

COOK ISLANDS
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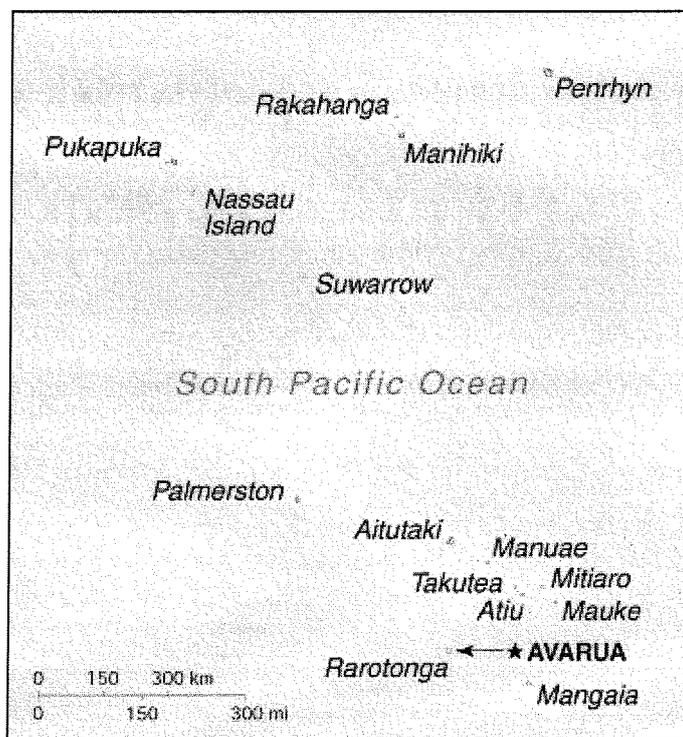


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1. Executive Summary

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

The Cook Islands joined the ACP group of countries only under the 9th EDF. The 9th EDF Country Support Paper (CSP), was signed in Rarotonga in April 2003 and has Outer Island Development as its single focal sector.

The CSP envisaged an allocation of €2 million under the A-envelope and €0.6 million under the B-envelope. The NIP identified Outer Islands Development as the single focal sector, absorbing 100% of the A-envelope. This includes the Non State Actors (NSA), which benefit from 15% of the NIP.

The Outer Islands Development Programme (OIDP) objective is to raise the standard of social services delivery in the outer islands by providing improved infrastructure, equipment and supplies and by ensuring that the life of these investments is maximized by adequate maintenance. The programme will also assist in recruiting and retaining teachers and health workers by providing for adequate housing as an important incentive. Through the implementation of projects aimed at improving the delivery of social services on the outer islands, the Government seeks to address national disparities, increase the overall welfare of the outer island population and enhance economic growth and development. The programme is running according to schedule.

As a result of the mid-term review (2004) of the CSP/NIP, it was decided that the Community increases the funds available under envelope A by € 500 000. These changes are reflected in an Addendum to the CSP/NIP between the European Community and Cook Islands and a rider to the Financing Agreement. The Addendum further spells out that the totality of the additional funds should support the development of the outer islands.

The Cook Islands was hit by a series of cyclones in the early months of 2005, and was granted €600,000 from ECHO for rehabilitation of damaged infrastructure.

2. Update on the political, economic social and environmental situation

2.1 Update of the political situation

Early in 2005 The Hon Jim Marurai formed a new Government, which followed the September 2004 general election and after various electoral petitions were resolved by the courts. Since then the Cook Islands government has maintained its underlying stability, with some changes in Cabinet posts and coalition realignments. In mid 2005, the Hon Wilkie Rasmussen was appointed Minister of Foreign Affairs and subsequently appointed NAO to replace Dr Robert Woonton who had lost his seat in the election.

There are no underlying tensions or issues likely to cause any political or social unrest, however given the unrest in the previous parliamentary term with five different governments there remains political uncertainty.

Regional development and the mitigation of poverty in the Outer islands remains a critical issue for the Cook Islands, with migration (especially to Rarotonga) remaining a threat to the ongoing viability of some of the smaller communities. Statistical modeling suggests that the overall country population has not declined since the 2001 census.

Foreign Affairs

In the conduct of its foreign affairs, the Cook Islands interacts with the international community as a sovereign and independent state. Responsibility at international law rests with the Cook Islands in terms of its actions and the exercise of its international rights and fulfilment of its international obligations.

Defence and Security

The Government of the Cook Islands has full legal and executive competence in respect of its own defence and security. Section 5 of the Cook Islands Constitution Act 1964 thus records a responsibility of New Zealand to assist the Cook Islands and not a qualification of Cook Islands' statehood.

In accordance with its constitutional responsibilities, the Government of New Zealand will continue to assist the Government of the Cook Islands with the defence of the Cook Islands as may be requested from time to time by the Government of the Cook Islands.

Citizenship

The people of the Cook Islands retain New Zealand citizenship, respecting and upholding the fundamental values on which that citizenship is based. The Cook Islands and New Zealand share a mutually acceptable standard of values in their laws and policies, founded on respect for human rights, for the purpose and principles of the United Nations Charter, and for the rule of law.

2.2. Update of the economic situation

The Cook Islands economy is based on tourism, pearl farming, fishing, agriculture and offshore financial services. Remittances from Cook Islanders in New Zealand and Australia also contribute significantly to the economy. In addition to Rarotonga, Aitutaki is becoming an important tourism destination.

It is likely that economic growth will moderate from the levels experienced in the last couple of years. After growing very strongly since June 2004 as a result of lower airfares and additional flights, visitor arrivals are expected to grow more modestly in the period ahead. Nevertheless, and abstracting from seasonal factors, the short term outlook is for continued solid economic growth.

Growth rates

The economy has enjoyed a long period of sustained economic growth since emerging from recession in the late 1990s, with an average growth rate of 6.2% between 1998 and 2004. This is an impressive performance by international standards.

The dominant industries in the economy are wholesale and retail trade (23.1% of GDP in 2004), agriculture and fishing (15.1%), restaurants and accommodation (15.0%), transport and communication (12.5%) and public administration (12.1%). Between them, these five industries account for around 78% of economic activity in the Cook Islands.

With the exception of public administration, these industries have also been the dominant drivers of economic growth in recent years. The other four industries listed above contributed 89% of total economic growth over the period 1998 to 2004.

The most recent GDP data suggest a continued strong performance, with economic growth of 5.6% in 2004. This is higher than had previously been expected, but is consistent with partial indicators of economic activity. The main contributors to growth in 2004 were agriculture and fishing, wholesale and retail trade, and construction.

