



Brussels, 24.10.2019
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COMMISSION DECISION

of 24.10.2019

**on the financing of the Annual Action Programme in favour of the Republic of Kiribati
for 2019**

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EU) 2015/322 of 2 March 2015 on the implementation of the 11th European Development Fund¹, and in particular Article 9(1) thereof,

Having regard to Council Regulation (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund, and repealing Regulation (EU) 2015/323², and in particular Article 24 thereof,

Whereas:

- (1) In order to ensure the implementation of the Annual Action Programme in favour of the Republic of Kiribati for 2019, it is necessary to adopt an annual financing decision, which constitutes the annual work programme, for 2019. Article 110 of Regulation (EU, Euratom) 2018/1046 establishes detailed rules on financing decisions.
- (2) The envisaged assistance is to comply with the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU³.
- (3) The Commission has adopted the National Multiannual Indicative Programme for the period 2014 to 2020⁴, which sets out the following priorities: to contribute to the sustainable socio-economic development of Kiritimati Island and reinforce Kiribati capacities in Public Finance Management.
- (4) The objectives pursued by the annual action programme to be financed under the 11th European Development Fund (EDF) Internal Agreement⁵ ('Internal Agreement') are to strengthen the economic dialogue and public financial management (PFM) reforms through a State and Resilience Building Contract (SRBC) and ensure specific and timely delivery in the water and sanitation (WASH) sectors.
- (5) The action entitled 'EU-Kiribati Partnership for a sustainable and inclusive socio-economic development' will contribute to the improvement of the social and economic

¹ OJ L 58, 3.3.2015, p. 1.

² OJ L 307, 3.12.2018, p. 1.

³ www.sanctionsmap.eu. Note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy, the OJ prevails.

⁴ Commission Decision on the adoption of the National Indicative Programme between the European Union and Republic of Kiribati.

⁵ Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement, and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies, OJ L 210, 6.8.2013, p. 1.

development of Kiribati while strengthening resilience for the Kiribati population. The Action will address major governance issues, climate change mitigation and adaptation contributing to increase the resilience of the whole country.

- (6) Pursuant to Article 15 of Regulation (EU) 2018/1877 indirect management is to be used for the implementation of the programme.
- (7) The Commission is to ensure a level of protection of the financial interests of the Union with regards to entities and persons entrusted with the implementation of Union funds by indirect management as provided for in Article 154(3) of Regulation (EU, Euratom) 2018/1046 applicable in accordance with Article 30(1) of Regulation (EU) 2018/1877.

To this end, such entities and persons are to be subject to an assessment of their systems and procedures in accordance with Article 154(4) of Regulation (EU, Euratom) 2018/1046, applicable in accordance with Article 30(1) of Regulation (EU) 2018/1877, and, if necessary, to appropriate supervisory measures in accordance with Article 154(5) of Regulation (EU, Euratom) 2018/1046, applicable in accordance with Article 30(1) of Regulation (EU) 2018/1877, before a contribution agreement can be signed⁶.

- (8) It is necessary to allow for the payment of interest due for late payment on the basis of Article 116(5) of Regulation (EU, Euratom) 2018/1046 applicable in accordance with Article 24(2) and Article 25 of Regulation (EU) 2018/1877.
- (9) In order to allow for flexibility in the implementation of the programme, it is appropriate to allow changes which should not be considered substantial for the purposes of Article 110(5) of Regulation (EU, Euratom) 2018/1046, applicable by virtue of Article 24(2) of Regulation (EU) 2018/1877.
- (10) The action provided for in this Decision is in accordance with the opinion of the EDF Committee established under Article 8 of the Internal Agreement.

HAS DECIDED AS FOLLOWS:

Article 1 *The programme*

The Annual Action Programme in favour of the Republic of Kiribati for 2019, as set out in the Annex is adopted.

The programme shall include the following action:

- "EU-Kiribati Partnership for a sustainable and inclusive socio-economic development", as set out in the Annex.

Article 2 *Union contribution*

The maximum Union contribution for the implementation of the programme for 2019 is set at EUR 20 800 000, and shall be financed from the appropriations entered in the budget line FEDF-BFEDF-02.10.10.01-11-KI of the 11th European Development Fund.

⁶ Except for the cases of Article 154(6) of Regulation (EU, Euratom) 2018/1046, where the Commission may decide not to require an ex-ante assessment.

The appropriations provided for in the first paragraph may also cover interest due for late payment.

Article 3

Methods of implementation and entrusted entities or persons

The implementation of the actions to be carried out by way of indirect management, as set out in the Annex, may be entrusted to the entities or persons referred to or selected in accordance with the criteria laid down in point 5 of the Annex.

Article 4

Flexibility clause

Increases or decreases not exceeding 20% of the contribution set in the first paragraph of Article 2, or cumulated changes to the allocations of specific actions not exceeding 20% of that contribution, as well as extensions of the implementation period shall not be considered substantial for the purposes of Article 110(5) of Regulation (EU, Euratom) 2018/1046, applicable in accordance with Article 24(2) of Regulation (EU) 2018/1877, provided that these changes do not significantly affect the nature and objectives of the actions.

