ANNEX 1
of the Commission Decision on the EDF 11 Post Cyclone Recovery Programme for Fiji

Action Document

<table>
<thead>
<tr>
<th>1. Title/basic act/CRIS number</th>
<th>Post Cyclone Recovery Programme (PCRP) (State Building Contract -SBC type) Decision no. 2016/39470 Financed under European Development Fund Reserve Envelope</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Zone benefiting from the action/location</td>
<td>Fiji The Action shall be carried out at the following location: Republic of Fiji</td>
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<td>4. Sector of concentration/thematic area</td>
<td>Post cyclone reconstruction and recovery</td>
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<td>5. Amounts concerned</td>
<td>Total estimated cost: <strong>EUR 10 million</strong> Total amount of EDF contribution: EUR 10 million from the Reserve.</td>
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<td>6. Aid modality(ies) and implementation modality(ies)</td>
<td>Aid modality: Budget Support Direct Management - Budget Support</td>
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<td>7. DAC code(s)</td>
<td>General Budget Support 51010; Agricultural development 31120</td>
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<td>8. Markers (from CRIS DAC form)</td>
<td>General policy objective</td>
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<td>Participation development/good governance</td>
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<td>Reproductive, Maternal, New born and child health</td>
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<td>RIO Convention markers</td>
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<td>Biological diversity</td>
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SUMMARY

The Post Cyclone Recovery Programme is EUR 10 million direct response of the EU to the post Cyclone Winston rehabilitation and reconstruction efforts in Fiji with a particular focus on agriculture and the sugar areas of the country.

Activities in support of post cyclone recovery efforts may include rehabilitation of agriculture infrastructure, crop and livestock support, assistance to farmers, growers, agro-processing companies and workers in the sugar belt and agriculture areas of Fiji which have been the most affected areas by the Cyclone. Activities related to rehabilitation and reconstruction will be aligned with the conclusions of the Post Disaster Need Assessment (PDNA) jointly prepared by the Government of Fiji and Development Partners in April 2016.

By providing rapid relief to regions central to agriculture and sugar productions hit by the cyclone, the intervention will contribute to ensure that recovery progresses rapidly.

The Action foresees a release of a unique EUR 9.8M fixe tranche in 2016 upon approval by the Government of Fiji of the Post Disaster Need Assessment Report and a recovery programme for the Agriculture sector. The budget support component of this action is 98% of the total budget. EUR 200 000 will be allocated for monitoring, evaluation and audit.

1.1 Sector/Country/Regional context/Thematic area

Fiji has a population of around 900,000 and a total land area of 18,333 square kilometres. It is composed of 330 islands, of which approximately half are inhabited. It is one of the wealthiest upper middle income countries in the Pacific, with GNI per capita of USD 5,112 in 2014. Recent economic performance has been good, with GDP growth estimated at 4.3% in 2015 and further growth around 3.6% \(^1\) expected in the next years. Fijian economy is relatively diversified with main sources of revenues being tourism (38% of GDP), agriculture (10%), garment industry, mining. And while extreme poverty is low in Fiji (only 4.5% of Fiji’s population live below the food poverty line of USD 1.40 per day), 35.2% of the population live below the basic needs poverty line (of USD 3.10 per day).

Government capital expenditure remains a feature of the economy and driver of GDP growth with estimated expenditure in 2015 of EUR 583 million\(^2\). Growth rate, at 2% between 2004 and 2014 has

\(^1\) Source: IMF Article IV 2014; 2016 and Reserve Bank of Fiji Economic Review vol 31, No11

\(^2\) Source: Reserve Bank of Fiji.
been too low to drive major economic or social changes and build significant economic buffers. The debt/GDP ratio is at 47.7%, above IMF recommended threshold, and liabilities from parastatal are high (estimated at 29.8% of GDP). Budget deficit was at 8.3% in 2015 and expected at 6.3% in 2016. It is however likely to increase as a result of the cyclone impact. The overall agriculture sector contributes approximately 10% of GDP and 60% of Fiji’s work force (with 28% of formal sector employment) with 285,000 hectares under permanent crops. The sugar industry is a significant employer and remains an important source of foreign exchange earnings, even if the sector importance has gradually declined over the last 10 years. Data from 20093 indicates that 64,000 farmers are engaged in the sector and 86,000 rural households are engaged in agriculture and fishing4. Limited economic growth in non-agricultural areas of the economy has not translated into increased income and employment opportunities for rural households, with poverty levels continuing to be high in rural regions at 44%5.

