

Agreement N°9057/REG

FINANCING AGREEMENT
between
THE EUROPEAN COMMISSION
and

***Cook Islands, Federated States of Micronesia (FSM), Nauru,
Niue, Palau, Republic of the Marshall Islands (RMI)***

Development of sustainable agriculture in the Pacific II
(REG/6704/002)
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

Cook Islands, Federated States of Micronesia (FSM), Marshall Islands, Nauru, Niue, Palau, represented by the Secretary General of the 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: Development of sustainable agriculture in the Pacific II

Accounting N°: REG/6704/002

Identification N°: 9 ACP RPA 2

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 2 235 000 Euro.

2.2 The Community undertakes to finance a maximum of 1 981 000 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 BENEFICIARY'S CONTRIBUTION

3.1 The beneficiary shall contribute 254 000 Euro to the project.

3.2 Where part of the beneficiary's contribution is not financial, 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 2010. 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 2008. 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 27 November 2006 at the latest. This deadline may not be extended.

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 project and be sent to the following addresses:

for the Commission

EuropeAid Cooperation
Office B-1049 Brussels

for the Beneficiary

The Regional Authorising Officer,
the Secretary General of the 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 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.

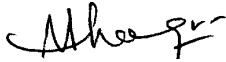
Done in two original copies in the English language, one copy being handed to the Commission and one to the Beneficiary.

Done at Brussels

Done at Suva

FOR THE COMMISSION

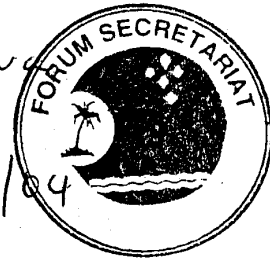
FOR THE BENEFICIARY



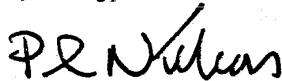
Amir NAQVI,

Date 07/02/04

Deputy Chief Authorising Officer



Date 28 NOV, 2003



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, fulfillment 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-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 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-favored tax and customs arrangements applied to States or international development organisations with which it has relations. For the purpose of determining the most-favored-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 parties 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.

ANNEX II

**TECHNICAL AND ADMINISTRATIVE PROVISIONS FOR
IMPLEMENTATION**

Cook Islands, Federated States of Micronesia (FSM), Nauru, Niue, Palau,
Republic of the Marshall Islands (RMI)

Title : **Development of sustainable agriculture in the Pacific**

II Accounting N°: **REG/6704/002**

Identification N°: **9 ACP RPA 2**

1. Background

1.1 Main features of the sector

Sustainable agricultural systems in the Pacific are coming under increasing pressure due to population growth. High population growth rates, unfavorable age structures and increasing urbanisation on islands with limited land and water availability are a reality in the atolls and have serious implications for these fragile ecosystems. The lack of trained local technicians with skills in sustainable farming systems has resulted in promotion of inappropriate technology and further degradation of the resource base. In the high volcanic islands farmers are moving away from shifting cultivation, where soil fertility was maintained and erosion was controlled, to cropping plots of land every year. This increase in the intensity of land use is resulting in deforestation, soil erosion, declining yields and a decline in household food security. Other problems include increased crop damage from pests and diseases and poor agricultural information and extension services that lack sound technologies. The purpose of the project is to increase sustainable agricultural production of target farm families in participating countries. This project complements the work to be commenced under the 7 & 8th EDF supported '*Development of Sustainable Agriculture in the Pacific*' project no. **8 ACP RPA 10 & 7 ACP RPR 782 & 8 PTF REG 04** to the six new Pacific ACP States of Cook Islands, Federated States of Micronesia, Marshall Islands, Nauru, Niue and Palau.

1.2. Problems to be resolved

- Identification and adoption or adaptation of technologies that solve the agricultural problems of farm families;
- In the atolls to improve the traditional tree crop-based multi-storey agricultural systems including better integration of livestock into this system;
- In the low lands to improve crop varieties, pest and disease management, land conservation and agro forestry technologies;
- Increasing the returns to labour by selecting appropriate technologies.

