

**Federated States of Micronesia  
European Commission/**

**Joint Annual Report 2005**

## **1. EXECUTIVE SUMMARY**

The Country Strategy Paper and National Indicative Programme (NIP) for the Federated States of Micronesia (FSM) were signed in Pohnpei on 1<sup>st</sup> April 2003.

The NIP provides for an indicative financial allocation for FSM of € 4.8m for the A-Envelope, and € 1.4 m for the B-envelope. The focal area of EC-FSM cooperation is the energy sector, to which 85% of the A envelope (€ 4.08 m) is allocated. A further € 0.72 m (15% of the A-envelope) is allocated to support the work of Non-State Actors in the areas of conservation and environmental protection.

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

In July 2005 the Financing Agreement for the Renewable Energy Programme (covering five of the new Pacific ACP countries, including FSM) was signed by the Secretary General of the Pacific Island Forum Secretariat on behalf of all five countries concerned. The tender award procedure for the recruitment of the Programme Management Unit has been completed and implementation began in January 2006.

As regards the non-focal sector, a financing proposal for € 720,000 was submitted to Brussels in September 2005 for comments, which were subsequently shared with the NAO and the Micronesian Conservation Trust. The financing proposal is expected to be completed in early 2006. In September 2005, the FSM Government received a proposal from the EU Deputy Director General for Development that Envelope B funds be designated primarily for disaster mitigation/preparedness activities and further proposing that the use of these funds be coordinated through or in conjunction with SOPAC. The FSM Government has advised the Commission's Delegation in Fiji of its concurrence with the proposed use of these funds. The FSM Disaster Preparedness Office is preparing a detailed programme for the use of these funds which will seek to complement the activities envisaged to be undertaken in this area by SOPAC. The implementation of the FSM national programme is intended to be undertaken directly by FSM Government given the efficiency and cost of delivery of services in the northern Pacific and the close cooperation that FSM already receives from the United States Weather Service including typhoon and earthquake advisory services.

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

### **2.1. Update on the political situation**

The Federated States of Micronesia (FSM) became an independent nation in 1986 under an agreement with the United States, known as the Compact of Free Association, which set out the economic and political ties between the two countries over the period 1986-2001. A two-year extension to the original Compact Agreement was later agreed. At its expiry in September 2003 a new 20-year Agreement came into force.

A stated aim of the new Compact assistance is to advance economic self-reliance and complete the transition from U.S. dependence. Emphasis is placed on greater accountability in the use of Compact funds. A Trust Fund is established to provide for future operational funding support for the FSM governments in this post Compact period, funded primarily by contributions from the FSM governments and US government. Leveraging of other funding sources to increase the fund principal is contemplated.

The FSM is a loose federation with considerable autonomy in each of the four states, Yap, Chuuk, Pohnpei and Kosrae. It is comprised of five governments, which include the National Government and the four states. The national constitution delegates certain powers and responsibilities to the national government, provides for shared responsibilities in other defined areas and reserves all other powers and responsibilities to the states. Each of the four states has a high degree of autonomy and operates with its own state constitution. The state constitutions in turn provide for sharing of responsibilities with local governments and, in the case of Yap and Pohnpei, with traditional leaders.

The national government has exclusive responsibility for foreign relations and trade and is the national focal point for external donors and partners. It serves as a facilitator and coordinator of economic activities of the four states as well as providing technical assistance. Government organization follows loosely that of the United States. There are three levels of government; national, state and local. Each level of government is in turn comprised of three branches; Executive, Legislative and Judiciary.

The national executive is headed by a president and a vice president, the state, headed by a governor and a lieutenant governor and the municipal, headed by local executives such as chief magistrates.

The judiciary exists at both the national and state level of government. All matters involving non-FSM citizens are dealt with by the national courts while in all other instances the division of legal responsibility is determined by the Constitutional division of powers and functions. FSM legal practice generally follows the US legal system and procedures.

At municipal level, traditional leaders and church elders exert a high degree of moral authority and in some areas traditional leaders still play an active role in local and state government.

The Congress of the FSM is unicameral, with 14 senators. Four of these members, one from each state elected on a state-wide basis, are elected for a four-year term. These are referred to as the at-large members. Ten members are elected on the basis of equitable population apportionment. These members are elected for 2 year terms (hence are referred to as 'two-year' senators).

