
Towards a renewed EU-Pacific development Partnership

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1. THE EU AND THE PACIFIC

The growing geostrategic importance of the Pacific, combined with global awareness of Pacific Islands' vulnerability to climate change, has made this region an emerging foreign policy priority for both the EU and many of its strategic partners such as the US, Japan, China, Russia and India. Other bilateral partners and multilateral institutions are also consolidating their presence in the region.

Most EU Member States rely on the EU to promote and deliver on foreign policy interests in that region. The EU has engaged in regular political dialogues at country and regional level and is an influential donor and partner in the Pacific.

The EU’s partnerships in the Pacific involve 15 independent Island Countries1, 4 Overseas Countries and Territories (OCT)2, the Pacific Islands Forum (PIF) as well as Australia and New Zealand – key members of the Forum and like-minded partners.

As a global player, the EU aims at renewing and reinforcing its partnerships beyond a donor-recipient relationship. The 2006 EU Strategy for the Pacific3, was a first step in this direction. As a result, the EU and the PIF have upgraded their political dialogue to Ministerial level.

The EU should increase the impact of its development policy, in line with the EU Agenda for Change4 and consolidate its position as the second donor in the region after Australia5. This will allow the EU to enhance the political dimension of its partnership, by engaging in a more effective dialogue with Pacific countries, individually as well as at regional and multilateral level, in order to strengthen its cooperation on human rights, democracy good governance and sustainable development, as well as to ensure full respect of the UN Charter and international law worldwide.

Building on the Cotonou Agreement6 as well as experience gained in the implementation of the EU Strategy for the Pacific, this Joint Communication focuses on the development aspects

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1 Cook Islands (no vote in the UN), Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue (no vote in the UN), Palau, Papua New Guinea, Samoa, Solomon Islands, Timor Leste, Tonga, Tuvalu and Vanuatu
2 French Polynesia, New Caledonia, Pitcairn and Wallis and Futuna
6 The Cotonou Agreement, in force until 2020, governs the political, development cooperation and trade partnership between the EU and 79 countries in Africa, the Caribbean and the Pacific, the so-called ACP countries
of EU relations with the region and proposes a set of actions for a more effective Pacific-EU cooperation, with the following main objectives:

- to promote coherence between development, climate action and other EU policies, such as trade, environment, fisheries, research, on the one hand, and human rights and democracy support on the other,

- to adapt and streamline delivery methods of EU Official Development Assistance (ODA) and scaled up climate change financing in the Pacific, with a view to increasing overall added value, results, impact and effectiveness,

- to stimulate the Pacific OCTs' successful regional integration and enhance their ability to promote EU values and become catalysts for inclusive and sustainable growth for human development in the region,

- to define with Pacific countries a positive agenda of issues of common interest at the UN and other international fora,

- to join forces with like-minded partners to address key human rights issues and to help consolidate democratic processes across the region.

Outcomes of joint work at the UN, reinforced political cooperation and the implementation of the policy proposals outlined below should be integrated in the EU's programming cycle for the EU's development cooperation in Pacific Countries, Territories and the Region for the period 2014-2020, and feed into the process of renewing the EU strategy for engagement in the Pacific.

2. The uniqueness of the Pacific

2.1. Smallness, immensity, diversity and fragility

Pacific Island Countries and Territories (PICTS) are home to 10 million people living in a land area of 552,000 Km² surrounded by a sea Exclusive Economic Zone of 30 million Km² in the part of the world most distant from the EU.

Most PICTS are Small Islands States (SIS), 10 of which are among the world's 15 smallest economies, while three are atoll nations, with elevations barely above sea-level and small populations dispersed across large distances. Their natural, financial, institutional and human resource base is limited, skilled labour migration rates are high, and costs for providing services and importing goods are very high. Many PICTS' economies are highly dependent on revenue from exploiting natural resources, such as fishing licenses sold to foreign vessels. The public sector is dominant but in some countries governance remains weak, private sector access to finance is limited and economies of scale are hard to achieve. Isolation and limited trade opportunities leave these countries at the margins of the global economy. Aid dependence and fragmentation in many PICTS present significant development challenges.

