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ANNEX II

of the Commission Implementing Decision on the financing of the annual action plan
in favour of the Pacific region for 2022

Action Document for Tuvalu Coconut Sector Rehabilitation Programme

ANNUAL PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan in the sense of Article 23(2) of NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	Tuvalu Coconut Sector Rehabilitation Programme OPSYS number: ACT-60636 Financed under the Neighbourhood, Development and International Cooperation Instrument (<u>NDICI-Global Europe</u>)
2. Team Europe Initiative	Yes. This action will contribute to the TEI “Green-Blue Alliance for the Pacific and Timor-Leste”.
3. Zone benefiting from the action	The action shall be carried out in Tuvalu.
4. Programming document	Pacific Multi-Country Multi-Annual Indicative Programme 2021-2027
5. Link with relevant MIP(s) objectives / expected results	Priority Area 1 – Climate Action and Environmental Sustainability Priority Area 2 – Inclusive and Sustainable Economic Development
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	510 – General Budget Support 310 – Agriculture, Forestry, Fishing
7. Sustainable Development Goals (SDGs)	Main SDG: SDG 2 “Zero hunger” Other significant SDGs (up to 9) and where appropriate, targets: SDG 5 “Gender Equality” SDG 8 “Decent work and economic growth” SDG 15 “Life on land”
8 a) DAC code(s)	15110 – Public sector policy and administrative management 40% 43040 – Rural Development 40%

	31120 – Agricultural development 20%			
8 b) Main Delivery Channel	Central Government – 12001 Private Sector Institution – 60000			
9. Involvement of multilateral partners	No			
10. Targets	<input type="checkbox"/> Migration <input type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input type="checkbox"/> Human Rights, Democracy and Governance			
11. Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Internal markers and Tags	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	<input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Connectivity transport people2people energy	<input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

	digital connectivity		<input type="checkbox"/>	<input type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
13. Amounts concerned	Budget line(s) (article, item): BGUE-B2022-14.020132-C1-INTPA Total estimated cost: EUR 4 500 000 Total amount of EU budget contribution EUR 4 500 000 of which EUR 3 700 000 for budget support, EUR 750 000 for complementary support, EUR 50 000 for evaluation and/or audit.			
MANAGEMENT AND IMPLEMENTATION				
14. Type of financing	Direct management through: - Budget Support: Sector Reform Performance Contract - Procurement			

1.2 Summary of the Action

The proposed action aims to revive the coconut industry and livelihood in Tuvalu. This will be carried out through a coconut rehabilitation plan, which requires a combination of agricultural replanting including an agroforestry approach for coconut palms. The low yield in coconut production has limited private sector development and hindered the domestic trade market for local coconut products reducing the possibility to earn a living. The coconut rehabilitation plan aims to change this by focusing on coconut rehabilitation and the development of coconut products with a high added value. A significant part of the action will be devoted to agroforestry-based coconut replanting activities, trainings and institutional strengthening for coconut production. A part of the action will further be devoted to support the development of high-value coconut products and the framework for coconut industry development through different product specific activities, trainings and possible investment in equipment for the production of various products.

The proposed action intends to contribute mainly to priority area 2 “Inclusive and Sustainable Economic Development” of the Pacific Multi-Country MIP 2021-2027¹. It will also partly contribute to the priority area 1 “Climate Action and Environmental Sustainability”.

In particular, this action is expected to contribute to achieving the following results of the Pacific Multi-Country MIP 2021-2027:

- Pacific Island Countries (PICs) have improved the investment and private sector climate, increasing the number of green, inclusive and sustainable businesses and decent jobs;
- PICs have increased sustainable agriculture and fisheries, especially for smallholders;
- PICs implement the Paris Climate Change Agreement through coordinated and coherent actions that promote resilience, reduce climate risk, and contribute to reduced greenhouse gas (GHG) emissions;
- Improved conservation and sustainable management and use of natural resources, biodiversity and ecosystems in the Pacific.

The action is aligned with the European Consensus on Development as well as with the European Commission’s 5-year political priorities, notably an economy that works for people and the European Green Deal reflected in the European Farm to Fork Strategy, striving for sustainable food systems. It tackles the

¹ Commission Implementing Decision of 14.12.2021 – C(2021) 9052 final

Sustainable Development Goals (SDGs): 2 (zero hunger), and secondarily 8 (decent work and economic growth), 15 (life on land) as well as 5 (gender equality) of the 2030 Agenda for Sustainable Development. It is also aligned with the 2050 Strategy for the Blue Pacific Continent, the new post-Cotonou Pacific Regional Protocol and the EU strategy for cooperation in the Indo-Pacific, in particular supporting sustainable and inclusive prosperity, and reinforcing value chains. In addition, it will contribute to the Gender Action Plan III (2021-2025), especially to the thematic area of engagement “addressing the challenges and harnessing the opportunities offered by the green transition”.

2 RATIONALE

2.1 Context

1. Political and Financial Outlook

Tuvalu is one of the world’s smallest independent nations. It comprises nine low-lying coral atolls with a total surface area of 26 square kilometres dispersed over 1.3 million square kilometres of the central Pacific. The population of Tuvalu is around 11 000 inhabitants. The official languages are English and Tuvaluan. Tuvalu is a constitutional monarchy with a parliamentary democracy. The Head of Government is the Prime Minister, supported by a cabinet of Ministers. The legislative branch is unicameral and known as the House of Assembly / Fale I Fono.

The Falekaupule Act (as amended in 2008) regulates the composition, operation and functions of local governance. All islands are governed by a traditional council of elders: the Falekaupule. The Falekaupule is a law-making body with powers to make by-laws. The Kaupule is the executive arm of the Falekaupule. It is made up of six elected members, and a Pule Kaupule (Head Kaupule) is elected by the Falekaupule. The Kaupule generally administer island affairs on behalf of the Falekaupule and have powers to levy rates for operating costs and capital developments.

