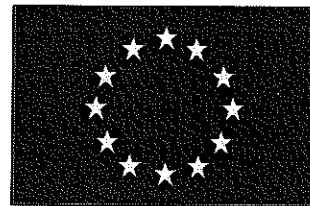


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# **Niue - European Community EDF 10**

**Country Strategy Paper  
and  
National Indicative Programme  
(For the period 2008 – 2013)**

The Government of Niue and the European Commission hereby agree as follows:

- (1) The Government of Niue, represented by the Honourable Mititaiagimene Young Vivian, Premier and National Authorising Officer, and Mr Tony Kalauni, Deputy National Authorising Officer, and the European Commission, represented by Mr Roberto Ridolfi, Head of the Commission Delegation for the Pacific, hereinafter referred to as the Parties, held discussions from March 2006 until August 2007, with a view to determining the general orientations for cooperation for the period 2008 – 2013.

During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of Niue were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000 as revised in Luxembourg on 25 June 2005. These discussions complete the programming process in Niue.

The Country Strategy Paper and the Indicative Programme are annexed to the present document.

- (2) As regards the indicative programmable financial resources which the Community envisages to make available to Niue for the period 2008 -2013, an amount of € 3.0 million is set aside for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of €0.3 million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of Annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The Indicative Programme under Part 2 concerns the resources of the A-allocation. It also takes into consideration financing from which Niue benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and therefore does not yet constitute a part of the Indicative Programme.
- (5) Resources can be committed within the framework of the present Country Strategy Paper and Indicative Programme upon the entry into force of the 10<sup>th</sup> EDF Multi-annual Financial Framework for the period 2008-2013 of the revised ACP-EC Partnership, but not before 1 January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of Niue within the limits of the A- and B-allocations referred to in this document. Financing decisions can also be

APC-EC Partnership Agreement for support to non-State actors or on the basis of Article 72(6) to the ACP-EC Partnership Agreement for humanitarian and emergency assistance funded from the B-allocations. Financing decisions shall be taken and implemented according to the rules and procedures laid down in the EC Council regulations on the implementation of the 10<sup>th</sup> EDF and on the financial regulation applicable to the 10<sup>th</sup> EDF and in Annex IV to the ACP-EC Partnership Agreement

- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Paragraphs 2(c) and 3 of Annex 1b of the ACP-EC Partnership Agreement regarding the 10<sup>th</sup> EDF Multi-annual Financial Framework for the period 2008-2013.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of current needs and performance.

The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in the light of current needs and performance

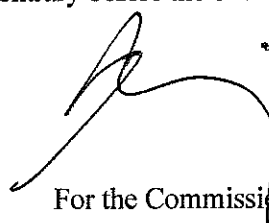
Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased according to Article 3(5) of Annex IV in order to take account of special needs or exceptional performance

- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10<sup>th</sup> EDF Multi-annual Financial Framework of for the period 2008-2013, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

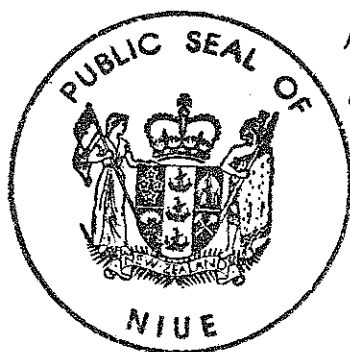
Signatures



For the Government of Niue



For the Commission



18 October 2007  
at Nuku'alofa, Tonga.



## **SUMMARY**

Niue is an isolated single coral atoll with steep limestone cliffs to the sea and a central greenland plateau. It is located in the South Pacific, at 2,400 kilometres northeast of New Zealand, on the eastern side of the International Date Line. It has a land area of 259 km<sup>2</sup> and an exclusive economic zone, which extends to 390,000 km<sup>2</sup> of ocean. Approximately 19% of the land is arable, 4% has been given over to permanent pastures, while the remainder is made up of forest and woodlands. The GDP per capita was US\$ 5823 in 2003. Niue is a self-governing country "in free association" with New Zealand, and Niueans are New Zealand citizens.

With a population oscillating of roughly 1700-1800 who permanently live on the island Niue is the least populated ACP country.

Niue became an ACP state when it signed the Cotonou Agreement in 2000. The main focal sector for Niue under the 9th EDF (running from 2003-2007) is renewable energy with € 200,000 to the Niue Village Economy Development Project (NSA). Whilst overall progress in the initial stages of both initiatives has been gradual, the developments picked up speed since, and implementation started in early 2006.

In January 2004 Niue was hit by Cyclone Heta, which caused widespread destruction of key infrastructure, including the hospital. Reconstruction was undertaken with donor assistance, in particular from New Zealand, and the entire B-envelope under the 9<sup>th</sup> EDF was allocated for this purpose.

The strategy of the 10<sup>th</sup> EDF will continue the focus of renewable energy and will continue the assistance to village development as a non-focal sector. The negotiations for this present paper revealed the strategic importance of renewable energy in the development path of Niue. The GoN has already set in place an appropriate policy for the sustainable development of this sector and is further committed to enhance its policy capability.

In line with Niue's international commitments of sound policy and practice of taxation with the aim to prevent further money laundering, the government of Niue have agreed with the European Commission to undertake a number of commitments in this area...

## **PART 1: STRATEGY PAPER**

### **CHAPTER I: THE FRAMEWORK OF RELATIONS BETWEEN THE DONOR AND THE PARTNER COUNTRY**

#### **I.1.1. General Objectives of the EC's external policy**

In accordance with Article 177 of the Treaty Establishing the European Community, community policy in the sphere of development co-operation shall foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

Europe should project a coherent role **as a global partner**, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security

The Union has developed a broad spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc).

EU external action including the Common Foreign and Security policy, common trade policy and cooperation with third countries provides a framework both for integrating all EU instruments and for developing gradually a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has entrusted EU with even greater responsibilities, as regional leader and as global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its neighbourhood and through its multilateral and bilateral policies which are mainly aimed at sustainable development and political stability. Thus, the EU will achieve genuine coherence between its domestic and its external agendas, contributing thereby to global security and prosperity.

### **I. 1.2. Strategic objectives of cooperation with the partner country**

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the *Cotonou Agreement* is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and Niue shall pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of "ownership" of the strategy by the country and populations concerned, and the essential elements and fundamental element as defined in articles 9 and 11b of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda, and with particular attention for the Millennium development Goals (MDGs). Human rights and good governance are recognised as other important objectives.

Better aid effectiveness is essential to achieving poverty eradication. Therefore the EU will advance coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multi-annual programming based on partner countries strategies and processes, common implementation mechanisms, joint donor wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on new Member States' experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The purpose is that all EU non-aid policies make a positive contribution to developing countries' efforts to attain the MDGs.

The principle of concentration will guide the Community country and regional programming. This means selecting a limited number of priority areas of action, through the dialogue with partner countries, rather than spreading efforts in too many sectors. In this context the Community will be primarily active in the following nine areas, keeping into account its comparative advantages in a number of these: trade and regional integration; the environment and the sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; social cohesion and employment.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

The European Commission adopted a proposal to deepen the EU's relations with the Pacific Islands, in particular the 15 Pacific ACP countries, on 29 May 2006. This is the first formal strategy in 30 years of EU-Pacific relations, and it aims to strengthen political dialogue, provide greater focus to development cooperation and improve the effectiveness of aid delivery. The Commission's proposal reflects the growing environmental, political and economic importance of the Pacific region. The strategy makes three main proposals:

1. Building stronger political relations on interests of common concern such as global political security, trade, economic and social development and the environment;
2. Focusing development cooperation on areas where the Pacific has important needs and where the EU has a comparative advantage and a good track record, such as the sustainable management of natural resources, regional cooperation and good governance (for example, addressing the root causes of instability in the region, reducing corruption);
3. Increasing the efficiency of aid delivery including using more direct budgetary aid and working more closely with other partners, in particular Australia and New Zealand.

Due to its small population and remoteness Niue faces a unique and challenging situation in its development. This is also true for the energy sector, which has been suffering from the rise of oil prices on the world market. The energy supply is vulnerable, considering the country's reliance on petroleum imports and its limited storage capacity. The country has limited human and institutional capacity to respond to these challenges, is dependent on foreign aid and has limited scope for energy market reforms. While it is not realistic to propose a complete replacement of traditional power generation from diesel oil over the coming years, diversification of the power generation is high on the Government's list of priorities. This was one of the reasons why Niue chose renewable energy as the focal sector under the 9<sup>th</sup> EDF, and the main scope of the activities will be the installation of a grid-connected wind generator. Other activities include the strengthening of the institutional capacity of the Niue Electrical Power Supply Authority (NEPSA).

### **I.1.3 Main bilateral agreements**

Niue is a member of the Pacific Island Forum and as such is part of the recently approved Umbrella Agreement including Australia and New Zealand, called the "*Pacific Agreement on Closer Economic Relations*" (PACER). This agreement includes the future creation of a free trade area amongst the 14 ACP Forum Island Countries (FICs) called the "*Pacific Island Countries Trade Agreement*" (PICTA), without Australia and New Zealand. Niue has ratified

both trade agreements. As indicated, Niue became one of the six new “Pacific ACP countries” by signing the Cotonou Agreement in 2000, and has been benefiting from a range of regional initiatives, such as the 9th EDF Regional Trade and Economic Integration Programme (PRIP) which assists the Pacific Region in implementing PICTA i.a. by providing assistance in the negotiation of trade agreements etc. Niue is part of ongoing negotiations with other Pacific ACP States on the EPA with the EU.

## **CHAPTER II: COUNTRY DIAGNOSIS**

### **II.1. Analysis of the political, economic, social and environmental situation in the recipient country**

#### **II.1.1 Political and institutional situation**

In 1974 Niue became a self-governing state “in free association” with New Zealand and one of the smallest self-governing countries in the world. Under the Niue Constitution the government has full responsibility for conducting internal affairs, while New Zealand retains responsibility for defence and external affairs. The Head of State is Queen Elizabeth II, represented by the Governor-General of New Zealand.

The Government of Niue has full executive and legislative powers. The executive functions of government are carried out by the Cabinet consisting of the Premier, elected by the Assembly, and three Ministers appointed by the Premier from the Assembly. The GoN comprises 12 departments, 6 corporations, a high commission and a trade and investment mission. Each is assigned specific responsibilities and report directly to the responsible Minister. As the Executive, Cabinet composed by four members is empowered to make collective decisions for the GoN. Since independence, Niue has enjoyed a sound and stable government.

Legislation is enacted by the unicameral Assembly, which consists of twenty members and a speaker. General elections are held every three years. Following the elections in April 2005, Mr. Young Vivian was confirmed as Premier of Niue. The next elections are scheduled for April 2008.

There are 14 villages on the island, each of which has its own village council with elected constituents. The GoN has devolved much of its community responsibilities to these village councils, which provide a strong support system within their individual communities. Village life remains the focus for political and cultural organisation.

The media is a developing sector on Niue. At present, there is only two independent print media, a fortnightly independent newspaper publication, a radio station and a television station, both government corporation entities. There is also an internet newsletter run by the government.

Niue is member of the Secretariat of all the CROP (Council of the Regional Organisations of the Pacific) organisations.

