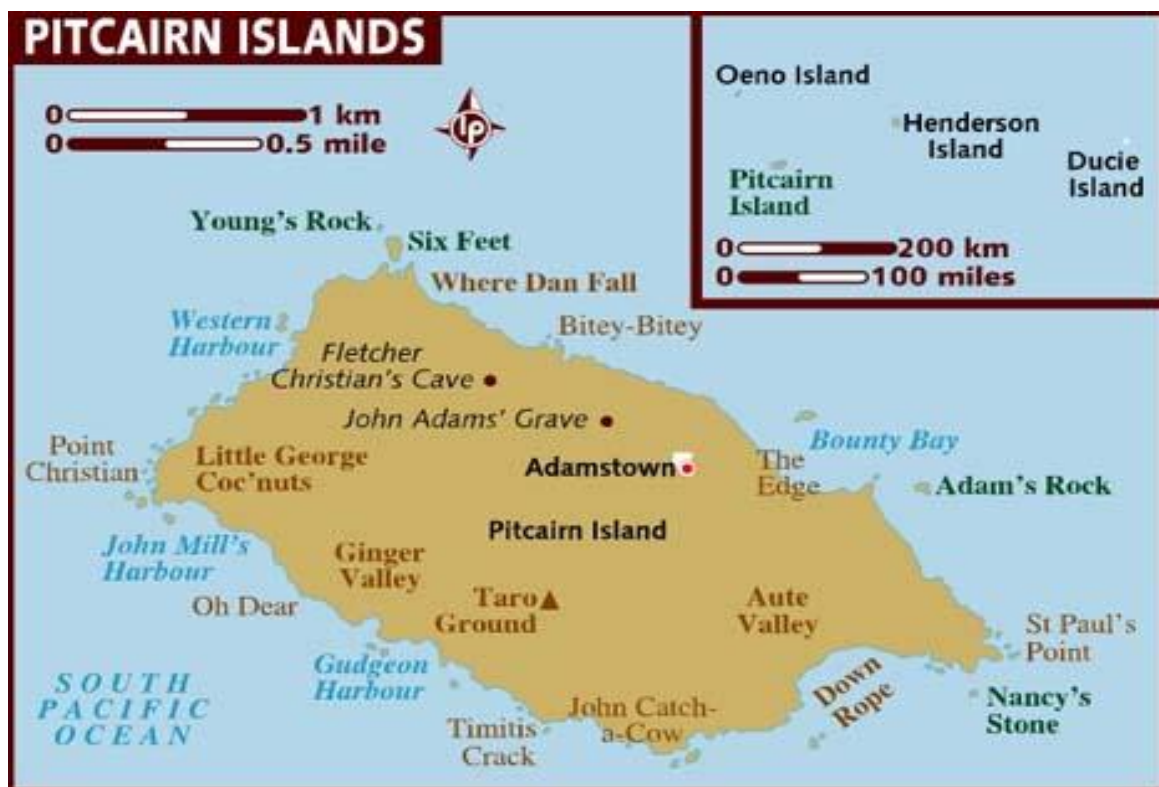


PROGRAMMING DOCUMENT OF PITCAIRN

11TH EUROPEAN DEVELOPMENT FUND



The Pitcairn Government and the European Commission hereby agree as follow:

The Pitcairn Government, represented by

, and the European Commission, represented by Mr Neven Mimica, member of the European Commission in charge of International Cooperation and Development, hereinafter referred to as 'the parties', held discussions with a view to determining the general approach to cooperation between Pitcairn and the European Union.

During these discussions this Programming Document was drawn up in accordance with the provisions of the Association of the Overseas Countries and Territories with the European Union, as provided for in the Treaty on the Functioning of the European Union, in particular Article 198, as well as the Council Decision 2013/755/EU of 25 November 2013 on the association of the overseas countries and territories with the European Union.

Signatures

For the Pitcairn Government,

For the European Commission,

Mr Neven Mimica, Commissioner for
International Cooperation and
Development

Date

Date

Place

Place

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List of Acronyms and Abbreviations

CEDAW	Convention on the Elimination of All forms of Discrimination against Women
DFID	Department for International Development
D/TAO	Deputy Territorial Authorising Officer
EDF	European Development Plan
EEZ	Exclusive Economic Zone
EPRR	End of Project Results Reporting
EUR	Euros
EU	European Union
FCO	Foreign & Commonwealth Office
FRA	Fiduciary Risk Assessments
GBP	British pound sterling
GDP	Gross Domestic Product
INTEGRE	Pacific Territories Initiative for Regional Management of the Environment
NZD	New Zealand Dollars
OCTs	Overseas Countries and Territories
OAD	Overseas Association Decision
PFM	Public Finance Management
PIO	Pitcairn Island Office
SDG	Sustainable Development Goal
SDP	Strategic Development Plan
SPSP	Sector Policy Support Programme
STDMP	Sustainable Tourism Development Master Plan
TA	Technical Assistance
TAO	Territorial Authorising Officer
TFEU	Treaty of the Functioning of the European Union

UK	United Kingdom
VfM	Value of Money

PART A: EUROPEAN UNION RESPONSE STRATEGY

Summary

Pitcairn is a small Overseas Territory in the Pacific, linked to the United Kingdom. It is extremely remote, lying approximately halfway between New Zealand and Chile. There are actually four Pitcairn Islands comprising of Pitcairn, Henderson, Ducie and Oeno Islands, over several hundred square kilometres of ocean and have a total land area of about 47 square kilometres. Only Pitcairn, the second-largest island that measures about 3.6 kilometres from east to west, is inhabited. As it is volcanic and not low-lying it is less vulnerable to climate change than the other coral Pitcairn islands or other low-lying islands in the Pacific.

The population is very small and ageing, with fewer than 50 resident islanders.

The 11th European Development Fund (EDF) "Tourism Sector Reform Contract" programme will support Pitcairn's 2015-2019 Sustainable Tourism Development Masterplan. This focuses on developing the tourism sector to take advantage of Pitcairn's unique history and environment, whilst seeking to address inhibitors to tourism, which particularly relate to its remoteness and difficulty to access the island. In particular, the general objective of the 11th EDF Tourism Sector Reform Contract is to support Pitcairn to achieve tourism-driven economic growth that will be inclusive and environmentally sustainable, and create new, non-aid dependent income and employment opportunities for islanders.

1. Objectives of the EU's financial cooperation with Pitcairn

In accordance with Article 198 of the Treaty of the Functioning of the European Union (TFEU), the purpose of the association between the European Union and the Overseas Countries and Territories (OCTs) shall be "*to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Union as a whole*". These objectives have been confirmed and further developed in the Decision on the Association of the Overseas Countries and Territories (OAD) adopted by the Council of the 25 November 213 (2013/755/EU), which replaces the Council Decision 2001/822/EC.

The Association shall also pursue the overall objectives laid down in Article 199 TFEU, by the enhancement of the OCTs' competitiveness, the strengthening of the OCTs' resilience, the reduction of their economic and environmental vulnerability and the promotion of cooperation between them and other partners.

Whilst Part II of the Overseas Association Decision defines the areas for cooperation for the OCTs' sustainable development in the framework of the Association, Part IV includes detailed provisions on the financial cooperation between the Union and the OCTs in the context of the 11th EDF.

Under this framework, Pitcairn requested that the European Union financial cooperation under the 11th EDF, for a total allocation of EUR 2.4 million, would support the reform of the tourism sector.

