



EIF-TIER1-KIR-001

AGREEMENT BETWEEN  
THE UNITED NATIONS OFFICE FOR PROJECT SERVICES  
AND THE  
UNITED NATIONS DEVELOPMENT PROGRAMME  
FOR THE  
EIF KIRIBATI TIER I PROJECT

**ANNEX I: Project Proposal - Project Document [as approved by the EIF Board]**

64 pages (including cover sheet)

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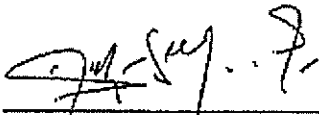
**SECTION I: Summary Page**

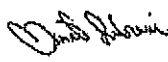
<b>I.1 Project title</b>	Kiribati trade capacity development and institutional strengthening project								
<b>I.2 Category of project</b>	Tier 1								
<b>I.3 Grant recipient entity</b>	Main Implementing Entity (MIE) UNDP Fiji Multi country Office/ International Organization								
<b>I.4 Implementing entity</b>	National Implementing Entity (NIE) Government of Kiribati, Ministry of Commerce, Industry and Cooperatives								
<b>I.5 Project duration</b>	36 months (3 years) from (INSERT MONTH)								
<b>I.6 Total project costs</b>	<table border="0"> <tr> <td>Year 1:</td> <td>US\$396,859</td> </tr> <tr> <td>Year 2:</td> <td>US\$532,518</td> </tr> <tr> <td>Year 3:</td> <td>US\$222,898</td> </tr> <tr> <td><b>Total:</b></td> <td><b>US\$1,152,275</b></td> </tr> </table>	Year 1:	US\$396,859	Year 2:	US\$532,518	Year 3:	US\$222,898	<b>Total:</b>	<b>US\$1,152,275</b>
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<b>Total:</b>	<b>US\$1,152,275</b>								
<b>I.7 EIF funding sought</b>	<table border="0"> <tr> <td>Year 1:</td> <td>US\$379,409</td> </tr> <tr> <td>Year 2:</td> <td>US\$515,068</td> </tr> <tr> <td>Year 3:</td> <td>US\$205,448</td> </tr> <tr> <td><b>Total:</b></td> <td><b>US\$1,099,925</b></td> </tr> </table>	Year 1:	US\$379,409	Year 2:	US\$515,068	Year 3:	US\$205,448	<b>Total:</b>	<b>US\$1,099,925</b>
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<b>I.8 Other sources of funding: Government of Kiribati</b>	<table border="0"> <tr> <td>Year 1:</td> <td>US\$17,450</td> </tr> <tr> <td>Year 2:</td> <td>US\$17,450</td> </tr> <tr> <td>Year 3:</td> <td>US\$17,450</td> </tr> <tr> <td><b>Total:</b></td> <td><b>US\$52,350</b></td> </tr> </table>	Year 1:	US\$17,450	Year 2:	US\$17,450	Year 3:	US\$17,450	<b>Total:</b>	<b>US\$52,350</b>
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<b>Total:</b>	<b>US\$52,350</b>								
<b>I.9 Objective of the project</b>	The objective 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 will support the operations and activities of the Business Promotion Center at the Ministry of Commerce, Industry and Cooperatives, which is the lead agency responsible for the formulation and implementation of trade policies in Kiribati. The project will also help improve donor coordination and promote Aid for Trade delivery.								
<b>I.10 Results statement</b>	The initiative will contribute to achieving the following key results: <ul style="list-style-type: none"> <li>i. Sufficient institutional and management capacity built in Kiribati to formulate and implement trade-related policies;</li> <li>ii. Kiribati mainstreams trade into national development strategies and plans;</li> <li>iii. Coordinated Aid for Trade delivery by donors and implementing agencies to implement the trade policy framework and DTIS Action Matrix;</li> <li>iv. Kiribati secures sufficient resources in support of the trade policy framework and DTIS Action Matrix.</li> </ul>								

<p><b>1.11 Brief description of the project</b></p>	<p>This project supports Kiribati to benefit from trade by developing national capacities to formulate, implement, and assess trade-related strategies that are aligned with the Kiribati Development Plan. In doing so, the project will address institutional capacity constraints by encompassing sustainable development and gender perspectives. The project will help Kiribati establishing a development oriented trade policy framework that encompasses the linkages between trade, human development and poverty reduction. The project will adopt a whole of government approach to mainstreaming trade and aid coordination. It will also directly support the participation of trade stakeholders in the private sector and civil society in trade policy making. The project will be implemented by the Business Promotion Centre at the Ministry of Commerce, Industry and Cooperatives through UNDP's national implementation modality.</p>
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**1.12 Approved by:**

  
 Ms. Tessie Eria Lambourne,  
 EIF National Focal Point  
 Secretary, Ministry of Commerce,  
 Industry and Cooperatives

  
 Mr. Eriati Manalima,  
 Secretary, Ministry of Finance  
 and Economic Development

  
 Osnat Lubrani  
 Resident Representative  
 UNDP

  
 Dr. Ratnakar Adhikari,  
 Executive Director, EIF  
 Secretariat on behalf of the EIF Board





## List of Acronyms

ASYCUDA	Automated System for Customs Data
AFT	Aid for Trade
AWP	Annual Work Plan
A\$	Australian Dollar
BPC	Business Promotion Centre
DTIS	Diagnostic Trade Integration Study
EDF	European Development Fund
EEZ	Exclusive Economic Zone
EIF	Enhanced Integrated Framework
EIF FP	Enhanced Integrated Framework Focal Point
EPA	Economic Partnership Agreement
EU	European Union
FACE	Funding Authorisation and Certificate of Expenditures (UNDP)
GDP	Gross Domestic Product
GNI	Gross National Income
HACT	Harmonized Approach to Cash Transfers (UNDP)
ITA	International Trade Adviser (EIF)
LDC	Least Developed Country
KCCI	Kiribati Chamber of Commerce and Industry
KDP	Kiribati Development Plan
MELAD	Ministry of Environment, Lands and Agricultural Development
MCIC	Ministry of Commerce, Industry and Cooperatives
MFAI	Ministry of Foreign Affairs and Immigration
MFED	Ministry of Finance and Economic Planning Development
MIE	Main Implementing Entity
MLHRD	Ministry of Labour and Human Resource Development
MOP	Ministry Operation Plans
NEPO	National Economic Planning Office
NGO	Non-Government Organisation
NIE	National Implementing Entity
NIM	National Implementation Modality (UNDP)
NIU	National Implementing Unit
NPSO	National Private Sector Organisation
NSC	National Steering Committee
NTA	National Trade Advisor (Commonwealth Secretariat)
NWGTP	National Working Group Trade Policy
OECD	Organization for Economic Cooperation and Development
PACER	Pacific Agreement on Closer Economic Relation
PICTA	Pacific Island Countries Trade Agreement
PSDS	Private Sector Development Strategy
RERF	Revenue Equalization Reserve Fund
TIS	Trade in Services Protocol (PICTA)
TPAC	Trade Policy Advisory Committee
TPF	Trade Policy Framework
UN	United Nations
UNDAF	UN Development Assistance Framework
UNDP	United Nation Development Programme
USD	United States Dollar
WTO	World Trade Organization

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## SECTION II: Situation Analysis