#### **II.1.2 Economic and commercial situation**

Niue faces considerable development constraints. These include isolation, limited natural resources, poor communications, an unpredictable climate (including drought and occasional cyclones) and, most significantly, a shortage of skilled labour and outward migration, principally to New Zealand. The decrease in public sector employment opportunities has

resulted in an exodus of migrants to New Zealand, a situation that was further aggravated by the devastation caused by Cyclone Heta in 2004.

Substantial aid from New Zealand has historically supported a large public sector providing incomes and jobs for the people of Niue, while outward migration of large parts of the population has ensured a steady flow of remittance income into the country. However, remittance income has fallen and the level of aid provided by New Zealand has declined significantly over the past decade resulting in a considerable “downsizing” of the public sector. Although the number of public servants was reduced in the early 1990s, the Government remains the major employer and public service jobs are an important means of retaining the population from migration. While the economy remains dependent on substantial amounts of NZAID funding, the Government is committed to increasing the country’s economic self-reliance.

The economy is dominated by services, including public services. In 2003, the government sector (public service and government trading enterprises) accounted for 52% of GDP. Agricultural output (including fishing and forestry) made up approximately 23% of GDP, of which 95% was household subsistence production.

Agriculture is largely subsistence based, but its development is hindered by limited fertile land, lack of surface water and occasional drought and cyclones. Rainwater and groundwater are the only sources of water. There is no surface water except a freshwater lens in the centre of the island. The principal crops are coconuts, taro, yams and cassava. Taro has traditionally been the most important export crop, but exports are constrained by inadequate harbour facilities. Subsistence farming and fishing forms an important contribution to household income for many families. There has been a tendency towards a boom and bust cycle in agricultural production. The once buoyant coconut cream industry is gone and exports of other agricultural and manufactured products have also dropped markedly. Vanilla and noni are now being grown commercially, and a fish processing plant and a noni processing plant have been built, with significant investment from the New Zealand ‘Reef Shipping’ Group. These sectors have provided great potential for employment and exports generation earnings. Both crops are now operational exporting since June 2005. Honey has begun to be exported in small quantities since 2003. Together with the vanilla and noni productions, the honey industry is going through international organic certification process. All three industries production and cultivation methods are based on internationally accepted organic methods.

Fisheries: The previous estimated value of the fisheries production (115 tons/year) is about NZ\$ 1.1 million or 7% of GDP. 80% of this estimate comes from subsistence fishing that is domestically consumed and does not enter the cash economy. However the value of the commercial fisheries production primarily tuna has since changed following the commissioning of the fish factory in October 2004. Annual targets are estimated to reach 3,000-4000 tons/year by the end of 2007 with exports value forecasting to reach around NZ\$ 9.0M at the same period. In the first few months of 2006, the export of fish has realised \$NZ960,000 for about 370 tons. At present 10 fishing licenses are envisaged, predominantly for New Zealand and French Polynesia registered long-line fishing vessels, to be issued to foreign boats fishing outside the inshore fishery protected 12 nautical mile zone. The license terms and conditions require all catch to be landed on Niue to the fish factory. Fresh exports are currently being air freighted by Air New Zealand while frozen products by sea freight via Reef Shipping. Multilateral fishing license fees presently managed by the Forum Fishery Agency amounts to approximately NZ\$ 243,000 in 2006. The development of domestic fisheries will continue to be constrained by the lack of adequate harbour facilities. The current focus of the Fisheries Department is to safeguard the fishery in particular the inshore fishery



resources from over-exploitation for the continued accessibility and the benefits of the local communities.

Tourism offers one of the best prospects for long-term economic development, particularly eco-tourism, but this is dependent on improved air services and improved tourism facilities on the island. Niue's pristine environment and excellent diving opportunities have some potential to attract tourists but are once again dependent on airline services. At present, the country is served by only one airline (Air New Zealand) that provides only one scheduled flight per week to Auckland.

### **Trade/Economic Partnership Agreement (EPA)**

Niue is one of the Pacific ACP Group of countries currently negotiating an economic partnership agreement (EPA) with the European Commission through the Pacific Island Forum Secretariat. Discussions commenced on 10 September 2004. Niue has demonstrated considerable interest in the EPAs, even though its export volume is currently very limited and consists mainly of fish products and some micro production of organically produced vanilla, noni and honey. The absence of a deep harbour port and limited investment capital will continue to limit exports generating activities on a larger scale. However, Niue has recognised the importance of trade and is striving to expand its tourism industry and other export generating activities such as fish, noni juice and dried vanilla production. Niue is not a member of the WTO and is not envisaging joining in the foreseeable future.

### **II.1.3 Social situation, including decent work and employment**

Niue has an estimated population of 1,730 (2005) people of whom 14% are of non-Niuean ethnicity. Over the past decade the population has declined by approximately 25% (*to be confirmed*) reflecting a large outflow of people. More than 20,000 Niueans live overseas, mainly in New Zealand. The people of Niue are New Zealand citizens and have free access to New Zealand.

Niue's Human Development Index of 0.87 ranks it third in the Pacific region, behind Palau and the Cook Islands. The high HDI reflects Niueans' high life expectancy of approximately 71 years, (2004) low infant mortality rate and universal rates of adult literacy recorded at 100% (2004). There are no obvious signs of poverty. Average household size (at 3.4 members per household) is low by Pacific standards, and most houses have access to running water and electricity. All people have universal access to free education and health provision. Widespread unemployment is averted by emigration to New Zealand. The New Zealand social welfare system provides a safety net for Niueans, although the Niue Government also provides child benefit allowances and old-age pensions.

Women enjoy a high social status and play an important part in the economy. They have guaranteed access to a full range of health services, are afforded equal opportunities in education. Their participation in the workforce has increased over the years. Women figure prominently in private businesses and informal trade.

Niue has a relatively high level of education services. Education is free with universal access for all children. The education system is based on the New Zealand Education Curriculum Standards and the Qualification Authority. Schools are reasonably well maintained, although there is a recognized lack of resource materials.

The estimated education budget for 2005/2006 is NZ\$ 1,486,286, which is about 6.9% of total recurrent expenditure. NZAID provides approximately NZ\$ 460,000 for study awards (scholarships) to enable Niue residents to undertake secondary and tertiary courses in New

Zealand and the Pacific region. A fund of NZ\$ 50,000 is available for vocational and short-term training. Australia also offers scholarships for tertiary studies primarily at the University of the South Pacific.

Niue has relatively high levels of sanitation and public health services. These have been instrumental in controlling the level of communicable diseases in the country. However, with changing lifestyles and dietary patterns, the epidemiological picture is now dominated by non-communicable diseases (cardiovascular diseases, diabetes, obesity, cancer) that are creating new challenges for both public health and curative services. Medical care is free for all Niuean residents. During the fiscal year 2005/2006, 6.14 % of government's recurrent budget expenditure was allocated to health.

In spite of GoN's efforts and some positive signals derived from these, the migratory balance is still negative in favour of NZ. This has impacted on skills, expertise and human resources required in Government Departments.

#### **II.1.4 Environmental situation**

Niue is a Small Island Developing State (SIDS) confronted with problems related its isolation. Strategic Objective 5 of the Niue Integrated Strategic Plan 2003-2008 aims to build sustainable management of Niue's natural resources through utilising the natural resources in a way that not only maximises the economic benefits but also ensures that future generations will be able to enjoy these in full.

In implementing this, Niue has enacted the Environment Act 2004, enforced by the Department of Environment. To prevent the increasing use of slash and burn agricultural method on the agriculture, the GoN has introduced a number of sustainable land clearing methods for crops plantation, the protection of primary forestry areas, and set aside 540 hectares of conservation land. Niue actively participates in the current UNCCD funded land rejuvenation programme and GEF funded programmes in the area of biodiversity, solid waste management, national capacity self-assessment, and climate change adaptation. Niue also implements the national waste disposal management plan, which prohibits the importation of consumer goods in glass bottles and currently runs a can recycling project of which consumers pay 10 cents per can for every aluminium can purchased. This environmental incentive encourages Niueans to exercise environmental care in aluminium can waste disposal within their communities. Niue also enforces organic cultivation methods for commercial and subsistence farming. It is currently engaged in the organic certification process with a registered international certifier. The first commercial farms will be fully certified at the beginning of 2007.

Niue has a National Energy Policy (NEP) and a National Energy Action Plan (NEAP) which takes care of environment aspects, energy conservation and efficiency and address the need to promote sustainable energy options. As regards renewable energy, in the budgetary year 1 July 2007 to 30 June 2008, Niue has made a new budgetary allocation of NZ\$ 50,000 for renewable energy measures. Niue intends to equip the new hospital with PV solar panels in order to reduce energy costs and has plans to design a new Government administration building in a way that would allow the fitting of PV panels.

Environmental vulnerability is quite important for Niue and the cyclones are not extraordinary events. The destruction caused by Cyclone Heta in January 2004 was enormous. The Government estimates the total damage suffered as follows:

Civil Society:	NZ\$ 7,000,000
Private Sector Enterprises:	NZ\$ 5,000,000

Public Sector:	NZ\$ 25,702,250
TOTAL	NZ\$ 37,702,250 (equivalent to more than € 19 million)
Source: Cyclone Heta Recovery Plan, April 2004	

### II.1.5 Niue in the international context

Since self-government in 1974, Niue has steadily developed its role on the international level and has taken an active approach to establishing wider international contacts. Niue is a member of the Commonwealth and has been admitted as a full member of UNDP, UNESCO in 1993, UNFPA, UNCCD, APLAP, APG, Bio Diversity, the WHO in 1994, WMO, UNFCC for Climate Change in 1996, and the Food Agricultural Organisation in 1999. Niue is also member to all CROPS agencies in the Pacific region. However, whilst Niue is a self-governing state, it has no full state status, and therefore no seat at the United Nations. In international affairs, its position is linked to that of New Zealand as stated in the constitution.

### II.2. Poverty reduction analysis

Niueans do not suffer from extreme poverty. This is largely due to the existence of a Government welfare scheme that is working well. According to a research carried out in 2002 (the latest report available) nobody lives below the poverty line of US\$ 2 per day. The solidarity at village level works rather well, and for those that face hardship situations the Government provides financial assistance. There is no perceived difference in "poverty" levels according to age or gender.

Niue managed to already achieve most if not all of the MDGs. [*Refer to Appendix 3 for details*]: MDG 8 / target 12 is particularly relevant for Niue, since it deals with commitments to good governance, in particular in the financial system. [*Refer to Chapter IV.2 for details*]. Relevant are also targets 7 and 8 of MDG 6, in particular as regards diabetes, hypertension and gout; all of which are lifestyle diseases. The GoN has defined target indicators to improve the situation in this area, and is committed to further improve performance on all MDGs. The Full Report of the MDG's done by the GoN will be released in November 2006.

### II.3. The recipient country's development strategy

Niue's development strategy is set out in the Niue Integrated Strategic Plan (2003-2008) "*Niue Ke Monuina – a Prosperous Niue*", and is based on following strategic objectives:

- Financial Stability – Ensure there are sufficient financial resources to manage and develop the country in a responsible and sustainable manner (NISP 2003-2008)
- Governance – Provide governance that is stable, transparent and accountable (NISP 2003-2008)
- Economic Development – Maximise benefits from Niue's resources in a sustainable manner (NISP 2003-2008)
- Social – Enjoy a lifestyle of a thriving, educated and healthy community that has access to a wide range of quality social infrastructure, services and development opportunities (NISP 2003-2008)
- Environment – Sustainable management of Niue's natural resources for future generations (NISP 2003-2008)

Annual Budget Policy Statements translate the core objectives of the Strategic Plan into project-based priorities for the following financial year. The present level of NZAID funding has urged the government to try to achieve a greater degree of economic self-sufficiency, through the promotion and development of private enterprise activities, an improved

investment climate to attract foreign investors, and via the proposed divestment of publicly owned companies.

