

\*\* ESIRP is the name given to the whole programme arising out of the Education Sector Strategy. It is also the title under which a series of global work programmes are being implemented. For administrative reasons, certain components (items b, c, and e) are funded separately by STABEX but are effectively part of ESIRP.

### Stabex 98

In 2005 a revised FMO for the balance of STABEX 98 funds (€40.7m) was approved. Recognising the need to ensure effective disbursement, whilst taking into account absorption capacity and management capabilities as well as possible inflationary pressures, a two-speed disbursement mechanism was developed addressing both immediate priorities that could realistically be achieved and a slower long-term mechanism requiring institutional strengthening and progressive fund release.

Focal sectors for STABEX 98 are Rural Transport (54%), Forestry (16%), Marine Resources (8%), Agriculture (13%), and Institutional Support and Capacity Building in Sector Programme Management (9%). A summary of the focal areas targeted, main activities and planned disbursements is shown below.

**Table 6 – Stabex 98: Focal Sectors Targeted**

<b>Focal sector targeted</b>	<b>Main Activity and Sector Allocation %</b>	<b>Planned / Disbursed (€m)</b>
Rural Transport	Activity 1 – Marine Wharves and Access Roads,	8.0
	Activity 2 – Inter-island Shipping Support	1.5
	Activity 3 – Transport Development Fund	12.5
	<b>Total Rural Transport (54%)</b>	<b>22.0</b>
Forestry and Conservation	Activity 1 – Support to smallholder forestry development	2.5
	Activity 2 – Community based conservation of biodiversity	1.5
	Activity 3 – Export development of forest products	2.5
	<b>Total Forestry and Conservation (16%)</b>	<b>6.5</b>
Marine Resources	Activity 1 – Strengthening the NCA (EU List 1 compliance)	0.95
	Activity 2 – Support to Fishing Industry Exports (seaweed)	1.0
	Activity 3 – Aquaculture development	1.25
	<b>Total Marine Resources (8%)</b>	<b>3.2</b>
Agricultural Development	Activity 1 – Agricultural/Rural Development Sector Strategy	1.0
	Activity 2 – Cocoa and copra driers post harvest support	0.4
	Activity 3 – Rural Economy Sector Programme	3.9
	<b>Total Agricultural Development (13%)</b>	<b>5.3</b>
Capacity Building studies/audits	Activity 1 – PMUs (all sectors)	3.45
	Activity 2 – Studies, Audits, Review and Evaluation	0.26
	<b>Total Capacity Building and Studies/Audits (9%)</b>	<b>3.71</b>

### *Stabex 99*

Utilisation of STABEX 99 was restricted to support the implementation of the Education Sector Investment and Reform Programme (ESIRP).

In June 2004, a tripartite Memorandum of Understanding was signed by the Government of Solomon Islands, the Government of New Zealand and the European Commission assigning €26.5m of STABEX 99 funds (90% of STABEX 99) and NZD33m from New Zealand aid in support of the ESIRP. The MOU provides the framework for this major sector-wide approach which is designed to continue through to 2009.

### *Budget-Line Support*

Two Budget-Line-supported projects are currently under implementation. Technical Training in Life Skills for secondary school leavers (EC contribution €750,000) is a 3-year project, which started in 2005 and is being implemented by a NGO in Honiara. A regional Conservation and Sustainable Use of Marine and Coastal Biodiversity project (EC contribution €1.8m, of which one-third is destined for Solomon Islands) started at the end of 2005 and is being implemented by the World Wildlife Fund. The project also involves Papua New Guinea and East Timor. There has been no emergency or humanitarian aid provided to the Solomon Islands, nor has the country been successful in tapping into any of the other facilities, such as those relating to energy or water, primarily because of lack of awareness and capacity.

### *European Investment Bank*

European Investment Bank (EIB) activities in Solomon Islands were suspended after the Development Bank of Solomon Islands (DBSI) defaulted on its repayments. The DBSI is now under administration by the Central Bank of Solomon Islands. Repayment of the debt to the EIB remains an issue to be resolved, but the EIB has agreed to consider a new investment in the forestry sector in a joint international/public sector venture, which may also be supported by Stabex 98 funds.

### **3. Assessment of the results and impacts of the implemented interventions and comparison to those expected**

#### **3.1 Relevance, logic and coherence of the CSP**

Solomon Islands already was one of the poorest countries in the Pacific region when fighting broke out in 1998, culminating in a political coup in 2000. Although the conflict was often inflamed by ethnic rhetoric, its root causes lay in land tenure disputes, clash between traditional and non-traditional authority structures, systemic population issues including a youth bulge, unequal access to government services, public resources and information, unequal access to economic opportunities, and failure to properly enforce the rule of law or administer justice.

The collapse of law and order and escalation of ethnic violence has had disastrous effects on an already weak economic activity and very likely further aggravated poverty. Although comprehensive and up-to-date data on basic social indicators are not available, existing information on such issues as mortality of children under five or primary education enrolment rank Solomon Islands at the lower place among Pacific countries.

Against this background medium term challenges identified by the Commission CSP for the Solomon Islands over the period 2002-2007 were to:

- Re-build the country's economy;
- Restore good governance;
- Attract investors and re-invigorate exports;
- Promote economic activities at village level;
- Address the demand for decentralisation towards the provinces in a realistic and equitable way;
- Find a balance between respect for traditional values and modernity in such a way that economic changes can be accommodated without creating distortions to the social fabric.

Australia and New Zealand, which are major donors in the region, launched in close cooperation with 13 Pacific States the RAMSI Programme (Regional Assistance Mission to Solomon Islands), which aims at laying the foundations for long-term stability, security and prosperity through support for improved law, justice and security; for more effective, accountable and democratic government; for stronger, broad-based economic growth; and for enhanced service delivery.

For its part, the European Commission choose to focus its assistance under EDF 8 and 9 on grassroots development in rural areas, through the implementation of micro-projects and capacity building activities targeting village leaders. Reason for choosing this sector and this approach are the following:

- More than 80 percent of the total population of Solomon Islands relies on subsistence agriculture and a large proportion lives in geographically remote locations;
- The sector respond very well to the medium term challenges listed above by bringing development without rudely disturbing the traditional rural environment;
- The approach takes fully into account the administrative weaknesses of central and provincial governments;
- It gives full scope for the strengthening of non-state actors.

Education, health and agriculture are the main activities targeted by Commission funded micro-projects, thus addressing poverty through the delivery of basic social services as well as through an improvement of income generating activities of the rural poor.

**In a situation characterised by political unrest and extremely weak institutions the European Commission adopted a two-pronged strategy: on the one hand it provided direct support to local communities through the implementation of micro-projects; on the other hand it helped the government in building social services, notably in the education sector. Both this approach and the sectors addressed by EC interventions – education, health, agricultural development, sustainable management of natural resources, transport – are highly relevant to the problems faced by the Solomon Islands. EDF and Stabex resources were utilised in a complementary manner.**

### **3.2 Consistency between programming and implementation**

In common with other donors, the Commission's interventions in Solomon Islands suffered continuously from political changes and low absorption capacities.

While EDF NIP programming for Solomon Islands was consistent during the EDF 7-8-9 period, and followed a clear overall direction in strategic planning, the STABEX facility gives the impression of a hasty, sometimes unselective and over-ambitious micro-realisation programmes resulting from considerable pressure to disburse its finance.

Nevertheless consistency between programming and implementation of all EC support facilities has been satisfactory overall because of the comparatively wide scope of 'sustainable rural development' and 'education' as their focal areas. Within the focal areas, however, the consistency achieved in infrastructure rehabilitation, agriculture and rural development, fisheries and education was low to moderate.

### **3.3 Analysis of the implementation of the NIP**

Solomon Islands is a good example of mutual support between different EC aid delivery channels. The STABEX facility, which contributes more than 60% of EC aid to the country, has been under pressure to disburse, but has nevertheless responded to difficult circumstances through a mixed strategy of short-term funding support to immediate needs on the one hand, and long-term sectoral support strategies towards general development goals on the other.

All current EC-supported projects are well on track, though further political changes and social unrest following the elections of April 2006 are creating difficulties for some of them.

In view of the political difficulties of recent years, the current level of efficiency and effectiveness of implementation of the 2002-07 NIP is moderate to satisfactory as can be seen from the assessments of three selected individual projects given below. Improvement will depend on greater stability in domestic affairs.

The broad definition of the focal sector of rural development has allowed for flexibility in implementation strategies and appropriate adjustments to circumstances have been made.

### *Project Analysis 1: Solomon Islands micro-projects programme – Phase 1*

The programme addressed the high demand for grassroots projects expressed by local communities, NGOs and local governments. It focused on helping communities improve basic rural facilities in education and health and in the improvement of rural infrastructure. It also addressed the need in villages to train young people in practical skills and offered support so as to promote and facilitate their active involvement in economic and social village life.

The main components covered education (building and rehabilitation of classes, workshops, staff houses and ablution blocks and tools for schools and Rural Training Centres), health (clinics), water supply and small-scale farming. Projects also included support to NGOs, sports, youth and cultural manifestations. The project expanded significantly during 2002, when an additional €1m was provided from the STABEX 98 facility in support of agricultural micro-projects.

A MTR of Phase I was carried out in 2003 which found that the first part of MPP was implemented against a background of lawlessness and ethnic conflict and that virtually all the income generation projects failed, but that the impact of the social infrastructure was significant. The reasons for the lack of success in income generation projects were the very wide geographical spread, difficult logistics, lack of service providers, and insufficient emphasis placed on participatory bottom-up approach and follow-up technical support.

The project had been launched as a pilot project. After completion in 2003 it was extended as 9 ACP SOL 3 – Micro-Projects Programme – Phase II. Lessons learnt from Phase 1, as well as other donor funded activities that targeted both infrastructure services and livelihood development, were incorporated into the design.

8 ACP SOL 8; Micro-Projects Programme – Phase I		€3,000,000
01.11.2000 – 31.10.2003		+ STABEX €1,730,000
<b>Overall Objective</b>	To foster and promote community based development in rural and urban areas	
<b>Specific objectives</b>	<ul style="list-style-type: none"> <li>▪ Improved standard of implementation of projects and higher completion rate;</li> <li>▪ Trained Community Based Organisations (CBOs) and NGOs;</li> <li>▪ Strengthened NGO sector;</li> <li>▪ 15 micro projects approved;</li> <li>▪ 8 micro projects completed; and</li> <li>▪ 30 beneficiaries &amp; NGOs received training in PCM</li> </ul>	
<b>Coherence with the EDF 8 and 9 NIPs</b>	<ul style="list-style-type: none"> <li>▪ 'Support to rural development including agriculture, rural fishing and forestry' (EDF 8);</li> <li>▪ 'Support to the health and education sectors (formal and non-formal)' (EDF 8);</li> <li>▪ 'Support to grassroots development through micro-project programme's (EDF 8);</li> <li>▪ 'Sustainable rural development –particular emphasis on capacity building' (EDF 9)</li> </ul>	
<b>Results Analysis (Efficiency, Effectiveness)</b>	<ul style="list-style-type: none"> <li>▪ Overwhelmingly positive response from the rural communities;</li> <li>▪ 168 micro projects supported;</li> <li>▪ Class rooms built or rehabilitated;</li> <li>▪ Workshops, staff houses and ablution blocks built;</li> <li>▪ Tools for schools and RTCs provided;</li> <li>▪ Health clinics built;</li> <li>▪ Water supply installed;</li> <li>▪ Income generating activities unsuccessful;</li> <li>▪ Facility for support of community projects through NGOs failed and management training was not taken up (NSAs lacked the necessary capacity to utilise the available funding facilities and the few NGOs that do have sufficient capacity and expertise were at the limits of their absorption capacity)</li> </ul>	



### *Project Analysis 2: Rural Training Centres – Phase II*

The Rural Training Centres (RTC) Phase II project, like its predecessor, RTC Phase I, supported rural and vocational training in Solomon Islands. The support has been in the form of curriculum development, provision of tools and equipment, capacity building and teacher training, and assisting graduates in gaining further training after graduation. The project's national counterpart agency was the SI Association of Rural Training Centres (SIARTC).

Despite great demand for vocational training, the 20 RTCs could only accommodate about 10% of local school drop-outs. The project finished on June 30, 2004, but continued with the use of bridging finance from Stabex 99 funding (€0.4m) until a TVET follow-up project, using the €5.5m transferred from the B- to the A-envelope after the 2004 MTR, started in late 2006. The project design of RTC-Phase II was very flexible so as to accommodate changing needs in the country and to enhance employment opportunities in the provinces. The lack of definite work plans forced the project to be less pro-active and more RTC demand driven. This contributed to low absorption of the allocated funds during repeated 'orientation phases' of the project.