2. Objectives and expected results

2.1. Overall Objectives

In accordance with the Pacific Regional Indicative Programme EDF9, non focal sector, and with regional and national policies, the project will contribute to the improvement of food security and livelihood of target farm families.

2.2. Project purpose

This project purpose is increasing the farming households' production and productivity.

2.3. Results

The expected results of the project are: (1) Farmers' specific production problems and solutions identified, (2) Appropriate technologies identified and verified in on-farm demonstrations, (3) Farmer participatory extension methods and technical skills upgraded for NARES and NGOs, (4) Appropriate technologies promoted and

capability in extension communications enhanced and (5) DSAP project properly monitored at the national and regional

3. Factors ensuring feasibility and sustainability

3.1. Lessons learnt from previous projects/evaluations

Significant progress has been made in addressing some of these problems. Farming Systems in Lowlands of the Pacific Regional Agricultural Programme (PRAP), Phase II funded under the 7th EDF. Component 1 developed promising agro-forestry technologies in partnership with national agricultural research and extension services (NARES), provided training, and facilitated the regional sharing of information and expertise on solutions to agriculture problems. Farmers are only now testing many of the agro-forestry technologies because these are long-term technologies that take time to develop and demonstrate to farmers. In PRAP component 6 - Atoll Farming Systems, soil fertility enhancement and appropriate varieties and production systems have been developed and promoted with substantial increase in commercial and household vegetable production in the target countries. In order to fully realise the potential of research and development during PRAP and other SPC projects and activities, an agriculture extension-focused project is needed.

3.2. Environment, gender mainstreaming and other aspects

3.2.1. Policy Support

This project contributes to betterment of all Pacific countries economics by providing a working model for research-extension-farmer linkages that should fit with their aim of better agriculture extension services to farm families.

3.2.2. Appropriate technology

The technologies retained and extended through the project will be appropriate because they will be identified, tested and demonstrated through a participatory process where participating men and women farmers will be fully involved at all stages of the process.

3.2.3. Environmental protection

Environmental protection is axiomatic to the participatory approach used by this project. The emphasis will be on agro-forestry, organic manure and mulches, integration of livestock and agriculture, pest and disease management, improved planting materials, reduced use of chemical fertiliser, herbicides and pesticides and building on local knowledge and practices. This should lead to an improvement of living conditions through sustainable management of agricultural resources and their ecologically and economically rational utilisation.

3.2.4. Socio-cultural aspects/women in development

Women farmers undertake a significant portion of food production and marketing in the Pacific. The roles that women and men have in the production process, post harvest activities, in the rural household economy, and the constraints faced by each, will be critical variables used by the project when determining client needs. Gender analysis will be used in the problem identification. The project will link with PWRB activities and the PWRB will be active in the project to ensure gender sensitivity in its

implementation. Women's groups will be targeted at the grassroots level and participate in the national steering committee. The need to achieve gender balance in project staff and with GREAs will be an important consideration of recruitment.

3.2.5. Institutional and management capacity, public and private

An element of this project is to continue to strengthen internal management capacity through training, research, and extension activities of NARES and NGOs. An additional element is that the public and private sector will work in partnership together through national steering committee that will result in a more results-oriented, transparent and participatory process.

3.2.6. Economic, social and financial analyses

Sustainable technologies have shown the potential for improving productivity and returns per family day in the complex and diverse agricultural systems of the PICs where external input use is low.

There is potential for improving sustainable production and productivity by mobilising particularly farmers and farmer groups to share their innovations through participatory activities involving NARES, NGOs, farmer groups, marketers and input suppliers.

3.3. Co-ordination with other donors

The Project is consistent with overall **ACP-EC policies**. The project will work with the NARES, NGOs, farmer groups and the private sector in the use of participatory methods for the identification and adoption of sustainable agricultural technologies. SPC, the implementing organisation, through projects financed under other sources (Australia, New Zealand and USA) in the agricultural sector, is co-coordinating the different donors contributions including EC who is a newcomer in the 6 countries concerned.

