

Agreement N°9777/REG

FINANCING AGREEMENT
between
THE EUROPEAN COMMISSION
and
THE PACIFIC ACP COUNTRIES

Facilitating Agricultural Commodity Trade (FACT)
(RPA/004/06)
EDF IX

FINANCING AGREEMENT

Special Conditions

The European Community, hereinafter referred to as "the Community", represented by the Commission of the European Communities in its capacity as manager of the European Development Fund, hereinafter referred to as "**the Commission**",

of the one part, and

The 14 Pacific ACP countries, represented by the Secretary General of the Pacific Islands Forum Secretariat, Regional Authorising Officer, hereinafter referred to as "**the Beneficiary**",

of the other part,

HAVE AGREED AS FOLLOWS:

ARTICLE 1 - NATURE AND PURPOSE OF THE OPERATION

1.1. The Community shall contribute to the financing of the following project:

Title : Facilitating Agricultural Commodity Trade (FACT)

Accounting N°: 9 ACP RPA 012

Identification N°: RPA/004/06

hereinafter referred to as "the project", which is described in the Technical and Administrative Provisions in Annex II.

1.2 This project will be implemented in accordance with the financing agreement and the annexes thereto: the General Conditions (Annex I) and the Technical and Administrative Provisions (Annex II).

ARTICLE 2 - THE COMMUNITY'S FINANCIAL CONTRIBUTION

2.1 The total cost of the project is estimated at 4 225 000 Euro.

2.2 The Community undertakes to finance a maximum of 4 000 000 Euro. The breakdown of the Community's financial contribution into budget headings is shown in the budget included in the Technical and Administrative Provisions in annex II.

ARTICLE 3 - THE BENEFICIARIES'S CONTRIBUTION

3.1 The Beneficiary shall contribute 225 000 euro to the project.

3.2 Where there is a non-financial contribution by the Beneficiary, the detailed arrangements shall be set out in the Technical and Administrative Provisions in Annex II to the financing agreement.

ARTICLE 4 – PERIOD OF EXECUTION

The period of execution of the financing agreement shall commence on the entry into force of the financing agreement and end at 31 December 2014. This period of execution shall comprise two phases: an operational implementation phase, which shall commence on the entry into force of the financing agreement and end at 31 December 2012. As from this date shall commence the closure phase, which shall end at the end of the period of execution.

ARTICLE 5 - DEADLINE FOR THE SIGNATURE OF THE CONTRACTS AND PROGRAMME-ESTIMATES IMPLEMENTING THE FINANCING AGREEMENT

Contracts and programme-estimates implementing the financing agreement shall be signed by 18 September 2010 at the latest. That deadline may not be extended. This provision shall not apply to audit and evaluation contracts, which may be signed later.

ARTICLE 6 - PAYING AGENT

In order to effect the payments resulting from this financing agreement, the role of paying agent shall be performed, as regards payments in Fiji dollars, by the National Reserve Bank of Fiji and as regards payments in euro or in foreign currencies, by the financial institution chosen by the Commission.

ARTICLE 7 - ADDRESSES

All communications concerning the implementation of the financing agreement shall be in writing, refer expressly to the project and be sent to the following addresses:

for the Commission

The Head of the Delegation of the European Commission
Suva - Fiji

for the Beneficiaries

The Regional Authorising Officer,
the Secretary General of the Pacific Islands Forum
Suva – Fiji

ARTICLE 8 - ANNEXES

8.1 The following documents shall be annexed to this financing agreement and form an integral part thereof:

Annex I: General Conditions.

Annex II: Technical and Administrative Provisions.

8.2 Should a conflict arise between the provisions of the Annexes and those of the Special Conditions of the financing agreement, the provisions of the Special Conditions shall take precedence. Should a conflict arise between the provisions of annex I and those of annex II, the provisions of Annex I shall take precedence.

ARTICLE 9 - OTHER SPECIAL CONDITIONS APPLYING TO THE PROJECT

For the purpose of Article 3 of the General Conditions the authority responsible for carrying out the project which is the subject of this Financing Agreement is the Secretary General of the Forum Secretariat, Regional Authorising Officer.

ARTICLE 10 – ENTRY INTO FORCE OF THE FINANCING AGREEMENT

The financing agreement shall enter into force on the date on which it is signed by the last party.

Done in two original copies in the English language, one copy being handed to the Commission and one to the Beneficiary.

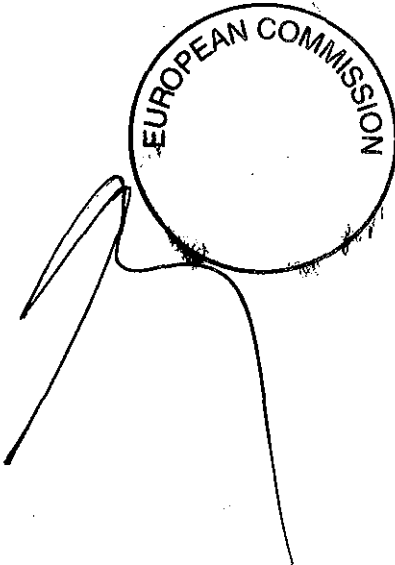
Done at Brussels

FOR THE COMMISSION



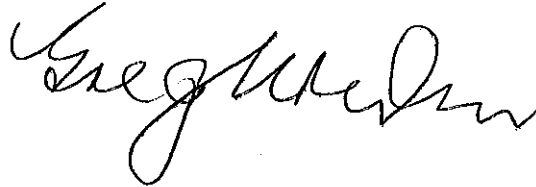
Gary QUINCE,
Authorising Officer of the EDF
by subdelegation

Date 19 -09- 2007



Done at Suva

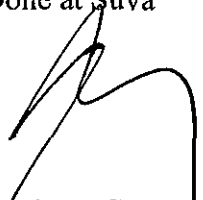
FOR THE BENEFICIARY



Date 18 OCT 2007



Done at Suva

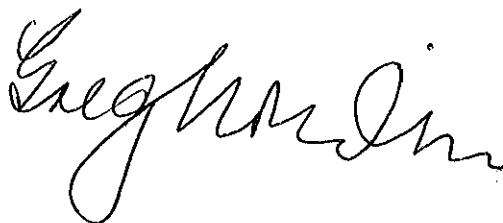

Louis MICHEL,
Commissioner for Development and
Humanitarian Aid

Date



Done at Suva

FOR THE BENEFICIARY



Date 18 OCT 2007



ANNEX I - GENERAL CONDITIONS

TITLE I - PROJECT/PROGRAMME FINANCING

ARTICLE 1 – GENERAL PRINCIPLE

1.1 The Community's financial contribution shall be limited to the amount specified in the financing agreement.

1.2 The provision of Community financing shall be subject to fulfilment of the Beneficiary's obligations under this financing agreement.