Tuvalu is one of the most environmentally fragile states in the Pacific region due to its low-lying land, geographical isolation, lack of fertile land and inability to reap economies of scale in the provision of public goods and services. Tuvalu’s atolls are scattered across the middle of the Pacific Ocean with the nation’s highest points 4.5 metres above sea level making the country highly susceptible to external shocks, especially to climate change effects. The country’s geographical remoteness, small size, and limited infrastructure pose additional challenges.

Without its own monetary authority, Tuvalu's fiscal authorities are solely responsible for macroeconomic policy and they remain committed to its stability-orientation. Tuvalu does not have its own central bank and currency (the country uses the Australian Dollar) and thus the foreign assets of the National Bank of Tuvalu and the Consolidated Investment Fund (CIF) constitute the official reserves. Tuvalu’s banking sector comprises two public banks (the National Bank of Tuvalu and the Development Bank of Tuvalu), which are relatively weak, making the banking sector vulnerable. Under the regional programme ‘Strengthening Public Finance Management (PFM) and Governance in the Pacific’ Project, the International Monetary Fund (IMF)’s Pacific Financial Technical Assistance Center (PFTAC) has assisted the Ministry of Finance to develop operational supervision of the two banks.

After a Covid-19 pandemic-induced slowdown in Gross domestic product (GDP) growth, the economic rebound is dependent on the resumption of travel, continued high public spending and further implementation of infrastructure projects. Subdued economic activity has kept inflation low, which is expected to gradually increase as a result of elevated current spending, rising public sector wages, the resumption of infrastructure investment and a weakening Australian dollar. Tuvalu is projected to face persistent fiscal deficits, which will be funded with transfers from the Consolidated Investment Fund. The 2021 Debt Sustainability Analysis indicates that Tuvalu remains at a high risk of debt distress, unchanged from the 2018 Debt Sustainability Analysis. Tuvalu remains classified as Least Developed Country. Tuvalu has full voting rights in the United Nations. The country is an important partner and ally of the EU on international climate governance.

2. Rationale and Assessment

This action is in line with the Te Kete – Tuvalu National Strategy for Sustainable Development 2021-2030. Te Kete’s National Vision is “A Peaceful, Resilient and Prosperous Tuvalu”. This action will in particular support the Te Kete Strategic Priority Area 2: Economic Development and its national outcome 8 on increased agricultural productivity. Under this outcome, the Tuvalu National Strategy for Sustainable Development outlines the coconut replanting associated with a small-scale production of coconut by-products for income and healthier diets reaching all the islands, as one of the three outcome results. The action may also support the national outcome 9 on developing, improving and strengthening private sector, by increasing the capacity of private sector entities in coconut sector. More concretely this action is closely aligned and will support The Tuvalu Market-Driven Plan to Rehabilitate the Tuvalu Coconut Industry, which provides concrete guidelines for the rehabilitation of coconuts, by agroforestry-based replanting and guidelines on developing the coconut industry with the information on the coconut product market. In addition, the action will support the Tuvalu National Agriculture Sector Plan 2016-2023 and the Tuvalu Food Security Strategy, which promotes healthy local agricultural food varieties to be more accessible and affordable to Tuvaluans. Finally, the action will support the Tuvalu Agriculture Strategic Marketing Plan 2016–2025, which was prepared with the support by the European Union through the Global Climate Change Alliance: Pacific Small Island States project.

Through the 11th European Development Fund (EDF) the European Union (EU) was already supporting Tuvalu through budget support in the area of Sustainable Waste Management. This has proven that with relatively small bilateral support (compared to investment in other Pacific countries); the EU can achieve great results in Tuvalu and can be recognised as a key partner in developing sectors, which are not crowded with other donor’s support, which sometimes provide substantially much higher funds. In addition, the EU already funded a regional programme on Coconut Industry Development for the Pacific (CIDP), implemented by the Pacific Community (SPC) through the 10th EDF. The proposed new budget support programme in Tuvalu will build on the lessons learned of these past programmes and will keep the EU on the map as a key partner in reviving the coconut industry, with the added value of strong attention to addressing biodiversity, disaster risk reduction and gender aspects. Along with the 11th EDF budget support it will portray the EU as the strategic partner for greening of different sectors in line with the European Green Deal.

In addition, the use of the sector reform performance contract will allow the continued participation of the EU in the policy dialogue with Tuvalu and coordination framework with other donors through so called Policy Reform Matrix in place between the Tuvalu authorities and the donors providing budget support.

3. List of Actions

Tuvalu has demonstrated its capacity to implement budget support operations under the previous financial framework. Against this background, the proposed budget support operation represents an important contribution towards increased fiscal space for Tuvalu’s government. This is essential to allow Tuvalu to pursue its Covid-19 response plan as well as stability-oriented macro-economic policies.

The action will build on the achievements of the past regional programme Coconut Industry Development for the Pacific (CIDP). It will also be adequately complemented by the Pacific Regional Programme ‘Strengthening PFM, Oversight and Accountability in the Pacific region’, which purpose is to strengthen PFM systems and governance of key domestic institutions at the national levels.

2.2 Problem Analysis

Short problem analysis:

The agriculture sector is an important contributor to GDP², employment and rural life in Tuvalu. The largely subsistence nature of Tuvalu’s agricultural sector is evidenced by the 90% of households undertaking some form of agricultural activity (73.5% of men and 26.5% of women)³. In terms of livelihoods, Tuvalu is thus largely rural, and coconut plays a very important economic role, particularly in the more isolated rural communities, where formal employment is scarce and where other alternative cash crops do not exist. While 42.7% of Tuvalu’s households engage in coconut production, coconut is the main item households home-

² 21% in 2019 (<https://www.fao.org/aquastat/statistics/query/results.html>)

³ Tuvalu Population and Housing Census 2017

produce and consume in Tuvalu, representing 36% (39.1% in rural and 0.8% in urban areas)⁴ of total subsistence income and specially highly prevalent in rural areas.