4. Implementation

4.1. Activities

The project activities in the six new ACP countries will consist of: (1) identify farmers' specific production problems and solutions; (2) identify appropriate technologies and verify them through on-farm demonstrations; (3) upgrade farmer participatory extension methods and technical skills for farmers, NARES and NGOs staff; (4) promote appropriate technologies and enhance capability in extension communications; (5) ensure an appropriate and effective monitoring of DSAP project at national and regional levels.

4.2. Cost estimate and financing plan

Total costs to the EU is summarised below.

Budget Unit: EURO	TOTAL
Staffing	429,000
Equipment & supplies	173,000
Training & meetings	640,000
Operational costs, administration &	639,000
Independent AUDIT & review	30,000
Contingencies	70,000
Total from EU	1,981,000
Other co-financing source from other	
SPC	204,000
PICTs	50,000
Total	254,000
GRAND TOTAL	2,235,000

4.3. Implementation procedures and timetable

The overall responsibility for the implementation of the programme lies with the Regional Authorising Officer. In accordance with Article 35(1) of Annex IV to the Cotonou Agreement the implementation and management functions will be delegated to SPC through the 'Grant Agreement' procedure signed locally between the RAO and SPC and following the rules of the call for proposals. The project will be under the direction and management of the Agriculture Advisor and the Senior Deputy Director General. The Financing Agreement shall be concluded 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 end of the period of operational implementation and execution of the Financing Agreement are hereby set respectively at 31/12/2008 and 31/12/2010. 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.

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.

4.4. Special conditions

Beneficiary countries undertake to make available to the project the necessary counterpart, office spaces, transportation and other staff. SPC commits in providing the required technical advise, leadership and continuous support - beyond the project life - to sustain the project outputs successfully. Pacific ACP member states undertake to implement the necessary legislative measures to ensure maximum effectiveness and sustainability of the Project.

5. Economic and financial viability

The Programme will have a significant economic and financial impact at the smallholder level with higher yields at lower costs, increased production and income and at the macro-economic level with improved trade prospects, increased exports and improved food security. There are good prospects of rural communities and farmers groups embracing participatory approach because it is less costly and involves all stakeholders.

6. Monitoring and evaluation

A logical framework matrix will identify specific objectively verifiable indicators (OVI) of activities against which progress will be monitored. Monitoring will involve independent financial audits and six-month progress (activity) reports on achievements measured against the OVI in the matrix of the logical framework. Provision for an independent mid-term review and a final evaluation of the project is included in the budget.

A provision for Audit is included in the budget of this Programme in order to verify compliance with relevant rules and procedures. It is understood that the Chief Authorising Officer, in accordance with Art. 23 of the Financial Regulation may use this provision to organise an independent Audit of expenditure realised under this Programme.

ANNEX 1

LOGICAL FRAMEWORK DEVELOPMENT OF SUSTAINABLE AGRICULTURE IN THE PACIFIC

	Intervention	OV Indicators	Source of verification	Assumptions
Overall Objective	To improve food security and livelihood of target farm families.			
Project Purpose	Increased sustainable agricultural production.	At least a 40% adoption rate of 2 technologies per country by participating farmers. 20% increase in productivity of target farmers in target areas of participating countries.	Participatory impact assessment on a representative sample of the target farmers Focus surveys, national statistics	Farmers problems and priorities remain unchanged. Socio-economic situation allows countries to actively participate.
Results	1. Farmer specific production problems and solutions identified.	At least 50% of participating farmers report that their identified & prioritised production problems have been solved. Participatory assessment/demonstration activities undertaken per country per year as agreed in the national log frames.	Project reports (with self assessment). Focused surveys.	Co-operators and GREAs continue in post.
	2. Appropriate technologies developed from on- farm demonstrations.	At least 2 technologies adopted or adapted by farmers per country by the end of the project.	Annual participatory impact assessments, including gender analysis and identification of benefits in each country.	NARES funding is adequate. Resources for NGOs to participate in activities are available.
	3. NARES and NGO staff skills upgraded in participatory methods and technical skills.	At least 70% of NARES / NGO staff trained by the project will be using participatory methods. At least 10 staff effectively trained per country by end of project.	Project reports, workshop evaluations, user and dissemination statistics Trainers, supervisors & trainees (with self assessment). Key informant interviews.	Agricultural policies remain in harmony with participatory extension approach.
	4. Appropriate technologies promoted and capacity to produce and use promotional materials enhanced.	At least 2 staff per country trained & 5 promotional materials produced Linkage established to information providers	Project reports. Key informant interviews.	Country partners support resource centres
	5. DSAP properly monitored at national and regional levels	NSC, RSC, Authorising Officer and EC Delegation for the Pacific kept well informed of DSAP progress. Appropriate qualitative and quantitative data available to evaluate project effectiveness and impact.	TA progress reports. Co-operators' progress reports.	NSC provide leadership and coordinating role in participating countries