In the 2005-06 Budget, real GDP growth was projected at 2.5% in 2004-05 and 2.4% in 2005-06.

It is now estimated that real GDP grew by around 4.2% in 2004-05. Growth is projected at around 3.0% in 2005-06 before returning to a long-term growth rate of around 3.5% in the out years.

GDP per capita was around NZD12,900 in 2004. Real GDP per capita has grown strongly during the recent period of economic growth. Between 1998 and 2004, it increased by an average of 3.5% per year, with real GDP growth of 6.2% and population growth of only 2.6% per year. In 2004, however, real GDP per capita is estimated to have declined by 4.3%, with population increasing faster than economic growth. The Economic Indicators are provided in Table 1.

Table 1: Economic Indicators

	2003-04	2004-05	2005-06	2006-07	2007-08	
	<i>Actual</i>	<i>Actual/Estimates</i>	<i>Projections</i>	<i>Projections</i>	<i>Projections</i>	
Economic Activity						
Nominal GDP (\$'000)		253,600	268,700	282,400	291,700	308,000
% Change		8.8%	6.0%	5.1%	3.3%	5.6%
Real GDP (at Constant 2000 Prices, \$'000)		212,500	221,400	228,100	236,100	244,400
% Change		6.8%	4.2%	3.0%	3.5%	3.5%
Inflation						
Consumer Price Index (base Dec. 2000 = 100)		119.8	121.9	124.3	124.0	126.5
% Change		1.0%	1.7%	2.0%	-0.2%	2.0%
Construction/Capital Investment						
Commercial Building Approvals (\$'000)		15,033	5,952	6,256	6,462	6,822
Residential Building Approvals (\$'000)		8,200	6,269	6,589	6,806	7,185
Productive Sector Indicators						
Visitor Arrivals		78,000	84,900	88,300	91,700	95,200
% Change		1.7%	8.8%	4.0%	3.9%	3.8%
Estimated Visitor Expenditures (\$'000)		98,000	108,500	115,100	119,300	126,300
Pearl Exports (\$'000)		1,600	2,900	3,500	4,200	5,000
Fish Exports (\$'000)		8,200	4,300	5,100	5,100	5,100
External Sector						
Merchandise Trade Balance (\$'000)		(108,600)	(98,600)	(102,600)	(105,500)	(111,100)
Services Trade Balance (\$'000)		131,500	144,000	152,400	157,800	167,000
Exchange Rate (US\$ per NZ\$, end June)		0.632	0.704	0.704	0.704	0.704
Financial Sector (at FY year-end)						
Private and Public Enterprise Deposits (\$'000)		120,200	114,000	119,800	123,700	130,600
Private and Public Enterprise Loans (\$'000)		168,300	192,800	202,700	209,300	221,000

Debt

Government debt is projected to fall to around \$96.0 million by 30 June 2006. This compares with around \$200 million prior to the Manila Agreement in 1998.

The level of debt was \$97.0 million as at 30 June 2005. The projections assume draw downs of \$4.0 million on the Asian Development Bank loan for cyclone rehabilitation, partly offset by loan repayments of \$2.7 million. The debt has also fallen when denominated in NZ\$ as a result of favourable exchange rate movements, particularly against the Euro and Japanese Yen.

Around \$45.0 million of the debt is owed to SACE, a finance company owned by the Italian Government, in relation to the failed Sheraton Hotel project at Vaimaanga.

The Government has recently received confirmation of technical assistance to be provided by the Asian Development Bank to develop an environmentally sustainable infrastructure master plan. The plan will cover a 20 year period and will enable the Government to develop ports, harbours, airports, roads and other critical infrastructure in a phased manner in partnership with aid donors. While major infrastructure projects on the Outer Islands are usually able to attract donor funding, this is generally not the case on Rarotonga. Hence some commercial borrowing will be necessary.

Aid flows

Aid flows in recent years have averaged around \$12 million, excluding aid from the People's Republic of China. On average, around two thirds of this aid comes from New Zealand and Australia. The other major donor is the European Union.

Total aid in 2005-06 is estimated at around \$24.1 million. This reflects a number of large additional payments:

- New Zealand is providing additional funds of \$3.0 million to support a cyclone recovery programme.
- Australia is funding a 'one off' life extension programme for the Cook Islands Police Patrol Boat Te Kukupa to extend its useful life another 15 years at a cost of \$3.5 million.
- The People's Republic of China is also expected to provide \$4.0 million, primarily for a new police station.

The New Zealand and Australian donor funds were harmonised with effect from 1 September 2004. This co-funded programme is managed by NZAID and is expected to provide aid of \$12.4 million in 2005-06. In addition to the cyclone recovery fund, the main sectors to benefit are education (\$2.9 million), outer islands development (\$2.0 million) and human resource development (\$1.9 million). Aid is generally received in the form of technical assistance, training, equipment and infrastructure.

Offshore Financial Services

The offshore sector comprises trust companies focusing on asset protection and international banks offering a range of financial services. The industry is highly competitive worldwide. While the industry had stagnated in recent years, the provisional removal of the Cook Islands

from the blacklist of the Financial Action Task Force (FATF) in February 2005 has provided an opportunity to resume a growth path. It is expected that modest growth will be experienced over the following years.

Regional Development

The Cook Islands continues to demonstrate a strong commitment to regional development. It has signed the Pacific Islands Countries Trade Agreement (PICTA) and the Pacific Agreement on Closer Economic Cooperation between PICTA signatories and Australia and New Zealand. These have provided impetus for further tariff reform.

The Cook Islands is part of the core group of Pacific ACP Trade Ministers who take the lead in the Economic Partnership Agreement (EPA) negotiations. Some options are available for the Cook Islands with respect to a trading arrangement with the EU. There are issues of common interest to all Pacific Island countries in which a Regional EPA can be arranged as well as issues which could be negotiated at the ACP wide level. Fishing, agriculture, tourism, investment, trade facilitation and promotion, as well as trade in goods and services are areas that have been identified by the Pacific as important to them in negotiations with the EU. The setting up of the preferential trading area is a way to overcome smallness of domestic markets, which is a barrier to attracting investment – however this is seen as only a stepping stone towards complete integration into the international market.

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

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

2.3. Update of the social situation

The country is well on track to achieve the MDGs by 2015. In 2000, the under five mortality rate (per 1,000 live births) was 24. 100% of births were attended by skilled health personnel. Life expectancy at birth was 68 years for men and 71 years for women. The ratio of girls to boys in primary education was 0.89 and in secondary education 1.03 in year 2000. (Source: UNFPA: Cook Islands at a glance).