8 ACP SOL 6; Rural Training Centres – Phase II 01.07.2000 – 30.06.2004		€1,960,000
Overall Objective	Overall objective was to contribute to economic development at the village level through investment in human capital and encouragement of young entrepreneurs. The project purpose was to improve the educational and vocational skills of rural youth and contribute to creating employment opportunities in villages.	
Specific objectives	<ul style="list-style-type: none"> <li>▪ Improved quality of training at RTCs;</li> <li>▪ Improved management of SIARTC<sup>1</sup> and RTCs</li> <li>▪ Curriculum development</li> <li>▪ Establishment of a micro-credit scheme for RTC graduates. (Deleted by addendum due to collapse of SI Credit Union League)</li> </ul>	
<b>Coherence with EDF 8 and 9 NIPs</b>	<ul style="list-style-type: none"> <li>▪ 'Human Resources Development' (EDF 8)</li> <li>▪ 'Support to rural development including agriculture, rural fishing and forestry' (EDF 8);</li> <li>▪ 'Sustainable rural development –particular emphasis on ... capacity building' (EDF 9);</li> <li>▪ In addition, project activities were in line with SIG policy commitment and MEHRD<sup>2</sup> plans for the strengthening of TVET.</li> </ul>	
<b>Results Analysis (Efficiency, Effectiveness, Sustainability)</b>	<ul style="list-style-type: none"> <li>▪ The organisational outreach structure and general management of SIARTC has improved;</li> <li>▪ Local RTC staff (SIARTC) has been trained and RTC training quality has been improved;</li> <li>▪ Effectiveness and sustainability of above two points are limited by high turnover rates (80%) of trained staff and the small number of qualified RTC principals (see also below);</li> <li>▪ Curriculum development only moderately successful (problems: identification of staff and writers to run the process; volume of curriculum development detailed in FA was beyond the budget of the project; delayed provision of curriculum outputs from RTC Phase I);</li> <li>▪ Cooperation and coordination with the SI Curriculum Development Centre (CDC) was not as fruitful as expected;</li> <li>▪ Reluctance of some churches running the RTCs to appoint specialists as principals instead of church officials;</li> <li>▪ The project continued to support the SIARTC budget even though it was expected to become self-sustaining.</li> <li>▪ Sustainability of both RTC I and RTC II was satisfactory in view of the range and</li> </ul>	

<sup>1</sup> SI Association of Rural Training Centres (SIARTC).

<sup>2</sup> Ministry of Education and Human Resources Development (MEHRD).

magnitude of planned results but will need to be improved through the 2006 follow-up TVET project through: 1. Continued capacity building for RTC standardization and coordination, 2. RTC (SIG/ churches) investment in tools and equipment, 3. Support to sustainable mechanisms for continuous updating and expansion of curricula to be in line with market demands, and 4. Training and fair (salary) integration of TVET instructors into the SIG formal education system.

### *Project Analysis 3: Inter-Island Shipping Project*

The project was established to assist Solomon Islands in the training of seamen as crew for ships providing regular shipping services between the hundreds of islands in the archipelago. It is highly relevant to Solomon Islands requirements. The project contributed to the attainment of IMO (International Maritime Organization) White List status for Solomon Islands, which it still has today. However, if Government funding is not increased, Solomon Islands could lose its White List status.

The project was instrumental in opening the Marine Training School in August 2001 and training more than 300 seafarers. Although it was feared that the sustainability of the project could be jeopardised by lack of cooperation from the shipping industry, the industry has played a constructive role. Industry support enabled the school to continue to operate in 2002 after the government failed to deliver its agreed counterpart inputs.

Intended secondary results were the improvement of SI standards with respect to Safety at Sea (SAS) capacity in general, and support to the creation of new employment opportunities in the shipping trade and shipping support services. This will contribute to the economic development of the islands and to enhanced cooperation between them.

Project assumptions were, however, too optimistic in the light of the political instability and economic decline of Solomon Islands. Solomon Islands Government financial support for the Marine Division is still insufficient. Australian support has made up for some of the deficiency. The project logframe risk analyses were unrealistic, and project strategies were not flexible enough to adapt to changed conditions in due time. Improved financial contributions from the Solomon Islands Government are necessary to ensure sustainability of the project.

8 ACP SOL 4 ; Inter-Island shipping Project		€1,900,000
19.05.2000 – 30.06.2004		
Overall Objectives	To provide an appropriate regulatory and operational environment for the marine sector, which will encourage the provisions of a commercially viable, save and socially responsive inter-island shipping service	
Specific objectives	<ul style="list-style-type: none"> <li>▪ Compliance with IMO<sup>3</sup> conventions, codes and recommendations;</li> <li>▪ Improved training capacities to meet the standards defined in STCW<sup>4</sup> 1995;</li> <li>▪ Ensure that SI meets requirements as stated in 1998 Shipping Act;</li> <li>▪ Establishment of a Sea Survival Facility (SSF) and Fire Fighting Unit (FFU);</li> <li>▪ Secondment and provision of one SI lecturer (overseas training) in SSF and FF as well as on engineer and one nautical lecturer;</li> <li>▪ Upgrading the qualification of teaching staff at SI School of Industrial Development (SID);</li> <li>▪ Procurement of training equipment and equipment for upgrading the facility for search and rescue at sea;</li> <li>▪ Provision of a Technical Shipping Study;</li> <li>▪ Development of a project to address problems identified in the Technical Shipping Study;</li> </ul>	
<b>Relevance and Coherence with EDF 8 and 9 NIPs</b>	<ul style="list-style-type: none"> <li>▪ 'Rural transport and communication' (EDF 8);</li> <li>▪ 'Human resources development' (EDF 8);</li> <li>▪ 'Transport and infrastructure' (EDF 9);</li> <li>▪ 'Support to rural development including ... , rural fishing ' (EDF 8);</li> <li>▪ 'Sustainable rural development –particular emphasis on ... capacity building' (EDF 9); and</li> <li>▪ In addition, project activities were supportive to and in line with SIG in 1998 Shipping Act.</li> </ul>	
<b>Results Analysis (Efficiency, Effectiveness, Sustainability)</b>	<ul style="list-style-type: none"> <li>▪ The project was finished in time and at planned cost;</li> <li>▪ Satisfactory efficiency due to functional cooperation with concerned SIG ministries and agencies and the application of 'sometimes unorthodox' (MR) procurement methods by project management;</li> <li>▪ Misunderstanding of the tendering procedures led to a 2-year delay of the recruitment of an engineering and nautical lecturer;</li> <li>▪ Seamen and crew were trained in several subjects related to marine transport meeting the standards defined in STCW 1995;</li> <li>▪ Compliance with IMO conventions, codes and recommendations was reached;</li> <li>▪ Requirements as stated in 1998 Shipping Act were reached;</li> <li>▪ Current sustainability of the project was reached not through its designated government support, but through support from the maritime industry in SI;</li> <li>▪ Long-term sustainability can only be reached through intensified support from SIG.</li> </ul>	

**Solomon Islands belong to the group of “Fragile States”, which the OCDE/DAC characterises as those countries where there is a lack of political commitment and/or weak capacity to develop and implement pro-poor policies, suffering from violent conflict and/or weak governance.**

**In such a situation implementing micro-projects at grassroots level is an effective way to circumvent the weaknesses of government institutions in addressing poverty issues. Indeed the Solomon Islands Micro-projects Programmes delivered most of their expected outputs and received a positive response from the rural communities involved. To some extent this also true of the Inter-Island Shipping Project, where the lack of support by the Government was substituted by an involvement of the maritime industry.**

<sup>3</sup> International Maritime Organisation.

<sup>4</sup> Standards of Training, Certification and Watchkeeping, ILO convention of 1989, amended in 1995.

**However the main issue raised by micro-projects is sustainability of their achievements. Therefore the importance of activities aimed at strengthening institutions and building capacities for the delivery of basic social services.**

#### **4. Assessment of links and mutual support between regional and national strategies**

##### **4.1 EC regional and country strategy documents are complementary**

The CSP for EDF 8 for the Solomon Islands did not make any reference to the Regional CSP nor to the Solomon Islands involvement in regional fora. Indeed the focal sectors of the Country Strategy Paper - transport and communication in rural areas; human resource development in rural communities; and agricultural production – were very much country specific.

The CSP for EDF 9, on the contrary, insists on the participation of Solomon Islands in the Pacific Island Forum and in the Melanesia Spearhead Group as well as on their involvement in the negotiations of the Pacific Regional Trade Agreement. It points out that Solomon Islands benefited from the EDF 8 Regional Indicative Programme in the areas of aviation, forestry and fishing, including support to the Forum Fisheries Agency, which is based in Honiara. It underlines the Government of Solomon Islands' commitment to regional integration objectives and notes that NIP resources may be used to complement regional resources in building trade analysis capacity. However the CSP leaves to the regional programming exercise to identify which activities at regional level might impact on the Solomon Islands.

Indeed, as shown under the following paragraph, although there are several areas in which Solomon islands could theoretically benefit of regional activities, synergies between regional and national activities proved difficult to achieve.

##### **4.2 Interventions in the same sector at regional and country level are designed and implemented in complementarity**

The EC is supporting a variety of Pacific regional programmes that could also benefit Solomon Islands to the extent where the Government is able to take advantage of these activities. These include:

- DEV-FISH, which aims to assist PACP Countries in the development of tuna fishing so as to increase the benefits derived from local fishing industries; it is implemented through the FFA and the SPC.
- PROC-FISH, which combines coastal marine management and an oceanic fishing programme and is assisting the Solomon Islands fisheries sector.
- The South Pacific Oceanic Resources project aimed at development of marine mineral resources, implemented by SOPAC.
- Development of Sustainable Agriculture in the Pacific (DSAP), a regional agricultural programme for assistance to households and small farmers in the development of sustainable agriculture, implemented by SPC.
- South Pacific Tourism Programme (SPTP).
- South Pacific Regional Environmental Programme (SPREP).
- Pacific Regional Initiatives for the Delivery of Basic Education (PRIDE).
- Pacific Environmental Information Network (PEIN), establishing environmental information networks across PACP countries.

- Plant Protection in the Pacific (PPP).
- Reducing Vulnerability in the Pacific ACP countries (RVP).
- The Coral Gardens Initiative: Poverty alleviation through capacity building in community-based fisheries management and coral reef restoration (financed through the EC Environmental Budget Line until 2006).

As regards Regional Economic Integration and Trade (REIT) no documentation was available on REIT in Solomon Islands. The EC Delegation confirmed that only very limited interventions were made in this sector at national level during the EDF 8 and 9 periods. No clear strategic line has been established for a Commission approach to this sector at country level.

Nevertheless, the Solomon Islands Government was planning a National Trade Facilitation Committee for the end of 2006. This committee would play an interactive role with the Regional Trade Facilitation Programme (RTFP) under the Pacific Agreement on Closer Economic Relations (PACER) with Australia and New Zealand. The EC PACREIP project also has a component relating to regional trade facilitation, which coordinates its work with the RTFP under the PACER agreement. The National Trade Facilitation Committee may play a wider role in Solomon Islands trade development, with special concern for the development of EPAs, for trade development within the Melanesian Spearhead Group, and for trade development under the PICTA. The Committee would also advise relevant government departments on how to increase the country's capacity to compete with outside products and ensure strengthening of coordination between government, NGOs and the private sector.

Solomon Islands has been actively following EPA discussion through its embassy in Brussels. However the ongoing regional negotiations, coupled with trade negotiations on other fronts, are putting the Government under increasing technical and financial strain. Effective mutual support for regional and national strategies in REIT requires development of national expertise in trade policy and trade development.

In the education sector mutual support between national and regional programmes was planned, with the Solomon Islands expected to benefit in particular from the USP PRIDE project designed to assist primary education planning in Pacific countries. However there have been communications difficulties between the PRIDE project and national education authorities in the Solomon Islands, with the result that the Solomon Islands has not maximised its benefits from the project. Nevertheless, there have been a number of national support activities conducted under PRIDE. Solomon Islands has also proposed two in-country sub-projects to be financed by PRIDE:

1. Provision of education for blind and visually impaired children and youth; and
2. Assessment Resource Teaching, Training and Learning (ARTTLE).

Substantial STABEX funds have been used to support HRD in Solomon Islands. No arrangements were made to link the interventions with the PRIDE project.

