

Agreement N°9780/REG

FINANCING AGREEMENT
between
THE EUROPEAN COMMISSION
and
8 PACIFIC ACP COUNTRIES (*)

Disaster Risk Reduction in Eight Pacific ACP States
(RPA/002/06rev)
EDF IX

(*) Federated States of Micronesia (FSM), Marshall Islands (RMI), Nauru, Palau, Papua New Guinea, Solomon Islands, Tonga, Tuvalu

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

Federated States of Micronesia (FSM), Marshall Islands (RMI), Nauru, Palau, Papua New Guinea, Solomon Islands, Tonga, Tuvalu, represented by the Secretary of Pacific Islands Forum Secretariat in his capacity as 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 programme:

Title : Disaster Risk Reduction in Eight Pacific ACP States

Accounting N°: 9 ACP FM 4
9 ACP MH 5
9 ACP NR 3
9 ACP PW 4
9 ACP TG 6
9 ACP TV 4
9 ACP SOL 9
9 ACP PNG 13

Identification N°: RPA/002/06rev

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

1.2 This programme 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 programme is estimated at 9 260 000 Euro.

2.2 The Community undertakes to finance a maximum of 9 260 000 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 zero euro to the programme.

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 2013. 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 2011. 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 30 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 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 programme 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,
Secretary General of the Pacific Islands Forum
Pacific Islands Forum Secretariat
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 PROGRAMME

For the purpose of Article 3 of the General Conditions the authority responsible for carrying out the programme 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.

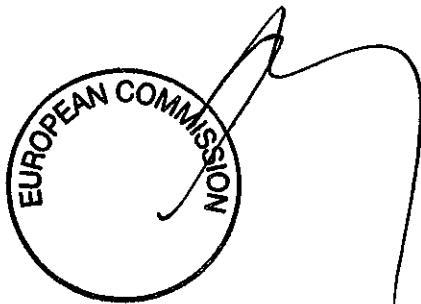
Done at Brussels

FOR THE COMMISSION




Gary QUINCE,
Authorising Officer of the EDF
by subdelegation

Date 1st October 2007



Done at

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, 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 latter 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-BEC 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 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 party'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.

FINANCING AGREEMENT N° 9780/REG

A N N E X II

**TECHNICAL AND ADMINISTRATIVE PROVISIONS FOR
IMPLEMENTATION**

Title : Disaster Risk Reduction in Eight Pacific ACP States

Accounting N°: 9 ACP FM 4
9 ACP MH 5
9 ACP NR 3
9 ACP PW 4
9 ACP TG 6
9 ACP TV 4
9 ACP SOL 9
9 ACP PNG 13

Identification N°: RPA/002/06rev

1. Background

1.1 Main features of the sector

The geographic and geological setting of the Pacific ACP States makes them vulnerable to a wide range of natural hazards including earthquakes, volcanic eruptions, and tsunamis, and especially those related to climate change, climate variability and extreme weather events. Those hazards which are hydro-meteorological include: tropical cyclones with associated storm surges, flooding and landslides (Niue, Solomon Islands, Cook Islands, Fiji, Vanuatu); landslides (Federated States of Micronesia, Papua New Guinea and Fiji); drought (Papua New Guinea, Solomon Islands, Fiji, Kiribati and Tuvalu, Marshall Islands, Nauru and Tonga). Sea level rise impacts particularly on loss of land, rising water tables, and damage to reefs (Kiribati, Tuvalu, Marshall Islands and Papua New Guinea). Shown in brackets are examples of countries with recent recorded events. Given the relatively small size of many of the atoll states, even small changes may have dramatic consequences to the economy and livelihoods. Increasing populations, together with urban drift into communities that, to a large extent, live on the coastal fringes are contributing to increasing vulnerability.

Official estimates of disaster impacts do not give the whole story of how disasters affect people in the Pacific. The real total impact of natural disasters, including long-term impacts on the social conditions, livelihoods, economic performance and environmental assets of Pacific SIDS, is likely to be much larger. In addition, due to the small populations, economies and land areas of many Pacific SIDS, disaster-related damages that are not large relative to the damages elsewhere in the world can have large impacts relative to the country's total GDP and population. The recent impact of Tropical Cyclone Heta on Niue in January 2004 is a dramatic example of severe destruction of infrastructure and vegetation of an entire single island country and its small economy.