Human Development Index (HDI) and Human Poverty Index (HPI)

According to the 1999 Pacific Human Development Report the Cook Islands had a UNDP HDI of .822 which would give it an equivalent global ranking of 62nd out of 174 countries in the 1998 UNDP human development index – above all of its Pacific neighbours barring Palau and roughly equivalent to Brazil at the bottom of the high human development group of countries. The HDI result reflects the comparatively strong performance of the Cook Islands against key development measures such as life expectancy, adult literacy, gross education enrolment and per capita income.

According to UNDP the Cook Islands had a HPI of 6.1 which was above all of its Pacific neighbours barring Niue and Tonga and generally consistent with high human development. The HPI result reflects the comparatively strong performance of the Cook Islands against key poverty indicators such as survival to age 40, adult literacy, access to safe water, health services and sanitation, underweight children, wealth distribution and the prevalence of absolute poverty. Cook Islands is accorded upper middle income developing country status by the OECD. These results however tend to reflect the development status of Rarotonga and mask much poorer outcomes for the residents of outer islands - especially the Northern Group. Women outscore men on both the HDI and the HPI indices, reflecting greater life expectancy, higher literacy rates and higher gross school enrolments.

While the Cook Islands has high HDI and HPI rankings expenditure on social services has fallen in the period subsequent to the economic crisis. If the reduced levels of expenditure are sustained then there is a high risk that education and health indicators will deteriorate. Outer Islanders have borne the brunt of past fiscal mismanagement and it will be important for social spending to be restored once debt servicing obligations have been reduced and the overall fiscal position has been restored. Table 2 provides the Population and Social Indicators for the Cook Islands.

Table 2 : Population Indicators	1990	2003	2004	2005
Total population (million)	0.17	0.184	0.135	0.180
Annual population growth rate (% change)	-1.2	1.1		
SOCIAL INDICATORS				
Proportion of the population below 1 USD per day (%) Average				
Total fertility rate (births per woman)				
Prevalence of child malnutrition (% children under 5)				
Maternal mortality rate (per 100,000 live births)				
Infant mortality rate (below 1 year, per '000 live births)		8.9		
Child mortality rate (below 5 years, per '000 live births)		24		
Proportion of births attended by skilled health personnel (%)	na	100		
Life expectancy at birth (years)				
Female		71		
Male		66		

Adult literacy (%)								
Men								
Women								
Primary school enrolment (% of school age)								
Prevalence of TB (per 100,000 people)								
Immunization against childhood diseases (% coverage)						90		
Population with access to improved water supply (%)		na		100				
Human Poverty Index								
	Indicator	1990	2000	2004	2005	2006	2007	2015
Impact	1. Proportion of population below \$1 per day ¹ 2. Prevalence of underweight children (under-five years of age) 3. Under-five mortality rate							
Outcome	4. Net enrolment ratio in primary education 5. Primary Completion Rate 6. Ratio of girls to boys in: - primary education - secondary education - tertiary education 7. Proportion of births attended by skilled health personnel 8. Proportion of 1 year old children immunised against measles 9. HIV prevalence among 15-24 year old pregnant women 10. Proportion of population with sustainable access to an improved water source							

Population

Considerable concern has been expressed about the apparent decline in the resident population of the Cook Islands in recent years as a result of people moving overseas.

The resident population is defined as people intending to reside in the Cook Islands for twelve months or more. Hence, it includes foreigners working in the Cook Islands and their families, so long as they intend to stay for twelve months or more.

The resident population was estimated at around 15,000 in the 2001 Census, down from 18,100 in the 1996 Census. The most recent official estimate put the resident population at

¹ An equivalent indicator based on national poverty lines can replace indicator 1, as appropriate.

12,400 in June 2005. Based on these figures, it would appear there has been a further decline in the resident population of some 2,600 since the 2001 Census.

However, there are significant issues with the official figures. It is easy to measure the total number of people arriving in and departing the Cook Islands. But separating them into visitors and residents is much more difficult. The current approach relies largely on what people list as their permanent address when arriving and departing the country.

This leads to anomalies in the data. For instance, the official figures imply that there were some 7,800 visitors in the country in June 2005 (ie the difference between the total population of 20,200 and the resident population of 12,400). This is not plausible. Based on data on visitor arrivals and average length of stay, it is estimated there were really only around 2,300 visitors in the country at this time.

The Ministry of Finance and Economic Management (MFEM) has made some rough recalculations of resident movements by estimating the numbers of visitors in the country and subtracting these from the total population. Based on these estimates, the resident population has actually *in-creased* by around 2,100 since the 2001 Census.

Interestingly, the estimates suggest that resident movements are strongly influenced by economic conditions. While the resident population fell sharply during the recession of 1995 to 1998, it has increased during the period of strong economic growth since 1999. It would therefore appear that the best thing the Government can do to encourage more people to stay in or return to the Cook Islands is to enable greater economic opportunities through sustainable economic development.

It will not be possible to get accurate data until the next Census in November 2006, which will also confirm the migratory trends from (or to) the Outer Islands.

Education

Education in the Cook Islands is free in primary and secondary schools and follows the New Zealand system. Tertiary education requires travel to other Pacific countries and to New Zealand. The Cook Islands has a total of 33 schools (primary and secondary). 76% of these are public schools with 42% on Rarotonga.

Enrolment

In 2005 there were 4573 enrolments at schools in the Cook Islands. 2840 were on Rarotonga and 1733 on the Outer Islands. Overall 2005 enrolments have decreased by 1.3% in comparison to 2004. This largely reflects a 2.9% reduction in Outer Island enrollments mainly from the Southern Group (excluding Rarotonga). The Secondary School level makes up the majority of this decrease and is reflected in the reduction of senior retention rates by 4.3%. Rarotonga enrolments have only decreased slightly by 0.2%.

Performance

Diagnostic Tests (Grade 4) Grade 4 Diagnostic Tests in the three main areas; Maori, English and Mathematics, evaluate academic progress at the primary school level.

There was a concerning sharp reduction in the average collective Grade 4 results in the 3 main areas in 2004. In 2005 results increased overall but remain under 50% (considered the minimum passing grade for any test) across the board. Overall results in English have improved by 3.1% points in comparison to 2004, although there were very slight reductions in Maths and Maori results.

Overall Maori results declined by 0.01% points in comparison to 2004 results. There has been a continual decline in Maori from the Northern Group in the level of results since 2003. This is balanced out by improvements in results from Rarotonga and the Southern Group.

Mathematics results have been declining since levels achieved in 2003 (51.7%, 2003). 2005 results had declined slightly by 0.52% points in comparison to 2004 results. Improvements in mathematic test results were experienced on Rarotonga and the Northern Group, however the Southern Group, which was previously achieving over a 50% averaged result in mathematics, have fallen by 3.8% points to below the pass mark.