Through its STABEX facility, and with formal and informal technical support from the regional DEV-FISH project, the EC is currently supporting two highly relevant fishery sector interventions in Solomon Islands:

1. The Strengthening of Sanitary Production of Fish Products (SSFPF) project, which started in October 2005 with an 18-month duration, to set up a laboratory and a competent authority to monitor hygiene and health standards for food exports. The project is

designed to move Solomon Islands, and in particular the Soltai Tuna Cannery, to EC List 1 status, without which the cannery, one of the largest employers in Solomon Islands, may fail. A study of further infrastructure and funding needs and possible sources of funds for consolidating tuna exports by the cannery is also being conducted.

2. The Commercialisation of Seaweed Production project, to expand annual exports of dried seaweed and create employment and higher incomes in remote rural areas.

Sectoral co-ordination and mutual support in fisheries between the regional and national levels is functional, but owing to the political and social disruptions of the past six years and the related weak performance of relevant Solomon Islands Government line agencies, the full potential has not been realised. Government stakeholders are aware of ongoing support provided by PROCFISH, CO-FISH and DEV-FISH programmes. The PROCFISH Coastal Fisheries Programme assists with coastal environmental and resource evaluations in Solomon Islands.

Solomon Islands is a member of all regional fishery management bodies in the PACP region and is actively participating in all EC regional fishery sector programmes oriented to regionally coordinated fishery management. In particular there exist several ongoing fruitful engagements of the Solomon Islands Government with the FFA.

With regard to the EC regional NRM programmes, Solomon Islands has participated or is participating in a number of EC regional projects, all of which are supportive of the Commission's sector interventions at national level. As in fisheries, regional and national linkages have been impeded by political and social instability in recent years. Regional projects in support of national sectors are shown in Annex II below.

#### **4.3 Regional interventions address problems that can be more effectively tackled at regional level**

Certain types of intervention have emerged as being best addressed at regional level. Sustainable management of natural resources, human resources development and trade and private sector development are the three areas consistently cited in CSPs as appropriate priorities for a regional approach. (See Annex 9, Evaluation Question 2, I 2.1.1)

In EDF 9 regional strategy focuses on REIT, HRD and Fisheries.

REIT is of necessity addressed mainly at regional level.

HRD is an area in which regional cooperation develops actively since Ministers of Education of Pacific countries adopted in 2001 a Forum Basic Education Action Plan. The consensus within the region is that the regional strategy in the field of HRD should deliberately take a two-pronged approach, supporting both basic education and regional formal and non-formal technical and vocational education and training, with TVET initiatives accompanying improvements to basic education and picking up where the latter leaves off.

Fisheries interventions at regional level concern the conservation of regional fish stocks and are of a type that requires a regional approach. While the fisheries interventions do not entirely neglect the national dimension, it would be possible to design interventions in fisheries that generate synergies from interaction of regional and national levels.

## Annex I: List of Interventions

EC interventions at Solomon Islands between 1997 and 2006 under **National** Indicative Programming (NIP). Interventions still in process are marked light grey. Original projects and respective FA Riders are boxed in blue colour. All financial statuses as of 15.06.2006. (allocations in €)

Instrument	Project Number	Project Title	Planned	Contracts	Paid	Start	End	Sector	Macro Sector
EDF 9	9 ACP SOL 4	Technical Cooperation Facility (TCF)	1,300,000	0	0	2006	12/31/2010	Trade related assistance	Regional Integration and Trade
EDF 9	9 ACP SOL 3	Micro-Projects Programme - Phase II	5,700,000	530,100	42,885	2004	12/31/2010	Rural development	Community based initiatives
Stabex 98	---	Commercialisation of Seaweed	1,176,000	?	?	2005	2008	Fishery Development	Fisheries Development
Stabex 98	---	Strengthening of Sanitary Production of Fish Products (SSPFP)	950,000	?	?	2005	01/05/2007	Fishery Development	Fisheries Development
Stabex 99	---	Education Sector Investment and Reform Programme (ESIRP) in conjunction with NZ	26,257,000	?	?	2003	2009	Education (sector wide approach)	Human Resources Development
Stabex 99	---	PIU in the MEHRD (Coordination of ESIRP)	800,000	?	?	2003	2008	Education	Human Resources Development
Stabex 99	---	Secondary School Grant	4,000,000	?	?	1999	?	Education	Human Resources Development
Stabex 99	---	Tertiary School Grant	6,000,000	?	?	1999	?	Education	Human Resources Development
Stabex 99	---	Capacity Building to the Department of Education and Human Resources Development	2,600,000	?	?	1999	?	Education	Human Resources Development
Stabex 99	---	Provision of Education Materials to the Department of Education and Human Resources Development	1,980,000	?	?	1999	?	Education	Human Resources Development
Stabex 99	---	Infrastructure Support for Rehabilitation Improvement of Secondary Schools	1,920,000	?	?	1999	?	Education	Human Resources Development

Stabex 99	---	Support to the Solomon Islands College of Higher Education (SICHE)	2,000,000	2,000,000	2,000,000	1999	2004	Education	Human Resources Development
Stabex 98	---	Support to the National Authorising Officer	2,400,000	?	?	1999	2007	not specified	not specified
EDF 9	9 ACP SOL 2	Structural Adjustment - Closure Audit	35,102	35,102	35,102	2003	05/08/2006	Structural adjustment	Health
EDF 9	9 ACP SOL 1	Non State Actors	38,199	38,199	38,199	2003	01/15/2006	Strengthening civil society	Good Governance
EDF 8	8 ACP SOL 18	Police Commissioner for Solomon Islands	488,000	484,786	482,384	2003	03/31/2005	Government administration	Institutional Capacity Building
EDF 8	8 ACP SOL 12	Marine Infrastructure Project	6,000,000	5,931,347	5,767,143	2000	10/31/2005	Water transport	Transport
EDF 8	8 ACP SOL 6	Rural Training Centres Phase II	1,960,000	1,960,000	1,943,981	2000	06/30/2004	Vocational training	Natural Resources Management
EDF 7	7 ACP SOL 46	Rural Fishing Enterprises Project Phase III	1,900,000	1,558,526	1,510,925	2000	03/31/2004	Fishery development	Fisheries Development
EDF 7	7 ACP SOL 51	TA to The Ministry Of Planning	480,000	449,452	432,546	2000	12/31/2004	Financial policy and administrative management	Institutional Capacity Building
EDF 8	8 ACP SOL 8	Micro Projects Programme- Phase I	3,000,000	2,997,343	2,406,440	2000	10/31/2003	Rural development	Community based initiatives
EDF 7	7 ACP SOL 43	Reconstruction of the Ministry of Finance & Development Planning Building	1,185,133	1,185,133	1,185,133	1999	03/31/2003	Financial policy and administrative management	Institutional Capacity Building
EDF 6	6 ACP SOL 37	Kombito Water Supply Study	127,496	127,496	127,496	2000	12/31/2000	Water supply and sanitation	Natural Resources Management
EDF 6	6 ACP SOL 39	Addition to 7 ACP SOL Kombito Water Supply Study (Fed/Sol/70 14)	142,708	142,708	142,708	2001	06/30/2003	Water supply and sanitation	Natural Resources Management
EDF 8	8 ACP SOL 4	Inter-Island Shipping Project (ISP)	1,711,168	1,711,168	1,711,168	2000	06/30/2004	Water transport	Transport
EDF 7	7 ACP SOL 41	Programme Management Unit	1,319,904	1,319,904	1,319,904	1998	04/30/2002	not specified	not specified
EDF 7	7 ACP SOL 39	TA - Adviser To Ministry Of Finance	562,649	562,649	562,649	1997	01/31/2002	EDF Procedures	Institutional Capacity Building
EDF 8	8 ACP SOL 2	Structural Adjustment Support Programme (SASP 1 1999/2000)	4,200,000	2,180,459	2,180,459	1999	12/31/2002	Structural adjustment	General budget support
EDF 7	7 ACP SOL 49	Support to Peace Process	152,853	152,788	152,788	2001	08/31/2002	Civilian peace-building, conflict prevention and resolution	Good Governance
EDF 8	8 ACP SOL 17	Support to the 2001 General Election	1,106,510	1,106,510	1,106,510	2001	08/15/2002	Elections	Good Governance



EDF 7	7 ACP SOL 38	Population Census 1997	2,262,000	2,148,684	2,131,530	1997	10/31/2001	not specified	Population policies
EDF 7	7 ACP SOL 50	Solomon Islands Weapons Exchange Programme-Identification Study	53,298	53,298	53,298	2000	03/31/2001	Civilian peace-building, conflict prevention and resolution	Good Governance
EDF 8	8 ACP SOL 13	Franchise Art 195 A – Bois	3,021,402	3,021,402	2,500,000	2000	12/31/2001	Balance-of-payments support	General budget support
EDF 8	8 ACP SOL 14	Franchise Art 195 A – Coco	110,787	110,787	0	2000	12/31/2001	Balance-of-payments support	General budget support
EDF 8	8 ACP SOL 15	Franchise Art 195 A – Palmier	3,526,025	2,916,501	0	2000	12/31/2001	Balance-of-payments support	General budget support
EDF 8	8 ACP SOL 7	Tourism Development Project-Identification Study	84,038	84,038	84,038	2000	03/03/2001	Tourism policy and administrative management	Tourism
EDF 8	8 ACP SOL 16	Elections 2001 - Preparatory Support	78,183	78,183	78,183	2001	09/14/2001	Elections	Good Governance
Stabex 98	8 ACP SOL 9	Stabex 99 Coco Products	1,896,922	1,896,922	1,896,922	2000	12/31/2000	Balance-of-payments support	General budget support
EDF 7	7 ACP SOL 47	Review of Commodities Export Marketing Authority CEMA	126,557	126,557	126,557	1999	05/31/2000	Agricultural development	Natural Resources Management
EDF 7	7 ACP SOL 40	Director of Health & Medical Services, Guadalcanal Province.	189,534	189,534	189,534	1998	03/31/2000	Medical services	Health
Stabex 99	8 ACP SOL 10	Stabex 99 Palm Products	10,204,883	10,204,883	10,204,883	2000	12/31/2000	Balance-of-payments support	General budget support
Stabex 99	8 ACP SOL 11	Stabex 99 Wood	13,800,721	13,800,721	3,898,195	2000	12/31/2000	Balance-of-payments support	General budget support
EDF 7	7 ACP SOL 44	Rehabilitation Programme: Education Sector in Guadalcanal & Malaita	34,330	34,330	34,330	1999	10/14/1999	Education Policy & Admin. Management	Human Resources Development
EDF 7	7 ACP SOL 45	Review of the SI Development Bank	66,390	66,390	66,390	1999	12/31/1999	Financial policy and administrative management	Banking
EDF 8	8 ACP SOL 5	Capacity Strengthening to the Ministry of Health in the Area of Seafood Quality Control	51,798	51,798	51,798	1999	12/31/1999	Medical services	Health
B-6261?	PVD/1999/1205	Swift Sustainable Community Forestry and Timber Marketing Project - Solomon Islands	863,645	300,000	300,000	1999	?	Forestry development	Natural Resources Management
EDF 7	7 ACP SOL 42	Seminar on EDF Financial Procedures	27,291	27,291	27,291	?	?	EDF Procedures	Institutional Capacity Building

## Annex II: List of Regional Interventions in Solomon Islands

EC regional interventions of relevance to Solomon Islands between 1997 and 2006 and under **Regional** Indicative Programming (RIP). Interventions still in process are marked light grey. Original projects and respective FA Riders are boxed in blue colour. Financial status is as of 15.06.2006 in all cases (allocations in €)

Instrument	Project Number	Project Title	Planned Contracts		Paid	Start	End	Sector	Macro Sector
EDF 9	9 ACP RPA 1	Pacific Regional Initiatives for the Delivery of Basic Education (PRIDE)	8,000,000	7,840,000	1,314,763	2003	12/31/2011	Education Policy & Admin Management	Human Resources Development
EDF 8	8 ACP RPA 9	USP Human Resources Development Project	5,000,000	4,954,950	2,967,241	2002	05/31/2007	Higher Education	Human Resources Development
EDF 8	8 ACP RPA 6	Fiji School of Medicine Human Resources Development Programme (FSchM)	7,500,000	7,376,000	7,248,640	2002	09/30/2005	Higher Education	Human Resources Development
EDF 6	6 ACP RPR 528	Human Resources Development in the PACP Energy Sector	3,471,228	3,471,228	3,471,228	1995	08/06/2001	Electrical Transmission/Distribution	Human Resources Development