General elections are held every four years after which the President and Vice President are elected, with intermediate elections every two years for the two-year seat senators. There is universal suffrage with all adults over 18 years of age entitled to vote. FSM citizens residing overseas are entitled to vote and voting booths are located in major concentration centres overseas to facilitate this group's participation. There are no political parties although family/clan and church factors are influential

The President and Vice President are elected by the Congress from amongst the four at-large senators. Upon their election they vacate their Congress seats to take over executive power and their vacant seats are then filled in special elections. The current President, Joseph J. Urusemal, and Vice President Redley Killion were elected by the FSM Congress in May 2003. Their current terms expire in May, 2007.

The FSM Congress, through its proclaimed role as representatives of the interests of the people of each state within the federation and its decisive control over national revenues, budget and law-making, is arguably the most powerful institution within the nation. The current 14<sup>th</sup> Congress of the Federated States of Micronesia was seated in May 2005, with the incumbent Speaker, the Hon. Peter M. Christian of Pohnpci, re-elected as Speaker of the Congress.

FSM has maintained a stable government since independence. Each state has unique characteristics and geographic dispersion and the linguistic, cultural and historical differences between the four states tend to make national consensus difficult. The divergence of living standards between the states is also a source of some resentment. Within each state the traditional chiefly systems and churches are amongst the most critical factors underpinning community cohesion. Given the strong cultural and social systems, the role of government is much larger than would normally be the case in most market economies, and will be slow to change.

The period from mid 2004 to the present has been characterized primarily by adjustment to the new Compact funding regime. This has resulted in greater emphasis on developing and enforcing systems for more stringent budget preparation and performance monitoring. In 2004 the FSM 14<sup>th</sup> Congress approved the FSM Strategic Development Plan (SDP) for the next twenty years (2004 – 2023). This plan, along with a national infrastructure development plan, are required under the new Compact funding terms, as a framework on which to base the annual requests for the Compact sector grants and strategic programming guides for the FSM governments. In the development of the SDP in early 2004, the FSM convened the 3<sup>rd</sup> FSM Economic Summit with participants from the four FSM States, the traditional leadership, private sector, National and State Governments, non-government organizations, churches, women's and youth groups, government officials, as well as representatives of foreign governments and donor institutions. The theme of the Summit was, 'The Next 20 Years: Achieving Economic Growth and Self-Reliance'.

The outcome of the Summit was the recognition of the weak performance in attaining the goals of the original Compact, and a desire that the Nation should do better during the

coming 20-year period. In particular, the Nation endorsed a high growth strategy, which is now known as the Sustained Growth Strategy (SGS), aimed to accelerate growth above the poor rates attained during the original Compact.

## 2.2. Update on the economic situation

While the original Compact Agreement was successful in meeting the political goals of establishing independence and a stable democratic government, it was less successful in stimulating economic development and self-sustaining growth in the country. Over the last decade, and despite more than US\$ 1 billion worth of US assistance, real GDP per capita (€ 2,152) has stagnated somewhat, although there was some slight growth in GDP between 2000 and 2003.

The FSM economic structure is still dominated by a large administration with heavy reliance on external funding, mainly Compact and other US funding. The FSM economy is dominated by three types of economic activity: 1) subsistence farming and fisheries, 2) wholesale/retail trade, 3) the provision of government services. A money economy with modern communications, transport and utilities has developed, but is limited to the population centres of the main islands. Traded goods and services (agriculture, fish and tourism) represent only 1 to 2% of GDP. Private sector activity is primarily engaged in non-traded goods production (subsistence and semi-commercial production), the service industry based on government and payroll expenditures, with few exports and a small, emerging tourism sector. FSM has rich fisheries resources. The main source of income from offshore fishing is from annual licences granted to foreign vessels.

Macro-economic performance indicators for 2005 are limited. This reflects the cessation of the high level technical services provided by the Economic Management Policy Advisory Team (EMPAT) and changes in the management structure and personnel of the FSM Statistics office. The 2005 Annual Economic Report required under the Compact funding terms will be completed by April, 2006.

Total official external debt outstanding at the end of FY2003 was US\$ 54.3 m, or about 24% of GDP, with debt servicing equivalent to 6.1% of exports of goods and services. The debt repayment position was enhanced as the five governments held portfolio investments in an external debt management fund. Adjusting for these assets, unsecured external debt was equivalent to about 9% of GDP.