Coconut in Tuvalu is a major element in the diets of local people and is vital for food security, health and economic reasons. Coconut palms also respond to families' and communities' needs by providing raw material for housing, transport, ornaments, culture and other elements.

A major problem facing Tuvalu's coconut industries is the ever-increasing percentage of senile palms (50% of all planted coconut in the region). South Pacific tall coconut varieties evolved in cyclone-prone environments and therefore have adapted to survive in the strongest of winds. The most violent winds can uproot or break mature palms, but only young and senile palms are really vulnerable. In addition, productivity in term of coconut quantity and quality decreases on senile palms. The low yield in coconut production in Tuvalu has hindered the domestic coconut production and there is an emerging need for the rehabilitation and replanting of coconut plantations. This rural development action will specifically focus on rehabilitation of the coconut sector in Tuvalu and therefore contribute to improved nutrition, sustainable livelihood, and climate change resilience, by supporting an agroforestry-based coconut replanting.

In the last few years, new market opportunities have emerged in high-value products from green coconut and other parts of the plant (virgin coconut oil, coconut water and coconut timber). Despite these emerging opportunities, coconut production and utilisation in Tuvalu is far from reaching its full potential. There is a strong interest to review this industry, supported by the country's Ministry of Finance, Department of Trade and the Department of Agriculture.

The EU already funded a regional programme on Coconut Industry Development for the Pacific (CIDP), implemented by the Pacific Community (SPC) through the 10th EDF. The proposed new budget support programme in Tuvalu will build on the lessons learned of the past programme and will position the EU as a key partner in reviving the coconut production, with the added value of strong attention to addressing biodiversity, climate change and gender aspects. By doing so the programme will not only contribute to strengthening sustainable food systems in Tuvalu, but also to sustainable economic growth and improvement of livelihoods in rural areas.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

The main stakeholders of the action in charge of the implementation of the proposed budget support are duty bearers:

- the **Tuvalu Department of Trade**, under the Ministry of Fisheries and Trade; and
- the **Tuvalu Department of Agriculture**, under the Ministry of Local Government and Agriculture.

Both departments were part of the initial consultations on the sector budget support and showed dedication to close cooperation under this Action. In addition, the **Ministry of Finance**, also part of initial consultations, can oversee the full budget support cooperation and be the main contact point for this budget support cooperation.

Coconut industry development depends on private/public sector partnership – driven by the private sector (growers, processors and traders) with the public sector (the National Government and the Kaupule) playing a key facilitating and supporting role, therefore:

- The various **island Kaupule** and **landowners** will benefit from the coconut replanting program and trainings on agroforestry.
- The **private sector** and enterprises, which are largely inexistent at this moment, will have a potential to emerge benefitting from an enhanced institutional and regulatory framework.
- Meaningful engagement with **civil society organisations**, including women's organisations will also be promoted throughout the action. They will represent the different voices of women and men.

The final beneficiaries will be the right-holders:

⁴ Tuvalu Household Income and Expenditure Survey 2016.

- the **citizens of Tuvalu**, women and men, who will benefit from strengthened sustainable food systems, as well as coconut product enterprises, which will benefit from capacity development activities.
- **people living in vulnerable situations**, since the action will contribute to reducing social imbalances, by providing better access to nutrition and new employment opportunities to rural communities.
- **women**, since the action will recognise and support the role and meaningful participation of women in coconut products production.

2.3 Additional Areas of Assessment

2.3.1 Public Policy

Tuvalu has developed a comprehensive and relevant policy framework in a consultative manner. The most relevant policy documents include:

- The newly adopted ***Te Kete – Tuvalu National Strategy for Sustainable Development 2021-2030***. Te Kete's highlights that all citizens that each have a role to play in achieving the National Vision – "A Peaceful, Resilient and Prosperous Tuvalu". This plan is an outcomes of the various national consultations with stakeholders, which were considered at the National Summit on Sustainable Development between the 4 and 6 November 2020. The Strategy is in line with the 2030 Agenda for Sustainable Development and supports greater participation and inclusiveness of women, youth and people with disabilities in sustainable development in all sectors. It also puts particular attention to environmental protection, climate action and increased disaster resilience. This action is particularly in line with Te Kete Strategic Priority Area 2: Economic Development and its national outcome 8 on increased agricultural productivity. Under this outcome, the priority of the coconut replanting associated with a small-scale production of coconut by-products for income and healthier diets reaching all the islands, is indicated as one of the three outcome results. Further on, implementation of a national integrated coconut replanting scheme and development of agricultural commercial activities, including agribusiness are indicated as some of the key strategic actions. This action is also in line with the national outcome 9 on developing, improving and strengthening private sector, by increasing the capacity of private sector entities in coconut sector.
- ***The Department of Agriculture Sector Plan*** is one of the main policy document for agriculture sector. It covers the period from 2016 to 2023 and includes six goals and their associated outcomes. The 6 agriculture sector goals, as per this plan are: 1) strengthened enabling environment for the agriculture sector; 2) strengthened and well-functioning Department of Agriculture; 3) farmers have adopted more resilient, productive and environmentally sustainable farming practices and techniques; 4) demand for domestic agriculture products encouraged to grow; 5) agriculture workforce increased, inclusive of landowners, women and youth; and 6) access to safe, affordable and nutritious food enhanced. The action plan indicates concrete actions to be taken, their time frame and responsible agencies/stakeholders per action. It also includes indicative investment requirements for the implementation of the plan per each goal.
- ***The Tuvalu Agriculture Strategic Marketing Plan (TASMP) 2016–2025*** was prepared with the support by the European Union through the Global Climate Change Alliance: Pacific Small Island States project. The TASMP provides guidelines towards increased food security in Tuvalu. Its vision is to revive domestic and international trade of locally produced agricultural products through domestic activities and trade arrangements. The overarching goal of the TASMP is to increase the resilience of the Tuvalu people in relation to climate change by fostering a sustainable domestic trading platform for local food and other local produce; mainly traditional handicrafts. In pursuance of this goal, a review of various documents relating to agriculture in Tuvalu, combined with the findings and outcomes of the consultations held in Tuvalu and identified issues and challenges and developed a total of 38 recommendations.
- One of the recommendations of the TASMP was to formulate and adopt a national Policy on Food Security (PFS) to provide the supporting framework for the successful implementation of the TASMP. Subsequently the draft ***Tuvalu Food Security Strategy*** was developed which is a positive progress in the implementation of the above mentioned TASMP. The Tuvalu Food Security Strategy which is yet to be formally adopted promotes healthy local agricultural food varieties to be more accessible and affordable