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

#### *Country background*

1. Kiribati is a vulnerable and small economy continuously struggling to establish its place in an increasingly interlinked world. The country is spread over a bigger area of ocean than any other Pacific island nation, compounding even within-the-country transportation difficulties. Impossibility to achieve economies of scale, distance from major markets, lack of fresh water supplies and a heavily dispersed land area are limiting the country's growth prospects. Moreover, Kiribati is among the countries expected to suffer the greatest impact of climate change, being at high risk of dissolution, if sea levels rise.
2. Economic growth has always been volatile in Kiribati's history. In recent years the global economic slowdown has weakened economic growth via the impact on the Revenue Equalization Reserve Fund (RERF), a fall in employment among seafarers and a slowdown in exports. This has created a fiscal burden as government revenues declined whilst expenditures rose. International assistance continues to form a large part of government revenues and an important source of foreign exchange, with estimates indicating the aid envelope is valued between a third and a fourth of the country's Gross National Income. Government expenditure is worth over half of the Gross Domestic Product (GDP) and the public sector accounts for the majority of formal employment, leaving little space for the private sector to develop. Moreover, the informal economy accounts for about a half of economic activity in the country. But while the challenges are so many, there is no lack of opportunities. Changes in the international economy can bring with them new trading opportunities. Kiribati enjoys several unique advantages, including an unspoilt and attractive natural environment, with significant under-exploited potential in tourism; relatively large foreign reserves in the RERF; a strong traditional culture; high literacy rates; and economic potential in fisheries and low-skilled services.
3. While economic growth has returned in 2010 and 2011 the country paid a heavy toll to the economic crisis with the per capita GNI fallen at a level lower than 2003. The social impact of the economic downturn has been marked by high unemployment particularly among the youth. Although there is no record of extreme poverty in the country, on the most recent UNDP Human Development Index on which it featured, Kiribati ranked 12th of 14 Pacific island countries and 121th in the world (i.e. medium human development). Most recent poverty data indicates that about a fifth of the population lives below the national poverty line. Certain groups of the population still experience significant hardship, particularly among the 84 percent of the population who have no regular cash income. Illnesses associated with malnutrition still exist, particularly on the outer islands, while HIV/AIDS is a growing problem in South Tarawa. School enrolment is close to 100 percent, but reporting of attendance is unreliable and the figure masks other shortcomings in the quality of the education system. Kiribati has ranked very low on the UN economic vulnerability index since 1991, with a score of 50 or below for most of these years<sup>1</sup>. On the 2010 Transparency International Corruption Index Kiribati is rated 91st out of 178 countries.<sup>2</sup>

<sup>1</sup> A level of 100 is considered sufficient to consider a country for graduation from Least Developed Country status (alongside criteria on human capital and income).

<sup>2</sup> A score of 32 put it alongside Bosnia Herzegovina, Djibouti, Guatemala, Gambia, Sri Lanka and Swaziland.

## Trade development agenda

4. Kiribati has historically run a large trade deficit, financed chiefly by external grants but also by tourism, fishing license fees, investment income (mainly from the RERF) and the remittances of seafarers. The current account deficit hit a peak in 2005 before moderating in subsequent years. The latest figures show that the current account deficit is approximately 40 percent of GDP.<sup>3</sup>
5. Following the end of phosphate exports from Banaba after independence in 1979, exports remained volatile and low. Total goods exports comprise about 5 percent of GDP, very small even by the standards of Pacific island countries. This sum includes personal effects and re-exports in the form of scrap metal and the occasional re-selling of capital equipment. After independence, total imports rose steadily along with the expansion of the formal economy. The trade balance deteriorated as a result, with the trade deficit reaching an all-time high of A\$94.5 (USD 86.7 million) million in 2005 before moderating in recent years with the recent pick-up in exports and fall in imports, itself a result of faltering GDP growth.
6. By country, the two biggest single sources of imports are Australia and Fiji, at around a third of the total each. Other major sources of imports have included France, New Zealand, the United States, China, Switzerland and Japan. Major exports are copra and copra meal, coconut oil, sea cucumber, seaweed, aquarium fish and shark fins. In some years Kiribati has also exported small volumes of handicrafts. Coconut oil, sea cucumber and copra, go principally to Taiwan and Hong Kong, with Australia as a distant third, followed by Vietnam and the Philippines. The majority of exports are to Asia, and none go to other Pacific island states, a fact that has implications for Kiribati's membership of regional trade agreements. Notably for a country with such a large Exclusive Economic Zone (EEZ), commercial offshore fishing does not feature significantly in export statistics because there is a limited domestic fishing fleet and landing and processing take place overseas.
7. Trade policy falls under the mandate of the Ministry of Commerce, Industry and Cooperatives (MCIC), but is also conducted and formulated by other government agencies including the Ministry of Finance and Economic Development (MFED). The Kiribati Development Plan (KDP) should theoretically provide the overarching goals, objectives and targets under which the country's trade policy is formulated. However, trade is not strategically mainstreamed into the plan with only limited reference in Key Priority Area 6 (Infrastructure). Under this priority area there is no specific output related either to trade policy, trade development and promotion or trade facilitation. Tourism promotion (especially eco-tourism) is confined to another heading - Key Priority Area 2: Economic Growth and Poverty Reduction - where the only other sector mentioned is fishery. The Plan does on the other hand clearly identify measures that are favourable to private sector development. The second planning layer is made of ministerial sector plans (when present) and annual Ministry Operation Plans (MOPs), which are often drawn up by the ministries themselves with very little involvement of the National Planning Economic Office (NEPO) within MFED. There is no budget attached to the KDP, while MOPs budgets are approved by the Parliament.
8. Notwithstanding the lack of any trade policy (or Aid for Trade policy), and the need for a review of relevant legislation, Kiribati has nevertheless devoted considerable resources to the current negotiations of regional and multilateral trade agreements such as the Pacific Island Countries Trade Agreement (PICTA), including the PICTA Trade in Services (TIS) Protocol; the Pacific Agreement on Closer Economic Relations (PACER) Plus and the Economic Partnership Agreement (EPA). Kiribati is not a member of the World Trade Organisation (WTO), nor an observer, however its trading partners are WTO members.

<sup>3</sup>Official trade data appears somewhat unreliable. It conflicts in several areas, notably the balance of payments and the official trade data issued by the Department of Statistics.

9. Apart from the negotiation of regional trade agreements, trade has been somewhat peripheral to domestic development policy. In this context, the role played by the Diagnostic Trade and Integration Study (DTIS) was instrumental in helping to set up an embryonic trade agenda for the country. This lack of attention has a negative impact on the economy. For example, the lack of investment in trade facilitation results in local enterprises being confronted with unaffordable costs to export. Immediate trade facilitation priorities identified by the DTIS include a feasibility study to implement ASYCUDA or other more appropriate customs data system; work on attaining EU Competent Authority status; the upgrading of infrastructure on Christmas Island; as well as a general move toward bringing standards and conformance closer to international regulations for agricultural export. The implementation of these measures will directly benefit the noni and virgin coconut oil value chain, each of which has so far failed to reach sufficient quality standards for export.
10. The under-prioritisation of trade is partly explained by the limited value of exports in the economy. Yet, in a more integrated international economic environment where trade has risen in importance, Kiribati has little choice but to mainstream trade into its overall development strategy. This means not only making trade more prominent in the KDP, but also improving the coordination of trade-related programmes with other development initiatives. However, it is not possible to replicate the experience of larger countries in mainstreaming trade, the challenge being to identify the ideal boundaries of the trade function in light of Kiribati's unique policy and institutional environment. In tiny, vulnerable economies, the Government also needs to perform the roles of insuring against risk and backstopping against the possibility of interruptions to transport or sudden supply shocks. This role has to be delicately balanced with a progressive empowerment of the private sector. The Government of Kiribati is aware that the private sector should take a greater and more active role in the economy, and any mainstreaming trade strategy should take this priority into account. This project aims at helping Kiribati respond to the above mentioned critical policy and institutional capacity gaps.

## II.2 IF PROCESS IN COUNTRY AND PROGRESS ACHIEVED

11. As the executing agency for the Kiribati Integrated Framework (IF) for Trade-Related Technical Assistance Project, UNDP supported the Government of Kiribati in 2009 to raise awareness amongst national stakeholders and put in place the necessary national coordination mechanisms to ensure the smooth roll out of the IF process including determining the scope and the formulation of the DTIS.
12. Integrated framework activities involved the setting up of Kiribati IF Office in early 2010 to coordinate the production and validation of the DTIS. In March 2010 Kiribati participated in the Enhanced Integrated Framework (EIF) Regional Workshop for the Pacific, held in Vanuatu, which provided a training opportunity and a platform for knowledge and experience sharing, and informal South-South cooperation among Pacific Least Developed Countries (LDCs). This was instrumental for the Kiribati delegation, who gained valuable feedback on the DTIS process, which was undertaken later that year.
13. A DTIS validation workshop was held in December 2010, with the participation of relevant stakeholders, including the Vice President and several members of the Parliament. The DTIS was the first attempt to systematically analyse the trade environment and, through the Action Matrix, it offered practical recommendations toward enhancing Kiribati's ability to take advantage of trade.
14. The development challenges identified in the DTIS cut across different sectors of the economy and fall under the auspices of different agencies and Ministries. Successful implementation of the DTIS Action Matrix will depend on effective coordination and monitoring of implementation by



various stakeholders under the guidance and supervision of the MCIC. Funding from the EIF Tier 2 should also provide seed money for implementing some of the smaller projects and attract the attention and interest of donors to fund other activities. To this end, initial discussions with the Pacific Island Forum Secretariat (PIFS) point to opportunities to ensure complementarities of trade related initiatives by development partners in Kiribati to avoid duplication of efforts and to maximise the benefits from Aid for Trade (Aft).