The impact of weather and climate related hazards such as floods and droughts have severe consequences on the accessibility to and availability of safe drinking water. The Dialogue on Water and Climate through the Regional Action Plan on Sustainable Water Management, addressed these specific hazards through specific strategic approaches to: strengthen the capacity of small island countries to conduct water resources assessment and monitoring as a key component of sustainable water resources management; (ii) develop capacity to enhance the application of climate information to cope with climate variability and change; and (iii) change the paradigm for dealing with island vulnerability from disaster response to hazard assessment and risk management, particularly in integrated water resource management.

It is crucial to (i) implement adaptation measures to improve access to safe drinking water; and (ii) improve emergency communications and emergency operations centres to warn about and cope with impending disasters especially those which are climate- or weather-related.

The integration of disaster risk management efforts into the overall development process is recognized as essential to reducing vulnerability. Comprehensive Hazard and Risk Management (CHARM) guidelines for Pacific SIDS, and modeled on the joint Australia-New Zealand risk management standard are now available. A 2006 policy note publication by the World Bank (Not If But When: Adapting to Natural Hazards in the Region) provides a useful summary in the context of both adaptation needs to climate change and the urgent need to integrate disaster risk reduction into the overall national planning processes.

1.2 Problems to be resolved

The sections above describe the overall context in regard to disaster risk reduction efforts in Pacific ACP States. Many specific problem areas exist with respect to possible interventions to contribute to reducing the risk of Pacific island communities to disasters. After consultations with the

participating Pacific ACP States, the Project will target two specific problem areas, with each State undertaking activities in one or two of these areas.

- **Access to Safe Drinking Water**

The Regional Action Plan on Sustainable Water Management calls for implementation of strategies to use appropriate methods and technologies to improve water supply and sanitation systems for rural and peri-urban communities. The Regional Action Plan specifically identifies the vulnerability of water resources and water supply systems to climatic hazards, and proposes approaches to mitigate these risks including: water resources monitoring, climate forecasting, and the application of comprehensive hazard and risk management to the water sector.

Climate and water resources conditions vary considerably between, and even within, islands depending on location, size, geology, topography, and other factors. Low-lying atoll islands and karst islands are therefore particularly vulnerable to climatic variability due to a lack of natural groundwater storage. Drinking water supply for local communities - is the most important water use especially on atoll and karst islands, although some high volcanic islands have sufficient water resources for other uses (e.g. industry, mining, irrigation, and hydropower).

Approaches to provision of water supply vary according to availability and sustainability of water resources. Human factors such as population density, land use, and measures used for sanitation, wastewater, and solid waste disposal have a large impact on the availability of water, the microbiological, and chemical quality of water supplies and downstream impacts on the near-shore and marine environment. Operational and maintenance factors, and social and environmental acceptability, are particularly important in the selection of appropriate solutions for water supply and sanitation. Raw water quality is most important for rural populations as, in most cases, water treatment is not affordable.

- **Emergency Communications and Emergency Operations Centres**

The Regional Framework for Action 2005-2015 Building the Resilience of Nations and Communities to Disasters, calls for planning for effective preparedness, response and recovery with key national actions to establish functional emergency communications systems and emergency operations centres (EOC), a physical location where communities come together during an emergency to coordinate response and recovery actions and resources and optimise communication and coordination. Furthermore the Framework calls for the establishment of effective, integrated and people-focused early warning systems that are able to communicate information that is understood over vast ocean distances both within and between countries and to generally isolated populations.

A recent global survey of early warning systems by the ISDR reports that considerable progress has been made in developing the knowledge and technical tools required to assess risks and to generate and communicate forecasts and warnings, particularly as a result of growing scientific understanding and the increased use of modern information and communication technologies. However early warning systems especially in developing countries lack basic equipment, skills and financial resources and are for certain hazards even non-existent. A major challenge is to integrate the knowledge and insight of relevant social and economic communities into the predominantly technically based existing systems. One of the survey's key findings is that the weakest elements in early warning systems are the dissemination of warnings and the preparedness to respond.

Both of these two specific problem areas require actions targeting public awareness, training and education in order to contribute to ensuring sustainability.

2. Objectives and expected results

2.1 Overall Objective

The overall objective (goal) of the Project is to contribute to disaster risk reduction, by reducing vulnerability, and building resilience in the Federated States of Micronesia, Marshall Islands, Nauru, Palau, Papua New Guinea, Solomon Islands, Tonga and Tuvalu. At the same time the Project will contribute to poverty reduction and improved sustainable development in targeted communities.

2.2 Project Purpose

The purpose of the Project is to develop and strengthen selected communities in either access to safe drinking water, or emergency operations/communications. The choice of sectors has been selected based on extensive consultation with National authorities and is based on country priorities as described in National Disaster Plans.