Timor Leste, recovering from conflict and only partly integrated in the PIF institutional architecture, is currently looking forward to joining the Association of South East Nations (ASEAN) and faces similar structural constraints to those of many developing countries. The Pacific OCTs enjoy development levels close to the EU average and seek more substantial integration in the region.
Papua New Guinea (PNG) and Fiji together represent 88.6% of the land mass, 70% of the Gross Domestic Product (GDP) and 74.5% of PICTS’ population. While Fiji, where there has been no constitutional rule since 2006, is engaged in a slow transition to democracy, PNG intends to invest in governance so as to fully benefit from its broad natural and human resource base and its emerging, although largely foreign-owned, business sector.

2.2. Development achievements and climate change impacts

The real wealth of the Pacific is its unique biodiversity and its rich ecosystems, which deliver essential services to the population. In particular, the East Melanesian islands, New Caledonia and Polynesia-Micronesia are biodiversity hotspots.

However, oceanic resources are being damaged due to pollution, overexploitation, habitat change and invasive species. Tropical forests are in danger from deforestation and degradation.

Exposure and vulnerability to natural hazards, which have the potential to cause very significant human and material losses, is common across the region.

Demographic pressure places further stress on environmental and social balances. Education, employment and income-generating opportunities are needed for a rapidly growing and young population. While skilled labour migration is a key development constraint, remittances form a substantial part of many Pacific economies. Large communities of Pacific Islanders now reside in Australia, New Zealand or elsewhere.

Democratic principles and human rights are respected for the most part across the region, with Fiji remaining an exception after the 2006 coup. However, Pacific countries have a poor record of ratifying human rights conventions and have high rates of gender-based violence and low proportions of women at decision-making levels.

Pacific countries are slowly recovering from the global crisis, inter alia due to Asia's continued robust growth. Private sector resilience remains weak. In 2010, economic growth was 0.8% on average, and is expected to be 1.7% in 2011 and to remain low in 2012, except for resource-rich countries (PNG, Solomon Islands and Nauru) and Vanuatu. An increase in tourism and a recovery in remittance flows are expected. The main risk to growth is inflation, driven by high fuel and food prices. In Timor Leste, increases in government expenditure, funded by petroleum revenue, resulted in a 9.5% rise in GDP in 2010, which is forecast to accelerate in 2011 and 2012. However macro-economic stability will remain an issue in most Pacific countries and the sustainability of debt levels is of particular importance.

While PNG is off track on all Millennium Development Goals (MDGs), the other Pacific countries are on-track to reduce child mortality, with mixed progress on the other goals. Timor Leste has a mixed MDG performance, with substantial progress in poverty reduction, low health indicators and health standards compromised as a large part of the population suffers from food insecurity.

Access to energy is a key constraint. Pacific SIS are highly dependent on imported petroleum products as the main source of energy. Unstable international prices and shipping and transport costs place a heavy strain on national budgets and operational expenses for utilities and businesses, leading to high prices for food and electricity. Renewable energy technologies have provided alternative means of producing energy. However, changes in both the supply of energy (availability and accessibility) and demand (affordability) pose an increasing threat to energy
security for Pacific populations. This led, in 2009, to the formulation of the "Framework for Action on Energy Security in the Pacific" (FAESP). Only around 30% of the population have access to electricity, concentrated in urban areas, ranging from less than 25% in some countries (PNG, Solomon Islands and Vanuatu) to over 95% in others (Cook Islands, Guam, Nauru, Niue, Northern Mariana Islands, Samoa, Tonga, Tokelau and Tuvalu).

Climate change has affected the Pacific for decades, with the increased frequency and intensity of natural hazards, such as tropical cyclones and floods. Sea-level rise, sea-water intrusion and coastal erosion reduce the land available for housing, threaten infrastructure, damage aquaculture and affect freshwater supplies and agriculture. Access to clean water and sanitation remains a major challenge for most PICTS, causing serious health hazards, especially for women, children and communities living in outer islands. Rising water temperatures and ocean acidification put the already deteriorated biodiversity and ecosystems under further strain, particularly coral reefs, which results in further vulnerability to climate change. In large islands, climate change affects mainland areas, through more intense droughts, landslides or flooding. Adaptation to climate change, including ecosystem-based approaches, can also contribute to improved service delivery, access to renewable energy and disaster preparedness. As such it can be a key driver of development in all Pacific countries. Disaster risk reduction through ecosystem protection uses nature itself as part of the solution. Moreover, for disasters that are not directly related to climate change, adaptation measures can still contribute to disaster preparedness.