As for all Small Islands States in the Pacific, Fiji remains highly vulnerable to external shocks of natural or anthropogenic nature. Fiji’s vulnerability has been highlighted on February 20th 2016 with a category 5 cyclone striking the islands for several hours, killing 43 people and generating an estimated EUR 400 million worth of damages in affected areas (EUR 154 million just for Agriculture and Sugar sectors as at end of March 2016). Some 50,000 people were sheltered in evacuation centres (schools) and the living conditions of a further 350,000 people has been adversely affected (limited access to food or drinking water, damaged houses, schools, health centres etc.). In some areas such as Koro or Rakiraki, 100% of the crops have been destroyed. All in all, 42% of the population has been directly affected by the event and the impact of the disaster will be felt for years to come. The government has declared a 30 days “state of disaster” on 20 February, later extended to 60 days. The UN Office for the Coordination of Humanitarian Affairs (OCHA) launched a Flash Appeal on 4 March 2016.

1.1.1 Public Policy Assessment and EU Policy Framework

After the Cyclone, the Government of Fiji with the support of development partners, the private sector and civil society organisations quickly carried out humanitarian operations in the most affected areas. Temporary accommodation was provided to some 50,000 people while many thousands were evacuated to safe areas.

Under the leadership of the National Disaster Management Office, with the assistance of UN Disaster Assessment and Coordination and UN OCHA the government conducted the needed rescue and relief operations, with the support of the army of Fiji and logistical assistance from the military from Australia, New Zealand and France. Government services were also mobilised to initiate a damages assessment with thousands of government officials sent out to the affected areas to prepare damage reports, with the assistance of the international community.

The country has also developed a National Disaster Plan, Disaster Management Act and Standard Operating Procedures for disaster response. A National Cluster System brings together Government ministries and a network of development partners and humanitarian actors, with United Nations agencies and international and national NGOs. The Government has worked closely with international partners to coordinate and prioritise aid under the direction of the Disaster Controller and the Cluster-lead Ministries.

The Pacific Humanitarian Team (PHT) is a network of partners with the capability and expertise to assist Pacific Island Territories and Countries (PICTs) in preparing for and responding to disasters in the region. The PHT supports governments in delivering effective, appropriate, timely and coordinated

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3 Source: Fiji Bureau of Statistics
5 Source: Fiji Bureau of Statistics
disaster preparedness, response and recovery actions. PHT partners organize themselves according to eight sector-specific clusters and an early recovery network. The PHT is co-chaired by the United Nations Resident Coordinators (RCs) in Fiji, together with OCHA, which also acts as the PHT secretariat and chairs the PHT inter-cluster coordination group. The UN Resident Coordinator for the Fiji Multi-Country office was designated Humanitarian Coordinator for Fiji on 25 February 2015 for a period of three months.

The 8 clusters include Food Security and Agriculture, Health, WASH, Shelter, Education, Safety & Protection, Public Works & Utilities and Logistics. Those clusters are co-led by Government agencies and ministries and meet regularly to share information on damages and needs, on activities implemented and to agree on priorities.

The Post Disaster Need Assessment, to be jointly prepared by Government and Development partners and supported by the World Bank, the United Nations and the European Commission, and the recovery plans to be prepared for the sectors will form the basis of the EU supported intervention logic under this Action. South Pacific Community, the Asian Development Bank and the South Pacific Regional Environment Programme are also involved in the PDNA. The exercise was expected to start on 29 March, with a first draft report available at the end of April and an approved report in the first weeks of May 2016.

The PDNA will assess the socio-economic impact of TC Winston including quantifying the damage and loss in critical sectors of the economy. It will identify key early, medium and long-term recovery and reconstruction needs in all key sectors, documenting these in a Recovery plan and making observations on scale of costs, while identifying potential financing gaps and needs. The PDNA will review current disaster management capacity and propose a strategy with measures to reduce risks and maximizes climate and disaster resilience in the recovery and reconstruction. Finally the PDNA will set the platform for the staging and will inform the proposed “Donor Pledging Conference” for TC Winston recovery, foreseen mid May 2016.

Coordination and oversight of the PDNA process will be provided by a High Level Management Team. The High Level Management Team will take key decisions and ensure the necessary resources are made available for completion of the PDNA. The High Level Management Team will be Chaired by the Minister for Agriculture, Rural & Maritime Development & National Disaster Management Office (NDMO) and include representatives of key Government ministries, along with the World Bank, the UN, ADB, the EU and the Secretariat of the Pacific Community (SPC). The active engagement of development partners will provide guarantees that the PDNA will be both relevant and credible to guide the response to the cyclone Winston.

While the country is in transition from a military regime to a democratic state, the Post Cyclone Recovery Programme will help consolidate the national process of transition by helping the Government to meet its obligations to the citizens in times of crisis. The Action will lead to enhance political and policy dialogue with the authorities and help establish solid relation after 8 years of non-cooperation (the country was under Art 96 of Cotonou Agreement until April 2015). Together with other partners (World Bank and Asian Development Bank which are expected to channel emergency loans through the government systems, the Post Cyclone Recovery Programme will allow full aligned with Government priorities and speedy delivery of essential support.