	Drinking Water	Emergency Comms/Ops
FSM		Yes
Marshall Islands	Yes	
Nauru	Yes	
Palau		Yes
Papua New Guinea		Yes
Solomon Islands		Yes
Tonga	Yes	
Tuvalu	Yes	

2.3 Results

As a result of the Project in selected communities:

- Access to safe drinking water will be improved through the implementation of increased groundwater exploitation and protection, communal and household water collection and storage, and improved water treatment and distribution; and
- Rural/outer island emergency operations improved through establishing or strengthening of emergency centres and/or communications systems that are sustainable by the local communities.

3. Factors ensuring feasibility and sustainability

3.1 Lessons learnt from previous projects/evaluations

This Project has been designed by SOPAC in close consultation with participating Pacific ACP States and bearing in mind lessons learnt through implementation of earlier projects and interventions including the ongoing project “Reducing Vulnerability of Pacific ACP States”. Clear amongst these lessons is the need for strong, centralised project management from commencement and the early identification and approval of key tasks and interventions to be undertaken in-country. Strong focus is required if project deadlines are to be met.

The Project will benefit from its Management Unit being at the SOPAC Secretariat as this will allow SOPAC technical professional staff to input the corporate knowledge of lessons learnt as well as a strong knowledge of national needs in the disaster risk reduction and disaster management area. In the Pacific, the supply and installation of goods to small remote destinations is not an easy task,

however, the project recognises these constraints and based on lessons learnt from other similar projects will employ proven strategies.

3.2 Environment, gender mainstreaming and other aspects

None of the Project outcomes will contribute to environmental degradation, on the contrary they are likely to improve the overall environmental conditions. There may be some minimal small scale, disturbance of local environments during the implementation of Project activities.

It is generally recognised that isolation of communities, distance from the main centres, especially location on remote outer islands contributes significantly to vulnerability. The vulnerabilities in peri-urban areas due to population increase resulting from urban drift are also increasing.

The gender aspect of the Project is key, as women are essential participants in daily activities related to supply and care of drinking water, and response and recovery at times of disasters. The provision of the benefits of this Project will particularly benefit women for food preparation, family hygiene and small scale business economic activities. Schools and clinics, especially in the outer islands will be among the beneficiaries of improved water supplies. Recipient countries will be encouraged to take further initiatives to allow a particular focus on gender in this Project, such as training women in water quality measurements/monitoring, as well as maintenance fund management.

3.3 Co-ordination with other donors

In addition to the EU, many donors, support the region and coordinate between themselves and the recipient countries both bilaterally, and through annual meetings such as the PIC Partners.

The Pacific ACP States are signatories to many of the multilateral environmental agreements that have emerged in the past two decades especially since the World Summit on Environment and Development in 1992. SOPAC, an intergovernmental regional organisation, within its technical expertise and in partnership with other donors will assist its island members to fulfil their obligations including reporting commitments. Examples of such are the Pacific Partnership Initiative on Sustainable Water Resources Management, and the recently formed Pacific Disaster Risk Management Partnership Network, both involve many regional intergovernmental organisations and nongovernmental organisations, donor and funding agencies.

The infrastructure focus of the Envelope B project will be supported by capacity building, governance strengthening and awareness raising programmes concurrent with the Envelope-B interventions.

4. Implementation

4.1 Activities

The main activities of the Project will be the following:

- The establishment of detailed country implementation plans and related annual work plans. This entails the determination of detailed Project Estimates by the PMU in cooperation with the relevant agencies in the eight participating ACP States and will include consultations between all beneficiaries, utilities and other governmental bodies regarding activities especially on outer islands and remote communities.
- The finalisation of necessary design studies, preparation of tender documents, purchase procedures, and installation of equipment.
- Provide support for relevant institutional and community strengthening and training in the management and operation of installed equipment.
- Support for public awareness campaigns, and education.

- Assist national authorities develop strategies to ensure operation, maintenance and sustainability of the equipment installed with EDF funding.

The Project design strongly recommends a flexible approach. Therefore, not all activities are fixed in detail at this stage; instead, they will be elaborated and developed: (i) by consultations with participating States as part of the first half of 2007 activities of the EU-SOPAC Reducing Vulnerability Project; and (ii) it is expected these activities will be finalised as country implementation plans during the inception phase of the Project (nominally the first six months). Priority will be given to address the needs of the poorest parts of the population, however, it is anticipated representatives of all stakeholders especially those representing the most vulnerable will play a role when deciding on detailed activities.