15. Since the finalization of the DTIS, the Government and UNDP have started a participatory consultation process aimed at the formulation of this project document. The engagement process included group and individual consultations, as well as the participation of the highest executive authority, the Cabinet of Kiribati.

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

16. Development partners' contribution in the area of trade-related technical assistance is limited. Furthermore trade-related activities are largely uncoordinated. The PIFS, under a European Union (EU) funded project recently commissioned a team of consultants to undertake a stock take of Aft projects in the Pacific Region, which will help collect more accurate information on flows and projects. The study will also produce a matrix of priority activities for capacity building in each country, categorised by trade agreements. The starting point for the provision of this assistance is the European Union's EPA.
17. Total aid was A\$53.4 million in 2009 (circa USD 49 million) according to the department of statistics, an amount worth a third of GDP and the equivalent of at about A\$400 (circa USD 367) per person. The OECD Creditor Reporting System database records USD 7.1 million in Aft disbursement in 2009, about 15 percent of total Official Development Assistance. Historically, Kiribati had received average annual Aft flows (commitments) of USD 9.1 million in the period 2002-2005 and of USD 8.9 million in the period 2006-2008, being one of the few countries not benefiting from the large increase in Aft in the second part of the last decade. An analysis of Aft data also points to low predictability and high volatility of commitments. Moreover, while in the period of 2006-2011 about USD 61.1 million of Aft was disbursed in Kiribati, there is little evidence on the results produced.
18. Official Development Assistance (ODA) from Japan and Taiwan was directed towards building physical infrastructure. Japan supported marine and fisheries infrastructure and the expansion of the road network, while Taiwan supported the delivery of medical and transport services and has set up an agricultural research facility on South Tarawa. The latter has helped people set up their own mini markets along the roads where they sell local vegetables and handicrafts. Japan has also been engaged in a proposal to extend the Betio wharf.
19. Australia Aid provided assistance to the tax, customs and the tourism offices and New Zealand to the education sector, including the marine training school. Their ODA focuses mostly on human resource development and capacity development in the public sector.
20. Australia, World Bank, Taiwan, EU provide support through environment preservation and climate change projects, which have implications on trade and domestic production. UNDP, through financing from the Global Environment Fund (GEF), has improved information flows and knowledge management in disaster risk reduction and climate change at national and community levels. A full scale programme is under preparation to address the impact of climate change on food production. UNDP also supports the Parliament to strengthen the effectiveness of Parliamentary Committees, and particularly the Public Accounts Committee.
21. Renewable energy, water, and sanitation are the main areas of focus of the European Development Fund (EDF). In the previous EDF round the priority was assigned to health





infrastructure in the outer islands, and on mining in South Tarawa.<sup>4</sup> In the past the EU also assisted the copra industry through the STABEX fund.

#### II.4 STATUS OF NATIONAL IMPLEMENTING ARRANGEMENT (NIA)

22. MCIC, through its operational arm the Business Promotion Centre (BPC), is mandated to oversee EIF implementation in Kiribati. The National Steering Committee functions will be executed by the National Working Group on Trade Policy (NWGTP). The Secretary, MCIC is the EIF Focal Point and the Chairman of the NWGTP. The project is implemented by the EIF Project Office established within the BPC. The following paragraphs describe in more details the role of the above mentioned bodies, including plans for the transitioning from the current structure.
23. Overall trade policy responsibility falls under the mandate of MCIC with other government agencies, including MFED, playing important roles. Structural capacity gaps in MCIC persist in relation to the fulfilment of its mandate as trade lead agency in terms of policy formulation, implementation and monitoring.
24. The NWGTP will be operational within 3 months from the commencement of the project. Prior to that the Trade Policy Advisory Committee (TPAC), which was established earlier by the government to oversee trade policy matters, will continue to act as NSC. TPAC is now mostly composed of government ministries/Agencies working on trade policy related issues. TPAC currently works on issues related to EPA negotiations, PACER Plus trade negotiations and also undertakes consultations with the stakeholders on other bilateral and regional trade related matters. TPAC's functions are further elaborated in Box 1. Despite the importance of inclusive consultative mechanisms, TPAC only meet on ad hoc basis and does not involve all the stakeholders especially the Non State Actors.

##### Box 1: Functions of TPAC

- Govern and coordinate the formulation and implementation of development-oriented trade policies.
- Act as inter-ministerial coordination mechanism on trade policy issues.
- Supervise the negotiation, formulation and implementation of trade policies and the mainstreaming of trade in the KDP.
- Serves as the main consultative mechanism for setting Kiribati's trade policy objectives and trade negotiations priorities at all levels.

25. To modernize consultation and coordination mechanisms a broader forum - the NWGTP - will be constituted. The NWGTP will enhance participation in and quality of trade policy formulation, implementation and negotiations. The NWGTP will include relevant stakeholders including the public sector, the private sector, and the civil society. Once established, it will inherit the function of EIF NSC undertaken by TPAC. The NWGTP will therefore be mandated to oversee the implementation of EIF activities in Kiribati as per the EIF Compendium. The working group is set to remain as a permanent stakeholder consultative forum beyond the Tier 1 project's lifecycle. In addition, sub-committees might be constituted to deal with technical tasks such as conducting specific negotiations, preparing technical papers and other assignments. The NWGTP will regularly meet to address trade related issues. NWGTP functions are further elaborated in Box 2.

<sup>4</sup>This project has started operation.

**Box 2: Functions of NWGTP (NSC)**

- Monitor and guide the implementation of the EIF in Kiribati
- Follow up on activities related to Kiribati's trade policy agenda in particular by providing backstopping support to trade negotiations;
- Provide strategic policy advice to the Government of Kiribati in relation to capacity building needs and appropriate institutional framework to handle Kiribati's regional integration agenda;
- Review the Protocols of FTAs and advise the Government of Kiribati on appropriate negotiation and implementation strategies;
- Sensitize and disseminate information to the public on trade policy and international trade issues through seminars/workshops, publications and other means.

26. The NWGTP will comprise the Kiribati Chamber of Commerce and Industry (KCCI), the Kiribati National Women's Non-Government Organization (NGO) umbrella body, MCIC, MFED; Ministry of Fisheries and Marine Resource Development (MFMRD); Ministry of Foreign Affairs and Immigration (MFAI), Ministry of Labour and Human Resource Development (MLHRD); and the Ministry of Environment, Lands and Agricultural Development (MELAD), Ministry of Communication, Transport And Tourism Development. When the NWGTP will act as NSC, its membership will be expanded to include the EIF Donor Facilitator.
27. The project entails a participatory approach throughout formulation, implementation and monitoring evaluation. Various political levels including ministerial and parliamentary were engaged from the onset. The project management team will further attempt to engage local level actors, including private sector and civil society.
28. An important function of the MCIC is coordination across government ministries and other stakeholders on trade. This is the rationale for hosting the EIF National Implementation Unit (NIU) in the Ministry. The resources made available by the EIF also offer a unique opportunity to reinforce the coordination and participation mechanisms currently operating in Kiribati. As part of the MCIC, BPC will become a champion of trade issues, involving other Ministries to address key problems, ensuring that trade policy is coordinated and mainstreamed into the new KDP, once the current KDP lapses in 2015. The EIF Project Office will reside in BPC and will be responsible for the implementation of the project activities, effectively acting as the Kiribati NIU. The diagram in Annex 5 summarizes the NIA arrangements.