ARTICLE 2 - COST OVERRUNS AND COVERING THEM

2.1 Individual overruns of the budget headings of the financing agreement are dealt with by reallocating funds within this budget, in accordance with Article 20 of these General Conditions.

2.2 Wherever there is a risk of overrunning the global amount set in the financing agreement arises, the Beneficiary shall immediately inform the Commission and seek its prior approval for the corrective measures planned to cover the overrun, proposing either to scale down the project/programme or to draw on its own or other non-Community resources.

2.3 If the project/programme cannot be scaled down, or if the overrun cannot be covered either by the Beneficiary's own resources or other resources, the Commission may, exceptionally, at the Beneficiary's duly substantiated request, grant additional Community financing. Should it take such a decision, the excess costs shall be financed, without prejudice to the relevant Community rules and procedures, by the release of an additional financial contribution to be set by the Commission, up to a ceiling of 20% of the Community contribution laid down for the project/programme.

TITLE II - IMPLEMENTATION

ARTICLE 3 – GENERAL PRINCIPLE

3.1 The project/programme shall be implemented under the responsibility of the Beneficiary with the approval of the Commission.

3.2 The Commission is represented in the State of the Beneficiary by its Head of Delegation.

ARTICLE 4 - PERIOD OF EXECUTION

4.1 The financing agreement shall lay down an period of execution, which shall commence on the entry into force of the financing agreement and end on the date specified to this end in Article 4 of the Special Conditions.

4.2 This period of execution shall comprise two phases:

- an operational implementation phase, in which the principal activities are carried out. This phase shall commence on the entry into force of the financing agreement and end at the latest 24 months before the end of the period of execution;

- a closure phase, during which final audits and evaluation are carried out and contracts and work-estimates for the implementation of the financing agreement are technically and financially closed. This phase shall commence on the date of end of the operational implementation phase and end at the latest 24 months after this date.

4.3 Costs related to the principal activities shall be eligible for Community financing only if they have been incurred during the operational implementation phase. Costs related to final audits and evaluation and closure activities shall be eligible up to the end of the closure phase.

4.4 Any balance remaining from the Community contribution will be automatically cancelled six months after the end of the period of execution.

4.5 In exceptional and duly substantiated cases, a request may be made for the extension of the operational implementation phase and correlatively of the period of execution. If the extension is requested by the Beneficiary, the request must be made at least three months before the end of the operational implementation phase and approved by the Commission before that latter date.

4.6 In exceptional and duly substantiated cases, and after the end of the operational implementation phase, a request may be made for the extension of the closure phase and correlatively of the period of execution. If the extension is requested by the Beneficiary, the request must be made at least three months before the end of the closure phase and approved by the Commission before that date.

ARTICLE 5 – CURRENCIES AND PLACES OF PAYMENT

5.1 Where payments are made in the national currency of an ACP State, the accounts shall be held at a bank established in that country or in the country of the contractor's headquarters.

5.2 Where payments are made in euro or foreign exchange, the accounts shall be held at a bank or approved intermediary established in a Member State, an ACP State or in the country of the contractor's headquarters.

TITRE III – AWARD OF CONTRACTS AND GRANTS

ARTICLE 6 – GENERAL PRINCIPLE

All contracts implementing the financing agreement must be awarded and implemented in accordance with the General Regulations for works, supply and service contracts adopted by the ACP-EEC Council of Ministers, supplemented by the General Conditions for contracts financed by EDF and the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

ARTICLE 7 – DIRECT LABOUR OPERATIONS

7.1 All programme-estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme-estimates in question.

7.2 In the case of direct labour operations, adequate provisions for the management and scrutiny of imprest accounts and for the definition of the responsibilities of the imprest administrator and the accounting officer shall be laid down. Moreover, where claims that the European Development Fund has on the Beneficiary via the public or semi-public bodies or departments of the State of the Beneficiary, the Commission shall take all the necessary measures to obtain actual repayment of the sums due, including, where appropriate, suspension by the Commission of that type of arrangement.

ARTICLE 8 - DEADLINE FOR THE SIGNATURE OF THE CONTRACTS AND PROGRAMME-ESTIMATES IMPLEMENTING THE FINANCING AGREEMENT

8.1 The contracts and programme-estimates implementing the financing agreement shall be signed by both parties within three years of the adoption of the financial commitment by the Commission, namely at the latest on the date referred to in Article 5 of the Special Conditions. That deadline may not be extended.

8.2 The above provision shall not apply to audit and evaluation contracts, which may be signed later.

8.3 On the date referred to in Article 5 of the Special Conditions, any balance for which contracts have not been signed will be cancelled.

8.4 A contract or programme-estimate which has not given rise to any payment within three years of its signature shall be automatically terminated and its funding cancelled.

ARTICLE 9 - ELIGIBILITY

9.1 Participation in invitations to tender for works, supply or service contracts shall be open on equal terms to all natural and legal persons of the Member States of

the Community and, in accordance with the specific provisions in the basic acts governing the cooperation sector concerned, to all natural and legal persons of the beneficiary third countries or of any other third country expressly mentioned in those acts.