to Tuvaluans. The Strategy includes a whole of government approach led by the Ministry of Finance, Ministry of Local Government and Agriculture and the Ministry of Transport, Energy and Tourism with key stakeholders and the Private sector to spearhead the National Strategy on Food Security. The Strategy will be monitored through a regular National Steering Committee. A national steering committee comprising of relevant departments and stakeholders with established roles and responsibilities are considered to be the key to the successful implementation of the strategy and its cross-cutting synergies. This strategy is very wisely formulated and covers two parts; a Short Term Strategy - with current facilities being limited and resources dependent on controlled shipping schedules. This makes very much sense in the light of the current constraints of the Covid-19 pandemic. The short term outlook of this strategy is from July 2021 for a duration of two years. Second part is the Long Term Strategy. The Strategy also includes an Action Plan for the short term outlook up to 2 years and an Action Plan for the long term strategy from year 2 to 10 years.

- This assistance is focused and based on the **Market-Driven Plan to Rehabilitate the Tuvalu Coconut Industry**, which provides concrete guidelines for the rehabilitation of coconuts, by agroforestry-based replanting and guidelines on developing the coconut industry with the information on the coconut product market. The action will be in line and will support the Market-Driven Plan to Rehabilitate Coconut Industry.
- In relation to climate action it should be noted that Tuvalu has ratified the **Paris Agreement** in April 2016 and submitted their Intended nationally determined contributions (INDC) in November 2015. Tuvalu commits to a reduction of emissions of green-house gases from the electricity generation (power) sector, by 100%, i.e. almost zero emissions by 2025. Tuvalu's indicative quantified economy-wide target for a reduction in total emissions of GHGs from the entire sector to 60% below 2010 levels by 2025. These emissions will be further reduced from the other key sectors, agriculture and waste, conditional upon the necessary technology and finance. Further on, in 2021 Tuvalu drafted and consulted with stakeholder the NDC Implementation Roadmap and NDC Investment Plan which comprises a project pipeline.
- **Tuvalu Priority Infrastructure Investment Plan 2020-2025** includes among other plans for climate resilience relevant infrastructure. It builds on the 2016 Tuvalu Infrastructure Strategy and Investment Plan. Sustainability of any new and existing infrastructure is also an important element. To address this element, the Government of Tuvalu developed an asset register for all major assets in the country as of 2017. The register covers all physical infrastructure assets valued at AUD 10,000 or more and owned by the government, local authority (Kaupule) and/or major public sector enterprises in the nation, including electricity, water supply, sanitation, transport (roads, maritime, air), buildings and other major infrastructure. The register contains asset replacement costs, depreciation on estimates, and annual maintenance cost requirements, among other critical information on for planning and finance. Additionally, it includes assessments for asset condition, climate change vulnerability, and resilience.

In conclusion, the policy is sufficiently relevant and credible for budget support contract objectives to be largely achieved. Therefore the policy can be supported by the Commission with the proposed budget support contract.

2.3.2 Macroeconomic Policy

Tuvalu is an IMF member on the 24-month Article IV consultation cycle without any Outstanding Purchases and Loans, Financial Arrangements or Projected Payments to the IMF. Without its own monetary authority, Tuvalu's fiscal authorities are solely responsible for macroeconomic stability.

After a Covid-19 pandemic-induced slowdown in GDP growth, the economic rebound is dependent on the resumption of travel, continued high public spending and further implementation of infrastructure projects. Subdued economic activity kept inflation low, which is expected to gradually increase as a result of elevated current spending, rising public sector wages, the resumption of infrastructure investment and a weakening Australian dollar.

High fishing revenue and additional donor grants, combined with underspending on infrastructure and travel, helped to offset Covid-19-related impact on fiscal balance. However, Tuvalu is projected to face persistent fiscal deficits going forward, which will be funded with transfers from the Consolidated Investment Fund.

The 2021 Debt Sustainability Analysis indicates that Tuvalu remains at a high risk of debt distress, unchanged from the 2018 Debt Sustainability Analysis.

The use of Australian dollar as a legal tender remains appropriate for Tuvalu and it provides a strong nominal anchor, which is appropriate given Tuvalu's strong links with Australia through real and financial flows. There is no central monetary institution and the National Bank of Tuvalu is the only commercial bank in Tuvalu handling foreign exchange transactions. Tuvalu does not maintain foreign exchange restrictions.

The current account deficit is driven by elevated imports due to lack of domestic production capacity and ongoing infrastructure investment. Exports of goods and services are projected to remain modest, and foreign direct investment limited. Revenues from fishing license fees are projected to stabilize at a ten-year average.

Foreign assets of the National Bank of Tuvalu and the Consolidated Investment Fund constitute the official international reserves. They are expected to remain well above the adequate level of one month of government spending.

Tuvalu's atolls are scattered across the middle of the Pacific Ocean with nation's highest points 4.5 metres above sea level making the country highly susceptible to external shocks, especially to climate change effects. Other uncertainties stem from volatile fishing revenues and reliance on grants. The country's geographical remoteness, small size, and limited infrastructure pose additional challenges. Climate change-related extreme weather events and sea level rise could result in larger-than-expected recovery costs. Higher-than-expected incidence of natural events with large fiscal costs for recovery efforts would put downward pressure on the fiscal balance causing reserves depletion and lowering potential output.