Activities	<p>1.1 Promote and facilitate formation of national steering committees (NSC) consisting of research and extension staff, NGOs, NARES, NGOs, private sector, women's groups and farmers to address agricultural livelihood issues, set targets, determine impact and direction of activities through the NSC.</p> <p>1.2 Use participatory methods to determine farm family agricultural problems and opportunities.</p> <p>1.3 Sensitise research and extension management to sustainable livelihood approaches.</p> <p>1.4 Collect base-line data, disaggregated by gender.</p>		Stakeholders participate (see 1&2).																	
	<p>2.1 Facilitate and support on-farm demonstrations and extension by technical assistance and financial support, with involvement of farmers, extension workers, NGOs and researchers.</p> <p>2.2 Define recommendation domains to identify appropriate technologies.</p> <p>2.3 Work with target farmer groups of similar recommendation domains to disseminate technologies within the country.</p> <p>2.4 Identify and record incremental benefits arising from the new technologies.</p>		Researchers & extensionists co-operate in on-farm demonstrations (see 1&2).																	
	<p>GREAs and ECAs</p> <p>3.2 Prepare DSAP training manual with PICTs in a participatory manner.</p> <p>3.3 Train staff in participatory methods and technical skills through workshops and on-farm activities, by experts from within the region where available</p>	<p>Means and Costs</p> <p>(x1000 Euros)</p> <table> <tr> <td>Technical Assistance</td> <td>429</td> </tr> <tr> <td>Equipment</td> <td>173</td> </tr> <tr> <td>Training</td> <td>640</td> </tr> <tr> <td>Operational costs</td> <td>425</td> </tr> <tr> <td>Administration</td> <td>214</td> </tr> <tr> <td>Independent audit & review</td> <td>30</td> </tr> <tr> <td>Contingencies</td> <td>70</td> </tr> <tr> <td>-----</td> <td></td> </tr> <tr> <td>Total</td> <td>1981</td> </tr> </table>	Technical Assistance	429	Equipment	173	Training	640	Operational costs	425	Administration	214	Independent audit & review	30	Contingencies	70	-----		Total	1981
Technical Assistance	429																			
Equipment	173																			
Training	640																			
Operational costs	425																			
Administration	214																			
Independent audit & review	30																			
Contingencies	70																			

Total	1981																			

<p>Activities cont'd)</p>	<p>4.1 Conduct training courses and workshops¹ for national extension/information service staff. 4.2 Procure and install "information cafes"². 4.3 Make available information on appropriate technologies in a form suitable for extension, farmers and NGOs. 4.2 Test materials with target groups and revise as necessary. 4.3 Recruit and train GREAs in production and use of promotional materials. 4.4 Disseminate appropriate technologies through extension materials and field activities.</p> <p>5.1 TA's establish with Regional and National Steering Committees a system, based on participatory approach, for monitoring the project. 5.2 TA's prepare and submit to the NSC, RSC, Implementing Agency, Authorising Officer and EC Delegation for the Pacific, six monthly progress reports. 5.3 Co-operators prepare and submit to the NSC and RSC six monthly progress reports.</p>		<p>Trainees and supervisors available (see 3).</p>
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¹ Training to include information awareness and use of information systems.