The government has set itself three interrelated objectives for the future prosperity of the country:

- 1) to increase the country's financial self-reliance via a reduction in government expenditure and/or an increase in government revenue;
- 2) to increase economic self-reliance via a programme aimed at stimulating private (including foreign) enterprise development;
- 3) To stem the flow of migrants, to "repopulate" the country by encouraging migrants Niueans to return home and to create employment and business opportunities.

Monetary policy has a limited role in the economy of Niue due to the use of the New Zealand dollar as currency. The burden of adjustment to changes in the revenue position of the government is thereby falling on fiscal policy. With the current level of NZAID funding, the government is committed to reducing expenditure, increasing local revenue and achieving a greater level of financial self-sufficiency. A priority of macro-economic policy and a paramount objective of the Niue Integrated Strategic Plan (NISP) is the promotion of responsible fiscal management. The government has committed itself to improving public service efficiency through the identification of priority objectives and public service reform, estimates of priority expenditure for the implementation of these objectives and the setting of financial baselines across all government departments and corporations. The ultimate objective as set out in the NISP is to achieve balanced budgets and reduce the reliance on external funding.

NZAID has been providing more than NZ\$ 8.25 million annually so far for reconstruction following Cyclone Heta, and promised an additional NZ\$20.0 million in the new Memorandum of Arrangement (Halavaka ke Mounia) over the next five years to further consolidate the post Heta programme and enhance economic activities. A portion of the 20 million was used to construct the new hospital following Cyclone Heta, and promised an additional NZ\$ 20.0 million in the new Memorandum of Arrangement (Halavaka ke Monuina) over the next few years to further consolidate the post-Heta programme and enhance economic activities. The balance is allocated towards national infrastructure enhancing projects for road re-sealing, the new cultural centre, the new centralised public service building, financing tourism investment strategy, and for wharf improvement.

## **Renewable Energy**

Niue adopted a National Energy Policy i.a. with the purpose of allowing which public and private stakeholders to make informed planning and investment decisions. The National Energy Action Plan outlines concrete actions and guidelines that provide the GoN's blueprint in planning and managing energy programmes over the period of 10 to 15 years. The Energy Action Plan looks at energy, petroleum, transport and electricity with the aim of implementing cost-effective, equitable and sustainable energy policies. More specifically, the Energy Action Plan tries to:

- Ensure stable and adequate energy supplies at least economic cost
- Diversify Niue's energy base and encourage the development of indigenous renewable energy resources where economically viable and technically feasible;
- Encourage efficiency in energy production, conversion and use with the overall objectives of reducing the energy intensity and vulnerability of the economy;
- Promote entrepreneurship through financial, technical, and management support;

- Minimize the adverse environmental effects and pollution caused by the production, storage, transport and use of energy;
- Improve governance and establish an appropriate regulatory framework to protect consumers, investors and the environment.

#### **II.4. Analysis of the viability of current policies and the medium-term challenges**

Overseas development assistance (ODA), principally from New Zealand, comprises a major portion of Niue's economy and national budget. Current estimates are that ODA as direct budgetary support for recurrent expenditures from NZ covers approximately 32% of the budget (2005/06). This dependence on foreign assistance poses risks for Niue's long-term financial sustainability, and the GoN's resolve to achieve balanced budgets and to reduce the reliance on external funding is therefore an important policy objective for the medium- to long term.

One critical concern is whether Niue will succeed in stemming the net outflow of migrants, due to the critically low population numbers. The efforts in the aftermath of cyclone Heta to reconstruct basic infrastructure as fast as possible must be seen as a psychologically important factor in this respect.

### **CHAPTER III: OVERVIEW OF PAST AND PRESENT EC COOPERATION, COMPLEMENTARITY AND CONSISTENCY**

#### *Overview of past and present EC cooperation (lessons learned).*

As indicated, cooperation between Niue and the EU started only in 2000 with the 9th EDF, so there is no experience from earlier cooperation. While the remote location and difficult access to Niue contributed to a slow start of the 9th EDF implementation things have picked up recently: The Country Strategy Paper for the 9<sup>th</sup> EDF was signed on 17 August 2003, and all funds under the A and B envelopes are now fully committed. The B-envelope project is completed, and the two A-envelope initiatives are still ongoing.

#### **III.1.1 Focal sectors (and macroeconomic support)**

The focal sector under the 9th EDF was renewable energy and energy efficiency. The Financing Agreement for a 5-Country Renewable Energy Programme ("REP5") was signed in 2005, and implementation started in Niue and four other Pacific ACP countries (Palau, Nauru, FSM and the Marshall Islands) in January 2006. In Niue, the programme will finance the installation of a grid-connected wind power plant in combination with some energy efficiency and institutional support measures.

#### **III.1.2 Projects and programmes outside focal sectors**

Outside the focal sector, the Niue Village Economic Development Project (NVED) is under implementation. The focus of the project is to stimulate income generating activities through the active participation of the four village councils with the NAO and Economic Planning Office.

#### **III.1.3 Utilisation of B-envelope**

Following New Zealand's decision to finance the construction of the new hospital following Cyclone Heta the NAO requested the use of the B-envelope (€ 600,000) for the purchase of

equipment. The project was carried out in cooperation with WHO, who were involved in the health sector in Niue before. The construction of the new hospital and the installation of the equipment were completed in early 2006, only two years after the destruction of the old hospital. The project has meanwhile received a positive final evaluation. It should be noted as regards disaster preparedness that all current and future programmes should include reinforcement of the national capacity to respond to disasters and should encourage countries to propose their own strategies.

#### **III.1.4 Other instruments**

The EIB appraised in 2005 a global loan of up to € 1 million to the Niue Development Bank. This contribution, scheduled to be approved in mid-2006 under the Pacific Islands Finance Facility, will expectedly assist the development bank in providing support to private sector companies which have suffered from the hurricane that devastated the island two years ago. The loan will also enable the Niue Development Bank in providing support for housing loans which is an essential element for improving the standards of living and therefore encouraging Niueans to remain in Niue.

#### **III.1.5 EC - Regional Cooperation**

The regional allocation under the 9<sup>th</sup> EDF amounts to € 39 million after the mid term review and includes three focal sectors “Economic Integration and Trade”, “Human Resources Development”, “Fisheries” and a non-focal sector for extension of the 8<sup>th</sup> EDF programmes to the 6 new ACP countries.. The 9<sup>th</sup> EDF Pacific Regional Indicative Programme funded and extended a number of existing projects to the six new Pacific ACP countries, including Niue. These consisted of:

- Pacific ACP Regional Economic Integration Programme (PACREIP)
- Development of Sustainable Agriculture in the Pacific (DSAP)
- Pacific Regional and OCT Fisheries Programme (PROCFISH)
- Plant Protection Programme (PPP)
- Pacific Regional Initiatives for the Development of (basic) Education (PRIDE)
- Reducing Vulnerability in PACP States – SOPAC
- Development of Fisheries in the Pacific (DEVFISH)
- Pacific Environmental Information Network (PEIN)

Additionally, Niue has benefited from training provided through the Technical Support to RAO Project and EPA related technical assistance under a FORSEC implemented intra-ACP funded programme.

#### **III.2 Information on the programmes of the Member States and other donors (complementarity)**

None of the EU Member States has an important development cooperation programme with Niue, with the exception of France, which contributed € 530,000 for the construction of the new Niue government administration building. France and French Polynesia were also actively involved in the post-cyclone Heta rehabilitation efforts, in the context of which French Polynesia contributed 0.5 million NZD to Niue's recovery efforts.

### **Donor coordination**

New Zealand is the principal donor of financial assistance to Niue providing roughly NZ\$ 8.7 million in 2005/2006, of which NZ\$ 7.2 million are given in the form of recurring budget support and NZ\$ 1.5 million for targeted support (technical assistance & scholarships) and for development projects. In addition to this, New Zealand provides NZ\$ 20 million for five years (2004-2008) under the *Halavaka ke he Monuina Arrangement* (HKHMA) a programme for strengthened cooperation (partly used for hospital rehabilitation). The bulk of NZODA for projects has traditionally been concentrated on human resource development, technical assistance and education. The Commission cooperates closely with NZAID, lead donor to Niue. As mentioned above, the entire B-envelope under the 9<sup>th</sup> EDF has been made available for equipping the new hospital, funded and constructed by New Zealand, who will also provide the necessary personnel to train those who will be using the new equipment. In addition, in 2005-06 further NZ\$ 1.2 m was provided by New Zealand for Cyclone Heta rehabilitation measures (in addition to the above-referred overseas development assistance.)

### **Other major donors**

The following donors contributed to Niue's ODA in the past years:

- China contributed NZ\$ 160,000 following cyclone Heta. In April 2006, NZ\$ 600, 000 were given to the GoN, and in August 2006 NZ\$ 400,000 were granted.
- Australia contributed AUD 840,000 in 2006/07, of which AUD 280, 000 were placed in the trust fund and the rest was allocated to scholarships and technical assistance.

In 2004, the Niue trust fund was initially set up by New Zealand with NZD 7 million. Subsequently, the fund received further contributions from NZ and, to a limited extent, from Australia and Niue itself. The value of the trust fund currently is NZ\$ 23 million, and earned roughly 6% interest in 2005. In 2007, Australia will contribute to the capital . The GoN decided to leave both capital and interest untouched until at least 2009.

The United Nations Development Programme (UNDP) provided US\$ 134,000 in 1999/2000 to prepare Niue's first National Report to the Conference of the Parties (COP) and to develop a National Biodiversity Strategy Action Plan (BSAP). Other UN agencies such as UNESCO, UNICEF, UNFPA and WHO have also been/or are still active in Niue.

Niue's last application to join the Asian Development Bank was rejected.

### **III.3 Other EC policies**

There are two important links to be mentioned. The first one is with the European environmental policy and the active role of EU and the Commission in implementing this as the Kyoto Protocol and secondly, the Green Blue Diplomacy Strategy in general. Recent policy decisions of the GoN (no chemicals in food, in agriculture, promoting biological crops) are congruent with the objectives of the above policies and strategies in place and further enhance the convergence of Niue and EU in this policy area.

The second area of exchange and interaction is linked to cooperation on tax matters. Offshore banking activities were effectively closed in December 2006 with the adoption of the "Niue Companies Act 2006". This act replaces the "Offshore Banking Act" and no longer allows any offshore banking activities. As regards banking supervision, GoN is still in discussion with New Zealand regarding the financing of a qualified and independent banking supervisor. As regards ADB, the last time Niue applied for membership was in 2002. The application was vetoed by the USA and Japan, who insisted that New Zealand provide the financial guarantees

for any loans to Niue, which was not acceptable to New Zealand. Niue is no longer pursuing ADB membership for the time being. The GoN has declared its willingness to fully comply with international standards and practices in the area of money control and taxation, and the new "Companies Act" introduced a sunset clause for international business companies either to be incorporated under Niuean law or to cease to exist. This was the most important of the remaining part of the concerns voiced by OECD and most issues now appear to be resolved. For detailed commitments on the part of the GoN in this context refer to Chapter 4.