Real GDP was projected to decline by 1.5% in FY2004 due to the anticipated fiscal shocks of a 7.3% reduction in Compact transfers into national and state government budgets under the new Compact, and the delayed availability of infrastructure sector grant funding. Further delays occurred in the implementation of planned infrastructure spending in 2005 but the Project Management Unit responsible to supervise these expenditures was selected and operationalized in mid 2005 with every expectation for sustained high rates of infrastructure expenditures, especially in the key Compact sectors of Health and Education. Initially, annual infrastructure expenditures in the two focal areas are planned to be around US\$ 76 m per year in 2006 and 2007.

In fiscal year 2007, FSM is expected to face a further fiscal shock when a cumulative reduction of USD800,000 annually will be withdrawn from the Compact operating grants. To help offset these shocks, the FSM Government places a very high priority

upon the capitalization and increased returns from various national Trust Funds that it utilizes to increase government revenues through the judicious use of short term investment and cash flow.

In 2005, the FSM population was a little over 108,000 with an annual growth rate of -0.02%. This reflects the high, and increasing, rate of migration to the United States. This migration pattern is expected to have a major impact upon the FSM's economy and social structure, with some projections that as many as 22 percent of the FSM population currently resides overseas and that more than 50 percent may reside overseas by the end of the current Compact period in 2024.

The composition of the domestic labour force is made up of 78% employed of which 67.2% were males aged 15 years and older while some 50% are female. The overall unemployment rate was 22% of which about 20.7% males to 23.8% females unemployed.

FSM has gone through reform programmes with the assistance of the Asian Development Bank to downsize the public sector and strengthen the productive sectors of the economy. There has been a nominal increase in private sector participation (in agriculture and fisheries subsistence and semi-subsistence engagement) but no clear indication of the magnitude of any increased private sector production. Furthermore, despite the efforts put into the reform programmes, the labour market remains distorted by the high public sector wage rate. Low and unregulated wages paid in the private sector are believed to create disincentives for the unemployed to seek jobs.

A household expenditure survey was carried out in 1998 to examine poverty levels in the FSM. However, the survey failed to provide any reliable indicators on the incidences of poverty. There is therefore still a need for FSM to quantify and define the dimensions of income distribution and poverty in FSM. (See also below 2.3).

**Economic data for 2002 to 2005**

	2002	2003	2004	2005
GDP per capita	2058	2152.4	2095.9	1,998
GDP in PPP (USUS\$ m)	N/A	N/A	277	To be provided
GDP growth rate	1.0%	4.6%	-4.0%	2.3%
Inflation rate	1.0%	0.5%	1.4%	1.3%
Current expenditure (USUS\$ m)	124.9	124.1	120.4	To be provided
Current expenditure as % of GDP	56%	56%	-53%	To be provided
Fishing access revenue (€ m)	11.2	13.5	11.8	To be provided
Total exports to the EU (€ m)	N/A	No data available	No data available	No data available
Total imports from the EU	US\$ 102,610 (CIF value)	US\$ 81,516 (CIF value)	Not yet Available	Not yet Available
Unemployment	N/A	N/A	N/A	N/A
External Debt (% of GDP)	24.5%	25%	26%	To be provided

Compact funding has resulted in the development of the government as the core influence on the economy. Almost half of total Compact assistance has been spent to

support government operations (wages, salaries and benefits). Public sector growth combined with relatively high wages paid to public servants have crowded out private sector initiatives and removed incentives for individuals to contribute to the productive base of the economy. Private sector activity comprises largely services and distribution and there is little indigenous private commercial production or investment. Reducing the size of the public sector is a stated policy aim, and a prerequisite for improved economic performance.

ADB has been helping the government improve public sector efficiency and effectiveness since 1995 through its Public Sector Reform Program as well as through a series of TAs for economic management and capacity building. ADB continues to support the government in increasing its institutional capacity for public sector management.

Compact assistance is scheduled to last for another two decades, but in order to advance the cause of economic self-reliance, and to reduce the increasing social problems associated with the high unemployment, it is vital that the authorities successfully implement policies capitalizing on the potential economic growth. This is likely to involve a degree of privatizing of areas at present in the public sector and, more generally, to create a more favourable environment for private sector development. As in many Pacific Island countries, unemployment is an area of considerable concern, with the present rate standing at 22%.

### **2.3. Update of the social situation**

FSM shows little progress towards meeting the MDGs by 2015. Poverty incidence is estimated to be high with approximately 40% of the population falling below the national poverty line in 1998, and there are signs of increasing inequalities between the regions (Gini coefficient – poverty gap ratio – 0.408, with large regional disparities).

