

SECTION I: Summary Page

I.1 Project title	Tuvalu trade capacity development and institutional strengthening project								
I.2 Category of project	Tier 1 – Multi-year project for the EIF National Implementation Arrangements								
I.3 Grant recipient entity	Main Implementing Entity (MIE) UNDP Fiji Multi country Office/ International Organization								
I.4 Implementing entity (if different from grant recipient entity)	National Implementing Entity (NIE) Government of Tuvalu, Ministry of Foreign Affairs, Trade, Tourism, Environment and Labour (MFATTEL)								
I.5 Project duration	36 months (3 years) from June 2012								
I.6 Total project costs	<table border="0"> <tr> <td>Year 1:</td> <td>US\$324,900</td> </tr> <tr> <td>Year 2:</td> <td>US\$324,900</td> </tr> <tr> <td>Year 3:</td> <td>US\$524,900</td> </tr> <tr> <td>Total:</td> <td>US\$1,174,700</td> </tr> </table>	Year 1:	US\$324,900	Year 2:	US\$324,900	Year 3:	US\$524,900	Total:	US\$1,174,700
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I.7 EIF funding sought	<table border="0"> <tr> <td>Year 1:</td> <td>US\$322,300</td> </tr> <tr> <td>Year 2:</td> <td>US\$324,900</td> </tr> <tr> <td>Year 3:</td> <td>US\$524,900</td> </tr> <tr> <td>Total:</td> <td>US\$ 1,100,000</td> </tr> </table>	Year 1:	US\$322,300	Year 2:	US\$324,900	Year 3:	US\$524,900	Total:	US\$ 1,100,000
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I.8 Other sources of funding: Government of Tuvalu	<table border="0"> <tr> <td>Year 1:</td> <td>US\$24,900</td> </tr> <tr> <td>Year 2:</td> <td>US\$24,900</td> </tr> <tr> <td>Year 3:</td> <td>US\$24,900</td> </tr> <tr> <td>Total:</td> <td>US\$74,700</td> </tr> </table>	Year 1:	US\$24,900	Year 2:	US\$24,900	Year 3:	US\$24,900	Total:	US\$74,700
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Total:	US\$74,700								
I.9 Objective of the project	The main objective of the Tuvalu EIF Tier 1 project is to strengthen the capacity of institutions and stakeholders to formulate and implement trade policies that support poverty reduction, inclusive economic growth and equitable sustainable development. The project aims to support the operations and activities of the Department of Trade (DoT) at the Ministry of Foreign Affairs, Trade, Tourism, Environment and Labour (MFATTEL) as lead agency responsible for the formulation and implementation of trade policy in Tuvalu aligned to national development objectives. The project will also help improve donor coordination, and Aid for Trade delivery in line with the Paris Declaration on Aid Effectiveness.								

I.10 Results statement

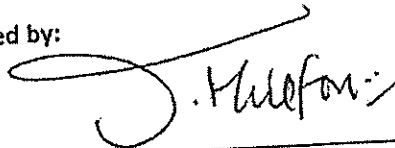
The initiative will contribute to achieving the following four key results:

- (i) Capacity of the Department of Trade (DoT), National Trade Steering Committee (NTSC) and broader national stakeholders including the private sector and civil society, for trade policy formulation, implementation, and assessment, strengthened;
- (ii) Capacity of Department of Trade (DoT) and the NTSC to mainstream trade in Tuvalu's national and sector policies, plans, and budgets, drawing on priority recommendations in the DTIS Action Matrix, enhanced;
- (iii) Dialogue with development partners on Aid for Trade enhanced, in line with the Paris Declaration on Aid Effectiveness with trade related technical assistance increased; and
- (iv) Programme management, monitoring and evaluation are carried out effectively.

I.11 Brief description of the project

The project aims to support Tuvalu's ability to benefit from trade through strengthening the country's capacity to formulate and implement trade policies; mainstream trade in the national development plan and sector policies and strategies; monitor and evaluate trade policy outcomes and impacts as part of the M&E framework for Tuvalu's national plans; and improve aid coordination. The project will support the DoT, its operations and activities, and build the institutional and human resource capacities of the MFATTEL and Tuvalu National Private Sector Organisation (TNPSO). As part of mainstreaming trade, the project will support the implementation of the DTIS Action Matrix and update the DTIS towards the end of the project period to take into account changes in the national and global policy and economic environment. The project will facilitate coordination of trade-related technical assistance to ensure resourcing for the DTIS action matrix. The project will be nationally implemented by the MFATTEL (NIE) through the DoT as National Implementing Unit (NIU), with support from the NTSC and UNDP as the main implementing entity (MIE).

I.12 Approved by:



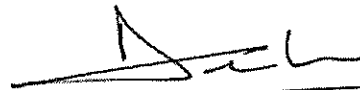
Tapugao Falefou
EIF National Focal Point
Permanent Secretary, MFATTEL



Minute Taupo,
Permanent Secretary
Ministry of Finance, Economic Planning
and Development



for Knut Ostby
Resident Representative
UNDP



Dorothy Tembo,
Executive Director, EIF
Secretariat on behalf of the EIF Board

List of Acronyms

ACS	Aid Coordination Section
ADB	Asian Development Bank
AFT	Aid for Trade
APTC	Australian Pacific Technical College
ATO	Assistant Trade Officer
DCC	Development Coordinating Committee
DoT	Department of Trade
DTIS	Diagnostic Trade Integrated Study
EIF	Enhanced Integrated Framework
EIF ES	Enhanced Integrated Framework Executive Secretariat
EIF FP	Enhanced Integrated Framework Focal Point
EPA	Economic Partnership Agreement
EU	European Union
FACE	Funding Authorisation and Certificate of Expenditures
GDP	Gross Domestic Product
HACT	Harmonised Agreement for Cash Transfers
ITA	International Trade Advisor
JICA	Japan International Cooperation Agency
LDC	Least Developed Country
M & E	Monitoring and Evaluation
MDG	Millennium Development Goal
MFATTEL	Ministry of Foreign Affairs, Trade, Tourism, Environment and Labour
MIE	Main Implementing Entity
NGO	Non -Government Organisation
NIE	National Implementing Entity
NIM	National Implementation Modality
NIU	National Implementing Unit
NTSC	National Trade Steering Committee
PAC	Project Appraisal Committee
PACER	Pacific Agreement on Closer Economic Relations
PBS	Planning and Budget Department
PICTA	Pacific Islands Countries Trade Agreement
QPR	Quarterly progress report
RTMs	Round Table Meetings
SPC	Secretariat of the Pacific Community
SRPD	Sub-Regional Programme Document
TANGO	Tuvalu Association of Non -Government Organisations
TNCW	Tuvalu National Council of Women
TNPSO	Tuvalu National Private Sector Organisation
TO	Trade Officer
TOR	Terms of Reference
WTO	World Trade Organisation
UN CDM	United Nations Country Development Manager
UNDP	United Nations Development Programme
UNDP MCO	United Nations Development Project Multi Country Office

SECTION II: Situation Analysis

II.1 IMPLEMENTATION OF THE AID FOR TRADE AND TRADE DEVELOPMENT AGENDA

Country background

1. Tuvalu is a Polynesian island nation located in the Pacific Ocean, midway between Hawaii and Australia. It comprises four reef islands and five true atolls. Tuvalu became fully independent in 1978 and in 2000 it became the 189th member of the United Nations. Tuvalu, a Least Developed Country (LDC), is the third-least populous sovereign state and the fourth smallest country in the world.
2. Earnings from remittances, the “.tv” internet country code domain name, and transfers from the Tuvalu Trust Fund¹ constitute the main sources of foreign exchange and government revenues, with aid flows being equivalent to over half of GDP. Economic growth trends in the last two decades show an economy that is volatile and has low resilience to external shocks. Economic potential is limited by challenges and constraints articulated in Tuvalu’s National Strategy for Sustainable Development 2005-2015 (Te Kakeega) II as outlined in Box 1. Diversification from traditional reliance on rental-related activities has proven challenging. The nine atolls comprising the chain are low-lying, and the country expects to suffer a significant impact from climate change as sea levels rise.

BOX 1

Key Development Challenges and Constraints

- Limited natural resource base;
- Geographic fragmentation;
- Small domestic market with little potential for economies of scale;
- Access to international markets is expensive;
- Lack of business and entrepreneurial culture;
- Limited domestic business opportunities;
- Land and capital market development constrained by small size, social values and traditions; and
- Weak absorptive capacity for major investments.

Structural Weaknesses

- Large and continuous trade imbalance;
- Large public sector with a low productivity rate
- Pervasive government ownership of enterprise activities that are highly subsidised;
- Often weak fiscal situation;
- Small under-developed private sector which accounts for only one-quarter of GDP;
- High tax rates and import duties;
- Investment approval process that is non-transparent and burdensome for investors;
- Underdeveloped financial system typified by low domestic resource mobilisation;
- Growing labour force experiencing high levels of unemployment and under-employment; and
- Land tenure system is not conducive for commercial development.

¹ The International Trust Fund Agreement was signed in 1987 by Tuvalu, New Zealand, Australia and the United Kingdom. Other contributors have been received from Japan and South Korea. The Fund was set up to help the country finance chronic budget deficits, underpin economic development and achieve greater financial autonomy. Initial contributions amounted to \$27.1 million. The Agreement provides a mechanism for these and subsequent contributions to be held in trust for the benefit of current and future generations of Tuvaluans.

3. Although Tuvalu is not included in the official Human Development Index, it is estimated that it would rank 169th (Hastings 2009). While per capita GDP is relatively high for a LDC (USD 2,447), Tuvalu has ranked very low on the UN economic vulnerability index. Climate change poses a serious threat causing sea level to rise; high temperatures and coral bleaching; increased frequency and severity of droughts and strong winds; coastal land erosion; ground water contamination; salt-water attacks on food supply like food-crops; and flooding.
4. According to the 2011 Tuvalu MDG Report, Tuvalu is on track to achieving universal primary school education, reduction in child mortality, improvements in maternal health, and development of a global partnership for development. However, greater effort is required in promoting poverty reduction, gender equality; combating HIV/AIDS, and other diseases; and ensuring environment sustainability. While Tuvalu has made significant progress in terms of gender parity both at primary and secondary school level and in reducing the gender salary gap, parity in decision making is not achieved neither the private nor in the public sector. In 2010, no woman was a candidate in the elections.
5. Tuvalu is also unlikely to achieve the first Goal (MDG1) on eradicating poverty and hunger, which is to reduce poverty to 11.6%. The percentage of the population living below the national poverty line of 19.7% (2010) is still high. Poverty, which is concentrated in Funafuti, relates to a lack of access to food, income, housing, basic services in education, health and transport and economic opportunities. The slow progress in poverty reduction is also due to external shocks such as the recent hikes in food and fuel prices - infertility of national soil makes Tuvalu heavily dependent on imported food products - and the impact of global economic and financial crisis.

Trade development agenda

6. Tuvalu is involved in discussions toward a number of regional and multilateral trade agreements including the Pacific Island Countries Trade Agreement (PICTA), the Pacific Agreement on Closer Economic Relations (PACER) and the Economic Partnership Agreement (EPA) with the EU. Tuvalu is not a member of the WTO, nor is it an observer.² The country has limited productive capacity, reducing its ability to produce for export (although fisheries remain a significant source of government revenue and foreign exchange). For this reason the DTIS action matrix prioritises activities which contribute to the development of productive capacity in areas of existing comparative advantage and new areas, particularly services exports such as tourism and labour.
7. Tuvalu has historically run a large trade deficit, which reached a peak of A\$17.3 million in 2010. The services deficit has expanded in recent years before moderating to an expected A\$16.1 million in 2010. The current account deficit in the same year was A\$8.4 million including official grants, a sum worth 24.1 percent of GDP.
8. Exports have been very small since independence. To put the country's size into perspective, the land area (26km²) is smaller than a single farm in many countries with which Tuvalu might compete. A considerable proportion of land is taken by housing, while the country's atolls are spread across thousands of kilometres of ocean. Exports declined from 1993 to 2007, with exports in goods standing between A\$400,000 - A\$600,000 a year over the last five years (less than 2 percent of GDP). Historically, Tuvalu has exported to Europe (e.g. Germany, the United Kingdom, and Italy) and the Philippines, but recent data shows that exports are concentrated in five countries only, with Fiji, Australia, Japan and Kiribati accounting for the bulk. A single consignment of stamps to Australia was the only shipment worth a value of six figures or more. The import bill averaged A\$15 million from 2004-9, approximately half of GDP. From 1995 to 2005 approximately half of imports came from Fiji, with Japan and Australia accounting for 14 percent each. China and New Zealand each contributed 6 percent.

² The government, however, still has no official position on any trade agreement. The DTIS makes basic recommendations on each agreement.

9. Growth opportunities in agriculture, mainly as an import substitution sector and niche export sector, and tourism are emerging. However, agriculture development must confront many fundamental challenges, including poor soils, small land areas, increasing urbanization, and poor local market access for those who do wish to produce cash crops. Nevertheless, there is considerable scope for increasing production for local consumption and reversing the recent decline. There may also be some potential for export of certain agricultural based niche products, such as noni juice. It's imperative to revitalize and expand agriculture extension services, encourage people to turn to local rather than imported foods, and improve transport and marketing of local produce. There is also scope for further development of small enterprises in the fishing and aquaculture sector.
10. While Tuvalu's isolation, limited air services and lack of infrastructure do not provide a favourable environment for tourism, there is potential to increase the amount spent per visitor (rather than the absolute number), ensuring the benefits of tourism are spread across the islands and other economic sectors of the nation, while minimizing the "leakage" in economy. The DTIS suggests this can be done through business development and networking; marketing and information and communication technologies; economic linkage creation; human resource development; research and decision support; global warming and environmental sustainability; and enhanced institutional structures and strategies.

II.2 IF PROCESS IN COUNTRY AND PROGRESS ACHIEVED

11. EIF-related activities so far are limited to the DTIS, which was prepared in 2010 in response to an earlier request from the Government of Tuvalu. The Department of Trade is situated in the Ministry of Foreign Affairs, Trade, Tourism, Environment and Labour (MFATTEL), having moved from the Ministry of Finance in October 2010 following the general election on 16th September that year. The department, which serves as the National Implementation Unit (NIU), currently consists of a Trade Officer (TO), and from the beginning of 2012, a newly created position of Assistant Trade Officer (ATO), both supervised by the Assistant Secretary and Permanent Secretary. Based on lessons learned from the DTIS phase, as well as regionally from the Vanuatu IF project, appropriate programme baselines and indicators will need to be established for the EIF programme, and clarity enhanced with respect to TORs and roles and responsibilities of staff, as well as lines of reporting and communication. It will be important to clearly define the responsibilities of the EIF Coordinator, who will be expected to undertake substantive technical input and analysis and the EIF Project Officer, who will be responsible for coordination of the day to day management of EIF project activities.
12. The regional EIF Workshop for the Pacific held in Vanuatu in March 2010 provided an excellent training opportunity, platform for knowledge and experience sharing, and informal South-South cooperation among Pacific LDCs. A Tuvalu officer representing the Department of Budget and Planning and the IF Project Coordinator participated in the workshop.
13. A DTIS validation workshop was held in December 2010, with full participation of all relevant stakeholders including the Prime Minister and several members of the parliament. The DTIS was the first attempt to systematically analyse the trade environment and, through the Action Matrix, it offers practical steps toward enhancing Tuvalu's ability to benefit from trade.
14. Initial steps were taken to mainstream the DTIS Action Matrix into the 2011 Review of the Te Kakeega II, Tuvalu's national development strategy. The Tier 1 Project will build upon this work by further mainstreaming trade into the sectoral and departmental planning processes.
15. Tuvalu needs to build on existing sources of foreign exchange and to develop new ones – principally in services with a focus on labour mobility. It also needs to have a clear trade policy framework enabling Tuvalu to mainstream trade and negotiate trade agreements that support inclusive economic growth and sustainable development, and are relevant to the country's needs. To do this, institutional capacities should be to institute, formulate, and coordinate the implementation of

policies as well as government work with the private sector. Initially this will involve strengthening the Department of Trade, building the capacity of the TNPSO, and capacity of the private sector including civil society, through a planned programme of activities, advocacy, and dialogue. To ensure any new trade policies or trade development measures reflect gender equality aspects, it is essential that women are included in the dialogue as their strengthened capacity can add value to the overall impact of trade in Tuvalu's development.