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## SECTION III: STRATEGY AND PROJECT DESCRIPTION

### III.1 STRATEGY – OVERALL OBJECTIVE AND PURPOSE

29. The overall objective of the project is to develop the capacities in Kiribati to formulate, implement and assess trade related strategies, mainstream trade in national development planning process and coordinate the delivery of Aft.
30. The project seeks to address the constraints highlighted in the DTIS, particularly in relation to low institutional capacity of NSC, MCIC and other key stakeholders; weak institutional mechanism for trade policy coordination within the government and among the Non state Actors; lack of a trade policy framework; disconnect among trade development and social policies; and the limited contribution of development partners to Aft.
31. In responding to the bedeviling challenges, the project will design interventions that are guided by the following principles: formulating an integrated trade policy that also considers supply side constraints and is linked to productive sector policies (e.g. Industrial, agriculture and fishery); investing in capacity development; making linkages between trade, poverty reduction and human development; accounting for long term sustainability of interventions supported, adopting a whole of government approach to implementation, monitoring and evaluation; effectively applying aid effectiveness principles; and encompassing a gender perspective in all activities.
32. The formulation of an integrated trade policy framework (TPF) during the first 12 months of project implementation will provide general guidance and direction to the Government, importers, exporters, investors and the business community on how to undertake trade and other business activities in Kiribati. It will also assist in the negotiations of trade agreements and in addressing trade gaps and needs.
33. The capacity development approach will be used to address the acute shortage of human and financial resources in MCIC. A mix of techniques including participation in training and on the job coaching will be used. To lead, guide and implement these efforts in the first and second year a full time International Trade Advisor (ITA) will be hired to kick start the process, mentor staff and design and implement capacity development activities. The ITA will be tasked with the development and implementation of a capacity development plan and early implementation of priority actions. The capacity assessment of Kiribati's trade institutional, policy, and legal framework will be conducted in the project initiation phase to derive a detailed capacity action plan. The plan should include specific actions to address issues related to staff retention in the public sector. The ITA will also be tasked with facilitating the formulation of important trade related policies as identified in the trade policy framework, including an investment policy.
34. Linkages between trade, poverty reduction and human development will be identified. Technical assistance will be provided to planners in order to better understand the links between trade policy, trade development, human development and poverty reduction. Opportunities for capacity development will also be offered to the private sector and civil society while institutional arrangements will be established for regular inclusive consultations and dialogues on trade issues. Analytical capacity in MCIC, BPC, and national and sector planners, to assess/evaluate the impact of implementation of the



DTIS action matrix including associated impacts of trade policy on gender, sustainable human development, climate change and poverty reduction, will be developed.

35. Sustainability considerations will be featured in the design of all interventions supported by the project. Rather than building trade policy capacity that cannot be sustained after the project closure, the project will make connections with trade expertise within the region and at regional organisations such as the PIFS and the Secretariat for the Pacific Community (SPC). Networking will also be encouraged with other EIF programme countries in the Pacific to ensure sharing of best practises and lessons learned from a Pacific regional perspective. The project will ensure that relevant capacity development programs benefit the relevant staff of MCIC and encourage participation in workshops and conferences. Additional attention is provided to identify means and strategies to deal with staff retention, including plans to broaden the transfer of knowledge and skills in the public sector and on the organizational mechanisms usually employed to reduce the impact of frequent turnover in staffing. .
36. The Whole of Government Approach to implementation, monitoring and evaluation will be preferred. Kiribati has recently finalised the KDP 2012-2015 including its Monitoring and Evaluation (M&E) framework. MCIC will work closely with the MFED to ensure EIF results are incorporated in the KDP's M&E framework and will use it as a tool for monitoring EIF/AfT achievement. Moreover, the project will be linked with the UNDP Parliament support project to facilitate inclusive and transparent trade policy formulation. For example, by incorporating trade in the support provided by UNDP to the Kiribati Parliament, Parliamentarians will be better able to debate and dialogue on trade issues. This approach strengthens national ownership and reduces the administrative and operational burden on already stretched human and financial resources.
37. Application of aid effectiveness principles: As part of implementing Kiribati's first two recommendations emanating from its 2010 peer review under the Forum Compact, MCIC will ensure trade is a permanent item on the 6 monthly agenda of the Development Coordination Committee managed by the NEPO. In addition, a trade donor dialogue will commence from the first year onwards. Quarterly, reports will be submitted to the National Economic Planning Office (NEPO) within MFEP, allowing AfT flows to be accurately reflected in Kiribati's aid management system and integrated into the concurrent dialogue with development partners.
38. Gender considerations will be integrated in all project activities and in particular in the design and roll out of capacity development measures. National policy analysts and planners capacity will be enhanced to better appreciate the impact of trade on women. It is expected that project reporting will capture the gender perspective, and that gender indicators will be included in the project log-frame.
39. Mid-term evaluation: While the initial phase of EIF is for three years, it is expected that further assistance will be required after the project lifespan. An evaluation will be undertaken at the end of the project. Based on the evaluation results, an extension of the EIF Tier 1 project will be sought. The update of the DTIS together with the evaluation will guide the programming priorities in subsequent years.



### III.2 PROJECT RESULTS

40. The Kiribati EIF Tier 1 project will contribute to achieving the following results/outcomes:

- i. Sufficient institutional and management capacity built in Kiribati to formulate and implement trade-related policies;
- ii. Kiribati mainstreams trade into national development strategies and plans;
- iii. Coordinated Aid for Trade delivery by donors and implementing agencies to implement the trade policy framework and DTIS Action Matrix;
- iv. Kiribati secures sufficient resources in support of the trade policy framework and DTIS Action Matrix.

***Outcome 1: Sufficient institutional and management capacity built in Kiribati to formulate and implement trade-related policies;***

41. The project will ensure the work of MCIC, and particular its operational arm - BPC -, is better structured and result-oriented with staff capable of sourcing development oriented trade policies and providing advice to decision makers. MCIC is the lead agency in Kiribati for trade policy formulation, implementation and monitoring. The first step is the development of an inclusive and sustainable trade policy framework and basic legislation that prioritize poverty reduction, achievement of relevant MDGs, food security, trade, labour mobility and small/micro business development. The policy framework will be developed through a participatory process led by MCIC. The TPF will be: 1. linked to the overall national development policy; 2. supportive of and be supported by complementary government and sector policies; 3. balancing the interest of all the key stakeholders; 4. aligned with regional and bilateral trade agreements. The project will also ensure that that TPF's formulation process is inclusive to enhance ownership as delineated in Box 4.

#### Box 4: Proposed Trade Policy Formulation Process

- Need Identification: the need to formulate the TPF was identified and endorsed by the Government the DTIS.
- Process Initiation: MCIC will initiate the formulation process by producing a literature review and a zero draft in consultation with key stakeholders;
- Once the consultation is completed, a consolidated draft will be circulated by means of memorandum to all stakeholders for their inputs and comments.
- The TPAC will be consulted at all stages.
- Once the final draft TPF is validated, it will be presented before the cabinet for decision.
- The TPF will then be published after approval by the Cabinet and comes into force.

42. The project will provide financial and technical support to MCIC for the preparation and validation of the TPF, consisting of an integrated trade policy, a trade act, and a medium term implementation plan. The medium term plan will connect the various sector policies with particular emphasis on Kiribati's plans to reduce its vulnerability to climate change. The plan will also be featured as EIF medium term plan.

43. The project will re-establish within BPC the EIF Project Office (previously Kiribati Integrated Framework Office) to be staffed by a project manager, an accountant/administrative officer, and assistant administrative officer. The EIF Project Office will implement the project activities and procure goods and services. The BPC will be refurbished and equipped to accommodate the new personnel. An

appropriate schedule of activities including the production of background documents of the EIF work, awareness workshops, development and maintenance of website; and the compilation and maintenance of small library of trade related documents will be developed.