4.2 Cost estimate and financing plan (Euros)

The total cost of the project is € 9.26 million. The project will be financed from balances remaining in the 9th EDF 'B' envelopes of participating countries.

		TOTAL	FSM	MI	NA	PA	PNG	SI	TG	TV
1	Project Management Unit (10%)	926,000	140,000	110,000	50,000	60,000	330,000	55,000	111,000	70,000
2	Works, supplies, services training & awareness	7,868,000	1,190,000	935,000	425,000	510,000	2,802,000	467,500	943,500	595,000
3	Project Travel and Visibility (2%)	186,400	28,000	22,000	10,000	12,000	67,200	11,000	22,200	14,000
4	Evaluations (0.5%)	46,600	7,000	5,500	2,500	3,000	16,800	2,750	5,550	3,500
5	Audits (0.5%)	46,600	7,000	5,500	2,500	3,000	16,800	2,750	5,550	3,500
6	Contingencies (2%)	186,400	28,000	22,000	10,000	12,000	67,200	11,000	22,200	14,000
	TOTAL	9,260,000	1,400,000	1,100,000	500,000	600,000	3,300,000	550,000	1,110,000	700,000
	% per State	100.0	15.0	11.8	5.4	6.4	36.1	5.9	11.9	7.5

4.3 Implementation procedures and timetable

The total cost of the project is € 9.26 million. The project will be financed from balances remaining in the 9th EDF 'B' envelopes of participating countries.

For the purposes of Article 4 of the Special Conditions of the Financing Agreement, the date of the end of the operational implementation phase shall be 31 December 2011 and the date of the end of the period of execution of the Financing Agreement shall be 31 December 2013. Any balance of funds remaining under the EC grant shall be automatically cancelled 6 months after the end of the period of execution of the Financing Agreement. For the purposes of Article 5 of the Special Conditions of the Financing Agreement, contracts and programme estimates must be signed by both parties no later than three years from the date of the corresponding global financial commitment. The deadline cannot be extended. The above provision does not apply to contracts relating to audit and evaluation, which may be signed later.

The Financing Agreement shall be signed by 31 December of the year following the year in which the global financial commitment was adopted. Failing this, the corresponding appropriations shall be cancelled.

The Project will commence with a six-month inception period during which time Country Implementation Plans and cost estimates will be further defined.

An indicative timetable is presented in Annex 2.

The Secretary General of the Forum Secretariat (the Regional Authorising Officer of the European Development Fund), has been mandated the 'contracting authority' by the eight country National Authorising Officers (NAOs).

The project will be implemented by the following methods:

An Institutional Assessment of SOPAC's conformance with internationally accepted standards in accounting, audit, control and procurement procedures has been carried out and been found positive.

Contribution Agreement:

The Financing Agreement will be signed between the 'contracting authority' (the RAO) and the European Commission. Implementation will be through a Contribution Agreement between the contracting authority (the RAO) and SOPAC. The Agreement will be endorsed by the European Commission. SOPAC has successfully implemented other EDF Contribution Agreements (9.ACP.RPA.005 / 8.ACP.RPA.007) The project qualifies as a contribution to SOPAC's efforts to jointly implement Disaster Risk Management programmes funded by itself and other donors. As per Council Regulation (EC) No 2112/2005 of 21 November 2005 on access to Community external assistance, eligibility is extended to individuals and legal persons, as well as supplies and materials which are eligible according to the rules of the international organisation implementing the action.

A Project **Steering Committee** (PSC) will be set up to decide and approve the orientation and the course of the Project. The eight NAOs (or their delegated representatives) will form the PSC and will meet at least once per year, or on an ad hoc basis whenever necessary, in one of the eight participating countries or at the SOPAC Secretariat in Fiji. The European Commission, the RAO, and SOPAC will attend as observers. SOPAC will act as Secretariat for the PSC. A key role of the PSC will be to ensure that national "B Envelope" funds identified in the Financing Agreement are committed to the respective countries only, and the costs of the SOPAC management are kept to a minimum and apportioned amongst participating countries on a pro rata basis in proportion to their total contribution.

A Project **Monitoring** Group (PMG) will be appointed by the PSC to oversee the Project progress on a 3-monthly basis. Members of the PMG will be the RAO (or designated alternate), the Director of SOPAC (or designated alternate), the Ambassadors of participating Pacific ACP countries to Fiji and the European Commission as observers.