9.2 Participation in calls for proposals shall be open on equal terms to all legal persons of the Member States of the Community and, in accordance with the specific provisions in the basic acts governing the cooperation sector concerned, to all natural and legal persons of the beneficiary third countries or of any other third country expressly mentioned in those instruments.

9.3 Exceptionally, in duly substantiated cases approved by the Commission, it may be decided, on the basis of the specific conditions laid down in the basic acts governing the cooperation sector concerned, to allow third-country nationals other than those referred to in paragraphs 1 and 2 to tender for contracts.

9.4 Goods and supplies financed by the Community and necessary for the performance of works, supply and service contracts and procurement procedures launched by the grant beneficiaries for the execution of the action financed must originate in countries eligible to participate on the terms laid down in the previous three paragraphs.

9.5 This nationality rule shall also apply to the experts proposed by service providers taking part in tender procedures or service contracts financed by the Community.

TITLE IV - RULES APPLICABLE TO THE PERFORMANCE OF CONTRACTS

ARTICLE 10 - ESTABLISHMENT AND RIGHT OF RESIDENCE

10.1 Where justified by the nature of the contract, natural and legal persons participating in invitations to tender for works, supply or service contracts shall enjoy a provisional right of establishment and residence in the Beneficiary's country. This right shall remain valid for one month after the contract is awarded.

10.2 Contractors (including the grant beneficiaries) and natural persons whose services are required for the performance of the contract and members of their family shall enjoy similar rights during the implementation of the project/programme.

ARTICLE 11 - TAX AND CUSTOMS PROVISIONS

11.1 Save where otherwise provided in the basic acts governing the cooperation sector concerned, taxes, duties or other charges (including value added tax - VAT - or equivalent taxes) shall be excluded from Community financing.

11.2 The State of the Beneficiary shall apply to procurement contracts and grants financed by the Community the most-favoured tax and customs arrangements applied to States or international development organisations with which it has relations. For the purpose of determining the most-favoured-State treatment, account shall not be

taken of arrangements applied by the Beneficiary concerned to the other ACP States or to other developing countries.

ARTICLE 12 - FOREIGN EXCHANGE ARRANGEMENTS

The State of the Beneficiary undertakes to authorise the import or purchase of the foreign currency necessary for the implementation of the project. It also undertakes to apply its national foreign exchange regulations in a non-discriminatory manner to the contractors allowed to participate referred to in Article 9 of these General Conditions.

ARTICLE 13 – USE OF DATA FROM STUDIES

Where the financing agreement involves the financing of a study, the contract related to this study, signed for the implementation of the financing agreement, shall govern the ownership of that study and the right for the Beneficiary and the Commission to use data in the study, to publish it or to disclose it to third parties.

ARTICLE 14 - ALLOCATIONS OF AMOUNTS RECOVERED UNDER CONTRACTS

Amounts recovered from payments effected or guarantees lodged under a contract financed under this financing agreement, together with any penalties arising from non-performance of a contract, shall be allocated to this project/programme.

ARTICLE 15 - FINANCIAL CLAIMS UNDER CONTRACTS

The Beneficiary undertakes to confer with the Commission before taking any decision concerning a request for compensation made by a contractor and considered by the Beneficiary to be justified in whole or in part. The financial consequences may be borne by the Community only where the Commission has given its prior approval. Such prior approval is also required for any use of funds committed under the present financing agreement to cover costs arising from disputes relating to contracts.

TITLE V - GENERAL AND FINAL PROVISIONS

ARTICLE 16 – VISIBILITY

16.1 Every project/programme financed by the Community shall be the subject of appropriate communication and information operations. These operations shall be defined under the responsibility of the Beneficiary with the approval of the Commission.

16.2 These communication and information operations must follow the rules laid down and published by the Commission for the visibility of external operations in force at the time of the operations.

ARTICLE 17 – PREVENTION OF IRREGULARITIES, FRAUD AND CORRUPTION

17.1 The Beneficiary undertakes to check regularly that the operations financed with the Community funds have been properly implemented. It shall take appropriate measures to prevent irregularities and fraud and, if necessary, bring prosecutions to recover funds wrongly paid.

17.2 "Irregularity" shall mean any infringement of the financing agreement, implementing contracts or work-estimates or Community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the European Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the European Communities, or by an unjustified item of expenditure.

"Fraud" shall mean any intentional act or omission concerning:

- the use or presentation of false, incorrect or incomplete, statements or documents which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by them, or on their behalf;
- non-disclosure of information in violation of a specific obligation, with the same effect;
- the misapplication of such funds for purposes other than those for which they are originally granted.

The Beneficiary shall immediately inform the Commission of any element brought to its attention which arouses suspicions of irregularities or fraud and of any measure taken to deal with them.

17.3 The Beneficiary undertakes to take every appropriate measure to remedy any practices of active or passive corruption whatsoever at any stage of the procedure for the award of contracts or grants or in the implementation of the related contracts. "Passive corruption" shall mean the deliberate action of an official, who, directly or through an intermediary, requests or receives advantages of any kind whatsoever, for himself or for a third party, or accepts a promise of such an advantage, to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties, which has, or would have, the effect of harming the financial interests of the European Communities. "Active corruption" shall mean the deliberate action of whosoever promises or gives, directly or through an intermediary, an advantage of any kind whatsoever to an official, for himself or for a third party, to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties, which has, or would have, the effect of harming the financial interests of the European Communities.

ARTICLE 18 - VERIFICATIONS AND CHECKS BY THE COMMISSION, THE EUROPEAN ANTI-FRAUD OFFICE (OLAF) AND THE COURT OF AUDITORS OF THE EUROPEAN COMMUNITIES

18.1 The Beneficiary agrees to the Commission, OLAF and the Court of Auditors of the European Communities conducting documentary and on-the-spot checks on the use made of Community funding under the financing agreement (including

procedures for the award of contracts and grants) and carrying out a full audit, if necessary, on the basis of supporting documents of accounts and accounting documents and any other documents relating to the financing of the project/programme, throughout the duration of the agreement and for seven years after the date of the last payment.