One of the key issues is delivery of basic social services, which often fail to reach the poorer strata of society, the outer islands and rural areas. FSM also faces decreasing education enrolment rates, retention rates and access in the outer islands. It also has poor health indicators. Although maternal mortality has fallen significantly, it is still relatively high, and the incidence of non-communicable diseases is increasing. Available data suggest that only 41% of the population have access to an improved water source, and 45% to improved sanitation.

The external support provided to FSM has produced a standard of living in the urban centres that is generally higher than elsewhere in the region. However, the relative position of FSM can be expected to decline in the near future as the reduction in external funding and associated budget constraints reduce income levels and the quality of health and education services.

FSM has a young and rapidly growing population, with some 50% under 18 years of age. Unemployment rates among youth will increase and career opportunities diminish in the public sector as a result of the reform process. The working-age population is under-employed and underpaid, especially as regards women. Wage differentials remain a critical labour market issue. Average public sector wages are close to double those of the private sector, which acts as a disincentive for participation in the private sector. As the reform process implies a major reduction in public sector wages at all levels, migration

## **Gender**

In FSM women lag significantly behind males in almost every respect. They have a smaller share of the job market (estimated at 30%) and are mainly employed in subordinate, low-paid jobs, are weakly organised and under-represented in the policy-making process at state and national levels. The government, recognising the need to improve the status of women and to include them in the development policy-making process, has incorporated women's issues within planning and operations practices. A Women's Coordination Unit has been established within the Department of Health, Education and Social Affairs. At state levels, Women's Interest Officers have been appointed who have broad responsibility for input into policy-making, especially for the social sectors.



**POPULATION AND SOCIAL INDICATORS 1998 TO 2005**

<b>POPULATION INDICATORS</b>	<b>1998</b>	<b>2000/2003</b>	<b>2004</b>	<b>2005</b>
Total population	114,000	107,000	108,021	108,021
Annual population growth rate (% change)	0.25	0.24	0.24	0.24
Migration rate/1000 population		n/a	-20.99	-20.99
<b>SOCIAL INDICATORS</b>				
Proportion of the population below 1 USD per day	40%	n/a	27%	27%
Total fertility rate (births per woman)	5.0	4.4	3.37	3.37
Maternal mortality rate (per 100,000 live births)	-	277	274	274
Infant mortality rate (below 1 year, per '000 live births)	46.0	23.4	<b>23.9</b>	<b>23.9</b>
Proportion of births attended by skilled health person	82	94	93%	93%
Prevalence of child malnutrition (under fives) in %	15	11.5	10.9	10.9
Life expectancy at birth (years)				
Female	67	67	71	71
Male	63	65	68	68
Adult literacy (%)		92	89	89
Men	77		91	91
Women	66		88	88
Primary school enrolment (% of school age)	83.0	92.3	N/A	N/A
Secondary school enrolment (% of school age)	44.0	72.3	N/A	N/A
Child malnutrition (% age under 5 years)	15.0	9.5	8.2	8.2
Population with access to safe water (%)	44.0	41.0		59%
Population with access to sanitation (%)	51.0	49.0		
TB prevalence rate (per 100,000 people)		78	N/A	N/A
Gini coefficient	5.1	N/A	N/A	N/A
Human Poverty Index	26.7	N/A	N/A	N/A

**Source: UNDP**

## **2.4 Environmental situation**

High birth rates, limited land and migration to state capitals have contributed to growing environmental problems. Proper waste management and sewage disposal are required. Policies to restrict pollution, to effectively manage coastal water resources and preserve the country's bio-diversity need to be further developed. Appropriate national and state environmental regulations exist, but enforcement is hindered by limited institutional capacity. Sustainable management of resources such as aggregate, offshore minerals and renewable energy are other issues in the quest for development in the FSM. In 2002, FSM adopted a National Biodiversity Strategy and Action Plan, with the assistance of UNDP.

With the recent budget cuts, which have diminished the government's ability to manage and protect the nation's natural resources, non-governmental organizations and community-based organisations have begun to assume resource management responsibilities. Capacity building for Non-State-Actors (NSAs) is a stated aim of both national and state governments. A national NGO network, the FSM Association of Non-Government Organizations (FANGO) is seeking to draw together as many of the NGO groups as possible. The FSM Government has recognized FANGO's emergent role by appointing its representative to the Government-NSA EDF oversight committee, the National Authorizing Committee. Government is encouraging government-NGO-private sector resource management partnerships to enhance conservation and environmental protection. The 9<sup>th</sup> EDF NSA programme non-focal sector concentration is strengthening the capacity of NSA's in the area of conservation and environment protection.