#### **III.4 Description of the political dialogue with the partner country**

The European Commission enjoys good relations with Niue, and has been involved in a dialogue with the Niue authorities at all levels. Whereas during 2003 this dialogue concentrated on the contents and signature of the CSP and NIP, the events around Cyclone Heta in January 2004 naturally shifted the focus of the discussion to the best possible ways to support Niue in the aftermath of this natural disaster. While missions to the island remain difficult due to its remoteness and poor flight connections (one weekly flight only) the Head of Delegation visited Niue in August 2006 to present his credentials, to boost the political dialogue and to advance discussions on this document. Some reflections were shared by the GoN on the possibility of a constitutional review with public consultation on the Westminster form of government that Niue is following, perceived to have limitations in the very specific conditions of Niue.

#### **III.5 Description of the state of the partnership with the recipient country and progress towards harmonisation**

The partnership between the European Commission and Niue is problem-free. Niue has agreed to maintain the focus on renewable energy and energy efficiency (already the focus under the 9<sup>th</sup> EDF) i.a. in order to ensure continuity and coherence of action. Niue also signalled support for an implementation of the new 10<sup>th</sup> EDF programme through a new multi-country-modality, in order to ensure a maximum of effectiveness and efficiency.

The choice of focal sector is in line with one of the key development challenges facing Niue, and coherent with the priorities of the Pacific Plan. Coordination with other donors will be ensured through close cooperation with New Zealand, the key donor for Niue. (EU Member States are not represented in Niue.)

### **CHAPTER IV: RESPONSE STRATEGY**

#### **IV.1 Objectives for future co-operation**

The response strategy takes into consideration the basic principles of EC's Development Policy, the recently published EU Strategy for a Strengthened Partnership with the Pacific Islands as well as the results of the preceding analysis of the political, economic and social situation in Niue, the longer-term development goals, the government's own priorities and the management capacity and staff resources of the EC Delegation in Fiji. Past experience of other donors activities are also included in the strategy.

The future co-operation between Niue and the EC in the context of the Cotonou Agreement has been designed to contribute in particular:

- to ensure that EC interventions have a positive impact on living conditions of all Niueans;
- to ensure that the operations can be sustained in order to guarantee a long-lasting flow of benefits to the target groups and to the country as a whole;



- to ensure that the projects and programmes funded under the present Agreement are in areas where the EC is perceived to have a comparative advantage, compared to other donor organisations.

As far as good governance is concerned it is recognised that further efforts are needed on the side of Niue in terms of compliance to international standard of fiscal regimes and financial management, in particular with regards to the necessity to close offshore financial centre activities. While this matter will remain a focus of discussion between Niue and the EU the joint assessment is that Niue is already making good progress thanks i.a. to strong support from New Zealand in this sector, both logistically and financially. For this reason good governance was not identified as the focal area of intervention under the 10<sup>th</sup> EDF, but is a cross-cutting issue.

#### **IV.2 Focal Area of Co-operation**

The Government of Niue and the European Commission jointly recognize that important environmental issues and the sustainable management of natural resources form an essential part of Niue's development priorities, to which the European Commission wants to align its response strategy. Issues related to the reliable provision of water and sanitation, management of solid waste, ecologically sustainable tourism, and renewable energy are therefore topics of central relevance for any discussion on the future partnership.

Already in October 2005 the European Commission proposed to the Pacific Forum Leaders to focus the EDF's future assistance in the Pacific on the sustainable management of natural resources, a sector of strategic importance to all Pacific Island Countries, where there is a general commonality of interests between the region and the European Union and where the EU has significant expertise. Sustainable development is also one of the four key pillars of the regional framework underpinning the Pacific Plan, which was approved by the Forum Leaders on the same occasion, in October 2005. The above-mentioned new EU strategy for the Pacific, which was approved by the General Affairs Council of the European Union on 17 July 2006, refers to the sustainable management of natural resources as one of the priority areas for more focused development cooperation.

The response strategy for Niue takes fully into account its vulnerability and the extremely high unit costs of electricity production, which currently relies entirely upon the burning of diesel oil. Instruments in renewable energy are a part of a long-term vision aiming to reduce dependency (financial and logistical) for oil imports, which should help Niue's efforts to market itself as an environment-friendly country. For these reasons, and on the basis of the positive first experiences with the 9<sup>th</sup> EDF renewable energy programme, it has been agreed that renewable energy and energy efficiency should be once again the focal area for the cooperation under the 10<sup>th</sup> EDF.<sup>1</sup> This has been chosen rather than interventions in the water sector, where Niue has no major problems. Non-state actors (NSA) will be encouraged to participate in the implementation of the programme. As under the 9<sup>th</sup> EDF, an implementation modality will be developed that ensures the most efficient and effective use of the funds by pooling implementation in a sub-regional multi-country programme.

This complements the other major donor, New Zealand, which is also committed to supporting Niue in the area of energy. In 2006 a study was commissioned by NZ that explored the situation of the power sector and the possible use of renewable energy on Niue. The study

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<sup>1</sup> It is understood that renewable energy and energy efficiency fall within the broader focal area of water and energy as contained in the European Consensus on Development.

was recently finalised and its recommendations include the renewing of Niue's ageing electric grid and the funding of TA to assist Niue's power company for the coming 2 to 3 years.

The overall purpose of EC response strategy is therefore the want to assist the Government achieving the renewable energy objectives through the support in asset building and policy advice as appropriate. 85% of the A-envelope € 2, 550, 00 will be made available for this purpose, most likely in the area of either solar and/or wind projects (choice remains flexible).

Outside the focal sector area an indicative amount of 15% (€ 450,000) will be made available for a non-state actor "village economic development project". As under the 9<sup>th</sup> EDF the project will focus on activities that will generate income opportunities and EDF capacity building (reporting and statistics). These activities will not only provide benefits but act as an incentive to attract Niueans to remain or return to their homeland. Implementation will be through the village councils, who are the focal point between GoN and the village communities.

It is also noted that, given the difficulty of implementing individual disaster prevention programmes for each small island, a synergy should be found between all contributions to such programmes on a regional basis (for example the multi-country programme under the 9<sup>th</sup> EDF B-envelope).

GoN has also made commitments in the area of good governance, which can be supported under the A envelope. In accordance with the importance of the commitments made in good governance, the A envelope includes an incentive allocation. The priority in this regard will be to promote good financial, fiscal and judicial governance and to support Niue's efforts to implement the OECD Global Forum's principles of transparency and effective exchange of information for tax purposes.

Climate change is an important cross-cutting issue, in particular for the Pacific region and SIDs as a whole. Major regional initiatives are being considered in the context of the forthcoming 10<sup>th</sup> EDF Regional Indicative Programme. SPREP is also very active in this field, as is UNDP. Under the 10<sup>th</sup> EDF, due consideration needs to be given to the likely exacerbation of potential problems such as epidemics and famine due to water contamination, loss of arable land, and population displacement (the latter linked also to disaster response planning). For Niue, some specific issues should also be borne in mind with regard to reinforcing adaptation efforts, for example the possible need for watershed management, and alternative production systems in agricultural activities (eg agro-forestry) - these issues should also be addressed during the identification process and the feasibility studies which will determine the specific interventions and accompanying measures of the focal sector programme.

### **IV.3 Implementation mechanism**

As discussed at the Regional Seminar in March 2006 and if deemed feasible and desirable by partner governments, a multi-country programme approach is proposed as the preferred modality for implementing the 10th EDF. This should raise the quality of Technical Assistance, improve efficiency and effectiveness, and speed up the delivery of 10th EDF assistance.

Nevertheless a degree of flexibility regarding implementation modalities needs to be maintained in case the suggested centralized technical assistance of a large multi-country programme is found wanting. Alternatives including national programmes through national government authorities, or the use of regional agencies for technical assistance, such as the South Pacific Geosciences Commission (SOPAC), should remain an option.

Where and when available 10<sup>th</sup> EDF projects should employ local administrative and technical expertise. Detailed implementation mechanisms will be jointly discussed and agreed upon, taking into consideration lessons learned from the five-country renewable energy project in the Pacific, financed under the 9<sup>th</sup> EDF.

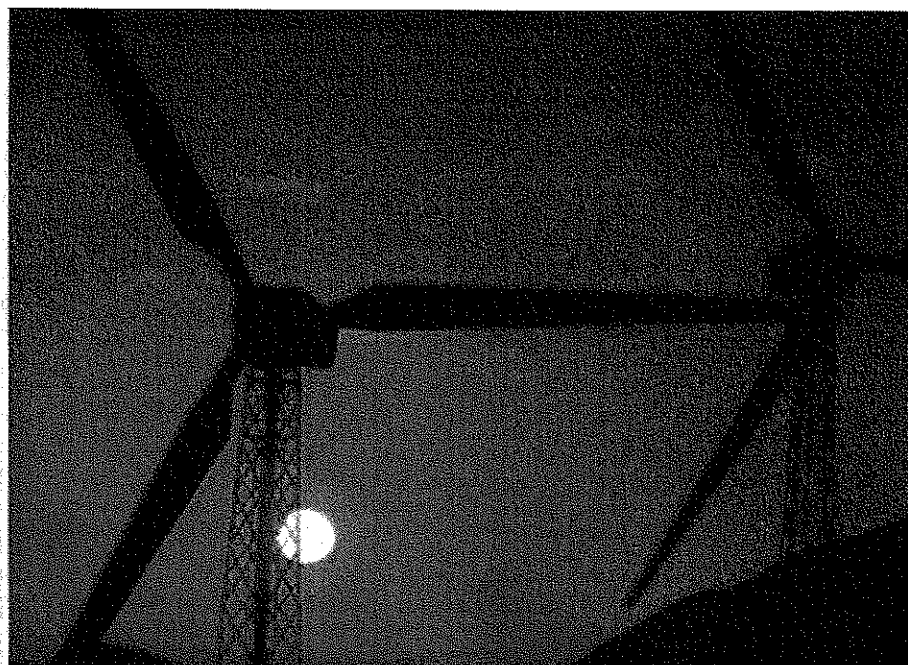
The Niue Village Economy Development Project (NVED) will be managed by the NAO and the Economic Planning and Development Unit (GoN) and implemented by the village councils. As under the 9<sup>th</sup> EDF, a project steering committee (PSC) will be established to supervise, select, monitor and report progress on the use of the budget. This PSC will invite representatives from non-state actors (NGOs) as well as the Delegation of the European Commission to all relevant meetings.

# National Indicative Programme

## Niue

10<sup>TH</sup> EDF

2008 – 2013



## PART 2: INDICATIVE PROGRAMME

### 1. Niue National Indicative Programme 2008 - 2013

#### 1.1 Introduction

On the basis of the cooperation strategy presented in Part One and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the intervention framework for each sector, the financial programming timetable and a detailed chronogram of activities for all listed programmes over a rolling three-year period.

Amounts mentioned in this chapter indicate the overall breakdown of funds between the focal sector(s), macro-economic support and other programmes. The breakdown may be adjusted in the light of the operational, mid-term, final or ad hoc reviews. However, for any adjustment resulting in a substantial change to the structure of the response strategy, a formal decision in the form of an addendum to the strategy document will be required.

#### 1.2 Financial instruments

The implementation of the EC's cooperation strategy with Niue will be financed from several financial instruments. The following is an indication of their mobilisation as currently envisaged.