English results improved by 3.1% points in 2005 as stated above. Although the outer islands remain well under the pass rate, significant improvements have been experienced in these regions in 2005. Rarotonga continues to marginally improve and has remained above 50% over the past 6 years.

University Entrance Pass Rate

In 2004, 12 students (or 52% of senior students in the Cook Islands who attempted the University Entrance) achieved a result that was acceptable to enroll in tertiary level education. This is a large improvement from the pass rates experienced in 2002 and 2003 (36% and 43% respectively) and indicates a continual upward trend in student pass rates. Nevertheless, this may reflect a lower number of students attempting University Entrance.

The number of students studying at senior level 3 who are taking 4 to 5 subjects (7th form subjects equivalent) dropped by 33% from 18 in 2003 to 12 in 2004. The majority of students in senior level 3 were multi-leveled taking courses at Level 3 and Level 2 at the same time, a feature of the NCEA system, and therefore ineligible for either qualification NCEA Level 3 or University Entrance. 98 students were enrolled at senior level 3 being both multilevel and single level students. Only 23% of the total students in senior level 3 were eligible to achieve NCEA Level 3 or University Entrance qualifications.

Teaching

There are currently 282 teachers servicing 33 schools across the Cook Islands of whom 84% are Cook Islanders.

92.6% of teachers have a certificate in teaching, however only 20.6% have a degree qualification in teaching.

The student teacher ratio has remained the same over the past two years leveling at 16.2 students per teacher. There have been very slight reductions in this ratio in the outer islands; however the overall ratio has been balanced out by slight increases in Rarotonga.

The ages of teachers vary, however the largest cohort is those aged between 35 and 39 with the second largest cohort being those aged between 55 and 59. Females continue to dominate the teaching profession being 75% of total.

Health

Health infrastructure in the Cook Islands is well developed and health care delivery is well dispersed, Reproductive Health is one of the health priorities. The Cook Islands has a very good doctor, midwife and nurse to population ratio. While the current immunization coverage rate for childhood diseases is just over 90%, the government is committed to pursuing 100% coverage. Health care is free.

Communicable Disease

Acute Respiratory Infections and Influenza are the main Communicable Diseases reported by the Ministry of Health making up 61% of total reported cases of selected notifiable diseases in 2004. Other significant notifiable diseases are skin sepsis, gastro diarrhea in children and adult, asthma and pneumonia.

The data provided by the Ministry of Health suggests that following the cyclones early 2005, there has not been any significant outbreak of Communicable Diseases in the northern group. The data does show that the number of reported cases for influenza, pneumonia and asthma in Rarotonga for June quarter 2005 was higher than the number reported in any previous quarter.

Non Communicable Disease (NCD):

Prevalence of NCDs (Hypertension and Diabetes) reflects the health habits of a population. Official data show 2004 Total Prevalence of NCD Cases has increased 5% over the year and now makes up 20.3% of the total resident population (using official data).

Note that much of the increase in NCD cases originate from the outer islands. Most outer islands economies have limited development opportunities and are heavily reliant on public sector support. Whereas, Rarotonga is the center of the economy and reaps most benefits from private sector development. There is a large outward migration of the working age group in the outer islands to Rarotonga or further overseas causing an aging population prone to NCDs and thus the outer islands make up 52% of total Hypertension & Diabetes cases for the Cook Islands.

The number of NCD cases is growing more slowly on Rarotonga. This may be because of the benefits of an improved economy providing awareness of more healthy lifestyles and more affordable access to healthy foods. By contrast, the outer islands see a continual increasing trend in NCD cases as expected with an aging population.

2.4 Environment

The environment is among the most important assets of the Cook Islands. Consistent with many of its Pacific neighbours, the environment is relatively fragile and is being severely tested by coastal erosion, the impact of development growth, and susceptibility to climate change. The country has devoted significant and increasing resources to monitoring and attempting to influence outcomes in international forums relating to global warming and

climate change. Environmental management is a concern across several sectors. In urban areas, waste management and water supply are inadequate, mainly due to the lack of appropriate cost recovery mechanisms. This presents a serious threat to the health of the urban population as well as to the future of the tourism sector.

The Environment Service is to undertake further efforts to provide an appropriate legislative framework for environmental management throughout the Cook Islands. The Service will institute environmental impact assessments as a routine procedure and continue to promote public awareness of environmental issues.

2.5 Outer Islands Development

Despite the fact that the Cook Islands has made substantial progress towards the achievement of the Millennium Development Goals, there is still great disparity between the main and the outer islands. The outer island communities are greatly disadvantaged. The financial and logistical problems of serving scattered islands with low populations have resulted in significant disparities between the main island Rarotonga, where about 60 percent of the population resides, and the outer islands. The outer islands, with only a couple of exceptions, continue to face rapid depopulation and the range of problems associated with an accelerated rate of out-migration. This migration severely affects the maintenance of efficient social services, such as hospitals and schools, in most of the outer islands.

A key challenge to development has been the dispersed nature of the Cook Islands. Although the Cook Islands only has a population of around 14,500 persons - predominantly comprised of the indigenous Polynesian Cook Islands Maori - this population is distributed across 15 widely dispersed islands in the South Pacific. Key social and economic infrastructure has been neglected or subject to under-investment - especially in the outer islands. Basic infrastructure such as harbours, reef channels, cyclone protection facilities, reliable and safe water and mains electricity are seriously deficient or absent in many islands. The absence of this infrastructure not only presents hazards to public safety, and possible accelerated emigration, but also presents major obstacles to economic development where the islands have genuine prospects.

Despite the low overall incidence of poverty and generally good performance on development indices the Cook Islands has a dualistic economy with people on outer islands generally receiving incomes and services far below those available on Rarotonga. The few people in the Cook Islands who remain as rural, semi-subsistence producers operating in both the traditional exchange and cash sectors are to be found in the outer islands. Despite comparatively good access to subsistence resources such low yielding activities increasingly fail to satisfy personal aspirations as compared to emigration. A key challenge is to provide services and opportunities to outer islands such that viable communities can survive and prosper. A threshold issue to improving services has been empowerment of outer island councils such that they can manage their own resources and deliver goods and services in an efficient manner.

2.6 Women

Women play an important role in Cook Islands society. While they are underrepresented in parliament, they are important traditional leaders and leaders in non-government organisations. The National Council of Women (NCW), established in 1984, has played a great role in advancing gender equality throughout the years. As a result of the close relationship between the NCW and the Government Division for Women's Affairs, not only has the condition of women improved significantly, but women are also much more involved in key decision-making processes. Women also play a significant role at the management level in the commercial sector and in government departments.