PNG still has substantial primary rain forest resources, but areas are shrinking rapidly due to several factors including what is seen by many as illegal logging. PNG could contribute to global climate change mitigation by moving towards sustainable logging through improved forest governance and land-use legislation.

Climate change sets off a chain of interlinked impacts, including on security and gender. The UN Security Council has pointed out that the loss of territory due to sea-level rise, particularly in small low-lying island States, could have security implications. The EU has underlined that climate change has important security implications since it acts as a "threat multiplier", exacerbating tensions over land, food and energy prices, and creating migratory pressures and desertification. On the other hand, given that the impacts of climate change may affect women and men differently, Pacific Ministers have affirmed the need to take the knowledge, experiences and priorities of women better into account to develop effective climate change strategies. Recognising that gender inequalities and human rights violation hamper the countries’ capacity to address the impacts of climate change, Ministers have called on Pacific governments to fulfil their commitments in that regard.

The impact of climate change, which is predicted to intensify, undermines development achievements and equitable sustainable growth, and makes it much more difficult to achieve the MDGs in the Pacific. Entire countries could become uninhabitable or even disappear, resulting in migration and displacement of populations.

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8 Conclusions on EU Climate Diplomacy (3106th Foreign Affairs Council – 18.07.2011)
9 Ministerial Workshop on Climate Change held in conjunction with the Fourth Pacific Women’s Ministerial Meeting (July 2011)
2.3. Pacific ways of addressing development challenges

Pacific islanders have coped with their structural challenges for centuries. Over time, in-country solutions have emerged and PICTS have often combined forces at regional level on issues such as political cooperation, finance, development, trade, fisheries, security, law enforcement, human rights, environment, energy, social and cultural affairs, transport, infrastructure, research, telecommunications, etc.

PICTS have also addressed climate change. For example, in order to adapt to sea level rise, they have restored mangroves, protected coral reefs, built sea walls, water reservoirs and desalination facilities, developed new crops, promoted crop diversification, or moved infrastructures and relocated populations. Certain countries are integrating migration into their adaptation toolbox. Regional cooperation is remarkable. For example, Micronesian countries and territories are engaged in the Micronesia Challenge, to conserve 30% of near shore coastal waters and 20% of forest land by 2020. Also, comprehensive regional frameworks are in place for climate change action and for disaster risk reduction and management.

A growing but still relatively small number of donors and development partners are present in the region. Australia and New Zealand are members of PIF and are the most important bilateral donors. The Asian Development Bank is the main multilateral partner. US Compacts are a well-established instrument in the North Pacific. Taiwan, Japan and Korea are increasing their assistance. China is playing an ever increasing role in the Pacific. Other bilateral and multilateral partners are also increasing their engagement.

Pacific Leaders have established the "Cairns Compact" on Strengthening Development Coordination (2009), for donors to reduce aid fragmentation, ease aid administration and improve aid effectiveness, through the increased use of country systems, multi-year funding commitments, pooled financial resources, the delegation of aid delivery and collaborative analytical work. With its development partners, the PIF Secretariat has coordinated a Roadmap to strengthen the public expenditure management, procurement, accountability and monitoring systems of the Forum Countries, so that country systems are widely used to channel Official Development Assistance (ODA), including through budget support when eligibility criteria are met.

In 2011, Pacific Leaders reaffirmed that climate change is the single greatest threat to the region and stressed the need for adaptation finance. In order to improve countries' access to, and management of climate change resources, Forum Economic Ministers recommended that financing methods should be based on aid effectiveness principles and that climate change should be integrated in national budgets and development plans, in order for country systems to be used where possible, particularly through budget support, as the most effective form of delivery.