II.3 SUPPORT TO THE AID FOR TRADE AGENDA BY GOVERNMENT AND DONORS

16. Since the late 1990s donor funding has contributed to a range of activities including governance, capacity building in central government agencies, education, health, and infrastructure development. Several donors have targeted waste management issues in Tuvalu, which have the greatest impact on the surrounding marine environment. Donor expenditure is channelled through government, helping support the very high levels of state expenditure.
17. The New Zealand Aid Programme, the Global Environment Facility, the European Union, the South Pacific Applied Geo-science Commission, the South Pacific Regional Environment Program, the United Nations Environment Program, and the UNDP all have activities targeting environment and climate change issues.
18. Much of AusAID's recent work has focused on technical vocational education and training through the regional Australian Pacific Technical College (APTC). Some support has been provided to the local Tuvalu Maritime Training Institute. Six staff at the government-run hotel have recently received training through APTC.
19. New Zealand Aid focuses on three key areas: outer island development, financial management support, and human resource development. The programme strategy is currently being reviewed and updated to cover the next 10 years.
20. The Secretariat of the Pacific Community (SPC) has provided technical assistance and training through its Statistics and Demography Program, working in particular with Tuvalu's Central Statistics Bureau on preparing a Statistical Master Plan. SPC has also provided assistance in designing a national information communication technology policy.
21. The Asian Development Bank (ADB) has provided assistance in areas such as public financial management, State-Owned Enterprise governance, water supply, sanitation, and education.
22. Japan was Tuvalu's leading donor for the period 2001-2008³, contributing A\$40,062,242 for the period, mainly as capital grants. Some of these major capital investments included the Funafuti Power Station, the vessel "Manufofau", the new Princess Margaret Hospital, a community water cistern, and a desalination plant. Japanese investment, particularly in construction, has provided short term employment opportunities for Tuvaluans. In the long term, Tuvalu is able to generate sufficient energy power for its current needs and has improved the accessibility and quality of health services. The Japan International Cooperation Agency (JICA) provided funds for the 2005 improvement of the Tuvalu National Council of Women's (TNCW's) Craft Centre (Funafuti) and the general strengthening of the TNCW.
23. Taiwan has been particularly active in the area of local agriculture development. The Home Garden Project uses land on the ocean side of the airfield to grow an array of produce and provide important skills and knowledge to the local population. The project has also become an important source of local produce for the tourism sector.
24. Based on Tuvalu's Aid Statistical Report (2001-2008), aid for trade is negligible with only 0.04 percent and aid inflows to the productive sectors make up 0.80 percent (fisheries – 0.68%, and

³ International Aid for Tuvalu – A Statistical Summary, 2001-2008

agriculture – 0.12%). Aid inflows for other production and economic infrastructure as well as transport represent approximately 20.97 percent of total aid. Timely tracking and reporting of aid inflows is an area requiring assistance and a proper aid management system to enable external funding including ODA accurately tracked and reported.

25. The majority of Tuvalu's development partners are represented through regional offices in the Pacific but not based in country. UNDP through a Country Development Manager (CDM) leads the UN Joint Presence Office in Tuvalu and plays a key role in aid coordination in the country. NZAid is also represented by a Coordinator. With financial assistance from the Government of Australia via the AusAID programme, UNDP provides technical support to Tuvalu in the review of its aid management architecture and aid management database system. The high staff turnover at the Aid Management Unit and lack of capacity to undertake the key functions of aid coordination and management in an aid dependent country remain as key challenges on Tuvalu's aid/development effectiveness agenda.

II.4 STATUS OF NIA'S

26. MFATTEL leads the implementation of the EIF in Tuvalu, with the EIF Focal Point functions residing with the Permanent Secretary. Staff capacity over the past four years has been very low, with the only Trade Officer being away on study leave since January 2008 and the temporary appointment of an Assistant Trade Officer under the DTIS Project. However, from the commencement of 2012, Trade has become a fully-fledged department within MFATTEL, and the permanent staff complement increased to two. The Trade Officer is now back in post and the position of Assistant Trade Officer has been recruited. The Trade Officer will take over the role of EIF Coordinator. A Project Officer and Project/Finance Assistant will be hired under the Tier 1 project to provide project management support. The Permanent Secretary for MFATTEL has submitted a proposal for these positions to become part of the permanent complement of the DoT on completion of the project and negotiations for this are ongoing, including during annual budget and planning processes. The composition of the Dept. of Trade will be reviewed by the Government of Tuvalu and changes made to this structure as the project progresses.
27. UNDP currently supports Tuvalu with aid management and coordination for improved effectiveness of aid and development results. On this basis, UNDP has played so far the role of IF donor facilitator. In this new phase of the EIF, UNDP will link its support under this EIF related with that of UNDP's current support to Tuvalu on aid/development effectiveness. UNDP will build the capacity of the Planning and Budget Department as well as the Aid Financial Management Department of the Ministry of Finance as part of both initiatives so that at the end of three years, the two departments are able to take on a greater role in the donor facilitation as part of their functions and improve the integration of aid for trade with the broader 'whole of government' approach to aid management and coordination.
28. The EIF provides an opportunity to widen the scope of operations of the Trade Department and provide a stronger focus on the binding constraints on trade in Tuvalu. More importantly, it brings to the forefront the potential impact trade development can have on poverty reduction and broader human development aspirations of Tuvaluans. The DoT as the EIF National Implementation Unit, will act as the Secretariat for the EIF process in country, leading trade negotiations and policy development. The current National Trade Steering Committee (NTSC) will serve as the EIF Steering Committee. Membership of the NTSC comprises of the Permanent Secretary for MFATTEL (Chairperson); Department of Foreign Affairs; Senior Aid Advisor, Dept. of Planning and Budget; the Coordinator, Tuvalu National Council of Women (TNCW); a representative from Tuvalu National Private Sector Organisation (TNPSO); the Coordinator of the Tuvalu Association of Non Government Organisations (TANGO); the General Manager, Development Bank of Tuvalu; the Price Control Inspector; the Director of Customs and the UNDP Country Development Manager in Tuvalu.

29. The NTSC in its current form was created by a decision of the Minister of Finance and Economic Planning. With a re-organisation of Government ministries following elections in 2010, Trade now falls under MFATTEL. While it is currently fully regarded as a national committee, the EIF formulation process has highlighted the need for official 'buy-in' to this committee by all sectors in Tuvalu. MFATTEL is now consulting with their legal colleagues to see how the NTSC can be formalised as a national committee. While consultations are currently ongoing, it is anticipated that this will be a straightforward procedure and that formal arrangements for the national committee should be completed within the first three months of Tier 1 implementation.
30. The NTSC membership drawing from key central agencies provides a strong link with the national monitoring and evaluation mechanisms for the implementation of Tuvalu's national development strategy, Te Kakeega II. This provides an excellent opportunity to contribute to the trade mainstreaming process and ensure that EIF programme results are integrated in national systems. The inclusion of TANGO and TNCW ensures the broader human development, including gender, perspectives are considered. The Committee will meet quarterly to monitor and guide the EIF process. The current functions and key objectives of the NTSC are:
- Act as a formal body to the Government on development relevant to national trade;
 - Act as a Forum for consulting and coordinating different trade and trade related policy issues and negotiations among the country's stakeholders;
 - To establish a trade policy process that aids the country to identify its trade interest in the framework of Te Kakeega II;
 - To formulate and develop policies that will clearly identify national trade interests, objectives and strategies to be pursued over time as part of an overall national sustainable development programme;
 - To facilitate and coordinate the implementation of trade related policies
 - To develop a coherent trade strategic plan that is closely linked with Te Kakeega II.
31. The current Terms of Reference will be reviewed with members during the formalisation process and revised to incorporate the following EIF specific responsibilities:
- To monitor the overall EIF process and activities;
 - To ensure effective coordination and buy-in among EIF Country government institutions, the private sector, civil society and other EIF stakeholders, in particular by advising on the DTIS and DTIS Action Matrix and their updates, which are to be the basis of the government's plans and programmes;
 - To advise the government on the submission of Tier 1 and Tier 2 proposals for funding by the EIFTF or other sources. In this connection, the Chair of the NTSC or a designated representative participates in the appraisal of the Tier 1 and Tier 2 projects; and
 - To contribute to ensuring that trade-related issues are included and receive due attention in conferences of the government with donors, such as consultative group and round table meetings.
32. The Chair of the NTSC, the Permanent Secretary – MFATTEL, is also represented on the Development Coordinating Committee (DCC), which plays a key role in the national aid coordination and planning process as well as providing advice to Cabinet.
33. Mainstreaming activities from the DTIS Action Matrix into the on-going work plans and activities of the responsible departments and the private sector is an effective way of implementing the DTIS Action Matrix in Tuvalu. To do this, considerable capacity building will need to be conducted and a coherent and inclusive trade policy established.

SECTION III: STRATEGY AND PROJECT DESCRIPTION

III.1 STRATEGY – OVERALL OBJECTIVE AND PURPOSE

34. The overall objective of the project is to develop capacities in Tuvalu to formulate implement and assess trade-related strategies, mainstream trade in national development planning processes and the coordinated delivery of Aid for Trade in line with the Paris Declaration on Aid Effectiveness.
35. The project seeks to address constraints in the overall trade agenda highlighted through the Tuvalu DTIS process, particularly the low capacity of the DoT and NTSC, the lack of a trade policy and the disconnect between broad strategies and development and social policies, important gaps in mainstreaming trade at the level of policy, in particular; weak and *ad hoc* institutional mechanisms for trade policy coordination both within government and with civil society; and limited and uncoordinated support to trade by development partners, among others.
36. Gender aspects will be addressed throughout all modules of the project. Capacity building programmes will ensure that analysts and planners are aware of the particular impacts of trade policy on women as well as men. While women are not well represented at the parliamentary level, care will be taken to ensure that the women's voice is heard and women's issues are addressed at the private sector and community levels through advocacy programmes and consultations, where the project will work with civil society and NGOs, including the Tuvalu National Council of Women. Project management will make every effort to ensure equal participation of men and women in all capacity building events. Gender indicators have been included throughout the logical framework to capture this information.
37. Serious human and financial resources have limited the ability of the DoT to show leadership and drive the trade development agenda in Tuvalu, including supporting the institutional framework necessary to engage partners. Therefore developing capacities for trade at the MFATTEL is a key objective of the project expected to underpin the achievement of other results.
38. **Capacity development approach:** To enable effective and efficient capacity development in trade that aptly reflects Tuvalu's current and future human resources in trade policy work, an International Trade Advisor (ITA) will be engaged over the 3-5 year period. Current human resource capacity is already fully stretched and heavily involved with international commitments relating to Tuvalu's trade agenda. Recruitment of the ITA will be essential for the EIF project to succeed. The ITA will be tasked with the development and implementation of a capacity building plan and will be responsible for achievement of the planned outcomes. An exit strategy will be developed at the commencement of the ITA's assignment clearly indicating what will be sustained by Tuvalu's own financial and human resources and what would require ongoing regional and international support. Rather than building trade policy capacity that Tuvalu cannot sustain post-EIF, the programme will tap into trade expertise within the region and at regional organisations such as the Pacific Islands Forum Secretariat (PIFS) and the Secretariat for the Pacific Community (SPC). Networking will also be established with other EIF programme countries in the Pacific to ensure sharing of best practises and lessons learned from a Pacific regional perspective.
39. **Strong linkages with poverty reduction and human development:** Capacity building will be provided to assist planners (in central agencies and ministries) better understand the links between trade policy, trade development, human development and poverty reduction. Capacity building will also be provided to the private sector and civil society; and institutional arrangements will be established for regular consultation and dialogue on trade issues. These will ensure strategies developed include mitigation of negative effects that emerge due to policy changes. The mainstreaming process will promote knowledge sharing, increase sustainability of enhanced capacity and reduce the risk of losing essential DoT staff to other endeavours. As part of trade

mainstreaming, the initiative will support the implementation of the DTIS Action Matrix including updating of the DTIS towards the end of the project period, in line with the changing national and global policy and economic environment, as well as facilitate coordination of trade-related technical assistance to ensure resourcing for the DTIS action matrix. Analytical capacity of the DoT staff to assess/evaluate the impact of implementation of DTIS action matrix including associated impact of trade policy on gender, sustainable human development and poverty reduction will be developed.

40. **Whole of Government Approach to Monitoring & Evaluation:** Working towards achieving the above targeted results, the EIF initiative will utilise and strengthen existing national and sectoral monitoring and evaluation mechanisms to avoid having parallel systems that add to administrative and operational burden on already stretched human and financial resources. The whole of government and broader stakeholder approach adopted in the strategic guidance, implementation, and monitoring of the EIF implementation allows for greater awareness and capacity building in trade across a wider cross section of Tuvalu. This increases the likelihood of trade benefits accruing to vulnerable groups and contributing to progress in Tuvalu's MDG targets.
41. This approach will involve building on the existing efforts to mainstream aid for trade, including action items in the DTIS action matrix into both national and sectoral policies, plans and budgets. A trade mainstreaming workshop, as described in Section III.2 – Results, will be the starting point for this activity. The DCC is ultimately responsible for overseeing the monitoring and review of implementation of the national development strategy, the Te Kakeega II, and bringing to the attention of Cabinet any changes requiring to be made in policy or approach. The links between the various structures that constitute the National Implementing Arrangements (DoT/NIU, MFATTEL, EIF FP, NTSC) should help to bring EIF and aid for trade activities clearly into the mainstream of national development planning and monitoring functions. While the DoT will continue to monitor aid for trade and implementation of the DTIS action matrix at the outcome level, it cannot absorb the management burden of administering all aid for trade projects. It is expected that close association with the Aid Unit, Ministry of Finance and inter-sectoral collaboration through the NTSC will result in aid for trade projects firmly embedded within the policies, plans and budgets of their respective sectors, following standard Government monitoring and evaluation methods. Assistance from the UNDP MDG Planning and Aid Coordination Project is undertaking a review of the current aid management system and providing solutions for improved alignment of the planning and budgeting system to the national development plan. Aid management software will be introduced to track donor funds and provide a transparent overview of how these contribute through the different sectors for the achievement of national priorities. With trade mainstreamed throughout the TKII, systems in place will enable the DoT to be able to monitor aid for trade initiatives implemented throughout the various sectors of Government and civil society.
42. **Application of Aid Effectiveness Principles to Aid Coordination:** To assist the aid and donor coordination process, the project will develop a monitoring system for the DTIS and other aid for trade initiatives in Tuvalu. Currently, aid coordination and planning is under the responsibility of two different sections of the Ministry of Finance. Coordination of development assistance initiatives falls under the responsibility of the Aid Coordination Section (ACS) of the Planning and Budget Department (PBS), while aid funding management is integrated in the work of the Accounts Section of the Treasury Department. The project will work closely with these departments to ensure synergies with the Aid effectiveness peer review recommendations are captured and compatibility with the wider aid management system is developed. Tuvalu has identified the need for an improved aid management system or database to better track, assess, and report on aid flows that will enable stronger analysis of the effectiveness of aid and its contributions to achievement of Tuvalu's development priorities. UNDP, under its MDG Planning Project, has recruited an Aid Management Specialist to develop and populate a system appropriate for Tuvalu's requirements. Once this database has been established, the DoT will work closely with the Ministry of Finance to establish a monitoring system with linkages to the new database being established, ensuring

activities and indicators to be monitored and evaluated are synonymous with those of national policies and plans; and are incorporated into the national budgets system.

43. It has also been recommended that the DCC should play a more active role in the direction of discussions at donor Round Table Meetings (RTMs), recommending priority issues and strategies for discussion and linkages between the NIA and the DCC, as described above, will provide an opportunity for EIF and aid for trade to be fully integrated into dialogue with development partners.
44. **Mid-Term Evaluation:** While the initial phase of the EIF is for three years, trade is an under developed sector of Tuvalu's economy and will require further assistance. An evaluation will be undertaken at the end of the project's three year period including an update of the DTIS. Based on the evaluation results, extension of the EIF Tier 1 project for an additional two years will be sought and a work plan for the two years developed. The update of the DTIS will together with the evaluation, identify the priorities for the programme implementation in subsequent years.

III.2 PROJECT RESULTS

45. The project will contribute to achieving the following results:

- (i) Capacity of the DoT, NTSC and broader national stakeholders including the private sector and civil society, for trade policy formulation, implementation, and assessment, strengthened;
- (ii) Capacity of Department of Trade (DoT) and the NTSC to mainstream trade in Tuvalu's national and sector policies, plans, and budgets, drawing on priority recommendations in the DTIS Action Matrix, enhanced;
- (iii) Dialogue with development partners on Aid for Trade enhanced, in line with the Paris Declaration on Aid Effectiveness with trade related technical assistance increased; and
- (iv) Programme management, monitoring and evaluation are carried out effectively.