Based on the above assessment of the current set-up to deal with the emergency situation, the Government policy and system in place is credible for the proposed budget support programme and should be supported by the Commission and it is expected that the PDNA and recovery plan will be fully relevant.
1.1.2 Stakeholder analysis

The recovery process will be led by the National Disaster Management Office, chaired by the Ministry of Agriculture, with the close involvement of the Prime Minister and the Ministry of Finance. Given the focus of this Action will be on PDNA and the recovery plan, in terms of implementation, the key partners for the Action will include the following:

The ministry of Agriculture: the Ministry is responsible for the National Disaster Management Office and for the implementation of the Agriculture Policy Agenda 2020, in partnership with Ministry of Forestry and Fisheries and Ministry of Sugar. The Ministry of Agriculture is based in Suva with 1,300 staff working throughout Fiji (extension services etc.). It has responsibility over the national agriculture legislation, inspection services, veterinary, quarantine services, pest and plant and animal disease control and implements a number of projects to implement the APA 2020 such as the farming assistance scheme programme, the water shed and irrigation programmes or the export promotion and import substitution programmes. The Ministry of Agriculture has an annual budget of EUR 46 million (in 2016) and will be the main partner for the Action both in its role as NDMO and as implementer of the recovery programme based on the PDNA.

The Ministry of Sugar: The ministry is a small institution, with less than 20 staff, directly under the Prime Minister office and created specifically to coordinate the activities of various institutions that make up the sugarcane industry and to facilitate the implementation of the sugar cane reforms. The Ministry has a budget of EUR 10M (in 2016) and is to ensure the right environment in the sector and is responsible for the monitoring, evaluation and reporting on the implementation of the Strategic Action Plan. The Ministry of Sugar is key partner for the Action as the cyclone has severely affected the sugar belt of Fiji and sugar cane farmers are one the most affected population. The Ministry of Sugar is expected to be integrated to the Ministry of Agriculture from 2017 onward – both institutions are already sharing one single Permanent Secretary.

Fiji Sugar Corporation (FSC): This is the largest public company in Fiji. It provides support to the sugar growers and owns and operates the four sugar mills of the country, for the conversion of sugar cane into raw sugar. These mills crush approximately 2 million tons of cane a year, to produce 200-250,000 tons of sugar in a season (from May to December). FSC is one of the largest employers of the country, with some 2,400 staff during crushing season. It is also responsible for the maintenance of the railway network use to transport cane to the mills and for the storage, marketing, delivery and sale of raw sugar. Under the supervision of the Ministry of Sugar, FSC is a key implementer of the sugar reform plan and will actively participate to the recovery efforts aimed at the sugar cane farmers.

Civil Society Organisations: NGOs have a key role to play in Agriculture and sugar sector. Although the number of organisations involved is small and their capacities limited, the work undertaken by the EU in the sugar sector since 2010 has allowed for a few organisations to develop service delivery capacities that can be useful for the Agriculture policy implementation in the future. Community awareness raising, cash crop diversification, small scale support to farmers and growers are typical actions which can be implemented efficiently by NGOs and encouraged by the Action. The Ministry of Agriculture welcome the idea of working through NGOs and NGOs have been part of the Cyclone Winston coordination efforts so far.

1.1.3 Priority areas for support/problem analysis

The cyclone has created significant additional financial needs for the government of Fiji. Support by partners has been forthcoming from EU, Australia, New Zealand, China, Asian Development Bank and a number of other countries with smaller contributions (e.g. Japan, USA, Pacific countries) yet nothing commensurate with the extent of the damages. The focus of the recovery plan should be on
agriculture since it is the most affected areas from the Cyclone. As those areas are also harbour the highest percentage of poor people, this would guarantee that the present action will support the poor and most vulnerable.

Recovery and rehabilitation efforts in the agriculture sector should take place in the short to medium term. Farmers who have lost their crops should be compensated and support will be provided for them to get back on their feet. Agriculture packages, seeds, seedlings, livestock will be made available to needy farmers to ensure they can remain in the agriculture sector until the next crop season comes. Similarly workers (in sugar mills, in agro-processing facilities) will require assistance to make ends meet. With most crops being on annual growth cycle, or less, the support is expected to be implemented in 12 to 18 months (but for Yagona (the source of Kava, Fiji traditional drink), fruit trees or coconut which require 2 or more years). Detailed intervention plan will be provided through the PDNA process.

Beyond providing support to the recovery efforts, the Action will also contribute to ensure that future efforts to support Agriculture (from National Indicative Programme – focal sector 1) will be made in a conducive context, as the geographical area of expected interventions – notably the sugar belt of Fiji – is located mostly on the path of the cyclone.

1.2 Other areas of assessment

1.2.1 Fundamental values

The 2013 Constitution offers sufficient guarantees for civic and political rights. Yet its full implementation is hampered by a number of decrees which restrict those rights. A new Parliament held its first sitting in October 2014 immediately after the September national elections which were deemed credible by international observers. Fiji's transition to democracy continues in a reasonably stable political environment where parties are free to express their views. The new Government was able to run its programme over the last 18 months with no particular difficulties. The country's justice system is broadly considered independent. The rule of law situation was somewhat shaken in 2015 with the abrupt resignation of the Police Commissioner. Restrictions on worker's rights were under the ILO scrutiny for several years although significant progress was achieved early in 2016. As for most of the Pacific nations, gender discrimination and violence against women are certainly the most severe human right abuses in Fiji, with a government actively working to redress the situation. Self-censorship in the media is common, nevertheless civil society and governance advocates scene remains vibrant, despite some restrictions.