3 Overview of past and ongoing co-operation

The Cook Islands joined the ACP Group in 2000 when it signed the Cotonou Agreement. There is therefore no record of past EC cooperation under previous EDFs. The NIP identified Outer Islands Development as the single focal sector, absorbing 100% of the A-envelope. This includes the Non State Actors (NSA), which benefit from 15% of the NIP.

The Outer Islands Development Programme (OIDP) objective is to raise the standard of social services delivery in the outer islands by providing improved infrastructure, equipment and supplies and by ensuring that the life of these investments is maximized by adequate maintenance. The programme will also assist in recruiting and retaining teachers and health workers by providing for adequate housing as an important incentive. Through the implementation of projects aimed at improving the delivery of social services on the outer islands, the Government seeks to address national disparities, increase the overall welfare of the outer island population and enhance economic growth and development.

As a result of the 2004 mid-term review of the Country Strategy Paper and the National Indicative Programme, it was decided that the Community increases the funds available under envelope A by € 500 000. An addendum to the NIP and CSP was signed in April 2005 and the rider to the Finance Agreement was signed in November 2005. The Addendum and Rider confirmed that the totality of the additional funds should support the development of the outer islands.

The new estimate cost breakdown of the programme is as follows (Euro):

Programme Estimates in support to the education and health sector, management:	2,055,000
NSA activities	375,000
Audit and evaluation	70,000
Total	<u>2,500,000</u>

3.1 Focal sectors OIDP

a) Results

The Financing Agreement was signed in August 2003 and implementation was started in October 2003 by signature of the first Programme Estimate (PE1). PE 1 expired on 30 June

2004, to coincide with the end of the Cook Island's financial year, with closure extended to 31 December 2004 to allow for the accounts to be finalized and audited.

PE2 took effect on 27 September 2004, the date the agreement was signed by the HOD. PE3 is expected to be signed in early 2006.

All three PE's identify expenditure on particular line items in the Cook Island's 2003/2004 budgets, in line with the priorities of the NIP.

The Programme Estimates focus on the health and education sectors and include upgrading the hospitals and medical centres on the outer islands, provision of equipment and resources to primary and secondary schools as well as the renovating and upgrading of, and establishment of the Trade Training Centre on Rarotonga for outer island students. Programme Management is funded within the overall Programme Estimate through the Ministry of Foreign Affairs and Immigration for effective management and implementation of the ODP. Approximately 15 percent of the programme is allocated to projects identified by non state actor groups both in the outer islands and on Rarotonga.

The following tables provide a breakdown of each PE:

Table 3 - PE1 Budget

No.	Sector	Ministry	2003/04 Budget	% of Total
1	Health	Health	355,000	36%
2	Education	Education & Human Resource Development	455,000	46%
3	NSA	Finance and Economic Management	150,000	15%
4	Management	Foreign Affairs and Immigration	40,000	4%
Total			1,000,000	100%

Table 4 - PE 2 Budget

No.	Sector	Ministry	From PE1	PE2	% of Total
1	Health	Health	93,500	689,200	42.85%
2	Education	Education		500,000	31.09%
3	HRD	Human Resource Development	18,781	200,000	12.44%
3	NSA	Finance and Economic Management	38,562	174,014	10.82%
4	Management	Foreign Affairs and Immigration	10,680	45,000	2.80%
Sub Totals			161,523	1,608,214	100%
Total				1,769,737	

In broad terms, PE1 and PE 2 were completed by end December 2005. For achievement of targets and indicators to date see **Appendix 2**.

b) Activities

- **Programme Management**

Both programme managers were appointed, to assist all departments and the NSA with the successful and timely undertaking of the activities identified under each work programme. The programme managers have also facilitated day to day communications between the NAO and the HOD.

The programme aims to support the government's efforts in improving the delivery of social services in and for the outer islands, focusing in particular on Education and Health. The NSA allocation follows the same focus.

- **Health**

Dental, medical and office equipment for the Ministry of Health outer island clinics was purchased under PE1. Delays continued to be experienced with the implementation of PE2, due to difficulty with the tender process and rules of origin.

- **Education**

The Education Department's programme for the purchase of equipment and materials (including for the refurbishment thereof) for Outer Island schools proceeded in a timely manner with all funds being expended by end December.

- **Human Resource Development**

The Department for Human Resources Development students, utilising materials purchased under the PE1 and PE2, completed the refurbishment of workshops to house the carpentry and electricity courses and a computer lab. The building of the workshops have in themselves been part of courses on building techniques and materials, for which the teacher was provided by the Polytechnic Institute of New Zealand, as part of their twinning arrangements and certification programme. Most students come from the outer islands, to which they return upon completion of the course.

c) Cross-cutting issues

Gender aspects are being fully regarded in the Outer Island Development Programme. Most NSAs in the country are headed by women and their involvement in commenting the AWP will ensure that women-and-children specific considerations will be taken into account.

All programme interventions are using low-cost/low-technology and environment friendly inputs. Cyclone resistant building methods are being applied; asbestos roofing in schools will be replaced by new roofs which will also be used for rain catchments. Capacity building in the form of appropriate training in maintenance is also being provided.

3.2. Utilisation of resources for Non State Actors (NSA's)

The 15% allocation (€ 0.3 million) for NSA-implemented activities focuses on education/training and health, for the benefit of outer island communities, and is complementary to the main Outer Island Development Programme. Implementation is going well. The NSA annual work programme has been submitted at the same time as the Programme Estimates of the line ministries and has become a formal part of it. The

programme is being implemented by CIANGO, the Cook Islands Association of NGOs.

3.3 Utilisation of Envelope B

The Cook Islands has not been deemed eligible for support under the FLEX system. For the B-envelope, the government has indicated that it would participate in regional initiatives for in-country funding of preventive infrastructure to mitigate the effect of cyclones. Another option is that the EU supports an ongoing cyclone recovery and mitigation programme managed by NZAID.

3.4 Other instruments

3.4.1 Regional Co-operation 9th EDF

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

For a complete overview regarding the cooperation under the regional indicative programme please refer to Annex No. 3.

3.4.2 ECHO

Between 6 February and 6 March 2005 the Cook Islands was hit by five tropical cyclones. Despite having previously experienced climatic extremes (strong winds and sea surges), being struck by four cyclones in four weeks constituted an historic natural disaster for the Cook Islands. In response to the disaster, DG ECHO has funded a 12-month livelihood support programme facilitating restoration of crop production and resumption of fishery activities for some 12,000 people. The major implementing partner was the UN Agency FAO.