3. Enhancing EU-Pacific development and climate cooperation

EU external action has at its disposal a wide range of policies and instruments that are very relevant for the Pacific. Building on its network of EU Delegations and headquarters staff, the EU should engage with one voice in the region and promote EU values and common Pacific-EU objectives and interests more effectively in multilateral fora, in international negotiations or relations with other players. Coordinated EU-wide initiatives, responsive to Pacific priorities, would maximize the added value of EU external action in the region.
The Commission’s Communications on the EU Agenda for Change\textsuperscript{10} and the future of budget support\textsuperscript{11} propose an enhanced policy framework for more focused and higher impact EU development cooperation, by promoting the use of country systems and budget support wherever feasible, in combination with an enhanced policy dialogue focusing on improving results and good governance.

Development and climate change assistance to Pacific countries and OCTs from the EU Budget and the European Development Fund (EDF) increased substantially to approximately €785 million for the period 2008-2013\textsuperscript{12}.

The structural constraints faced by PICTS make them unique as development beneficiaries, makes EU assistance particularly important for the region and presents the EU with a set of interlinked challenges:

- to scale up financial commitment in the region by enhancing and complementing current ODA levels with a fair share of climate funds announced in international negotiations, as well as by catalyzing investment funding form other sources,
- to deepen policy dialogue and adapt delivery modalities to support reform more effectively within Pacific partners’ constraints and specificities, so as to facilitate adequate absorption of scaled-up financial assistance,
- to reinforce coordination and reduce aid fragmentation in the Pacific,
- to improve coordination at the UN, particularly on climate change.
- to ensure that policies other than development continue to contribute to the renewed Pacific-EU development partnership so that economic growth goes hand in hand with good governance, sustainability and shared responsibilities for common goods.

3.1. Scaled up financial engagement

Commission-managed EU funds are limited relative to the needs in the Pacific. Bilateral financial commitment by EU Member States, involving a focus on climate change in particular, is needed. Following a Joint Declaration on climate change\textsuperscript{13}, the Commission and the Forum Secretariat launched a Joint Initiative\textsuperscript{14}. A Plan for Action is being prepared, in association with Pacific and EU Member States and institutions, to deliver on the objectives of the Joint Initiative, for the EU to engage in a coordinated manner in the Pacific and to pool ODA and additional climate change funds, including by triggering investment funding.

In addition to contributing to climate change related activities and institutional development, EU geographical and thematic programmes can also enable PICTS to access complementary sources of climate change funding (the Green Climate Fund, the business sector, the carbon market …).

\textsuperscript{10} Increasing the impact of EU Development Policy: an Agenda for Change; COM(2011)637 - 13.10.2011
\textsuperscript{11} The future approach to EU budget support to third countries; COM(2011)638 - 13.10.2011
\textsuperscript{12} Approximately €730 million from 10th EDF (€ 70 million of which to OCTs) and approximately €56 million from the EU Budget
\textsuperscript{13} \url{http://www.gcca.eu/usr//Joint-Declaration-PIFS-EU-2008.pdf}
\textsuperscript{14} \url{http://www.gcca.eu/usr//Protocole-d-entente-Signe-a-Strasbourg.pdf}
Programming and policy dialogue will remain the key tool for defining cooperation priorities. The EU, in coordination with other donors, should continue accompanying PICTS efforts to improve national development plans and sectoral policies, in order to pursue results-oriented development and climate change adaptation and mitigation strategies, while ensuring sound management of scaled up assistance and sustainable practices.

### 3.2. Pacific friendly delivery methods

The EU Agenda for Change proposes increased concentration of EU cooperation on maximum three sectors in order to maximise results and impact. While two or three concentration sectors may be justified in the case of larger island countries, concentration in the majority of smaller islands should be limited to one sector.

Structural constraints faced by PICTS require delivery methods to be adapted, limiting the use of project approaches which tend to overstretch small administrations.