18.2 The Beneficiary also agrees that OLAF may carry out on-the-spot checks and verifications in accordance with the procedures laid down by Community law for the protection of the financial interests of the European Communities against fraud and other irregularities.

18.3 To that end, the Beneficiary undertakes to grant officials of the Commission, OLAF and the Court of Auditors of the European Communities and their authorised agents access to sites and premises at which operations financed under the financing agreement are carried out, including their computer systems, and to any documents and computerised data concerning the technical and financial management of those operations, and to take every appropriate measure to facilitate their work. Access by authorised agents of the European Commission, OLAF and the Court of Auditors of the European Communities shall be granted on conditions of strict confidentiality with regard to third parties, without prejudice to public law obligations to which they are subject. Documents must be accessible and filed in a manner permitting easy inspection, the Beneficiary being bound to inform the Commission, OLAF or the Court of Auditors of the European Communities of the exact location at which they are kept.

18.4 The checks and audits described above shall also apply to contractors and subcontractors who have received Community funding.

18.5 The Beneficiary shall be notified of on-the-spot missions by agents appointed by the Commission, OLAF or the Court of Auditors.

ARTICLE 19 – CONSULTATION BETWEEN THE COMMISSION AND THE BENEFICIARY

19.1 The Beneficiary and the Commission shall consult each other before taking any dispute relating to the implementation or interpretation of this financing agreement further, in accordance with the relevant provisions of the ACP-EEC Partnership Agreement.

19.2 Where the Commission becomes aware of problems in carrying out procedures relating to management of European Development Fund resources, it shall establish all necessary contacts with the Beneficiary to remedy the situation and, take any steps that are necessary, including, where the Beneficiary does not, or is unable to, perform the duties incumbent on it under the ACP-EEC Partnership Agreement, temporarily taking the Beneficiary's place.

19.3 The consultation may lead to the amendment, suspension or termination of the financing agreement.

ARTICLE 20 – AMENDMENT OF THE FINANCING AGREEMENT

20.1 Any amendment to the Special Conditions and Annex II to the financing agreement shall be made in writing and be the subject of an addendum.

20.2 If the request for an amendment comes from the Beneficiary, the latter shall submit that request to the Commission at least three months before the amendment is intended to enter into force, except in cases which are duly substantiated by the Beneficiary and accepted by the Commission.

20.3 For technical adjustments, which do not affect the objectives and results of the project/programme and alterations in matters of detail which do not affect the technical solution adopted, and within the limit of the contingencies funds, the Beneficiary shall inform the Commission of the amendment and its justification in writing as soon as possible and apply that amendment.

20.4 The specific cases of the extension of the operational implementation phase or of the closure phase are governed by Article 4 (5) and (6) of these General Conditions.

ARTICLE 21 – SUSPENSION OF THE FINANCING AGREEMENT

21.1 The financing agreement may be suspended in the following cases:

(a) The Commission may suspend the implementation of the financing agreement if the Beneficiary breaches an obligation under the financing agreement.

(b) The Commission may suspend the financing agreement if the Beneficiary breaches an obligation relating to respect for human rights, democratic principles and the rule of law and in serious cases of corruption.

(c) The financing agreement may be suspended in cases of force majeure, as defined below. "Force majeure" shall mean any unforeseeable and exceptional situation or event beyond the partie's control which prevents either of them from fulfilling any of their obligations, is not attributable to error or negligence on their part (or the part of their contractors, agents or employees) and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure. A party shall not be held in breach of its obligations if it is prevented from fulfilling them by force majeure. A party faced with force majeure shall inform the other party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage.

21.2 No prior notice shall be given of the suspension decision.

21.3 When the suspension is notified, the consequences on the ongoing contracts or work-estimates or contracts or work-estimates to be signed will be indicated.

ARTICLE 22 – TERMINATION OF THE FINANCING AGREEMENT

22.1. If the issues which led to the suspension of the financing agreement have not been resolved within a maximum period of four months, the Commission or the Beneficiary may terminate the financing agreement at two months' notice.

22.2. Where a financing agreement has not given rise to any payment within three years of its signature or no implementing contract or programme-estimates has been signed by the date referred to in Article 5 of the Special Conditions, that financing agreement will automatically be terminated.

22.3 When the termination is notified, the consequences on the ongoing contracts or work-estimates or contracts or work-estimates to be signed will be indicated.

ARTICLE 23 - DISPUTE-SETTLEMENT ARRANGEMENTS

23.1 Any dispute concerning the financing agreement which cannot be settled within a six-month period by the consultations between the Commission and the Beneficiary provided for in Article 19 of these General Conditions shall be submitted to the Council of Ministers. Between meetings of the Council of Ministers, such disputes shall be submitted to the Committee of Ambassadors. If the Council does not succeed in settling the dispute, either Party may request settlement of the dispute by arbitration.

23.2 In this case the parties shall designate an arbitrator within 30 days of the request for arbitration. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration (The Hague) to designate a second arbitrator. The two arbitrators shall in their turn designate a third arbitrator within 30 days. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration to designate the third arbitrator.

23.3 Unless the arbitrators decide otherwise, the procedure laid down in the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States shall apply. The arbitrators' decisions shall be taken by a majority within a period of three months.

23.4 Each party shall be bound to take the measures necessary for the application of the arbitrators' decision.

FINANCING AGREEMENT N° 9777/REG

ANNEX II

**TECHNICAL AND ADMINISTRATIVE PROVISIONS FOR
IMPLEMENTATION**

THE PACIFIC ACP COUNTRIES

Title : Facilitating Agricultural Commodity Trade (FACT)
Accounting N°: 9 ACP RPA 012
Identification N°: RPA/004/06

1.0 Summary

1.1 Main features of the sector

The overall objective is to promote trade in Pacific ACP states. For the past decade or more, commodity trade has been envisaged as the principal stimulus for rural economic development by all the major development agencies and donors in the Pacific. National policies, bilateral aid programmes and developmental strategies of international development agencies envisage trade underpinning economic development of PACPS. For the rural sector, representing 40-80% of PIC populations, increased commodity trade is the only option for substantial economic development although tourism and remittances are becoming important sources of revenue for some rural communities.