4. Programming perspectives for the years 2006-2007

4.1 Pipeline and absorption capacity

The A envelope is fully committed. Given the country's current needs and performance, it is suggested during the ETR to increase the A envelope allocation by up to €0.4 million, for ongoing support to the focal sector, Outer Islands Development.

As regards the remaining funds of €0.6 million in the B-envelope, the government has indicated that it would participate in regional initiatives for in-country funding of preventive infrastructure to mitigate the effect of cyclones. Another option would be that the EU supports an ongoing cyclone recovery and mitigation programme managed by NZAID, if possible with an amount of €1 million, if additional funds of €0.4 million become available for the Cook Islands following the ETR.

The EU Energy Initiative for Poverty Reduction and Sustainable Development will support the development of national energy policies and strategic action plans in the Pacific region as well

as support of human resource development. The Cook Islands is expected to benefit from this support.

Preparatory talks have continued throughout 2005 with regard to a bilateral fisheries agreement between the EU and the Cook Islands.

4.2 Proposal for revision of strategy

There are no proposals to revise the country strategy.

4.3 Preparation for the next programming exercise 2008-2013

In October 2005 the European Commission represented by Mr A. Henriksson, Director DEV/C, proposed to the Pacific Forum Leaders to focus the EDF's future assistance in the Pacific on the sustainable management of natural resources, a sector of strategic importance to all PICs, where there is a general commonality of interests between the region and the European Union and where the EU has significant expertise. Sustainable development is also one of the four key pillars of the regional framework underpinning the Pacific Plan, which was approved by the Forum Leaders on the same occasion, in October 2005. Further details will be elaborated in 2006, once the 10th EDF programming exercise is launched and negotiations formally begin.

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

Under the 10th EDF, any incentive allocation could be linked to commitments for implementation made in good governance in the offshore financial sector, in particularly in relation to internationally recognized tax standards.

5. Conclusions

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

- Maintain the country strategy for Cook Islands, as contained in the CSP and NIP.
- Increase the funds available under the envelope A by €0.4 million, in the focal sector, within the limits of the available resources.
- Maintain the funds available under the envelope B.

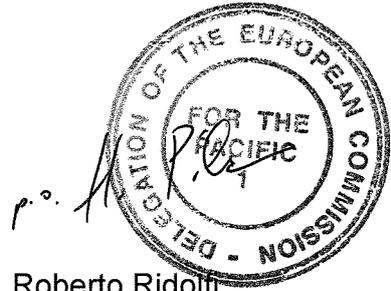
Any funds uncommitted by August 2007 will be transferred to the general reserve.

Signed by :



Wilkie Rasmussen
Minister for Foreign Affairs and
National Authorizing Officer

Date: 27/08/07



Roberto Ridolfi
Head of Delegation

Date: 23 AUG 2007

Appendix 1- Intervention framework - Indicator data and targets (9th EDF)

The Outer Islands Development programme has two types of indicators:

- ***impact indicators*** (long-term) based on the objectives of the Cook Islands sector strategies for education and health. They shall be measured at the end of the programme as part of the final evaluation.

For **Education**, 3 impact indicators have been identified. For all, the source of verification will be MoE statistics (collected annually):

1. Improve student retention rate (less drop-outs) in outer islands:

The Ministry holds no record of either the author of this indicator or how it has been calculated and is therefore unable to provide an update of this statistic.

2. Less positions unfilled by qualified teachers in outer islands:

Base line data (2001): 10 unfilled outer island positions out of 130

Target by 2007 5 unfilled positions

Feb 2006 1 unfilled position

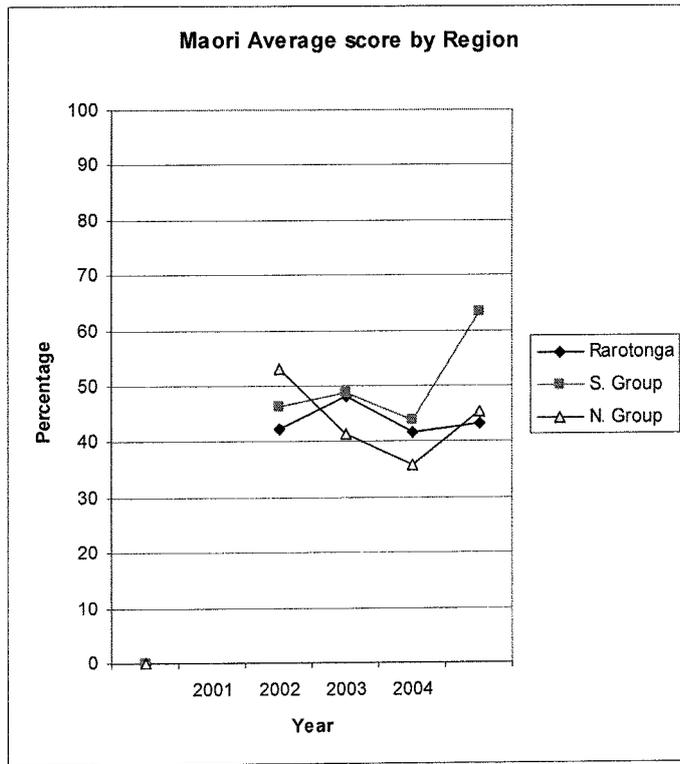
EU target has been exceeded

3. Improved achievement rates at the end of primary school in outer islands

The Ministry of Education now advises that it appears that the 2001 base data supplied was incorrect. The following is the correct data for the period 2001 – 2004 (2005 data not yet available):

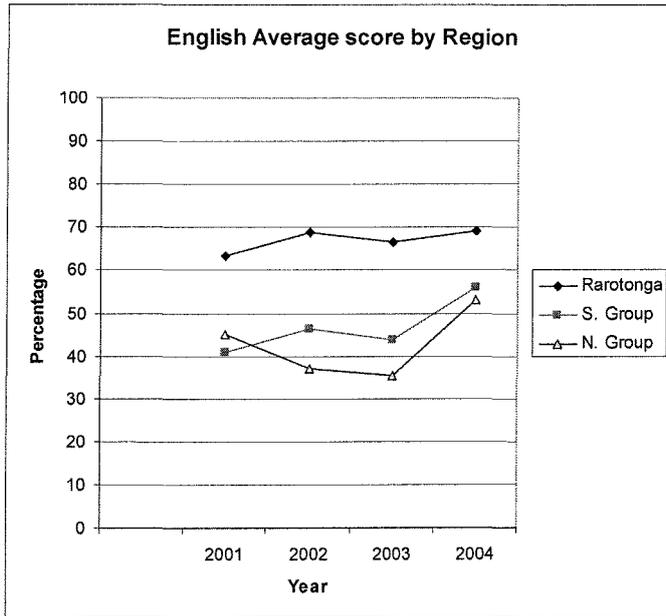
Cook Islands Maori – Average scores by region