The objectives of the requested cooperation are fully consistent with Part II of the OAD, which lists tourism among the priority areas of cooperation (Article 41 OAD). In this respect, the OAD specifies that the aim of such cooperation should be to support the efforts of the

authorities of the OCTs to derive maximum benefit from local, regional and international tourism and stimulate private financial flows from the Union and other sources into the development of tourism in the OCTs. Particular attention should be given to the need to integrate tourism into the social, cultural and economic life of the people, as well as respect for the environment. In this respect, cooperation in the field of tourism may include: i) measures aiming at defining, adapting and developing sustainable tourism policies; and ii) measures and operations to develop and support sustainable tourism.

2. Policy agenda of Pitcairn

The British Government's engagement and responsibility towards its Overseas Territories, including Pitcairn, were set out in a White Paper entitled "*Security, Success and Sustainability*", published in June 2012. It is based on the principles of self-determination, mutual responsibilities and autonomy, with a pledge of UK help when needed. It highlights that the UK Government's fundamental responsibility and objective is to ensure the security and good governance of the Territories and their peoples. It also places considerable focus on the environment and acknowledges the great biodiversity of the UK's Overseas Territories.

Pitcairn has its own sustainable development policy, the 2014 -2018 Strategic Development Plan (SDP), which represents the overarching plan for the sustainable development of the Pitcairn islands, providing strategic direction to policy objectives up to 2018. The SPD "*seeks to achieve a greater level of income from tourism and small scale exports to increase Gross Domestic Product (GDP), offset budgetary aid and provide a better standard of living for the community*", The SPD sets out five goals, which take into account the small labour force and limited capacity of the island:

1. **Repopulation:** promoting immigration and re-population, bringing people with necessary skills and commitment;
2. **Economic Development:** continuing to deliver against the **Tourism Sustainable Development Plan** and promoting private sector development;
3. **Environmental Management:** water & waste management, combatting climate change, protecting marine & island eco-systems and promoting renewable energy;
4. **Health Care:** providing the best possible healthcare to all members of the community while acknowledging the challenges due to geographical isolation;
5. **Accessibility:** promoting further development of the tourism sector and affordable travel;
6. **Infrastructure Development** to support the five main pillars above.

Within this context, whilst the primary goal of the islands remains re-population, given the decreasing population (less than 50 people) and the aging workforce, **tourism development** currently represents Pitcairn's biggest and perhaps only real opportunity of significant growth.

The tourism medium term sector policy plan is set out in the 2015-2019 Sustainable Tourism Development Master Plan (STDMP), which is informed by the principles of sustainable heritage tourism, and was prepared on-island with considerable community/civil society participation.

In particular, this plan seeks to support the objectives of the Pitcairn Islands Strategic Development Plan in the development of a sustainable Pitcairn Islands Tourism Sector, respecting the specific environmental, economic, and socio-cultural characteristics of the

islands. Establishing a careful balance between these three aspects is fundamental to ensuring that Pitcairn's niche tourism industry is built with care, for long term sustainability. Only sustainable tourism development will enable Pitcairn to retain its traditional cultural values whilst generating employment and income opportunities. This, in turn, will significantly enhance the Pitcairn Islands tourism experience, whilst enriching its re-population potential and reducing dependency.

The STDMP includes an annex of activities, such as tourism product and service development, knowledge and information management, sales, public relations/positioning & branding expertise, environmental, cultural and heritage conservation, access, infrastructure and global visibility. The 2015 – 2019 activities are buoyed by the implementation of a sound and realistic marketing strategy, which builds on the successes of the 2011-2015 Tourism Development Plan and the related 2011 Marketing Action Plan.

3. EU's response strategy: Choice of sector of concentration

3.1. EU response strategy framework

Pitcairn is characterised by extreme isolation and is only accessible by ship, with a charter vessel currently making four round-trips a year. It has a very small and aging population that, together with the expatriate professionals, makes for a total resident population of about 50. The population is continuously ageing. The age dependency ratio (under 18s and over 65s compared to the productive population) is rising fast, from 58 % in 2014 to a projected 86 % in 2020 and over 100 % thereafter. Pitcairn has recently developed an immigration policy of actively seeking immigrants of working age to address these demographic challenges.

Putting Pitcairn on a more sustainable footing thus requires creating economic opportunities by generating private sector jobs. Diversifying economic activities and increasing public revenue is a real challenge given the size of its population, its isolation and its limited exports capacity.

Tourism has great potential. Pitcairn's ecology, remoteness and historic interest all contribute to a tourism offering that is truly unique. Its comparative advantage is reflected in high-value, special interest tourism, which is potentially low-impact and environmentally conscious. Pitcairn is close to a trans-Pacific cruise route, and since 2009 when with EU support it began focusing on this sector it has been attracting an increasing number of cruise ships (from 4 in 2011 to 14 in 2014).

Tourism therefore represents the main source of revenue for the island, and is the key and only driver to develop a private sector economy, which is crucial for long term sustainability for Pitcairn, to generate income and thus reduce dependence on budgetary aid.

Whilst the UK Government is committed to providing the budget support that is essential to meet the human needs and rights of the population, there is little available funding from the UK for capital works, and the investment needed to deliver the full potential of the recently updated Sustainable Tourism Development Plan. Commercial capital is also not available, as Pitcairn's isolation and lack of services is a serious inhibitor. Other donors are not active in Pitcairn. This is why the EU support under the 11th EDF is so vital - it will help to fulfil the credible, well-articulated and conservation minded Tourism Development Plan.

The choice of tourism as the sector of concentration for the 11th EDF has been discussed and endorsed in public meetings, clearly satisfying EU requirements for transparency and broad ownership.

The EU has consistently supported this sector through the 9th and 10th EDFs and through regional programmes that promote conservation. Continuity, coupled with the thrust of support under the 11th EDF, will retain the momentum gained to date, which is already bearing fruit with increasing cruise ship visits and growing demand for homestay visits.

3.2 Institutional Capacity Assessment

On-island, the Pitcairn Island Government has a Mayor, Deputy Mayor and five Councillors. Councillors are elected for two years, whereas the Mayor serves a three year term. The UK on-island presence is provided by an Administrator, a UK Foreign & Commonwealth Office (FCO) official, who is formally Head of the Civil Service, with responsibilities concerning Governance and Legislation.

The Pitcairn Island Office (PIO) in Auckland, New Zealand, with only two permanent staff provides a treasury role as well as logistical and management support to the island. It is responsible for all the Island's financial matters such as logistics, procurement, payments and financial reporting and is overseen by the Deputy Governor based in New Zealand and by the FCO staff member.

The programme funded under the 11th EDF will be overseen by the Deputy Territorial Authorising Officer, who will coordinate the programme, working closely with the Island Council and other stakeholders. Operational tasks will be divided amongst the Tourism Department and relevant Divisions, with much of the work being overseen by Operations and Works. Execution of existing EU programmes depends on a combination of on-island inputs and the work of the PIO based in Auckland. Key decisions are considered by the Pitcairn Island Council and are published online¹.

Overall governance arrangements for Pitcairn have been assessed to be sound by the United Kingdom's Department for International Development (DFID) through Fiduciary Risk Assessments (FRA) that are undertaken periodically. This was confirmed in the last FRA carried out in 2016.