Despite the attention given to increasing trade, sustainable natural resources management and long term support of the rural sector by major regional donors and organizations, average annual agricultural growth rates over the last decade have generally been poor. The poor performance of the agricultural sector has a negative impact on rural poverty, contributes to the increasing deterioration of natural resources and threatens food security. There continues to be relatively few opportunities for rural women and youths and urban drift with its negative social consequences, is accelerating.

1.2 Problems to be resolved

Key stakeholders (including selected farmers, export agents, government and regional development agencies) highlighted four major problems faced by commercial farmers and resource owners that result in poor export performance in forestry and agricultural sectors by Pacific ACP (PACP) countries:

- lack of competitiveness of export products;
- Inadequate access to and understanding of production and marketing information.
- limited market access due to non-compliance with biosecurity specifications;
- poorly developed national trade infrastructure;

The most serious export problem is the lack of competitiveness of products on foreign markets. This problem concerns the entire supply chain: including all aspects of production, post harvest handling, downstream processing, packaging, marketing and presentation at points of sale.

The improvement in the competitiveness of exports by commercial farmers is constrained by a lack of regular access to information and training because national information, communication and extension (ICE) services are inadequate or non-existent. Services designed to inform and train farmers are currently under-resourced and tend to concentrate on production rather than post-harvest technologies and systems. Most commercial / semi commercial farmers also do not have access to financing to upgrade equipment and improve post harvest facilities needed to supply competitive export products.

Throughout PACPS, governance issues at different levels can discourage innovation and limit the potential of agricultural & forestry export enterprises to develop and thrive. In some PACPS the separation of the role of government and the private sector is often unclear, and lack of commitment to implementation of national objectives and outputs have been pointed out by some commentators. Good governance will be an important criterion in the selection of enterprises to participate in FACT.

Non-compliance with pest and disease (biosecurity) and food quality (codex) standards required to access exports markets are also very significant constraints to export growth. However, the legal and operational reforms to national biosecurity agencies necessary to regulate sanitary and phytosanitary (SPS) standards of exports is already being addressed in the region by Land Resources Division (LRD) in ongoing EDF9-PACREIP (Biosecurity) and PACER funded programmes.

National infrastructure limitations to trade (for example, improving freight and transport capacities, upgrading port storage, improving trade negotiation skills) now feature prominently in trade agenda of regional governments and are being addressed in private-public sector initiatives.

FACT will focus on increasing competitiveness of potential exports by addressing and, where necessary, upgrading substandard components of the supply chain of selected products.

2.0 Intervention

2.1 Overall Objective

The overall objective is to promote and increase trade in Pacific ACP countries. Revenue from increased trade is expected to contribute to the alleviation of rural poverty by providing improved opportunities for rural communities. The focus on trade complements the strategy adopted by EU PRIP-REI of facilitating regional economic integration by developing Pacific ACP states in human resources and expanding ACP economies through “increased volume and expanded range of exports from the Pacific islands”. The project will identify concrete activities along the supply chain that can assist producers in exporting their goods. The experience gained will assist SPC and member country governments in advising producers and ensuring that the project delivers long term benefits.

2.2 Project Purpose

To sustainably increase quality and range of exports of agriculture and forestry (AGFOR) products in and out of the Pacific region.

2.3 Results

- Result 1. Expand range of traded agricultural products
- Result 2. Improved and sustained quality of traded agricultural products
- Result 3. Achieved consistency of supply of traded agricultural products

2.4. Activities

i) Survey Pacific ACP countries and select up to 15 existing and/or new enterprises and AGFOR export products based on availability of suitable commercial farmers and resource owners, capacity of national AGFOR S&T, availability of export infrastructure, good governance, policies and laws that support and can facilitate sustainable production, downstream processing, market access and exports.

ii) Develop commercially based selection criteria to narrow down the number of enterprises and use these to select the fifteen enterprises. A technical group of 5 (FACT technical group - TG) including experienced private sector persons, to be selected by the LRD Director, will be invited to develop the criteria and advise the LRD Director on the enterprises to be selected.

- iii) Commission independent, rigorous and detailed economic and systems analysis of production, export and marketing requirements and design of 15 selected enterprises with specific supply systems for selected AGFOR export enterprises from optimum locations.
- iv) With the assistance of the FACT TG, evaluate and refine and/or endorse the analysis and designs of fifteen enterprises recommended for FACT support
- v) Facilitate the establishment, operation and ongoing improvements of commercially viable, sustainable and market oriented production programmes in optimum locations for the selected exports based on previously designed enterprise supply chains.
- vi) Evaluate new species, varieties, breeds and products with a view to increasing the quantity, diversity and competitiveness of exports or increasing the range of exports.
- vii) Facilitate reform of production and marketing policy and laws.
- viii) Facilitate development of post harvest quality assurance, processing and packaging and operator skills to increase SPS compliance, market access, shelf-life and reduce bulk, increase durability and add value to increase the competitiveness of export products.
- ix) In collaboration with government agencies, PITIC (PIFS) and trade agents, facilitate export and support promotions of Pacific products.
- x) Provide ICT and training support for quality standards, post harvest processing, packaging, marketing, market access and compliance with SPS and Codex standards
- xi) Up scale and disseminate information on the project activities and results especially to farmers in order to enlarge the project impact during and after the project implementation.

2.5. Indicators

As detailed in the logical framework available at Annex 1. Important project indicators are trade revenue and increased economic returns on traded products, export revenue from internationally competitive AGFOR products supported by FACT increase, and data obtained from surveys of the 14 PACPS.