### **Energy**

FSM relies mostly on imported fossil fuels for its energy generation. This places an increasing strain on the economy, as diesel fuel is expensive to import and diesel-generated electricity expensive to produce. Moreover, oil imports have increased in recent years due to a steady growth of the urban population and an increase in the load on power stations. The shortage of energy supply to the rural areas and outer islands is aggravating the lop-sided development of urban centres. Part of the urban drift and migration in FSM is the result of a bias towards power and water supply infrastructure in favour of the urban areas. The government, recognising the need to redress national disparities, considers the development of indigenous energy sources in the outer islands as crucial for the sustainable and equitable development of the country.

A priority objective of the government is the provision of an adequate and secure supply of energy to meet the needs of households, commerce and industry and considered to be crucial for the sustainable growth and equitable development of the country. The 9<sup>th</sup> EDF NIP therefore concentrates on renewable energy.<sup>2.5</sup> Development agenda of the partner country

The FSM Strategic Development Plan and Infrastructure Development Plan are the principal planning documents utilized by FSM and the United States for the utilization of Compact funding. Those plans are also intended to guide programming of assistance from other development partners.

The Asian Development Bank's CSP and Program update for FSM for 2005-2006 is prepared in active consultation with all stakeholders: government, NGOs, civil society, private sector and development agencies. It contains a comprehensive set of policies and strategies for achieving the overall economic goal of the Government, which is private-sector-led economic growth. It has three operational strategies: good governance; social development and pro-poor economic growth. The main objectives and strategies outlined in the document are (a) to reduce reliance on external aid funds (through reducing the size of the public sector and increasing public and private savings and investment); (b) long-term public sector capacity building and improved participation of civil society, (c) improved basic education and health and d) to increase the size and competitiveness of the productive sector.

### **3. OVERVIEW OF ONGOING COOPERATION IN THE REGION**

#### **3.1 9<sup>th</sup> EDF NIP Focal sector – Energy**

In July 2005 the Financing Agreement for the Renewable Energy Programme (covering also Marshall Islands, Nauru, Niue and Palau) was signed by the Secretary General of the Pacific Island Forum Secretariat on behalf of all five countries concerned. The tender award procedure for the recruitment of the Programme Management Unit (PMU) has been completed and implementation began in January 2006. The PMU is expected to open an office in Pohnpei during the first quarter of 2006.

#### **3.2 Utilisation of resources for non-state actors**

As regards the non-focal sector, a draft financing proposal with non-state actors in the area of conservation and environment protection was prepared and submitted to Brussels in September 2005 (total amount € 720,000). The comments received were subsequently forwarded to the NAO and the Micronesian Conservation Trust. The document is expected to be finalised in early 2006.

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

FSM has not been subject to disasters, and is not eligible for FLEX or IIIPC, so the B envelope remained untouched in 2005. A multi-country programme on disaster preparedness is being developed with SOPAC's assistance and FSM has indicated its interest in using its B envelope to join and benefit from this programme.

#### **3.4 Other instruments**

##### **3.4.1 Regional Cooperation**

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

For a complete overview regarding the cooperation under the regional indicative programme

#### **4. Programming perspectives for the years 2006-2007**

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

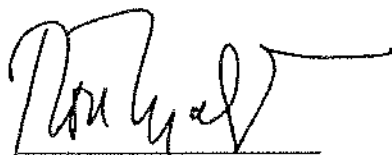
FSM, as a new ACP state, has no RAC or RAL under previous EDFs.

Programming of the 9<sup>th</sup> EDF has experienced some delays, given the fact that this is a new and inexperienced ACP state, and lack of staff in the Delegation. The greatest challenges seem now to have been addressed, and a Financing Agreement for one programme for most of the A envelope was signed in July 2005. Implementation began in January 2006, and there should be no further delays in programming under the 9<sup>th</sup> EDF.

##### **4.2 Proposal for revision of strategy**

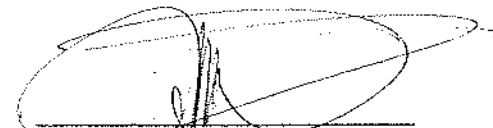
No change of strategy for the 9<sup>th</sup> EDF is foreseen.