1.2.2. Macroeconomic Policy

The average real GDP growth between 2004 – 2014 was 2.0%, and is projected to reach an average of 3.6% between 2015 – 2020. Good revenue forecasts are expected from tourism, agriculture, transport and manufacturing over the short term. Tax revenue generated approximately 28.4% of GDP in 2015, up from 25.2% in 2009 with government rolling out stringent measures to strengthen tax collection. Long term vulnerabilities remain due to over-reliance on tourism, remittances and public sector investment.

Increased public spending in the education, health and infrastructure sectors is expected to boost economic production, but over the medium-long term. The fiscal deficit for 2015 is estimated at 8.3% of GDP with key budget targets met. Current account deficit was high in 2013 and 2014 at 20.7% and 10.0%, respectively due to the purchase of a passenger aircraft by Fiji Airways and an increase public expenditure on infrastructure development. Budget deficit was expected to return to a balance in 2017,
after a peak at 6.3% of GDP in 2016 thanks to increase tax revenue and expenditure control. The government budget after the cyclone will likely result in an increased deficit in 2016 and a deferment of expected return to a balanced budget.

Inflation continues to be contained, at 1.2% in the year to February 2016, due to low domestic pressures and low demand for private investment. International foreign reserve is for 5.6 months of import cover. The government debt to GDP ratio was 58% (est.) in 2015, and is dominated by domestic debt. The public debt is considered sustainable by IMF and World Bank, with a medium term goal at 45%. The debt/GDP ratio is however much higher once liabilities of parastatals are considered.

Exports have been declining (17% of GDP in 2010 to 12% in 2013), while imports have increased between 2010 (22% of GDP) and 2014 (27% GDP). Foreign Development Investment (FDI) remains small and volatile at 6.2% in 2013. The return to democracy in September 2014 should result in an increase in FDI in the coming years. Addressing economic vulnerability issues, the country is promoting diversification of the economy and the development of private sector to ensure economic growth in the future and stronger economic resilience in case of shock. The latest IMF article IV report (February 2016) encourages the authorities to pursue sound macroeconomic policies and implement structural reforms and confirmed that progress were made with a view to lower the cost of doing business and improve the overall business climate.

While the cost of the cyclone is still being assessed, the Reserve Bank of Fiji considers that the long term macroeconomic effects of the cyclone will be marginal due to minimal damages on the key industries such as tourism infrastructure, manufacturing and financial sector. Extensive damages were felt in the agriculture sector and sugar, though their combined GDP contributions remain around 10% per annum in recent years.

In summary, the authorities pursue a credible and relevant stability oriented macroeconomic policy aiming a restoring fiscal or external stability and sustainability.

1.2.3 Public Finance Management (PFM)

The PFM system in Fiji is certainly one of the most sophisticated in the Pacific, based on a computerised Integrated Financial Management Information System (IFMIS). All ministries are fully integrated into the IFMIS and generally adhere to the system. A PFM roadmap has been developed (with the assistance of the IMF Pacific Financial Technical Assistance Centre) in 2013, but remains embargoed pending cabinet approval in 2016.

A 2013 PEFA concluded that the PFM system is centred on a set of relatively advanced budget and financial management rules and structures within a clear legislative framework. Compliance with these rules and processes is generally acceptable, but improvements are needed in certain areas. The PFM roadmap is expected to be focusing on the key priorities and shortcoming identified through the PEFA review such as budget controls, expenditure management, debt management, procurement or internal audit.

A number of initiatives have been successfully implemented under the Financial Management Reform Programme .e.g. legislation change, development of internal audit systems, implementation of IFMIS and improved cash-flow management, greater transparency and comprehensiveness in financial reporting. The PFM reform process has strong support and good coordination at different levels in government such as the Public Sector Reform Steering Committee Cabinet, Prime Minister's Office, Public Accounts Committee (PAC) and line Ministries.
The 2013 PEFA reveals that the budget is fairly comprehensive (B+). However, controls in revenue collection and budget execution, procurement, external audit and budget transparency have obtained low grades and need further attention from authorities. Annual audits undertaken by the Office of the Auditor General (OAG) identified some weaknesses at sector level, including in Agriculture, and raise some concerns with fiscal discipline practices.