44. The project will recruit an ITA for the 1<sup>st</sup> and 2<sup>nd</sup> year of implementation to facilitate institutional strengthening of MCIC. This will be achieved by developing and delivering training to MCIC staff and developing Standard Operating Procedures (SOPs), guidance notes and training manuals for the core services of BPC. A detailed capacity assessment of Kiribati's trade institutional, policy, and legal framework will be conducted within 9 months from the project implementation.
45. The capacity assessment will be undertaken on the basis of perceived and documented capacity gaps in MCIC. The assessment will be guided by UNDP's methodological approach (i.e. Scoping Mission and Actual Assessment). A scoping study/mission will analyse the enabling environment (e.g. trade policies and agreements, public sector reforms, etc. and define the objective and scope of the assessment. This phase will also seek to identify, collect and synthesise relevant background policy documents and other relevant information, including details on the mandate and organizational structure of trade institutions; functions of each unit/department; and coordination mechanisms with relevant state and non-state actors. The draft scoping report will be validated through participatory engagement of stakeholders in a validation workshop and summarized in a detailed concept note.
46. The scoping report will be followed by the actual assessment, which will be based on the prioritisation agreed with stakeholders. The primary data collection will be undertaken by the use of the questionnaires and group and individual interviews. The draft capacity needs assessment report and capacity development action plan will be validated through a participatory engagement of stakeholders.
47. The ITA will cooperate with the National Trade Advisor (NTA)<sup>5</sup> attached to BPC under the "Hub and Spokes" Phase II project by the Commonwealth Secretariat with regards to the formulation of TPF and corresponding legislative framework.
48. In addition, the ITA will also contribute to the drafting of an integrated investment policy that will support and guide business development and investment in Kiribati. This integrated investment policy, should be aligned to the trade policy framework.
49. The project will support the implementation of a Private Sector Development Strategy (PSDS) to address supply side constraints that will ultimately build the trade capacity of the private sector. This will include supporting the formulation of project proposals for Tier 2 funding consideration based on recommendations from both the DTIS and PSDS action matrix.
50. An update of the DTIS is planned for the second year of project implementation. This will allow a thorough review of the implementation of the TPF and effectiveness of the institutional framework for mainstreaming trade supported by the EIF. Furthermore, the DTIS update will be an instrumental input for the next KDP planning cycle.

***Outcome 2: Kiribati mainstreams trade into national development strategies and plans***

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<sup>5</sup> MCIC is working closely with the Commonwealth Secretariat to facilitate the deployment of the Trade Policy Adviser (TPA) so as to start attachment with the Ministry sometime in 2014.



51. In order for MCIC to effectively support the implementation of the KDP, the project, in close collaboration with MFED, will lead an awareness effort and will deploy practical measures to develop capacities of Kiribati agencies and institutions (beyond MCIC) that are directly or indirectly responsible for trade. Active engagement of Ministries, other agencies, private sector and civil society is the precondition for the mainstreaming of trade in Kiribati. A number of inter-connected workshops on mainstreaming trade will be conducted with stakeholders. The project will abide to the definition of "Trade Mainstreaming" as defined in EIF Compendium<sup>6</sup> and further elaborated in the UNDP/EIF "Practical Guide to Mainstreaming Trade". However, the strategy adopted by the project will be contextualized to the unique characteristics of the country. While Outcome One will deal with the development of a trade policy framework and required capacity development interventions, Outcome Two focuses on interagency coordination and active engagement of stakeholders.
52. Efforts will be focused on improving mainstreaming trade at the policy level with the objective to utilize trade as a means to achieve human development and inclusive growth. The Director of BPC as EIF Coordinator is leading the mainstreaming process at the technical level by: i) effectively engaging the NEPO in the development and monitoring of trade-related indicators under the KDP M&E framework; ii) following up on the integration of trade priorities and indicators in relevant sector policies; and iii) ensuring active participation of and inputs where necessary by the MCIC in the current KDP (2012-2015) and in the planning process leading to the formulation of the next KDP (2016 and beyond). The adoption of the TPF will facilitate the process as well as the regular meetings of the NWFTP/NSC.
53. With a view to ensuring effective participation of civil society and private sector in trade policy making and monitoring, expertise and capacity development support will be made available to non-state actors including facilitating non-state actors' consultations. The MCIC, through KCCI as the National Private Sector Organisation (NPSO), will work closely with the Pacific Island Private Sector Organisations (PIPSO) Secretariat to identify suitable capacity building activities. KCCI is the only national body looking after the interest of the business community in Kiribati. KCCI aims to support local companies expand their business overseas. The Chamber manages a number of trade promotion activities, including the organization of biannual trade fairs to help its members boost their sales and showcase their products. A capacity assessment of KCCI will be conducted during the initial phase of implementation and assistance from the EIF project will be based on recommendations from this assessment. MCIC, through EIF Project, could contribute financially to KCCI for these agreed activities and costs within its limited resources.
54. A communication strategy will be developed with a view to raise the profile of the MCIC in particular the objectives of the project under Tier 1, and to reach out to the Small-Medium Enterprises (SMEs), cooperatives, entrepreneurs, and the community at large, especially in the outer islands. Some of the components of such a strategy may include regular radio programmes. MCIC current website will be further developed and improved to provide details information on the MCIC's initiatives and services that could be accessed by foreign businesses and entrepreneurs with potential interest to do business in Kiribati and/or with local business partners.

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<sup>6</sup> Definition: "integrating trade into national development and poverty reduction strategies and the operationalization of trade coverage thereof, including through incorporation of trade into sectorial strategies, action plans and budget; intra-governmental and government-private sector relations as well as government-donor relations. Once trade forms part of the wider development framework, complementary and coordinated sets of activities can be undertaken to sequence trade reforms that will promote economic growth and lock in sustainable development for the future."

***Outcome 3: Coordinated Aid for Trade delivery by donors and implementing agencies to implement the trade policy framework and DTIS Action Matrix***

55. The formulation and improvement of the TPF and investment policy and are expected to facilitate the alignment of development partners' trade-related assistance to Kiribati. It is anticipated that MCIC, with the support of MFED, will actively participate in trade-related development cooperation discussions between Kiribati and development partners at the national, regional and international levels. The development of the trade policy and medium term plan will also make stronger, leading to larger and more predictable Aft flows.
56. While it is not feasible to support a national donor Aft roundtable or a permanent coordination infrastructure due to the limited in-country representation, support will be provided to Kiribati stakeholders to effectively participate in high level regional meetings on Aft. MCIC will proactively participate and use regional coordination mechanisms to enforce better coordination and delivery in the country.
57. A monitoring plan for the implementation of the TPF and DTIS Action Matrix will be developed. As part of the exercise a donor matrix will be regularly updated by BPC in alignment with Kiribati's overall tracking of development cooperation.

***Outcome 4: Kiribati secures sufficient resources in support of the trade policy framework and DTIS Action Matrix***

58. Given that trade-related technical assistance is currently limited, the objective is expanding the donor base and establishing effective communication channels with bilateral and multilateral development partners. The EIF programme will be used a catalyst for mobilizing additional resources for the TPF.
59. The medium term plan for the trade policy framework previously referred will be complemented by a costed work plan and resource mobilization strategy. Funding gaps will be calculated on the basis of an expenditure review that will also analyse current spending on trade by the Government of Kiribati.
60. In this context consultants will be contracted to develop Tier 2 proposals in relevant areas of the DTIS action matrix.

**III.3 KEY ACTIVITIES AND OUTPUTS**

***Outcome 1: Sufficient institutional and management capacity built in Kiribati to formulate and implement trade-related policies***

61. BPC is effectively capacitated to act as the operational arm of MCIC on trade. It must ensure an efficient and effective implementation of trade policies, and lead the Aft agenda in the country, with support from the MFED. Key activities and outputs are as follows.

**Key Activities:**

- (i) Refurbish, staff and equip BPC to accommodate the new EIF functions;
- (ii) Implement the plan for the transfer of capacity for the fiduciary, human resources and financial management as delineated in Annex 3;



- (iii) Develop appropriate work schedules, tools, procedures to reflect the enhanced role of BPC in trade policy implementation;
- (iv) Enhance the capacity of MCIC for policy analysis, formulation and assessment on the basis of a capacity development plan;
- (v) Establish training and mentoring programme for relevant officials in MCIC and line Ministries;
- (vi) Formulate an integrated TPF (inclusive of a medium term development plan) the Trade Act;
- (vii) Develop an integrated investment policy aligned with the TPF;
- (viii) Update the DTIS to review the Government trade agenda and offer new analytical insights over Kiribati's economic and trade performance;
- (ix) Commission new and targeted research and data collection to inform trade policy making's most urgent needs.