Sector programmes and budget support are more suited to deliver sustainable results as they align with national development plans and sector strategies and contribute, through policy dialogue and regular performance assessments, to improved service delivery and institutional, policy and regulatory outcomes. The definition of sound national development plans and sector strategies, the strengthening of public finance management (PFM) and the observance of a sound macro-economic framework have been conducive to budget support in New Caledonia, Pitcairn, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

EU-financed regional cooperation in the Pacific is supported by well-functioning regional organisations which enjoy political support from their member states and are financially and technically well equipped. The EU, like other donors, aligns, through contribution agreements, to those organisation's strategic work programme and effective result-oriented monitoring systems.

EU assistance will continue to be delivered through projects when eligibility requirements for other methods are not met and to support initiatives run by civil society and business associations, certain stand-alone infrastructure projects, etc.

### 3.3. Capacity and efficiency development

Many administrations in the Pacific face structural capacity constraints in improving sectoral policies and PFM systems or integrating climate change in development strategies. Regional organisations must play a crucial role in addressing these challenges. The EU should further support regional organisations to assist their members on policy making, planning and delivery, as well as on aid management and implementation, particularly in areas such as climate change adaptation and mitigation. EU-Pacific partnerships to transfer specific expertise and facilitate institutional development should also be promoted.

### 3.4. Improved coordination within the EU and with other partners

The limited presence of EU Member States in the Pacific makes it easier to explore the prospects for EU-wide joint programming and pooling of development and climate funds. In relation to coordination with non-EU partners, comprehensive and increasingly intense coordination has been established with Australia and New Zealand which includes division of labour and two-way delegated cooperation. It makes the best use of comparative advantages and establishes a model available for other non-EU partners to join. Australia is the first non-
European donor with which the EU has established an agreement on delegated aid cooperation arrangements, enabling the Australian Agency for International Development (AusAID) and the Commission to capitalize on each others’ expertise and deliver significant aid outcomes.

3.5. Improved coordination on climate change at the UN

Pacific-EU cooperation on climate change, which has been growing since the Joint Declaration (2008) and the Joint Initiative (2010), has led to a common approach for the Pacific Island States, the Association of Small Islands States (AOSIS) and Small Island Developing States in the United Nations Framework Convention on Climate Change (UNFCCC). The Pacific Islands and the EU should continue to promote common positions in terms of adaptation to and mitigation of climate change, through regional institutions.

At the UNFCCC negotiation in Durban, the Least Developed Countries (LDCs), the AOSIS and the EU were united in their desire for an ambitious outcome and reflected this ambition in a common statement. The EU should continue to strengthen this alliance with LDCs and the AOSIS in order to step up pressure on other negotiating partners to increase their ambition on mitigation and adaptation.

4. Promoting a more coherent EU policy mix in the Pacific

Building on the Cotonou Agreement as well as on the experience gained in the implementation of the EU Strategy for the Pacific, the EU is working towards a more integrated external action policy and instrument mix in the region as well as a more coherent policy agenda towards the Pacific, in view of the 2014-2020 programming cycle.

Cooperation on trade and fisheries, as well as on research and higher education, can also significantly contribute to further EU policy coherence in the region.

- EU-Pacific cooperation on trade is substantial. Building on the Interim Partnership Agreement concluded with PNG and Fiji, as well as on market access offers put forward by other countries, the EU will continue working towards a comprehensive trade and development agreement with all countries in the region, as Pacific ACP Leaders place a high priority on a successful conclusion to the EPA negotiations in 2012. Alternatively, Pacific ACP countries could join the Interim Partnership Agreement, which explicitly allows for this possibility.

- EU-Pacific cooperation on fisheries is based upon substantial EDF-financed support, as well as on three bilateral Fisheries Partnership Agreements and multilateral fisheries cooperation in the frame of the Western and Central Pacific Fishery Commission. The EU is stepping up its efforts to support the development of a sustainable fishery industry and to combat illegal, unreported and unregulated fishing. Joint Pacific-EU work for good fisheries governance within the Western and Central Pacific Fishery Commission should be enhanced. The establishment of a comprehensive fishery strategy for the Pacific to be implemented through the effective use of EU instruments (fisheries, development, environment and research) could be considered.

- The EU is, through the Research Framework Programme, enhancing the EU’s research capabilities on Pacific issues, supporting Pacific research initiatives and fostering cooperation between EU and Pacific research partners.
• The Erasmus Mundus programme also provides opportunities for cooperation on higher education.