An Assessment of Public Finance Management (PFM) was commissioned by the EU and carried out in 2013, which concluded that PFM risks are low in the islands given DFID's hands-on management and the role of the PIO, together with the modest volume of on-island transactions. To justify the budget support for Pitcairn, DFID annually prepares a Business Case with a high degree of PFM scrutiny. Expenditure variances (out-turns against budget) have to be justified. The degree of transparency is enhanced because business cases are in the public domain and UK Government Departments are open to Freedom of Information requests.

Independent Auditors for Pitcairn prepare a Management Letter each year. Audit recommendations have generally been followed up and implemented.

¹ See Approved Council Meeting Minutes of 12th November 2015; and 6th January 2016; and Public Meeting Minutes from 16th November 2015 and 14th December 2015, all published on the Pitcairn Island Government website.

PART B: THE TERRITORIAL PROGRAMME

1. Title/basic act/ CRIS number	Tourism Sector Reform Contract for Pitcairn CRIS number 038-909 financed under 11 th EDF Territorial Allocation			
2. Zone benefiting from the action/location	Zone Pacific, Pitcairn Overseas Territory of the UK			
3. Programming document	Pitcairn territorial programme			
4. Sector of concentration/ thematic area	Tourism sector	ODA: yes		
5. Amounts concerned	Total estimated cost: EUR 2.4 million Total amount of EDF contribution EUR 2.4 million of which : EUR 2 350 000 for Budget Support and EUR 50 000 for final evaluation			
6. Aid modality(ies) and implementation modality(ies)	Budget Support - Direct Management Budget Support/Sector Reform Contract Direct management for evaluation			
7. a) DAC code(s)	33210 Tourism Policy & Administrative Management			
b) Main delivery channel	12000 – Recipient Government			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input checked="" type="checkbox"/>		<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. SDGs	SDG Goal 8: “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all” Secondary SDG Goals: 14: “Conserve and sustainably use the oceans,			

	seas and marine resources for sustainable development” and 15: “Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss”
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1. CONTEXT

1.1 *Sector context/The role of Tourism for Pitcairn’s Development*

Pitcairn is heavily dependent on budgetary aid provided by the United Kingdom. It has a small and ageing population, with only some 40 islanders residing on the island, together with contract workers and their spouses, of whom there are generally about ten². Tourism offers the best opportunity for Pitcairn to deepen the economy and to reduce dependence on public sector employment. Whilst Pitcairn’s needs are substantial and expensive to provide for, tourism offers the best opportunity for the island to become less dependent and growth orientated, whilst minimizing the challenges of its extreme isolation.

1.1.1 *Public Policy Assessment*

Public sector policy in Pitcairn is articulated at three levels: UK White Papers, the Pitcairn Islands 2014-2018 Strategic Development Plan (SDP), and the 2015-2019 Sustainable Tourism Development Masterplan, (STDMP).

Cross-cutting each of these planning levels has been significant progress with respect to gender and the environment.

These three levels provide a coherent narrative consistent to the general criterion of the existence of a credible and relevant sector policy. The June 2012 Overseas Territories White Paper by the Foreign & Commonwealth Office highlights the principles of self-determination, mutual responsibilities, and autonomy with a pledge of UK help when needed, as well as that the UK Government’s fundamental responsibility and objective is to ensure the security and good governance of the Territories and their peoples. It also places a considerable focus on the environment and acknowledges biodiversity of Pitcairn and other Overseas Territories. In 2015 the UK Government announced a large marine reserve around Pitcairn, demonstrating its commitment to conservation, which is consistent with the kind of high value, low impact tourism that Pitcairn is seeking to achieve.

As stated in Part A, the SDP “*seeks to achieve a greater level of income from tourism and small scale exports to increase Gross Domestic Product, offset budgetary aid and provide a better standard of living for the community*”. The logic chain is very strong: re-population and creation of a dynamic, forward looking community can only be achieved if (self)employment and private sector development prospects can be generated. This is best achieved through tourism, and that can most effectively be expanded if the inhibitors (access constraints, limited on-island services) can be overcome. Improving the tourist experience is essential. This logic runs through the hierarchy of policy and planning documents, demonstrating a relevant and credible approach to the sector, consistent with the EU’s Sector Reform Contract approach and criteria. The policy and planning context is also consistent with Pitcairn’s tiny scale: sector coordination is relatively straightforward because the same institutions and

² The on-island population varies slightly as people come and go for various reasons: education, family commitments, etc.

individuals are involved in both SDP and STDMP. There are unknowns, for example the level of service and capacity to be provided under the new shipping contract to be signed in the first quarter of 2018 and which will have implications for implementation of tourism actions, but the review mechanisms are sufficiently flexible to address these. Since the level of subsidy, provided through budget support, is so high, and since this is agreed annually, reviews of performance of all aspects of the economy, including tourism, are undertaken each year. In January 2017 detailed negotiations with a potential operator were conducted with oversight by the DFID's procurement department.

The 2015-2019 Pitcairn SDTMP speaks to the particular environmental, economic and socio-cultural benefits and risks inherent to isolated island development in the Pacific. It seeks to build on Pitcairn's strengths and opportunities with respect to tourism development whilst addressing the weaknesses and threats. The EU funded support will help to improve tourism infrastructure, and support development of visitor attractions.

Pitcairn is also facing up to the reality of its ageing population by accepting incomers and a migrant workforce. So the policies both acknowledge and address the challenges faced by Pitcairn. Whilst the extreme diseconomies of scale caused by being a nano-economy mean that budget support will be required for the foreseeable future, the tourism sector policies and plans represent the best opportunity to reduce dependence on the public sector subsidies and to stimulate a vibrant private sector that can attract incomers, address the cycle of decline and support the economy.

Of particular note is the inclusiveness of the Tourism Sector Plan. The process has strengthened ownership, and the population can see the benefits of the upsurge in tourism.

Furthermore because the EU has been supporting the tourism sector for the last six years, a good understanding has evolved as to the needs of the sector, and about key issues concerning programme preparation and reporting. The plan contains an annex which includes time-bound milestones for monitoring progress. The pace of implementation of the plan depends on timely funding releases and absorption, which is constrained by the limited capacity of the island; this is covered below under implementation.

In an attempt to reduce the impact of isolation, transport to the island has been improved, with a dedicated passenger/freight vessel travelling from New Zealand (over 5 000 kilometres away) and linking with French Polynesia. Opportunities to further improve access, which also benefits tourism, will be considered in 2017/beginning of 2018, with the current shipping contract finishing in mid-2017.

Due to Pitcairn's isolation, small population and the necessity of essential services, total UK budgetary aid to Pitcairn is approaching GBP 3 million (EUR 3.56 million at September 2016 exchange rates). Whilst this is expensive, particularly on a *per capita* basis, the UK has affirmed its commitment to meet its obligations to its Overseas Territories, including Pitcairn, and to ensure that its inhabitants live with security, social services and safeguards and access to reasonable standards of living. Essentially necessary recurrent costs are being met by DFID, but there is a key opportunity for the EU to provide support to policy implementation in the tourism sector, thereby contributing to the island's economic development and resilience. Developing tourism is seen as much the best opportunity to achieve this objective.

Pitcairn's progress in addressing gender and environmental issues has been impressive. Pitcairn is about to become a signatory to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). The role and empowerment of women in Pitcairn's society has progressed to the point where five out of seven representatives on the Island Council are female, including the Deputy Mayor³. The benefits of tourism accrue significantly to women, especially in terms of homestay visits. Handicraft products are produced and sold by both women and men. The Tourism Coordinator is female. Whilst heavy construction works are likely to be largely undertaken by men, the downstream operations are expectedly to be evenly balanced. Furthermore, tourism and other components such as better healthcare and improved telecommunications benefit women as well as men by reducing isolation and enhancing social integration. As noted elsewhere, child safeguarding is taken very seriously with a full time on-island female social worker/family support worker.