**Annex III: Financial Donor Matrix****Financial donor matrix 2006 (SBD \$m)**

<b>Sector / Donor</b>	<b>AUS</b>	<b>NZ</b>	<b>ROC</b>	<b>Japan</b>	<b>EU</b>	<b>ADB</b>	<b>WB</b>	<b>Others</b>	<b>Total</b>	<b>%</b>
Natural Resources	18.0	2.0	10.0	22.8	11.0	0	1.9	4.0	69.7	<b>7.7</b>
Human Resources and Community Development	85.0	10.9	26.2	14.9	69.6	0	0	13.8	220.4	<b>24.4</b>
Commerce, Industry and Finance		1.8					0.8	0.6	3.2	<b>0.4</b>
Governance and Security	417.8	12.8	35.0	4.3	23.7	3.5	0.8	0.7	498.6	<b>55.3</b>
Infrastructure and Utilities	0	0	2.8	92.5	1.9	9.6	3.3	0	110.1	<b>12.2</b>
<b>Total</b>	<b>520.8</b>	<b>27.5</b>	<b>74.0</b>	<b>134.5</b>	<b>106.2</b>	<b>13.1</b>	<b>6.8</b>	<b>19.1</b>	<b>902</b>	<b>100</b>
<b>%</b>	<b>57.7</b>	<b>3.0</b>	<b>8.2</b>	<b>14.9</b>	<b>11.8</b>	<b>1.5</b>	<b>0.8</b>	<b>2.1</b>	<b>100</b>	

*Source: SIG Year 2006 Approved Development Estimates: Development Grants (excluding Loans) Cash and Non Cash. Others include FAO and other UN agencies.*

## **Annex IV: List of Informants**

List of People met in Solomon Islands from 20-24 June 2006

- Mrs. Catherine Soreh, Project Administration Officer, EU Delegation to Solomon Islands;
- Mrs. Jennifer Tugunau, Project Administration Officer, EU Delegation to Solomon Islands;
- Mrs. Sue Mackie, Financial Controller, EU Programme Management Unit (PMU), Department of National Planning & Aid Coordination;
- Mr. Leonard Paia, Assistant Project Manager, EU Programme Management Unit (PMU), Department of National Planning & Aid Coordination;
- Mr. Richard Dalgarno, Education Adviser EU Stabex, Programme Implementation Unit (PIU), Department of Education & Human Resources Development;
- Mr. Barnabas Anga, Permanent Secretary, Department of Education & Human Resource Development;
- Mr. Shadrack Fanega, Permanent Secretary, Department of National Planning and Aid Coordination;
- Dr. Cedric Alependava, Under Secretary Health Care, Ministry of Health & Medical Services;
- Mr. Peter Goodwin, Chairman, Chamber of Commerce & Industries;
- Mr. Jack O'oi, Senior Trade Officer, Department of Foreign Affairs and External Trade;
- Mrs. Mylin Kuve, Director, Planning, Coordinating and Research Unit (PCRU), Department of Education & Human Resource Development, also National PRIDE-Coordinator
- Mr. Glynn Galo, Director, University of the South Pacific - Centre of Honiara;
- Mr. Gabriel Taloikwai, Director, SI College of Higher Education (SICHE);
- Mr. Atu Balekana, Principal Training Centre, Don Bosco Training Institute;
- Mrs. Oliv Doblus, Principal Secondary School, Don Bosco Training Institute;
- Bro. Suzuki, Administrator, Don Bosco Training Institute;
- Fr. Ambrose Pereira, Don Bosco Training Institute;
- Mrs. Louisa Fakaia, Project Manager, EU SI Rural Training Centres Project;
- Mr. Julian Treadaway, EU TA Curriculum Development, EU SI Rural Training Centers Project;
- Mr. Barry Reeves, Education Sector Coordinator, Dept of Education & Human Resource Dev.
- Mr. Michael R. Tokuru, General Manager, Solomon Islands Visitors Bureau.

## Annex V: Mission Programme

### Country Visit to Solomon Islands, 20th to 24th June 2006

Date	Time	Event/Meeting
TUES 20 JUNE	2.10 pm	Arrival at Honiara from Nadi
	4.00pm	EU Delegation: Mrs. Catherine Soreh, Project Admin Officer Ms Jennifer Tugunau, Project Admin Officer
WED 21 JUNE	9.00am	EU SI Rural Training Centres Project Mrs. Louisa Fakaia, Project Manager Ms Diana Forster, RTCs Adviser (not present) Mr. Julian Treadaway, EU TA/Curriculum Development
	11.00am	Dept of Education & Human Resource Development: Mr. Barnabas Anga, Permanent Secretary Mr. Barry Reeves, Education Sector Coordinator Mrs. Mylin Kuve, Director, Planning, Coordinating and Research Unit (PCRU), also National PRIDE-Coordinator
	2.00pm	EU Programme Management Unit (PMU) (Dept of National Planning & Aid Coord) Mr. Leonard Paia, Assistant Project Manager Mr. Colin Smith, EU Consultant (not present) Ms Sue Mackie, Financial Controller
	3.30pm	Don Bosco Training Institute Mr. Atu Balekana, Principal Training Centre Ms Oliv Doblak, Principal Secondary School Bro Suzuki, Administrator Fr Ambrose Pereira, Don Bosco
THURS 22 JUNE	8.30am	EU Stabex/Programme Implementation Unit (PIU), (Dept of Education & HRD): Mr. Richard Dalgarno, Education Adviser
	11.00am	S.I. College of Higher Education Mr. Gabriel Taloikwai, Director
	1.00pm	Ministry of Health & Medical Services Dr Cedric Alependava, Under Secretary Health Care
	2.00pm	University of the South Pacific - Centre Honiara Mr. Glynn Galo, Director
	2.30pm	Solomon Islands Visitors Bureau : Mr. Michael R. Tokuru, General Manager
	3.00pm	Chamber of Commerce & Industries Mr. Peter Goodwin, Chairman Mr. Alastair Martin, Executive member (not present) Mr. John Taisia, Executive member (not present)
FRI 23 JUNE	9.00am	Dept of National Planning and Aid Coordination Meeting postponed to the afternoon
	10.30am	Department of Public Service -- MEETING CANCELLED Mr. Ishmael Ivui, Permanent Secretary
	11.30am	Dept of Foreign Affairs and External Trade Ms Julia Tijaja, Trade Policy Adviser (not present) Mr. Jack O'oi, Senior Trade Officer
	2.00pm	Debriefing meeting EU Delegation (Mrs. Soreh & Ms Tugunau) EU Stabex/PIU staff and EU PMU staff
	4.00pm	Dept of National Planning and Aid Coordination Mr. Shadrack Fanega, Permanent Secretary

## **Annex VI: Bibliography**

*Note: All findings and conclusions of this country note are mainly based on interviews and discussions. The documents below were used as additional reference and are also recommended for further in-depth reference.*

In addition to individual Project FA, CA, FR, PS, MR and Project Reports (see project list in Annex I):

- 2006. SIG Prime Minister's Office. Grand Coalition for Change Government, Policy Framework Document, Honiara, May 2006.
- 2006. EU Stabex PIU. Fourth and Final Annual Report of the Technical Adviser to the Ministry of Education and Human Resource Development, April 2005 to April 2006.
- 2006. EC. Thomas, H. et. al.: Scoping and Project Design for the Integration of TVET into the Formal and Non-Formal Education System in Solomon Islands; Final Report.
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- 2006. (Draft). Solomon Islands, EC. Country Strategy Paper and National Indicative Programme for the period 2008 – 2013 (10<sup>th</sup> EDF). 59 pp.
- 2005. SIG, MEHRD: Education Summary Statistics, MEHRD based on SIEMIS.
- 2005. SIG, MEHRD: Education for Living, Approved Policy on Technical, Vocational Education and Training.
- 2005. SIG - EC: Joint Annual Report 2005, Volume II Annexes Draft.
- 2005. SIG - EC: Joint Annual Report 2005, Volume I Main Report and Conclusions, Draft.
- 2005. NZAID. Mid-Term Review Report on MEHRD's Sector Wide Approach.
- 2004. SIG, MEHRD: Education Strategic Plan 2004-2006, Second edition.
- 2004. SIG, MEHRD. ESIRP Draft Policy on Technical, Vocational Education and Training, MEHRD.
- 2004. EC. Revised Solomon Islands MTR 2004, Conclusions, 2004.
- 2004. ADB. Key Indicators of Developing Asian and Pacific Countries – Solomon Islands. Asian Development Bank. 298 pp.
- 2001. SIG - EC: Country Strategy Paper and National Indicative Programme for the period 2002 – 2007.
- 2000. SIG Department of Fisheries & FFA. Tuna Management Plan 2000 - A National Policy for the Management of Tuna Fisheries. 33 pp.
- 1998. SPC. Tuna Fishery Development Options and Constraints including Infrastructure and Personnel Needs within the Fishing Industry and Support Services in the Solomon Islands. 53 pp.

## **ANNEX 11D - COUNTRY NOTE: REPUBLIC OF VANUATU**

### **0. Country features and development needs**

Vanuatu is an archipelago of 83 islands, of which only 14 have surface areas of more than 100 square kilometres. Most of the islands are mountainous and of volcanic origin, and have a tropical or sub-tropical climate.

The population of Vanuatu is estimated at 207,300 of which 98.5% are indigenous Melanesian. About 30,000 live in the capital city, Port Vila, and another 10,700 in Luganville. The remainder live in rural areas. Approximately 2,000 ni-Vanuatu live and work in New Caledonia. Although local pidgin, called Bislama, is the national language, English and French also are official languages.

GDP per capital is estimated by the World Bank at USD 1,484 in 2005. With a Human Development Index of 0.659 Vanuatu ranks 119 out of 177 countries.

Vanuatu's economy is primarily agricultural; 80% of the population is engaged in agricultural activities that range from subsistence farming to smallholder farming of coconuts and other cash crops. Copra is by far the most important cash crop (making up more than 35% of the country's exports), followed by timber, beef and cocoa. Kava root extract exports also have become important. In addition, the government has maintained Vanuatu's pre-independence status as a tax haven and international financial centre. About 2,000 registered institutions offer a wide range of offshore banking, investment, legal, accounting, and insurance and trust-company services. Vanuatu also maintains an international shipping register.

Vanuatu is a small country, with only a few commodities, mostly agricultural, produced for export. Copra, cocoa, kava and beef account for more than 60% of Vanuatu's total exports by value and agriculture accounts for approximately 20% of GDP. In 2005, imports exceeded exports by a ratio of more than 3 to 1. However, this is offset by high services income from tourism, which keeps the current account balance fairly even. After a downturn in 2001 and 2002 due to a decrease in tourism funding, the economy has resumed growth on a 5 % annual rate.

Vanuatu claims an exclusive economic zone of 680,000 square kilometres and possesses substantial marine resources. Currently, only a limited number of ni-Vanuatu are involved in fishing, while foreign fleets exploit this potential.

Vanuatu is among the highest aid recipients of the Pacific island countries. Aid flows have been relatively stable, averaging close to USD 40 million per year (USD 220 on a per capita basis) during the past fifteen years. Australia is the largest bilateral donor, accounting for 30 % of total aid flows and up to 50% in the last five years, with priority given to economic reform and governance, and education and health.

In 1997 the government, with the aid of the Asian Development Bank (ADB), committed itself to a 3-year Comprehensive Reform Program. During the first year of the program the Government has adopted a value-added tax, consolidated and reformed government-owned banks, and started a 10% downsizing in the public service. Implementation of the CPR in the following years has been uneven depending on the commitment to reform of the ruling government.

## 1. Overview of the European Commission support to Vanuatu from 1997 to 2007

The European Commission strategies to support Vanuatu from 1997 to 2006 are expounded in the EDF 8 National Indicative Programme (NIP) covering the period 1997-2001 and in the EDF 9 Country Strategy Paper (CSP) covering the period 2002-2007.

The objective of the EDF 8 NIP is to develop the human resources potential and therefore to contribute to an economic growth process capable of supporting continued socio-economic expansion.

The focal sector of the EDF 8 NIP was identified as Education with 75% or €8.5m of the available programmable funds to be spent in this area. The specific objectives to be pursued in this area were:

- to increase the success rate in primary education and in junior secondary education,
- to improve education quality,
- to improve the management of the education system.

It was therefore planned that EC would support:

- The rehabilitation and the construction of education infrastructures, boarding school for girls, furniture and equipment appropriate to local conditions;
- Technical assistance for statistics and education management and development of teaching and scholarship programmes.

The focal sector of the Vanuatu 2002-07 NIP and Country Strategy Paper (CSP) under EDF 9 was Education, HRD and Training, with a strong emphasis on the most productive sectors of tourism and agriculture. The interventions are directed towards sustainable economic development and poverty reduction. They represent significant continuity in support to Vanuatu, building on experience in a sector in which the Commission has demonstrated substantial capacity.