Capacity of the DoT, NTSC and broader national stakeholders including the private sector, for trade policy formulation, implementation, and assessment, strengthened;

46. The project will ensure the work of DoT is better structured, with staff capable of sourcing development oriented trade policies and providing advice to decision makers. An inclusive and sustainable trade policy prioritising poverty reduction, achievement of MDGs, food security, labour mobility and small/micro business development will be developed through a participatory process and endorsed by decision makers. The project will ensure the voice of women is included in the process and trade policy will be developed and reviewed to ensure that it is gender sensitive.
47. The DoT office will be refurbished and equipped to accommodate two permanent staff, two project staff and a full time International Trade Advisor (ITA). An appropriate schedule of regular activities, including the production of background documents on EIF work; awareness workshops; development and maintenance of a website; the establishment of a communications strategy; and the compilation and maintenance of a small library of trade-related documents, will be developed.
48. ITA's work will focus on capacity building, providing overall technical advice, coaching and on the job training. While capacity building activities have been proposed in this document, currently these are tentative and needs assessments will be undertaken to determine actual training requirements of DoT staff and the NTSC. From the assessment, a targeted training plan will be developed to address gaps. The ITA will provide on-the-job technical training for DoT, NTSC and other local stakeholders on trade formulation, implementation and assessment. This will include analysis on EIF results in terms of broader national/sector development priorities for Tuvalu

especially stronger linkages with vulnerabilities emanating from economic, natural disaster and climate change challenges and gender aspects that have socio-economic implications. In addition, international and regional training opportunities will be sourced where possible. All training and capacity building programmes will ensure the inclusion of women participants.

49. Training programmes will also be designed to build capacity of the TNPSO and an annual grant will be provided to the organisation to assist with improving their services to the private sector. A memorandum of agreement will be drawn up providing details of activities and budget agreed upon. Working through civil society organisations, advocacy/outreach programme will be developed to target civil society. All training and outreach programmes will include gender issues.
50. The second major output of the International Trade Advisor is the development of a Trade Policy Framework for Tuvalu. However, for this to be an inclusive process, it is important that it follow on from implementation of the capacity building programme. It is anticipated that work on the framework will commence towards the end of the first year and continue during the second. This will be formalised into a Trade Act in the third year.
51. As part of Tier 1, Aid for Trade including Tier 2 projects for funding under the EIF TF will be developed based on priorities identified in the DTIS Action matrix. Resources will be made available to engage consultants as necessary for project formulation. A monitoring plan for the DTIS will be developed, with concrete key indicators, including gender indicators, identified to measure progress. The project will provide funding for research and data collection essential for policy formulation and monitoring, including assistance to the Statistics Department for analysis and disaggregation of poverty data. A Labour Market Analysis will be undertaken to reflect the importance of labour mobility in Tuvalu's trade policy, providing important information for Tier 2 formulation, as well as to inform trade policy. The DTIS also highlighted a feasibility study for the replacement of Tuvalu's Customs database as an immediate priority and funding can be considered through a Tier 2 project. It is anticipated that Tier 2 activities will be in the services sector with a focus on labour mobility, tourism and supply side assistance to trade through small business development in handicrafts and local niche products.

Capacity of Department of Trade (DoT) and the NTSC to mainstream trade in Tuvalu's national and sector policies, plans, and budgets, drawing on priority recommendations in the DTIS Action Matrix, enhanced

52. At the end of three years, planners in all relevant sectors will be trained and aware of the linkages between trade policy, human development and poverty reduction; institutional arrangements will be in place to facilitate the mainstreaming of trade into national and sectoral planning and budgeting processes providing a sustainable mechanism for formulation and implementation of pro-poor and inclusive trade policy in Tuvalu; and trade will be mainstreamed in national and sector planning and budgeting processes.
53. The NTSC in Tuvalu is multi sectoral and also includes representatives from state owned enterprises, the private sector and civil society. Capacity building will be provided to the NTSC which will be a driving force in the mainstreaming process. The committee is well represented by women and with the inclusion of a gender focussed training programme, this should ensure that gender issues are fully considered during the policy formulation, planning and budgeting processes.
54. The EIF Tier 1 project will work with the Assistance to Parliament project to ensure parliamentarians are aware of the trade policy that supports poverty reduction, inclusive economic growth and equitable sustainable development. Trade will become an agenda item for Parliamentary induction workshops and other capacity development events.

55. A Trade Mainstreaming workshop will be conducted to familiarise all stakeholders with the concepts of mainstreaming at all levels – policy, institutional and international cooperation levels. A major output of this workshop will be a framework for mainstreaming trade into national policies and plans. The initial workshop will be followed up with capacity building sessions targeting the individual levels including staff from the EIF Tier 1 Project, MFATTEL, including the Department of trade, the Aid Unit and National Planning and Budgeting Department of the Ministry of Finance, planners in line ministries with functions related to Aid for Trade and the civil society and the private sector. As far as possible, the timing of the workshops will be closely aligned to Tuvalu’s own annual TK II review and the budget process for its fiscal year (January to December) which includes a submission to the Ministry of Finance in August, to the Development Coordination Committee in September and Cabinet in October. This will help the various Ministries and Departments included in the trade mainstreaming workshops that manage trade related sectors to better integrate trade related activities in their annual budget submissions.
56. Institutional structures will be set in place to facilitate coordination of the mainstreaming process. The NTSC, headed by the EIF Focal Point, will spearhead the process, with support from the DoT. Mechanisms for consultation and coordination will be established to ensure transparency, inclusiveness and a “whole of Government” approach to mainstreaming efforts, hence increasing sustainability. An initial attempt was made to mainstream the DTIS Action Matrix into national development strategies during the October 2011 review of the Te Kakeega II. However, much greater coordination and understanding of trade policy by planners and stakeholders in all sectors is required to successfully mainstream trade. The DoT as the NIU, will be responsible monitoring process to ensure that recommendations in the DTIS, as approved by Cabinet, are carried out. As part of this monitoring, DoT, in conjunction with the NTSC, should organise a trade related sector meeting. This can take the form of an annual trade forum that is able to trigger top political attention and attract participation from stakeholders and can be held in conjunction with annual donor consultations or other high level consultations bringing together development partners in Tuvalu.
57. During the third year of the project the DTIS will be revised based on analysis of existing trade policies, changing national and global trends, and findings from the project evaluation results. This will be a participatory process involving all stakeholders including Government, private sector and civil society. The Te Kakeega II guides policy until 2015 and the development of trade policy and revision will be very timely for incorporation into the next national strategic planning document.

Dialogue with development partners on Aid for Trade enhanced, in line with the Paris Declaration on Aid Effectiveness

58. In collaboration with the Planning and Budget Department and the Aid Financial Management Department, the DoT will undertake an inventory of aid for trade. This will enable better knowledge of AFT projects operating in the various sectors in Tuvalu and how they are funded. Capacity development programmes for mainstreaming trade will bring the various sectors in Tuvalu to a common understanding of trade programmes and how they are responding to the development needs of Tuvalu and help to provide a unified voice to development partners on future needs.
59. Improved coordination of trade within Tuvalu is expected to facilitate dialogue and alignment of development partners’ assistance to Tuvalu’s trade-related priorities and support the funding of DTIS and aid for trade priorities, including EIF Tier 2 projects. UNDP is currently assisting the Ministry of Finance in developing an Aid Management System and systems within the DoT will be aligned to this in order to provide up to date information to national policy decision makers and donors. The DoT in conjunction with the Planning and Budget Department and the Aid Financial Management Department, will ensure participation in an annual trade sector donor round-table dialogue . Currently the Pacific Island Forum Secretariat hosts a regional AFT Donor Dialogue and

the EIF project should be an opportunity for Tuvalu to strengthen its voice in this annual regional meeting. Aid for trade as far as possible should be included in development partner reporting under the Forum Compact for aid to Tuvalu.

60. The absence of resident donor presence in Tuvalu makes a round-table process impracticable, both from a logistical and financial perspective. Because of the it is important that trade is on the agenda of individual development partner consultations during their Tuvalu missions In this respect, the project will ensure close cooperation with the Ministry of Finance and the Planning and budget department to be included in the agenda of individual development partners during their regular missions to the country, raising the profile of aid for trade in the development agenda.

Programme management, monitoring and evaluation are carried out effectively.

61. The capacity of the DOT will be strengthened to comply with all regular financial and substantive monitoring and reporting requirements as requested by the Government of Tuvalu, the EIF Board and other development partners, and other requests for information/updates as needs may arise.
62. Strong cooperation mechanisms will be put in place between UNDP and the Government of Tuvalu for an effective management monitoring and evaluation of the project, building on the experience of collaboration under the previous phase of the programme. Through the Tier 1 Project, a Project Officer will be recruited to manage the day to day activities of the project, supported by a Project Assistant/Finance Officer.
63. During the implementation of the project, UNDP will provide guidance and training on project management including annual work planning and project financial and substantive reporting based on the principles of results based project management. This will be in the form of formal training workshops during bi-annual missions from the UNDP MCO and on the job training and mentoring by the UN Country Development Manager in Tuvalu. Reporting will be closely monitored to ensure knowledge transfer is successful and systems are in place. UNDP is committed to building national capacity for project management and a capacity development plan with indicators and milestones will be developed to ensure that by the end of the Tier 1 project, systems will be institutionalised in line with existing government structures and the DoT will be well positioned to take on a more direct role in project implementation and financial management. This plan will be monitored by UNDP on a quarterly basis.
64. Annual audits will be performed and an evaluation of results conducted during the third year of the project. The evaluation combined with the DTIS update will set the stage for an extension of the Tier 1 project.

III.3 KEY ACTIVITIES AND OUTPUTS

Result 1: Capacity of the DoT, NTSC and broader national stakeholders including the private sector, for trade policy formulation, implementation, and assessment, strengthened

The DOT will be established as the overarching institution for trade activities in Tuvalu, ensuring efficient and effective implementation of trade policy, EIF and aid for trade project activities.

Key Activities:

- (i) The DoT office will be refurbished, equipped and staffed to accommodate EIF NIU functions
- (ii) An appropriate work schedule, tools and procedures will be developed to reflect the enhanced role of the DoT in Trade policy implementation
- (iii) The NTSC will be formally endorsed as the overarching Trade body for Tuvalu, with a revised TOR to reflect the added role of EIF Steering Committee

- (iv) Capacity of the DoT and NTSC for policy analysis, formulation and assessment will be enhanced through training
- (v) Capacity of the TNPSO enhanced to participate as a credible representative of the private sector in Tuvalu's trade agenda
- (vi) Enhanced capacity of the population at large to contribute to Trade Policy development through Advocacy and Training
- (vii) Trade Policy Framework Developed and Act endorsed
- (viii) Implementation of the DTIS Action Matrix including monitoring, feasibility studies and formulation of bankable EIF Tier 2 Projects

Outputs:

- (i) DoT office converted and equipped within 3 months of implementation; Trade Officer and assist. Trade Officer in post January 2012; ITA recruited within 1st 3 months of implementation
- (ii) Utilise existing national institutional systems and mechanisms and only in absence of these or weak systems develop new ones; document these in a DOT operational manual; Develop and maintain communications strategy including website, library and the strategic and effective use of the media
- (iii) Needs assessment undertaken and plan established by Q2 of implementation- plan to include local on the job training, local workshops and international training for women and men participants. Training programme commences Q3 of 1st year and ongoing for Years 2 and 3
- (iv) TNPSO a credible organisation meeting at least quarterly and representing the private sector, including women in business, in trade discussions; Regular dialogue between TNPSO and DoT established
- (v) EIF/Civil society outreach programme established; Advocacy events for women and men conducted through partnership with NGOs
- (vi) Trade policy framework as a basis for negotiations and planning endorsed in Year 2
- (vii) Conduct labour market analysis in Year 1 to inform policy and provide basis for Tier 2 project; Conduct feasibility study for new customs database for funding under Tier 2 project

Result 2: Capacity of Department of Trade (DoT) and the NTSC to mainstream trade in Tuvalu's national and sector policies, plans, and budgets, drawing on priority recommendations in the DTIS Action Matrix, enhanced;

Planners will be trained and aware of linkages between trade policy, inclusive economic growth, including gender impacts, and poverty reduction.

Key Activities:

- (i) Enhanced capacity of the "whole of Government" to contribute towards and implement trade policy that is pro-poor, sustainable and equitable
- (ii) Enhanced capacity of the NTSC to lead the trade mainstreaming process in Tuvalu
- (iii) Increased dialogue and consultation on trade related development in Tuvalu including advocacy at the Parliamentary level
- (iv) Trade is mainstreamed in national planning and budgeting systems reflecting NTSC meeting outcomes & decisions.
- (v) DTIS Action Matrix monitoring institutionalised in national M&E process for TK II or revised plan
- (vi) The DTIS is updated to reflect progress and new developments

Outputs:

- (i) Planners trained and aware of linkages between trade policy, inclusive economic growth, including gender impacts, and poverty reduction
- (ii) Members of the NTSC, including women, to represent their various sectors and organisations through the planning process

- (iii) Annual Trade forum organised to attract high level interest from Government, Development partners and national stakeholders
- (iv) Institutional arrangements established for trade mainstreaming and monitoring; Assistance provided to the Statistics Dept to establish sex-disaggregated baselines
- (v) Monitoring system established in conjunction with national planning processes, with indicators to measure gender impact, environmental impact and linkages between trade and poverty reduction
- (vi) In the 3rd year of the project the DTIS is reviewed by all sectors and stakeholders through a consultative process, utilising international and local consultants

Result 3: Dialogue with development partners on Aid for Trade enhanced, in line with the Paris Declaration on Aid Effectiveness

Donors mainstream Aid for Trade within their country development programmes for Tuvalu providing increased funding.

Key Activities:

- (i) Annual donor consultation held and regular dialogue with development partners conducted
- (ii) Aid for trade is fully captured and reflected in Tuvalu's aid management system with improved reporting

Outputs:

- (i) Annual Donor consultation organised in conjunction with High Level Trade Forum to bring together all stakeholders and development partners
- (ii) M & E system in place with reports to show aid flows and inform policy; aid for trade included in budgeting process; All aid for trade and DTIS initiatives monitored by DoT through national systems;

Result 4: Programme management, monitoring and evaluation are carried out effectively

Audit and evaluation reports show effective management of project and achievement of intended results.

Key Activities:

- (i) EIF Project Staff recruited
- (ii) EIF Project and DoT staff receive training on project management and financial reporting
- (iii) Quarterly monitoring review of financial statements and activities undertaken
- (iv) Technical project oversight carried out effectively
- (v) Project progress reports produced in a timely manner
- (vi) Annual project audits and spot checks conducted
- (vii) Project evaluation conducted

Outputs:

- (i) Staff in post within three months of launching of the Tier 1 project
- (ii) EIF NIU staff training commenced within one month of taking office
- (iii) UNDP holds quarterly reviews on the basis of the MFATTEL statements
- (iv) UNDP Fiji MCO holds technical and financial monitoring missions twice a year
- (v) Project progress reports produced every six months
- (vi) Annual audits are conducted every year of the Tier 1 project; spot checks conducted intermittently
- (vii) One project evaluation conducted towards the end of the project (third year of project implementation)

III.4 LINK TO THE DTIS

65. Strategies planned to achieve the overall objective of the project i.e. develop capacities in Tuvalu to formulate implement and assess trade-related strategies, mainstreaming trade in national development planning processes and the coordinated delivery of Aid for Trade in line with the Paris Declaration on Aid Effectiveness are all directly linked to recommendations in the DTIS.
66. The Capacity Building Approach address particular areas under Crosscutting Recommendations, Sections 1, 2 and 3 which relate to capacity building of the Department of Trade, the Tuvalu National Private Sector Organisation and the private sector and civil society as a whole, to understand, implement and contribute towards trade policy.
67. Strong linkages with poverty reduction and human development are captured in the DTIS throughout the Crosscutting recommendations, particularly with respect to Section 4, Human Development and the Environment, with action items for mainstreaming trade, poverty and human development policy, remaining aware of linkages between human development, trade and the environment and linking trade negotiations with human development.
68. Whole of Government Approach to monitoring and evaluation is alluded to in the introduction to the Recommendations section, p12, where government bodies are encouraged to align their activities more closely with one another and government as a whole attempt to simplify strategies and the development planning process. Section 1.1, with reference to overall development policy, recommends that policy needs to be communicated and monitored better and sectoral plans linked and section 4.1 recommends mainstreaming trade, poverty and human development policy.
69. The application of aid effectiveness principles to aid coordination is an important aspect to ensure that action items in the DTIS Action matrix can be implemented effectively. It is important to have donor buy in, and with very little representation of development partners in Tuvalu it is imperative to strengthen the capacity of the Tuvalu Government to take on the full function of Donor Facilitator.
70. An evaluation of the project during the third year, together with an update of the DTIS will ensure that the EIF programme in Tuvalu is following the right direction and is being be continuously updated to reflect the changing local and global environments.

