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## ANNEX

of the Commission Decision on the annual action programme 2017 in favour of Tuvalu

### Action Document for Sustainable Waste Programme in Tuvalu

<b>1. Title/basic act/ CRIS number</b>	Sustainable Waste Programme in Tuvalu CRIS number: FED/2016/038-830 Financed under the 11 <sup>th</sup> European Development Fund	
<b>2. Zone benefiting from the action/location</b>	Pacific, Tuvalu The action shall be carried out at the following location: Funafuti and outer islands in Tuvalu	
<b>3. Programming document</b>	Tuvalu – European Union, National Indicative Programme 2014-2020	
<b>4. Sector of concentration/ thematic area</b>	Environmental policy and administrative management/Waste management	DEV. Aid: YES
<b>5. Amounts concerned</b>	Total estimated cost: EUR 6 800 000 Total amount of EDF contribution EUR 6 800 000 of which EUR 5 900 000 (86 % of total) for budget support and EUR 800 000 (12 % of total) for complementary support and EUR 100 000 (2 % of total) for evaluation and audit	
<b>6. Aid modality(ies) and implementation modality(ies)</b>	<b>Direct Management - Budget Support: Sector Reform Contract</b> <ul style="list-style-type: none"> <li>• Waste Sector Reform Contract with Tuvalu</li> </ul> <b>Direct Management – procurement of services</b> <ul style="list-style-type: none"> <li>• Evaluation and audit</li> </ul> <b>Project Modality - Indirect management with the Government of Tuvalu</b> <ul style="list-style-type: none"> <li>• Complementary Measures: Programme Estimate</li> </ul>	
<b>7. a) DAC code(s)</b>	41010 Environmental policy and administrative management	
<b>b) Main Delivery Chanel</b>	10000 - public sector institutions (Government of Tuvalu)	

8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	×
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	×
	Gender equality (including Women In Development)	<input type="checkbox"/>	×	<input type="checkbox"/>
	Trade Development	×	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	×	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input type="checkbox"/>	×	<input type="checkbox"/>
	Combat desertification	×	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	×	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	×	<input type="checkbox"/>
	9. Global Public Goods and Challenges (GPGC) thematic flagships	Flagship 3: SWITCH TO GREEN		
10. SDGs	Main SDG Goals: 3,15 Secondary SDG Goals : 14			

#### SUMMARY

The action aligns to the objectives and priorities around environment protection, tackling climate change, promote sustainable consumption and production and resilience building framed in the EEAS Global Strategy, the Proposal for a new European Consensus on Development, Agenda 2030 and the Cleaner Pacific 2025 (Pacific Regional Waste and Pollution Management Strategy 2016-2025). It meets the needs of the Government of Tuvalu as identified in the National Indicative Programme 2014-2020 and is consistent with the country priorities as set out in the Tuvalu National Strategy for Sustainable Development *Te Kakeega III* 2016-2020. The action builds on the national and regional programmes under the 10<sup>th</sup> EDF and other partners' assistance in the sector and will synergise and complement other initiatives in particular 11<sup>th</sup> EDF Regional Indicative Programme Objective 2.2 (Waste management).

Tuvalu Cabinet endorsed the *Tuvalu Integrated Waste Policy 2017-2026* and the ensuing medium-term *Integrated Waste Action Plan 2017-2020 (IWAP)* in July 2016, which encompass clearly defined goals to achieve the national vision: "*a cleaner and healthier Tuvalu for today and the future generations*". The proposed 11<sup>th</sup> EDF Programme is fully aligned with the vision, objectives and results set out in these two programmatic documents which are foreseen to serve as a robust framework for waste system improvement and for institutional strengthening.

The **Overall Objective** of the Action is "The Tuvaluan population enjoys a healthier and cleaner environment". The **Specific Objective** is to reduce waste-related environment degradation. The **main result** is a sustainable and safer waste management system that operates effectively and efficiently. **Key activities** foresee support to: waste reduction and resource recovery programmes including exporting of recyclables; improve waste disposal system and infrastructure; establish public private partnerships; improve waste collection; strengthen community awareness and education, complemented by horizontal support to strengthen institutional systems, capacity

building and introduction of sustainable financial mechanisms as well as support to PFM reforms in specific areas. The Action will lay the ground for realising synergies and complementarities with activities planned under the Regional Indicative Programme Objective 2.2 (Waste Management) and Objective 1.1 (Private sector development), and with other relevant Government and development partner programmes.

The total allocation is EUR 6.8 million, of which EUR 5.9 million is programmed for the waste Sector Reform Contract (SRC), EUR 300 000 for support to civil society, EUR 500 000 for support measures. For the SRC allocation, EUR 5.9 million is to be disbursed over four years with 90 % as fixed tranche and 10 % as variable tranche. EUR 100 000 is allocated for evaluation and audit. The first, second and third payments remain as a fixed tranche only. The variable tranche is linked to progress in the two indicators, namely one regulation on import waste levy passed and enforced and quantity of recyclable waste exported.

Support to civil society (EUR 300 000) is expected to encourage participation and involvement, especially from community-based groups, women and youth, in engaging sustainable waste management practices at grassroots level and support behavioural change. Furthermore, enhancing civil society capacity and increasing their knowledge of policies will be developed such that they have the space to participate in policy dialogue with the national government.

## **1 CONTEXT**

### **1.1 Sector/Country/Regional context/Thematic area**

#### Country context

Tuvalu, a low-lying atoll nation, is one of the smallest and most isolated countries in the world. Comprising eight islands with a total land mass of just 26km<sup>2</sup>, Tuvalu is more than 3,000 kilometers away from its nearest major external market (New Zealand).<sup>1</sup>

With a population of 11 000 with over 60 % residing on the capital Funafuti, Tuvalu is a least developed country, with a GDP per capita estimated at about USD 3 000 in 2016 (World Economic Outlook 2016). It is not ranked in the Human Development Index. The country's main revenue sources include fishing licenses, .tv domain, remittances and transfers from the Tuvalu Trust Fund (TTF).

The country, remote and with a very narrow economic base, faces tremendous challenges linked to vulnerability, volatility, institutional capacity and, above all, climate change and rising sea levels, which threaten the country's very existence. Funafuti Atoll has become increasingly urbanised over the last 25 years and is under severe population pressure. Shortages of water catchment and storage, causing periodic water shortages, poor liquid and solid waste disposal, unplanned and inadequate housing, degradation of Funafuti's fragile coastal marine ecosystems (due for instance to piggery waste effluent discharged; dumpsite leachates and plastic waste entering the lagoon/ocean side of the atoll), and congested unsanitary living conditions are challenges that need to be urgently tackled.

Tuvalu declared a state of emergency in March 2015, following Tropical Cyclone Pam which caused extensive damage to roads, health infrastructure and houses. Following that, Tuvalu endorsed the Tropical Cyclone Pam Recovery and Vulnerability Reduction Plan 2015 -2017.

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<sup>1</sup> The island chain stretches 676 km from north to south and covers 757,000km<sup>2</sup> of ocean.