The IMF PFTAC has been able to engage with authorities on a number of PFM fronts (e.g. strengthening the quality of budget documents, PFM legislation, PFM Reform Roadmap and accounting and financial reporting capacity) and worked with Fiji on strengthening the medium term focus of the annual budget process, provided mentoring on the implementation of accounting reforms among others. Further progress on PFM is expected in 2016, together with the formal adoption of a PFM Roadmap by Cabinet. With new policy based loans of USD200 million from the Asian Development Bank and the World Bank spread over 2016 to 2019, the government has agreed to work on a series of reform to be gradually implemented in the next years. The programme offers a platform for policy dialogue on PFM, as well as other policy areas, to which the EU will participate thus accentuating the leverage effects obtain from the Post Cyclone Recovery Programme on needed structural reforms

Once approved, the PFM Reform Roadmap will be considered sufficiently relevant as it addresses the key shortcoming identified in the PEFA 2013. Progress to improve PFM systems are considered sufficiently credible on the basis of what has already been achieved in the past 3 years.

1.2.4 Transparency and Oversight of the budget

Key budget documents are produced and the national budget estimates for the on-going fiscal year is publicly available once approved by Parliament: the entry point for budget support is considered to be met. However a number of budget documents remain unpublished (e.g. Executive Budget Proposal); some are published consistently (pre-budget statement and enacted budget), whilst others are not published in a timely manner (Audit report, from 2007 to 2014). Other documents are published on the Ministry of Finance website, such as finance circulars, corporate plan and newsletters. No Citizen Budget is produced nor published and citizens are not generally engaged with the budgeting process unless facilitated by civil society. There has however been good public consultation taking place during the preparation of the 2015 and 2016 budget with a strong involvement of the private sector. Fiji has ranked poorly in the Open Budget Survey from 2010 to 2015 (0% in 2010; 6% in 2012 and 15% in 2015) has the Parliament was re-established only in October 2014. Progress with Parliament debate on the budget and scrutiny of the accounts should result in rapid progress being made in the coming years.

A Public Accounts Committee (PAC) was set up in early 2015 to scrutinise the Auditor General's reports from 2007 to 2013. The PAC membership consists of members of Cabinet and Opposition (who chairs the PAC). Three Open Budget Surveys between 2010 and 2015 exposed the need to publish budget information in a timely manner. New attempts by government to publish the Auditor General's report, establish the PAC and allow Parliamentary debate on the subject are encouraging.

2 RISKS AND ASSUMPTIONS

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<th>Mitigating measures</th>
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<tr>
<td>Event</td>
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<tr>
<td>The country deviates from its core commitments toward democracy, Human Right and rule of law.</td>
<td>M</td>
<td>Continued political dialogue with Fiji authorities and support from development partners to good governance sector; Continued support to Civil Society organisation and democratic institutions.</td>
</tr>
<tr>
<td>Social and Ethnic tensions increases, outbreak of violence, political instability increases, antagonistic relations between government and civil society organisations</td>
<td>L</td>
<td>Government policies and programmes continue to foster a united Fiji; Partners continue to support an inclusive national development strategy for Fiji; political dialogue with Fiji on fundamental value; support to civil society organisations.</td>
</tr>
<tr>
<td>Macroeconomic Policies and Financial sector are not conducive to economic stability.</td>
<td>M</td>
<td>Monetary policy is closely monitored by the Reserve Bank; IMF and World Bank are in dialogue with Fiji authorities to ensure sound debt management; Increasing number of donors contributes with budget support (WB, ADB…).</td>
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<tr>
<td>Exogenous shock (natural or anthropogenic) affects the development of Fiji</td>
<td>H</td>
<td>Awareness of government to Fiji vulnerability to economic shock is high and macroeconomic policies adapted accordingly; International response to natural disaster welcomed by Fiji; Mitigation and adaptation to Climate Change programmes continue.</td>
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<tr>
<td>Public policies failed to deliver on the government development agenda</td>
<td>M</td>
<td>Government revised national development policy will offer a new momentum for progress; Increasing donor involvement after the return to democracy in 2014; public sector reform engaged by the government with the support of World Bank.</td>
</tr>
<tr>
<td>Public Finance Management reform stalled</td>
<td>M</td>
<td>Government commitment to adopt a PFM roadmap in 2016; Technical support available from IMF on specific matters; strong leadership by the Ministry of Finance.</td>
</tr>
<tr>
<td>Ministry of Agriculture and Sucre fail to implement the recovery plan in Agriculture</td>
<td>M</td>
<td>On-going efforts to develop an implementation strategy for agriculture; Implementation of the EU SBC providing additional resources to implement recovery actions; partnership with private sector and civil society are developed.</td>
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Assumptions

- Continued, positive engagement between the Government of Fiji and the European Union.
- Continued commitment of the Government to lead the recovery effort and cooperate with partners in the preparation of the PDNA and implementation of recovery plan.
- Eligibility to Budget Support is maintained throughout the Action
LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The proposed initiative incorporates lessons learned from the previous cyclone event in Fiji (Cyclone Evan in 2012 notably) and key elements will be factored in the recovery efforts (through the PDNA). Those include the need to realise that subsistence farmers have incurred significant damage and lose of crops and income earning opportunities, and will remain in a difficult situation for 6-8 months at least. Assistance packages (seed, tools) and agriculture inputs should be available to allow households to produce and earn quickly.