III.5 SUMMARY BUDGET INCLUDING GOVERNMENT FUNDING

A. BY CATEGORY (EXCLUDING GOVERNMENT AND UNDP FUNDING)

Account Code	Account Code Description	Total Cost	Year 1	Year 2	Year 3
71200	International Experts	508,233	142,189	190,522	175,522
71300	Support Staff	72,913	22,913	25,000	25,000
71400	National Experts	23,100	7,500	9,300	6,300
71600	Travel & Missions	59,730	16,410	22,410	20,910
72500	Supplies	7,500	2,500	2,500	2,500
72600	Grants	20,000	10,000	5,000	5,000
72200	Equipment	14,775	14,775		
72400	Communication	7,500	2,500	2,500	2,500
72400	Connectivity	2,500	2,500		
74100	Prof Services	215,000		5,000	210,000
73100	Premises	20,000	20,000		
74500	Sundries	21,237	6,337	7,142	7,758
75105	GMS	71,962	19,626	19,626	32,710
75700	Training and Workshops	55,550	32,750	11,000	11,800
Total		1,100,000	300,000	300,000	500,000

B. GOVERNMENT FUNDING

Description	Year 1	Year 2	Year 3	Total USD
Salaries	10,000	10,000	10,000	30,000
Rent	12,000	12,000	12,000	36,000
Electricity	100	100	100	300
Furniture	400	400	400	1,200
Office costs	2,000	2,000	2,000	6,000
Advertising cost	100	100	100	300
Stationery	300	300	300	900
Total	24,900	24,900	24,900	74,700

C. UNDP FUNDING (INCLUDING CASH AND IN KIND CONTRIBUTION)

Description	Year 1	Year 2	Year 3	Total USD
In Kind Contribution				
Salaries (30% Prog. Assoc. Salary)	10,000	10,000	10,000	30,000
Cash Contribution				
Capacity Bldg Trng	15,000	15,000	15,000	45,000
Total	25,000	25,000	25,000	75,000

Detailed Budget

Country: Tuvalu
 Project Title: Tuvalu trade capacity development and institutional strengthening project
 Starting Date: December 2012
 Project Duration: 36 months
 Approved Budget: USD 1.1 million
 Funded by: Enhanced Integrated Framework Trust Fund (EIF TF)

Account Code	Account Code Description	Unit	Total			Year 1		Year 2		Year 3		Comments
			Units	Unit Cost	Total Cost	Units	Total	Units	Total	Units	Total	
71200	International Experts	Month	34	11,667	396,667	10	116,667	12	140,000	12	140,000	Int. Trade Advisor
71200	International Experts	Mission	3	Variable	96,566	1	25,522	2	50,522		20,522	Short term consultancy
71200	International Experts	Mission	1		15,000					1	15,000	Evaluation
71300	Support Staff	Month	35	2,917	72,913	11	22,913	12	25,000	12	25,000	
71400	National Experts	Days	77	300	23,100	25	7,500	31	9,300	21	6,300	
71600	Travel & Missions M&E	Trip	14	Variable	23,730	2	4,410	7	10,410	5	8,910	
71600	Travel & Missions (Int.)	Trip	9	Variable	36,000	3	12,000	3	12,000	3	12,000	
72500	Supplies	Lump sum	variable		7,500	1	2,500	1	2,500		2,500	
72600	Grants	Contract	3	Variable	20,000	1	10,000	1	5,000	1	5,000	Capacity Bldg Grant to TNPSO
72200	Equipment – furniture	Lump sum	variable		2,800	1	2,800					Office furniture
72800	Equipment	Lump sum	variable		3,000	1	3,000					Computer Software
72800	Equipment	Lump sum	variable		8,975	1	8,975					Computer Hardware
72400	Communication	Month	36	208.33	7,500	12	2,500	12	2,500	12	2,500	Networking/setup
72400	Connectivity	Lump sum	variable		2,500	1	2,500					Year 2 – Audit costs Yr 1; Year 3 Q1-audit costs Yr. 2; Q4 – audit costs Yr. 3
74100	Prof Services	Audit	3	5,000	15,000			1	5,000	2	10,000	Update the DTIS
74100	Prof Services	Contract	variable		200,000						200,000	
73100	Premises	Lump sum			20,000	1	20,000					
74500	Sundries	Month	36	590	21,237	12	6,337	12	7,142	12	7,758	
75700	Training and Workshops	Event	variable		55,550	6	32,750	11	11,000	10	11,800	
	Sub total				1,028,038		280,374		280,374		467,290	
75105	GMS	Lump sum			71,962	1	19,626	1	19,626	1	32,710	
TOTAL					1,100,000		300,000		300,000		500,000	

III.6 GOVERNMENT CONTRIBUTIONS

71. Even though the government's current financial situation limits its ability to contribute, the government is committed to ensuring the success of the project. The government has provided office space for the enlarged DoT although this requires some refurbishment to accommodate the unit. The Government funded Trade Officer and Assistant Trade Officer will both provide staff time to the project, with the Trade Officer assuming the role of EIF Coordinator. The government has in principle agreed to commit funds to assist the future implementation of the EIF in areas other than the MFATTEL such as Customs. In addition they have estimated in-kind costs to the project covering salary inputs, rent and miscellaneous office costs totalling US\$74,900 over the three year period.

III.7 SUSTAINABILITY OF RESULTS

72. The Government is committed to mainstreaming trade and ensuring that trade contributes to poverty reduction. To avoid the creation of parallel structures that often disappear once donor funds are exhausted, activities implemented under the EIF initiative will form part of the Ministry's activities. There will be no separate EIF/ DoT institutions. This is also due to the small size of government and the relative shortage of human resources.

73. The project emphasizes capacity development including by engaging an ITA to provide on the job training and other day to day support to the Trade Department and key trade stakeholders on technical issues and mainstreaming-related activities. The ITA will be engaged for the initial 3 year project and the need for the position for a further two years will be reviewed during the project evaluation.

74. With the elevation of trade to full departmental level, MFATTEL has put forward a plan for the permanent complement of staff to be increased from one person to four people. This has been agreed in principle, but will be phased in gradually. From the beginning of January 2012, a second position, that of Assistant Trade Officer, was created. It is the intention of MFATTEL to fully absorb the two EIF funded positions by end of EIF support, but this is likely to be over a longer 5 year period once the results of EIF support are fully realised

75. Staff from various relevant departments of the MFATTEL and wider government will be involved closely in the EIF activities and its capacity development and training activities. This involves in particular, members of the NTSC which has a lead role in driving the trade agenda and mainstreaming. Sustainability will also be promoted through knowledge transfer between DoT staff and the rest of government staff, by creating an institutional memory and hand over tasks and train new staff. Tools will be developed and systems and procedures will be documented within the DoT to ensure continuity and providing a sound basis for continued mainstreaming and monitoring of future aid for trade activities.

76. In addition, the private sector capacity for policy dialogue and project implementation will be strengthened through the existing TNPSO. This will ensure continuity beyond the life of the EIF initiative and support sustainability by creating a constituency for trade.

77. Progress on sustainability, including DoT capacity and staffing levels, and measures taken towards achieving this by the Government of Tuvalu will be monitored by UNDP through the annual reporting process.

III.8 EXIT STRATEGY

78. The participation and training of a wide range of stakeholders in implementing project activities will ensure a smooth transition at the end of the EIF funding. However, the current capacity within the country to fully implement the trade agenda is very low. It is not anticipated that the considerable capacity building required through all areas - government, private sector and civil society at large - will be fully effective over the initial three year period and it is likely that Tuvalu will require an additional two years assistance from EIF to successfully achieve the outcomes of the EIF programme.
79. It is anticipated that the DoT will build up continuing relationships with regional organisations with expertise in Trade policy, alleviating the need for additional specialised staff to provide this function. However, expertise in project management, reporting and M&E functions will be required and MFATTEL plans to create an additional two permanent posts, absorbing the EIF funded posts from the project. It has been agreed in principle to increase staff complement of the DoT from one to four, and one of these additional positions has been created so far. The benefits of the EIF programme, once realised, will provide the basis for creation of the two additional posts. Formalisation of these posts is expected to be during the 4th and 5th years of the EIF programme.
80. Capacity building activities and the whole of Government approach to mainstreaming trade will institutionalise trade within national planning and budgeting processes, with the Department of Trade continuing to coordinate, monitor and analyse, rather than implement, the process post EIF. The project will contribute towards aligning EIF interventions to the national M&E mechanisms. The success of the EIF related activities will be measured partly by the extent of uptake by the various national stakeholders in continuing on-going activities and donors funding the activities. The project foresees awareness raising and engagement of stakeholders geared towards enhancing the profile of trade and mobilizing increased resources from the national budget.
81. The project will also support efforts to better track trade-related aid through the aid management system. It is planned for the Tuvalu Government to take up the Donor Facilitator role and assistance towards this will be provided during the first three years to allow Government to assume this role during years four and five of Tier 1 assistance.
82. At the end of the project, all assets acquired will be formally transferred to Government ownership.

IV. RISK AND MITIGATION STRATEGY

83. The following risks have been identified:

IV.1 ENDOGENOUS RISKS

Description	Type	Impact & Probability (1 to 5 from low to high)	Countermeasures / Management response
Delayed disbursement of funds	Financial	Slow progress in implementation of the project P = 2 I = 3	UNDP to provide guidance and training with required request and reporting procedures In country assistance provided by the UN Country Development Manager
Lack of commitment from development partners	Operational	Buy in of other development partners is essential to the implementation of the DTIS. EIF provides seed funding, but other essential priority actions require funding and TA from other specialist partners P = 3 I = 4	Strengthen the role of Govt of Tuvalu as "donor facilitator" and increase awareness of the EIF at national level. Ensure best possible use of donor forum to advocate for the EIF process and support to the DTIS. Institute a transparent and credible M & E system to demonstrate achievements to other partners Maintain Government led and owned on-going dialogue with development partners
Lack of political and other stakeholder commitment	Political	Currently political and stakeholder commitment is strong and support has been from all sectors, so the risk is not high P = 1 I = 2	Ensure NTSC is cross-sectoral and ownership by the MFATTEL. Ensure all stakeholders are fully involved and informed of progress. Ensure effective advocacy programmes targeting stakeholders and parliamentarians
Retention of skilled staff	Organizational	This is a common problem in Pacific communities where skilled staff are in high demand P = 3 I = 3	Provide incentives for training etc. Ensure fair management and distribution of duties, training of a wider audience to provide backup, adopt and document regular activities, processes, guidelines etc. For institutional strength; develop partnerships to tap into regional resources

IV.2 EXOGENOUS RISKS

Description	Type	Impact & Probability (1 to 5 from low to high)	Countermeasures / Management response
Change in government policy	Political	Consensus over the DTIS was from all areas of government and private sector, so no substantive changes are envisaged P = 1 I = 2	Ensure that WoG approach to trade mainstreamed in government planning processes across sectors is institutionalised; Flexibility in adapting to new policy. Ensure continued transparency in EIF work. The DTIS process was very participatory and participation of stakeholders needs to be maintained to ensure the strategy is the priority of all stakeholders
Lack of skilled experts to conduct analytical work	Organizational	Small labour markets and lack of qualified personnel in country P = 3 I = 3	Use of EIF and regional networks to recruit international experts. Recruitment of suitable technical officer and specific training needs identified. Tap into regional resources
Staff complement Dept of Trade	Organizational	DoT requires sufficient staff to be trained during the project and sustained post EIF to enable implementation of the EIF programme and facilitate an effective exit strategy P = 2 I = 3	MFATTEL to ensure staff requirements included in budget and planning submissions to Govt to ensure adequate staffing by end of EIF assistance period. Project to ensure continued dialogue on this.

SECTION V: PROJECT IMPLEMENTATION ARRANGEMENTS

V.1 MAIN IMPLEMENTING AGENCY (MIE)

84. The United Nations Development Programme Multi Country Office (UNDP MCO) in Fiji will be the Main Implementing Entity (MIE) for this project. UNDP's comparative advantage as a politically neutral and trusted development partner in the region, in country (Tuvalu) presence, global outreach, as well as its continued support to previous IF projects in Tuvalu, Vanuatu and Kiribati provide the rationale for this. MFATTEL, through its request to the EIF Secretariat for UNDP to act as MIE, has acknowledged the lack of available capacity for the Department of Trade to successfully implement the EIF Programme at this stage. In this respect, UNDP is well placed to provide technical guidance, capacity building assistance, oversight and monitoring services in order to build capacity of the Department of Trade and wider government stakeholders to effectively implement aid for trade activities in the country post EIF Tier 1 assistance.
85. UNDP will be the main communication channel for the EIF in Tuvalu, in consultation with the Tuvalu EIF Focal point.
86. The project will be nationally implemented by MFATTEL under the UNDP national implementation (NIM) modality, with UNDP Country Office Support. Such modality is of general application in UNDP programme activities as it guarantees the highest degree of national ownership, while providing assistance to recruitment, procurement and project management. In the first three years of the project, UNDP will provide a high level of country office support services to NIM to allow sufficient training to be conducted and systems put in place to allow the Department of Trade to assume a more direct role.
87. Under the NIM Modality, UNDP will make funds available under the Harmonised Agreement for Cash Transfers (HACT) Guidelines to Implementing Partners. Funds will be made available under the Direct Cash Transfer modality for small local purchases, local recruitment and local travel, while the UNDP Direct Agency Implementation mode will be used for international recruitment, international travel and large procurement items. These are detailed in Annex 4 – UNDP Management Arrangements.
88. The Tier 1 project will be under the management of the UNDP MCO Poverty Reduction and MDG Unit, staffed by a Poverty Reduction and MDG Specialist (Team Leader), Analyst and Associate. The Associate will work directly with the project on a day to day basis from Fiji, with in country support provided by the UN Country Development Manager (UN CDM) in Tuvalu to provide support, guidance and quality assurance.
89. The monitoring and evaluation role within the UNDP MCO is an integral part of programme and project management. The Poverty Associate will be responsible for the M&E function of the Tier 1 Project and will provide support and guidance to the DoT to ensure effective in country monitoring, reporting and analysis. Currently, oversight of this function is carried out in the MCO by the Poverty and MDG Unit Team Leader. However, an ongoing re-structure of the UNDP MCO Programme Unit intends to strengthen programme management with a new unit dedicated to monitoring, evaluation and capacity development. The Tier 1 Project will be monitored as part of the UN Development Assistance Framework (UNDAF) and the 2013-2017 UNDP Sub-Regional Programme Document (UNDP SRPD) M&E process, coordinated by a UN Monitoring and Evaluation Specialist. Particular attention will be given to ensure gender and capacity development indicators are included and monitored.
90. Development of capacity in project and financial management, monitoring and reporting will be provided initially by the Poverty and MDG and Programme Support Units of the Fiji MCO, with

ongoing assistance from the Tuvalu UN CDM. Following the internal UNDP re-structure, this role will be taken up by the M & E Unit.