In early 2016, the Government of Tuvalu endorsed the National Strategy for Sustainable Development, Te Kakeega III (TKIII), which is aligned with the UN Sustainable Development Agenda and four new priorities: Climate Change, Environment, Migration and Urbanization and Oceans and Seas. The policies on Climate change (sea defences and land reclamation), Environmental Protection, Economic Stability and Growth, Employment and Trade and Fisheries are recognised as particularly urgent.

Tuvalu, a strong advocate of the climate change agenda, played an instrumental role in the climate change negotiations of the COP 21 Summit in Paris 2015.

### Sector context

Tuvalu recognises that waste management is one of the most pressing problems which have direct implications for the health of its communities and natural ecosystems, reducing their resilience to climate change impacts, and ultimately impinging on the country's social and economic development. As a response, Tuvalu has set up, with the Asian Development Bank (ADB) and EU support, the Solid Waste Agency of Tuvalu (SWAT) under the Ministry of Home Affairs and Rural Development (MHARD). SWAT has the overall responsibility for the coordination, management and supervision of waste management. It takes nationwide responsibility for dealing with solid waste including hazardous waste through proper storage, handling, transportation and appropriate disposal arrangements.

Despite good progress achieved, further resources are needed to build capacity, strengthen institutions and support key waste reforms including investments in line with the Investment Plan 2017-2021 that will assist the Government of Tuvalu to achieve its aspirations for a cleaner and healthier Tuvalu. Main investments include: rehabilitation of landfills in Funafuti and outer islands, setting up a Transfer and Recycling Station, scaling up biogas schemes using piggery waste, waste equipment and machinery (complementing 10<sup>th</sup> EDF).

#### **1.1.1 Public Policy Assessment and EU Policy Framework**

The action aligns with the main strategy documents: EEAS Global Strategy, the Proposal for a new European Consensus on Development, Agenda 2030 and the Cleaner Pacific 2025 (Pacific Regional Waste and Pollution Management Strategy 2016-2025), and the new EU Gender Action Plan for 2016-2020 (EU Gender equality and women's empowerment: transforming the lives of girls and women through EU external relations 2016-2020).

At the national level, TK III emphasises the need for environment protection through proper waste management aimed at stopping unregulated development of dumpsites and degradation of the environment. But besides TK III, Tuvalu embarked on a separate full-fledged sector policy and implementation plan. Under this, the Tuvalu Integrated Waste Policy 2017-2026 and the ensuing medium term Integrated Waste Action Plan 2017-2020 (IWAP) were endorsed by the Cabinet in mid-2016. The formulation of the policy demonstrates strong local ownership and a robust leadership from SWAT, which ensured broad stakeholder participation of civil society including women, private sector, development partners and government agencies.

The *Tuvalu Integrated Waste Policy* defines the vision for "*a cleaner and healthier Tuvalu for today and the future generations*", articulated around six overarching goals: to strengthen institutional systems to address gaps in waste management, full understanding of the merits of proper waste management and co-sharing of the responsibility of managing wastes by stakeholders, to establish strong partnerships between the public and the private sector in service

delivery, to deliver services following best practice and cost effective approaches, to enhance capacity of waste practitioners and to report and effectively disseminate outcomes.

Some of the key strategic actions include: strengthen the 3 Rs (Reduce, Reuse, Recycle) plus Return approach, a more efficient waste collection, improved waste disposal infrastructure and equipment through the rehabilitation of the main dumpsite / construction of a new engineered landfill with proper operational procedures in Funafuti (serving more than 50 % of Tuvalu's population); completion of the Transfer and Recycling Station in Funafuti, strengthen public awareness, improve enforcement of regulations, develop waste business opportunities to ensure sustainable waste systems including financial mechanisms to support efficient delivery.

The IWAP is accompanied by an investment plan and a monitoring and evaluation framework. It is a realistic and credible costed plan - the estimated costing amounts to AUD 17.4 million and its financing is anticipated to be met through a combination of external and internal funds, clearly indicated in the IWAP. Costing exercise has been aligned to the 2017 budget formulation calendar to ensure stronger linkages between policy and budgeting<sup>2</sup>.

According to the Budget 2017, SWAT will receive little more than AUD 1 million in each of the years 2017, 2018 and 2019. If the Government meets the eligibility criteria, it can receive EUR 5.9 million in the period 2017-2020. This implies that the Government of Tuvalu will have more than double its budget for the years 2017, 2018 and 2019.

The IWAT estimates the costs for 2017-2021 at AUD 17.4. Since the Government of Tuvalu has only committed AUD 4 million for this period, and assuming it will maintain the same allocation in 2021 (so AUD 5 million commitments for 2017-2021), there is a gap of AUD 12.4 million. The EU programme intends to finance AUD 8.5 million (EUR 5.9 million). The remaining AUD 3.9 million will be financed by other development partners who have committed to assist Tuvalu in implementing the IWAP: Japan International Cooperation Agency JPRISM II project, the United Nations Development Programme (UNDP), the Secretariat of the Pacific Regional Environment Programme (SPREP). The revenues expected to be collected once the waste levy has been introduced will also contribute to finance the gap. The current and anticipated future commitments in the sector indicate that Tuvalu will be able to complete the IWAP.

The IWAP aligns with other key strategic documents<sup>3</sup>. The Budget 2016 allocated 0.7 % of the total expenditure to waste management and includes a dedicated programme with objectives. Although the waste allocation is small, the Budget shows that the sector has received significantly more funds. The sector budget in fiscal year (January-December) 2016 (AUD 933 237) increased 125 % compared to fiscal year 2015. This increase relates to the recurrent costs and the Special Development Expenditure. The latter will be used for the first phase of the investment to build a much-needed Waste Transfer and Recycling Station in Funafuti. The draft Budget for 2017 allocates AUD 1 030 281 that points to an increase of 10.4 % compared to fiscal year 2016. This demonstrates the government commitment to improve the waste sector.

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<sup>2</sup> For instance the debris and waste component of the TC Pam Recovery and Vulnerability Reduction Plan which focuses strongly on infrastructure and equipment amounted to AUD 4 005 000

<sup>3</sup> 2016 National Budget, TKIII, Tuvalu Infrastructure Strategy and Investment Plan (Pacific Region Infrastructure Facility – PRIF 2016), Tuvalu Tropical Cyclone Pam Recovery and Vulnerability Reduction Plan (2015-2017) and Cleaner Pacific 2025 (Regional Strategy for waste management in the Pacific 2016-2025).

The SWAT, which implements Annual Work Plans with clear Key Performance Indicators (KPIs), achieved a good execution of the budget in 2015, overspending 2 %. This proves a good capacity of SWAT to implement the allocated budget.

The different national strategic waste documents are in line with the main objectives of the Agenda for Change such as poverty reduction, sustainable growth improving resilience to natural disasters and to the consequences of climate change. Besides, as stated in the Proposal for a new European Consensus on Development<sup>4</sup>, "*Access to scarce natural resources is at risk, given depletion and unsustainable management, requiring support for a transformation towards a more circular economy, based on resource efficiency*".

All of these development objectives can be achieved and accelerated with a reinforced cooperation and partnership between Tuvalu and the EU.

SWAT procurement operations are done through the Government of Tuvalu's Central Procurement Unit (CPU), which follows sound procurement rules yet it needs capacity development.