**Outputs:**

- (i) The BPC/EIF Project Office is refurbished and equipped within 3 months of project implementation; EIF-funded staff and ITA are recruited within 6 months of implementation;
- (ii) Documented progress is recorded in achieving a sufficient level of capacity in BCP (fiduciary, human resources and financial management);
- (iii) Capacity needs assessment and plan produced within 9 months of project implementation and fully implemented in year 2 and year 3;
- (iv) An updated DTIS with contributions from all relevant sectors and stakeholders through a consultative process utilising international and local consultants;
- (v) The TPF and the Trade Act endorsed and implemented.

**Outcome 2: Kiribati mainstreams trade into national development strategies and plans**

62. Planners across Government and Non State Actors will be trained and become better aware of the linkages between trade and inclusive economic growth, gender, and poverty reduction. Key activities and outputs are as follows.

**Key Activities:**

- (i) Conduct mainstreaming trade workshops to enhance the capacity of MCIC/BPC and stakeholders to lead and participated into the trade mainstreaming process in Kiribati;
- (ii) Foster dialogue and consultations on trade, including advocacy at the Parliamentary level, the establishment of a public-private dialogue and outreach with NGOs;
- (iii) Mainstream trade related priorities in the KDP and sector planning mechanisms;
- (iv) Develop a communications strategy to inform the community on the trade policy framework and the impacts of regional trade agreements;
- (v) Enhance the capacity of KCCI to participate as a credible representative of the private sector in Kiribati's trade policy coordination mechanisms;
- (vi) Develop and maintain a communication strategy including website; library and the strategic and effective use of media.

**Outputs:**

- (i) Planners and members of the NSC are trained and better aware of the linkages between trade and inclusive and sustainable development;
- (ii) Satisfactory coordination arrangements are established for mainstreaming trade, including public/private consultations;
- (iii) KCCI is a credible organisation meeting at least quarterly and representing the private sector including women in business, in trade discussions; regular dialogue between MCIC and KCCI established;
- (iv) EIF /civil society outreach programme is established with advocacy events for women and men conducted through partnerships with NGO.

**Outcome 3: Coordinated Aid for Trade delivery by donors and implementing agencies to implement the trade policy framework and DTIS Action Matrix**

63. Development partners mainstream AFT better within their programmes thanks to the proactive engagement by BPC. As a result, Kiribati is better able to lead AFT coordination and progressively improve the delivery of AFT interventions. Key activities and outputs are as follows.

**Key Activities:**

- (i) Review options for conducting donor consultations and establish regular communication channels and dialogue with development partners;
- (ii) Support the participation of Kiribati representatives in national and regional high level AFT fora e.g. Pacific AFT Roundtable Meetings, PIC Partners meetings etc.;
- (iii) Capture AFT in Kiribati's aid management system with improved and performance based reporting;
- (iv) Engage development partners on joint strategies/programmes.

**Outputs:**

- (i) Donor consultations are organised in conjunction with high level national or regional forums;
- (ii) AFT is visible in national aid coordination mechanisms ;
- (iii) Government officials at all levels are equipped with information for effective participation in AFT consultations with development partners;
- (iv) At least one new AFT initiative comprising more than one donor is launched.

**Outcome 4: Kiribati secures sufficient resources in support of the trade policy framework and DTIS Action Matrix**

64. The medium term implementation plan attached to the TPF will be costed and used as the country's resource mobilization strategy for the trade sector. Key activities and outputs are as follows.

**Key activities:**

- (i) Mainstream AFT in national budgeting;
- (ii) Prepare and implement a financial gap analysis and resource mobilization strategy for the medium term implementation plan (TPF);
- (iii) Draft and submit Tier 2 project proposals to the EIF Board for funding consideration;
- (iv) Draft and submit AFT project proposals for funding consideration to development partners;

**Outputs:**

- (i) Trade expenditures are visible and recognisable in the national budget and related processes;
- (ii) Financial gap analysis and resource mobilizations strategy for the medium term implementation plan is drafted and implemented;
- (iii) At least one Tier 2 project proposal is approved by the EIF Board;
- (iv) At least one submission (project proposal) is drafted for AFT (non-EIF) funding considerations each year.

**III.4 LINK TO THE DTIS**

65. Strategies planned to achieve the overall objective of the project i.e. develop the capacities in Kiribati to formulate, implement and assess trade related strategies, mainstream trade in nation development

planning process and the coordinated delivery of AFT are all directly linked to the recommendations put forward in the DTIS. More precisely the project addresses the following DTIS actions (see DTIS action matrix): Action 1.1, 5.1, 5.4 (policy coordination and mainstreaming trade), Action 3.1, 3.2 (trade policy framework, Action 3.3 (donor coordination on AFT), and Action 4.4, 6.2 (communication).

66. The capacity development approach addresses particular areas under cross cutting recommendations, section 1,2,3,4 ,5 which relates to capacity building of the MCIC ,and other trade related organisations like the KCCI and NGOs to understand ,implement and contributes towards trade policy.
67. Strong linkage with poverty reduction and human development are captured in the DTIS throughout the cross cutting recommendations particularly with respect to section 5, human development and environment with action items for mainstreaming trade, poverty and human development policy remaining aware of linkages between development, trade and the environment and linking trade negotiations with human development.
68. The Whole of Government Approach to implementation, monitoring and evaluation is alluded to in the introduction to the Recommendations Section1, p14 where the government bodies are encouraged to align their activities more closely with one another and government as a whole attempt to simplify strategies and development planning process. Section 1.1 with reference to overall development policy needs to be communicated and monitored better and sector plans linked and section 5.1 recommends mainstreaming trade, poverty and human development policy.

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III.5 SUMMARY BUDGET INCLUDING GOVERNMENT FUNDING

A. BY CATEGORY (EXCLUDING GOVERNMENT FUNDING)

Account Code	Account Code Description	Total Cost	Year 1	Year 2	Year 3
71200	International Experts	300,000	80,000	130,000	90,000
71300	Support Staff	147,000	49,000	49,000	49,000
71400	National Experts	60,000		60,000	
71600	Travel & Missions	46,000	17,000	13,000	16,000
72800	Equipment- software	17,375	11,775	2,800	2,800
72400	Telecommunication	7,500	2,500	2,500	2,500
72400	Connectivity	7,500	2,500	2,500	2,500
74100	Prof Services	355,000	145,000	205,000	5,000
73100	Premises	20,000	20,000	-	-
74200	Office Supplies	7,500	2,500	2,500	2,500
74500	Sundries	14,500	1,500	6,500	6,500
75700	Training and Workshops	52,000	19,900	18,300	13,800
<b>Subtotal</b>		<b>1,034,375</b>	<b>351,675</b>	<b>492,100</b>	<b>190,600</b>
75100	GMS	65,550	27,734	22,968	14,848
<b>Total</b>		<b>1,099,925</b>	<b>379,409</b>	<b>515,068</b>	<b>205,448</b>

B. GOVERNMENT FUNDING

Description	Year 1	Year 2	Year 3	Total USD
Salaries	15,000	15,000	15,000	45,000
Rent	500	500	500	1,500
Electricity	750	750	750	2,250
Furniture	500	500	500	1,500
Office costs	200	200	200	600
Advertising cost	200	200	200	600
Stationery	300	300	300	900
<b>Total</b>	<b>17,450</b>	<b>17,450</b>	<b>17,450</b>	<b>52,350</b>

Detailed Budget

Country: Kiribati

Project Title: Kiribati trade capacity development and institutional strengthening project