In conclusion, the authorities are pursuing a stability-oriented macroeconomic policy and the eligibility criterion is met.

2.3.3 Public Financial Management

Tuvalu has passed an important PFM Act amendment on 17 April 2019. It addressed the timeliness of submission of the Annual Financial Statement to the Auditor General and format of financial statements (to be consistent with the international public sector reporting standards). The basis for the PFM reforms is a new PFM Reform Roadmap 2020-2024, built upon and succeeding the PFM Reform Roadmap 2017-2021, to account for the new reforms proposed from relevant reports and be aligned with activities prioritized by the incumbent government (which came to office following the 2019 general elections).

Since the Government acknowledged lack of capacity to implement all reform actions of the PFM Reform Roadmap 2017-21, the PFM Reform Roadmap 2020-24 is the result of the prioritisation exercise. Acknowledging lack of capacity for implementation and at the same time a pro-active action taken by the Government in the form of prioritisation exercise are both signs of a positive approach of the Government of Tuvalu. Although the new PFM Reform Roadmap means later implementation of reform actions, most of the reform actions from the PFM Reform Roadmap 2017-21 that are either on-going or have not yet been completed are part of the PFM Reform Roadmap 2020-24. In terms of completed reforms, the recent reform effort has been mainly centred on the PFM Reform Roadmap 2020-2024 Priority Area 5: Adequate Internal Control Procedures (enhance Financial Management Information Systems (FMIS) capability and accountability in grant management) and Priority Area 1: Realistic Budgeting. Progress has been recorded for number of Policy Actions under these Priority Areas.

Positively, Tuvalu has never been listed under the Annex I or Annex II of the EU list of non-cooperative jurisdictions for tax purposes and at the same time benefitted from the technical assistance of the PFTAC, which the EU is co-funding, for the improvement of the tax administration by reviewing the compliance improvement strategy and modernization plan, improving on-time filing/payments and taxpayer services, and rolling out a value-added tax (VAT) audit toolbox.

In conclusion, the public finance management reform strategy is sufficiently relevant and credible, including on domestic revenue mobilisation, and the eligibility criterion is met.

2.3.4 Transparency and Oversight of the Budget

The Government of Tuvalu 2022 National Budget has been approved in December 2021, before the start of the 2022 fiscal year, and published on the website of the Ministry of Finance ([link](#)). The website of the Ministry of Finance is well organised and regularly updated. All the main budgetary information is systematically published (with documents from the past years kept online). At times, some delay in publication may occur due to extremely small size of the Tuvalu public administration, which is usually exposed to multiple similarly urgent priorities.

The 2019 Tuvalu Whole of Government Audit Report and Financial Statement 2019 has been completed and published on the website of the Office of the Auditor General of Tuvalu ([link](#)). Its website is well maintained, with published reports from the previous years remaining online available. Uploading relevant documents online is now a firmly established practice. Some delays may occur from time to time but these are mainly caused by scarce human resources occupied by multiple competing priorities.

The introduction of the new FMIS (Technology One) should provide the solution for the persistent audit issue - discrepancy between what was budgeted and what was spent. Concerns were pointed to the previous FMIS (ACCPACC system) for causing these discrepancy and unreliable reporting, which led to the decision to adopt the new FMIS. It will allow to put in place controls that will ensure that expenditure on a project in a single year cannot exceed the value of warrants for that project in the same year.

In conclusion, the relevant budget documentation has been published and the eligibility criterion is met.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to increase sustainable agricultural productivity and economic growth in Tuvalu.

The Specific Objective (Outcome) of this action is to rehabilitate the Tuvalu coconut industry.

The *induced outputs* to be delivered by this action contributing to the corresponding Specific Objective (Outcome) are:

- IO1) Improved institutional, regulatory and policy framework for reviving an inclusive coconut industry.
- IO2) Strengthened rehabilitation of the coconuts.

The *direct outputs* to be delivered by this action are:

- DO1) Additional fiscal space created by the transfer of funds and increased predictability of funds.
- DO2) Improved policy dialogue and coordination, including the participation of women in decision-making processes.
- DO3) Strengthened capacities of the relevant Departments and improved sectorial policy.
- DO4) Improved policy performance assessment and monitoring gender and human rights responsive.
- DO5) Strengthened capacities of farmers and coconut value chain operators.
- DO6) Coconuts replanted as part of a sustainable agroforestry system.

3.2 Indicative Activities

Activities related to Output DO1:

- Budget Support transfers

Activities related to Output DO2:

- Regular policy dialogue and donor coordination

Activities related to Output DO3, DO4, DO5 and DO6:

- Gender sensitive capacity development and support to institutional, regulatory and policy framework and monitoring through complimentary support in the form of technical assistance.

Team Europe Initiative

The commitment of the EU's contribution to the Team Europe Initiative foreseen under this action plan will be complemented by other contributions from Team Europe partners. It is subject to the formal confirmation of each respective partners' meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise the EU action may continue outside a TEI framework.

3.3 Mainstreaming

Environmental Protection & Climate Change

Outcomes of the SEA screening (relevant for budget support and strategic-level interventions)

The Strategic Environmental Assessment (SEA) screening concluded that SEA is not required but key environment and climate-related aspects will be addressed during the design of the action no further action was required.

Outcomes of the EIA (Environmental Impact Assessment) screening (relevant for projects and/or specific interventions within a project)

The EIA (Environment Impact Assessment) screening classified the action as Category B (not requiring an EIA, but for which environment aspects will be addressed during design).

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment).

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that this action will, in line with the Pacific Leaders Gender Equality Declaration, ensure that gender equality is adequately and effectively mainstreamed into all the dimensions of the action by recognizing, reinforcing and providing visibility to the role of the woman on the food systems, and the activities will seek for opportunities to increase a meaningful participation of women in the coconut industry.