### 1.1.2 Stakeholder analysis

**Government of Tuvalu** supports waste management reforms through **MHARD** and its agency **SWAT**, which defines the sectors' national policies, oversees implementation, provides guidance and coordinates with Development Partners and Private Sector. SWAT collaborates with other ministries/agencies such as: **Gender Affairs Department** under the Prime Minister Office (mandated to oversee implementation of the National Gender Policy and Action Plan), **National Disaster Management Office** (resilience/disaster prevention and response), local government **Kaupules** (for waste collection), **Health** (healthcare waste), **Environment** (pollution monitoring), **Agriculture** (composting), **Office of Attorney General** (legislation), **Customs** (import waste levy), **Trade** (waste related business opportunities), **Marine** (regulation of waste disposal at sea, boats back loading of recycled waste items).

SWAT staff has increased over the recent years and benefits from a strong leadership with staff holding adequate qualifications however with limited technical skills, despite trainings provided.

**Civil Society Organisations:** (i) **village committees/councils** including women, religious leaders and youth play an important role in prevention and awareness and through social networking can strongly promote changes to normative behaviours within the community; (ii) **TANGO** (the umbrella organisation for NGOs in Tuvalu) implemented promotion and awareness activities (10<sup>th</sup> EDF); although it benefitted from capacity building in public policy engagement and budget literacy (10<sup>th</sup> EDF NSA Programme with the Pacific Islands Forum Secretariat), its overall governance needs to improve; (iii) **Tuvalu Council of Women:** strong leadership, good outreach in outer islands through women representatives who have however a weak voice in decision making; sees opportunities for linking green waste with handicraft businesses for women; advocates for women empowerment and gender equality but has limited capacity and resources.

The **Private Sector**, contracted by SWAT for recycling (collection, processing and export of ferrous and non-ferrous materials and plastics) is very small and delivers substandard services due to weak capacity, further aggravated by the global fluctuation of the prices of recyclable items which makes the business less profitable. Other challenges include: limited economies of scale, unreliable transport services exacerbated by extremely high freight cost and insignificant reverse transport load due to low export base. The reverse logistics study (Japan International

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<sup>4</sup> COM(2016) 740 final

Cooperation Agency, 2013) recommended strong public sector involvement in the recycling business, yet there is potential lack of the Government of Tuvalu capacity to engage in Public Private Partnerships . IWAP calls for the development of a Road Map for improved Public Private Partnerships , access to a recycling regional network (subject to results of the 2017 Pacific Region Infrastructure Facility feasibility study) and a fully operational system of back loading of recycled waste, while promoting effective partnerships to improve service delivery.

**Development Partners** (Japan International Cooperation Agency, Taiwan, New Zealand, World Bank, ADB, the United States Agency for International Development, the Pacific Community and SPREP) have assisted with improvements in waste management.

The Action's **final beneficiaries** will be the recipients of waste services and the whole population who will benefit from cleaner and safer environment. Given the impact on women of environmental and natural resource degradation deriving from, inter alia, unsustainable production and consumption patterns and improper waste management, women will be a key beneficiary group. Also, as women educate their children, better health as a result of better waste management will have a direct sustainable effect on the health of the families and communities.

### **1.1.3 Priority areas for support/problem analysis**

Tuvalu has achieved **good progress** in advancing waste management reforms, among which: improved legislative framework (Litter and Waste Control Regulation and Waste Act 2009), the establishment of SWAT, more regular waste collection, minor rehabilitation of the dump site, rehabilitation of all borrow pits and some progress with the introduction of a waste levy and setting up a basic system for managing medical waste. But despite the progress, the small atoll nation is facing growing **challenges** especially in Funafuti: extremely limited land space for waste disposal compounded with land tenure issues (the estimated remaining lifespan of the current dump site in Funafuti is at nine months – by September 2017 – when considering the incoming disposed waste at its loose state without compaction), routine open dumping and uncontrolled burning of waste, insufficient community awareness/education and low enforcement of regulations, very weak private sector engaged in recycling services.

The collection of green waste (which forms up to 70 % of the waste generated) in Funafuti has slightly improved yet a comprehensive composting programme needs to be put in place, drawing on the recent results of the cost benefit analysis.

An estimated 5 600 m<sup>3</sup> of bulky waste from shipwrecks, car bodies and containers lie in Funafuti. The analysis of import data during the last six years period only has seen the rising numbers of import cars, white goods and other electronics. This will become a problem for Tuvalu if appropriate mechanisms are not put in place to control these difficult waste streams<sup>5</sup>.

Part of 10<sup>th</sup> EDF National Indicative Programme focused on waste management by providing equipment and support to capacity building. However, SWAT needs to continue improving its technical capacity to implement the IWAP, especially with regards to 3Rs programme and moving towards a financially self-sustainable national solid waste management system based on affordable and equitable user-pay and polluter-pay principles. Also, waste assets maintenance has proven problematic especially in the outer islands, due to insufficient capacity of the private maintenance contractor, complicated logistics and improper use of the equipment.

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<sup>5</sup> Assessment of waste streams and waste management on all islands of Tuvalu ( draft report March 2017, SPREP)

## **1.2 Other areas of assessment**

### **1.2.1 *Fundamental values***

Tuvalu adheres to the fundamental values of democracy, human rights and the rule of law.

Tuvalu is a parliamentary representative democratic monarchy, whereby the Monarch is the head of state, represented by the Governor-General, while the Prime Minister is the head of government. Executive power is exercised by the government. The Constitution of Tuvalu sets out the Principles of the Bill of Rights and the Protection of the Fundamental Rights and Freedoms. In 1986 the Constitution adopted upon independence was amended in order to give attention to Tuvaluan custom and tradition as well as the aspirations and values of the Tuvaluan people.

Tuvalu endorsed the Human Rights Action Plan in October 2016, which makes it the first Pacific country achieving this milestone.

Tuvalu maintains an independent judiciary consisting of a High Court, Magistrates Court on Funafuti and Island Courts and Lands Courts on each island. In 2014 the office of the Chief Ombudsman was established, whose primary role is to work to achieve good governance through the enforcement of the Leadership Code Act.

Democratic values in Tuvalu are strong with free elections every four years by universal adult suffrage. There are no formal political parties so all candidates are non-partisan, and election campaigns are largely on the basis of personal/family ties and reputation. The rule of law is sound, and the principles of good governance are generally adhered to, with improvements regularly attempted. The judiciary is independent and provides fair trials. An ombudsman – the first in Tuvalu – was appointed in August 2014 to enforce the Leadership Code, which governs the conduct of public officials. His five-year term began in October 2014.

Limited capacity may result in long waits in the legal system and restricted access to proper legal counsel. There are no reports of abuse in the prison system. Jails meet minimum standards.

There is no visible evidence of corruption and some of the risk areas identified by development partners<sup>6</sup> such as the poor timelines of the auditing of financial accounts are being addressed. The accounts are now audited on time. Other risk areas, however, remain, with key corruption risks being linked to absence of internal audit (which will be introduced with UNDP support), inadequate payroll control and management of fisheries Exclusive Economic Zone.