Starting Date: TO ADD

Project Duration: 36 months

Approved EIF Budget: USD 1,099,925

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	Months	20		210,000	6	50,000	12	130,000			Int. Trade Advisor
71200	International Experts	Mission	4	Variable	70,000					4	70,000	Prepare EIF Tier Project Proposal - Short Term consultancy
71200	International Experts	Mission	1	Variable	20,000					1	20,000	Evaluation
71300	Project Staff	Month	35	2000	70,000	12	24,000	12	24,000	12	24,000	EIF Project Manager
71300	Project Staff	Month	35	1250	43,750	12	15,000	12	15,000	12	15,000	EIF Accounts & Admin Officer
71300	Project Staff	Month	35	833	29,250	12	10,000	12	10,000	12	10,000	EIF Admin Assistant
71400	National Experts	Days	20	Variable	5,000			20	5,000			Factory data collection and analysis
71400	National Experts	Days	60	Variable	30,000			60	25,000			Capture AIF initiatives in Nat. Aid Management Sys.
71400	National Experts	Days	40	Variable	20,000			40	15,000			AIF mainstreaming 10 - short term consultancy
71400	National Experts	Days	40	Variable	20,000			40	10,000			Mainstream Trade into GDP and sector plan
71400	National Experts	Days	20	Variable	5,000			20	5,000			Com m. Strategy, Advocacy and outreach programmes, mainstreaming trade
71400	National Experts	Days	20	Variable	10,000			20	10,000			Resource gap analysis and mobilization strategy
71600	Travel & Missions (A26)	Day	6	7,000	42,000	4	5,000	2	4,000	2	4,000	

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71600	Travel & Mission Incr 1	Trp	10	1,000	36,020	2	9,000	1	9,000	4	12,010	
72800	Equipment	variable			8,400	1	2,800	1	2,800	1	2,800	Computer Software
72800	Equipment	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	
72400	Connectivity	Lump sum	36	208.33	7,500	12	2,500	12	2,500	12	2,500	Networking/Setup
74100	International Experts	Mission	4	Variable	80,000	4	80,000					Trade Policy Framework - Short term consultancy
74100	International Experts	Mission	4	Variable	55,000	4	55,000					Investment Policy-Short term consultancy
74100	International Experts	Mission	6	Variable	200,000			6	200,000			Update DfIS - Short term consultancy
74100	Op Services	Audit	3	Contract	15,000	1	5,000	1	5,000	1	5,000	Audit costs for 3 years
73100	Furniture	Lump sum			20,000	1	20,000					
74200	Office supplies	variable			2,500	1	2,500	1	2,500	1	2,500	
74500	Sundries	Month	36	125	14,500	12	1,500	12	6,500	12	6,500	
75700	Training and Workshops	variable			52,000		15,000		15,000		15,000	
	Sub-total				1,834,375		351,575		492,100		590,600	
75200	GIS	Lump sum			50,000	1	24,734	1	22,968	1	14,843	
<b>TOTAL</b>					<b>1,889,925</b>		<b>379,409</b>		<b>515,068</b>		<b>205,448</b>	

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### III.6 GOVERNMENT CONTRIBUTIONS

69. The Government of Kiribati, while fully committed to the success of this project, has a limited capacity to contribute with financial resources to the project budget. In kind contributions include the provision of office space, and of staff time of public servants that will directly support the implementation of the project. The Government has estimated in-kind provisions covering salary, rent and miscellaneous office costs totalling US\$52,350 over the three year period.

### III.7 SUSTAINABILITY OF RESULTS

70. The Government is committed to mainstream trade as signalled by the endorsement of the DTIS by the Cabinet of Kiribati. To avoid the creation of parallel structures that often disappear once donor funds are exhausted, activities implemented under the EIF will be integrated into the BPC organizational structure, while defining clear accountability lines and responsibilities. The functions of the EIF NSC will be undertaken by a permanent consultative body, the NWTGP.
71. The EIF Project Office and the EIF FP will work closely with NSC members to (i) prepare a plan to house government staff to be seconded at the start-up of the project and during the project operation to tap into knowledge and expertise and to ensure gradual transfer of skills; (ii) establish EIF liaison officers at technical level in key ministries; (iii) have the TOR of the NWTGP/NSC, the FP and the Donor Facilitator validated by official decision of line ministries and relevant authorities to provide predictability and assurance of the government's recognition of the EIF and the broader AFT role in the national processes and development agenda; and (iv) analyse in-country Aft coordination mechanisms and practical steps to add the coordination of Aft to the NWTGP and MCIC by a government decree and subsequently to enhance BPC's capacity to coordinate Aft delivery.
72. The project will enhance the capacity of the NWTGP/NSC members and relevant stakeholders to be better and more consistently informed on trade related issues via participation in training activities, job-coaching, preparation of policy briefs and guidance notes. Innovative mechanisms to deal with low staff retention will be pursued, including strengthening organizations' (and coordination bodies) capacity to effectively retain and manage information in a flexible environment.
73. Stronger monitoring and evaluation mechanisms will be established to ensure that trade has been fully integrated into national development plans and has been included into sector strategies and action plans with appropriate budget allocations. This will foster budget support prioritization towards trade related activities and will sustain the project's results beyond its duration.
74. The EIF Project Office will integrate the "sustainability-based management" principle into the MCIC organizational culture, where the project activities will be designed to sustain results over time and contribute to the achievement of the KDP. The systematic and organizational role of sustainability is widely appreciated in any organizational context. In particular the project, drawing on available best practices in UNDP, will endeavour to introduce the concepts of green and inclusive procurement in Kiribati administration.



75. In the longer term, the capacity of the Government and stakeholders will only be sustained if in-country training resources and expertise become available, accessible and affordable. MCIC staff will be directly engaged under the mentorship of the ITA in key project activities like drafting briefing notes, developing policy briefs, quarterly newsletters, research activities, trainings as a mechanism of enhancing their long term capacity. The project will also develop 6 months internship programme for young professionals /graduates in the field of business and law. The interns will undergo intensive practical mentorship programme on trade policy issues. The internship programme will aim at creating a pool/a network of trade experts in the country, who may be engaged even after the end of the project.
76. In addition to awareness raising and advocacy with the private sector and civil society, capacity for policy dialogue and project implementation will be strengthened in KCCI. This will ensure continuity in private sector participation in the trade agenda beyond the lifetime of the EIF initiative.
77. Progress on sustainability, including MCIC capacity and staffing levels, and measures taken towards achieving by the Government of Kiribati 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 is designed to ensure a smooth transition at the end of the EIF funding. However, the current capacity of the Government to fully implement the trade agenda is very low. It is not anticipated that the considerable capacity gaps in all areas - government, private sector and civil society at large- can be fully addressed over the project's three year period. Therefore it is likely that Kiribati will require additional assistance from EIF or AFT partners.
79. It is anticipated that MCIC will reinforce and expand relationships with trade related regional organisations, alleviating the need for additional permanent specialised staff in Kiribati. Expertise in project management, reporting and M&E functions will be required in MCIC to take over the EIF Project Office functions. Plans to create additional permanent posts to absorb EIF funded posts will be formalized in the 4th and 5th year of implementation.
80. Capacity development activities and the Whole of Government Approach to mainstreaming trade will institutionalise the trade agenda within national planning and budgeting processes. Similarly, the project will align EIF interventions to the national M&E donor coordination and implementation mechanisms. The project will also support efforts to better track AFT through the national aid management system. MCIC will proactively engage development partners beyond the country boundaries, given the lack of country based donors in Kiribati.
81. The success of the EIF related activities will be measured partly by the extent of uptake by the various national stakeholders of the mainstreaming trade agenda. The project foresees awareness raising and engagement of stakeholders geared towards enhancing the profile of trade and mobilizing increased resources from the national budget.
82. At the end of the project, all assets acquired will be formally transferred to the Government of Kiribati.