91. Technical support and advice will be provided by the Poverty and MDG Unit of the Fiji MCO, from trade, private sector and aid effectiveness specialists in the UNDP Pacific Centre; and the UNDP Trade and Human Development Unit in Geneva. UNDP will ensure that the aid cooperation component of the Tier 1 project will be closely linked and integrated into Tuvalu's broader aid and development effectiveness work supported by UNDP and development partners. The UNDP MCO Poverty and MDG Unit also has experience in working with MDG Planning and Aid Coordination projects in various Pacific Island Countries, enabling the incorporation of best practices and lessons learned into the trade mainstreaming process.
92. UNDP – Government of Tuvalu National Implementation arrangements outlining the responsibilities of each party are detailed in Annex 4- Management Arrangement

V.2 NATIONAL OWNERSHIP

93. Discussions on the formulation of this Tier 1 proposal commenced in Tuvalu in December 2010, organised by the Department of Trade and conducted by the Lead Consultant for the DTIS. A wide range of stakeholders, including members of the NTSC, other government representatives, private sector and civil society contributed to the document, which was driven by action items identified through stakeholder consultations for the DTIS process. During 2011 a number of drafts of the document have been revised by UNDP in consultation with the Permanent Secretary, MFATTEL, the DoT and the NTSC, which has representation from Government, private sector and civil society. A formal meeting to appraise the proposal was undertaken in Tuvalu by the Government and NTSC on 10th November 2011 and this was followed up by a tele-PAC between representatives of MFATTEL, MoF, NTSC and UNDP on the 16th November 2011.
94. Following the formal appraisal meetings, revisions have been reviewed by all parties. The original submission to the EIF ES was reviewed and endorsed by the Tuvalu Cabinet. A number of meetings have been convened in February and March 2012 between officials of MFATTEL and UNDP, in addition to extensive email communication, to finalise the Tier 1 Proposal.

V.3 NIU IMPLEMENTATION ARRANGEMENTS

95. The Permanent Secretary, who is also the EIF Focal Point, oversees the work of the Department of Trade, which acts as the National Implementation Unit (NIU), in charge of the day to day management of the EIF programme. The Permanent Secretary is assisted in this role by the Deputy Permanent Secretary for Trade, Tourism and Labour. The head of the NIU is the Trade Officer who assumes the role of EIF Coordinator and reports to the EIF Focal Point through the Deputy Permanent Secretary for Trade, Tourism and Labour. The Coordinator is responsible for trade policy analysis, the development of work plans and their implementation, coordination of staff and activities, and management of the project under the overall guidance and leadership of the Focal Point. The EIF Coordinator is assisted by the EIF Project Officer and EIF Project/Finance Assistant in the day to day management of these activities. Terms of Reference for all roles are enclosed in Annex 1 to this Project Document.
96. The NTSC will serve as National Steering Committee for the EIF. The Permanent Secretary, MFATTEL, chairs the NTSC, which is widely representative of major government sectors in Tuvalu as well as the private sector (TNPSO) and civil society. The Permanent Secretary is also a member of the Development Cooperation Committee, which is ultimately responsible for overseeing implementation of the national development strategy, the Te Kakeega II, and bringing to the attention of Cabinet any changes requiring to be made in policy or approach. This wide

representation and associations will assist the project with mainstreaming trade policy into the wider national development strategies and coordinating aid for trade in Tuvalu.

97. MFATTEL is the EIF National Implementing Entity (NIE) with the Permanent Secretary assuming the role of EIF Focal Point, assisted by the Deputy Secretary, Trade, Tourism and Labour. The EIF Focal Point will oversee the functioning of the NIU and is responsible for its staffing and operations. The FP will work closely with national partners at a high level to ensure trade priorities are linked to human development and poverty reduction and are mainstreamed into national and sectoral development plans. The EIF Focal point will chair the NTSC and the Trade Officer assumes the role of EIF Coordinator in addition from his DoT responsibilities. He will be assisted by the Assistant Trade Office. The DoT is under the direct supervision of the Deputy Secretary, who provides the link to the EIF Focal Point. To ensure institutional capacity is built, an International Trade Advisor, EIF Project Officer and EIF Project/Finance Assistant will be absorbed within the structure of DoT, reporting to the Trade Officer, but will work exclusively on EIF functions according to their individual terms of reference. The three additional positions – International Trade Advisor, EIF Project Officer and EIF Admin/Finance Officer will be funded under the EIF Tier 1 Project and will report to the EIF Coordinator as head of the NIU.

SECTION VI: LOGICAL FRAMEWORK, WORK PLAN AND BUDGET

VI.1 LOGICAL FRAMEWORK

The log frame is found in the excel file attached to this document as Annex 2.

VI.2. WORK PLAN

Outcome 1	Activities	Timeframe					
		Year 1		Year 2		Year 3	
Capacity of the DoT, NTSC and broader national stakeholders including the private sector, for trade policy formulation, implementation, and assessment, strengthened	Engagement of International Trade Advisor (ITA)						
	Meetings of the National Trade Steering Committee						
	Refurbishment of DoT Office						
	Purchase equipment for DoT Office						
	Preparation of a Learning and Development Plan						
	Development and maintenance of a Travel Plan for capacity building and EIF Travel, reducing unproductive trips, undertake travel for training as detailed on the L & D Plan						
	On the job and local training conducted for DoT staff and NTSC members						
	Develop modules and materials for training and advocacy						
	Develop and maintain a communications strategy, including website, library and strategic and effective use of the media						
	Deliver outreach/advocacy programmes in liaison with CSOs/NGOs						
	Provide assistance to the TNPSO through signing of MOU, provision of staff assistance/advice and disbursement of funds						
	Develop an appropriate work schedule and procedures and document these in an operational manual						

	Preparation and endorsement of a Trade Policy Framework						Timeframe				
							Year 1	Year 2	Year 3		
										Timeframe	
Outcome 2	Activities	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3	
Capacity of Department of Trade (DoT) and the NTSC to mainstream trade in Tuvalu's national and sector policies, plans, and budgets; drawing on priority recommendations in the DTIS Action Matrix, enhanced	Conduct mainstreaming workshop and set in place structures to facilitate coordination of the mainstreaming process and provide training to a "whole of Government" and non-government actors audience.										
	Mainstream trade related priorities in the Te Kakeega II										
	Mainstream trade-related priorities in sectoral strategies, departmental plans and budgets in liaison with National Planning and budgeting processes										
	Act as Secretariat to the NTSC , ensuring regular quarterly meetings and providing support to lead the mainstreaming process										
	Organise Annual High Level Trade Forum (in conjunction with Development Partner consultation on the Trade agenda)										
	Establish and maintain monitoring system for the DTIS Action Matrix										
	Update the DTIS										
Outcome 3	Activities	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3	
Dialogue with development partners on Aid for Trade enhanced, in line with the Paris	Undertake an inventory of Aid for Trade in conjunction with the Planning and Budget Dept										

Declaration on Aid Effectiveness	and Aid Management Unit Develop and maintain a donor database for aid for trade projects through the Planning and Budget Department Trade-related priorities raised in dialogue with donors Round table with donors on trade-related priorities	Timeframe		
		Year 1		Year 3
		Year 1	Year 2	Year 3
Outcome 4 Programme management, monitoring and evaluation carried out effectively	Activities			
	Engagement of EIF Project Officer			
	Engagement of EIF Project/Finance Assistant			
	EIF Project staff receive training on programme and financial management, procurement, etc.			
	Quarterly financial and progress reporting			
	Technical project oversight			
	Biannual progress report			
	Audit			
	Project evaluation			

VI.3. BUDGET

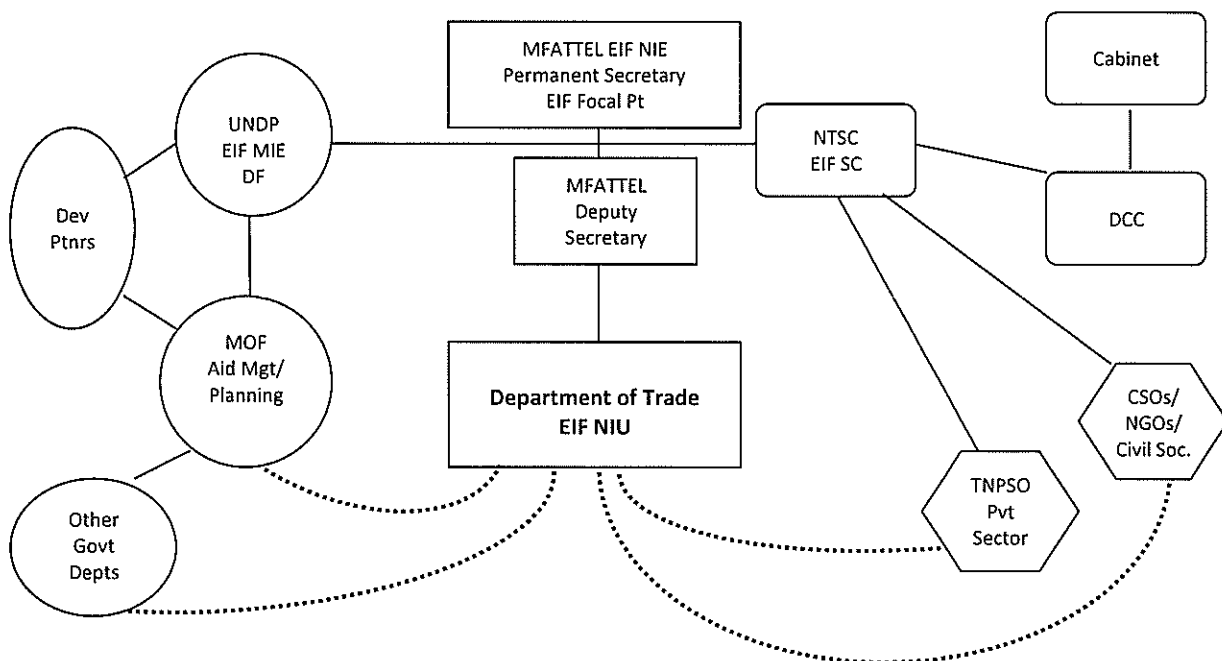
The budget is found in the excel file attached to this document as Annex 2.

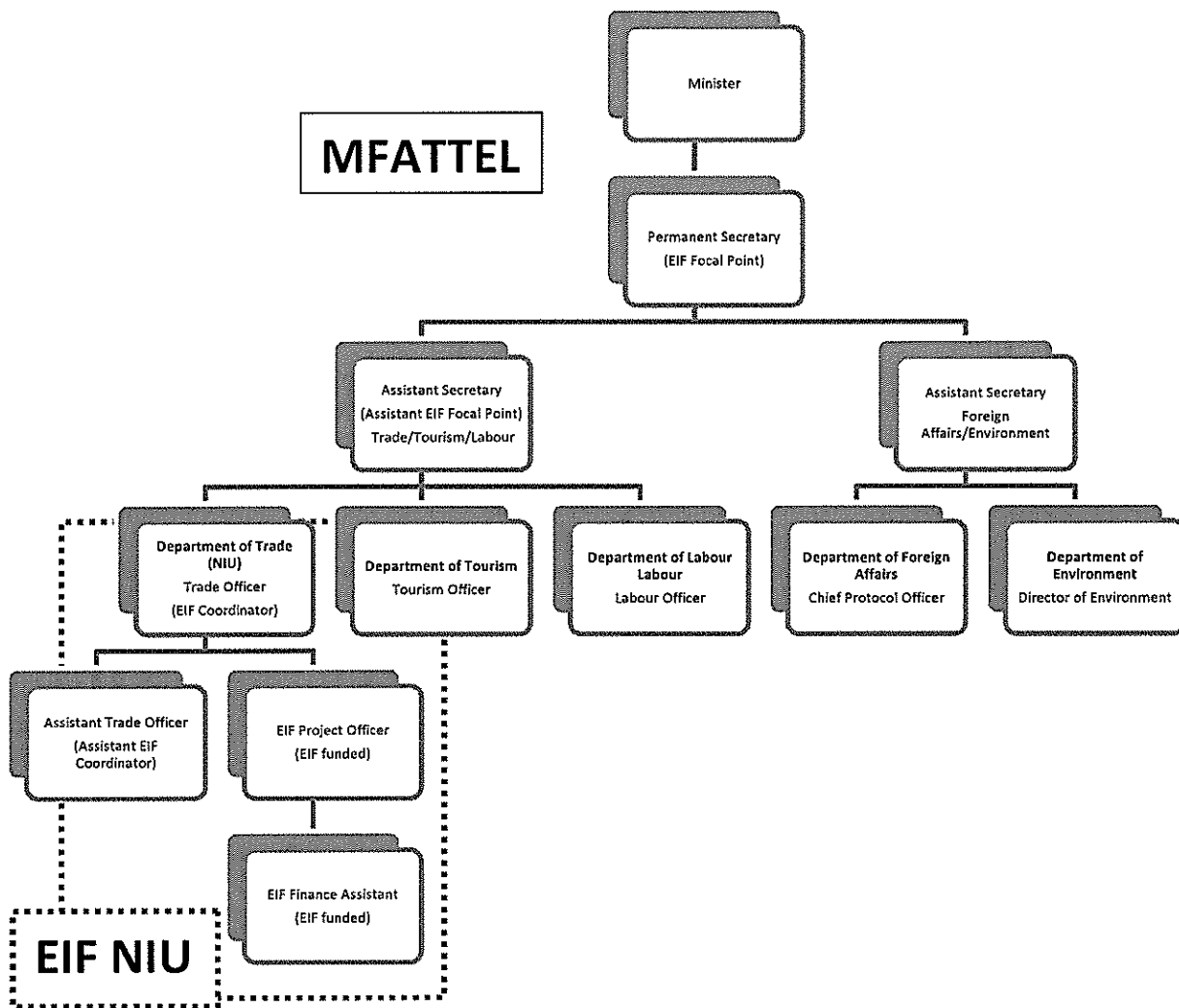
VII. PROJECT ACCOUNTABILITY ARRANGEMENTS

VII.1 LEGAL STATUS OF IMPLEMENTING ENTITY AND FIDUCIARY RESPONSIBILITIES

98. The United Nations Development Programme (UNDP) Fiji Multi-Country Office (MCO) will play the role of Main Implementing Entity (MIE) as indicated in section V.3. The project will be nationally executed by MFATTEL under the national implementation modality. MFATTEL is therefore the EIF National Implementing Entity (NIE) with the Permanent Secretary assuming the role of EIF Focal Point.
99. The EIF Focal Point will oversee the functioning of the NIU and is responsible for its staffing and operations. The Trade Officer assumes the role of EIF Coordinator in addition from his DoT responsibilities. He will be assisted by the Assistant Trade Officer. To ensure institutional capacity is built, an International Trade Advisor (ITA), EIF Project Officer and EIF Project/Finance Assistant will be absorbed within the structure of DoT, reporting to the Trade Officer, but will work exclusively on EIF functions according to their individual terms of reference. The three additional positions – International Trade Advisor, EIF Project Officer and EIF Admin/Finance Officer will be funded under the EIF Tier 1 Project and will report to the EIF Coordinator as head of the NIU.
100. The Trade Officer/EIF Coordinator is responsible for coordinating and implementing the EIF programme in Tuvalu and will work closely with the NTSC to ensure engagement of all sectors, including the private sector and civil society, in the process. He/she will ensure that the project works closely with the Aid Coordination and National Planning sections of the Ministry of Finance in mainstreaming and coordinating trade issues. The project will engage closely with other Government sectors and departments, the TNPSO and civil society through capacity building and outreach programmes.
101. The ITA will provide technical assistance, advice and guidance to the DoT and the NTSC through the EIF Coordinator.
102. The Project Officer and Project Finance/Admin Assistant will be responsible for administering the day to day activities of the project and report directly to the EIF Coordinator.

Figure 1. Institutional arrangement for EIF implementation in Tuvalu





103. The DoT will prepare project progress and financial reports. The NTSC and UNDP will review progress reports on a quarterly basis and provide overall guidance to project implementation and monitoring. Quarterly, biannual and annual progress reports will be produced by the DoT for review by the NTSC and UNDP.

104. Assignment of funds to be used in country will be documented on the Annual Work Plan (AWP) which will be based on the project logframe. Funds will be released to the project under UNDP HACT guidelines, with quarterly advances based on costed quarterly work plans detailing the project's in country requirements for each quarter. The Department of Trade will request advances and report expenditure quarterly using the Funding Authorisation and Certificate of Expenditures (FACE) form.

105. Receipt and management of funds in country will adhere to Government of Tuvalu requirements. All expenditure and procurement processes should follow the normal government financial rules and procedures for the management of Government resources.