### **1.2.2 *Macroeconomic policy***

Tuvalu's macro-economic policies have been sound and stability-oriented in recent years. Information from the Ministry of Finance and Economic Development and the International Monetary Fund (IMF) support this statement. Since 4 June 2010, Tuvalu is a member of the IMF with whom it has a good relationship, with no outstanding purchases and loans and no financial arrangements. The IMF visits the country each two years for an Article IV consultation.

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<sup>6</sup> DFAT Assessment of National Systems, Nov 2015

According to the most recent IMF Article IV Consultation (2016), Tuvalu's main macro-economic challenges are to ensure fiscal sustainability, strengthen public service delivery, and create a more supportive environment for development. Risks to outlook relate to the effects of climate change, volatility in fishing revenues and volatile global financial conditions which could affect distributions to the budget from the TTF.

The authorities are aware of the challenges and have adopted a broad reform agenda in an effort to enhance governance and social development, facilitate private sector growth, and safeguard macroeconomic stability.

The Government of Tuvalu successfully implemented the first three phases of the **Policy Reform Matrix (PRM) 2012-2015** – the single matrix with actions on economic and PFM reforms in response to the multi-donor budget support programme jointly agreed between the Government of Tuvalu and ADB, World Bank, Australia's Department of Foreign Affairs and Trade (DFAT) and New Zealand's Ministry of Foreign Affairs and Trade (MFAT). It has recently endorsed Phase IV of the PRM (2016-2020), which includes key priorities to improve service delivery in basic education, primary and preventive healthcare, enhance infrastructure management including waste services and improving macroeconomic management and PFM<sup>7</sup>. It builds on gains achieved during the first three phases: (i) Strengthened public financial management. In the absence of its own currency and monetary policy, a sustainable fiscal policy is key to maintaining macroeconomic stability (Tuvalu uses the Australian Dollar as its currency hence there is no monetary policy); (ii) Reforming public enterprises to improve weak performance and profitability; (iii) Exploring opportunities for poverty reduction, job creation, and private sector development. (iv) Strengthening public service delivery, with a focus in health and education.

The Government of Tuvalu's external assets are solid. The TTF continues to perform well and has grown to 340 % of GDP in 2015 (value around AUD 148 million). It is professionally managed and audited by international firms. The Consolidated Investment Fund (CIF) – a buffer fund to finance budget expenditure in future years has been built up to 60 % of GDP (AUD 26 million). Finally, The Tuvalu Survival Fund, established in 2016 to finance pre and post recovery from climate change impacts actions amounts to AUD 5 million (11 % of GDP). The sustainability of the TTF and CIF creates a strong platform for the economic and financial reforms that the Government of Tuvalu is currently undertaking and plans to implement in future.

The Debt Sustainability Analysis (2016) concludes that Tuvalu remains at a high risk of debt distress, which makes it difficult to engage in new loan agreements. Although fiscal buffers have been replenished over the past four years, risks to debt sustainability remain high owing to the increased recurrent fiscal spending in 2015 and the 2016 budget. Nonetheless, fiscal stability has been encouraging in light of the small revenue base that is heavily reliant on fishing licenses. Tuvalu's revenues from fishing license fees reached a record 60 % of GDP in 2015, yet they remain volatile and the recent surge in license fees may be unsustainable (market conditions, climate change, overfishing).

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<sup>7</sup> The PRM IV, endorsed by the Parliament at the end of 2016, has been developed through a highly participatory process including development partners. The EU Delegation for the Pacific was actively involved in the negotiation process.

For 2015 the government balance is expected to be AUD 1.5 million, which is a surplus for the fourth year in a row (according to the 2016 National Budget, November 2015). It amounts to 27 % of GDP.

### **1.2.3 Public Financial Management (PFM)**

The Government of Tuvalu is highly committed to progress PFM as one of the key drivers for long-term growth. It has started to implement a comprehensive PFM Road Map since 2012 focusing on legal and policy framework, budgeting framework, accounting systems, fiscal reporting, procurement management, payroll management, oversight State Owned Enterprises, tax administration, management of non-tax revenue, social security framework, internal and external audit functions and oversight by public accounts committee. The PFM reform strategy is sufficiently relevant because it aims at tackling main weaknesses identified by the government, EU and other development partners. The reforms are in line with the budget support guidelines for Small Island Development States.

The PFM reform strategy is also considered sufficiently credible because the scheduled series of reforms are based on a sequential logic, are of the ambition of the size and capacity of the administration and are approached in a technical/technocratic way, which in turn makes possible to receive political support and create buy-in. Additional efforts should also go towards increasing institutional capacity.

The Government of Tuvalu is currently updating the PFM Road Map (2017-2020) and has committed to endorse it prior to the signature of the Financing Agreement for this Action. The formulation takes into account: (i) the results of the 2015 Public Expenditure and Financial Accountability (PEFA) Assessment and the DFAT Assessment of National Systems 2015 which found substantial improvements in PFM performance (e.g. in policy based budgeting, accounting and financial reporting, payroll controls, external audit function, comprehensiveness of budget documentation and public access to key fiscal information); (ii) the progress made in the implementation of the 39 PFM priority actions (2015-2016) reflected in MoF corporate plans.

Worth mentioning are the following achievements (though with remaining challenges):

**Procurement Reform:** improvements primarily due to new legislation and regulations being implemented. Procurement is centralised through the Central Procurement Unit (CPU), whose capacity has gradually improved. However, there are elements of resistance in Government of Tuvalu with the common complaint that it is taking too much time. Also, information on procurement, including contract award, is not consistently made public and annual independent procurement audits are not yet completed. The Government of Tuvalu is firmly committed to address these concerns: training will continue; procedures manual and annual procurement plans under preparation; independent complaints handling review body will be set up; and a review of procurement business processes will be undertaken. ADB and DFAT will continue to provide technical assistance. EU will also support capacity building to ensure timely execution of procurement in the waste sector.

**Public Enterprise (PE) Reform:** the Parliament passed a new *Public Enterprise Accountability Act* in 2010 currently under implementation. The governance of the PEs also enhanced. The submissions of financial accounts have improved but these are not consolidated. The fiscal risks from the PEs are not monitored, consolidated and reported.

The Government of Tuvalu has recently created the internal audit function.

In terms of challenges: limited absorptive capacity and weaknesses in technical capacities remain, together with high turnover of staff within civil service. The recruitment and retention of qualified officials will be particularly important to sustain the reform programmes under way.

PFM reforms are monitored by a Working Group under MoF, which includes a representative from the Office of the Auditor General. The EU, through the IMF Public Finance Technical Assistance Centre (PFTAC), ADB, the World Bank, DFAT and MFAT are assisting with PFM reforms in a coordinated manner.

The TKIII includes measures to strengthening the fiscal and financial situation (e.g. reform of the banking system to improve financial services (e-banking) and reduce nonperforming loan, litigate and recover outstanding Development Bank of Tuvalu loans, and improving resource allocation.