**1.2.1 10<sup>th</sup> EDF A envelope - € 3,000,000** this envelope will cover long-term programmable development operations under the strategy, of which :

Focal sector Renewable Energy and Energy Efficiency	€2,550,000	85%	EDF <sup>2</sup>
Non-focal sector component : village economy development	€450,000	15%	EDF

**1.2.2 10<sup>th</sup> EDF B envelope – (€ 300,000)** this envelope will cover unforeseen needs such as emergency assistance where such assistance cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings.

In accordance with Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of the operational or ad hoc reviews.

**1.2.3 Investment Facility:** in addition to the financial instruments mentioned above, of which the A envelope is the main programmable basis for the NIP, the 10th EDF also includes an Investment Facility, which is an instrument managed by the European Investment Bank. The Investment Facility is not part of the NIP.

Some specific activities may be supported by, the **Centre for the Development of Enterprise (CDE)** and the **Centre for the Development of Agriculture (CTA)**.

**1.2.4 Pacific Regional Indicative Programme (amount to be confirmed):** this allocation will cover long term programmable development operations under the regional strategy for the Pacific. The allocation is not part of the Indicative Programme but may

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<sup>2</sup> It is understood that renewable energy and energy efficiency fall within the broader focal area of water and energy as contained in the European Consensus on Development.

have repercussions at national level depending on the participation by Niue in the programmes proposed under the regional framework.

**1.2.5. Other financial instruments:** Specific activities may be supported by external actions funded by the general budget of the European Community carried out under the financial framework for 2007-2013 subject to special procedure and availability of funds, and out of the own resources of the EIB. Actions funded by the general budget include, among others, programmes funded under the Development Cooperation Instrument such as the thematic programmes "investing in people", "non state actors in development", "migration and asylum", "environment and sustainable management of natural resources" and "food security" as well as actions funded from other instruments such as the stability instrument, the instrument for the promotion of human rights and democracy or the instrument for humanitarian and emergency assistance.

The specific actions to be addressed within the focal area will be determined on conclusion of an in-depth project design study to be undertaken in 2007. Implementation is foreseen through a multi-country approach whereby a centrally located Project Management Unit will service a number of participating countries.

#### **1.2.6. Monitoring and evaluation**

Monitoring of results and evaluations of impact of individual activities (programmes, projects, sectors) under this CSP will be undertaken in line with the Technical and Administrative Provisions that are attached to each individual Financial Agreement prepared to implement this CSP.

The results and impact of the Community's cooperation with Niue implemented through the NIP and through other external actions funded by the general budget of the European Community, will be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

### ***1.3 Focal sector: Renewable Energy and Energy Efficiency***

The following specific objective will be pursued

- to increase power production from renewable energy sources and
- to improve the overall policy framework of the energy sector

Approximately **€ 2.55 million** are allocated to this sector.

The main actions proposed are the building of operational assets capable to generate power from renewable sources, and thus reducing the recurrent costs of diesel imports, and/or to improve energy efficiency. Furthermore, technical assistance can be provided to support the Government in the future development of Niue's energy policy and/or to build and strengthen capacity. As a result of the intervention it is expected that the usage of diesel for the purposes of power generation can be reduced by 20%.

The main implementing instrument will be: **project approach**, using a sub-regional approach (implementation pooled with other small Pacific Island Countries).

The Government of Niue has adopted a Niue National Energy Policy in 2005, which foresees i.a. the promotion of sustainable energy options for power generation including solar, wind and biomass energy resources, and to maximise the efficiency with which energy is used. The Government of Niue has agreed to transform the current national policies and national energy action plan into appropriate legislation with the aim of providing incentives to private and public operators for their investment into renewable energy and or other forms of facilitation. Moreover, the Government of Niue undertakes to reduce subsidies to the energy sector by not less than NZ\$200,000 (measured at constant prices of 2005) by the year 2009.

Furthermore, the Government of Niue undertakes to promote the integration of the principle of sustainable development into its policies and programmes and revert the loss of environmental resources (MDG 7), with the particular aim to improve indicators 27 (*GDP per energy use*) and 28 (*carbon-dioxide emission per capita*).

See also annex 3B for GoN's commitments in good governance.

Niue has committed to amending all existing money-laundering legislation. By this, the Commission understands that this implies that the legislation be modified to meet conditionalities of OECD FATF principles.

When needed, the appropriate type of environmental assessment (SEA or EIA) will be carried out.

#### ***1.4 General budget support***

The indicative programme does not provide for general budget support. However, in the light of changing needs, it may be decided to reallocate funds from other application points in the NIP to this type of support. Such a decision could be taken in the form of a specific agreement between the Chief Authorising Officer and the National Authorising Officer or within the context of an operational, mid-term, final or ad hoc review.

#### ***1.5 Other programmes***

Support for Non-State Actors covers NSAs eligible for funding as defined in Article 6 of the Cotonou Agreement and article 4(1) (d) of Annex IV to the revised Agreement. Depending on their mandate, support to NSAs may cover activities including, inter alia, capacity building, advocacy, research, awareness raising, monitoring and delivery of services to the population. In supporting NSAs, the EC may make use of article 15(4) which allows it to be the Contracting Authority.

An indicative amount of € 450,000 is set aside for the following non-state actor initiative:

##### **Non-focal sector: Microprojects Programme – Village economic Development**

The overall objective of this intervention is to improve living standards in the 14 villages in Niue and thus contribute to retaining Niueans on the island. This will be done via a microprojects programme under which a call for proposals will be organised that awards funds to non-state actors on the basis of proposals in the area of income generation and small

business development. A similar initiative is under implementation financed from the 9<sup>th</sup> EDF.

The Government of Niue agrees to allocate sufficient human and financial resources to the NAO office to ensure a smooth running of this operation, in particular regarding the setting up of a transparent process for the selection of projects to be financed under this initiative. The European Commission Delegation will be invited to the selection meetings as observer with the right to speak.



## 1.6 Intervention Framework & Performance Indicators

### 1.6.1 Intervention Framework Focal Sector – Renewable Energy & Energy Efficiency

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<b>Overall Objectives</b>	To improve social and economic development and improve balance of payments	Reduced costs for oil imports (in 2005 911,000 litres of diesel were used for power production) Energy savings potential cost saving through wind generation in the order of 200,000 litres of diesel Percentage of energy produced from renewable sources (currently practically zero apart from some solar water heaters)	Government records Power utility records HDI index	n/a
<b>Programme Purpose</b>	To provide cost effective and reliable renewable energy and promote energy efficiencies	All RE systems supplied and in use by 2012 Increase in demand for RE systems Increase in private sector involvement in RE technologies	Government records Independent reviews Independent surveys	World demand for oil continues at current or higher levels Government policies continue to support private sector growth
<b>Results</b>	Cheaper electricity costs Cleaner environment Educated public (in energy efficiencies)	Reduced dependency on fossil fuels Improved household income Diesel imports reduced	Independent survey Inter-island shipping records Household income surveys	RE equipment properly maintained User pay system accepted Battery disposal system applied

**1.6.2 Intervention framework non-focal sector – Village economic development**

Objective/Level	Intervention Logic	Objectively Verifiable Indicators	Means of Verification	Major Assumptions
Overall Objectives	<ul style="list-style-type: none"> <li>To strengthen local communities.</li> </ul>	<ul style="list-style-type: none"> <li>NSAs increase service delivery</li> </ul>	<ul style="list-style-type: none"> <li>Number of successful community project implemented</li> </ul>	
Project Purpose	<ul style="list-style-type: none"> <li>To assist NSAs increase their service delivery in the communities by targeting the developing of village economy.</li> </ul>	<ul style="list-style-type: none"> <li>Improved access to funds by NGOs.</li> </ul>	<ul style="list-style-type: none"> <li>Applications are received in response to the calls for proposals</li> </ul>	<ul style="list-style-type: none"> <li>NSAs are interested in implementing community level activities in agriculture, fisheries and tourism for the development of the village economy.</li> </ul>
Expected Results	<ul style="list-style-type: none"> <li>Partnerships will be developed and strengthened between the village councils, community based organisations, including grass-roots organizations.</li> <li>Community level activities increased in agriculture, fisheries and tourism.</li> <li>Income generating initiatives increased at the community level.</li> </ul>	<ul style="list-style-type: none"> <li>A number of projects are implemented through partnerships between village councils and CBOs and grass-roots organizations.</li> <li>A number of community level activities developed in agriculture, fisheries and tourism.</li> <li>A number of income generating initiatives undertaken by community groups.</li> </ul>	<ul style="list-style-type: none"> <li>Community projects successfully implemented .</li> <li>Number and type of income generating initiatives undertaken by small community groups.</li> <li>Partnerships between village councils and CBOs, including grassroots organizations.</li> </ul>	<ul style="list-style-type: none"> <li>CBOs have the capacity to implement.</li> <li>Village communities are keen to participate in income generating initiatives.</li> <li>Government and donor support towards capacity building initiatives for NGOs.</li> <li>Regular maintenance of supplies/equipment by communities.</li> </ul>
Activities	<i>Activities will be identified when the results of a call for proposals is known. The WP will detail the activities to be financed.</i>			

**Below are some proposals for sector indicators for MCP in the energy sector which could be used when defining future activities**

## 1. User benefits and costs

- Proportion of population using solid fuels (*MDG 7 indicator*)
- Proportion of population with access to electricity from a grid, urban and rural areas separately
- Connection fees and unit costs for electricity, relative to household income
- Share of household income spent on electricity and fuels, urban and rural separately
- Average time spent on collecting and preparing fuel, urban and rural separately
- Proportion of population with access to modern fuel services (e.g. LPG) or improved stoves, urban and rural areas separately

## 2. Sector performance

### Economic and financial

- Costs of oil imports relative to GDP
- Energy use (kg oil equivalent) per \$1 GDP (*MDG 7 indicator*)
- Percentage of GDP allocated to energy investments
- Technical and non-technical losses in power and fossil fuel generation, transmission, distribution and end-use
- Share of government budget allocated to energy spending
- Share of financial contributions from international financing institutions and donors to the energy sector

### Institutional

- Percentage of energy services delivered by the private sector, such as electricity, petrol, coal, charcoal, paraffin etc, and other non-state actors, such as e.g. community based organisations
- The level of decentralisation of energy decision making power and capacity, to e.g. local authorities
- Cost of operating the electricity utilities, relative to amount of units (kWh) delivered to end-users
- Maintenance conditions and cost recovery for different energy systems

#### Environmental

- Extent of incorporation of environmental concerns in guidelines and standards for energy systems and energy investments
- Carbon dioxide emissions per capita (*MDG 7 indicator*).
- Ambient air pollution related to energy usage, e.g. for power generation, transport, heating etc
- Indoor air pollution related to the use of fuels for cooking and heating (e.g. wood, charcoal, coal, LPG, kerosene, paraffin)

- Share of government budget allocated to energy spending
- Share of financial contributions from international financing institutions and donors to the energy sector

#### Institutional

- Percentage of energy services delivered by the private sector, such as electricity, petrol, coal, charcoal, paraffin etc, and other non-state actors, such as e.g. community based organisations
- The level of decentralisation of energy decision making power and capacity, to e.g. local authorities
- Cost of operating the electricity utilities, relative to amount of units (kWh) delivered to end-users
- Maintenance conditions and cost recovery for different energy systems

#### Environmental

- Extent of incorporation of environmental concerns in guidelines and standards for energy systems and energy investments
- Carbon dioxide emissions per capita (*MDG 7 indicator*).
- Ambient air pollution related to energy usage, e.g. for power generation, transport, heating etc
- Indoor air pollution related to the use of fuels for cooking and heating (e.g. wood, charcoal, coal, LPG, kerosene, paraffin)