Within its EDF facility and during the period of 2002-2007, the Commission made available the amount of €12m in programmable aid (A-envelope) and €3.3m in non-programmable aid (B-envelope) to Vanuatu. After the 2004 MTR an additional €5m was allocated to the country, raising the A-envelope to €17m and the overall EDF 9 funding to €20.3m Vanuatu is one of the two Pacific countries that were allocated an increase in their NIPs after the 2004 Mid-Term Review of the implementation of EDF 9 (the other country being Samoa).

**TABLE 1 – STRATEGIC ALLOCATIONS PER SECTOR TO VANUATU, 1997-2007, €M**

	Strategic Allocations €ms		
	EDF 8	EDF 9	Total
<b>Education, HRD and Training</b>	7.9	10	31.94
<b>Agricultural Development</b>	-	1.4	8.92
<b>Support to non-state actors</b>	-	0.6	5.62
<b>Other</b>	2.6	-	-
<b>Total</b>	10.5	12	46.5



The strategies developed for EDF 8 and 9 CSP mention the necessity of ensuring coherence with other non-programmable resources made available to Vanuatu, whether from the Commission (emergency aid, institutional and administrative support measures and assistance under budget lines – tropical forestry, environment, democratisation and human rights, Stabex) or from the European Investment Bank.

## 2. Overview of the implemented interventions supported by the Commission

The Commission's overall allocated financial support to Vanuatu from 1997 onwards is currently standing at €35,0m (June 2006). Funds committed during this period are mainly part of EDF 8 (57%) and EDF 9 (30%). Commitments from EDFs 6 and 7 are marginal.

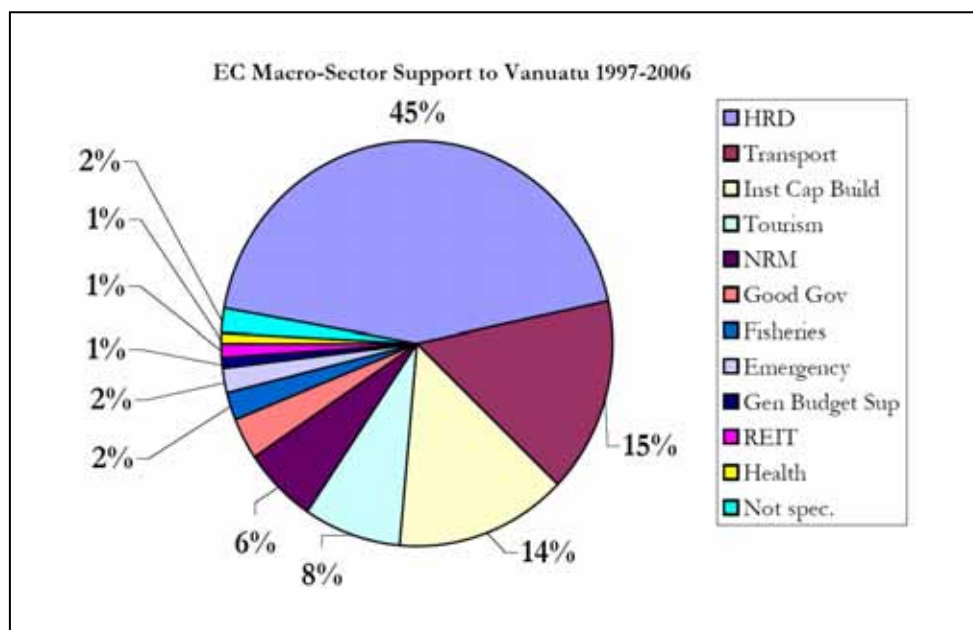
**TABLE 2 - AMOUNTS COMMITTED, CONTRACTED AND PAID TO VANUATU, BY FINANCIAL INSTRUMENT, FROM 1997-2005**

	Number of projects	Commitments (a)	Contracted	Paid (b)	Disbursement rate (b/a)
EDF 6	1	271,000	271,000	271,000	100%
EDF 7	3	667,504	667,504	667,504	100%
EDF 8	17	20,288,278	19,769,074	18,540,072	91%
EDF 9	9	10,955,000	7,859,564	4,110,239	37%
Budgetary Line	9	2,892,020	1,683,179	580,938	20%
Stabex	2	355,758	355,758	355,758	100%
TOTAL	41	35,430,024	30,606,543	24,525,975	

Source: CRIS DATA BASE

Of all sectors, the HRD sector received most funding, with €15,4m or 45% of total funding. The combined sectors of HRD, Transport and Institutional Capacity Building accounted for 74% of the overall funding during the EDF 8 and 9 periods. The sectoral allocations are illustrated diagrammatically in the next figure.

**TABLE 3 – EC SUPPORT TO VANUATU BY SECTOR**



Overall during the reference period, 41 projects were supported in Vanuatu. A list of EC programme and project interventions during the period 1997-2006, with updated financial situation, is given in Annex I.

Currently there are 11 EC-funded projects in progress, of which nine are under EDF 9. All projects under EDFs 6 and 7 have been closed. The remaining balance (€161,1m) was transferred to EDF 9. All projects under EDF 8 have been completed or are in the process of closure, except for two. The two ongoing projects are 8 ACP VA 16 (Producers Organisation Project II (POP II) until 31.12.2007) and 8 ACP VA 18 (Technical Assistance to the Department of Economic and Social Development; this was due to continue until 30.09.2006). The remaining EDF 8 balance (€269,2m) was transferred to EDF 9.

In 2005 two new Commission projects were started in the education sector: the EDUTRAIN (Education and Training Programme, 2003-10) and the SERP project (Support to Economic Reform Programme, 2004-06). The project 'TA to the NAO' was extended in early 2006. The project 'Capacity building of NSA and CBO' was due to start in late 2006. Work on the last rehabilitation project under the STABEX facility, the Eton Bridge Reconstruction Project, was completed in December 2004 and the project was closed in 2005.

Additional **EC Budget Line** support of €2.8m was utilised in Vanuatu between 1997 and 2005. The projects were financed under the following budget lines: ECHO, B-6261 Tropical Forests, B7-7020 Human Rights and Democracy and B7-6002 Decentralized Cooperation. The content of these projects was as follows:

**ECHO:** The project supported victims of an earthquake on Pentecost Island, with funding of €160,000. The project is implemented by 'Médecins du Monde'. It was completed in mid-2004. Small-scale water supply works and dispensaries were repaired. In addition, support to primary health care was provided in the northern provinces of the country. This small project was implemented successfully, with good visibility and publicity.

**B-6261 Tropical Forests:** Work continued under the €268,000 'Landowner Extension and Awareness of Reforestation Naturally' project. The project completion date was deferred to mid-2005 following necessary adaptations after the Mid-Term Review. Reports indicate that good public awareness has been developed amongst the school population and communities in the project areas. With the care provided by the project now concluded, it is intended that natural reforestation will occur.

**B7-7020 Human Rights and Democracy:** The €370,000 project 'Development Theatre for the Education and Capacity Building of Ni-Vanuatu and Pacific Island Countries' is being implemented by Vanuatu's NGO 'Wan Smol Bag Theatre'. Good results are being achieved due to the effective work carried out by this reputable NGO. The project is targeted on the rural population, aiming to convey real-life socio-cultural messages in simple but attractive forms.

**B7-6002 Decentralized Cooperation:** The €316,521 VANPID Project is being implemented by VANGO, Vanuatu's umbrella NGO organization. The main aim is to improve the capacity of NGOs and provincial administrations, so that they can effectively implement development projects. Appropriate training workshops are being conducted in Vanuatu's provinces. With a view to enhancing impact, the project's coordinator is collaborating with his counterparts in other projects that also aim at building up the capacities of Non-State Actors.

### **3. Assessment of the results and impacts of the implemented interventions and comparison with those expected**

#### **3.1 Relevance, logic and coherence of the CSP**

Vanuatu is facing a series of development constraints:

- Widely scattered and mountainous island geography;
- Vulnerability to natural disasters;
- Small domestic market with little potential for economies of scale;
- Increasingly competitive international markets for tourism and investment;
- Social and cultural system with limited understanding and experience of business concepts and practices.

The current EDF 9 support is a coherent and logical evolution from the successful EDF 8 support which concentrated on building up basic educational and vocational infrastructures. EDF 9 focuses on an integrated approach comprising sectoral capacity building, mainly in tourism and agriculture, and promotion of stable economic growth through support to the private sector and SMEs. The Commission is responding to the commitment of the Government of Vanuatu to maintain growth in the national economy so as to create employment for the young people graduating each year from formal and non-formal education establishments. The needs of the Republic of Vanuatu have been comprehensively identified by the Commission. The programme is being adapted to fill educational gaps that still inhibit economic performance. From the perspective of the Vanuatu Government, the Commission's support is entirely coherent with the country's mid-term planning for reforms and economic growth. The EC is seen as having valuable specific expertise in the area of education and human resource development.

EC support is aligned with the Comprehensive Reform Programme (CRP) of the Government. The Comprehensive Reform Program was initiated in 1997 as a long-term framework to increase welfare.

The main CRP priority is to create an environment for private-sector-led economic growth, including activities in the primary sectors of agriculture, forestry and fisheries, and in tourism. CRP priorities may be summarised as follows:

- private sector development and employment creation,
- macroeconomic stability and equitable growth,
- good governance and public sector reform,
- primary sector development (natural resources and the environment).

At the next level of priority is human resource development:

- provision of better basic services, especially in rural areas,
- education and human resource development,
- economic infrastructure and support services.

National Vision (CRP)

“An Educated, Healthy and Wealthy Vanuatu”

By 2015, Vanuatu will have achieved a significant increase in real per capita incomes, along with steady growth in levels of employment. Within the region, Vanuatu will be among the leading countries in achieving the Millennium Development Goals in education, health, environmental management, and other key social indicators. Public sector reforms will have raised standards of governance, levels of productivity in the civil service, and will have resulted in higher standards of services and managerial accountability. Through continuing structural reform, Vanuatu will have established an effective enabling environment to sustain the significant private sector growth, which

The Government's Department of Economic and Sector Planning (DESP) developed a first Priorities and Action Agenda (PAA) in 2003 to complement the CRP. Other key stakeholders, such as NGOs, church groups, the private sector and Civil Society were closely involved in the process.

The PAA amounts to an integration and prioritisation of the action agendas contained in the already accepted and ongoing national and provincial programmes, including the CRP, Business Forum Outcomes and plans under Rural Economic Development Initiatives (REDI). The overall objective is to link policy and planning with the limited resources the government controls.

Principal Structural Weaknesses in the Economy

- Public sector characterized by low productivity and lack of customer service focus;
- High cost domestic business environment;
- Expensive international connections in both airfares and communications;
- Investment approval process that can be non-transparent and burdensome for investors;
- Underdeveloped financial system, especially in the rural areas;
- Increasing urbanisation and rising urban unemployment;
- Labour force lacking the technical and managerial education and job skills needed to support economic development;
- Land and capital market development constrained by social values and traditions.

Negotiations for the 2<sup>nd</sup> PAA (2006-2015) have been completed and approval was expected late in 2006. Its agenda includes strengthening the productive sector, especially agriculture and tourism, maintaining macroeconomic balance, raising public service performance, cutting costs associated with transport and utilities, and improving access to basic services such as health and education.

Translation of CRP and PAA plans into programmes and projects, and the financing of the programmes, depends heavily on the support of donors, including the European Commission. The Government of Vanuatu is planning to integrate external financing needs with government budget commitments through a Medium Term Expenditure Framework (MTEF) and Government Investment Programme (GIP).

**EC support to the Republic of Vanuatu is highly relevant both in its sectoral concentration and in its financial scale. The European Commission is recognised as a key co-operation partner in Vanuatu by Government, NSA stakeholders and by other international donors with specific expertise in the area of education infrastructure and in-service training.**

### **3.2 Consistency between programming and implementation**

The programming and implementation of the EC's development support to Vanuatu is very consistent. The focal range of ongoing and completed EC-supported projects implemented in Vanuatu corresponds very closely with the focal sectors for interventions as programmed at the beginning of EDFs 8 and 9.

The CSP highlighted the need for focal and non-focal activities to establish links between formal education and private sector development needs. This has been accomplished in a highly consistent manner mainly through 9 ACP VA 03 - EDUTRAIN (life skills at grade 7 and 8, at the end of Primary Education), 8 ACP VA 23 / 9 ACP VA 08 - VATET (vocational training in tourism) and 8 ACP VA 16/ 9 ACP VA 09 - POPACA (in-service training and capacity building for productive farmers and cooperatives).