In order to ensure the highest possible national participation in the Project, a **National Project Steering Committee (NPSC)**, chaired by the NAO, will be formed in each country composed by representatives of relevant ministries, local government and local communities.

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

4.4 Special conditions

The Governments of the eight participating Pacific ACP States benefiting from this Financing Proposal undertake to:

- Provide, in a timely manner and free of cost to the Project, the necessary land, land access, for Project implementation;
- Conclude specific concession agreements with the relevant local contractors covering installation and maintenance of the systems after installation, and ensure the development of the necessary mechanisms to cover future costs for replacement of parts (this condition shall be fulfilled before the launching of international tenders for supplies);
- Provide, through local sources, the necessary human resources for the acceptance and operation of the equipment;
- Prioritise, in the selection of the end users, the poorest part of population, and, if any, educational and health centres;
- Ensure coordination with other EC-financed projects in the same area and to ensure synergies with other related projects;
- Pursue the objective, wherever appropriate, that users pay for operating, maintenance, and component replacement costs.
- Finance any cost overruns.

5. Economic and financial viability

Cost benefit analysis undertaken on a 'with' and 'without' basis shows that the economic benefits of the project clearly outweigh costs. The Multi-country Programming approach adopted provides economy of scale which will result in cost-effective programme delivery.

6. Evaluation and Audit

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

7. Project Visibility

Opportunities exist at several levels, regional, national and local to promote the visibility of the Project throughout the Project implementation period. These opportunities particularly include the release of media statements, which can be reproduced in the regional and national magazines and newspapers, and on the radio at national and local level.

Where infrastructure is established the support of the European Union can be acknowledgement with plaques for example on the building(s) or water tanks. Specific launching/commissioning ceremonies can be programmed at completion of any works activities.

List of Annexes:

- Annex 1: Logical Framework
- Annex 2: Indicative Timetable

Annex 1: Logical Framework

Narrative Summary	Performance Indicators	Means of Verification	Assumptions
<p>Project Overall Objective (Goal) Contribute to poverty reduction and sustainable development through disaster risk reduction.</p>	<ul style="list-style-type: none"> Island communities better able to manage and cope with the consequences of natural disasters Progress towards national targets for the MDGs 	<ul style="list-style-type: none"> Government annual reports, especially Public Works and National Disaster Management Offices, Water Sector Stakeholders National Human Development and MDG reports, and reports to COPs for MEAs (such as UNFCCC) etc 	<ul style="list-style-type: none"> Target communities are selected in a timely and non-controversial manner Political will and government commitment of participating Pacific ACP States: FSM, Marshall Islands, Nauru, Palau, Papua New Guinea, Solomon Islands, Tonga and Tuvalu
<p>Project Purpose Develop and strengthen resilience of selected communities</p>	<p>Identified communities (villages etc):</p> <ul style="list-style-type: none"> with improved access to increased safe water supply with new or improved emergency communications and operations centres for all 	<ul style="list-style-type: none"> Media Reports Annual Reports of Stakeholder group organizations Relevant sectoral annual reports of government Country statements at international and regional for a Reviews by PMU and Steering Committee 	<ul style="list-style-type: none"> Target communities are selected in a timely and non-controversial manner Political will and government commitment of participating Pacific ACP States: FSM, Marshall Islands, Nauru, Palau, Papua New Guinea, Solomon Islands, Tonga and Tuvalu
<p>Project Results</p> <p>1 Drinking water supplies improved during drought periods,</p> <p>2 Rural/Outer Island Emergency Operations improved through establishing or strengthening Emergency Centres and/or Communications systems that are sustainable by the local communities.</p> <p>3. Public awareness improved</p> <p>4 Project visibility</p>	<ul style="list-style-type: none"> New rainwater tanks installed Operational Production boreholes Improved drinking water quality Increased water use efficiency Emergency communications systems provided Emergency operation centres established or upgraded Appropriate training undertaken Public awareness activities completed Newspaper and radio releases, plaques on new infrastructure, commissioning ceremonies held 	<ul style="list-style-type: none"> Media Reports Annual Reports of Stakeholder group organisations Project reporting on procurement and installation of equipment purchased Company reports as a result of private sector partnerships established (ie plumbing suppliers, and communications systems suppliers and general contractors) Project reports Vernacular materials Media reports, and photographs 	<ul style="list-style-type: none"> Land access facilitated Communities committed Communities/individuals participate in public awareness/education/training activities Other stakeholders willing to partner Counterpart resourcing provided by national governments when required