2.6 Project Analysis

2.6.1 Lessons learnt from previous interventions

For the past decade or more, commodity trade has been envisaged as the principal stimulus for rural economic development. The Pacific Plan, national policies, bilateral aid programmes and developmental strategies of international development agencies envisage trade underpinning economic development of PACPs. The rural sector represents 40-80% of PIC populations for which increased commodity trade is the only option for substantial economic development.

The poor performance of the agricultural sector and agricultural exports in the Pacific do not auger well for the envisaged regional economic benefits from the Pacific Islands Countries Trade Agreement (PICTA) and the Pacific Agreement for Closer Economic Cooperation (PACER) or for development goals in the Pacific Plan and in the Small Islands Development Strategy (SIDS) (Mauritius plan of Action) or for the achievement of the Millennium goals in the Pacific by 2015.

Under the circumstances it seems appropriate to place more emphasis on programmes that will increase exports in the short term. By targeting the established commercial agricultural sector, FACT will increase exports, particularly in value added industries, in the short term, and also provide a possible indirect stimulus to development of the rural subsistence component.

The rural commercial component consists of export and domestic trade-based enterprises in floriculture, fresh and processed food and forestry. Export oriented commercial producers are the main target group of FACT. The aim of FACT is to transform selected commercial ventures into export oriented, demand-driven enterprises that consistently supply overseas markets with competitive products.

2.6.2 Linkage with other operations

European Union (EU) development assistance in agriculture and trade has been priority areas of the Pacific region from previous EDFs. Under the 8th and 9th EDF the Plant Protection Project (PPP), Development of Sustainable Agriculture Project (DSAP) and the Pacific Regional Economic Integration Project (PACREIP) implement complimentary actions in the form of quarantine measures, developing sustainable agricultural practices and trade. The Biosecurity and Trade team at SPC assist member countries and producers in developing export commodity pathways and systems, train national government officials in preparing market access requests and assist countries in meeting quarantine requirements. These activities are funded by AusAID/NZAID as part of the PACER trade facilitation support.

The FACT project will also benefit from other complimentary activities within SPC that include forestry projects funded by GTZ and AusAID Forestry, ACIAR/NZAID/AusAID support for plant genetic resources conservation and use, ACIAR funding of plant protection and animal health and substantial SPC programme support for LRD.

SPC will also work closely with the Centre for Enterprise Development, the EU-ACP institution responsible for private sector development. CDE has an in-depth knowledge and experience of the concerned sector/sub sectors as well as of the main stakeholders of the Region. Other organization such as Women in Business and national and regional development banks will also be approached to ensure that project activities are complementary to work that has already been undertaken and that SPC benefit from existing expertise.

2.6.3 Results of Economic and Cross-sectoral Appraisals.

As part of the FAO's Regional Program for Food Security¹ in the Pacific Islands several commodity chain studies were conducted and identified key factors that currently constrain producers from increasing their efficiency along the supply chain and producing goods that are suitable for export markets.

These factors include;

1. Advice relating to post-production activities is missing;
2. Need for better organization of the producer base;
3. The need for business and management advice for producers;
4. Deficient or absent marketing services and systems;

¹ FAO Regional Program for Food Security in the Pacific Islands
Fiji: Commodity chain study, *J Young and G Vinning*
Commodity chain study in Vanuatu, *A, Serpagli and D Caccamisi*
Commodity chain study in Kiribati, *K Katro*

5. Technical support to operators along the whole supply chain is lacking.

Pacific 2020² also identified a number of crucial factors for improving agricultural productivity. This includes improving farmer access to technology and information and facilitating market access.

The FACT project will address these issues by conducting economic and financial analysis of selected enterprises and demonstrate that efficiency can be improved by identifying and addressing weaknesses along the whole supply chain.

3.0 Project Implementation

3.1. Physical and non-physical means

The project will recruit the services of technical assistance for production and commercial issues. Short term technical assistance will be requested as necessary for specific studies. In addition to the trade facilitation assistants to be recruited in the countries concerned, administration support will be provided by the relevant sections of SPC. Other staff in SPC could provide complementary technical support.

3.2. Organizational and implementation procedures

The Contracting Authority will be the Pacific Islands Forum Secretariat as Regional Authorizing Officer (RAO). The project will be managed under decentralised management. The Financing Agreement will be signed between the Contracting Authority and the European Commission.

Implementation will be through a Contribution Agreement between the contracting authority (the RAO) and SPC. The Agreement will be endorsed by the European Commission. An institutional assessment of SPC's conformance with internationally accepted standards in accounting, audit, control and procurement procedures has been found positive.

A Project Steering Committee meeting comprising of representatives of participating countries, CDE, SPC and RAO will meet annually to deal with the overall management issues, annual work plans, administrative and financial reporting obligations. The EC Delegation will attend as observer all PSC meetings.

SPC is the implementing agency and the Director of LRD will manage the project with technical support of the LRD Coordinators.

An implementation schedule with responsible persons is attached. SPC will collaborate with the Pacific Islands Trade and Investment Commission (PITIC), an agency of Pacific Islands Forum Secretariat (PIFS), on the export and marketing components of the project. Full cooperation by PACPs can be expected as the project has been approved by the member countries.

Future projects will build on the foundations laid by FACT to upscale and expand the activities to other enterprises and countries and to share lessons learnt with national government institutions and other regional donors. SPC will organise workshops and seminars to ensure that the results of the project are widely disseminated at a regional and national level.

3.3 Appropriate technology

Any technologies utilized as part of the project will be identified during the initial assessment of needs with the involvement of key stakeholders. This will ensure that they are appropriate for the

² Pacific 2020, Challenges and Opportunities for Growth, *AusAid*

particular characteristics of the country and producers. They will also be tested and installed during the early implementation stages and their performance will be monitored.

3.4 Budget and calendar

The project EU budget totals €4.0 million estimated over five year period covering technical assistance equipment, operations and administration. A general implementation schedule is set out in Annex 2.