The 2004 EDF 9 mid-term review (MTR) concluded that the country had performed well in the use of EDF funds, taking into account the significant needs of the country with respect to changed RIP/RSP focal sectors and overall EC development policy objectives and commitments. On the recommendation of the MTR, an additional €5m was allocated to the A-envelope, strengthening the focal programme in Education and Training. The B-envelope was retained in recognition of the high vulnerability of Vanuatu to natural disasters and the need for programme flexibility. A range of capacity building initiatives encourages increased involvement of NSAs in the development process in Vanuatu.

### **3.3 Analysis of the implementation of the NIP**

After rather unsatisfactory inception phases of several EDF 9 projects due to planning errors, as identified by a 2005 monitoring mission, all projects are now well on track. Weaknesses in project preparation have been attended to. In particular, problems related to under-estimation of costs have been resolved, partly through increased allocation of funds following the MTR. Where necessary, project objectives were refined to take account of time constraints and limitations in counterpart financial provision from local project stakeholders.

In November 2005 six EC funded projects were monitored in Vanuatu receiving an average score of 'b':

- Relevance and Quality of Design                    b average
- Efficiency of Implementation to date                c average
- Effectiveness to date                                    c average
- Impact to date    b average

**TABLE 4 – ROM CONCLUSIONS (VISIT DATE JULY 2005)**

Project	Title	Budget	Start	End	Conclusions
8 ACP VA 23	Tourism Education and Training Project	1,999,000	9/1/2004	12/31/2008	b - c - b - b - b
9 ACP VA 1	Reconstruction of Lycée Antoine de Bougainville (LAB)	1,350,000	12/16/2003	12/31/2008	a - b - b - a - a
9 ACP VA 3	Education and Training Programme	4,531,000	11/28/2003	12/31/2010	b - c - c - b - b
9 ACP VA 2	Public Works Department (PWD) Maintenance Training Project	1,995,000	11/13/2003	12/31/2009	b - c - c - b - c
8 ACP VA 16	Producers' Organisation Project II (POP2)	1,400,000	10/1/2002	12/31/2007	c - c - c - b - b
9 ACP VA 6	Support to Economic Reform Programme (SERP) 2004 - 2006	1,700,000	10/22/2004	12/31/2008	c - b - c - b - b

Key to letter codes:

The codes refer to: 'relevance; efficiency; effectiveness; impact; and sustainability'.

a = very good; b = good; c = problems; d = serious deficiencies.

In most cases it was too early to establish project impact on a wider basis, but sustainability potential is positively indicated in all monitoring reports, except for the PWD Maintenance Training Project.

Four out of six ongoing EDF projects needed major changes to either timetables or budgets or both. These delays indicate deficiencies in pre-project stakeholder consultation and subsequent misjudgement of management requirements, particularly during the project inception phases. The new EC financial regulation only allows for one addendum or rider to any project. This has led to the now pressing necessity for thorough definition of project fundamentals, since any future alterations must be adjustments rather than radical changes.

The CSP (2002-2007) highlighted the need for focal and non-focal activities to establish links between formal education and needs for the development of the private sector in Vanuatu. This is being addressed mainly through 9 ACP VA 3 EDUTRAIN and 8 ACP VA 23 VATET. These two plus one additional project (8 ACP VA 16 and 9 ACP VA 09 SERP) were selected for a sample analysis of implementation efficiency and effectiveness of EC interventions in the NIP focal sector of Education and Training. Tabular assessments of the individual projects, including Intermediate Results Analyses, are given below.

### Project Analysis 1: EDUTRAIN

Education and Training Programme; 2003-10; 9 ACP VA 03/ 9 ACP VA 10		€4,781,000
Overall Objective	Contribute to the development of human resources in Vanuatu by providing opportunities to children to acquire knowledge and skills that would enable them to become productive members of society	
Specific Objectives	<p>Improve access to education after year 6 of primary schooling</p> <p>Develop the curricula of post-primary general education to better correspond to needs of the society</p> <p>Improve the qualification of teachers in post-primary general education</p> <p>Extend school facilities by adding new community secondary school classrooms attached to existing (primary or secondary) schools</p> <p>Improve the management of education by establishing an Education Management Information System (EMIS) and by improving provincial education offices</p> <p>Improve quality assessment through further training of advisors and inspectors</p>	
Relevance and Coherence with NIP	<p>Rehabilitation and/or construction of Junior Secondary Schools;</p> <p>Rehabilitation of Provincial Education Offices;</p> <p>Establishing an Education Management Information System;</p> <p>Training of education staff in management and planning;</p> <p>Primary school repairs.</p>	
Intermediate Assessment	<p>Dropout rate from primary education has decreased;</p> <p>Curricula of post-primary general education are in the process of revision;</p> <p>More students are continuing education on their home islands after year 6;</p> <p>High level of participation and community involvement.</p>	

### Project Analysis 2: VATET

Tourism Education and Training Programme; 2003-08; 8 ACP VA 23/ 9 ACP VA 08		€2,398,000
Overall Objectives	Contribute to poverty reduction and the sustainable development of the national economy by providing essential inputs into the vital tourism industry	
Specific Objectives	To improve capacities and services within the Tourism and Hospitality industry of Vanuatu to competitive standards	
Relevance and Coherence with NIP	<p>Planning, construction and Operation of the VIT Tourism and Hospitality Training Centre;</p> <p>Rural Tourism Development Program; Institutional strengthening of National Tourism Office.</p>	
Intermediate Assessment	<p>A special Tourism and Hospitality Training Facility at VIT is under construction;</p> <p>Capacity and quality of pre-service training for the tourism industry has improved;</p> <p>Skills and standards of existing workers in the industry through in-service training, co-ordinated by a dedicated industry training unit at VIT have increased;</p> <p>The small bungalows and tour operating sector has an enhanced understanding of commercial sustainability, and has improved products and services of businesses;</p> <p>The human resource capacity of the Vanuatu National Tourism Office and targeted marketing programmes has improved.</p>	

### Project Analysis 3: SERP

Support to Economic Reform Programme; 2004-2006; 8 ACP VA 16/ 9 ACP VA 09		€1,700,000
Overall Objectives	Provide budget support to enable reform efforts in Vanuatu to continue. The project involves budget support to reduce the structural deficit and technical assistance to improve capacity in public financial management and SERP monitoring	
Specific Objectives	Provide support to Vanuatu's ongoing Comprehensive Reform Programme (CRP) started in 1997 as reaffirmed in Government's published Priority and Action Agenda	
Relevance and Coherence with NIP	Formulation of a Medium Term Expenditure Framework (Ministry of Finance); Strengthening of the Ministry of Education's governance and financial management capacity.	
Intermediate Assessment	Economic reforms are on track in Vanuatu; Expenditure prioritisation including aid donor funds has improved; Revenue collection and forecasting has improved; Public financial management oversight has improved; Internal expenditure control has improved; Financial management in the Ministry of Education has improved; Monitoring of SERP implementation has improved.	

**The current levels of efficiency and effectiveness of implementation of the 2002-07 NIP for Vanuatu are high. Financial commitments and disbursement rates of Commission funds are satisfactory<sup>1</sup>.**

**The additional allocation of €5m after the 2004 MTR provides an indication of the effectiveness and efficiency of the implementation of the Commission's NIP in Vanuatu. As noted above, only two out of 14 PACP NIPs received such a budget increase. It was believed that the Vanuatu NIP would make the best use of additional funding within the three remaining years of EDF 9.**

#### **4. Assessment of links and mutual support between regional and national strategies**

Table 5 shows the focal sectors under national and regional strategies in Vanuatu for the EDF 8 and 9 periods.

<sup>1</sup> See Annex 1



**TABLE 5 - VANUATU AND PACIFIC REGIONAL FOCAL SECTORS,  
EDF 8 & 9**

	<b>Focal Sectors: Vanuatu</b>	<b>Focal Sectors: Pacific Region</b>
EDF 8	Education/Primary level and junior secondary (75%) Capacity building (25%)	Human Resources Development (45%); Projects: FSchM-HRD, USP-HRD;  Sustainable management of natural resources and environmental management and protection (35%) Projects: PEIN; DSAP; PPP; RVP
2EDF 9	Education junior secondary and vocational training –tourism, road maintenance, air controllers - (83%) Agricultural Development (11.6%) NSA (5%)	Regional Economic Integration and Trade (31%); Project: PACREIP  <i>Human Resources Development</i> (28%); Project: PRIDE  Fisheries (17%) Projects: CO-FISH; DEV-FISH

The national focus has been strongly on educational development, corresponding to HRD at regional level. In the EDF 8 period the national emphasis was on primary and junior secondary education, whilst the regional focus was on tertiary education, involving the FSchM project and USP-HRD. In the EDF 9 period a national emphasis on junior secondary education was retained, but was extended into TVET. At regional level the emphasis shifted to basic education and the PRIDE project. The national commitment to economic development, embodied in the CRP, links up with regional programmes for natural resources development and REIT.

There have been significant weaknesses in communications between regional project management and Vanuatu agencies. Government, private sector and key NSA stakeholders, and in particular the EC Delegation to Vanuatu, expressed strong criticism of the lack of support from regional programmes and the general lack of information on regional programmes with the potential to assist or augment national level interventions. The Delegation acknowledged contacts with consultants and trainers engaged on regional projects whenever they were on missions to Vanuatu, but these contacts were regarded as insufficient to gain maximum advantage from complementarities between Commission activity at national and regional levels. Effective participation of Vanuatu in co-operation at regional level continues to be a challenge.

Awareness of regional projects was limited. The Delegation was unaware of the activities of the PACREIP project in REIT. None of the six components of the project had any significant visibility in Vanuatu. This may in part be attributable to the close identification of PACREIP with the work of the PIFS in REIT. (See Annex 9, EQ 5, I 5.5.1.)

Communications have been particularly weak in respect of education sector programmes. Activities of the USP-HRD and PRIDE projects in Vanuatu have on occasion been made known to the Delegation only after the activities were completed. The weaknesses in communications from USP-HRD extend to national education stakeholders in Vanuatu, including USP Vanuatu and other key national stakeholders.

In the fisheries sector co-ordination and mutual support between the regional and national levels is functional but not yet fully sufficient. The Ministry of Fisheries and Marine Resources is involved in the EC-supported regional Fishery Sector Programmes PROCFISH, CO-FISH and DEV-FISH. Sectoral government stakeholders are aware of ongoing support interventions by these programmes at national level although there is concern over delays. Vanuatu receives support from the PROCFISH Coastal Fisheries Programme in the form of coastal environmental and resources evaluations and from the DEV-FISH Project in the form of support to the development of National Tuna Fishery Management Plans. However, since the domestic tuna fishery is under-developed in Vanuatu, the latter project support is mainly aimed at management issues related to licensing of fishing activities by foreign fleets.

In 2002 the Commission provided NIP funds for implementation of the Coral Garden Initiative by the Foundation of the People of the South Pacific International (FSPI). Since that date no interventions specifically directed at Natural Resources Management have been supported in Vanuatu. However, the Producers Organisation Project (POPACA) and the Support to Non-State Actors project both contain strong environmental components related to resource conservation and management in a wider sense. Activities supported in Vanuatu by the regional DSAP, PPP, RVP and PEIN projects have potential links to these national projects.

## Annex I: List of Interventions

EC interventions at Vanuatu between 1997 and the present day are shown below in regressive chronological order based on year of commencement. Interventions still in process are marked light grey. Original projects and respective FA Riders are boxed in blue colour. Financial status is as of 15.06.2006 in all cases (allocations in €).