#### 1.2.4 *Transparency and oversight of the budget*

There has been positive trend in what concerns transparency and oversight of budget as indicated in the 2015 PEFA Assessment. The share of required information in the budget documentation has improved; also public access to key financial information has increased: the audit website has all budgets, financial accounts and audit reports. Also Dashboard is circulated to all staff monthly and included in the audit website. Parliamentary sittings are broadcasted live on the radio to enable people living on outer islands to hear the debates. In addition, quality and timelines of in-year budget reports have improved as did the quality and timelines of annual financial statements. Finally, there has been a positive trend in legislative scrutiny of the annual budget law.

The entry point for budget support is the government’s publication of its budget within the past or current budget cycle. The 2016 Budget was tabled in Parliament on 16 December 2015 and published on the website of the Auditor-General. Also the Budgets of previous years were published on the Auditor-General’s website, in English and Tuvaluan. The entry point is considered to be met since the Budgets are publicly available.

## 2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Lack of Government capacity to monitor and report progress on reforms (in most of the areas) and to provide technically sound and cost-effective solutions for introducing innovative reforms in waste	Medium	Provision of EUR 500 000 for technical assistance support to assist with programme implementation, which will be mobilised early on. Other technical assistance was/is provided in parallel under PacWaste and other projects in 2016 to enable SWAT to be effectively prepared to start the new programme (cost benefit analysis of green waste, ongoing waste characterisation study including preliminary study for options for landfilling of the dump site in Funafuti, support to monitoring and evaluation). Enhanced capacity (on-the-job training, south to south cooperation etc) will continue to be provided under SPREP, Japan International Cooperation Agency programmes.
Lack of capacity of the Central Procurement Unit (CPU) to carry procurement in waste sector	Medium	Provision of technical assistance to supplement and build capacities of CPU to launch and manage tenders; technical assistance will be provided to SWAT to prepare the more

		complex technical specifications
Lack of investments (poor maintenance due to lack of skills and funding; non-repayment in case of fresh loans taken for co-financing)	Medium	Technical assistance (ADB) in operationalising the asset management framework; Government of Tuvalu establishing sink fund for maintenance; feasibility study on options for subcontracting for the maintenance services and implementation of the most cost-effective solution; Tuvalu is at high debt distress hence in a difficult position to take up new loans
Poor maintenance of assets in the sector	Medium	10 <sup>th</sup> EDF technical assistance ongoing for setting up a robust asset maintenance system (identification of an asset inventory with proper depreciation and replacement costing; revenue generation through waste levy will support the establishment of a sink fund to cover maintenance costs)
Low financial sustainability of waste reforms	Medium	Technical assistance conducts survey to assess people willingness to pay for waste services incl. collection and disposal (PacWaste); passing of a waste levy on imported goods regulation
Government fails to secure land leases in Funafuti for waste disposal sites	High	EU maintains a close policy dialogue with the Government of Tuvalu on this issue; the Government of Tuvalu is already working on addressing this before the start of the programme
Lack of public support	Medium	Implementation of a comprehensive promotion and awareness to support behavioural change with participation of women - powerful agents of change); law enforcement through passing of regulation linked to the Waste Operations and Services - WOS Act and proper monitoring
Natural disasters (in view of the past)	Medium	Several 10 <sup>th</sup> EDF projects, Green climate Fund, NAPA and LOCAL assist with building community resilience and disaster risk management
Extreme weather events and sea level rise can threaten waste infrastructure	High	Ensure that climate sensitive infrastructure and equipment is procured
The Government's ability to achieve and maintain its eligibility to receive EU budget support	Medium	Provision of EUR 500 000 for technical assistance support to assist Tuvalu implement budget support in the focal area. Support from other partners, particularly in the areas of PFM will be important in ensuring maintenance of the eligibility.
Government budget allocation to waste remains low	Medium	SRC will measure progress in the sector policy (for fixed tranches) and track performance indicators (for variable tranches). The will also maintain a policy dialogue to mitigate this risk. The Waste Committee will be used to assess performance of the programme
EU Regional and Intra ACP funded programmes fail to create necessary synergies	Medium	Information exchange and strong coordination among delegations, reg. organisations and national stakeholders.
<b>Assumptions:</b> (i) The Government of Tuvalu is assumed to continue to provide opportunities for the participation in policy dialogue on waste related issues. (ii) Continued, positive engagement between the Government of Tuvalu and the European Union. (iii) Commitment and availability of appropriate line ministry staff to take responsibility for programme implementation.		

### 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

#### 3.1 Lessons learnt

Findings from reviews, monitoring and evaluation reports and from the on-the-ground experiences from partners have fed the development of the proposed Action and include:

- This small island unique features (small dispersed population, implying a very small domestic market which limits the scale and scope for domestic production and exchange, geographical remoteness, lack of natural resources, vulnerability to environmental shocks) needs to be reflected in the action design and implementation arrangements. Solutions need to be practical, simple and use low, climate proof technology.
- National ownership and close inter-sectoral collaboration during project design, planning and implementation are critical. Development partner coordination is also critical given the limited capacities within the Government of Tuvalu.
- Several elements of the PRM have helped achieve improved outcomes in terms of government's fiscal and macroeconomic management of the economy. Critical to achieving success has been the technical assistance provided and tied to several of the reforms required. This has both supported capacity development and supplemented the Government of Tuvalu's capacity.
- Communities and in particular women should be consulted and informed about key decisions related to payment mechanisms, land tenure and maintenance. Waste management is very much about behavior change: consider a well targeted awareness and promotion component, including working with women, youth and religious leaders.
- Outsourcing waste services to the private sector needs to follow a proper feasibility study backed up by adequate capacities and incentives.
- The move from 10<sup>th</sup> EDF project approach (solid first foundation) to sector reform contract has brought a positive change in the Government of Tuvalu's ownership and depth of policy dialogue.
- The importance of conducting robust baseline studies on waste generation and ability to pay to inform decision making.
- The Government of Tuvalu needs to clarify landowners' decision on land use, to inform proper medium/long term planning of investments.

#### 3.2 Complementarity, synergy and donor coordination

The Action, both in terms of financial contribution (i.e. approximately AUD 9.7 million for four years compared to approximately AUD 1 million for the 2017 annual state budget) and scope and coverage will allow the EU to become the main development partner in the sector and also the front runner in sector policy dialogue. The sector policy dialogue will be complemented by regional policy dialogue using existing platforms (Pacific Region Infrastructure Facility<sup>8</sup> Urban Development Sector Working Group, chaired by EU, and Clean Pacific Roundtable). The EU will continue to sit at the table of negotiations for the implementation of PRM IV.

**Waste sector:** The Action will build on 10<sup>th</sup> EDF results in waste, water and sanitation and will look at synergies and complement regional programmes: PacWaste (2013-2017), 11<sup>th</sup> EDF Regional Programme Objectives 2.2 (waste) and 1.1 (private sector development), the Investment Facility for the Pacific in particular the Research for Regional Resource Circulation

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<sup>8</sup> <http://www.theprif.org>

and Recycling Network (results due 2017). Possibilities for complementarities/synergies with relevant projects under the Co-financing Facility (11<sup>th</sup> EDF Regional Indicative Programme) will also be explored.