Maori	Rarotonga	S. Group	N. Group
2001	42.20	46.29	53.00
2002	48.26	48.69	41.38
2003	41.55	43.87	35.75
2004	43.11	63.30	45.42



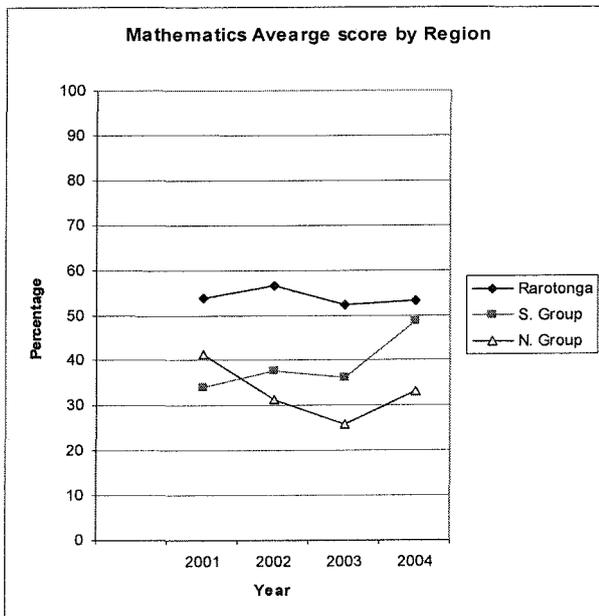
English

	Rarotonga	S. Group	N. Group
2001	63.23	40.76	44.90
2002	68.88	46.28	36.93
2003	66.61	43.63	35.46
2004	69.08	56.00	53.14



Maths

	Rarotonga	S. Group	N. Group
2001	53.90	34.00	41.40
2002	56.45	37.60	31.33
2003	52.16	36.21	25.71
2004	53.16	48.60	33.25



Summary:

	Year	Maori	English	Mathematics
Northern Group	2001	53.0	44.9	41.4
	2004	45.4	53.4	33.3
	2007 (target)	48	48	43
Southern Group	2001	46.3	40.7	34
	2004	63.3	56.0	48.6
	2007 (target)	53	50	48

Bold = target has been reached or exceeded in 2004

Note: Annual Grade 6 population for Northern Group N \approx 30-35, therefore wide fluctuations in average scores are expected.

2007 target average scores have been exceeded in 4 out of 6 cases by 2004 and the Ministry is confident that all targets will be reached by 2007.

For **Health**, also 3 impact indicators have been identified. For all, the source of verification will be MoH statistics (collected on a regular basis and compiled annually):

1. Greater accessibility to quality health service in the outer islands, including dental and public health – the present coverage is 80% and MoH's aim is to attain 90% by end 2007.

General health care coverage in 2004 is considered to be 100%

Immunization coverage:

The Public Health is now covering children age 12 months and above, whereas in the past it used to be children 5 years and above. The national immunization coverage is 95%.

Dental Care: According to the information provided by the Director of Dental Services, treatment of school children as well as the adult population has improved significantly since the installation of new dental chairs on the island of Aitutaki and Mangaia. The portable dental equipments have been a great help to the two flying dentists.

2. Less cases needing a referral to Rarotonga – the present average is 110 cases yearly and the aim is to bring this down to 80 cases yearly by end 2007.

There now appears to be some discrepancy in the original base-line data:

Patient Referrals from O/Islands to Rarotonga: 2003 = 172
2004 = 176
2005 = 170

The figures for year 2004 have increased as a result of out-reach activities in the outer islands by visiting specialists. A lot more patients have been identified for further management and treatment of various disorders by the specialist team that visited the outer islands, patients were referred to Rarotonga for specialized treatment not available on island.

3. Lower crude death rate due to lifestyle diseases - the present average is 5 to 6 cases per 1000 yearly and the aim is to bring this down to 3 to 4 cases per 1000 end 2007.

Crude death rate	2003 = 6.3
	2004 = 7.9
	2005 not available as yet

- **Short-term indicators** are identified annually as part of the PE's and will stem directly from the activities identified (e.g. so many schools refurbished, so many houses for education/health staff built, etc.)

Appendix 2 – Progress Towards Millennium Development Goals

TARGET 12	DEVELOP FURTHER AN OPEN, RULE-BASED, PREDICATABLE NON-DISCRIMINATORY TRADING AND FINANCIAL SYSTEM.				
Indicators	1991	1996	2001	Will Indicators be met by 2015?	Source of data
Indicator 33: Net ODA, total aid to LDCs as percentage of OECD/DAC donor's gross national income.	N/A The Cook Islands is not an LDC. However available figures for NZAID have been given as the Cook Islands is number 10 on the list of NZAID recipients. <u>LDCs 1990</u> 15.2%	N/A for Cooks. LDCs – no data	NZAID ODA/GNI for 2002 is .22% increased to ODA/GNI for 2003 at .23%. LDCs 2001 12%	Would be up to the donors to aim for increased ODA % of GNI. For AusAID & NZAID the 5-year Strategy produced with the Cook Islands could help to increase ODA %.	http://www.oecd.org/dac website, As the main donor to the Cook Islands, NZAID figures are given. http://unstats.un.org website for LDCs figures
Indicator 34: Proportion of total bilateral, sector allocatable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation) (Note for this indicator figures are given for the Cook Islands donors first of all and then for all OECD/DAC donors)	NZODA ² Total sum of 11.025m No data for OECD/DAC donors as a whole for this year.	NZODA ³ & AusAID 18% HRD NZODA Health .7% 8% for all OECD/DAC donors	Summation of 16 donor agencies ⁴ : Educ – 9% Health – 10% MOW – 4% OMIA – 31% Misc – 46% 17% for all OECD/DAC donors	Cook Islands have already achieved targets in health, and education and is working on improving general social services through donor agencies such as NZAID and AusAID. ⁵ The outlook is positive. The figures show that an increase in aid to basic social services has occurred. The figure has more than doubled from 1996 to 2001.	See footnotes for sources of Cook Islands data http://unstats.un.org website for total OECD/DAC donor figures

² 1991 Supplementary Estimates of the Expenditure and Revenue of the Government of the Cook Islands. New Zealand Budgetary Aid is the only donor listed. No breakdown of the \$11.025million.