## IV. RISK AND MITIGATION STRATEGY

### 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 UNDP Kiribati Programme Analyst
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 the Government of Kiribati to liaise with donors, as well as increase awareness of the EIF at national level. Ensure best possible use of various local, regional and international donor fora 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 NSC membership is cross-sector and supported by the BPC. 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 = 4 I = 5	Provide incentives for training etc. Ensure fair management and distribution of duties to relevant personnel, 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

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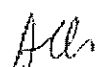
IV.2 EXOGENOUS RISKS

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 Whole of Government 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
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
Sufficient and competent staff in MCIC and KIFT	Organizational	EIF staff during the project implementation period are sustained post EIF to enable an effective exit strategy  P = 2 I = 3	MCIC to ensure core staff positions are included in budget and planning submissions to Government to ensure adequate staffing by end of EIF assistance period. Project staff to ensure continued dialogue with MCIC.
Proposed trade strategies for economic gain have negative effect on the community, poverty reduction, environment and climate change adaptation/mitigation efforts	Strategic	Lack of stakeholders' participation might lead to unfocused and uncoordinated policies.  I=5 P=2	Ensure trade policies are formulated in synergy with national development policies, are evidence based and inclusive. Capacity development of policymakers should be ongoing

## SECTION V: PROJECT IMPLEMENTATION ARRANGEMENTS

### V.1 MAIN IMPLEMENTING AGENCY (MIE)

83. The United Nations Development Programme Multi Country Office (UNDP MCO) in Fiji is the project Main Implementing Entity (MIE) and, as such, it is ultimately responsible for the implementation of the Tier 1 project. The MCO team will work closely with the UNDP staff in Kiribati to oversee the project implementation. UNDP is also responsible for the submission of progress, financial and project completion reports to the Trust Fund Manager and to the EIF Secretariat in Geneva. UNDP will report as required on project implementation in terms of funds utilized, activities implemented, outputs delivered and outcomes achieved.
84. UNDP's comparative advantage as a politically neutral and trusted development partner in the region, in-country (Kiribati) presence, regional and global outreach, as well as its long lasting support to the IF/EIF in Kiribati, Samoa, Vanuatu and Tuvalu provide the rationale for its appointment as MIE. MCIC, through its request to the EIF Secretariat for UNDP to act as MIE, acknowledged the lack of capacities to successfully implement the EIF programme at this stage. UNDP is well placed to provide technical guidance, oversight and monitoring services in order to build the capacity of MCIC, BPC and wider government stakeholders to effectively implement aT activities in the country post EIF tier 1 assistance.
85. The project will be nationally implemented by MCIC/BPC under the UNDP National Implementation Modality (NIM). Such modality is of general application in UNDP's programme activities as it guarantees the highest degree of national ownership, while providing tailored assistance to recruitment, procurement and project management processes. UNDP adopts standard Programme and Operations Policies and Procedures (POPS) across its large portfolio of projects. This information is publicly accessible at [info.undp.org/global/popp/Pages/default.aspx](http://info.undp.org/global/popp/Pages/default.aspx). Detailed information on NIM, procurement and human resource policies is there available. Typical activities provided by UNDP in support to NIM include:
- Communications Unit staff time spent on communication of development results and outcomes in the context of specific development programmes and projects.
  - Human Resources Unit staff time spent on the recruitment, selection, hiring, contracting, and/or contract administration of project personnel.
  - Procurement Unit staff time spent on the procurement of goods or services on behalf of a project, covering the entire procurement cycle tasks, transport, storage, distribution, on-site receipting of goods, customs clearance, logistics, etc.
  - Finance Unit staff time spent on undertaking direct project payment requests.
  - Programme staff time and any other CO staff time spent directly on programme implementation and directly contributing to development results.
  - Evidence based reporting on results achieved compared to baselines and evaluation;
  - Effective advocacy, media interaction, public information and communication of UNDP's programme priorities and mandate;
  - Technical support in formulating and reviewing trade related policies, policy frameworks and other technical products as well as participating in technical evaluations; and
  - Fulfilling substantive reporting requirements.



86. UNDP is committed to put in place systems and capacities that will allow Kiribati to graduate and gradually assume a more direct role in the implementation of AFT projects.
87. While there are elementary procedures and systems in place for the recruitment of human resources and procurement of goods, the experience with the implementation of development projects in Kiribati indicate there is insufficient capacity to deal with all aspects of project management. Independent audit reports and spot-checks by UNDP point to the 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. The project's accountant will liaise with MFED to ensure project operations are aligned with MFED requirements, rules and regulations. The Procurement Act (2002) provides the legal framework for public procurement in MCIC/BPC. The Procurement Committee will evaluate the procurement of goods and services worth over the amount of five thousand Australian dollars purchased by the EIF Project Office.
88. The capacity of MCIC to comply with monitoring and reporting requirements by the Government of Kiribati, UNDP, and the EIF will be strengthened. UNDP will provide guidance and training on project management including annual work planning and project reporting based on the principles of results based project management. The UNDP in-country programme analyst will provide on-going support decision making process relating to project activities. The UNDP MCO will organize training workshops during bi-annual missions. Reporting will be closely monitored to ensure knowledge is transferred and systems are in place. UNDP is committed to implement a capacity development plan on project management. By the end of the project MCIC will be well capacitated to take on a more direct role in project implementation and financial management as delineated in Annex 3.
89. Annual audits will be performed and an evaluation of results will be conducted during the third year of the project. The [mid-term] review of the project and evaluation combined with the DTIS update in the second year will set the stage for an extension of the Tier 1 project.

## V.2 NATIONAL OWNERSHIP

90. Discussions on the formulation of this Tier 1 proposal commenced in Kiribati after the endorsement of the DTIS Report in 2012 under the leadership of MCIC. A wide range of stakeholders, including members of the TPAC/NSC, 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. The process stalled in 2011 before getting new impetus with the endorsement of DTIS by the Cabinet in 2012. The endorsement of the DTIS by the Cabinet demonstrated full ownership of the EIF process and agenda.
91. This project document, compiled in the immediate aftermath of the Cabinet's approval was drafted after multiple rounds of consultations in Kiribati through a participatory process. Previous drafts of this document were shared among stakeholders in Kiribati with their comments being incorporated in this draft. A formal Technical Appraisal Committee meeting was conducted in 13th of May 2014 comprising on the Government of Kiribati, NIE, MIE, representatives from the private sector and other stakeholders. Following the TAC meeting the EIF Tier 1 Project Document was submitted to the EIF Executive Director and EIF Secretariat for final review and endorsement on the 1st of August 2014.



### V.3 NIE IMPLEMENTATION ARRANGEMENTS

92. The Secretary of MCIC is the EIF Focal Point. Assisted by the Deputy Secretary he/she will oversee the implementation of the EIF project under the strategic guidance of the NWGTP/NSC. The EIF Coordinator is the Director of BPC (DBPC), who will be charge of the EIF programme in Kiribati. The EIF Coordinator will be assisted by the Assistant EIF coordinator and the EIF Project Office team comprising the EIF Project Manager and EIF Accountant and an Assistant Administrative Officer. BPC staff will also provide support on need basis. The ITA will be recruited by the EIF to support project implementation, particularly in relation to the development of institutional capacities in MCIC/BPC. The NTA funded by the Commonwealth Secretariat, will also be associated to the implementation of certain project activities. Annex 5 provides the organogram.
93. The project will be supported by the UNDP Multi-country Office in Suva, UNDP Joint Operations Centre in Suva, the UNDP Pacific Centre in Suva and the Bureau for Policy and Programme Support in Geneva. This support provided includes project oversight, policy advice, technical support, administrative support and quality control.

#### Roles and Responsibilities: EIF Focal Point

- Oversee the functioning of the NIA. He/She might appoint a deputy Focal point, if needed.
- Work closely with the relevant line Ministries, the Donor Facilitator, EIF Executive Secretariat, donors and partners to ensure that trade (DTIS priorities) is mainstreamed in the KDP.
- Lead on the updating of the DTIS.
- Report to the Government progress in EIF implementation.
- Provide continuous guidance and coaching to EIF staff
- Develop linkages with the EIF Executive Secretariat and oversee and endorse reports on EIF progress.
- Work closely with, and maintains, a continuous in-country dialogue with the private sector, civil society, the Donor Facilitator, other donors and EIF Agencies.
- Lead the formulation of the communication action plan aimed at enhancing support and involvement of key EIF stakeholders.
- Work closely with MFED and other Government agencies to ascertain that DTIS priorities are mainstreamed into the national development plans, such as the PSDP.

94. The 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.
95. Development of capacity in project and financial management, monitoring and reporting will be provided initially by the Country Partnership and Results Unit of the Fiji MCO, with on-going assistance from the Kiribati UNDP Programme Analyst. Technical support and advice will be provided by the Programme Development and Policy Unit of the Fiji MCO; the 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 coordination component of the Tier 1 project will be closely linked and integrated into Kiribati's broader aid and development effectiveness work supported by UNDP and development partners. The UNDP MCO's experience in working with Millennium Development Goals planning and aid coordination projects in various Pacific countries will facilitate the incorporation of best practices and lessons learned into the trade mainstreaming process.

96. National implementation arrangements outlining the responsibilities of each party are further detailed in Annex 4- Management Arrangement.