1.7 Indicative timetable for commitments and disbursements

1.7.1 Indicative timetable of global commitments

	Indicative allocation	2008		2009		2010 →	
		1	2	1	2	1	2
<b>1<sup>st</sup> FOCAL SECTOR – RENEWABLE ENERGY</b>	M €						
- Multi-Country-Renewable Energy Programme	M €	0	2.55				
	M €						
<b>2<sup>nd</sup> FOCAL SECTOR – N/A</b>	M €						
- Project 1	M €						
- Project 2	M €						
<b>NON FOCAL SECTORS</b>	M €						
- Institutional support for non state actors.	M €						
- Niue Village Economy Project	M €	0.450					
- Contribution to regional programmes	M €						
- <optional> Support for EPA	M €						
- <optional> Support for Governance	M €						
- Other	M €						
<b>Total Commitments:</b>	M €	0.450	2.550				
<b>Total Cumulative Commitments :</b>	M €	0.450	2.550				

1.7.2 Indicative timetable of disbursements

	Indicative allocation	2008		2009		2010 →	
		1	2	1	2	1	2
<b>1<sup>ST</sup> FOCAL SECTOR – REWABLE ENERGY</b>	M€						
- Project 1 : MULTI-COUNTRY PROGRAMMING	M€	0	0.1	0.1	0.1	0.9	0.15
- Project 2 : NONE	M€						
<b>2<sup>ND</sup> FOCAL SECTOR – &lt;name&gt;</b>	M€						
- Project 1	M€						
- Project 2	M€						
<b>NON FOCAL SECTORS</b>	M€						
- Institutional support for non state actors.	M€						
- Niue Village Economy Project	M€	0.15	0.15		0.15		
- Contribution to regional programmes	M€						
-<optional> Support for EPA	M€						
-<optional> Support for Governance	M€						
-Other	M€						
<b>Total Commitments :</b>	M€						
<b>Total Cumulative Commitments :</b>	M€	<b>0.15</b>	<b>0.4</b>	<b>0.5</b>	<b>0.75</b>	<b>1.65</b>	<b>1.75</b>

## 1.8 Chronogram of activities

FOCAL AREA (2.04 M €)	Indicative allocation	2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Multi-Country Renewable Energy Programme	2.550 M €			AF	FD								
	M €												
NON FOCAL AREAS (.... M €)		2008				2009				2010→			
Same schedule as above		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Niue Village Economic Development Project	0.450 M€												

FS: Feasibility Study

AF: Financing proposal

FD: Financing decision

⌘ : Project implementation



## ANNEXES

- Annex 1: “Country at a glance” table**
- Annex 2: Donor matrix**
- Annex 3: Executive summary of the Country Environmental Profile**
- Annex 4: Country migration profile**
- Annex 5: CSP drafting process: particular attention to involvement of NSA and local authorities**
- Annex 6: The harmonisation road map (*where there is one*)**
- Annex 7: Table including partner country positions in relation to key international conventions**
- Annex 8: Debt Sustainability Analysis (if available from the IFIs; where appropriate)".**
- Annex 9 Niue’s progress in fulfilling the United Nations MDG Goals and Indicators**
- Annex 10: Estimated potential energy savings for Niue due to the 9th EDF Renewable Energy Programme**

## Annex 1: Table "Country at a Glance"

### NIUE - POPULATION AND SOCIAL INDICATORS 2004 & 2005

POPULATION INDICATORS	2004	2005
Total population	1,800	1,730
Annual population growth rate (% change)	-12.7	-4.04%
Migration rate/1000 population	79/1000	31/1000
SOCIAL INDICATORS		
Proportion of the population below 1 USD per day	0%	0%
Total fertility rate (births per woman)	0.6%	9.7%
Maternal mortality rate (per 100,000 live births)	0%	0%
Infant mortality rate (below 1 year, per '000 live births)	0%	0%
Proportion of births attended by skilled health personnel	100%	100%
Prevalence of child malnutrition (under fives) in %	0%	0%
Life expectancy at birth (years) Female 71.2 ('97-'01) Male 68.8 ('97-'01)	N/A	N/A
Adult literacy (%)	100%	100%
Primary school enrolment (% of school age)	100%	100%
Secondary school enrolment (% of school age)	100%	100%
Child malnutrition (% age under 5 years)	0%	0%
Population with access to safe water (%)	100%	100%
Population with access to sanitation (%)	100%	100%
TB prevalence rate (per 100,000 people)	0%	0%
Gini coefficient	0.34 (2002)	N/A
Human Poverty Index	N/A	N/A

Expenditure on education (2005)	6.88 % of total recurrent expenditure, source: CSP
Expenditure on health (2005)	6.14% of total recurrent expenditure, source: CSP

Source: Niue Government

### Economic data for 2000 to 2004

	2000	2001	2002	2003	*2004
GDP per capita (USD)	5,118	5,215	5,448	5,823	
GDP in PPP	N/A	N/A	N/A	N/A	
GDP growth rate	1.8%	1.9%	4.5%	6.9%	
Inflation rate	3.5%	6.8%	2.7%	2.7%	
Current expenditure (NZD)	19.8M	20.4M	20.7M	18.3M	21.6M
Current expenditure as % GDP					
Fishing access revenue (NZD)	333,600	300,000	240,100	227,400	
Total exports to the EU in '000s EUR	0	0	0	243	
Total imports from the EU in '000s EUR	19,500	0	0	1,498	
Unemployment	N/A	1.74%	N/A	N/A	
External Debt (% of GDP)	0	0	0	0	0

Source: Niue Government

\* Some data for 2004 are not yet available

**Annex 2: Donor Matrix**

**Donor Matrix**

NIUE NATIONAL DEVELOPMENT STRATEGY OR CDF/PRSP				
Country Matrix	Economic Development	Social Development	Productivity Sector	Thematic/crosscutting Issues Treaties and Agreements.
<p>2004 Cyclone Heta Recovery Programme:</p> <ul style="list-style-type: none"> <li>NZAID – NZ\$7.0M</li> </ul> <p>Recurrent Expenditure 2005/06: All Departments</p> <ul style="list-style-type: none"> <li>NZAID – NZ\$6.95M</li> <li>Niue – NZ\$12.05M</li> </ul> <p>NEDIS Projects 2005/06:</p> <ul style="list-style-type: none"> <li>NZAID – NZ\$1.8M</li> </ul> <p>HKM MOA 2004-2008:</p> <ul style="list-style-type: none"> <li>NZAID – NZ\$20.0M</li> </ul> <p>EU EDF 9<sup>th</sup>:</p> <ul style="list-style-type: none"> <li>€2.0M</li> </ul> <p>AUSAID:</p> <ul style="list-style-type: none"> <li>AU\$850,000</li> </ul> <p>Trust Fund: No access to interest until 2009</p> <ul style="list-style-type: none"> <li>NZAID/AUSAID</li> </ul>	<p>Young Farmers Programme (ongoing yearly)</p> <ul style="list-style-type: none"> <li>NZ\$100,000</li> </ul> <p>Vanilla &amp; Noni Programme (ongoing yearly)</p> <ul style="list-style-type: none"> <li>NZ\$250,000</li> </ul> <p>Road Resealing</p> <ul style="list-style-type: none"> <li>NZ\$3.0M</li> </ul> <p>Tourism Accommodation</p> <ul style="list-style-type: none"> <li>NZ\$2.0M</li> </ul> <p>Village Economy Development</p> <ul style="list-style-type: none"> <li>€200,000</li> </ul> <p>Upgrade Telecommunication System</p> <ul style="list-style-type: none"> <li>NZ\$4.0M</li> </ul>	<p>Education HRD Training (ongoing yearly)</p> <ul style="list-style-type: none"> <li>NZAID \$450,000</li> <li>AUSAID \$250,000</li> </ul> <p>New Hospital</p> <ul style="list-style-type: none"> <li>NZAID \$5.0M</li> <li>EU €600,000</li> </ul> <p>New Administration Building</p> <ul style="list-style-type: none"> <li>NZAID \$3.0M</li> </ul> <p>New Cultural Centre</p> <ul style="list-style-type: none"> <li>NZ\$3.0M</li> </ul>	<p>Niue Power Diesel Generator</p> <ul style="list-style-type: none"> <li>NZAID\$1.0M</li> </ul> <p>Wind Turbine &amp; Solar water Heaters</p> <ul style="list-style-type: none"> <li>EU €1.8M</li> </ul> <p>Civil &amp; Heavy Plant Workshop</p> <ul style="list-style-type: none"> <li>NZ\$300,000</li> </ul> <p>Quarry Plant Upgrade</p> <ul style="list-style-type: none"> <li>NZ\$150,000</li> </ul> <p>New Barge</p> <ul style="list-style-type: none"> <li>NZ\$115,000</li> </ul> <p>Heavy Equipment Replacement Programme</p> <ul style="list-style-type: none"> <li>NZ\$1.0M</li> </ul>	<p>Secretariat of the Pacific Community (SPC).</p> <p>Forum Secretariat.</p> <p>South Pacific Regional Environment Programme (SPREP).</p> <p>University of the South Pacific (USP).</p> <p>Tourism Council of the South Pacific (TCSP).</p> <p>United Nations Education, Scientific and Cultural Organisation (UNESCO).</p> <p>World Health Organisation (WHO).</p> <p>Biodiversity Convention.</p> <p>World Metrological Organ-isation (WMO).</p> <p>Commonwealth Parliamentary Association (CPA).</p> <p>Forum Fisheries (FFA).</p> <p>Asia Caribbean Pacific State Member to the European Union (ACP-EU).</p> <p>United Nations Framework Convention on Climate Change (UNFCCC).</p> <p>United Nations Convention to Combat Desertification, (UNCCD).</p> <p>United Nations Development Programme (UNDP).</p> <p>United Nations Population Fund</p>

<p>NZ\$23.0M</p> <p>PRC China:</p> <p>Cyclone Heta Recovery</p> <ul style="list-style-type: none"> <li>• NZ\$163,000</li> </ul> <p>Development Programme</p> <ul style="list-style-type: none"> <li>• NZ\$600,000</li> <li>• NZ\$400,000</li> </ul>	<p>Wharf Development</p> <ul style="list-style-type: none"> <li>• No costing yet</li> </ul> <p>Airport Terminal Upgrade</p> <ul style="list-style-type: none"> <li>• No costing yet</li> </ul>			<p>(UNFPA).  United Nations International Children's Fund (UNICEF).  South Pacific Applied Geo-science Comm. (SOPAC).  Pacific Island Development Fund (PIDF).  Commonwealth Fund for Technical Cooperation.  Signatories to PICTA and PACER, (2001).</p>
<p>Private Sector</p>	<p>Cyclone Heta Recovery</p> <ul style="list-style-type: none"> <li>• NZ\$1.0M</li> </ul>			
<p>Non-State Actors</p>	<p>Village Councils (ongoing yearly)</p> <ul style="list-style-type: none"> <li>• NZ\$70,000</li> </ul>			
<p><u>Other Donors Activity</u></p> <p>New Zealand</p>	<p>Organic Farming Certification Programme (ongoing)</p> <ul style="list-style-type: none"> <li>• NZ\$30,000</li> </ul> <p>Business Advisory Services (ongoing)</p> <ul style="list-style-type: none"> <li>• NZ\$30,000</li> </ul>	<p>Strengthening Capacity Programme (ongoing yearly)</p> <ul style="list-style-type: none"> <li>• NZ\$2.0M</li> </ul>		
<p>Australia</p>		<p>AU\$875,000 of support to Niue each year. This support is provided mainly in the form of Trust Fund contribution, tertiary study scholarships and technical assistance.</p>		

### **Annex 3: Executive Summary of Niue Environmental Profile**

Niue is a single island nation comprising an uplifted coral atoll with steep limestone cliffs to the sea, a central plateau and surrounding coral reef. The country has a land area of 259 km<sup>2</sup> with its highest point about 68m above sea-level. It has an exclusive economic zone of 390,000 km<sup>2</sup>.