The Action will coordinate/complement other past and ongoing initiatives: baseline survey of asbestos and medical waste, and landfilling options study in Funafuti (PacWaste), the borrow pits rehabilitation (MFAT), waste and chemical management training (Global Environment Facility – SPREP), composting programme (Republic of China-Taiwan), waste to energy (Ridge to Reef – Pacific Community), wharves and jetties rehabilitation (ADB), asset management framework (Pacific Region Infrastructure Facility), the Local Climate Adaptive Living Project (United Nations Capital Development Fund), focusing on improving local development planning and budgeting in outer islands. Regarding waste exporting, the Action will take into account the waste characterisation and exporting options study (World Bank, 2015) which researched the feasibility of exporting waste (though superficially) and provided a work plan and costs estimates. In addition, it will build on the results of the study on Regional Resource Circulation and Recycling Network in the Pacific (Pacific Region Infrastructure Facility, ongoing to be completed by December 2017) which will establish country profiles (incl for Tuvalu) to determine: recyclables material flows (difficult wastes, pet bottles, bottles and cans, papers, e-wastes, used oil, batteries, tyres and End of Life Vehicles and renewable energy equipment), policy, legislation and infrastructure and options for domestic recycling technology. This will feed into a cost benefit analysis of establishing regional recycling hubs. The Action will assist SWAT in adopting the needed legislation and procure the infrastructure required for waste exporting.

At national level, a National Coordination Committee (NCC) in the waste sector, led by SWAT, has been mandated to monitor reform implementation and oversees the Annual Sector reviews. Cooperation with development partners in the waste sector in Tuvalu is very good, in particular with New Zealand, World Bank and SPREP.

**Macro/PFM:** There is high degree of coordination. Five development partners (EU, World Bank, DFAT, MFAT and ADB) have combined their budget support operations into a single reform matrix (the PRM) jointly agreed with the Government of Tuvalu. This coordinated approach reduces the transaction burden on thin government capacity. The (partial) joint monitoring conducted in the past needs to be better streamlined and arrangements are currently under the negotiation with the Government of Tuvalu.

The EU has been closely engaged in the formulation and the policy dialogue on PRM IV. The bi-annual TTF Board Meetings (members: Australia, MFAT and the Government of Tuvalu), where EU attends as Observer, provide an effective forum for dialogue on economic and financial reform agenda.

Partners' support to PFM will continue based on a clear division of labour: enforcement of Public Enterprises' tax obligations through an enhanced compliance improvement programme; statistics focusing on national account compilation, financial sector supervision (PFTAC); procurement area and budget and treasury advisor (DFAT); improve governance administration and profitability of Public Enterprises (ADB); banking sector (World Bank). The Action will complement Regional Indicative Programme Objective 3.1 (Inclusive and accountable governance).

**Complementary measures – Civil Society Organisations component:** The action will build on results from 10<sup>th</sup> EDF Tuvalu water, waste and sanitation outreach education and awareness Programme which contributed to increased waste practices awareness and promotion in communities. It will also look at synergies with 10<sup>th</sup> EDF Strengthening Non-State Actors Engagement in Regional Policy Development and Implementation Programme (Pacific Islands Forum Secretariat), 11<sup>th</sup> EDF Regional Indicative Programme Objective 3.2 (Gender, Human Rights and Civil Society) and the Regional NSA programme (OXFAM, 2017-2019). The Action will look to work closely with women as they are powerful agents of change in the area of waste and can strongly promote changes to normative behaviours within the community through social networking.

External aid implementation is coordinated through the MoF Aid Coordination Unit, however linkages with planning and budget department need to improve.

### **3.3 Cross-cutting issues**

Environment, climate change, poverty reduction, good governance, gender equality and women empowerment are all priorities for Tuvalu, as highlighted in TKIII. Tuvalu will address these priorities across all 11<sup>th</sup> EDF Actions and make them an integral part of the overall approach to development.

The Programme will positively affect the terrestrial, marine and atmospheric environment through, among others, improving climate change mitigation through reducing the amount of waste produced and reducing green gas release through improved disposal methods, recovery of recyclables and use of organic wastes and agricultural effluents for composting and/or biogas generation (reducing dependency on fossil fuel). An environmental impact assessment will be conducted at the beginning of programme implementation. On gender, possible activities can include: recycling and reusing of wastes, particularly those that could be used in setting up or be used in an informal sector enterprise; including gender specific designs and gender sensitive approaches in quality education materials related to waste messages. Also, policy dialogue in the waste sector will ensure that gender dimensions are considered and efforts will be made to ensure gender disaggregated data is made available in the future to allow for better analysis and evidence-based policy making to take place. The action will contribute to supporting biodiversity (e.g., through support to coastal marine ecosystems).

Sustainable reduction in environmental degradation thanks to better management of waste therefore can be an engine for poverty reduction, social progress, equity, enhanced resilience, economic growth, and environmental sustainability. Once communities have access to modern waste services, the impact on health and in general human development is substantial.

## **4 DESCRIPTION OF THE ACTION**

### **4.1 Objectives/results**

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG 3 (Healthy Lives), 15 (Protect, restore and promote sustainable use of terrestrial ecosystems, halt biodiversity loss) but also promotes progress towards SDG 14 (Conservation and sustainable use the oceans, seas and marine resources). This does not imply a commitment by the country benefitting from this programme.

The **Overall Objective** is "The Tuvaluan population enjoys a healthier and cleaner environment". The **Specific Objective** is "to reduce waste-related environment degradation".

The main **Result** is "a sustainable, more environmental safe waste management system that operates effectively and efficiently". This will be reflected in concrete achievements on the ground, responding to the identified needs and priorities (section 1.1.3): number of composting programmes implemented, Transfer and Recycling Station commissioned and in full operation in Funafuti, rehabilitated landfill operating in Funafuti (with enhanced policy dialogue on land tenure issues), recyclables waste exported (once proper export regulations are in place and equipment procured to permit bulky waste transferred in containers), waste levy regulation passed and enforced, setting up of a funding mechanisms for maintenance of built infrastructure and acquired assets, and increased population awareness around waste practices. These will be complemented by horizontal support to strengthen institutional systems, capacity building and support to PFM reforms based on a sound division of labour with other development partners.

The action will be implemented taking into account the main identified risks (and mitigating measures as highlighted in section 2): low public support, capacity related to procurement, land tenure, maintenance of investments and acquired assets.

The action will positively affect the terrestrial, marine and atmospheric environment through, among others, improving climate change mitigation through reducing green gas release through improved disposal methods, recovery of recyclables and use of organic wastes and agricultural effluents for composting and/or biogas generation (reducing dependency on fossil fuel). It will thus contribute to environment sustainability through promoting initiatives such as safe disposal of wastes, rehabilitation of dumpsite/establishment of a modern landfill therefore reducing the impact of leachate into the soil and groundwater and diversion of green waste from landfill into composting programmes, thus reducing the release of methane in the atmosphere.

Beyond the waste sector, EU assistance will support participation of Civil Society Organisations (CSOs) in policy dialogue - a crucial component of any democratic system. By means of budget support, it will require progress in public finance management and macro-economic policies that are stability-oriented. Particular focus will also be given to gender issues.

The action will include specific indicators to measures the results which will be drawn as much as possible from the KPIs of the IWAP.