**SIGNED**



National Authorising Officer

Date: 9/12/07



Head of Delegation

Date: 17/09/07

## Annex 1 - Donor coordination matrix

Sector/Thematic/area	EU	ADB	Other Development partners
A. Governance		<p><b>Ongoing</b></p> <ul style="list-style-type: none"> <li>• TA3765-FSM: Implementation of Performance-based Budget Management</li> <li>• TA3962-FSM/ Capacity Building I Public Sector Financial Management</li> <li>• TA4258-FSM: Strengthening of Public sector Management and Administration</li> <li>• Improving Economic Management and Policy Formulation</li> </ul> <p><b>Programmed</b></p> <ul style="list-style-type: none"> <li>• Streamlining and Strengthening Public Sector Audit Function (2004)</li> <li>• Implementation of Public Sector Capacity Building Roadmap (2005)</li> </ul>	<ul style="list-style-type: none"> <li>• Economists/statisticians (AusAID)</li> <li>• Trust Fund (PRC)</li> <li>• Tax Reform/Administration (PFTAC)</li> </ul>
B. Inclusive social development		<p><b>Ongoing</b></p> <ul style="list-style-type: none"> <li>• TA6047-REG: Preparation of National Poverty Reduction Strategies in PDMCs</li> </ul> <p><b>Programmed</b></p> <ul style="list-style-type: none"> <li>• TA:National Hardship Reduction Strategy and Participatory Nation Building (2005)</li> <li>• Youth and Gender Development (2005)</li> </ul>	<ul style="list-style-type: none"> <li>• FSM-China Friendship Sports Center in Pohnpei</li> <li>• National Youth Policy Dev. Program (AusAID)</li> <li>• Pohnpei Ladies Club (UNESCO)</li> </ul>
C. Private sector development		<p><b>Ongoing</b></p> <ul style="list-style-type: none"> <li>• Loans 1873/1874 : Private Sector Development Program</li> </ul> <p><b>Programmed</b></p> <ul style="list-style-type: none"> <li>• TA: Public Utilities Corporate Governance (2004)</li> </ul>	<ul style="list-style-type: none"> <li>• Micronesian Entrepreneurship Development Center (UNDP)</li> <li>• Development Activities are Training, Marketing Products and etc. (SPFS)</li> </ul>

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D. Education		<b>Ongoing</b> Loan 1816: Basic Social Services Project	<ul style="list-style-type: none"> <li>• Short-term Technical Training (AusAID)</li> <li>• Short-Term Training (Japan)</li> <li>• PATS School &amp; Ext. (UNESCO)</li> <li>• Scholarship (AusAID)</li> <li>• School Supplies (Japan)</li> </ul>
E. Health, Nutrition and social protection		<b>Ongoing</b> Loan 1816: Basic Social Services Project	<ul style="list-style-type: none"> <li>• Pharmacy/Medical Specialist (AusAID)</li> <li>• Medical Equipment Supply (Japan)</li> <li>• Hospital Management (US)</li> <li>• Training Fellowships, Medical Equipment and Supplies (WHO and UNFPA)</li> </ul>
F. Water supply, sanitation and waste management		<b>Programmed</b> <ul style="list-style-type: none"> <li>• Loan: Omnibus Infrastructure Development Project (2004)</li> <li>• TA: Public Utilities Corporate Governance (2004)</li> </ul>	
G. Energy	<b>Programmed Sustainable energy programme €4.08</b>	<b>Programmed</b> <ul style="list-style-type: none"> <li>• Loan: Omnibus Infrastructure Development Project (2004)</li> <li>• TA: Public Utilities Corporate Governance (2004)</li> </ul>	<ul style="list-style-type: none"> <li>• Pohnpei Power Plant (Japan)</li> </ul>
H. Transport and communications			<ul style="list-style-type: none"> <li>• Road Improvement Project, Harbor/Wharves (Japan<sup>o</sup>)</li> <li>• Cargo, Passenger Boats PRC)</li> <li>• Chuuk State Airport (PRC))</li> </ul>