³ Cook Islands Government 1996/97 Budget which has a table of aid commitments by 9 donor agencies.

Indicator 35: Proportion of bilateral ODA of OECD/DA donors that is untied	67.6% ⁶	No data	84.8%	Positive trends show that the indicator may be reached by 2015.	http://unstats.un.org website
Indicator 36: ODA received in land locked countries as proportion of their GNIs	N/A	N/A	N/A	N/A	N/A
Indicator 37: ODA received in Small Island Developing States as proportion of their GNIs	2.6%	No data	1.0 for 2002	Trend shows a decrease in ODA to SIDs in relation to GNIs. Positive in terms of self- sufficiency.	http://unstats.un.org website

¹ Cook Islands Appropriation Amendment 2000/2001, April 2001 has Aid Contributions from 16 donor agencies by Ministry. Have included OMIA in this response as funds have gone to Outer Islands basic services. MOW is included as it relates to waste management. Miscellaneous programmes range from PSC to Culture.

¹ ADB Millenium Development Goals in the Pacific Relevance and Progress March 2003 – reports that the Cook Islands has achieved targets in universal primary enrolment for boys and girls; the elimination of gender disparity in primary and secondary education; and low and decreasing child and maternal mortality rates. Since this report NZAID, UNDP and the EU have focussed on providing financial assistance to social services particularly in the Outer Islands.

¹ Figures are based on only about 40% of total ODA commitments from OECD/DAC countries, technical cooperation and administrative costs, as well as all ODA from Austria, Luxembourg, New Zealand, and the United States that do not report the tying status of their ODA.

Annex 3 – Overview of projects and programmes under the Regional Cooperation

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

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

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

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

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

- That project communication between SOPAC and the Stakeholders be improved in line with verifiable indicators in the Project Logframe as follows:
 - Five information brochures published per year
 - Regular (monthly/bi-monthly) press releases written
 - Email news released fortnightly
 - National workshops/training convened with at least 20 participants per country per year
 - Two National stakeholder meetings convened per year

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

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

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

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

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

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

1. Quarantine development should be continued and planned in such a way that countries will become as self-sufficient as possible, with due consideration to cost-recovery and 'user-pays' systems. Countries should be encouraged to use fees charged for quarantine and quality inspection services for maintenance of the services and not disappear in consolidated funding, without further reference to a quarantine budget.
2. On-going IPM activities should concentrate on initiating and introducing participatory methods and making extension staff ready to promote and foster farmers' empowerment. Topics on hand should be prioritised and work on problems that cannot be solved within the last project year should be reduced or stopped. Similarly, work on rhinoceros beetle control should cease for reasons explained earlier.
3. Weed and pest surveys and control activities should be continued until all participating PICTs have been covered and data included in the PLD. However, the building of national capacity to continue such surveillance in the future should be given very high priority.
4. Promotion of reduction in pesticide use, production of labels in local languages and improved pesticide legislation should be accelerated.
5. Continue work on provision of information (including national training) and completion of the PLD to PICTs, as well as stimulate more use of other plant protection databases, expert systems and assistance to NGOs.

6. Promotion of the IPM school/college curriculum in more PICTs could have a long-term impact on attitudes of farmers and the general public, and should intensify during this last phase.
7. SPC should continue to facilitate the delivery of training in basic pest diagnostics to NPPSs. Whilst SPC appears to strictly adhere to international pest identification procedures, new technologies become available or are updated continuously and should therefore be taken into account when developing and providing training on pest diagnostics and identification. Examples of expert systems that could be considered in this are those operated by CABI, EcoPort and PestNet.
8. Countries that currently lack a strong NPPS should be encouraged to set up a small unit for plant protection activities including IPM development attached to the quarantine service (as done in Vanuatu). If research capacity is present in the country, good linking structures need to be developed between these units to maximise benefits from cooperation, rather than the two competing with each other. SPC-PPP should take on a facilitating role in this process.

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

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

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

The project builds on the foundation of PRAP 1 and PRAP 6 and attempts to address problems faced during implementation of these projects. In the atolls, the approach will be problem identification and testing of technologies with farmers, to improve the traditional tree crop-based multi-storey agricultural systems, including better integration of livestock into this system. In the low lands, the emphasis will move from research, to identification and promotion of potential technologies: improved crop varieties, pest and disease management, land conservation and agro-forestry technologies.

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

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

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

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

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

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

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

Labour Studies - Policymakers recognise the importance of the private and informal sector in employment absorption and economic growth, but the linkages of the state to private and informal sectors is poorly understood. Consequently, labour market policies and interventions have focused excessively on a narrow base of public sector wage/salaried employment. This component will develop and participate in a 5-year research programme looking at information on labour market processes and institutions in the Pacific-ACP states.

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

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

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

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

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

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

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

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

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

Tuna stocks are the most important renewable natural resource for Pacific Island countries (PICs) with annual catches estimated at around 1.4 million tonnes, with a landed value of around € 1.5 billion. The long-term sustainable management of the region's key renewable natural resource is thus of vital importance. Of equal importance are domestic reef resources, which underpin current livelihoods and continued food security for the vast majority of Pacific Islanders. This programme aims to address the information gaps in both areas and, in so doing, will specifically strengthen the long-term sustainable management of the fisheries resources of the Western and Central Pacific Ocean (WCPO).

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

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

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

- The steering committee should develop an up-to-date logical framework to reflect more accurately what the project is doing while ensuring the project activities and results remain within those laid out in the financing agreement.
- The Oceanic Fisheries Programme (OFP) scientists should consider reporting the state of the fishery in terms of changes of variables such as catch rates, which give greater relevance to the fishing industry.
- The Scientific Committee (under the new Commission) should be encouraged to develop and review future projects in more detail rather than simply developing wish lists.

- Port sampling training should continue as it is currently conducted, developing along the same lines as planned for the observer training, with greater emphasis on developing competency in key skills.
- The project should continue its focus on key ACP coastal states, to consolidate data collection systems and continue to increase localization of data management skills.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Implementing Agency: FFA & SPC
Budget: 3 Million Euro
Financing Agreement Signed: December 2004
Duration: 4 years
Project Closure: December 2008

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

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

The project is designed to support regional thinking and national action. At present the economic contribution of the fisheries sector is poorly measured; the only performance measures available are catches or values of catches and fish trade data from existing national and regional reporting systems. These indicators are inadequate to measure the benefits received by P-ACPs at the level of the project objective and purpose. The project will build on the existing data, improve them with new indicators and regional workshops will be held to strengthen the capacity of national statistical administrations to improve measurement of benefits from tuna fisheries.

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

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

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

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

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

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