The people of Niue have a close relationship with their environment as they rely on its natural resources for food and materials. Increasing development including tourism has highlighted several environmental issues which are of concern, including deforestation; pollution; waste management; over-hunting of species and soil degradation.

Niue has faced a challenging decade since the publication of its National Environment Management Strategy (NEMS) in 1994, which is based upon the principles agreed to at the Earth Summit on Environment and Development held in Rio, 1992.

The NEMS states that for Niue *"NEMS is an important step towards linking economic growth and environment management in the development of our country....and an important step to guide and assist the country towards sustainable development. It is also vitally important that this document be exercised wisely and be revised accordingly to incorporate any changes that may or do occur that could jeopardise the future of our generations to come"*.

The NEMS articulated the following six broad objectives which together form the overall environmental management strategy for Niue:

- integrating environmental considerations into sustainable economic development;
- strengthening the resource information database;
- protecting areas of high ecological, wilderness and cultural value;
- improving waste management and controlling pollution; and
- sustainable use and management of natural resources.

The particular vulnerability of Niue is highlighted, as the Premier of Niue reported to the Second World Conference on Disaster Reduction in Japan 2005: *"my country of Niue was totally destroyed by the hurricane-strength winds of Tropical Cyclone Heta (January 2004) coupled with phenomenal waves and storm surges that rose 30m to sweep to sea everything in its path. It is an experience I would not wish on anyone, it has set back our efforts in recent years by I believe at least one generation.... Strengthening of our community resilience and increasing the public safety will be guided by our traditions and customs; by our ownership and usage of resources; by our capacity to adapt to technology; by the ability of my government to support programmes enhanced through accessibility to other resources. In this Niue accepts that initiatives are our own responsibility but we need cooperation and support from the regional and international community with technical capacity and resources to support us as required in strengthening implementation practices and move us towards the path of sustainable development"*.

Niue's progress over the last decade has laid the platform for necessary mechanisms to implement all its environmental obligations under international and regional environment conventions since the Barbados Programme of Action in 1994. This progress was totally lost due to the impact of Cyclone Heta in 2004. There is therefore a special need that requires immediate assistance from the international community on restoration and re-establishment of efforts towards the sustainable management, protection and conservation of Niue's natural, ecological, cultural and human resources. These emerging concerns are seen as the next stepping stone for Niue to consider in the coming decade if it is to fully realise a balance between development and natural resource management.

Some of the specific challenges ahead to be addressed are listed as follows.

1. **Climate Change**
  - Minimise damage to reefs associated with any increased frequency and severity of cyclones.
  - Possible damage to the freshwater lens with sea water associated with any sea level rise and with pollutants associated with any increased rainfall.
  - Possible reduction in the freshwater supply available in the lens if droughts become more frequent than periods of heavier rainfall.
  - Increases in diseases and insect pests as a result of changing climate patterns.
  - Environmental conditions becoming less suitable for some native animals and plants and increased losses associated with extreme events.
  
2. **Natural and Environmental Disasters**
  - Ineffective national disaster framework plan.
  - Lack of financial capacity.
  - Lack of trained human resources.
  - Lack of data and centralisation of data of assessment for effective planning.
  
3. **Waste, Drainage and Sanitation**
  - Adopt and implement the draft Waste Management Plan.
  - Introduce appropriate new technology and systems for managing waste and sewage on Niue.
  - Make more use of a centralised rubbish dumping site and continue improvements in its management, and establish a system to ensure proper disposal of rubbish in village sites.
  - Continue and support public awareness to prevent littering and improve recycling.
  
4. **Coastal and Marine Resources**
  - Improve the knowledge of, and guidelines for, inshore marine resources.
  - Address land-based activities causing pollution in coastal waters.
  - Lack of information about the resources and management of Niue's three distant reefs.
  - Probable over-harvesting of marine resources.
  - Destructive fishing practices.
  - Lack of sustainable management of marine resources.
  - New protected areas to be established for marine and land based natural resources.
  
5. **Freshwater Resources**
  - Vulnerability of freshwater lens to pollution from agricultural chemicals and domestic waste and sewage.
  - Water quality tests be carried out, and necessary training provided.
  - Develop a water resource protection policy.
  - Integrate water quality management into resource development.
  - Encourage use of village rain catchments systems and household back-up tanks.
  - Encourage use of 'grey water' for secondary household uses.
  
6. **Land Resources**
  - Land disputes.
  - Overuse of land for agriculture and forestry, through non-sustainable land management.
  - High rate of deforestation and loss of soil fertility.
  - Lack of comprehensive mapping and land information systems.
  - More awareness programmes for communities on principles of sustainability.
  - Prevent the introduction of new invasive species.
  - Reduce and eliminate the impacts of existing pest species.

**7. Energy Resources**

- Increased efficiency and maintenance of diesel generators especially at the national power station.
- Encourage use of solar heating and other renewable energy options.
- Encourage use of low energy rate appliances and more fuel efficient vehicles.
- Encourage carpooling, enforce maximum speed limits and implement and improve standards of warrant of fitness for vehicles.

**8. Tourism Resources**

- Adopt environmental friendly-type tourism practices to minimise exploitation of natural resources and to reduce adverse effects on the environment.
- Maintain and enhance the biodiversity and natural beauty of Niue.

**9. Biodiversity Resources**

- Preservation and conservation of forest areas, other than the Huvalu Conservation Area.
- Initiation of an indigenous tree planting programme.

**Conclusions and recommendations of the Niue Country Environment Profile include the following.**

**Conclusion 1:** It should be highlighted that this Niue environmental profile has been compiled as a desk study. Nonetheless, it has benefited from access to reporting on environmental issues by Niue produced over the past decade, since 1992 at UNCED in Rio (Agenda 21), and in 1994 at the Barbados International Meeting on Sustainable Development for Small Island Developing States (BPoA). Most recently, Niue has had the opportunity to produce national assessment reports for the 10-year review of both Agenda 21 (the World Summit on Sustainable Development in 2002), and the BPoA (the International Meeting on SIDS in 2005). Furthermore, the first 5-year national report of progress on achieving the MDGs was due for completion in September 2005.

**Conclusion 2:** The EU has supported Niue along with all Pacific ACP countries during recent global environmental processes, and in particular in regard to environmental issues such as climate change, water and sanitation, renewable energy, food security, and how to improve livelihoods of island people by addressing the “special case for SIDS” in regard to vulnerability and addressing poverty through establishing poverty reduction strategy papers and national sustainable development strategies, or the like. Niue needs support for implementation from the EDF 10.

**Conclusion 3:** Notwithstanding the current Country Support Strategy (refer Section 4.1) for EDF 9, together with assistance being provided through the Regional Indicative Programme, it should be noted that along with other Pacific ACP countries, Niue has agreed to the new Strategy for Strengthened Partnership between the EU and the Pacific Islands which has a *“blue-green” theme within the context of sustainable management of natural resources and environmental challenges*. Within this broad theme specificity is needed to ensure the activities to be supported by the NIP deliver tangible and concrete benefits at national level that demonstrably contribute to strengthening the environmental pillar of national sustainable development and poverty reduction. In this context also, improved and strengthened links need to demonstrate with the activities to be carried out at national level by the regional organisations supported by the Regional Indicative Programme.

**Conclusion 4:** Niue’s environment is no exception to the reality that it provides the basic goods and services, such as water, energy and food security, upon which people live. Improvements and sustainability in these areas are essential to underpin generation of economic wealth. Niue acknowledges that environmental considerations are inextricably linked across their national development planning efforts, but there is a

need to strengthen these interlinkages to ensure improved decision-making supports efforts to achieve sustainability.

- Conclusion 5:** The state of the Niue environment over the past decade has deteriorated and remains vulnerable. Over the past decade much has changed with internal shocks particularly the impact and aftermath of Cyclone Heta, and external shocks such as globalisation, HIV/AIDS, climate change and most recently increasing fuel prices. All are putting increased stress on the environment. Key examples of improvements needed are; secure safe water supply and sanitation; developing access to affordable renewable energy resources; food security from fishing and agriculture, to support sustainable development, improve lifestyles and reduce poverty. Improvements in these “sectoral” areas will also have a positive impact on reducing Niue’s vulnerability to climate change and natural disasters (many of which are weather-related).
- Conclusion 6:** Over the past decade some progress in many areas has been made in improving environmental sustainability through institutional strengthening. Although not as significant as Niue would have liked. Much of the progress has been at the initiative of the Niue and with its own financial resources. But much remains to be done to improve the efficiency and effectiveness of the national environmental machinery including strengthening the role of the NGOs. Development partners, including regional organisations, need to harmonise and coordinate their assistance more closely with Niue needs and efforts, and amongst themselves. This will make both existing and new resources more efficient and effective.
- Conclusion 7:** In order to provide a platform to facilitate closely cooperation with its development partners, and improve governance, Niue is due to review its Integrated Strategic Plan 2003-2008 and has the opportunity of strengthening overarching planning policy/regulatory and institutional arrangements to embed the principles of sustainable development in the outcome of this revision process. There is much room for supporting capacity building and technical assistance in this context.
- Conclusion 8:** Niue’s capacity needs to be strengthened to manage its large marine environment compared with the small island land area. In reality, as the marine “blue environment” and land “green environment” are an environmental continuum across the coastal zone. Niue needs a spatially integrated management approach, similar to “island system management” promoted by the EU through one of the EDF8/9 regional projects.
- Conclusion 9:** Niue, like many other of its neighbours, recognises the opportunities of improved information and communication technologies, in particular in regard to getting more up to date data and making it readily available to support the decision-making process.
- Conclusion 10:** Niue needs to develop and strengthen its own national setting of indicators and targets, and monitoring arrangements to track progress, and link these to international development goals agreed at for example the WSSD, the Mauritius International Meeting on SIDS, and contained in all relevant MDGs and targets, not just MDG7 on environmental sustainability.
- Recommendation 1:** Concerning the selection of the focal sectors and response strategies for Niue, within the overarching “blue-green” theme of sustainable management of natural resources and environmental challenges, key areas to consider are: securing safe water supply and sanitation; developing access to affordable renewable energy resources; and improving food security from fishing and agriculture.
- Recommendation 2:** As a governance issue in regard to national institutional capacity to improve the management of natural resources and the environment, consideration needs to be given to supporting Niue address institutional capacity assessment and needs for all its line ministries. Specifically:



- there is an immediate need to promote the participation and involvement of NGOs at the national and community level and be supported through capacity building;
- additional financial assistance is required to implement priority human capacity building needs of the country; and.
- the recognition of integrating environmental consideration into national economic planning is a critical issue that requires priority attention. The development of a national policy on economic growth and sustainable development must include the integration of environmental issues into economic planning.