Instrument	Project Number	Project Title	Committed	Contracts	Paid	Start	End	Sector	Macro Sector
EDF 9	9 ACP VA 6	Support to Economic Reform Programme 2004-2006 (SERP)	1,700,000	1,635,400	777,550	2004	12/31/2008	Budget support	Institutional Capacity Building
EDF 9	9 ACP VA 7	Technical Cooperation Facility (TCF) / T.A. to the National Authorising Officer (NAO)	330,000	284,800	186,468	2004	12/31/2010	Trade related assistance	Regional Integration and Trade
EDF 8	8 ACP VA 21	Support to Non-State Actors	600,000	595,315	593,393	2003	12/31/2005	Strengthening civil society	Good Governance
EDF 9	9 ACP VA 5	Rider No 1: Increase of FA ceiling of ACP VA 21	120,000	118,140	118,204	2003	12/31/2005	Strengthening civil society	Non identified
EDF 8	8 ACP VA 22	Appui au Ministère de L'éducation	430,000	377,984	377,984	2003	3/31/2005	Education facilities and training	Human Resources Development
EDF 8	8 ACP VA 23	Vanuatu Tourism Education And Training Project (VATET)	1,999,000	1,689,728	782,273	2003	12/31/2008	Vocational training	Tourism
EDF 9	9 ACP VA 8	Rider No 1: Increase of Ceiling 8 ACP VA 23 (VATET)	399,000	0	0	2003	12/31/2008	Vocational training	Tourism
EDF 9	9 ACP VA 1	Reconstruction of Lycée Antoine de Bougainville (LAB)	1,350,000	1,207,939	878,045	2003	12/31/2008	Education facilities and training	Human Resources Development
EDF 9	9 ACP VA 2	Public Work Department (PWD) Maintenance Training Project	1,995,000	1,694,985	1,217,110	2003	12/31/2009	Transport policy & administrative management	Transport
EDF 9	9 ACP VA 3	Social Infrastructure and Equipment (EDUTRAIN)	4,531,000	2,640,300	782,903	2003	12/31/2010	Education facilities and training	Human Resources Development
EDF 9	9 ACP VA 10	Rider No 1 to 9 ACP VA 3	250,000	0	0	2003	12/31/2010	Education facilities and training	Human Resources Development
Stabex 99	GIP 02A578	Eton Bridge Reconstruction Project	75,000	94,000	94,000	2003	2005	Emergency assistance	
EDF 8	8 ACP VA 15	Electoral Support	74,229	74,229	74,229	2002	8/31/2002	Elections	Good Governance
EDF 8	8 ACP VA 16	Producer's Organisation Project II (POPACA II)	1,400,000	1,246,770	1,023,305	2002	12/31/2007	Agricultural co-operatives	Natural Resources Management

EDF 9	9 ACP VA 9	Rider No 1 to FA 8 ACP VA 16	280,000	278,000	149,959	2002	12/31/2007	Agricultural co-operatives	Non identified
EDF 8	8 ACP VA 17	Evaluation of EDF-financed Road Transport Projects	103,357	103,357	103,357	2002	12/31/2002	Road transport	Transport
EDF 8	8 ACP VA 18	T.A. to the Department of Economic and Social Development (NAO)	600,000	600,000	503,839	2002	9/30/2006	Economic and development policy/ planning	Institutional Capacity Building
EDF 8	8 ACP VA 20	Training of Ni-Vanuatu Air Traffic Controllers	298,078	298,078	298,078	2002	1/31/2004	Education policy & administrative management	Transport
EDF 7	7 ACP VA 23 + 8 ACP VA 14	Rural Tourism Training Project	140,000	140,000	140,000	2001	7/29/2002	Tourism policy & administrative management	Tourism
EDF 7	7 ACP VA 24	Echo/Vut/254/2001/01000 Assistance aux Victimes De L'éruption Volcanique à Vanuatu	154,207	154,207	154,207	2001	1/4/2002	Emergency assistance	Emergency
EDF 8	8 ACP VA 12 + 8 ACP VA 13	Support to the Economic Reform Programme (SERP) 2000/1	1,587,508	1,587,508	1,587,508	2001	6/30/2003	Economic and development policy/ planning	Institutional Capacity Building
Budget Line	CDC/2001/10	Vanuatu Partnership in Development (VANPID)	316,521	316,521	86,011	2001	?/?/2005	Economic and development policy/ planning	Non identified
Budget Line	ECHO/VUT/254/2001/01000	Assistance aux Victimes de L'éruption volcanique à Vanuatu	160,000	160,000	154,207	2001	6/30/2005	Reconstruction relief	Emergency
EDF 6	6 ACP VA 27, 7 ACP VA 22	Technical Assistance to the Department of Public Works	271,464	271,464	271,464	2000	2/29/2004	Transport policy & administrative management	Institutional Capacity Building
EDF 8	8 ACP VA 10	T.A. to the Department of Public Works (See 6-Va-27 + 7-Va-22)	163,977	163,977	163,977	2000	2/29/2004	Transport policy & administrative management	Institutional Capacity Building
EDF 8	8 ACP VA 11 & 9 ACP VA 4	Strengthening of the Vanuatu Maritime College (VMC)	785,514	785,514	785,514	2000	12/31/2004	Fishery policy and administrative management	Fisheries Development
EDF 8	8 ACP VA 8	Echo/Vut/254/1999/01000-Aide Aux Victimes Du Tremblement De Terre A Vanuatu.	141,959	141,959	141,959	2000	2001	Emergency assistance	Emergency
EDF 8	8 ACP VA 9	Economic Consultant for 3 <sup>rd</sup> UN LDC Conference	39,198	39,198	39,198	2000	1/31/2001	Economic and development policy/ planning	Institutional Capacity Building
EDF 8	8 ACP VA 6	T.A. To the Ministry Of Finance	702,326	702,326	702,326	1999	8/31/2002	Economic and development policy/ planning	Institutional Capacity Building
STABEX 98	8 ACP VA 7	Cacao en Fèves	157,090	157,090	157,090	1999	12/31/1999	Balance-of-payments support	General Budget Support

Budget Line	DDH/1999/124	Assistance to the Office of the Ombudsman	359,600	359,600	359,600	1999	?	Government administration	Institutional Capacity Building
Budget Line	DDH/1999/125	Development Theatre for the Education and Capacity Building Of Ni-Vanuatu and Pacific Island Country Educators in Human Rights, Good Governance and Development	486,458	486,458	486,458	1999	?	Strengthening civil society	Good Governance
Budget Line	DDH/1999/155	Rural Primary School Rehabilitation Project	362,783	362,783	362,783	1999	?	Primary education	Human Resources Development
Budget Line	ECHO/VUT/254/1999/0100	Aide aux Victimes du Tremblement de Terre a Vanuatu	150,000	150,000	141,959	1999	?	Emergency/distress relief	Emergency
EDF 8	8 ACP VA 4	Rural Tourism Development Programme	270,589	270,589	270,589	1998	12/31/1998	Tourism policy and administrative management	Tourism
EDF 8	8 ACP VA 5	Bauerfield and Pekoe Airports (20254)	3,000,000	3,000,000	3,000,000	1998	12/31/2000	Air transport	Transport
EDF 7	7 ACP VA 21	Rural Primary Schools Rehabilitation Phase II	373,297	373,297	373,297	1997	4/19/1998	Education facilities and training	Human Resources Development
STABEX 96	8 ACP VA 2	Cacao en Fèves	198,668	198,668	198,668	1997	12/31/1997	Balance-of-payments support	General Budget Support
EDF 8	8 ACP VA 3	Education Development Programme	8,092,542	8,092,542	8,092,542	1997	8/31/2003	Education facilities and training	Human Resources Development
Budget Line	FT/1999/3	Landowner Extension and Awareness of Natural Reforestation	267,821	267,821	267,821	1999	?	Agriculture land resources	Natural Resources Management
Budget Line	PVD/2000/220	Development Theatre for Natural Resource Awareness and Capacity Building	498,521	498,521	71,934	2000	?	Environmental education/training	Natural Resources Management
Budget Line	PVD/2000/643	Renforcement du Développement des Soins de Santé Primaire dans la Région de Pentecôte - Province de Penama	290,316	290,316	126,827	2000	?	Basic health	Health

## Annex II: Social Indicators

### SOCIAL INDICATORS COVERING CORE MDGS IN VANUATU IN 2004.

Type	Indicator	2003	2004	2005	2006	2007
Impact	1. Proportion of population below US \$1/day	N/A	N/A	N/A	N/A	N/A
	2. Proportion of population with access to land.	94%	94%	94%	94%	94%
	3. Prevalence of underweight children (under 5 years old)	12%	12%	12%	12%	12%
	4. Under-five mortality rate	25.5/1000	25/1000	25/1000	24/1000	21/1000
	5. Life expectancy at birth	66	66	66	66	66
	6. Income per capita (US\$)	1,203	1,225	1,230	1,263	1,262
Outcome	7. Net enrolment in primary education	39,4	39,0	39,7	40,5	41,3
	8. Primary completion rate	50%	52%	54%	54%	54%
	9. Ration of girls to boys in: Primary education	47:53	49:51	50:5	50:5	50:50
	Secondary education	49:51	50:50	50:50	50:5	50:50
	Tertiary education	50:50	47:53	48:52	48:52	49:51
	10. Proportion of births attended by skilled health personnel	70%	75%	75%	75%	75%
	11. Proportion of 1 year old children immunized for measles	60%	60%	65%	65%	65%
Input	12. HIV prevalence in women	1	2	4		
	13. Proportion of population with access to improved water	67%	67%	69%	69%	70%
	14. Share of education in national budget	29%	29%	28%	28%	27%
	15. Share of health in national budget	13%	13%	13%	13%	13%
	16. Aid (% of GDP)	14%	14%	14%	14%	14%

Source: Department of Economic and Sector Planning (DESP), 2006

The adult illiteracy rate of Vanuatu is 68%. Although 90% of children are attending primary school only 20% go on to secondary level. Girls and women are still widely disadvantaged in access to secondary education, professional training, and general HRD. The government of Vanuatu is committed to improvement of its social and health sectors on which it spends the greater part of its national budgetary allocations (26%, 14%). The provision of universal primary education as well as vocational and technical secondary education is a prominent national development goal. Although health indicators have improved over the past 20 years, maternal mortality still remains unacceptably high.

### **Annex III: Informants met**

#### **VANUATU FROM 15-19 JUNE 2006**

Nicolás Berlanga Martínez	Chargé d'Affaires a.i., Delegation of the European Commission to Vanuatu
Georges Maniuri	Deputy National Authorising Officer, Director
Adrien Mourgues	Programme Officer, Delegation of the European Commission to Vanuatu
Didier Slachmuylders	Technical Advisor to the Office of the National Authorising Officer Department of Foreign Affairs, Development Co-operation Division
Moses John Amos	Director of Fisheries, Fisheries Department
Graham Nimoho	Principal Fisheries Development Officer, Fisheries Development Section
Jason Raubani	Acting Principal Fisheries Officer, Management and Policy Section
Ken Kikutani	Team Leader, JICA Project for the Promotion of the Grace of the Sea in Coastal Villages
Akihiro Kawada	Project Co-ordinator, JICA Project for the Promotion of the Grace of the Sea in Coastal Villages
John Firiam	President Shefa Fishermen Association
Augustin Pheu	La Touque a Poissons LTP, Commercial Fishing Company
Andrew Hibgame	Owner, YMER, Game Fishing Company

## **Annex IV: Bibliography**

Note: All findings and conclusions of this country note are mainly based on interviews and discussions. The documents below were used as additional reference and are also recommended for further in-depth reference.

In addition to individual Project FA, CA, FR, PS, MR (see project list in Annex I):

- 1995. European Commission & GOV. National Indicative Programme 1995-2002. 9 pp.
- 1998. European Commission, DG-DEV. Country Report – Vanuatu 1998. 14 pp.
- 1998. Delegation of the EC to Vanuatu. Annual Report 1997. 26 pp.
- 1999. European Commission. EDF 8 Mid-term Review - Vanuatu. 75 pp.
- 1999. Delegation of the EC to Vanuatu. Annual Report 1998. 14 pp.
- 2002. European Commission & GOV. Country Strategy Paper and National Indicative Programme 2002-2007. 37 pp.
- 2003. Delegation of the EC to Vanuatu. Joint Annual Report 2002. 35 pp.
- 2004. European Commission. EDF 9 Mid-term Review - Vanuatu. 13 pp.
- 2004. Delegation of the EC to Vanuatu. Joint Annual Report 2003. 43 pp.
- 2005. European Commission & GOV. Addendum to the Country Strategy Paper and National Indicative Programme 2002-2007 (after 2004 MTR). 2 pp.
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- 2005. PriceWaterhouseCoopers. Synthesis report on EU financed programmes monitored in 2005 in the Pacific Region. 16 pp.
- 2006. (Draft, in negotiations). Government of the Republic of Vanuatu. Priorities and Action Agenda 2006 – 2015, “An Educated, Healthy and Wealthy Vanuatu”. 52 pp.
- 2006. (Draft). Delegation of the EC to Vanuatu. Joint Annual Report 2005. 42 pp.



## **ANNEX 12 - EXTERNAL TRADE OF PAPUA NEW GUINEA**

### **1. Introduction<sup>1</sup>**

The Papua New Guinea economy is extremely dualistic. An export-oriented, capital-intensive minerals sector is a major engine of economic growth, generating crucial export and taxation and hydrocarbons revenue, much of which supports a dominant public sector. A semi-subsistence sector provides livelihood for 85% of the population.