Pitcairn's other major success has been in creating the world's largest marine reserve covering 834 000 square kilometres. Whilst it undermines possible opportunities to make Pitcairn self-financing through fisheries licenses, it will help to protect many fish species and corals.

In these circumstances the over-arching policy objectives of both the UK Government and EU are closely aligned in support of Pitcairn's development needs.

1.1.2 Stakeholder analysis

With only some 40 islanders (excluding contract workers) residing on the island, Pitcairn has such a small population that participation in the preparation process of the programming documents has been very inclusive, including from a gender perspective. Key stages in the preparation process have been discussed in Council meetings (there is a Mayor, a Deputy Mayor and five other Councillors, all of whom are elected), and meetings are open to the public who can observe from the gallery. Minutes are prepared and published on the Pitcairn Islands Government website, including those related to the identification stage of this budget support preparation.

Despite constitutional reforms and improvements, Pitcairn continues to have limited institutional and social capacity. Child safeguarding is a particular concern and priority, due to the historical abuses that occurred. The reason why there are full time expatriate workers (doctor, social worker, teacher, policeman, administrator and currently prison officers) funded by the UK is that the gaps in capacity are recognised. At this point it is considered likely that this support will continue to be necessary for the foreseeable future. The population is simply too small to sustainably manage these matters. The situation is monitored by FCO and DFID on an ongoing basis.

The Sustainable Pitcairn Tourism Masterplan has been drafted on-island, and in an inclusive and gender sensitive manner. Drafting of the EU programming documents has been facilitated by the Pitcairn Islands Office in Auckland, with limited external technical assistance (TA), but drafts have been discussed and shared with the Island Council, Deputy Governor as Deputy Territorial Authorising Officer, and reviewed in an open manner on-island. The design explicitly takes account of gender and environmental cross-cutting issues, whilst ensuring that the programme components address equity issues and deliver benefits to all islanders.

³ The Minutes of the Island Council provide evidence of this. <http://pitcairn.gov.pn/minutes.php>

1.1.3 Priority areas for support/problem analysis

This sector was selected because it provides the best opportunity to strengthen the economy whilst concurrently bringing real benefits to the islanders. This has been demonstrated by successful implementation of previous EDF support to the tourism sector. There has been universal on-island support for the tourism sector, and a keen appreciation that well-managed tourism can benefit all islanders, can help to reduce the impact of Pitcairn's extreme isolation and can help to diminish the dependence on UK budgetary aid, although it is recognised that Pitcairn is likely to rely in part on UK (DFID) funding for many years to come.

There is broad consensus that Pitcairn's key development opportunity is tourism, given also the lack of economic diversification opportunities. The land mass is small and hilly as well as remote, so although vegetables are grown on-island, there is a lack of other land based agriculture, with the exception of honey production for exports. There are certainly abundant fisheries resources but on 14 September 2016 the UK Government declared Pitcairn's Exclusive Economic Zone (EEZ) as a Marine Protected Area. As a consequence only local artisanal fishing near the Pitcairn islands will be allowed.

Support from the 9th and 10th EDFs has addressed access constraints by building alternate landing facilities, at Tedside and Bounty Bay. These are helping to overcome the problem that whilst cruise ships may visit, it is challenging to get passengers ashore due to adverse weather or sea conditions. This decision remains the responsibility of the cruise ship captain, who must take account of the risks involved on the long and typically high cost Pacific cruises, especially as many passengers are relatively elderly.

These new facilities funded under the 9th and 10th EDFs, were first put to use in November 2015, with landings of passengers from cruise ships on two consecutive days. One Cruise Director described the improvements and the ability to come ashore as a "game changer". Landing visitors generates income for the islanders through services and goods provided, and for the Pitcairn Island Government through landing fees (currently NZD 50 per head). Even when weather/sea conditions do not permit landing, islanders sell handicraft products to cruise ship passengers on board the vessels and an island representative gives a talk or presentation to passengers.

Other forms of tourism include visiting yachts and land based tourism. The building of the alternate landing facilities and others achievements made under the 9th and 10th EDFs (improvement of the on-island tourist transport system, acquisition of new landing vessels and the improvements to public buildings, unpaved roads and others areas of interests for tourists) enabled the establishment of an incentive framework for the development of further activities and the tourism sector in general. However, the lack of natural harbours is an inhibitor to the former, whilst land based tourism is constrained by the cost and limited number of berths available on the supply ship. Tourists are accommodated in home-stays as there is no hotel. Benefits of such visits reach all islanders and help to reduce isolation.

Pitcairn's Tourism Masterplan provides a credible sector strategy (built on previous achievements and part of a long-term sustainable strategy). The good progress to date highlights that the EU support is appreciated, is highly visible and is generating significant benefits, as demonstrated by the increasing numbers of cruise ship visitors with a total of 1 015 visitors in 2014 and 880 in 2015, in comparison with the 533 registered in 2011.⁴

⁴ Pitcairn islands 2011-2015 vessel and passenger visits documents.

The figures on tourism accommodation income from 2011 to 2016 are relatively stable despite a slight drop recorded in 2013⁵. This is largely because of shipping capacity constraints, as the existing vessel (contracted until July 2017) had limited space for tourists and other non-essential visitors.

Adding a rotation into the shipping schedule for more flexible and longer stays (ref. Tender for shipping service to Pitcairn Island) and infrastructure rehabilitation work funded under the 9th and 10th EDFs have allowed an improved and safer access to the island. As a result it is foreseen that the number of visitors will go up significantly from 2017 onwards, and thus generate a substantial increase in terms of income for the island.

Commissioning the new shipping contract is essential to the expansion of land based tourism.

1.2 Other areas of assessment

1.2.1 Fundamental values

As a British Overseas Territory, Pitcairn is committed to similar fundamental values as the UK. These include good governance, accountability, the rule of law, protection of human rights and the physical environment. Designation of Pitcairn's EEZ as a marine protected area in September 2016 will help to conserve the natural riches of Pitcairn (although challenges with enforcement remain).

Around 2002 a high incidence of child sexual abuse came to light and the resulting prosecutions led to a number of islanders being found guilty and sentenced to prison on-island. This criminal behaviour contributed to a total reconsideration of the rule of law and administration on Pitcairn, with the UK Government adopting a far more hands-on and supportive role. There are now five expatriate staff on-island, an Administrator appointed by the UK Foreign and Commonwealth Office, a doctor, a policeman, a family community advisor and a teacher. With the exception of the Administrator, these are generally recruited from New Zealand but paid for by UK budget support. Children are now sponsored to receive secondary education in New Zealand. The UK Government has funded New Zealand, lawyers and judges and also provides for independent legal advice to be given to islanders.

1.2.2 Macroeconomic policy

Pitcairn does not have a central bank or a currency, but uses the NZD, as this is the currency of its major trade partner. It does not have a banking sector, although the Pitcairn Islands Officer and on-island Treasurer facilitates limited retail banking as a service to islanders, in turn depositing funds in a New Zealand commercial bank. A modest number of loans have been advanced to islanders to enable them to undertake home improvements, etc. With no currency or banking sector, there is no monetary policy to consider. Pitcairn does not have any external debt, nor would this be permitted by DFID, given Pitcairn's lack of economic diversification opportunities. This is a tighter control than that imposed on other UK Overseas Territories, most of which are permitted to borrow up to prescribed ceilings.