## **4.2 Main activities**

### **4.2.1 Budget support**

Given the unique context of this small atoll nation (vulnerability, volatility and institutional capacity with very small government administration), the core activities will include: EU policy dialogue and review process with a strong focus on a few key and country-owned measures and a close alignment/integration of the broader budget support assessment framework with other budget support partners, using existing entry-points/ platforms i.e. High Level Annual Development Partners Forum; TTF Board Meetings and PRM Reviews.

This will be complemented by regional meetings in the Pacific as channels for dialogue; in-country missions; monitoring of the waste sector performance through Sector Annual Reviews; monitoring of macroeconomic conditions taking into account IMF missions and other relevant assessments, monitoring of PFM eligibility on the basis of PFM Rod Map as well as ad-hoc analyses; analysis of budget transparency which will be undertaken through verification of public availability of appropriate documentation.

These activities will be supported by the transfer of maximum of EUR 5.9 million, in tranches for which each time eligibility criteria have to be met. The general eligibility criteria concern progress in the waste management sector, macro-economic policies that are stability-oriented, progress in public finance management and budget transparency and oversight.

Financial additionality is a key element of the sector reform contract as the waste sector is currently underfunded. The Programme will allow for increased level of spending in the sector in line with the policy financing needs. The level of public spending will be monitored through the annual review of the waste sector.

#### **4.2.2 Complementary support**

EUR 300 000 will be used to support civil society organisations to actively engage in the 11<sup>th</sup> EDF Programme and promote its sustainability. The foreseeable activities include encouraging participation and involvement from civil society, especially community-based groups, women and youth, in engaging sustainable waste management developments at the grassroots level on waste awareness and promotion and support behavioural change.

The anticipated increased participation of civil society support will be integrated into the waste sector budget support programme by their involvement in monitoring the implementation of the IWAP and other national strategic documents. The capacity of the village committees who are playing a critical role in sensitising the communities to the fragile nature of the eco-system and the need to responsibly manage waste will also be enhanced. Since the perception, role and influence of the general population will be of strategic importance in the success of the policy, CSOs component is hence a strategic central element of the programme, and CSOs should play a leading role in behavioural education activities.

Furthermore, enhancing CSOs capacity to manage resources, implement projects and provide services and increasing their knowledge of policies will be developed such that they have the space to participate in policy dialogue and build a proactive partnership with the government. This will open a door to a constructive engagement between CSOs and the Government of Tuvalu. This is complementary to EU Regional Roadmap for the engagement with the civil society in the Pacific.

EUR 500 000 will be utilised for a technical assistance support programme which will be key, given the challenges linked to weak institutional capacity and given that this is a first generation sector reform contract. The technical assistance will be well coordinated with other partners and will cover **waste management** (such as feasibility studies, landfilling, resource recovery, revenue generation, drafting of new regulations), **PFM**, with a focus on strengthening the operations of the Central Procurement Unit, and **support to the National Authorising Officer (NAO)** to execute and monitor the necessary administrative processes in close collaboration with the Aid Coordination Unit.

### **4.3 Intervention logic**

Based on needs, gaps, opportunities and risks identified in previous sections, this action's *Overall Objective* is "The Tuvaluan population enjoys a healthier and cleaner environment", through support to the reduction of waste related environment degradation. This will be achieved, in turn, through a sustainable and safer waste management system operating effectively and efficiently and using approaches and mechanisms which are gender sensitive. The action will directly

support the implementation of the IWAP. This shall lead to a political, administrative and financial framework conducive for waste systems and services improvement.

Assistance will be delivered through budget support and complementary measures. This mix is expected to improve aid effectiveness and impact through greater coordination and country ownership, and the use of country systems resulting in reduced transaction costs. In addition, budget support is expected to provide increased EU influence in the policy dialogue on waste management sector reforms as well as higher level dialogue on broader issues of common interest (such as the climate change agenda).

A number of tangible benefits have already been observed: strengthened partnership and sector ownership and a close engagement of EU in a number of high level events/reforms including the drafting of the Policy Reform Matrix 2016-2020 and of the PFM reform programme, in close coordination with other development partners. Such dialogues were not previously possible under the project modality pursued under 10<sup>th</sup> EDF.

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision non-substantial amendment in the sense of Article 9(4) of Regulation (EU) No 322/2015.

### **5.3 Implementation of the budget support component**

#### **5.3.1 *Rationale for the amounts allocated to budget support***

The amount allocated for budget support component is EUR 5.9 million, and for complementary support is EUR 800 000 together with allocation for audit and evaluation of EUR 100 000. These amounts are based on:

- The Government of Tuvalu's commitment to allocate national budget resources (including EU budget support) in line with development strategy and objectives and to follow standard national budget procedures;
- Track record and absorption capacity of past allocations and how effectively agreed objectives were achieved with project operations;
- Result orientation in the partner country's development strategy including a monitoring system.
- EU commitment to maintain a financial engagement (although higher) to that achieved under the 10<sup>th</sup> EDF.
- The sector's high performance under the previous programme under 10<sup>th</sup> EDF.

### 5.3.2 Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the Tuvalu Integrated Waste Policy and Action Plan and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the PFM Reform Road Map;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

b) The specific conditions for disbursement that will be used for the variable tranche are the following:

- **First indicator: Regulation on import waste levy passed and enforced**
- **Second indicator: Quantity of recyclables wastes exported from Tuvalu**

The indicators are consistent with the Tuvalu Integrated Waste Policy and the Integrated Waste Action Plan and have been agreed upon by the National Authorising Officer, the Ministry of Home Affairs and Rural Development Resources and the Solid Waste Management Agency. Indicators are monitored regularly and are part of the Monitoring Plan.

Indicators are relevant, credible and measured regularly and accurately.

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the Government of Tuvalu may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

### 5.3.3 Budget support details

The disbursements under this sector reform contract will consist of four fixed tranche of EUR 5.3 million in total, and one variable tranche of a total of EUR 600 000.

Indicative Breakdowns (in M Euros)

Type of tranche	Country Fiscal Year															
	FY 2017				FY 2018				FY 2019				FY 2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Fixed				2.0				1.3				1.2				0.8

Variable																0.6
<b>Total</b>				<b>2.0</b>				<b>1.3</b>					<b>1.2</b>			<b>1.4</b>

\* Tuvalu fiscal year starts on 01 January and ends on 31 December. Payment will be made in the fourth quarter of each fiscal year.