Papua New Guinea is richly endowed with natural resources, including forestry, fish, nickel, cobalt, oil, copper, and gold. Minerals account for over 70% of export earnings. The country's rugged terrain, however, makes for very high infrastructure costs and extremely low population densities, hampering exploitation of resources. Complex customary land tenure systems, a serious peace-and-order problem, poor human resource development, and a population growth rate of over 3% also constrain development.

Since the mid-1990s, PNG's growth performance has generally been weak, with poverty increasing. Per capita gross domestic product (GDP) in 2004 was about 10% lower than at the time of independence in 1975. An unfavorable external environment is partially to blame. However, the poor performance is attributable in large part to governance and peace-and-order problems, deep-seated structural impediments to growth (exacerbated by neglect of rural physical infrastructure), and inadequately focused macroeconomic policies.

Papua New Guinea is prepared a project, to be financed by the Commission to the value of about € 2 m, to strengthen its capacity for trade analysis and policy formulation.

### **2. Foreign Trade of Papua New Guinea**

#### **2.1 Main Traded Commodities**

Table 1 shows exports and imports of Papua New Guinea in the period 1995 to 2004. Growth in both cases is erratic, with periods of rapid expansion followed by period of slow growth or even decline. Papua New Guinea's major exports included gold, copper, petroleum and coffee, all of which have experienced significant price fluctuations in recent years.

As shown in Table 2, gold accounted for 33.9% of exports in 2004. Back in 1995 its share of exports was close to that of copper, but exports of gold have expanded rapidly in volume and value in the past decade. The growth rates in exports of gold and other important commodities are shown in Table 3. Crude petroleum accounted for 20.0% of exports in 2004. Exports of this commodity were 24.2% of total exports in 1995, very similar to the share of gold, at 22.1%. Growth in exports of petroleum have been very erratic. A peak share of 33.1% of total exports was reached in 2000. Since then growth has been restrained, despite the escalation in world prices of oil. Copper exports fell very heavily in the mid-90s, though from 1998 on there was sustained expansion. Copper accounted for 19.0% of exports in 2004, compared to 22.1% in 1995.

The column on the extreme right of Table 3 shows the overall growth for each of the major commodities exports over the whole period 1995 to 2004. Cocoa, gold and palm oil stand out as the commodities achieving the most rapid growth. Palm oil is the major export of Papua New Guinea to Europe (see below).

<sup>1</sup> Adapted from Asian Development Bank, Country Information, Papua New Guinea. [www.adb.org](http://www.adb.org).

## **2.2 Direction of Trade**

Australia is the largest market for Papua New Guinea exports, accounting for 27.7% of total exports, the same share as in 1995. Japan is the second largest market, though with less than one-fifth of the exports to Australia.

Germany is the largest EU market for Papua New Guinea exports, accounting for 5.0% of total exports. The UK is the second largest, with 2.5%. Italy takes 0.6%, giving a total for these three main markets in the EU of 8.4%. The EU in total is thus the second largest market for Papua New Guinea exports, after Australia.

Australia is the main source of imports for Papua New Guinea, accounting in 2004 for 45.2% of total imports, more than twice the share of its nearest rival, Singapore. Australia's share of Papua New Guinea exports has fallen a little since 1995 when it stood at 51.1%, while the share of Singapore has risen. Other import sources are much smaller, led by New Zealand with 7.5%. China and Japan had 4.2% each in 2004. The United Kingdom provided 0.6% of Papua New Guinea's import requirements in 2004.

### **Papua New Guinea Trade with Europe**

Table 6 shows the major categories of Papua New Guinea imports from the EU (EU exports to Papua New Guinea) in 2005. Total imports (EU exports to the Pacific region) were €29.4 m, registering as just 0.0% of EU total exports. The import is spread over a substantial range of products. The largest category of imports is 'Mixtures of odoriferous substances and mixtures', accounting for 11.9% of imports in 2005, followed by 'Prepared binders for foundry moulds or cores'. Much of the import is related to the requirements of the mining industry.

Table 7 shows Papua New Guinea's major exports to the EU (imports of the EU from Papua New Guinea) in 2005. The total export (EU import from Papua New Guinea) is 393.9 m, amounting to 0.03% of total EU imports. Palm oil is the major commodity, accounting for 34.6% of total exports. Copper ores and concentrates accounted for 19.1%. A range of agricultural products are the next most important: coffee, coconut 'copra', fish and cocoa beans together account for 40.1% of total exports to the EU.

It is suggested that Papua New Guinea may be designated as an LDC in future, since its economic performance has not been strong and levels of poverty are rising in the semi-subsistence sector. Papua New Guinea would then be eligible to trade with Europe under the EBA arrangement.

**TABLE 1 – PAPUA NEW GUINEA EXPORTS AND IMPORTS**

Million Kina; Annual % change

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports, fob	3420	3334	3079	3707	5006	5813	6105	6387	7842	8131
Imports, cif	1620	1996	2129	2231	2760	2779	3165	4197	4231	4519
Trade balance	1800	1338	950	1476	2246	3034	2940	2190	3611	3612
Annual % change										
Exports	27.5	-2.5	-7.6	20.4	35.0	16.1	5.0	4.6	22.8	3.7
Imports	21.3	23.2	6.7	4.8	23.7	0.7	13.9	32.6	0.8	6.8
Trade balance	33.7	-25.7	-29.0	55.4	52.2	35.1	-3.1	-25.5	64.9	0.0

Source: Asian Development Bank: Key Indicators of Asian and Pacific Countries: Papua New Guinea.

**TABLE 2 – EXPORTS BY PRINCIPAL COMMODITY**

% of Total Exports

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1. Copper	22.1	11.6	8.4	10.7	11.5	10.2	14.1	16.0	18.0	19.0
2. Gold	24.6	23.2	23.3	33.1	30.9	33.6	34.6	35.9	35.8	33.9
3. Coffee beans	6.3	5.7	10.6	12.9	8.3	5.1	24.8	4.3	3.8	3.5
4. Forest products	13.1	14.4	14.1	4.7	5.3	5.3	19.4	6.5	5.3	5.3
5. Cocoa	1.4	2.0	2.4	2.2	1.7	1.5	5.3	3.5	3.3	2.7
6. Crude petroleum	24.2	32.2	27.7	21.9	27.6	33.1	30.9	22.4	20.8	20.0
7. Palm oil	4.2	5.5	6.7	7.3	6.7	5.3	4.0	6.1	5.4	5.4

Source: Derived from Asian Development Bank: Key Indicators of Asian and Pacific Countries: Papua New Guinea.

**TABLE 3 - ANNUAL GROWTH IN PRINCIPAL COMMODITY EXPORTS**

% per year

	1996	1997	1998	1999	2000	2001	2002	2003	2004	1995-2004
1. Copper	-48.7	-32.9	52.3	45.1	3.7	44.3	18.6	38.9	9.1	104.7
2. Gold	-7.9	-7.1	70.8	25.9	26.2	8.4	8.5	22.5	-2.0	228.0
3. Coffee beans	-11.3	71.3	46.2	-12.4	-29.3	413.6	-81.7	7.9	-5.1	32.3
4. Forest products	6.8	-9.7	-60.1	53.5	16.1	282.6	-65.0	0.5	2.8	-4.9
5. Cocoa	38.8	10.7	11.5	3.5	0.0	283.2	-30.3	14.2	-15.5	357.0
6. Crude petroleum	29.7	-20.6	-4.6	70.0	39.0	-1.7	-24.3	14.0	-0.4	96.4
7. Palm oil	28.3	13.5	31.3	24.3	-9.3	-20.1	59.2	7.9	4.2	208.5

Source: Derived from Asian Development Bank: Key Indicators of Asian and Pacific Countries: Papua New Guinea.

**TABLE 4 – DIRECTION OF TRADE: EXPORTS**

% of Total Exports

To:	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1. Australia	27.7	29.9	25.9	18.7	26.3	30.1	24.6	24.2	26.8	27.7
2. Japan	21.2	17.7	16.8	12.3	11.6	11.3	10.6	9.5	7.3	5.7
3. China, People's Republic of	2.3	2.9	2.6	1.3	2.8	6.2	4.2	5.4	5.7	5.8
4. Germany	9.5	6.7	7.1	7.1	6.6	4.2	4.0	2.9	3.7	5.0
5. United Kingdom	4.5	4.9	5.1	3.4	3.5	2.8	2.1	2.5	2.5	2.5
6. Korea, Republic of	6.5	4.4	3.6	4.6	4.7	3.8	3.0	1.1	1.3	1.4
7. Indonesia	0.1	0.1	0.8	3.0	1.4	0.2	0.4	2.3	2.9	2.9
8. United States	1.6	2.7	2.3	5.3	4.6	1.3	1.5	3.3	1.7	1.2
9. Philippines	2.6	2.7	2.7	2.4	1.9	0.6	2.3	0.5	1.8	1.5
10. Italy	0.1	0.2	0.9	1.5	1.4	1.4	1.1	1.7	1.4	0.9

Source: Derived from Asian Development Bank: Key Indicators of Asian and Pacific Countries: Papua New Guinea.

**TABLE 5 – DIRECTION OF TRADE: IMPORT SOURCES**

% of Total Imports

From:	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1. Australia	51.1	55.2	50.2	52.4	53.0	49.5	51.1	49.4	44.6	45.2
2. Singapore	13.1	9.1	11.1	9.8	12.8	19.9	19.0	18.9	20.6	21.1
3. New Zealand	3.8	3.8	4.3	4.2	4.1	3.8	4.0	4.4	7.7	7.5
4. Japan	9.2	9.0	8.9	7.9	5.5	4.0	4.6	4.2	3.5	4.2
5. China	1.2	1.6	1.5	1.6	2.5	2.2	1.9	2.5	5.0	4.2
6. Malaysia	2.8	2.3	2.2	2.6	3.6	3.4	2.8	3.0	3.2	2.7
7. Indonesia	1.8	1.6	1.7	2.4	2.9	3.0	2.8	2.8	2.8	2.9
8. United States	3.9	4.0	6.6	5.4	3.6	2.1	2.2	2.1	2.5	2.8
9. Thailand	1.6	1.2	1.0	1.3	1.7	1.7	1.5	1.6	1.7	1.6
10. United Kingdom	1.3	0.7	1.1	0.9	1.1	0.7	0.6	1.7	1.0	0.6

*Source: Derived from Asian Development Bank: Key Indicators of Asian and Pacific Countries: Papua New Guinea.*

**TABLE 6 – EU 25 EXPORTS TO PAPUA NEW GUINEA BY SHARES OF MAIN TRADED PRODUCTS, 2005**

% of Total EU Exports to PNG

		% of Total Country
3302	Mixtures of odoriferous substances and mixtures, i	11,9%
3824	Prepared binders for foundry moulds or cores; che	9,5%
1602	Prepared or preserved meat, offal or blood (excl. S	6,8%
7303	Tubes, pipes and hollow profiles, of cast iron	4,8%
8411	Turbo-jets, turbo-propellers and other gas turbine	4,2%
9015	Surveying, incl. Photogrammetrical surveying, hyd	3,5%
8803	Parts of aircraft and spacecraft of heading 8801 or	3,2%
8525	Transmission apparatus for radio-telephony, radio-	3,1%
8422	Dish washing machines; machinery for cleaning or	2,5%
<b>Total export to Papua N.G.</b>		<b>100%</b>

Total EU Export to the Pacific region: €29,439,000 (0.0% of EU total exports).

Source: European Commission.

<http://europa.eu.int/comm/trade/issues/bilateral/regions/acp/stats.htm>

**TABLE 7 – EU 25 IMPORTS FROM PAPUA NEW GUINEA BY SHARES OF MAIN TRADED PRODUCTS, 2005**

% of Total EU Imports from PNG

		% Total of Country
1511	Palm oil and its fractions, whether or not refined	34,6%
2603	Copper ores and concentrates	19,1%
0901	Coffee, whether or not roasted or decaffeinated;	14,7%
1513	Coconut 'copra', palm kernel or babassu oil and fra	11,2%
1604	Prepared or preserved fish; caviar and caviar subst	9,6%
1801	Cocoa beans, whole or broken, raw or roasted	4,6%
1203	Copra	1,7%
4001	Natural rubber, balata, gutta-percha, guayule, chi	1,1%
4407	Wood sawn or chipped lengthwise, sliced or barked,	0,7%
0902	Tea	0,5%
<b>Total Import from Papua N.G.</b>		<b>100%</b>

Total EU Import from PNG: €393,908,000 (0,03% of EU total imports).

Source: European Commission.

<http://europa.eu.int/comm/trade/issues/bilateral/regions/acp/stats.htm>