Fiscal policy is relatively straightforward. There is no income tax, although introducing it was considered. Since most household income comes from public sector jobs (typically paid at a

⁵ Tourism Accommodation Statistics – Summary of 2016

standard rate of NZD 10 per hour), salaries remain comparatively modest. If income tax were to be introduced, salaries would need to rise, leading to a zero-sum equation. Islanders earn more from non-public sector sources such as tourist visits (predominantly cruise ship and land-based) but these payments are in cash and it would be challenging to tax these informal earnings efficiently. A tax could prove a deterrent to these nascent activities, at least in the short run. Current thinking is that a more effective way to reduce the budget support burden would be to gradually reduce subsidies on utilities and services (such as telecoms) rather than seeking to raise direct taxes.

Macro-economic risks include currency risk and it is UK Government policy not to hedge. Depreciation of the GBP against the NZD amounted to 25 % in the year to December 2016, largely due to the outcomes of the UK's referendum of June 2016. The UK Government has given assurances to all its Overseas Territories that they will not be adversely affected by the exit of the UK from the EU, so it is having to make good the exchange rate losses.

Budget and expenditure predictability have generally been good, considering the small size of the economy, which can mean that out-turns on individual budget lines are distorted, and exchange rates and changes in fuel prices can create volatility. Salary costs, which constitute a high share of total expenditure, are generally predictable. Legal costs, which have been high due to an ongoing court case, are less predictable.

With only 40 islanders resident on Pitcairn (excluding contract workers and their spouses), there is no formal private sector on the island. Each family undertakes some paid public sector work, and in addition is involved in some informal private sector activities. This includes small scale fishing, growing vegetables, offering homestay accommodation, handicrafts etc. Given the spread of activities, there is a reasonable gender balance and access to income generating opportunities.

1.2.3 Public Financial Management (PFM)

Pitcairn's finances are subject to far greater external scrutiny than those of most OCTs. This reflects the fact that Pitcairn is so dependent on external funding that budgetary aid provides some 83 % of total income. According to the audited accounts for 2015/16, total expenditure in the financial year to March 2016 was NZD 6.76 million and budgetary aid and grants were NZD 6.49 million. EU support is accounted for separately and is yet to be integrated in the overall budget. When the EU support under the 9th and 10th EDFs is taken into account, external support is even higher.

The EU commissioned PFM assessments in 2009 and 2013. DFID subjects Pitcairn to periodic Fiduciary Risk Assessments (FRAs), which are funded by DFID and undertaken by an independent contractor. The final report of the 2016 FRA was published in October 2016.

The only benchmark that has deteriorated relates to extra budgetary expenditure. This is inherently volatile because Pitcairn is a nano-economy: events occur that are not predictable and not within the control of the Pitcairn Island Government.

As the budget is small overall, reflecting the circumstances of a nano-economy, it is necessary to seek additional funding from the UK Government (DFID) to cover major unbudgeted costs. This loss of budget predictability therefore occurred due to justifiable, explainable circumstances, and does not reflect any failure in the PFM system *per se*.

It is also assessed that there is a credible programme of PFM reform, strengthening domestic financial accountability and fighting corruption in Pitcairn Islands. The PFM Action Plan, based on the EU-funded PFM assessment undertaken in 2013, has been largely implemented and has been routinely reported upon during the implementation of the 10th EDF.

The findings of the 2016 FRA review are being taken into account by both DFID and the PIO in preparing an updated PFM improvement plan. The overall conclusion is that given Pitcairn is improving its PFM, and is taking steps to further enhance it, the EU's PFM eligibility criterion is met. From a PFM perspective Pitcairn is eligible for budget support.

In many respects Pitcairn's accounts resemble those of a corporation. The accounting system is accruals- rather than cash-based and a profit and loss statement is prepared. Where possible overhead costs are attributed to the Operating Departments concerned. Management accounts are prepared monthly and an annual audit is contracted out to a New Zealand based firm of Chartered Accountants. The audit process has been strengthened with an on-island visit that includes a stock-take of the island's store (which is run by the administration as a service to the population) and the verification of cash balances. As noted in the risk matrix, a discrepancy was identified of NZD 6 150 in the 2014 financial year balances, and tightened procedures have since been introduced (including having all cash balances counted by two persons). This discrepancy must be kept in perspective – it is the first in many years. Furthermore, on-island audits have been strengthened with annual visits by Pitcairn's auditors that include audits of stocks and cash held on-island.

Pitcairn has developed a Public Procurement Policy which is reviewed periodically. There are some challenges in supplying goods to a small remote island, which mean there can be a limited number of suppliers, potentially inhibiting competition and placing a premium on quality. The highest value procurement contract relates to the ship that has been chartered to serve the island. This contract was re-tendered in 2016, with the new contract expected to be signed in early 2018.

Retaining some flexibility in specifying shipping service levels is considered appropriate in this instance to help determine whether it is cost effective to upgrade service provision, which would help to reduce isolation, encourage incomers (helping to address the age imbalances) and build shore-based (homestay) tourism. Variables include the number of berths to be provided and frequency of service. DFID is taking account of the “three Es” (economy, efficiency and effectiveness criteria) in the quest to achieve good Value of Money.

1.2.4 Transparency and oversight of the budget

All key financial documents are prepared in a timely manner. These include PIO's annual budget (which includes on-island expenditure), DFID's Business Case for the provision of budgetary aid, the Management accounts (prepared monthly), Audited Accounts, and the Auditor's Management Letter.

The backdrop to transparency is positive as both the UK and New Zealand perform well in surveys concerning transparency, for example by Transparency International (TI), Open Budget and the World Bank's “Doing Business” surveys. However whilst there is strong commitment to transparency overall, in the case of Pitcairn management has to take account of the sensitivities of such a small community. For example, departmental budgets (e.g. for health or education) are based on Personal Emoluments that relate to individuals. Therefore,

there are trade-offs to be made between the principles of openness and what is reasonable to disclose without creating difficulties for individuals.

2. RISKS AND ASSUMPTIONS

The following risks have been identified that are specific and relevant to the Tourism Sector Policy Support Programme (SPSP):

Risks	Risk level (H/M/L)	Mitigating measures
Pitcairn's ageing population and the risk that efforts to re-populate the island are unsuccessful or not sustained.	M	Addressing the inhibitors to inward migration (difficulty in achieving acceptance, extreme isolation, lack of employment opportunities).
Resistance to recruit an external workforce to implement the 10 th and 11 th EDFs, which could hamper construction of new buildings etc.	L	Ensuring that the number brought in is manageable. Taking gender considerations into account.
Absorption constraints slow the pace of implementation.	M	Realistic capacity assessments, streamlined planning taking account of lead times and access considerations, utilising contract workers where appropriate.
Delays in disbursement of EU funds delaying start-up and/or implementation progress.	L	Effective project management while considering supporting measures, clarity and consistency of reporting requirements.
Reduction in the level of oversight and scrutiny by DFID and/or FCO as part of administration cost reduction measures.	L	Further improvements to effective DFID/FCO coordination, efficient and effective coordination between them.
Loss of key staff, e.g. in Pitcairn Islands Office.	M	Ensure knowledge management and back-up systems are optimised.
Procurement challenges, especially around shipping (see PFM above).	M	Careful execution and respect of timelines of the retendering exercise and post-bid negotiations.
Insufficient budget for shipping.	M	Careful and realistic estimation of costs.
Investment in communications does not deliver anticipated or affordable service improvements.	L	Funding of independent advice and/or a formal feasibility study prior to implementing upgrades.