**Recommendation 3:** Improve Niue's national environmental information systems, and ensure environmentally-relevant indicators to be used in the EDF 10 National Indicative Programme, are integrated into these systems.

**Recommendation 4:** Niue's access to the use of EC horizontal budget lines (such as Environment and Forests) and facilities (EU Water Facility - EUWF and the EU Energy Facility - EUEF), and the EU/ACP Natural Disaster Fund are limited by national capacity constraints. Each of these opportunities of additional financial resources are important and should these funds/facilities be ongoing consideration needs to be given to assisting Niue prepare the bulky and complex applications.

**Recommendation 5:** In order to ensure effective and efficient support to Niue, it is important for the EU to develop new and strengthen existing opportunities for co-ordination on natural resources and environmental issues with other donors (including regional organisations) seeking to achieve complementarities and synergies.

**Annex 4: Country Migration Profile**

**This annex is not considered relevant for Niue. No information is available.**

**Annex 5: The CSP drafting process: particular attention to involvement of NSA and local authorities**

Dialogue between representatives of the Government and the general population in Niue and the European Commission is hampered by the enormous geographical distances (the responsible Delegation is located in Suva, Fiji) and the difficult flight connections.

Despite these challenges the cooperation between the key counterparts in Niue and the Commission Delegation can be described as functioning very well – both concerning political dialogue and routine matters such as the drawing up of joint annual reports or regarding the implementation of initiatives financed under the EDF. The smooth functioning of this dialogue is highlighted by the fact that Niue is one of the few countries in the Pacific region where the entire available amount under the 9<sup>th</sup> EDF (A and B envelopes) are fully committed. The co-financing of the reconstruction of the hospital from the B-envelope, which was achieved within a period of only two years following the complete destruction of the old hospital in 2004, can be considered a particular achievement in terms of donor coordination and efficiency of response.

**Programming Exercise 2006:**

Representatives from Niue took part in the Regional Seminar held in the Suva in March 2006, which marked the launching of the 10<sup>th</sup> EDF Programming Exercise. Two representatives of the EC Delegation visited Niue for one week in August in order to hold a direct dialogue on the programming exercise with all relevant stakeholders in the country. An agreement was reached very early to maintain the focal area chosen already under the 9<sup>th</sup> EDF, i.e. renewable energy and energy efficiency. It was also agreed to finance a second phase of the Village Economy Programme, a microprojects-type-operation, under the 10<sup>th</sup> EDF. A draft Country Strategy Paper was drawn up subsequently, together with the National Indicative Programme, the Governance Profile and all other relevant annexes.

**Annex 6:     The Harmonisation Road Map**

This is considered irrelevant for Niue.

**Annex 7:     Table including Partner Country Positions in relation to key international conventions**

A summary of this information is provided in chapter II.1.5. "Niue in the international context". No further, detailed information is available.

**Annex 8:     Debt Sustainability Analysis**

This is not considered of having any practical relevance for Niue. No detailed assessment was carried out.

**Annex 9: Niue's progress in fulfilling the United Nations MDG Goals and Indicators**

<b>Millennium Development Goals (MDGs)</b>		
TA = Target Achieved		
<b>Goal 1</b>	<b>Eradicate extreme poverty and hunger</b>	<b>Indicators</b>
Target 1	Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1. Proportion of population below \$1 per day (PPP-values) = 0 TA
Target 2	Halve, between 1990 and 2015, the proportion of people who suffer from hunger	4. Prevalence of underweight children (under-five years of age) = 0 TA
<b>Goal 2</b>	<b>Achieve universal primary education</b>	
Target 3	Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	6. Net enrolment ratio in primary education = 100% TA 7. Proportion of pupils starting grade 1 who reach grade 5 = 100% TA 8. Literacy rate of 15-24 year olds = 100% TA
<b>Goal 3</b>	<b>Promote gender equality and empower women</b>	
Target 4	Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015	11. Share of women in wage employment in the non agricultural sector = 50% Target to be maintained by 2015 12. Proportion of seats held by women in the national parliament = 15% (3 out of 20) Target 50%
<b>Goal 4</b>	<b>Reduce child mortality</b>	
Target 5	Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	13. Under-five mortality rate = 0 TA 14. Infant mortality rate = 0 TA 15. Proportion of 1 year old children immunised against measles = 99% TA
<b>Goal 5</b>	<b>Improve maternal health</b>	
Target 6	Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	16. Maternal mortality ratio = 0 TA 17. Proportion of births attended by skilled health personnel = 0 TA
<b>Goal 6</b>	<b>Combat HIV/AIDS, malaria and other diseases</b>	
Target 7	Have halted by 2015, and begun to reverse, the spread of HIV/AIDS	N.A
Target 8	Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases	N.A
<b>Goal 7</b>	<b>Ensure environmental sustainability</b>	
Target 9	Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	25. Proportion of land area covered by forest = 78.8% 26. Ratio of area protected to maintain biological diversity to surface area = 23.28% 27. Carbon dioxide emissions (metric tons per capita) = 1.45% 28. Proportion of population using solid fuels = 16.9%. Target <10% by 2015
Target 10	Halve, by 2015, the proportion of people without sustainable access to safe drinking water	29. Proportion of population with sustainable access to improved water source: Urban = 100% TA Rural = 100% TA 30. Proportion of population with access to improved sanitation: Urban = 100% TA Rural = 99.7%. Target 100% by 2015
Target 11	By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	N.A

## **Annex 10: Estimated Energy Savings for Niue Under 9th EDF allocation**

Currently, there are two diesel generators on island, one with a capacity of 580 and one with a capacity of 700 kwh). In 2005, they produced a combined daily average of 380 km. [The total capacity generated is therefore estimated at  $380 \times 24 \times 365 = 3,328,800$  kwh].

In 2005, 911,000 litres of diesel were used for power production, with a ratio of 3.8 kwh/litre at a price of NZ\$ 1.3/ litre, amounting to a total expenditure of NZ\$ 1,180,000 for diesel only. Consumer fees of 38c/kwh and 48 cents/kwh (for households with air conditioning with separate metres), covered only 70% of the total budget of the energy agency. As a result an amount of roughly NZ\$ 390,000 had to be transferred from the national budget to subsidise power production.

Under ongoing 9<sup>th</sup> EDF Renewable Energy Programme it is planned to install one or two windmills on the island, with a potential annual generation capacity of 1,116,900 kwh, which could amount to a potential cost saving through wind generation of 243,921 litres of diesel or, at 2005 prices, of NZ\$ 382,097. There are, however, a number of technical hurdles that need to be overcome. The tender for the installation of the mills is likely to be published in early 2007.

## **Annex 1a: List of acronyms**

ACP	Africa, Caribbean, Pacific
ADB	Asian Development Bank
AusAID	Australia Agency for International Development
CEDAW	(UN) Convention on the Elimination of all forms of Discrimination Against Women
CSP	Country Strategy Paper
EC	European Community
ECHO	European Commission's Office for Humanitarian Assistance
EDF	European Development Fund
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agriculture Organisation
FSM	Federated States of Micronesia
HDI	Human Development Index
kWh	kilo Watt hours
MDG	Millennium Development goals
NCD	Non-communicable diseases
NIP	National Indicative Programme
NSA	Non State Actors
NZAID	New Zealand Assistance for International Development
NSDP	National Sustainable Development Plan
NGO	Non Government Organisation
OECD	Organisation for Economic Cooperation and Development
OPM	Office of the Prime Minister
PIAF	Pacific Islands Aids Foundation
PIC	Pacific Island Countries
PICTA	Pacific Island Countries Trade Agreement
PIERS	Pacific Islands Economic Report (ADB document)
PM	Prime Minister
RMI	Republic of Marshall Islands
TA	Technical Assistant
TCF	Technical Cooperation Facility
UNFPA	United Nations Population Fund
WSSD	World Summit on Sustainable Development

**ANNEX 3B – LIST OF NIUE GOVERNMENT'S COMMITMENT**

	<b>Governance area</b>	<b>Prospective commitments</b>
	<b>Political democratic governance</b>	
	- Human rights	- <i>Enactment of the "Terrorism suppression &amp; Transnational Crime Bill 2006"</i>
	- Fundamental freedoms	- <i>Enactment of the "Ombudsman's Bill 2006"</i>
	- Electoral process	
	- Principles of constitutional democracy	
<b>2.</b>	<b>Political governance - rule of law</b>	- <i>Assembly Members Interest Bill 2006- Assembly Members Contracts Exemption Bill 2006</i>
	- Judicial and law enforcement system	- Legislative review of sentencing provisions and penalties.
<b>3.</b>	<b>Control of corruption</b>	<p>1. <i>Enactment of the "Financial Transactions Reporting Bill 2006", the "Extradition Bill 2006", the "Terrorism and Trans-national Crime Bill 2006" and the "Proceeds of Crime Amendment Bill 2006."</i></p> <p>2. Closing of all Offshore Financial Centre Activities by 31 December 2006.</p> <p>3. Amend all existing anti-money-laundering-related legislation by 2007;</p> <p>4. Establishment of an operational <i>Financial Intelligence Unit (FIU)</i>. A financial allocation for the recruitment of technical assistance was made in the 2007 budget. Moreover, New Zealand will provide continuous technical and financial assistance, i.a. with the help of NZ's Police Financial Intelligence Unit (FIU). The FIU Office on Niue will build awareness and skills in the AML area among crucial stakeholders, i.a. by working closely with the companies' registry and by liaising with the Bank Supervisor on compliance reporting.</p> <p>5. Revision of the new <i>Bank Act 1994</i>, reappointment of the Bank Board and formal appointment of a qualified and independent Banking Supervisor.</p> <p>6. Application to the Egmont Group of Companies</p>



		<p>is currently before Parliament;</p> <p>-In relation to MDG 7 Target 9, which is to <i>"integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources"</i>, the GoN wants to achieve a reduction of the use of solid fuels by the population to 10% by 2015 (currently estimated at 16.9%);</p> <p>-In relation to MDG 7 Target 10, which is <i>"to halve by 2015 the proportion of people without sustainable access to safe drinking water"</i>, the current indicator is achieved to 99%. GoN aims to achieve 100% access by 2015</p>
<b>6.</b>	<b>Internal and external security</b>	Not applicable
	- Internal stability / conflict	
	- External threats and global security	
<b>7.</b>	<b>Social governance</b>	- The GoN's key policy objective in this area is to increase population retention
<b>8.</b>	<b>International and regional context</b>	
	- Regional integration	Not applicable
	- Involvement in regional peer review mechanisms (e.g. APRM)	Not applicable
	- Migration	<p>- The GoN wants to stabilise outward migration trends (principally to New Zealand) and to</p> <p>-review of the current immigration legislation i.e <i>Entry, Residency and Departure Act 1985</i></p>
<b>9</b>	<b>Quality of partnership</b>	
	-Political dialogue	The distance between Niue and the responsible EC Delegation in Fiji, as well as bad flight connections (at the moment there is only one weekly flight to Niue, from New Zealand) make regular on-site visits to Niue by representatives of the European Commission difficult. To the extent that distance allows there dialogue is ongoing, and relations can be described as problem-free
	-Programming dialogue	The programming dialogue was characterized by bilateral meetings between representatives of Niue and of the European Commission. It included

		discussions with civil society, village councils and the NZ High Commission
	-Non state actors	Cooperation and dialogue with non-state actors in Niue mostly takes place in the context of the 9 <sup>th</sup> EDF Niue Village Economy Development Programme. A call for proposals for NSAs will be launched in early 2007.