	Budget Line	EURO
1	Contribution Agreement	3,905,000
2	Evaluation	70,000
3	Audit	25,000
4	Total	4,000,000

Other contributions include:

- €150,000 from SPC mainly for institutional support that includes corporate and technical services.
- In-country supporting services provided by national governments
- Complementary activities supported by private sector from their own resources.

The Financing Agreement shall be concluded by 31 December of the year following the year in which the global financial commitment related to the 9th EDF was adopted. Failing this, the corresponding appropriations shall be cancelled.

The period of execution of the financing agreement shall commence on the entry into force of the financing agreement and end at 31 December 2014. This period of execution shall comprise two phases : an operational implementation phase, which shall commence on the entry into force of the financing agreement and end at 31 December 2012. As from this date shall commence the closure phase, which shall end at the end of the period of execution.

Any balance of funds remaining available under the EC grant shall be automatically cancelled 6 months after the end of the period of execution of the Financing Agreement.

The contracts and programme estimates must be signed by both parties no later than three years from the date of the corresponding global financial commitment. This deadline cannot be extended. The above provision does not apply to contracts relating to audit and evaluation, which may be signed later.

3.5 Procurement and award of grants procedures

All contracts required to execute the project will be managed in accordance with the procedures of SPC which have been recognised in the Institutional Assessment as satisfying International standards

3.6 Special Conditions

Beneficiary countries and private sector undertake to make available to the project the necessary counterparts, office spaces, transportation and common services staff. SPC commits in providing the required technical advice leadership and continuous support, beyond the project life to sustain the project outputs successfully. As this is a pilot project, SPC will also work towards ensuring a linkage and scaling up of this project in the context of EDF10.

4.0 Monitoring, evaluation, audit

Audit and evaluation will be organised in application of the relevant rules and regulations of SPC. In conformity with its financial regulations, the EC may undertake, including on the spot, checks related to the actions financed by the EC.

A provision for audit and evaluation is included in the budget. Audit, evaluation and framework contracts are always concluded by the Commission acting for and on behalf of the beneficiary countries.

A mid-term review and a final project evaluation will be carried out by an independent team of experts. Provision is also made for a general audit if needed. The project will be audited by independent auditors. The project will produce six monthly reports including a financial report.

FACT indicators and milestones will be linked to personal objectives of FACT staff for their ongoing performance assessments and to comply with results-based management policy of SPC.

Participation of external annual monitoring missions is also envisaged to be part of the monitoring process of this project.

This annex contains information regarding external elements likely to be significant for a successful outcome of the project as well as regarding factors which may assure the viability of the project. It is provided for information only and does not form part of the financing agreement.

A. Assumptions

One of the important beneficiaries of the project is the private sector (enterprises and producers). It is assumed that the private sector will respond to assist the project in improving policy and also share the rewards with other farmers. The project promotes the multiplier effect and this will only work if the benefits are disseminated to other key stakeholders. The risk involved in improving trade is that if more profit is realised business enterprises may withhold information to safeguard their own market position.

A key criterion for selection is that the enterprise already has a sound business model and that the existing business environment is good. Over the longer term SPC will continue to work with stakeholders to promote business-friendly economic policy development.

The involvement of SPC and member country governments will assist in the dissemination of information and the results of the project. SPC are committed to ensuring that the project delivers long term benefits from scaling up the activities of this pilot project.

B. Sustainability

1. Ownership by beneficiaries

The project will work directly with producers and enterprises and their needs and views will be taken into account in the design of any interventions carried out as part of the project. As the owners of the enterprises they will also own the benefits of improvements made to their efficiency.

2. Cross-sectoral suitability

SPC will work in scaling-up the benefits of this pilot project by disseminating the results to other producers. The organization's close working relationship with country governments and farmers will ensure that benefits are delivered to the wider community. All SPC activities are conducted in accordance with CROP gender policy and promote the involvement of women in agricultural activities. Strong emphasis is also placed on the sustainable management of natural resources in all SPC activities.

3. National Policy measures

The overall Pacific regional development framework consistent with PICs development policies is the Pacific Plan. One of the strategic objectives of the Pacific Plan is to increase sustainable trade and investment through improving competitiveness, addressing standards and expanding markets for trade. In response to this Plan, LRD focuses on all the highest sustainable development priorities for the agriculture, forestry and natural resource sectors in the Pacific region. These include the facilitation of commodity pathways for food and trade, increasing food security and improving natural resources and environmental management, and strengthening quarantine and bio-security related trade services. These are also priorities in the LRD Strategic Plan (2005-2008), which was fully endorsed as regional priorities at ministerial levels and the HOAFS.

4. Institutional and management capacity

SPC has a long history in implementing EDF projects and has the regional mandate in the agriculture sector. As the implementing agency it will provide institutional support to the project to mitigate against potential risks. Sustainability will be enhanced by FACT being a component of the ongoing LRD programme endorsed by member states (CRGA). SPC is financially sustained by members and supported by donors. SPC is recognised for its cost effective, efficient, accountable, transparent executive and management and its low overheads. It provides projects with basic ICT, maintenance, financial and administration services specifically structured to support the implementation of donor funded development projects to its 22 Pacific island members.

5. Complementarity and sectoral co-ordination between donors

Section 2.6 details linkages and complementarity with other SPC activities funded by the EC and other donors. SPC as part of their daily operations works closely with member countries and other CROP agencies involved in delivering services to producers and exporters.

6. Economic and financial sustainability

The economic viability and sustainability of the project is significantly increased by focusing the interventions on the commercial farming sector and on products, farmers and countries with proven production and export record or high export potential. The economic and financial analysis of the selected enterprises as a key element of the project will be assessed during the first year of the project for using as milestones for the monitoring. It should ensure that the interventions achieve healthy economic returns.