106. The MFATTEL is expected to implement the following:

- i. During year 1 set up its own financial management procedures in line with Government rules and project financial management procedures;
- ii. Ensure machinery in place to receive and access project funding in line with Government rules and financial management procedures

- iii. Ensure that the recruited finance staff are fully capable of and equipped to manage the resources of the EIF;
 - iv. Prepare and submit to UNDP a duly completed FACE form for quarterly release of funds, based on approved activities and budget in the Annual Work Plan (AWP). The initial FACE form will be submitted before the first disbursement by UNDP;
 - v. Prepare and submit quarterly reports of expenditure and requests for subsequent advances using the FACE form and ensuring simultaneous submission of quarterly narrative report on activities;
 - vi. Undergo an external audit as required by UNDP National Implementation Guidelines and budgeted in the Tier 1 Proposal.
107. UNDP will provide training in financial management, procurement procedures and reporting required under the project accordingly to the capacity development plan described in Annex 2. UNDP is ultimately responsible for the timely provision of financial and narrative reporting to the EIF Secretariat and UNOPS as the Trust Fund Manager in accordance with the signed Joint Letter of Agreement of 2010.
108. A project evaluation is planned for the third year of the project. The costs of both the audit and evaluation will be borne by the project.

VII.2 MONITORING AND EVALUATION

109. Project achievements will be monitored quarterly, biannually and annually. Quarterly monitoring will be based on Quarterly Progress Reports and Quarterly Financial Report. Quarterly Reports shall be submitted by the Focal Point to the NTSC and UNDP for approval. UNDP local presence in Tuvalu will discuss quarterly reports with the EIF Coordinator. UNDP Fiji Multi-Country office will undertake biannual monitoring missions in coordination with the EIF Focal Point. Biannual monitoring will be based on progress and financial reports. Biannual and annual reports will be in line with the EIF requirements. Based on reports provided by the Government of Tuvalu, UNDP will compile and supply all semi annual and annual reports as required by the EIF and detailed in the Project Document.
110. In accordance with the programming policies and procedures outlined in the UNDP Programme and Operational Procedures the project will be also monitored:

Within the annual cycle

- On a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods specified in the logical framework
- An Issue Log shall be activated and updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for change.
- Based on the initial risk analysis in the project document, a risk log shall be activated and regularly updated by reviewing the external environment that may affect the project implementation.
- Based on the above information a Quarterly Progress Reports (QPR) shall be submitted by the Project Manager to the Project Board through Project Assurance, using the standard report format provided by UNDP.
- a project Lesson-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project
- a Monitoring Schedule Plan shall be developed and updated to track key management actions/events

Annually

- **Annual Review Report.** Annual monitoring will be based on Annual Review Report. The Annual Review Report shall be approved by the NTDC. The Annual Review Report shall consist of the Monitoring Report Format and the Annual Financial Report based on recorded expenditures. The Monitoring Report Format includes the following sections:
- i. Summary;
 - ii. Proposals for changes in the project (if any) and justification;
 - iii. Assessment of the intervention against project log-frame
 - iv. Risk Log and Issue Log updates;
 - v. Capacity Development
 - vi. Factors ensuring compatibility and sustainability
 - vii. Implementation modalities and lessons learned.

Based on the report described above, an Annual Project Review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the Annual Work Plan for the following year. In the last year of project implementation, this review will be a final assessment. This review is driven by the NTDC and may include other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.

111. In accordance with UNDP Guidelines on audits, the following assurance activities will be carried out during the life of the project:

- Annual audits will be conducted over the life of the project. UNDP will identify an independent entity to undertake the audit in consultation with the MFATTEL.
- Periodic on-site reviews of the Implementing Partner's financial records for provided cash transfers. These may include spot checks by UNDP staff and special audits by audit firms, and they may be conducted and documented on a routine basis.
- Programmatic monitoring of activities supported by cash transfers—following UNDP's standards and guidance for site visits and field monitoring.
- The cost of project audits will be borne by the project.

112. An independent external evaluation will be conducted before the termination of the project. The evaluation shall review the project's results, identify lessons learned and provide suggestion for the continuation of activities. The evaluation shall focus on relevance, results and effectiveness/efficiency of project implementation. Evaluators are expected to follow relevant guidelines from UNDP and the EIF. The costs of the evaluation will be borne by the project.

VII.3 ANNEXES

113. The following five annexes form integral parts of this project document:

- ANNEX 1: TOR OF EIF NATIONAL IMPLEMENTATION UNIT
- ANNEX 2: LOG FRAME AND BUDGET
- ANNEX 3: PLAN FOR CAPACITY DEVELOPMENT/TRANSFER OF CAPACITY FOR THE FIDUCIARY, HUMAN RESOURCE AND FINANCIAL MANAGEMENT OF THE TIER 1 PROJECT IN TUVALU
- ANNEX 4. UNDP MANAGEMENT ARRANGEMENTS
- ANNEX 5 LETTER OF AGREEMENT

INTERNATIONAL TRADE ADVISOR – Terms of Reference

Background

The EIF is a multi-donor programme which supports LDCs to be more active players in the global trading system. The programme works towards a wider goal of promoting economic growth and sustainable development and helping to lift more people out of poverty. It assists LDC's with the following objectives:

- mainstream trade into national development strategies;
- set up structures needed to coordinate the delivery of trade-related technical assistance; and
- build capacity to trade, which also includes addressing critical supply-side constraints.

Functions

Under the Supervision of the EIF Focal Point, the guidance of the National Trade Steering Committee (NTSC), and in close collaboration with the EIF Project Coordinator the International Trade Advisor will support the effective management of the Department of Trade (DoT) as the National Implementation Unit (NIU); the implementation of the DoT action plan; enhance the participation of national stakeholders in the EIFs activities, including other ministerial departments, the private sector, civil society and development partners.

The ITA will assist to identify and formulate EIF Tier 2 projects; support the DTIS and Action Matrix update; and facilitate the mainstreaming trade in the national development plan and sectoral strategies. In addition, the ITA will provide technical assistance and lead the process of developing a Trade Policy Framework for Tuvalu.

The ITA will be responsible in particular, of the following:

- Assist the EIF Coordinator in the formulation of a strategic approach to the plan of action and activities of the DoT, in line with guidance provided by the NTSC and the supervision of the Focal Point;
- Develop and support in the implementation of a capacity development programme for members of the DoT and NTSC for the management, monitoring, evaluation and analysis of trade-related programmes;
- Support the EIF Coordinator in the management of the DoT's day to day activities ;
- Participate in the identification and formulation of EIF Tier 2 and other aid for trade programmes reflecting the priorities identified in the DTIS and its Action Matrix;
- Support the Ministry in trade policy work, providing technical assistance for:
 - Development of a Trade Policy Framework for Tuvalu;
 - Implementation of trade policies and strategies;
 - Provision of advice to senior officials for regional and international trade agreement negotiations including PICTA, PACER and EPA.
- Assist the coordinator to develop and maintain effective working relations with other technical ministerial departments, especially the Finance and National Planning Ministry which plays a critical role in mainstreaming trade in the national development plan and in poverty reduction strategies; develop and deliver capacity development programmes on trade mainstreaming targeting planners in a "whole of Government" approach and non-government actors to trade policy implementation.
- Assist the Ministry of Trade, in coordination with the Planning and Budget and the Aid Financial Management Departments of the Ministry of Finance, to develop and implement a coherent plan for the coordination of development assistance related to trade and mobilize resources for trade-related priorities as reflected in the DTIS and its Action Matrix;

- Help in the development and implementation of a communications and outreach plan about the EIF activities, trade policy and its possible impacts in Tuvalu;
- Support the NIU in technical aspects of project progress reports.

Qualifications

Education

- Master in economics, international trade or related disciplines or proven relevant working experience equivalent to a university degree in economic development.

Skills

- Knowledge of development projects and programmes, especially programmes financed by international development partners.
- Strong knowledge of trade policy issues and policy formulation and analysis
- Experience with development and delivery of capacity development programmes
- Understanding of the unique situation in Tuvalu, its isolation and its barriers to trade
- Ability to work under pressure and good team work skills.
- Excellent communication and interpersonal abilities, ability to relate to stakeholders at all levels.

Working experience

- At least ten (10) years of relevant experience in trade policy development and capacity development, including in LDCs and/or other developing countries, preferably with Pacific Island experience.
- Experience in project/programme management, including in the formulation, implementation, monitoring and evaluation of trade-related programmes.
- Knowledge of the multilateral trading system, trade-related international development programmes and the Enhanced Integrated Framework, in particular.
- Knowledge of PICTA, PACER, EU EPA and trade agreements relevant to Tuvalu an advantage.

Languages

- Excellent oral and written English.

Duty station and duration

- Funafuti, Tuvalu for three years.

EIF COORDINATOR - Terms of Reference

Job Title: EIF Coordinator

Role Summary: The EIF Coordinator will work closely with the EIF Focal Point, Permanent Secretary MFATTEL, and be will responsible for coordinating and implementing the EIF programme in Tuvalu. The incumbent will be supported in the day to day implementation of the EIF Tier 1 project by the EIF Project Officer and EIF Project/Finance Assistant, with technical advice and inputs provided by the International Trade Advisor.

Key Result Areas:

1. Manage the functions of the EIF National Implementation Unit, as part of the Department of Trade, on a day to day basis.

2. Lead and coordinate the EIF Tier 1 Project in all matters relating to project content, including implementation of the agreed action/work plan to the agreed standards and deadlines, compilation of all monitoring and financial reports as required by the project.
3. Ensure EIF representation/ participation at all meetings relevant to the EIF Programme
4. Coordinate the development of the Trade Policy Framework ensuring close coordination with all stakeholders and guidance/oversight of the National Trade Steering Committee.
5. Coordinate the effective role of the National Trade Steering Committee (NTSC) in providing oversight and guidance to the EIF programme, ensuring regular quarterly meetings are held.
6. Coordinate preparation of Tier 2 and other aid for trade proposals from the priority recommendation of the DTIS Action Matrix.
7. Liaise and consult with all aid donor government agencies (DSM, DESP, IF Donor facilitator and DOFA) and ensure that projects to be funded are not duplicated by other donors but complement rather.
8. Coordinate effective awareness building of the EIF process to promote and ensure national ownership including:
 - Maintain effective consultation with all National stakeholders which includes the civil society and the private sector.
 - Conduct visits to outer islands to monitor the work of EIF activities/project
9. Ensure the effective flow of information between team members, the wider Government audience, the private sector and civil society.

Role Specific Requirements:

- A degree in Economics or relevant social science field
- Deep understanding of trade issues in Tuvalu, the region and globally; good working knowledge and policy understanding in areas of regional and global agreements and negotiations such as MSG, PICTA, PACER, EPA, WTO, Aid for Trade, etc. and familiarity with Tuvalu's position on these
- Experience in bi-lateral/multi-lateral trade negotiations
- Experience in managing a team and working with limited supervision
- Excellent communications skills in both in English and Tuvaluan, good computer and report writing skills

Reporting: The EIF Project Coordinator will primarily report directly to the Permanent Secretary, MFATTEL, and will have secondary reporting requirements to the National Trade Steering Committee, and UNDP as the MIE for all EIF project activities.

EIF PROJECT OFFICER - Job Description

Job Title: EIF Project Officer

Responsible to: EIF Coordinator

The EIF Project office is responsible to the EIF Coordinator and provides support to ensure that all activities in the project work plan are carried out as scheduled.

IF Project Officer roles:

- Day to day management of the EIF project as directed by the EIF Coordinator; management of activities as per the project workplan to ensure delivery of project outcomes.
- Coordination and delivery of capacity development and training activities and other events as outlined in the workplan

- Overall management of project funds with allocated budgets. Oversight of financial records maintained by the Project/Finance Assistant.
- Preparation of quarterly financial acquittals, progress and annual reports of the project.
- Conduct research and prepare reports as required by the EIF Coordinator.
- Provide advice and information to internal and external clients and stakeholders as required
- Provide program awareness to the public and the Government on the objectives of the EIF project
- Provide secretariat services for the NTSC, ensuring quarterly and ad hoc meetings are conducted
- Provide assistance one day per week to the TNPSO as outlined in the project document
- Provide supervision and guidance to the Project/Finance Assistant
- Any other duties and responsibility directed by the EIF Coordinator and the EIF Focal Point which relate to the EIF programme

Role Specific Requirements

- Education to at least Diploma level, preferably in areas of economics, trade and development or management.
- Project coordination and reporting skills, preferably with three years' experience in a similar position
- Good computer skills, experience in MS word and MS excel, database skills an advantage
- Good interpersonal skills; good communication skills in both English and Tuvaluan and

PROJECT/FINANCE ASSISTANT - Job Description

Job Title: Project/Finance Assistant

Responsible to: EIF Coordinator, EIF Project Officer

Project/Finance Assistant role:

- Provide administrative support to the IF Project Officer, the International Trade Advisor and the EIF Coordinator
- Develop and maintain a filing system for the EIF Programme, including an e-filing system and back up of all files.
- Liaise with Ministry of Finance to implement project financial record keeping. maintain project financial records and reconcile with Ministry of Finance on a monthly basis
- Initiate local procurement when required by the Project Officer
- Provide logistical support for meetings, workshops and training events.
- Any other duties and responsibility as requested by the EIF Coordinator

Applicant should have:

- Secondary education to Form 6 Level, preferably with administrative or secretarial certificate
- Good computer skills, experience in MS Word and MS Excel
- 2 to 3 years work experience in a similar position
- Experience in organizing workshops and events
- Good interpersonal skills; good communications skills in English and Tuvaluan

The annex 2 is found in the excel file attached to this document.

ANNEX 3: PLAN FOR CAPACITY DEVELOPMENT/TRANSFER OF CAPACITY FOR THE FIDUCIARY, HUMAN RESOURCE AND FINANCIAL MANAGEMENT OF THE TIER 1 PROJECT IN TUVALU

Context

Tuvalu has a centralised payments and payroll system located in the Ministry of Finance. This system is used manually by the Ministry of Foreign Affairs, Trade, Tourism, Environment and Labour (MFATTEL) for financial transactions. Project funds are deposited in the Tuvalu Government Development Account with the National Bank of Tuvalu and a separate project ledger is set up for each project by the Ministry of Finance. Local Purchase Orders (LPOs) and Payment Vouchers (PVs) are raised by the project, through the Ministry and payments are affected by the Ministry of Finance. The payroll for project personnel is handled directly by the Ministry of Finance in accordance with normal government procedures. The Government of Tuvalu has no documented procurement policy or anti-corruption policy.

While there are procedures and systems in place for staff recruitment and financial management, experience with previous projects undertaken in partnership with the Government of Tuvalu has shown that there is insufficient capacity to fully implement all aspects of the project management under National Implementation Guidelines. Audit reports by independent auditors for the past two years and a spot check by UNDP have indicated lack of adherence to financial procedures, poor asset management, non adherence to annual work plans and failure to meet project monitoring and financial reporting timelines. There are also delays in receipt of funds due to processes at the National Bank of Tuvalu and delays between raising PVs and actual payments to vendors. Acknowledging they have no procurement procedures in place, the Ministry of Finance has requested UNDP to share their procurement guidelines for use by projects, pending development of national policy. UNDP has agreed and will also provide assistance with developing policy. It has been decided that pending implementation of a formal policy, all procurement of goods over the amount of two thousand Australian dollars (\$A2,000) will be handled directly by UNDP. During the first three years phase of the EIF Tier 1 Project, UNDP will provide training to enable the Department of Trade to eventually assume the role of MIE.

Given the overall objective of the EIF programme to build national capacities a programme of capacity development supported by UNDP is proposed as part of the Tier 1 project.

General objective

The purpose of the capacity development plan is to outline a number of actions and milestones aimed at providing the DoT, as the EIF National implementation Unit (EIF NIU) with the necessary staff training, tools and systems to enable it to have a more effective role in management of the EIF programme. Systems adopted by the DoT will be designed to align to existing tools for the management of public finances, purchases and audit currently in use or being developed by the Government of Tuvalu.

With the Tier 1 project envisioned for a three-year-period this will be reviewed and revised for years 4 and 5, should the EIF Board approve a project extension. It may require further development in years 4 and 5 for the Government of Tuvalu to fully develop effective tools and systems to handle the full MIE responsibility.

The objective of the plan is as follows:

Within three years of implementation of the Tier 1 project, the DoT, under the Ministry of Foreign Affairs, Trade, Tourism, Environment and Labour will have enhanced technical, financial, human resource and project management skills. This will provide the basis for a continuing training plan over the fourth and fifth year, giving the MFATTEL and the MOF the required time to establish tools, policies and procedures and build staff capacity to satisfy the Trust Fund Manager (TFM) criteria to undertake full responsibility for the implementation of EIF projects in Vanuatu.

Specific indicators:

The main components for monitoring progress towards the abovementioned objective are listed below. This is a non-exhaustive list which could be reviewed/ complemented over the years in agreement with the TFM and UNDP.