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<p>I. Environmental Sustainability</p>	<ul style="list-style-type: none"> <li>• <b>Programmed work of NSAs in environmental protection €0.72</b></li> <li>• Climate Change</li> <li>• Outer Islands Electrification Programme</li> </ul>	<p><b>Ongoing</b></p> <ul style="list-style-type: none"> <li>• 6064-REG: Climate Change Adaptation Program for the Pacific</li> </ul>	<ul style="list-style-type: none"> <li>• Environment Specialist for Environment Awareness Program-Teacher Training (AusAID)</li> <li>• Environment and Quality of Life Projects (Japan)</li> <li>• Global Environment Facility Funding for Biodiversity, Climate Change, International Water, etc. (UNEP)</li> <li>• Special Programme for Food Security FAO (UN)</li> <li>• Regional Food Security Programme-UN/FAO through SAPA Office</li> <li>• ACP-FC Tech. Center for Agriculture &amp; Rural Corp. (CTA)</li> <li>• Convention on law of the Seas (NORMA)</li> <li>• Convention for the Conservation of Migratory fish stock in the Central and Western Pacific Ocean (NORMA)</li> </ul>
<p>J. Agriculture and natural resources</p>	<p>SPC/Plant Protection/Quarantine &amp; Plant Protection (ACP-EU)</p> <p>EDR-9 Development of Sustainable Agriculture Pro. (DSAP)</p>		<ul style="list-style-type: none"> <li>• Fishing Ports (Japan)</li> <li>• Tuna Commission (PRC)</li> <li>• Agriculture Farm for Vegetables (PRC)</li> <li>• SPC/GTZ Tropical Forestry Program (German)</li> <li>• Thru USP/IRETA. For Farmers Training Program/Communication Program</li> </ul>
<p>K. Industry and trade</p>			<ul style="list-style-type: none"> <li>• Tourism Promotion (Japan)</li> <li>• Tourism Specialist (Japan)</li> </ul>



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L. Others			<ul style="list-style-type: none"> <li>• Voter Registration and Training for FSM Election Commission</li> <li>• Immigration Computerized System, GIS Special(AusAID)</li> <li>• Grassroots Cooperation, Heritage Program (Japan)</li> <li>• Historic Preservation (Spain)</li> <li>• Volunteer Assistance (UK)</li> <li>• Kosrae Public Information (UNESCO)</li> <li>• Peace Corps Volunteer Program (US)</li> <li>• DBA Emergency Assistance (AusAID)</li> <li>• Grassroots Culture and Historical (Japan)</li> <li>• Official Residential Homes (PRC)</li> </ul>
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ADB: Asian Development Bank; AusAID: Australian Agency for Intern. Development; FSM: Federated States of Micronesia; PFTAC: Pacific Financial Technical Assistance Centre; PRC: People's Republic of China; REG: regional; TA: technical assistance; UNDP: United Nations Development Programme, UNEP: United Nations Environment Programme; UNESCO: United Nations Educational, Scientific and Cultural Organisation

## Annex 2 - Country Environment Profile

Item	1990	Latest Year
<b>1. Energy Efficiency of Emissions</b>	--	--
Traditional Fuel Use (% of total energy use)		
<b>2. Water Pollution</b>		
Water bodies exceeding contact recreation standards		
Biological oxygen demand (BOD)	--	--
Chemical oxygen demand (COD)	--	--
<b>3. Air Pollution</b>		
Carbon Dioxide (CO <sub>2</sub> ) emissions		
Total ('000 metric tons)	236.0(1994)	141.4(1996)
Per Unit of DGP (kg/PPPUS\$ GDP)	--	--
Sulfur Dioxide (SO <sub>2</sub> ) Emissions		
Total ('000 metric tons)	--	1.0(1995)
<b>4. Land Use and Deforestation</b>		
Total Land Area (km <sup>2</sup> )	701.0	701.0(2003)
Average Annual Deforestation Area (remaining km <sup>2</sup> )	--	--
% change	--	--
Arable land (% of total land)	--	5.7(1998)
Cropland, Permanent (% of total land)	--	45.7(1998)
Pastures, Permanent (% of total land)	--	--
Population density, Rural (people per square mile)	309.0(1994)	327.0(2000)
<b>5. Biodiversity and Protected Areas</b>		
Nationally protected area(s)		
Area(km <sup>2</sup> )	--	--
Number	--	2.0(2003)
Mammals (number of threatened species)	--	6.0(2002)
Birds (number of threatened species)	--	5.0(2002)
Higher Plants (number of threatened species)	--	4.0(2002)
Reptiles (number of threatened species)	--	2.0(2002)
Amphibians (number of threatened species)	--	--
<b>6. Urban Population</b>		
Total ('000)	26.9(1994)	23.9(2000)
% of total population	25.5(1994)	22.3(2000)
Per Capita water use (liters/day)	--	--
Wastewater treated (%)	--	--
Solid waste generated per capita (kg/day)	--	--