In addition, significant damages to the environment have to be dealt with appropriately: communities may be willing to engage in cleaning up activities but need adequate equipment and, at times, support (cash for work approach). Damages to assets of low income and vulnerable households may also jeopardise the relative financial stability of the households. In this case, cash, rather than in-kind, can provide the needed flexibility to adapt to the most pressing needs (and is less costly to manage) but specific vulnerability criteria need to be set up and transparently applied, with possible prioritisation made for non-subsistence farmers and fishers. Similarly holders of loans are likely to find it difficult to repay on time and efforts can be made to reschedule payments, offer grace periods, reduce interest rate etc. Micro finance in that respect may offer a wealth of opportunities.

Impact on food security in the medium term will also have to be considered – as many farmers may have enough food in the short term but may face difficulties in a few months. Impact on community infrastructure and livelihoods resources must also be assessed and addressed with specific efforts to supply equipment and infrastructure and provide skills training (for alternative livelihoods if needed).

Impact of relocation after the event (in collective shelters) and psychosocial issues prevalent in the population affected by the cyclone are also important elements to be factored in the response provided.

Attention must also be paid to communicating to the beneficiaries regarding the PDNA and the priorities established by the Government, to avoid community dissatisfaction about how resources are distributed.

Finally the implementation capacity of the government agencies and implementation partners (absorption capacity) will have to be closely monitored, to tackle possible bottlenecks linked to administrative and logistics capacities at an early stage. All these elements are considered under the current humanitarian and relief efforts and will be considered in the preparation of the recovery plan. The past experiences in Fiji, coupled with expertise of the international community providing assistance to the government will ensure that key lessons learned (from Fiji, Samoa or Vanuatu recently) are applied.

3.2 Complementarity, synergy and donor coordination

The Action will complement the work of other development partners involved in the recovery efforts. Over 80 government agencies, humanitarian partners and foreign military have or are planning to undertake some 1,600 activities in the affected areas. The Ministry of Foreign Affairs has indicated that circa USD 41 million had been received in in-kind contribution, technical assistance and cash from international donors. Among others, the EU has announced EURO 5 million of support so far, including reoriented project support and ECHO contribution, the UN system will provide USD 8 million in emergency assistance, Australia has announced a €10 million equivalent support and the Flash Appeal (USD 38 million requested on 4 March) was 29% funded (as at 23 March).
The Action will also complement the work of the Accompanying Measures for the Sugar Protocol (AMSP) countries which will continue in Fiji through to 2018 (with 12 on-going project committed for EUR 45M). The support from this Action will help with the recovery in agriculture and sugar and will ensure that AMSP initiatives deliver results as planned and that coordination with relevant ministries is improved.

Regarding coordination, the Ministry of Agriculture will continue to provide overall coordination for the emergency assistance. The cluster approach will continue and serve as basis for the preparation of the PDNA.

3.3 Cross Cutting issues

The main cross cutting issues are fostering disaster resilience (building back better), environment and biodiversity protection, governance, social protection, employment and livelihoods, gender equality and social inclusion in the recovery and rehabilitation processes. These elements will be covered in the PDNA recommendations and should be integrated in the response plan developed by the government of Fiji.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results and options

The overall objective of the Post Cyclone Recovery Programme is to contribute to the recovery efforts of the Government of Fiji in the wake of the Cyclone Winston that hit the country on 20 February, 2016.

The specific objective is to improve the financial capability of the government for recovery and rehabilitation especially for the agriculture sector after the cyclone Winston.

The expected result is:

The post cyclone rehabilitation efforts in Agriculture are supported to ensure that living and working conditions in affected areas are restored. This can be achieved by supporting recovery efforts towards addressing crops and livestock losses and agriculture related infrastructure damages (including their social impact on farmers and workers).

4.2 Main activities

4.2.1 Budget support

The main activities will include:

- Participating in policy dialogue on post cyclone rehabilitation efforts with the government;
- Coordinating efforts with other donors in recovery efforts and regular monitoring of budget support eligibility criteria via the annual development partners meeting;
- On-going monitoring of Fiji's macroeconomic performance in consultation with development partners such as the IMF and World Bank;
- Analyse and assess PFM eligibility and performance on the basis of a new PFM reform road map;
- Monitoring of Fiji’s budget execution, notably with regards to operational and capital expenditure linked to recovery and rehabilitation
- Examine budget transparency eligibility through public availability of appropriate budget documentation.
The post cyclone recovery efforts by the Government will benefit fully from the budget support provided. The Action will allow for increased level of spending in recovery activities that would complement on budget projects funded by partners and facilitate the implementation and monitoring of the recovery assistance.

The payment of the fixed tranche of the Action in 2016 will be triggered by the Government approval of the Post Disaster Need Assessment and a recovery plan for Agriculture and Sugar.