3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The continuity of support for the tourism sector and the early involvement of all local actors have enabled a much deeper understanding of the EU requirements to be gained by Pitcairn islanders and officials, while fostering the emergence of a pro-active approach thanks to their

commitment and understanding of the activities. However, there has been some concern after additional information was requested to support the release of budget support tranches. This was not anticipated and has been the cause of delays in releasing the 10th EDF financing. Therefore the broad conclusion taken on broad by the Pitcairn Island Council and the PIO is that preparatory work is very important and considerable attention to detail is essential.

Although this sector budget support is “untargeted”, in other words not directed towards specific budget lines, the PIO chooses to earmark funds for specific tourism development purposes, and the money is accounted for in the management accounts separately. It is therefore not merged with DFID’s budgetary aid or the island’s own income from e.g. stamp sales. As a consequence, it is important that the initial tranches are released on schedule to enable work to proceed as DFID/the FCO is unable (and has not budgeted in the Business Case) to pre-fund EU support to the sector.

Pitcairn has limited human resources and an ageing population. A key lesson is that plans must be realistic about the time it takes to deliver programmes because of human resource constraints. There had, under the 9th EDF, been resistance to using imported labour for construction activities. There is, however, now a greater acceptance of the need for this, following the successful employment of construction personnel from French Polynesia under the 10th EDF regional programme (INTEGRE) who fit in well and helped increase the pace of implementation.

As noted above, the PIO has limited human resources by playing a key role in managing activities on the island. This raises the issue of whether additional technical assistance should be provided to support programme implementation and to prepare disbursement requests in a timely manner. The preferred option is to use locally hired short term expertise to facilitate this (e.g. utilising budget support funding) rather than using complementary technical assistance recruited via framework agreements.

Significant improvements of local infrastructures under the 9th and 10th EDF activities will enable Pitcairn to focus more on the expansion of its tourism strategy while further developing some facilities in accordance with the expected growing trend of visitors landing on the island. It will thus provide the opportunity to refine the marketing approach in favour of a green and sustainable tourism development in relation to the announcement of the creation of the world’s largest marine reserve.

3.2 Complementarity, synergy and donor coordination

The EU is the only significant donor to Pitcairn apart from DFID, and has developed considerable synergies in terms of funding capital investments whereas DFID’s budgetary support is almost exclusively targeted on recurrent spending needs. Both have similar requirements in terms of fiduciary risk management, and DFID confirmed that it has made use of the EU’s 2013 PFM assessment, which avoided the need to undertake a Fiduciary Risk Assessment in 2014 or 2015. Nevertheless, in 2016 (from August to September) and as noted above, a new FRA was conducted in Auckland in order to update the previous one undertaken for 2010/2011.

The quality of collaboration and coordination is therefore good.

3.3 Cross-cutting issues

Environmental protection has been built into the 2014-2018 Strategic Development Plan and measures for strengthening the environment are underway, funded under the 10th EDF regional programme (INTEGRE), which includes improved solid waste management. The Tourism Sector Reform Contract will mainstream conservation measures, for example into the sourcing of materials, where possible and appropriate.

Soil erosion has been identified as the main impact of global warming on Pitcairn, which motivated the decision to pave all major roads in order to prevent further erosion and additional soil releases to the ocean, whose impact would be the deterioration of the seabed and the loss of precious arable lands. A re-forestation programme could be considered within the framework of the environmental and conservation strategy. Risks of invasive species justify consideration.

The preservation of the marine resources has also been identified as one of the global warming challenges especially within the context of the creation of one of the world's largest marine reserves. Enforcement of this zone will depend in part on the use of satellite pictures, together with collaboration with the authorities elsewhere in the region (e.g. French Polynesia). As the population and potential visitor numbers are so small in absolute terms, the environmental impact with respect to risks of marine pollution are also small, although cruise ships have a mixed record with respect to the environment.

In order to overcome these environmental challenges, significant efforts will be made to foster the establishment of sustainable tourism development by introducing zero-carbon business solutions, diversifying tourist attractions to encompass areas less prone to the risks and impacts of climate change, and promoting eco-tourism as part of a strategy to maintain the resilience of natural ecosystems while diversifying rural livelihoods.

Gender issues are also being taken into account. To some extent Pitcairn has benefitted from its association with New Zealand, which has a long history of addressing gender issues (and was the first country to give women the right to vote). Many islanders have travelled to New Zealand or elsewhere in the Pacific and started relationships with/married non-islanders, which is beneficial in terms of broadening the gene pool. Given the history of child sexual abuse, gender issues are significant on Pitcairn and justify the ongoing funding of safeguarding measures. In addition, the growth in tourism and improved communications with the outside world will further assist in reducing isolation and help create a less insular society.

The island's immigration strategy, aimed at addressing the problem of a population which is ageing and contracting overall, is being balanced by careful assessment of suitability of potential incomers. Under both the 10th and 11th EDFs similar care will be taken to recruit suitable external workers to undertake contracting works.

4. DESCRIPTION OF THE ACTION

4.1 Objectives/results

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 8: "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all", but also promotes progress towards

Goals 14: “Conserve and sustainably use the oceans, seas and marine resources for sustainable development” and 15: “Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss”, in both cases because of its commitment to environmentally sustainable tourism.

The overall objective of this Tourism Sector Reform Contract is to support Pitcairn to achieve tourism-driven economic growth that will be inclusive and environmentally sensitive /sustainable, and create new, non-aid dependent income and employment opportunities for islanders. As noted above, it builds on earlier EU support to Pitcairn, also in the tourism sector.

The specific objectives are:

- To increase tourist arrivals and encourage more tourists to stay on the island, thereby increasing tourism revenue and stimulating Pitcairn’s local economy;
- To promote and protect Pitcairn’s history, culture and heritage, thereby establishing sound foundations for sustainable island heritage tourism;
- To improve Pitcairn’s telecommunications and medical centre, to reduce isolation and improve health provision and resilience as visitor numbers increase.

As demonstrated by the Sustainable Tourism Development Master Plan and accompanying statistics, expanding tourism (cruise ship, potentially yacht and land based visits with accommodation provided through homestays) generates income and private sector employment opportunities. This should create additional self-employment opportunities (for example through handicraft sales) and to reduce dependence on publicly funded employment, and may in turn attract Pitcairn islanders currently resident overseas to return home, helping to address the challenges of the ageing demographic profile of Pitcairn.

Tourists, whilst appreciating Pitcairn’s isolation, stunning environment and unique heritage, still expect access to modern communications. Pitcairn’s satellite based communications are more than a decade old, unreliable and obsolete. They are therefore unsuitable for a modern tourism sector. Improving communications will benefit both tourists and islanders alike. It will also help to act as a catalyst in support of Pitcairn’s immigration strategy, which is geared towards addressing the island’s ageing population.

Pitcairn is always going to be an expensive place to reach, and the tourism product is niche and high-end rather than mass market. Many visitors are older, and potentially more vulnerable to health-related issues. It is therefore appropriate to include a health component in the 11th EDF programme that will improve the availability of on-island tourist facilities.

The Government will benefit from increased numbers of landing fees, and (subject to appropriate cost recovery) additional revenues should be raised to support the shipping service. Greater use of telecoms services may also help to reduce unit costs and reduce the subsidies currently needed.