--: no data available; GDP: gross domestic product;; kg: kilogram; km<sup>2</sup>; PPPUS\$: purchasing power parity in US\$

The total landmass of the FSM is 438 square miles (702 km<sup>2</sup>), with a declared Exclusive Economic Zone (EEZ) covering over 1 million square miles (1.6 million km<sup>2</sup>). The FSM is comprised of 607 islands between 1.0-9.90 N and 138.2-162.60 E (Figure 1) with land elevation ranging from sea level to 2,500 feet (791 m). The northeast trade wind belt heavily influences the tropical climate of the FSM with strong trade winds prevailing from December through April and periods of weaker winds and doldrums occurring from May to November.

Rainfall is extremely high on the high volcanic islands of Kosrae, Pohnpei and Chuuk and can exceed 400 inches (1,016 cm) a year (SPREP, 1993, Lindsay & Edward, 2000). The region is affected by storms and typhoons that are generally more severe in the western islands, and by periods of drought and excessive rainfall associated with the “El Nino” (ENSO) phenomena. In recent times, the droughts of 1982-1983 and 1997-1998 were especially severe with groundwater sources greatly reduced, agricultural systems damaged and coral bleaching events recorded (Falanruw, 2001). The indigenous population is Micronesian with most of the people residing on the main islands of the State capitals. The 2000 census preliminary count of the population is 107,000 (July, 2000), half of which are younger than 20 years of age. Traditional, social and cultural institutions are still very strong and Micronesian society is based on the extended family, which is responsible for the family welfare, especially in relation to customary family land. Ownership of land and marine areas varies between States. In Kosrae and Pohnpei, land is both privately and State owned, while marine areas are managed by the State as public trusts. In Chuuk and Yap, the majority of land and marine areas are privately owned or managed by individual estates and are acquired through inheritance, gift or, recently, by purchase. In all States, land cannot be sold to noncitizens of the FSM (Falanruw, 2001, URS, 2001 AND FSM Government, 2002a). These land and marine ownership patterns greatly influence the strategies and actions required to sustainably develop the nation.

The FSM is exceptionally vulnerable to natural disasters and its remoteness from major trading markets greatly impedes the nations potential to economically compete regionally and internationally. The FSM’s economic development is directly linked to the environment, which is present in every facet of Micronesian’s way of life providing the natural resources for food, shelter, and is utilised for medicinal and traditional purposes (FSM Government, 2002a). The majority of households within the nation are dependent on subsistence living. Traditional resource utilization practices and community management regimes are eroding which has a direct negative impact on the health of the nations environment. This deterioration has been greatly enhanced in more recent times due to the changes from subsistence to a commercial economy, high population growth rates, urbanization and the development of centralized governments (FSM Government, 1999b and 2002a). The nation has embarked on a programme to conserve, preserve, manage and protect the ecosystems and the biodiversity of the country which have included the implementation of conservation areas, wise land use and marine management plans, and environmental community awareness and capacity building (FSM Government, 2002a). Sustainable development principles have been integrated into these programmes, however increased information exchange and programme implementation is required. The development and implementation of suitable traditional and scientific resource management programmes that can address these issues in both the near and long term are essential. Globalization and global environmental crises such as climate change, sea level rise and climate variability (frequent and severe typhoon, storm surges, droughts) are major concerns to the FSM and the protection and conservation of island biological resources that can assist the nation to protect itself from these natural forces is extremely important (FSM Government, 1999d). Equally, the mitigation of anthropogenic activities within the nation that are contributing to these issues need to be further addressed.

## Annex 3 – Cooperation under the Regional Indicative Programme

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

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

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

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

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

- That SOPAC Directorate strengthen their capacity to self monitor against EU/FORSEC performance measures
- That the SWATII 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 € 5.181 million 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 economics. 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

Joint Annual Report 2005  
European Commission – Federated States of Micronesia

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 (MHL.C).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pacific ACP countries have a combined Exclusive Economic Zone (EEZ) of some 20 million km<sup>2</sup>, a total land area just over half a million km<sup>2</sup> and a total population of about 7 million. The Region attaches particular importance to the sustainable development of Fisheries as this sector is considered to have the most potential for revenue generation and sustainable economic growth. Whilst tuna fisheries underpin the region's main hope for future economic self-sufficiency, it is the coastal fisheries which underpin current livelihoods and continued food security.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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