The authorising officer responsible may apply the changes referred to in the first paragraph, acting in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 24.10.2019

For the Commission

Neven MIMICA

Member of the Commission



ANNEX

of the Commission Decision on the financing of the Annual Action Programme in favour of the Republic of Kiribati for 2019

Action Document for EU-Kiribati Partnership for a sustainable and inclusive socio-economic development

ANNUAL PROGRAMME

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

1. Title/basic act/ CRIS number	EU-Kiribati Partnership for a sustainable and inclusive socio-economic development CRIS number: FED/2019/41542 financed under the 11 th European Development Fund (EDF)	
2. Zone benefiting from the action/location	Country: Republic of Kiribati, Pacific region The action shall be carried out at the following location: Republic of Kiribati, Line Islands Group, Kiritimati	
3. Programming document	11 th European Development Fund National Indicative Programme for the Republic of Kiribati 2014-2020	
4. SDGs	<u>Main SDG Goals:</u> 1. Ending poverty in all its forms everywhere 6. Access to Clean Water and Sanitation; 13. Climate Change <u>Secondary SDG Goals:</u> 3. Good Health and Wellbeing; 5. Gender Equality; 11. Sustainable Cities and Communities; 16. Peace, justice and strong institutions.	
5. Sector of intervention/ thematic area	Component 1 – Strengthening the economic dialogue and Public Financial Management (PFM) reforms Component 2 – Safe and sustainable drinking water; Component 3 – Adequate and equitable sanitation and hygiene	DEV. Assistance: YES

	Component 4 – Community and household resilience			
6. Amounts concerned	<p>Total estimated cost: EUR 20 800 000</p> <p>a) Budget support : total amount of 11th EDF contribution EUR 8 000 000 of which</p> <ul style="list-style-type: none"> • EUR 7 500 000 for budget support and • EUR 500 000 for complementary support <p>b) Project modality : total amount of 11th EDF contribution EUR 12 450 000 of which:</p> <ul style="list-style-type: none"> • Safe and sustainable drinking water, EUR 6 200 000 • Adequate and equitable sanitation, EUR 6 250 000 (including EUR 300 000 for community and household resilience promoting Civil Society Organisations' engagement) <p>c) Evaluation and Audit: EUR 350 000</p>			
7. Aid modality(ies) and implementation modality(ies)	<p>Component 1 - Economic dialogue and PFM reforms:</p> <p>Direct management through</p> <p>a) Budget Support: State and Resilience Building Contract</p> <p>b) complementary support (TA) to budget support</p> <p>Components 2 Access to safe and sustainable drinking water, 3 Access to adequate and equitable sanitation and hygiene and 4 Community and household resilience for water, sanitation and hygiene:</p> <p>Indirect management with regional and International Organisation through Project approach. The Contribution Agreement (CA) will include measures in favour of Civil Society Organisations (CSOs) for specific actions with CSOs and, amongst others, the Ministry of Women, Youth and Social Affairs (0.3 M earmarked as per NIP).</p> <p>Direct management for evaluation and audit.</p>			
8 a) DAC code(s)	<p>51010 General Budget Support</p> <p>14030 Basic drinking water supply and basic sanitation</p> <p>15150 Civil Society</p>			
b) Main Delivery Channel	47000 – other multilateral institutions			
9. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Reproductive, Maternal, New born and child health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal 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 type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
10. Global Public Goods and Challenges (GPGC) thematic flagship	1. Environment and Climate Change			

SUMMARY

The Action will contribute to the improvement of the social and economic development of Kiribati while strengthening resilience for the i-Kiribati population. Specifically, the Action aims at:

- a) **Strengthening the economic dialogue and Public Finance Management (PFM) reforms.** The State and Resilience Building Contract (SRBC) is considered the best option to promote improvements in the PFM at both the national level and in Kiritimati Island and improve service delivery in Kiritimati.*
- b) **Ensuring specific and timely delivery in the water and sanitation (WASH) sectors providing technical expertise and major investments in infrastructures** in the Line groups with a specific focus in Kiritimati Island. The indirect management with International and Regional Organisations is considered the suitable option to ensure timely and qualitative delivery to face the population's needs.*

This approach is fully aligned with the [National Indicative Programme \(NIP\)](#), the [Line and Phoenix Integrated Development Strategy 2016-2036 \(LPIDS\)](#), the [Kiribati 20-years Vision 2016-2036 \(KV20\)](#), the [Kiribati's Nationally Determined Contribution submitted to UNFCCC](#) and fully complement development partners interventions in the Country. The Action will have a special focus on Kiritimati Island that is recognized for its fragility, not only environmentally due to its exposure to the effects of climate change, but also socio-economically in view of its rapidly growing population.