Specific objectives are listed below:

Specific objective 1: To increase tourist arrivals and encourage more tourists to stay on island, thereby increasing tourism revenue and stimulating Pitcairn’s local economy

<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
a) Accessibility to Pitcairn, specifically by developing the Bounty Bay and Tedside landings and on-shore facilities is improved. Greeting and distribution point for visitors to Pitcairn, building on 10 th EDF activities is enhanced.	Construction of safe operational and storage facilities for passenger craft and tourist facilities, including deepening the harbour to improve safety of tender landing	Engineer's reports: Physical verification of facilities constructed
b) Shelter & information centre for tourists & other visitors is constructed.	Construction of shelters completed and operational.	Reports & photographs of new facilities.
c) On land accessibility is improved .	Construction of additional pathways and roads.	Reports & photographs.
Specific objective 2: To promote and protect Pitcairn's history, culture and heritage, thereby establishing sound foundations for sustainable island heritage tourism		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
2a) A new Arts & Culture Centre as part of a new town square is constructed.	Completion of design. Completion of construction. Fit-out of exhibits.	Physical verification of facilities constructed. Facilities opened.
2b) Existing facilities renovated as visitor attractions.	Agreement and approval of renovation proposals. Rehabilitation undertaken. Fit-out completed.	Pitcairn Island Council minutes. Photographic evidence. Facilities opened.
2c) Access to historic and scenic sites throughout Pitcairn developed and improved	Historic and natural sites include: "Down Rope; The God and Christian's Cave". Given Pitcairn's rough terrain the suitability of each will be assessed through a feasibility study. Signage to be designed taking account of the potentially reducing availability of guides, as Pitcairn's current population ages. Trails identified and completed Signage installed Tourist maps updated, printed and available on island	Pitcairn Island Council minutes. PIO procurement documents. Tourism website.
Specific Objective 3: To improve Pitcairn's telecommunications and medical centre, to reduce isolation and improve health provision & resilience as visitor numbers increase		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
3a) Communication systems with greater bandwidth and capacity	Completion of feasibility study to identify optimal equipment, potential bandwidth, and value for money of	Pitcairn Island Council Minutes Pitcairn

and cell service are upgraded	alternatives. New hardware and software installed to increase capacity and speed. Improved website development and online interaction. Cell service to offer visitors, to reduce their isolation & generate revenue.	Telecommunications Department Inmarsat International (Telecommunications provider) and/or alternative providers.
3b) Health provisions on Pitcairn to benefit both tourists and Pitkerners are improved	Construction of additional consultation room(s) and inpatient facilities. Equipment upgrade, drawing on current medical expertise with experience of best practice in “remote medicine”	Island Council Minutes, construction and procurement reports. Equipment installation.

4.2 Main activities

4.2.1 Budget support

Policy dialogue through budget support will support the implementation of the 2015-2019 Sustainable Tourism Development Master Plan, which foresees several capital investment project activities aiming:

- To improve access to Pitcairn, so that more visitors are able to safely land on the island, in a wider range of weather conditions, and to introduce innovative tourism information services;
- To develop Pitcairn’s art, culture and historic facilities;
- To improve Pitcairn’s telecommunications and medical centre, to reduce isolation and improve health provision and resilience as visitor numbers increase.

As noted earlier in this document the STDMP identifies various tourism related challenges and opportunities, and the proposed 11th EDF support is structured to address the weaknesses whilst building on the opportunities.

4.2.2 Complementary support

It is not envisaged that any complementary support will be provided outside the budget support as the PIO has the capacity to manage the off-island components. However this capacity is limited and it is proposed that within the budget support a funding allocation will be provided to support technical management (e.g. specification of Terms of Reference, tendering, procurement etc.). Specialist technical expertise will be recruited e.g. to design facilities such as the museum, and to specific technical tasks. On-island management will be overseen by the Pitcairn Island Council and the various Departments of Government, drawing on external expertise as necessary.

4.3 Intervention logic

In order to maximise relevance and efficiency, the 11th EDF support is to build upon support given through the 9th and 10th EDFs to develop the tourism sector. It will expand tourism (both cruise ship and land based) in an environmentally conscious and high-value added

manner in accordance with the 2015-2019 STDMP. Indeed thanks to Pitcairn's unique historical brand, natural environment and unique biodiversity, the marketing strategy will be expanded to market the green and sustainable potential of the territory to attract further visitors and thus create additional job opportunities to reach the objectives of re-population and increased economic independency.

Support from the 9th and 10th EDFs has made it much easier and safer to land visitors ashore. The 11th EDF will contribute to the construction of new heritage facilities and walks around the island to historic points, further enhancing the experience of the tourists. In addition, it will provide improved communications and health facilities, which will be of particular benefit to stay-over visitors. Better communications facilities will assist the private sector, making it easier to take bookings, and undertake complementary activities such as taking orders for Pitcairn's honey, and homestay accommodation bookings.

The intervention logic is based on the concept that tourism development is the best opportunity available to move Pitcairn on a path that could ultimately help it become self-sustaining. Pitcairn is already benefitting from the 9th and 10th EDFs, whose support is focused on the STDMP. The overall objective is to consolidate the development of Pitcairn's tourism sector so as to develop new, non-aid dependent income and employment opportunities for islanders, thereby reducing dependence on UK budgetary aid. Whilst outcome indicators would be desirable, they lag investment. Cruise ship itineraries are prepared and finalised more than two years ahead, to allow companies to market their programmes. As facilities improve, additional visitors come and spend more money, thus creating a direct flow of funds to islanders (both men and women).

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 85(2) of Council Decision 2013/755/EU.

A Delegation Agreement with DFID was considered but has not been pursued. One reason is that DFID has limited personnel to manage its existing commitments with respect to spending 0.7 % of GDP on Overseas Aid and its oversight of aid dependent Overseas Territories, including Pitcairn.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities will be carried out and the corresponding contracts and agreements implemented, is 36 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) No 322/2015.

5.3 Implementation of the budget support component

5.3.1 Rationale for the amounts allocated to budget support

The amount allocated for budget support component is EUR 2 350 000, and with no complementary support. Should the Pitcairn Island Office require support, it will be recruited locally out of its budget support allocation. This amount is based on the estimated budget for the implementation of Pitcairn's 2015-2019 STDMP. EUR 50 000 is foreseen for a final evaluation of the budget support program.

5.3.2 Criteria for disbursement of budget support

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

- Satisfactory progress in the implementation of the Pitcairn STDMP and continued credibility and relevance thereof;
- Maintenance of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the PFM Action Plan;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

An essential element of the policy dialogue regarding satisfactory progress in the implementation of the tourism strategy will be the renewal of the shipping contract, before the disbursement of the first fixed tranche. The continued policy dialogue should also include the preparation by the Pitcairn Island Council and the Pitcairn Island Office in cooperation with the Governor of Pitcairn of a policy paper on the sustainability and long term perspectives of the island before the request for the second disbursement. As regards PFM Action Plan, taking into account the 2016 Fiduciary Risk Assessment recommendations, in order to improve Pitcairn PFM practices, will also constitute an important part of the policy dialogue.

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme (Appendix 1). However, in duly justified circumstances, the Deputy Territorial Authorising Officer for the Pitcairn Islands may submit a request to the European Commission for the targets and indicators to be changed. The agreed changes to the targets and indicators may be authorised by exchange of letters between the two parties.