4.2.2 Complementary support

Complementary support may be available to both the PFM reform road map and Macro Economic stability efforts through the EU financed regional programme Pacific Financial Technical Assistance Centre\(^6\) of the IMF based in Suva, Fiji. There will also be possibilities for assistance to be provided from the EU regional programme on Public Finance Management expected to be launched in 2016 (under the Pacific Regional Indicative programme, priority 3).

EU regional agriculture programmes (such as Pacific Agriculture Policy programme, EU-FAO FIRST on Food Security, Nutrition and Sustainable Agro-culture; the Pacific Coconut industry development programme) and Disaster Risk Reduction programmes (funded from the Intra ACP or the 10th EDF) will also contribute to the objectives of the Action. In addition, the EU funded South Pacific Community programmes in Fiji (Micro Projects Programme and Agricultural Commodity Export programme) focusing on sugar and agriculture production will also contribute to the recovery efforts in 2016 and early 2017. Finally the NAO Support Measures programmes, starting in 2016 will be in a position to assist with the SBC implementation.

An allocation of EUR 200 000 has been included for complementary support to undertake monitoring evaluation and audit if deemed necessary.

4.3 Intervention logic

The financial support provided under this Action will assist the government of Fiji in its implementation of its recovery plan, on the basis of the PDNA once available. Through the use of country systems to provide assistance, the Post Cyclone Recovery Programme will contribute to develop solid sector coordination by the government, to help engage in policy dialogue and to pave the way for future assistance to Agriculture for the EU.

Through policy dialogue and in conjunction with other donors, especially World Bank and the UN, the EU will be able to interact at a higher level with Fiji’s Government. This policy dialogue will cover recovery efforts. In parallel coordination with World Bank, Asian Development Bank and IMF will be established to ensure solid policy dialogue in Macroeconomics, Public Finance Management and Oversight. The on-going support by International Financial Institutions and the strong donor coordination already in place bodes well for a joint approach to budget support to develop in the coming years.

\(^6\) Contract Number 2013/325167
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 4.2 will be carried out and the corresponding contracts and agreements implemented, is 36 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 constitute a 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 9.8 million and for complementary support is EUR 200 000. This amount is based on:

- The financing need of the partner country based on very preliminary assessment of total damages amounting to EUR 400 million. The EU support is expected to represent circa 6.5% of the expected budget for the recovery in Agriculture and Sugar.
- Commitment of Fiji to allocate national budget resources (including EU budget support) in line with the PDNA and to follow standard national budget procedures;
- Effectiveness, value for money and impact of the Post Cyclone Recovery Programme in delivering the EU post cyclone support in a coordinated manner, and in full alignment with country priorities.
- The commitment of government to prepare a PDNA jointly with development partners, including the EU, and recovery plan which will guide in full the implementation of the Action.

An allocation of EUR 200 000 is set aside for monitoring, evaluation and audit purposes.

5.3.2 Criteria for disbursement of budget support

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

- Credible and relevant Post Disaster Need Assessment and recovery plan
- Stability-oriented macroeconomic policy.
- Credible and relevant overall PFM reform programme
- Publication of the budget

The PDNA is expected to include a recovery plan per sector, with associated estimated costs and with an implementation schedule. The recovery plan for this support will look specifically at agriculture and sugar. The Ministry of Agriculture intends to conduct a monthly monitoring
assessment of all post-Winston support in the sector. This monthly monitoring assessment will be made available to the Ministry of Finance as well as development partners, including the EU. Budget allocations linked to post-Winston response will also be monitored by Parliament.

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

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

The disbursement schedule is aligned with the Fiji new fiscal year (FY) from August to July. The following schedule is proposed where one fixed tranche represents 100% of the budget support component.

<table>
<thead>
<tr>
<th>Country FY</th>
<th>FY 2016/17</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Tranche</td>
<td>€9.8M</td>
<td>€9.8M (100%)</td>
</tr>
<tr>
<td>Total</td>
<td>€9.8M</td>
<td>€9.8M (100%)</td>
</tr>
</tbody>
</table>

The government of Fiji will implement its policy and recovery plan throughout the implementation period of the SBC to ensure that eligibility continue to be met for future operation. The achievements of the Government in implementing the recovery plan, and in particular the support to the Agriculture sector, will be assessed through 1) the regular dialogue with partners on the recovery efforts, 2) the preparation of an annual implementation report by the NAO focusing on the recovery plan in Agriculture and Sugar, and 3) Agriculture and Sugar sector coordination meetings and ad hoc reporting.

The following tentative schedule is proposed:

<table>
<thead>
<tr>
<th>Annual Review Date</th>
<th>NAO Disbursement Request</th>
<th>Planned Disbursement</th>
<th>FY</th>
<th>Tranches</th>
</tr>
</thead>
<tbody>
<tr>
<td>n/a</td>
<td>June 2016</td>
<td>August 2016</td>
<td>2016</td>
<td>Fixed Tranche</td>
</tr>
</tbody>
</table>
5.4 Implementation modalities for complementary support of Budget Support

An allocation of EUR 200 000 is set aside for audit and evaluation purposes. It will be implemented directly by the Commission through Framework Contracts.