² Information cafe means somewhere to go for readily accessible appropriate information and includes infrastructure (information & communication technologies) and equipment (computers and accessories, software etc).

ANNEX 2

**DETAILED BUDGET BREAKDOWN
SUSTAINABLE AGRICULTURAL DEVELOPMENT IN THE PACIFIC**

EURO	Year I	Year II	Year III	Year IV	Total
Technical Assistance - Long-term					
Participatory Extension Specialist (FSM)	81,000	81,000	81,000	81,000	324,000
Recruitment Cost	5,000				5,000
Sub-total					329,000
Technical Assistance - Short-term	20,000	30,000	30,000	20,000	100,000
Sub-total					
Equipment					
Office Equipment	50,000	5,000	10,000	20,000	85,000
Field Equipment	9,000	9,000	6,000	4,000	28,000
Transport (motorbikes & boats)	60,000	0	0	0	60,000
Sub-total					173,000
Training & Information					
Graduate Research & Extension Assistants (6)	120,000	120,000	120,000	120,000	480,000
Workshops (National and Regional)	40,000	40,000	40,000	40,000	160,000
Sub-total					640,000
Operational Costs (including Travel)					
TA & staff travel	30,000	40,000	40,000	35,000	145,000
Fieldwork	36,000	36,000	36,000	32,000	140,000
Publications (including Extension Materials)	20,000	40,000	40,000	40,000	140,000
Consumables/repairs (including vehicle costs)	32,000	40,000	40,000	42,000	154,000
Sub-total					579,000
SPC Administration 3%	15,000	15,000	15,000	15,000	60,000
Independent audit & review		15,000		15,000	30,000
Contingencies	15,000	20,000	20,000	15,000	70,000
Grand Total					1,981,000

ANNEX 3

LIST OF ACRONYMS

ACP	African, Caribbean, and Pacific
AusAID	Australian International Development Assistance
COGENT	International Coconut Genetic Resources Network
CTA	Technical Centre for Agricultural and Rural Co-operation
CROP	Council of Regional Organisations in the Pacific
DSAP	Development of Sustainable Agriculture in the Pacific
EC	European Commission
ECA	Extension Communications Assistant
EDF	European Development Fund
EU	European Union
EUR	Euro currency
FAO	Food and Agriculture Organisation of the United Nations
FS	Forum Secretariat
SP	Foundation for the Peoples of the South Pacific
GRA	Graduate Research Assistant
GREA	Graduate Research and Extension Assistant
IBSRAM	International Board for Soil Research and Management
IFAD	International Fund for Agricultural Development
IRETA	Institute for Research, Extension and Training in Agriculture
MOU	Memoranda of Understanding
OCT	Overseas Countries & Territories
OVI	Objectively Verifiable Indicators
NARES	National Agricultural Research and Extension Services
NGOs	Non-Governmental Organisations
NSC	National Steering Committee
NZODA	New Zealand Overseas Development Aid
PHALPS	Permanent Heads of Agriculture and Livestock Production Services
PICS	Pacific Island Countries
PICT	Pacific Island Countries and Territories
PRAP	Pacific Regional Agriculture Programme
PRIP	Pacific Regional Indicative Programme
PWRB	Pacific Women's Resource Bureau
RAO	Regional Authorising Officer
RSC	Regional Steering Committee
SPC	Secretariat of the Pacific Community
SPOCC	South Pacific Organisations Co-ordinating Committee
UNITECH	University of Technology of PNG

Annex 4: Timetable for project approval and implementation

Publishing of the call for individual expression of interest for the recruitment of professional and support staff	November 2003
Signature of the Financing Agreement	January 2004
Signature of the Grant Agreement for implementation	February 2004
Recruitment of personnel	March 2004
Project fully operational	May 2004
Mid-term review	July 2006
Final Evaluation	mid 2007
Final date for (operational) implementation	31/12/2008