The following tentative schedule is proposed:

Waste sector review meetings	Disbursement Request submitted by NAO, latest	Planned disbursement	Budget Year	Tranches
<b>June 2017</b>	July 2017	October 2017	FY 2017	1 fixed tranche EUR 2 million <b>Total: EUR 2 million</b>
<b>Dec 2017</b>	July 2018	October 2018	FY 2018	1 fixed tranche EUR 1.3 million <b>Total: EUR 1.3 million</b>
<b>Dec 2018</b>	July 2019	October 2019	FY 2019	1 fixed tranche EUR 1.2 million <b>Total: EUR 1.2 million</b>
<b>Dec 2019</b>	July 2020	October 2020	FY 2020	1 fixed tranche EUR 800 000 1 variable tranche EUR 600 000 <b>Total: EUR 1.4 million</b>

Budget support is provided as direct untargeted budget support to the national Treasury. The crediting of the euro transfers disbursed into Australian Dollars will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

#### 5.4 Implementation modalities for complementary support of budget support

##### 5.4.1.3 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative quarter of launch of the procedure
Evaluation	Services	2	Quarter 4, 2018 Quarter 2, 2021
Audit	Services	1	Quarter 4 2020

##### 5.4.1.5 Indirect management with the partner country

A part of this action with the objective of supporting the Office of the NAO and support to civil society organisations may be implemented in indirect management with the NAO of Tuvalu in accordance with Article 58(1)(c) of the Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of the Regulation (EU) No 323/2015 according to the following modalities:

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts above EUR 100 000 (or lower, based on a risk assessment) and may apply ex post control for procurement contracts up to that threshold. The Commission will control ex ante the grant procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the partner country for ordinary operating costs, direct labour and contracts below EUR 300 000 for procurement and grants.

The financial contribution covers for an amount of EUR 20 000 the ordinary operating costs incurred under the programme estimates.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012 applicable by virtue of Article 36 of the Regulation (EU) 323/2015 and Article 19c(1) of Annex IV to the ACP-EU Partnership Agreement, the partner country shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of the Regulation (EU) No 323/2015, will be laid down in the financing agreement concluded with the partner country.

## 5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

## 5.6 Indicative budget

	<b>EU contribution (amount in EUR)</b>	<b>Indicative third party contribution, in currency identified</b>
5.3. Budget support Sector Reform Contract	5.9 million	N.A.
5.4.1.5 Indirect management with Government of Tuvalu (Complementary Measures)	800 000	0
5.9 - Evaluation, 5.10 - Audit	100 000	N.A.
<b>Total</b>	<b>6.8 million</b>	

## **5.7 Organisational set-up and responsibilities**

The Ministry of Home Affairs and Rural Development through the Solid Waste Management Agency shall be responsible for the implementation of the programme, in accordance with the waste sector action plan. The monitoring by the EU and the NAO will be through government led sector coordination and through government/donor meetings, based on country reports and monitoring and evaluation systems, in line with the Aid Effectiveness agenda.

Annual waste sector coordination meetings will be held with the European Union invited as a member. In addition, PFM, Macro and waste policy dialogue takes place at the occasion of PRM IV annual review meetings between government and the budget support development partners. The disbursement schedule is aligned with the Tuvalu budget year, the Development Partner/government annual meetings and the waste sector annual review process.

## **5.8 Performance monitoring and reporting**

Baseline data on main waste streams (collection, disposal) and willingness to pay by the population is currently being collected through a study conducted by SPREP (PacWaste), to be completed by May 2017.

Gaps will be filled in during the inception phase of the project, through work funded under the Complementary Measures. The targets will also be established during the inception phase.

A final study to collect results data will be conducted at the end of the project implementation (funded under the Support measures).

Waste Sector Review meetings will be held annually with sector implementing agencies, private sector, civil society, EU and other development partners invited to participate. The Review meeting will review the progress made in the implementation of the IWAP, reports on KPIs, including the targets set for the variable tranches. The monitoring framework which is part of the IWAP will also be used as basis for evaluation of the sector's performance.

The day-to-day technical and financial monitoring of the implementation of this Action will be part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the Action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## **5.9 Evaluation**

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this will be the first sector reform contract for the country.

The Commission shall inform the implementing partner at least two months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the Government of Tuvalu and other stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract in 4<sup>th</sup> Quarter 2018 and 2<sup>nd</sup> Quarter 2021.

## **5.10 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded under a framework contract in 4<sup>th</sup> Quarter 2020.

## **5.11 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

## 6 [APPENDIX - INDICATIVE LIST OF RESULT INDICATORS (FOR BUDGET SUPPORT)<sup>9</sup>]

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	<b>Intervention logic</b>	<b>Indicators</b>	<b>Baselines</b> (incl. reference year)	<b>Targets</b> (incl. reference year)	<b>Sources and means of verification</b>
<b>Overall objective: Impact</b>	The Tuvaluan population enjoys a healthier and cleaner environment	Quality of coastal marine and underground water in Funafuti	To be determined (2018)	To be determined (July 2021)	SWAT Report

<sup>9</sup> Mark indicators aligned with the relevant programming document mark with '\*' and indicators aligned to the EU Results Framework with '\*\*'.

<b>Specific objective(s): Outcome(s)</b>	Reduction of waste-related environment degradation through improved system and processes, and changed social behaviour	1. Quantity of recyclables wastes exported from Tuvalu in tonnes	1. 0 tonnes (2016)	1. 20 tonnes (July 2020)	1. Export documentation produced by Customs office in Funafuti/ Trans-boundary forms for the Waigani Convention
		2. Amount of hazardous waste disposed of safely in tonnes	2. 20 tonnes (2016)	2. 30 tonnes (July 2021)	2. SWAT Annual reports
		3. Amount of organic waste diverted from dumpsite for composting in tonnes	3. 2000 tonnes (2017)	3. 4000 tonnes (July 2021)	3. SWAT Annual reports
		4. % of households (in Funafuti) practicing improved waste management	4. 50 % (2016)	4. 90 % (July 2021)	4. Surveys conducted by SWAT and/or CSOs

<b>Induced Outputs</b>	Environmentally safe waste management system established.	1.1 Number of composting programmes implemented in Funafuti and Outer Islands	1.1 One (2016)	1.1 At least 3 by July 2021	1.1 SWAT Annual Reports
		1.2 Status of Transfer and Recycling Station in Funafuti	1.2 Not operating	1.2 Fully operating by 2021	1.2 SWAT Annual Reports
		1.3 Status of waste levy regulation	1.3 No waste levy (2016)	1.3 Waste levy enforced by July 2020	1.3 Waste sector budget
		1.4 Number of new controlled landfills fenced and with adequate operating procedures applied in Funafuti and outer islands *	1.4 0 (2016)	1.4 4 by July 2021	1.4 SWAT Annual Reports
	Communities sensitised to sustainable waste management practices	1.5 Number of persons (gender-disaggregated) in Tuvalu sensitised regarding waste practices	1.5 0 (2016)	1.5 500 males and 500 females reached in Funafuti and outer islands yearly during 2018-2020	1.5 SWAT Annual Reports

<b>Direct outputs</b>	Improvement in the relationship between external assistance and the national budget and policy processes.	3.1 Number of waste sector review meetings per annually	3.1 0 (2016)	3.2 Annual (2017-2021)	3.1 SWAT's annual reports
		3.2 Number of government-CSOs policy dialogues annually on waste management	3.2 0 (2016)	3.2 Annual (2017-2021)	3.2 SWAT's annual reports
		3.3 Budgetary allocations to the waste sector	3.3 AUD 933,237 (2016)	3.3 Increased budget allocation of at least 2.5 % annually (2017-2021)	3.3 Waste sector budget
		3.4 Status of dedicated budget line on waste levy revenues in budget	3.4 No dedicated budget line for waste levy revenues (2016)	3.4 A dedicated budget line for waste levy revenues	3.4 Waste sector budget