Human Rights

The action will be aligned with fundamental values of human rights, democracy and rule of law. A human rights-based approach will be followed in this project. From a human rights-based perspective, the action will finance activities that contribute to reducing social imbalances, by providing food security and new employment opportunities to the rural communities. The project will respect the following principles: respect for all rights, participation, accountability, non-discrimination and transparency.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D1. This action is not considered directly relevant to specifically support inclusion of persons with disabilities. However mainstreaming disability as a human rights-based approach will be followed. It is expected that people with disabilities will also benefit from access to increased food security. The action may also indirectly contribute to work opportunities and participation in decision making process and trainings for persons with disabilities.

Democracy

The compliance with the political criteria to have stable institutions guaranteeing democracy will be monitored. The Tuvalu Voice and Accountability Index is 88 (data for 2020) and political risks are assessed

as moderate. There are no political parties in Tuvalu. Periodic elections are held by secret ballot and based on universal and equal suffrage. Tuvalu held its four-yearly election to Parliament on 9 September 2019 with a large turnover. Political transition was peaceful and orderly, which is a positive signal of the state of democracy in the country. The Tuvalu Media Department (TMD), under the Office of the Prime Minister, is the only media outlet in Tuvalu. This action will encourage an accountable and effective public administration, contribute to reforms to address lack of capacities and other weaknesses, and will promote transparency and oversight of the budget.

Conflict sensitivity, peace and resilience

The action will support resilience in economic activities and ecosystems. By supporting food security and increasing the employment opportunities in the sector, the action will also indirectly contribute to the prevention of conflicts.

Disaster Risk Reduction

Disaster risk reduction is a significant objective of this action. Tuvalu's atolls are scattered across the middle of the Pacific Ocean with nation's highest points 4.5 metres above sea level and thus remains highly susceptible to external shocks, especially to climate change effects. Climate change-related extreme weather events and sea level rise can result in larger-than-expected recovery costs. The action will support the agroforestry-based coconut replanting activities, which will directly positively contribute to climate resilience as well as biodiversity. Food systems including coconuts, are an essential part of climate resilience and disaster risk management for Pacific Island Countries, especially atolls, and provide the foundation for food and nutritional security.

Other considerations if relevant

Not applicable.

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
External environment - Macro-environment	Covid-19 is an ongoing concern which undermines economic growth and pose a risk to the sustainability of the funding for the sector as well as diverts focus and capacity away from other reforms	High	High	Continuous monitoring of the economic development. The action through the disbursements will contribute to the economic and fiscal recovery.
External environment – Climate change and disasters	Natural hazards, tropical cyclones and environmental risks may cause significant destruction of crops and negatively	High	High	Permanent crops patrimony need more time to recover after storms, which usually represent a more serious loss. This is the case of coconut, which in addition suffers first, as it frequently constitutes the first buffer as storms ravage inland. Cyclones of unexpected

	impact on productions and livelihoods			intensity hitting project areas may influence degree of success of particular activities and therefore, this should be taken in consideration and mitigated with appropriate planning for the replanting of coconuts.
External environment	Risks associated with markets	Medium	High	Marketability of coconut depends on prices and any negative evolution on this matter might represent a serious hampering factor for farmer engagement in the project and in general involvement on coconut production. Other factors affecting prices for coconut products and costs related to production, such as currency fluctuations, fuel costs and associated freight costs or unexpected competition from other supply markets may influence the outcome and efforts in developing the coconut sector.
External environment	Pests and diseases affecting coconut production	Medium	Medium	To mitigate this risk the manipulation and transport methods should be in line with proper sanitation and phytosanitary standards, and pest and disease monitoring mechanisms need to be put in place.
People and Organisation	Engagement in activities and ownership, including government ownership and engagement of coconut producers and other sector stakeholders	Low	High	Continued policy dialogue will be needed with decision makers, relevant Departments and other stakeholders to develop joint priority reform expectations and form broad reform coalitions that uphold reform pressures and commitments. In addition, It is important that decision-making takes into consideration the needs of small produces and attends to their priorities, although some degree of guidance may be also needed. Sector stakeholders, in particular those in more isolated places and with less access to technology, markets and information should be provided with adequate training and awareness.
Lessons Learnt: <ul style="list-style-type: none"> Replanting of coconuts in the Pacific is long overdue and must urgently be integrated into national strategies as a priority. Food systems including coconuts are an essential part of climate resilience and 				

disaster risk management for PICs, especially atolls, and provide the foundation for food and nutritional security.

- There is a need to further review and support public policy initiatives in partnership with other stakeholders and private sector business support, to incentivise coconut planting, taking full account of the different legislation, taxation, economic policies, land ownership and industry development of different PICs.
- Support to the coconut sector should focus on developing local production and import substitution into domestic markets by improving the value chain and increase plantation productivity (seeds and planting material, soil fertility, production techniques, etc.).

3.5 The Intervention Logic

The underlying intervention logic for this action is that:

IF budget support transfers are made *AND* provided that Tuvalu dedicates this budget for replanting of coconuts as part of the agroforestry approach, *THEN* this action will rehabilitate the Tuvalu coconut industry, because replanting should result in greater coconut product availability and together with other measures influence the coconut production in the country.

IF capacities of farmers and coconut value chain operators are strengthened *AND* provided that Tuvalu is fully committed in regulatory improvements in the sector *THEN* this action will rehabilitate the Tuvalu coconut industry, because it will contribute on one side to the improved capacities, and on the other side to the improved institutional, regulatory and policy framework for reviving the coconut industry and ensuring women's and men's livelihood.

The combination of the budget support and the technical assistance is essential for the achievement of the specific objective of this action. While the budget support payments will provide the resources for the replanting and other activities, the technical assistance will provide additional technical and expert support in the planned activities, in terms of choosing the right approach, such as agroforestry approach and will advise on the technical details of the replanting plan. In addition, the technical support will advise on the improvements in the institutional and regulatory framework, which can be further discussed and supported through the policy dialogue. The policy dialogue should be held with the main departments involved, notably the Department of Agriculture and Department of Trade. Non-governmental stakeholders may also participate. Capacity development activities will be part of the technical assistance and will aim at strengthening the capacities of the relevant Departments and main stakeholders. The technical assistance will also advise on the elements and actions to improve policy performance assessment and monitoring. The combination of these activities is therefore expected to lead to the rehabilitation of the Tuvalu Coconut Industry and the linked sustainable livelihood.