5.5 Scope of geographical eligibility for procurement and grants

Not applicable for the Budget Support component 5.3.

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.

In accordance with Article 22(1)(a) of Annex IV to the ACP-EU Partnership Agreement; the Commission decides that natural and legal persons from the following countries having traditional economic, trade or geographical links with neighbouring partner countries shall be eligible for participating in procurement and grant award procedures: Australia, New Zealand. The supplies originating there shall also be eligible.

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

<table>
<thead>
<tr>
<th>Module</th>
<th>Amount in EUR</th>
<th>Third party contribution (indicative, where known)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.3. Budget support</td>
<td>9.8M</td>
<td>N.A.</td>
</tr>
<tr>
<td>5.9. Monitoring, Evaluation and 5.10. Audit</td>
<td>0.2M</td>
<td>N.A.</td>
</tr>
<tr>
<td>Total</td>
<td>10.0M</td>
<td></td>
</tr>
</tbody>
</table>

5.7 Organisational set-up and responsibilities

The National Disaster Management Office, under the leadership of the Ministry of Agriculture, will be in charge of coordinating the recovery efforts to ensure ownership and
alignment. Assistance from partners (UN, WB, EU) will continue to ensure coordination with government efforts, notably through the PDNA process.

The EU and National Authorising Officer (NAO) will participate to the dialogue on PDNA preparation and implementation of the recovery efforts. The Agriculture coordination meetings will ensure that implementation of the SBC is monitored. The Ministry of Agriculture is committed to prepare quarterly implementation reports on the recovery efforts to which partners will have access, and coordination meeting with all stakeholders will continue for the duration of the recovery plan. The Ministry of Agriculture is expected to prepare a specific report (operational and financial) for the implementation of the recovery plan, in addition to the regular annual implementation report of the Ministry. The reports will be communicated to the EU Delegation and other partners involved. The NAO and the European Union may undertake joint monitoring missions on a regular basis.

Annual Corporate Plans of relevant ministries, Annual reports, external audit reports and updates on the implementation of the Agriculture and sugar policies and programmes from the respective Ministries will provide useful indication as to SBC implementation. The EU budget support programme will be captured in the national budget and any related policy dialogue will be documented in the Annual reports of the Ministries.

At a broader national level, the Ministry of Finance will continue to facilitate dialogue on PFM, macroeconomics and oversight, jointly with World Bank, Asian Development Bank and IMF, and assist with the preparation of relevant supporting document to the payment request. The NAO support measures will be put to good use to provide needed assistance.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and 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 list of result indicators. 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 visits 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, monitoring and evaluation activities will be carried out for this action or its components by a mission contracted by the Commission.
The Commission shall inform the implementing partner at least 6 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 monitoring and evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the reports 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 support.

The financing of the evaluation shall be covered by the Audit and Evaluation budget line of this Action.

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.

The financing of the audit shall be covered by the Audit and Evaluation budget line of this Action.

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 through an exchange of letters between NAO and the European Union at the start of implementation and supported by the SBC budget line 5.3. 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.
Appendix - Logframe

Annex 1 – Disbursement arrangements and timetable
APPENDIX – INDICATIVE LIST OF RESULT INDICATORS

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.
Upon agreement by the Government of Fiji of the PDNA and the recovery plan, Specific Objectives, Induced output and direct output indicators will be jointly refined by the EU Delegation and the National Authorising Officer. The logframe is proposed for monitoring purposes only.

<table>
<thead>
<tr>
<th>Intervention logic</th>
<th>Indicators</th>
<th>Baselines (incl. reference year)</th>
<th>Targets (incl. reference year)</th>
<th>Sources and means of verification May include</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall objective: Impact</strong></td>
<td>To contribute to the recovery efforts after cyclone Winston</td>
<td>% of recovery activities implemented</td>
<td>n/a</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Specific objective(s)</strong></td>
<td>To improve the financial capability of the government for recovery and rehabilitation efforts in the agriculture sector.</td>
<td>% of the recovery activities related to Agriculture &amp; Sugar implemented</td>
<td>n/a</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Induced outputs</strong></td>
<td>PDNA is produced; Recovery efforts are implemented through increased public spending;</td>
<td>PDNA is available; Recovery efforts is registered in the budget</td>
<td>n/a</td>
<td>PDNA is approved by May 2016 FY2016/17 Budget (including government financial support to recovery plan) is adopted by parliament.</td>
</tr>
<tr>
<td><strong>Direct outputs</strong></td>
<td>Financial transfers to Agriculture and Sugar are increased.</td>
<td>Financial transfers to Agriculture and Sugar are increased</td>
<td>n/a</td>
<td>€9.8M equivalent is spent in recovery efforts in line with the recovery plan</td>
</tr>
</tbody>
</table>