Acronyms and abbreviations

ACP	African, Caribbean and Pacific Countries
ADB	Asian Development Bank
ACIAR	Australian Centre for International Agricultural Research
AGFOR	Agriculture and Forestry
BAT	Biosecurity and Trade Facilitation team of LRD
CBO	Community Based Organisations
CODEX	<i>Codex Alimentarius</i> (International Food standards)
CRGA	Committee of regional governments and administrations
CROP	Council of Regional Organisations of the Pacific
CTA	Technical centre for agricultural and rural cooperation ACP-EU
DSAP	Development of Sustainable Agriculture in the Pacific
EDF	European development fund
EC	European Commission
EU	European Union
FACT	Facilitating agricultural commodity trade
FAO	Food and Agriculture Organisation
FEPC	FACT enterprise planning committee
HOAFS	Heads of agriculture and forestry services
ICE	Information, Communication and Extension team of LRD
ICT	Information and communication technology
LRD	Land Resources Division of SPC
MORDI	Mainstreaming of Rural Development Innovations
P&S	Partnering and Sharing
PACER	Pacific agreement for closer economic cooperation
PACPS	Pacific countries of the ACP
PACREIP	Pacific regional economic integration programme PGR Plant genetic resources
PICS	Pacific Island Countries
PIFS	Pacific islands forum secretariat
PIPSO	Pacific Island Private Sector Organization
PITIC	Pacific islands trade and investment commission (PIFS)
PPP	Plant Protection in the Pacific project (EU funded)
PRIP	Pacific Regional Indicative programme
PSC	Project Steering Committee

OVI	Objectively Verifiable Indicators
QA	Quality assurance
RAO	Regional authoring officer
REI	Regional Economic Integration
RIP	Regional Indicative programme
RPFS	FAO Regional Programme of food Security
S&T	Science and technology
SIDS	Small Islands Development Strategy
SPC	Secretariat of the Pacific Community
SPS	Sanitary and phytosanitary standards
TG	Technical Groups
USP	University of the South Pacific

Annex 1: Facilitating agricultural commodity trade FACT - Logical Framework Matrix

Description	Indicators	Means of verification	Assumptions
<p>Overall objective Promote trade in Pacific ACP Countries.</p>	<p>Improved trade revenue and increased economic returns on traded products.</p>	<ul style="list-style-type: none"> - Trade statistics - Business reports. 	<p>Favourable economic climate for trade.</p>
<p>Purpose Sustainably increase quality and range of exports of agriculture and forestry (agfor) products.</p>	<p>Export revenue from internationally competitive AGFOR products supported by FACT increase by at least 20% in five years.</p>	<ul style="list-style-type: none"> - National trade statistics, - Quarantine export data, - PIFS trade commissioner surveys 	<ul style="list-style-type: none"> - Appropriate LRD and national S&T and ICT production and trade services continue - Reforms of trade policy, land use and infrastructure progressing - National bio-security related procedures and laws in place
<p>Results 1 Expand range of traded agricultural products</p>	<p>14 PACPS surveyed with reasons documented for choice of at least 15 potential exports (within 3 months). Five exports selected within six months after full analysis of 20 potential exports. Two sustainable export systems designed by end of yr 1, five by yr 2 end</p>	<ul style="list-style-type: none"> - Published report of independent survey team commissioned by LRD - Separate reports of detailed economic & systems analysis and designs of at least 10 AGFOR export supply chains with identified location and intervention points 	<ul style="list-style-type: none"> - PACPS governments regional and national and private agencies fully cooperative in surveys and systems analysis of selected supply chains
<p>2 Improved and sustained quality of traded agricultural products</p>	<p>At least 2 export systems operating by yr 2 end. At least 5 export systems being developed and staff trained by yr 3 end.</p>	<ul style="list-style-type: none"> - Reports of independent monitors - Up to date production guidelines for farmers in appropriate vernacular - Records of farmer field schools and training programmes - Annual reports by ministries in participating countries 	<ul style="list-style-type: none"> - Appropriate level of LRD and national technical capacity, cooperation and infrastructure maintained for the duration of FACT interventions
<p>3 Achieved consistency of supply of traded agricultural products</p>	<p>Revenue from sales of FACT facilitated exports increasing annually by at least 5% from end of year 2 in competitive overseas markets.</p>	<ul style="list-style-type: none"> - PITIC market survey statistics - National quarantine export data - National trade statistics - Published Quality & SPS Guides 	<ul style="list-style-type: none"> - Export agency roles identified in systems analysis continue for duration of FACT - Required level of export market access technical capacity provided by participating PACPS maintained - Quality and SPS standards maintained

<p>Activities: 1.1 Survey Pacific ACP countries and select at least 15 existing and/or new enterprises and AGFOR export products.</p>	<p>Total Cost Estimate A. Contribution Agreement € 3,905,000</p>	<p>Availability of technical experts to undertake studies.</p>
<p>1.2 Develop commercially based selection criteria to enlist participating enterprises and products.</p>	<p>B. Evaluation € 70,000 C. Audit € 25,000</p>	<p>Private sector will work with the project to yield positive results.</p>
<p>2.1 Commission independent, economic and systems analysis of production, export and marketing requirements and design of 15 selected enterprises with specific supply systems for selected AGFOR export enterprises.</p>	<p>TOTAL €4,000,000</p>	<p>National stakeholders efficiently mobilised. Market available for products identified.</p>
<p>2.2 Facilitate the establishment, operation and ongoing improvements of commercially viable, sustainable and market oriented production programmes for the selected exports.</p>		
<p>2.3 Evaluate new species, varieties, breeds and products with a view to increasing the range of exports.</p>		
<p>2.4 Facilitate reform of production and marketing Policy and laws.</p>		
<p>2.5 Facilitate development of post harvest quality Assurance, processing and packaging and operator skills to increase SPS compliance, market access, shelf-life and reduce bulk, increase durability and add value to increase the competitiveness of export products.</p>		

2.6 In collaboration with government agencies, PITIC (PIFS) and trade agents, facilitate export and support promotions of Pacific products.		
2.7 Provide ICT and training support for quality standards, post harvest processing, packaging, marketing, market access and compliance with SPS and Codex standards		
3.1 Organise regional, national and local level workshops, meetings and seminars to disseminate lessons learnt		