3.6 Logical Framework Matrix

BUDGET SUPPORT MODALITY as reflected by the national/sector public policy supported (4 levels of results / indicators / Baselines / Targets / Source of Data - no activities)

Caveat: the indicators used in the LFM refer to the budget support intervention logic. They help monitoring the implementation of the programme in view of its objectives and later evaluate its contribution to country policy's achievements. The list of indicators below should not be understood as the list of indicators informing the disbursement of variable tranches and spelled out in the relevant part of the financing agreement signed with the partner country, although some indicators may be used for both purposes and will be marked accordingly.

Results	Results chain	Indicators (max. 15)	Baselines (year)	Targets by the end of the budget support contract (year)	Sources of data (1 per indicator)
Indicative Impact of the policy	To increase sustainable agricultural productivity and economic growth in Tuvalu.	1. Value of agricultural sector as percent of GDP 2. GDP annual growth (%)	1. GDP: 21% (2019) 2. 4.4 % (2020)	1. GDP: X% (2026) 2. 2X% (2026)	1. FAO webpage 2. World Bank
Expected Outcomes of the policy	To rehabilitate the Tuvalu coconut industry.	1.1 Value of Tuvalu's households engaged in coconut production 1.2 Coconut representing the value of total subsistence income (%)	1.1 42.7% (2016) 1.2 36% (2016)	1.1 X (2026) 1.2 X (2026)	1.1 Tuvalu Household Income and Expenditure Surveys/other statistics and data 1.2 Tuvalu Household Income and Expenditure Surveys/other statistics and data
Induced Outputs	IO1. Improved institutional, regulatory and policy framework for reviving an inclusive coconut industry IO2. Strengthened rehabilitation of the coconuts	1.1.1 Number of meetings of the Coconut Working Group (% women participants) 1.1.2 Number of meetings of the Tuvalu Coconut Enterprise Association (% women participants) 1.1.3 Number of new market buildings in place 1.1.4 Areas rehabilitated by coconut palm planting in line with agroforestry approach (ha)**	1.1.1 tbc (2022) 1.1.2 0 (2022) 1.1.3 0 (2022) 1.1.4 tbc (2022)	1.1.1 4 per year (2026) 1.1.2 2 per year (2026) 1.1.3 1 (2022) 1.1.4 tbc (2026)	1.1.1 Coconut Working Group Meeting minutes 1.1.2 Tuvalu Coconut Enterprise Association Meeting minutes 1.1.3 Policy progress report 1.1.4 Policy progress report

Direct Outputs	DO1. Additional fiscal space created by the transfer of funds and increased predictability of funds	2.2.1 Number of disbursements of budget support for coconut rehabilitation programme	2.2.1 0 (2022)	2.2.1 4 (2026)	2.2.1 EU Disbursement confirmations
	DO2. Improved policy dialogue and coordination including the participation of women in decision-making processes	2.2.2 Number of policy dialogues on Market Driven Plan to rehabilitate the Tuvalu Coconut Industry (Number of dialogues where civil society and/or women's organisation are participating when the dialogues are taking face to face)	2.2.2 0 (2022)	2.2.2 4 (2026)	2.2.2 Policy dialogue minutes/ summary of the meetings/flash reports/mission reports
	DO3. Strengthened capacities of the relevant Departments and improved sectorial policy	2.2.3 Number of people trained (M/F) in relevant Departments on different aspects of the policy implementation	2.2.3 0 (2022)	2.2.3 tbc (2026)	2.2.3 Policy progress reports/ Reports on the implementation of the TA
	DO4. Improved policy performance assessment and monitoring gender and human rights responsive	2.2.4 Number of progress/or monitoring reports on the implementation of the Market Driven Plan to Rehabilitate the Tuvalu Coconut Industry	2.2.4 0 (2022)	2.2.4 4 (2026)	2.2.4 Policy progress reports
	DO5. Strengthened capacities of farmers and coconut value chain operators	2.2.5 Number of farmers (M/F) and other coconut value chain operators trained (disaggregated by sex, persons displaced by climate change)	2.2.5 0 (2022)	2.2.5 tbc (2026)	2.2.5 Policy progress reports/ Reports on the implementation of the TA
	DO6. Coconuts replanted as part of a sustainable agroforestry system	2.2.6 Number of coconut palms planted	2.2.6 0 (2022)	2.2.6 tbc (2022)	2.2.6 Policy progress reports

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with Tuvalu.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation of the Budget Support Component

4.3.1 Rationale for the Amounts Allocated to Budget Support

The amount allocated for the budget support component is EUR 3.7 million, and the amount allocated for complementary support is EUR 0.8 million. These amounts are based on:

- the country's good performance under the previous budget support programmes, its proven track record in achieving the agreed objectives and absorption capacity of past disbursements, with the last budget support payment under 11th EDF foreseen at the first half of 2022;
- the projected financing gaps in addressing the priorities of this action as submitted by Tuvalu to the European Union during our consultations with the partner country;
- the new development strategy of Tuvalu and the relevant policy framework: the Tuvalu Agriculture Strategic Marketing Plan 2016–2025 and Tuvalu Food Security Strategy;
- the commitment of the partner country to revive the coconut industry through coconut replanting associated with small-scale production of coconut by-products, as one of the priorities and among the three outcome results of the increased agricultural productivity under the Tuvalu National Strategy for Sustainable Development;
- the commitment of the partner country to enhance the sector policy and its monitoring framework;
- the added value and contribution of budget support and EU funded technical assistance in supporting this sector, given the past good cooperation between the EU and Tuvalu in other sectors.