The EU is further integrating human rights, democracy support and good governance into its policy mix in the region.

• The EU is strengthening its cooperation with like-minded partners to support the ratification and implementation of human rights conventions and the Rome Statute on the International Criminal Court across the region. The EU pays particular attention to addressing issues such as gender-based violence and very low proportions of women at decision-making levels in the Pacific.

• The EU continues to deploy electoral observation missions where appropriate and is joining efforts with like-minded partners to develop a coordinated strategy for Fiji's return to democracy and to support reconciliation processes and conflict prevention initiatives across the region.

• The EU will continue to support PICTS in strengthening governance systems, including on environment and resource management, promoting inter alia compliance with the International Extractive Industries Transparency Initiative

In order to reinforce the integration of climate action in its policy mix, the EU will also develop a comprehensive climate diplomacy strategy in the Pacific, for EU actors, Member States and their national diplomatic services to address climate change at all political levels, to promote and support the implementation of climate action as well as to address linkages between climate change and international security in the Pacific.

5. **RECOMMENDATIONS FOR ACTION**

The EU is committed to the Pacific both politically and as an influential development partner. In an increasingly resource-constrained environment, it is imperative to enhance efficiency and effectiveness by concentrating on high-impact and high EU added-value intervention areas and using aid-effective delivery mechanisms.

(1) Regular political dialogue between the EU and PICTS, Pacific regional organisations and like-minded partners should foster joint positions to ensure that the UN charter and resolutions are respected globally, to facilitate a sustainable and peaceful resolution to conflicts worldwide as well as to improve development and climate change cooperation, particularly in the UNFCCC negotiations.

(2) By 2012, all Pacific countries will have benefited from additional EU funding for climate change and some from the MDG initiative, on top of the EDF allocations for 2008-2013. In programming the EU's development cooperation for the period 2014-2020, the EEAS and Commission services will submit to EU Member States options for joint programming in the Pacific, as well as for an EU-wide mechanism allowing a combination of EU and bilateral resources with additional support for climate change adaptation and mitigation.

(3) EU support to mitigation in the region, particularly in PNG and the Solomon Islands, should promote synergies between the initiatives related to Forest Law Enforcement
Governance and Trade (FLEGT) and Reducing Emissions from Deforestation and Forest Degradation (REDD).

EU assistance to PICTS should be delivered via the most suitable method, including budget support or a mix of aid delivery methods, assessed on a case by case basis. The Commission's proposed new guidelines for EU's budget support will recognise the needs and specificities of the SIDS and OCTs.

The EU should promote aid effectiveness principles in line with the Busan High level Forum conclusions and commitments, including division of labour and joint programming, as well as the use of delegated cooperation with like-minded partners in the Pacific. The EU should seek to engage with other donors at sectoral level, by means of joint programmes to support partner countries' policies, with joint indicators, disbursements criteria, reviews and policy dialogue with partner governments.

Building on the guidance from the Forum Economic Ministers, and in line with the "Cairns Compact", the EU should endeavour with other partners to develop a methodology to improve Pacific Islands' access to and management of funding for climate change and to implement its pilot phase, so that the methodology can be replicated across the region.

The EU should engage with other donors in MDG-related sectors which are particularly prone to climate change, such as water and sanitation and renewable energy. The EU should promote initiatives in these sectors to promote green growth, including through the Pacific Infrastructure Facility.

To avoid overstretching Pacific partners' capacities, the EU should promote joint missions with other partners coordinated with PICTS and regional organisations.

The EU should support Pacific OCTs efforts to cooperate with their neighbours, including on the challenges of climate change.

In order to maximise the effectiveness of EU Delegations in the Pacific, the High Representative and the Commission will assess the feasibility and impact of redistributing responsibilities based on geographical proximity to Pacific partner countries.

The EU should continue involving civil society, local authorities, the private sector and the research community in its cooperation in the region, by supporting regional networking and Pacific-EU partnerships and by promoting public interest and debate in Europe on issues of common concern for the Pacific Islands Countries and Territories and people.