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

5.3.3 Budget support details

The disbursement under this sector reform contract will consist of two fixed tranches of EUR 1 800 000 in total, and of one variable tranche totalling EUR 550 000. EUR 50 000 will be excluded from the budget support to pay for a final evaluation.

Year	2018				2019				2020				Total
Type of	Q	Q2	Q	Q	Q	Q	Q	Q4	Q	Q	Q	Q4	

tranche	1		3	4	1	2	3		1	2	3		
Fixed tranches		1 000 000						800 000					1 800 000
Variable tranches								550 000					550 000
Total		1 000 000						1 350 000					2 350 000

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

5.4 Indicative budget

Budget Support Components	EU contribution in EUR
Budget support [Sector Reform Contract]	2 350 000
Evaluation	50 000
Total	2 400 000

5.5 Organisational set-up and responsibilities

Overall financial responsibility for managing this budget support will be retained in the Pitcairn Island Office based in Auckland, New Zealand, which will also be responsible for preparing progress reports and payment dossiers in accordance with EU requirements. Payment requests and reports will be approved by the Territorial Authorising Officer, who is also based in the Auckland offices of the British High Commission Consulate. The PIO will engage closely with the Island Council concerning operational matters, including the review of specification of requirements, designs and implementation management. No complementary support has been included in the budget, with the entire available funding being provided in the form of budget support. The reason for this is that New Zealand has sufficient technical and professional expertise available, and the PIO will contract it on a needs basis, in accordance with Pitcairn's procurement procedures.

5.6 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. Division of responsibilities will be as follows:

- The Tourism Coordinator will monitor programme implementation and prepare update reports for the Island Council in coordination with the PIO;
- The PIO will take responsibility for managing procurement and contracting of all works, and for ensuring that management arrangements are fit for purpose;

- The PIO will also coordinate with DFID and FCO if necessary and will assist with drafting budget aid submissions;
- The Island Council will review and approve key steps in the process, such as the design of facilities, pathways, signage etc. Where appropriate these will be minuted and published on the Pitcairn Government website.
- The Territorial Authorising Officer will oversee the process, coordinating as necessary with other stakeholders, and will formally submit reporting documents to the EU.

The Commission may undertake additional program monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.7 Evaluation

Having regard to the nature of the action, one final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the context of Pitcairn.

The Commission shall inform the implementing partner at least 1 month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

5.8 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

APPENDIX I: INDICATIVE LIST OF RESULT INDICATORS (FOR BUDGET SUPPORT)

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification
Overall objective: Impact	Inclusive tourism driven growth and reduced reliance on budgetary aid	<p>Number of private sector employment opportunities acting as a stimulus to inward migration/repopulation of Pitcairn</p> <p>Reduced budget support by DFID</p>	<p>2016: 0 (no net inward migration to Pitcairn)</p> <p>GDP 3.0 million (2016/17 DFID Financial settlement excluding in-year supplementary requests)</p>	<p>Net increase of 10 persons of working age by March 2020</p> <p>GDP 2.7 million (2019/2020 Budgetary aid settlement)</p>	<p>Population statistics</p> <p>PIO Financial statements /audited accounts</p>

Specific objective(s): Outcome(s)	Successful implementation of Pitcairn's Pitcairn Islands Sustainable Tourism Development Masterplan	Number of visitors (stay-over and cruise ship)	2016 (out-turn tourism statistics)	2016 out-turn statistics for cruise ship visitors increases by 20 % by end calendar year 2019	Tourism department, Pitcairn island
Induced outputs	Increased demand for homestays and sales of tourism artefacts	Number of homestay nights.	2016 data (final)	2019 out-turn based on 2016 data * 1.3 (i.e. 30 % increase from baseline)	Tourism department Pitcairn Island
	Increased income from visitor landing permits	Amount of landing fees collected	2016 data (final)		PIO Financial statements
Direct outputs	Days of employment provided on 11 th EDF construction activity	Number of new constructions that boosts income from tourism	Set at zero: no 11 th EDF financing prior to project	Cumulative total (To be determined following design studies)	PIO Progress reports.
	Completion of enhanced health facilities	Availability and speed of internet access			

Annex 1: Pitcairn at a Glance

The Pitcairn Islands comprise four islands of which only one, Pitcairn, is populated. It is the UK's last remaining Overseas Territory in the Pacific, and therefore a beneficiary of financial cooperation with Overseas Countries and Territories in the context of the 11th European Development Fund for the period 2014-2020.

Pitcairn is characterised by extreme isolation. It is very small (4.5 square kilometres) and is approximately 5 300 kilometres (3 300 miles) from Auckland, New Zealand and over 6 600 kilometres from Panama. Pitcairn is only accessible by ship, with a charter vessel currently making four round-trips a year. Pitcairn has a unique history, and most of the current local population can trace their lineage back to mutineers of the Bounty who took refuge on the island in 1790.

Pitcairn is a nano-economy with a “stable” macro-economic situation, and it is fully dependent on budget support from the UK Government. The UK Government assures funds to Overseas Territories, including Pitcairn, when needed, and manages and thereby contains the macro-economic risks, and will continue to do so, as outlined in the White Paper 2012. In this respect, it is worth noticing that Pitcairn carries no macro-economic debt and would not be permitted to borrow funds on international markets.

As Pitcairn uses the New Zealand Dollars (NZD), it has no Central Bank or monetary policy. Its fiscal policy is largely determined by the UK's Department for International Development which, following analysis, determined that there was little to be gained by introducing income tax as this would necessitate an increase in the salaries of the predominantly public-sector employed workforce. On-island salaries for most roles have been maintained at NZD 10 per hour for most roles for many years, with the net and the gross sums payable being the same. Expatriate/contract salaries necessarily reflect market rates for professionals working in remote locations.

Islanders also earn income from sales to visiting cruise ships and from homestay visitors. These economic activities are “informal” and not taxed or captured by official statistics. It is not easy to assess how much they amounts to, but it helps income supplementation at household level, which is beneficial given the modest level of public sector salaries.

The Pitcairn Island Government collects revenue from visitors in the form of landing charges (effectively visa charges) of NZD 50 per visitor. Cruise ships which are unable to land pay NZD 10 per passenger for passports to be stamped. Landing fees are budgeted to be NZD 90 000 in 2015/16 and domain sales NZD 65 000.

Table A1 summarises island income and expenditure for the past six years from 2015. Overall gross profits from philately (stamps) are continuing to diminish as this falls out of fashion. However, other revenues are rising. Other key sources of revenue are passenger fares, telecoms, electricity, freight costs recovered etc. Most of these could be considered to be re-charges rather than genuine revenue. On the budgetary aid side the largest constituent parts include providing the doctor, legal fees, education and administration.

Table A1: Pitcairn's Public Finances (NZD) Current Prices

	2015 Actual	2014 Actual	2013 Actual	2012 Actual	2011 Actual	2010 Actual
Gross profit from stamps	116 830	143 009	138 394	205 859	179 209	127 545
Total Other Trading Income	1 105 552	1064 353	965 684	896 525	717 977	474 132
Budgetary Aid & Grants	5 955 121	5 487 500	5 550 000	4 971 650	5 493 660	4 620 970
Total Income	7 177 503	6 694 862	6 654 078	6 074 034	6 290 846	5 222 647
Total Expenditure	7088 615	6 687 442	6,341 982	5 968 854	6 276 814	5 308 332
Net Surplus (Deficit)	88 888	7 420	312 096	105 180	14 032	(85 685)