The following disbursement calendar and profile proposed for the action is indicative. The actual disbursement calendar and profile will be set out in the financing agreement and may remain subject to change.

The programme is expected to be implemented over five years, with four foreseen budget support payments. The indicative share of the fixed and variable tranche is 80% fixed and 20% variable tranche.

4.3.2 Criteria for Disbursement of Budget Support

a) Conditions

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

- Satisfactory progress in the implementation of the Market-Driven Plan to Rehabilitate the Tuvalu Coconut Industry and continued credibility and relevance thereof or of the subsequent policy.
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances.

- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme.
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information.

b) The performance indicators for disbursement to be used for variable tranches may focus on two or three of the following policy priorities:

- *number of locations identified to collect healthy seed coconuts and other agroforestry planting materials;*
- *establishment of agroforestry site nursery;*
- *number of coconut palms planted;*
- *establishment of the Tuvalu Coconut Enterprise Association;*
- *trainings to farmers and other coconut value chain operators;*
- *improved marketing infrastructure to facilitate domestic trade.*

c) Modifications

The chosen performance indicators and targets to be used for the disbursement of variable tranches will apply for the duration of the action. However, in duly justified cases, the partner country and the Commission may agree on changes to indicators or on upward/downward revisions of targets. Such changes shall be authorised in writing ex-ante, at the latest at the beginning of the period under review applicable to the indicators and targets.

In exceptional and/or duly justified cases, for instance where unexpected events, external shocks or changing circumstances have made the indicator or the target irrelevant and could not be anticipated, a variable tranche indicator may be waived. In these cases, the related amount could either be reallocated to the other indicators of the variable tranche the same year or be transferred to the next variable tranche the following year (in accordance with the original weighting of the indicators). It could also be decided to re-assess an indicator the following year against the original target, if there was a positive trend and the authorities did not reach the target because of factors beyond their control. The use of this provision shall be requested by the partner country and approved in writing by the Commission.

d) Fundamental values

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

4.3.3 Budget Support Details

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

4.4 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures⁵.

⁵ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

4.4.1 Direct Management (Procurement)

The procurement will contribute to strengthen the capacities of the relevant Departments and provide recommendations for the improved sectorial policy, improved policy performance assessment and monitoring. Further-on it will contribute and provide recommendations on strengthened institutional framework and capacity development for coconut product developments and guidelines for coconuts replanting, as part of a sustainable agroforestry system. It will overall contribute to improved governance in the sector and sustained performance of the action.

4.5 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 on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.6 Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Budget support – cf. section 4.3	3 700 000
Procurement (direct management) – cf. section 4.4.1	750 000
Evaluation – cf. section 5.2 Audit – cf. section 5.3	50 000
Totals	4 500 000

4.7 Organisational Set-up and Responsibilities

As signatory of the Financial Agreement, the Ministry of Finance will be the designated EU counterpart and responsible for coordination with the relevant departments and stakeholders involved and all official communication with the EU. As such, it will submit payment requests on behalf of Tuvalu.

The Tuvalu Department of Trade, under the Ministry of Fisheries and Trade and the Tuvalu Department of Agriculture, under the Ministry of Local Government and Agriculture will be in charge of the policy guidance, regulation and coordination of all the activities. Both departments are responsible for achieving the actions and should participate at the policy dialogue and coordination meetings. Meaningful coordination with other relevant stakeholders will also be envisaged, as necessary.

The monitoring by the European Union will be through government-led sector coordination, through government/donor meetings, based on country reports and other relevant monitoring and evaluation systems.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5 PERFORMANCE MEASUREMENT

5.1 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 logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

Indicators shall be disaggregated at least by sex when possible. Monitoring and reporting shall ideally include elements on how the action is taking into account the human rights-based approach and gender equality, where relevant.

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).

Roles and responsibilities for data collection, analysis and monitoring:

Written reports on policy progress implementation shall be prepared by the Department of Trade and the Department of Agriculture on a yearly basis to report on the achievements and progress under the Market Driven Plan to Rehabilitate the Tuvalu Coconut Industry. These reports will be formally discussed and adopted by the Coconut Working Group. They will be submitted to the EU, by the Ministry of Finance together with the other relevant documents which will proof the general conditions for disbursement of all budget support tranches. The annual reports should also be published on the relevant page of the Tuvalu government/department. The Complementary support/ technical assistance team shall ensure to put particular emphasis on enhancing monitoring and monitoring systems of the programmes as developed by the line ministries/departments as well as on assessing the programme's impact and the achievement of variable tranches. Social inclusiveness will be promoted and closely monitored by the technical assistance team.

The statistical and monitoring systems as well as the quality of official data in the policy field covered have been assessed. The Tuvalu Central Statistic Division recognises the importance of capturing high quality data correctly and has a website (<https://stats.gov.tv/about-us/>) that allows for easy public access to a wide range of data, most of which is up to date, especially with respect to economic and trade data, and contains the latest information. The Tuvalu Central Statistic Division collect, compile and process statistic data in close cooperation with the relevant Government departments and agencies, as well as semi-government agencies, banking institutions and non-profit institutions.

5.2 Evaluation

Having regard to the importance of the action, a mid-term evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for problem solving and learning purposes, in particular with respect to potential launch of the second phase of the action or another similar action in Tuvalu.

All evaluation shall assess to what extent the action is taking into account the human rights-based approach as well as how it contributes to gender equality and women's empowerment. Expertise on human rights and gender equality will be ensured in the evaluation teams.

The Commission shall inform the implementing partner at least 3 months in advance of the dates envisaged 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 may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination⁶. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

Evaluation services may be contracted under a framework contract.

5.3 Audit and Verifications

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 audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

⁶ See best [practice of evaluation dissemination](#)

Appendix 1 REPORTING IN OPSYS

An Intervention (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.

Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: ‘a given contract can only contribute to one primary intervention and not more than one’. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a ‘support entities’. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

The present Action identifies as;

Action level		
<input checked="" type="checkbox"/>	Single action	Present action: all contracts in the present action