Management tools

Systems and tools will be developed within the NIU, aligned to current government systems already in place and designed to provide compliance with Government rules and regulations:

- ✓ Project financial recording system to align with the MOF financial management system
- ✓ Project monitoring and reporting system aligned to the MOF Aid Coordination Unit
- ✓ Human resource recruitment and management system including short term technical assistance aligned to national procedures
- ✓ Procurement and assets management system (inventory) aligned with the Government Procurement Policies & Guidelines being developed and Registration of Fixed Assets
- ✓ Internal and external audit capacity enhanced drawing on audit gaps identified in current and previous 2 years' internal and external audit reports.

People to be trained/capacities to be developed for the management of EIF/Aid for Trade technical assistance

Training will be provided, but not limited, to the following DoT/NIU posts. While the list constitutes the minimum posts to be included in the training, a wider training programme targeting other staff in the Ministry of Foreign Affairs, Trade, Tourism, Environment and Labour will be implemented to enable fuller understanding and use of the systems and tools put in place through the Tier 1 project. This is expected to ensure sustainability at the completion of the project.

- ✓ Trade Officer (EIF Coordinator)
- ✓ Assistant Trade Officer
- ✓ EIF Project Officer
- ✓ EIF Admin/Finance Assistant

Minimum competencies (knowledge and capacities to be developed)

The training programme will include the following components. However, the plan can be revised at any time based on development of competencies and the needs of the project.

- ✓ Project management including development of work plans, evidence based monitoring and reporting, project financial management and reporting aligned to national systems
- ✓ Procurement management aligned to national systems
- ✓ Recruitment of human resources aligned to national systems
- ✓ Analysis of project results

Tools/frameworks of public administration

- ✓ Public financial management system)
- ✓ Human resources policy
- ✓ Procurement principles will be based on those of UNDP pending development of a procurement policy for the Government of Tuvalu

Methodology

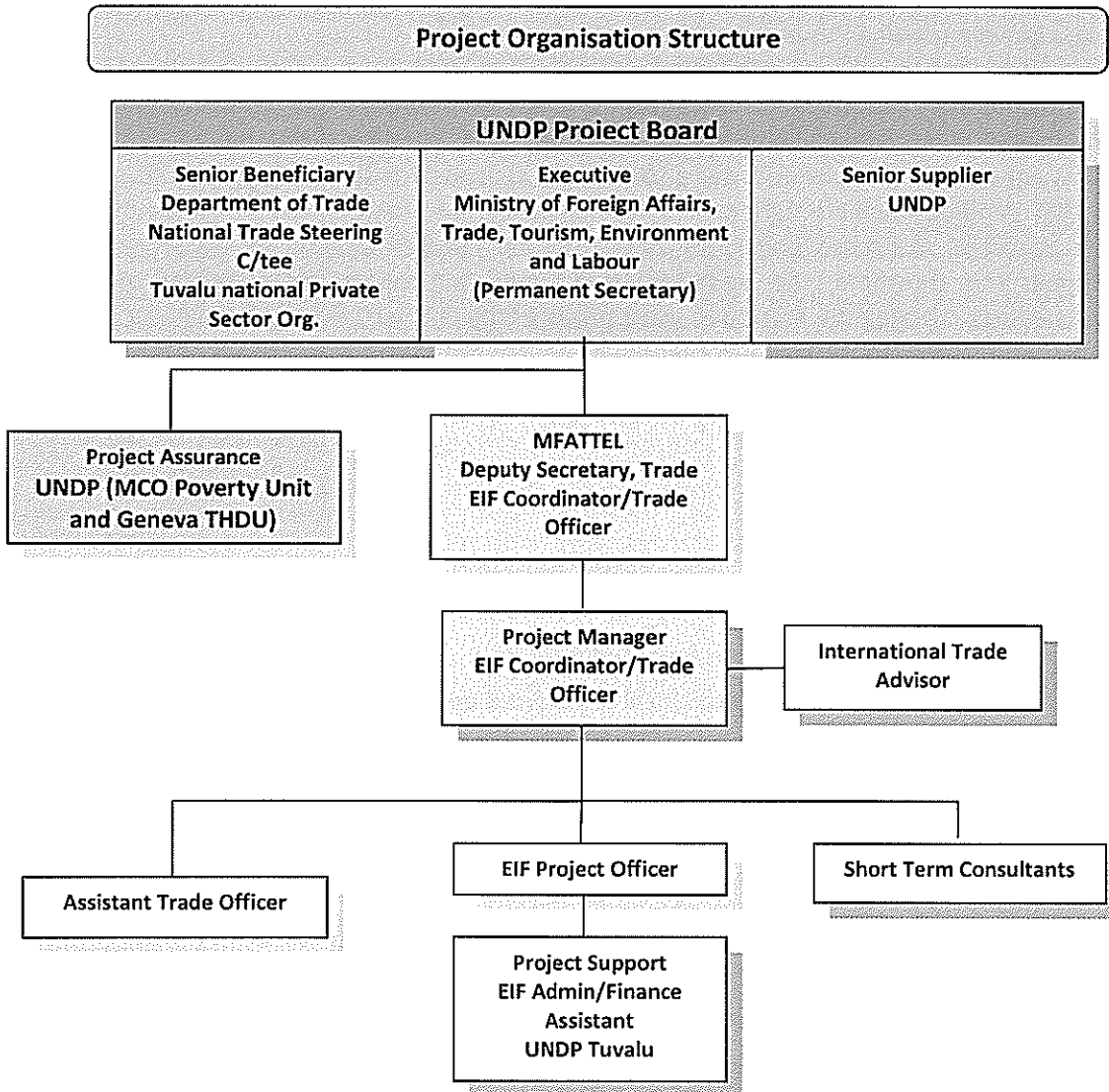
1. Meeting pre-conditions for the transfer of capacities:
 - a. Undertake a diagnostic at launching of the Tier 1 project (emphasis on feasibility and context);
 - b. Identify the 'actors' for the transfer of competencies in UNDP, the NIU, MFATTEL, Ministry of Finance and other external actors (e.g. UN agencies, consultants, suppliers, etc.)
 - c. Ensure commitment of concerned ministry regarding the development of tools and the transfer of competencies
2. Define the areas for capacity development:
 - a. Review the TORs (profile) of positions at the DoT/NIU
 - b. Identify the resources (human, financial, etc) necessary to undertake the transfer of capacities
 - c. Ensure commitment – 'moral compact'- with the ministry in charge
3. Facilitate the transfer of capacities with UNDP's assistance
 - a. Develop a training programme
 - b. Implement the training programme and assessment methodology to verify competencies after application of learning from training, demonstrated on the job.
 - c. Define 'internal milestones' aimed at ensuring the concrete transfer of capacities immediately after the training
 - d. Ensure quarterly reporting includes an update on capacity building
4. Organize the process of transfer of capacities
 - a. Inform and sensitize/mobilize the beneficiaries for capacity transfer within the ministry concerned
 - b. Define the stages of capacity transfer (plan of action, timelines, etc.)
 - c. provide follow up/support beneficiaries once transfer has taken place
 - d. establish 'control points' to measure progress in building competencies
 - e. invite UNOPS to measure effective transfer of capacities towards the NIU

Additional elements (independent of UNDP and the DoT)

5. To ensure the necessary tools and legal/administrative texts required for the management of the public administration are available:
 - a. Regular meetings between the Ministry of Foreign Affairs, Trade, Tourism, Environment and Labour and the Ministry of Finance on established procedures for public administration take place
 - b. The NIU takes part in any training provided by government on public financial management systems

- c. The Ministry of Trade, Industry and Tourism is fully trained to make maximum use of Government tools and procedures and has access to manuals providing guidance

ANNEX 4. UNDP MANAGEMENT ARRANGEMENTS



As per UNDP Programme Procedures, the Project Board is a tripartite structure consisting of the Executive (the Government Coordinating Agency, MFATTEL, represented by the Permanent Secretary who is also the EIF Focal Point), the Stakeholders (the NTSC which is the EIF project steering committee and headed by the EIF Focal Point) and UNDP. Role descriptions and TORs for positions in this structure can be found at the end of this document

Project Implementation:

The project will be nationally implemented by the Department of Trade according to UNDP National Implementation (NIM) Guidelines annexed hereto.

Capacity of Implementing Partner:

While there are procedures and systems in place for local staff recruitment and financial management, experience with previous projects undertaken in partnership with the Government of Tuvalu has shown that there is insufficient capacity to fully implement all aspects of the project management under National Implementation Guidelines. Audit reports by independent auditors for the past two years and a spot check by UNDP have indicated lack of adherence to financial procedures, poor asset management, non-adherence to annual work plans and failure to meet project monitoring and financial reporting timelines. There are also delays in receipt of funds due to processes at the National Bank of Tuvalu and delays between raising PVs and actual payments to vendors.

Acknowledging they have no procurement procedures in place, the Ministry of Finance has requested UNDP to share their procurement guidelines for use by projects, pending development of national policy. UNDP has agreed and if requested will also provide assistance with developing policy. It has been decided that pending implementation of a formal policy, all procurement of goods over the amount of two thousand Australian dollars (\$A2,000) will be handled directly by UNDP. For local procurement under this threshold, the Department of Trade will follow the principles of UNDP procurement procedures. During the first three years phase of the EIF Tier 1 Project, UNDP will provide training to enable the Department of Trade to eventually assume the role of MIE. Details of this training are outlined in the Capacity Development Plan annexed hereto.

Responsibilities of each party

UNDP's role is to:

- Act as the main communication channel for the EIF in Tuvalu
- Monitor the project's progress towards intended outputs;
- Monitor that EIF resources entrusted to UNDP are utilized appropriately;
- Ensure national ownership, ongoing stakeholder engagement and sustainability;
- Ensure that the project's outputs contribute to intended country programme outcomes;
- Participate in the project management board;
- When UNDP is identified as a responsible party, perform duties as associated with this role including, when requested and agreed to, provide implementation support services; (i.e. UNDP Country Office Support to national implementation)
- Report on progress to the EIF Executive Board and EIF Trust Fund Manager (as described in the project document) and to UNDP through corporate reporting mechanisms
- Provide training and mentoring to build the capacity of the Department of Trade in project and financial management, monitoring and reporting assisting with development of internal systems aligned to national systems, rules and regulations. This will include capacity building to assist with MTIT's transition to MIE status.

The Implementing Partner (Department of Trade) is responsible for:

- Managing the overall conduct of the project;
- Implementing activities by mobilizing goods and services;
- Checking on progress and watch for plan deviations;
- Ensuring that changes are controlled and problems addressed;
- Monitoring risks;

- Reporting to UNDP on progress using the prescribed UNDP results based reporting format which will link to reporting formats required by the EIF and EIF Trust Fund Manager

The Government Cooperating Agency (Ministry of Foreign Affairs, Trade, Tourism, Environment and Labour) is responsible for:

- Primary accountability for alignment of results with national priorities in the CPD, the CPAP and Projects and the realization of the benefits derived from these results.
- Achievement of timely and effective results and their sustainability through enabling environment, necessary conditions and identification of appropriate national implementing partners.

UNDP Project Management – Detailed Roles and Responsibilities

Project manager

- Plan the activities of the project and monitor progress against the approved work-plan;
- Mobilize personnel, goods and services and training to initiative activities, including drafting terms of reference and work specifications and overseeing all contractors' work;
- Monitor events as determined in the project monitoring schedule plan, and update the plan as required;
- Manage requests for the provision of financial resources by UNDP, through advance of funds, direct payments, or reimbursement using the FACE (Fund Authorization and Certificate of Expenditures);
- Monitor financial resources and accounting to ensure accuracy and reliability of financial reports;
- Be responsible for preparing and submitting narrative and financial reports to the Project Board (EIF FP, NTSC, MFATTEL and UNDP) on a quarterly basis;
- Manage and monitor the project risks initially identified and submit new risks to the project board for consideration and decision on possible actions if required; update the status of these risks by maintaining the project risks log;
- Capture lessons learnt during project implementation – a lessons learnt log can be used in this regard
- Perform regular progress reporting to the project board as agreed to with the board;
- Prepare the annual review report, and submit the report to the project board and the outcome group;
- Prepare the annual work plan for the following year, as well as quarterly plans if required;

Project board

- Provide overall guidance and direction to the project, ensuring it remains within any specified constraints;
- Address project issues as raised by the project manager;
- Provide guidance on new project risks and agree on possible countermeasures and management actions to address specific risks;
- Review the project progress and provide direction and recommendations to ensure that the agreed deliverables are produced satisfactorily according to plans;
- Review combined delivery reports prior to certification by the implementing partner;
- Appraise the project annual review report, make recommendations for the next annual work plan, and inform the outcome group about the results of the review;
- Provide ad-hoc direction and advice for exception situations when project manager's tolerances are exceeded;

- Assess and decide to proceed on project changes through appropriate revisions;

UNDP project assurance

- Ensure that funds are made available to the project;
- Ensure the project is making progress towards intended outputs;
- Perform regular monitoring activities, such as periodic monitoring visits and “spot checks”;
- Ensure that resources entrusted to UNDP are utilized appropriately;
- Ensure that critical project information is monitored and updated in Atlas;
- Ensure that financial reports are submitted to UNDP on time, and that combined delivery reports are prepared and submitted to the project board;
- Ensure that risks are properly managed, and that the risk log in Atlas is regularly updated;

Project support

- Set up and maintain project files;
- Collect project related information data;
- Assist the project manager in updating project plans;
- Administer project board meetings;
- Administer project revision control;
- Establish document control procedures;
- Compile, copy and distribute all project reports;
- Assist in the financial management tasks under the responsibility of the project manager;
- Provide support in the use of Atlas for monitoring and reporting;
- Review technical reports;
- Monitor technical activities carried out by responsible parties.

UNDP programme manager (UNDP resident representative or delegated authority):

- Ensure that resources entrusted to UNDP are utilized appropriately;
- Ensure that the project is making progress towards intended outputs;
- Ensure national ownership, ongoing stakeholder engagement and sustainability;
- Ensure that the project’s outputs contribute to intended country programme outcomes;
- Ensure that key results and issues pertaining to project performance are fed into the outcome and programme level monitoring;
- Approve budget for the first year in Atlas
- Approve and sign the annual work plan for the following year

Implementing partner (authorized MFATTEL personnel with delegated authority):

- Approve and sign the annual work plan for the following year;
- Approve and sign the Combined Delivery Report (CDR) at the end of the year;
- Sign the Financial Report or the Funding Authorization and Certificate of Expenditures (FACE).

UNDP Support Services to NIM

UNDP as the “Responsible Party” designated on the UNDP Annual work plan (AWP) will provide the following support services to the Department of Trade under UNDP Rules and Regulations) as detailed in the attached Letter of Agreement (Annex 5):

1. Personnel
 - Recruitment and administration of international personnel/consultants including consultants for the DTIS Update and the project evaluation

- Serve as Panel member for selection of local personnel/consultants
2. Travel services
 - Procurement of air tickets, calculation and payment of daily subsistence allowances and any other allowable costs for all international project travel
 3. Costs for UNDP monitoring, evaluation and training missions
 4. Procurement of all Goods over the value of \$A2,000 (two thousand Australian dollars)

Procurement and Recruitment Services to be provided by the NIU using Government of Tuvalu Financial Regulations and UNDP Procurement principles:

1. Local procurement as detailed on the annual work plan for items under A\$2,000
2. Local staff recruitment (in conjunction with UNDP as selection panel member) and administration of local staff contracts
3. Local project travel (boat fares and daily subsistence allowance)

Harmonized Approach to Cash Transfers (HACT) to the NIU

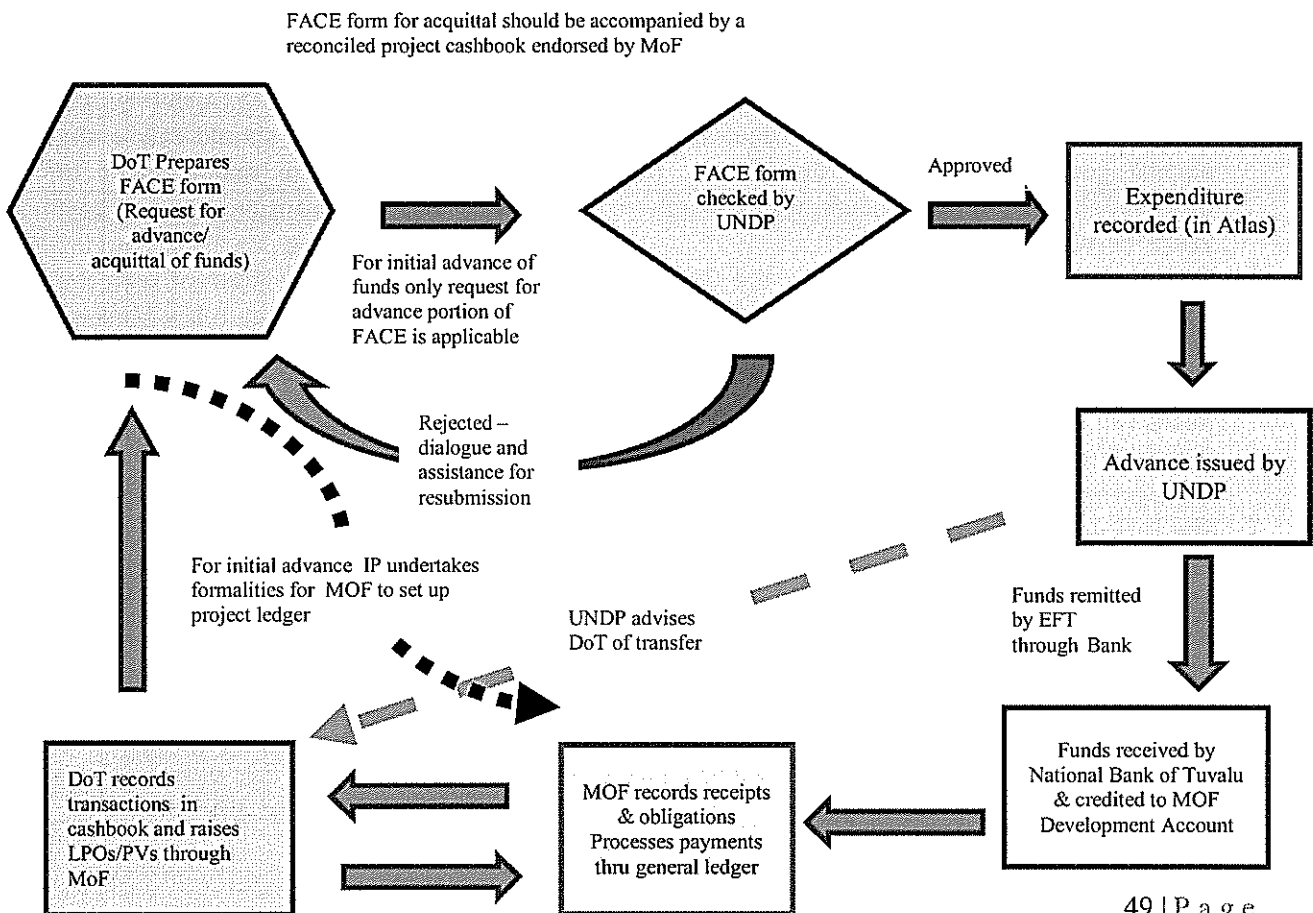
1. Assignment of funds to be used in country will be documented on the Annual Work Plan (AWP), with the Department of Trade as the "Responsible Party". Funds will be released to the project under UNDP HACT guidelines (refer Annex 4). Quarterly advances will be remitted based on budgeted quarterly work plans detailing the project's in country requirements for each quarter. The Department of Trade will request advances and report expenditure quarterly using the Funding Authorisation and Certificate of Expenditures (FACE) form. New advances will not be issued unless 80% of the previous advance is disbursed.
4. FACE forms should be received by UNDP within 15 days of the end of each quarter, together with a copy of the project cashbook, reconciled with and endorsed by the Ministry of Finance Development Accountant. UNDP will scrutinize for accuracy and ensure expenditure is in line with the work plan. Any amendments made by UNDP will be discussed and agreed with the Department of Trade.
5. Receipt and management of project funds in country, advanced under UNDP NIM Guidelines will adhere to Government of Tuvalu requirements. All expenditure processes should follow the normal government financial procedures, rules and regulations for the management of Government resources. Procurement will adhere to UNDP principles of transparency and best value for money.
6. Funds will be remitted by UNDP to the Government of Tuvalu-Development Account with the National Bank of Tuvalu (NBT). A separate ledger will be opened for the project in the Ministry of Finance (MOF) and funds will be accessed through the Government Financial Management System in compliance with established Government procedures. Based on this ledger, FACE forms will be submitted on a quarterly basis to UNDP, who will provide assurance and capacity building to the process. It is anticipated that once financial management capacity e financial management capacity
7. The DoT will ensure accurate financial records and documentation are kept by the project and reconciled on a monthly basis with MOF general ledger.
8. Based on the expenditures reports received from the project and recorded in Atlas (the UNDP corporate management system), UNDP prepares a Combined Delivery Report (CDR) at the end of the quarter. The CDR is the report that reflects the total expenditures and actual obligations (recorded in Atlas) of a Project during a period (quarterly and mandatory at the end of each year). The CDR constitutes the official report of expenditures and obligations of the project for a given period.

9. Details of these reports are described in Section VI. Project Accountability Arrangements. Based on these reports, and in accordance with the UNDP/UNOPS Joint Partnership letter (JPL) and the UNDP Template for Country Level Contribution Agreements for the Enhanced Integrated Framework for Trade-related Technical assistance to Least Developed countries, UNDP will be responsible for the provision of all reports required by the EIF Board and Trust Fund Manager, specifically (i) semi-annual narrative and uncertified financial reports to be provided by the Bureau for Development Policy; (ii) a final narrative report; and (iii) annual and final certified financial statements. The TFM will also hold regular portfolio reviews with UNDP through GTHDU.

UNDP will work with MFATTEL to implement the following:

- i. During year 1 set up its own financial management procedures in line with Government rules and project financial management procedures;
- ii. Ensure that a system is in place to receive and access project funding in line with Government rules and financial management procedures
- iii. Ensure that the recruited finance staff are fully capable of and equipped to manage the resources of the EIF;
- iv. Prepare and submit to UNDP a duly completed FACE form for quarterly release of funds, based on approved activities and budget in the Annual Work Plan (AWP). The initial FACE form will be submitted before the first disbursement by UNDP;
- v. Prepare and submit quarterly reports of expenditure and requests for subsequent advances using the FACE form and ensuring simultaneous submission of quarterly narrative report on activities;
- vi. Undergo an external audit as required by UNDP National Implementation Guidelines and budgeted in the Tier 1 Proposal.

Flowchart for financial resources:



Asset Management

1. The DoT, as NIU must keep in good order and organized the inventory of all the equipment procured in the framework of the project. Likewise, it is responsible for ensuring that the purchased equipment and/or inputs are solely used for the purposes intended in the project and that the equipment is in good working condition. All equipment should be tagged and numbered as UNDP project assets
2. The DoT must take the necessary steps to update the inventories required upon acquisition, disposal or loss of equipment. Disposal and loss should be carried out in line with point 4. Below
3. Every year, the DoT must provide the UNDP MCO in Fiji with an inventory of all the equipment purchased in the framework of the project. In addition, UNDP may at any time request the implementing partner to provide an update of the equipment inventory, if necessary.
4. In the case of damage, theft or loss of any equipment purchased in the framework of the project, the DoT must provide a report informing the UNDP country office of this event, attaching the corresponding police report with all details of the circumstances that led to the loss or damage of the equipment. This report may be used with the purpose of requesting the insurance company to replace the item, and also for any appropriate disciplinary action.
5. On completion of the project, ownership of the project assets will be transferred to the Department of Trade.

Conflict of interest and anti-corruption measures

1. The legal and regulatory framework in Tuvalu does not have specific anti-corruption, legislation but measures are in place through the Penal Code Act (Sections 85 and 367) and the Tuvalu Leadership Code Act (Sections 24 and 26) which have anti-corruption components.
2. Through implementation of UNDP National Implementation Guidelines, the DoT is required to apply UNDP guidelines if national rules and regulations do not meet these standards. These are:
 - UNDP is required to abide by the conflict of interest and anti-corruption standards of conduct that are set forth in the Staff Regulations and Rules of the United Nations and the UNDP POPP.
 - UNDP POPP prohibits conflicts of interest and corrupt practices in connection with the award and administration of contracts, grants or other benefits (see the UNDP Contracts, Assets and Procurement User Guide's Procurement Ethics and Procurement Fraud and Corrupt Practices sections, attached).

LEGAL CONTEXT

This document together with the CPAP signed by the Government and UNDP which is incorporated by reference constitute together a Project Document as referred to in the SBAA and all CPAP provisions apply to this document.

Consistent with the Article III of the Standard Basic Assistance Agreement, the responsibility for the safety and security of the implementing partner and its personnel and property, and of UNDP's property in the implementing partner's custody, rests with the implementing partner.

The implementing partner shall:

- a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
- b) assume all risks and liabilities related to the implementing partner's security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

The implementing partner agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document”.



Ministry of Foreign Affairs, Trades, Tourism,
Environment & Labour
Government of Tuvalu

Private Mail Bag, Vaiaku, Funafuti, TUVALU
Phone: (688) 20104 Fax: (688) 20843 Email: tfalefou@yahoo.com

16th January, 2012

To: Ms. Dorothy Tembo
Executive Director
EIF Secretariat
WTO, Geneva

Dear Ms. Tembo,

Subject: Endorsement of UNDP (Suva) as the Main Implementing Entity (MIE) for the
EIF Programme in Tuvalu

In recognition of the crucial roles of UNDP's engagement, in progressing Tuvalu's Enhanced Integrated Framework programme as the Main Implementing Entity (MIE), the Government of Tuvalu through the National Implementing Entity (NIE), Department of Trade, is grateful for UNDP's ongoing support. Thereby, the Government of Tuvalu wishes to continue its cordial association and renew its confidence on the UNDP MCO (Suva) to pursue the role of the MIE for Tuvalu's EIF Tier 1.

Furthermore, the respective Ministry recognised the dire need for strengthening of the Department of Trade, which have very limited resource capacity with only two full-time staff. This posed as major impediment to the Department's effective and efficient services delivery. It is crucial that at this point in time, the EIF and Aid for Trade agenda in Tuvalu is rationalised on building technical capacities and thus leverage the support that UNDP MCO (Suva) have the experience in, such as; provision of technical assistance from both UNDP Geneva and the MCO in Suva; provision of project management and financial management assistance, including capacity building and training aspect; assistance with sourcing and recruiting international experts through UNDP Global reach; UNDP's global and regional experience with EIF projects; and UNDP's presence in Tuvalu through UNDP CDM.

It is, indeed, my highest consideration and assurance that future closer collaboration with UNDP (Suva) will be of greatest priority to succeed in advancing Tuvalu's EIF Programme.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tapugao Falefou'.

Tapugao Falefou
Permanent Secretary of Foreign Affairs, Trades, Tourism
Environment & Labour/Tuvalu EIF Focal Point

**AGREEMENT BETWEEN
THE UNITED NATIONS OFFICE FOR PROJECT SERVICES
AND THE
UNITED NATIONS DEVELOPMENT PROGRAMME
FOR THE
EIF TUVALU TIER 1 PROJECT**

ANNEX II: EIF Board Approval Letter

5 pages (including cover sheet)



WORLD TRADE ORGANIZATION
ORGANISATION MONDIALE DU COMMERCE
ORGANIZACIÓN MUNDIAL DEL COMERCIO
ENHANCED INTEGRATED FRAMEWORK

Direct line: (+41 22) 739 6064
Direct fax: (+41 22) 739 5766
Email: dorothy.tembo@wto.org

Mr Bernhard Schlachter
Trust Fund Executive Officer
UNOPS Switzerland Operations Centre
11-13 Chemin des Anémones
1219 Châtelaine

bernhardS@unops.org

Div. Reference: Ltr instructing TFM_MOU_w_Tuvalu.doc
Reg. Reference:

Geneva, 14 December 2012

Dear Mr Schlachter,

Following the lapse of the deadline for the circulated approval and no objections received, I am pleased to inform you that Tuvalu Tier 1 project proposal, according to the Compendium Guidelines, is now approved, subject to all recommendations from the TFM and ES as summarized in the annex.

On behalf of the EIF Board, I therefore instruct UNOPS as EIF TFM to enter into the relevant legal agreement with UNDP being designated the Agency to undertake the Tier 1 project on behalf of the Government of Tuvalu.

The project will become effective upon signature of the MOU by both Parties, following which the first disbursement should be made for the Tier 1 project to the bank account to be provided by UNDP.

Yours sincerely,

Dorothy Tembo
Executive Director
Executive Secretariat for the EIF
at the WTO

cc: H.E. M. Minelik Alemu Getahun, Ambassador, Chairman of the EIF Board,
minelika@gmail.com
Mr Tapugao Falefou, EIF Focal Point and Chair of the NSC, Ministry of Foreign Affairs,
Trade, Tourism, Environment and Labour, tfalefou@gov.tv, tfalefou@gmail.com
Mr Knut Osby, Donor Facilitator (UNDP Multi Country Office – Fiji), knut.osby@undp.org

II. TRADE CAPACITY ASSESSMENT BY THE EXECUTIVE SECRETARIAT FOR THE EIF (ES)

Recommendations

The ES makes the following recommendations:

- ❑ **ES Recommendation 1:** Once the full staffing of the NIU is in place, the ES in cooperation with UNDP will provide capacity building on EIF M&E Framework, within the first six months of implementation, with a view to building in-country capacity for monitoring programme progress and reporting on it.
- ❑ **ES Recommendation 2:** Within the first six months of project implementation, a sustainability strategy including indicators and milestones should be developed by MFATTEL/the DoT and the MIE for the three-year horizon of the current proposal. The milestone to be reached at the end of the first phase should be determined in view of achieving full sustainability over the five-year project horizon of the first and second phases of the Tier 1 project.
- ❑ **ES Recommendation 3:** Within the first six month of project implementation, the "Plan for Capacity Development/Transfer of Capacities for the Fiduciary, Human Resource and Financial Programme Management of the Tier 1 Project in Tuvalu" (Annex 3 of the project proposal) should be revised to include capacity development and transfer of capacities for the programmatic management of the Tier 1 Project in Tuvalu. The revised plan should be submitted to the ES and the TFM for approval.
- ❑ **ES Recommendation 4:** The sustainability strategy mentioned in ES Recommendation 1 should be linked with the revised "Plan for Capacity Development/Transfer of Capacities for the Fiduciary, Human Resource, Financial Programme Management of the Tier 1 Project in Tuvalu" and also be submitted to the ES and the TFM for approval.
- ❑ **ES Recommendation 5:** The ES will monitor the implementation of the sustainability strategy through monitoring of its indicators mentioned in ES Recommendation 2.
- ❑ **ES Recommendation 6:** In the second year of project implementation, a detailed exit strategy for the MIE including transfer of responsibilities should be formulated, linked with the above-mentioned sustainability strategy. The exit strategy should be submitted to the ES and the TFM for approval.
- ❑ **ES Recommendation 7:** The ES recommends that all recommendations made by TFM in its desk review of the Tier 1 Proposal of the Government of Tuvalu be followed during the implementation phase.
- ❑ **ES Recommendation 8:** The need for an ITA will be assessed within the context of the discussions of the EIF Mid-Term Review, as well as a comprehensive support strategy for the Pacific countries.

Requirements (if any)

III. MANAGEMENT AND FIDUCIARY CAPACITY ASSESSMENT BY THE TRUST FUND MANAGER (TFM)

Recommendations

The TFM finds the Tuvalu project proposal acceptable from a fiduciary perspective. Therefore, the TFM recommends its approval by the EIF Board, conditional on the fulfilment of the TFM Recommendations by the project.

- ❑ **Recommendation 1:** The agreement between UNDP and the Government of Tuvalu should be submitted to the ES and the TFM for review before it is signed, within three (3) months of the signature of the legal agreement with UNDP.
- ❑ **Recommendation 2:** As agreed with UNDP, the TFM and the ES will take part in the UNDP Project Board, which will provide information on a quarterly basis on the implementation of the project.
- ❑ **Recommendation 3:** UNDP should provide a transfer of capacities plan within six (6) months of the recruitment of the ITA, in line with the sustainability and exit strategies.

Recommendation 4: The project mid-term evaluation should review the sustainability of the project, from both administrative and substantive perspectives.

Requirements (if any)

IV. SIGNATURES AND DATES

By the Executive Secretariat



Signed:

Title: Executive Director

Place and Date: Geneva, 14 December 2012

By the Trust Fund Manager



Signed:

Title: Executive Officer

Place and Date: Geneva, 14 December 2012