The Action will address major governance issues, climate change mitigation and adaptation contributing to increase the resilience of the whole country. Specific complementary support will accompany the State Resilience Building Contract (SRBC) and will complement the Technical Cooperation Facility.

*The **Overall objective:** Supporting Kiribati in building a greater socio-economic and climate resilience.*

*The **Specific objective** is: improving use of services and goods provided by the public sector with a special focus on water and sanitation in Kiribati Island.*

*The **Action main results** are:*

R1) More effective and accountable public institutions (improved countrywide PFM systems, PFM transparency and oversight);

R2) More effective service delivery in WASH sectors in Kiribati Island.

To achieve the results, **four components (C1 to C4)** of intervention are identified:

C 1 – Strengthening the economic dialogue and PFM reforms for inclusive development

C 2 – Access to safe and sustainable drinking water

C 3 – Access to adequate and equitable sanitation and hygiene

C 4 – Community and household resilience for water, sanitation and hygiene.

For C 1 - The SRBC will provide the Government with more fiscal space while there will be a focus on PFM reforms in those areas that the Government and donors will define as the weakest according to the most recent assessments¹. The SRBC ensures that the EU participates with other donors in the policy dialogue with the Government in the Economic Reform Taskforce (ERT) supporting major national reforms. With this operation the EU becomes a main donor in budget support.

For C 2 - Access to safe and sustainable drinking water - the Action will specifically focus on: **i)** Improving evidence-based management of water resources; **ii)** Increasing access to safe and reliable drinking water supply; **iii)** Strengthening capacity to operate, maintain and manage safe efficient and accountable water supply systems at the institutional, community and household levels.

For C 3 - Adequate and equitable sanitation - the Action will specifically focus on: **i)** Increasing demand for improved sanitation and hygiene at communities, schools and health care facilities; **ii)** Improving sanitation and hygiene service delivery at households, schools and health care facilities; **iii)** Consolidating an enabling environment for improved water, sanitation and hygiene.

For C 4 - Strengthening community and household resilience for water, sanitation and hygiene - the Action will focus on the adoption of community WASH safety planning and enforcement of building codes and regulations promulgating environmental protection, to promote the right to water and protect the right to health for all.

A **gender and rights-based approach** will be used to lead community-based initiatives and foster multi-sectoral collaboration to ensure equitable and adequate access and the promotion of participation in planning and monitoring of essential WASH services for all (also people living with disabilities) involving the island councils; Ministry of Education (MoE); Ministry of Health, Ministry of Women, Youth and Social Affairs (MWYSA); as well as local civil

¹Public Expenditure and Financial Accountability (PEFA) assessment, the IMF Public Investment Management Assessment (PIMA) and the Assessment of National Systems (ANS, done by Australia) and the ADB IFMIS report.

society organisations such as faith-based groups, youth associations, traditional leaders and private / business representatives.

1 CONTEXT ANALYSIS

1.1 Context Description

The Republic of Kiribati is situated in the Central Pacific Ocean and made up of 32 atolls and one raised coral island, dispersed over 3.5 million km² in three non-contiguous groups: the Gilberts, Phoenix and Line islands. The population is approximately 114,000 people, of which more than 60% lives on 10 square kilometres of habitable land in the capital South Tarawa (Gilbert group); the remaining population live across 22 outer islands in rural settings. Kiribati is one of the poorest countries in the Pacific with the lowest per capita GDP in the region. About a fifth of the population lives below the basic needs poverty line. Of the total population of Kiribati 51% are women, 47% of the adult women are unemployed and 23% households are headed by women². These statistics mean that women and girls are less likely to have the financial means and technical skills to access basic services and manage related facilities. Women also face an additional challenge in advancing their interest at the political level with only 7% of seats in parliament held by women and at the island level with marginal representation among mayors and clerks.

With its distribution and remoteness, in Kiribati the cost of infrastructure and public service delivery is high. The economy is highly vulnerable to external shocks and dependent on external sources of revenue (foreign aid³) and imported food and fuel. The public sector dominates the economy, providing two-thirds of all formal sector employment. Economic development is constrained by a shortage of skilled workers, weak infrastructure, and remoteness from international markets. Weakness in business climate and financial intermediation also limit economic and job opportunities. With the lowest per capita GDP in the region, about a fifth of the population lives below the basic needs poverty line. According to the World Bank and the IMF, Kiribati is a fragile state (see IMF, Building Fiscal Capacity in Fragile States and World Bank, Harmonized List of Fragile Situations and List FY2018). While Kiribati has no peacekeeping mission or political & peacebuilding missions, it is a country with weak institutional capacity as measured by the World Bank's *Country Policy and Institutional Assessment*, also called CPIA-score.

The country's long-run prospects are further clouded by climate change – the low elevation of the atolls (1.8 meters above sea level on average) makes the population extremely vulnerable. As such, it is at the forefront of climate change impacts. According to a World Bank report, Kiribati's capital of Tarawa—where nearly half the population lives—will be 25-54% inundated in the south and 55-80 per cent in the north by mid-century. This is a major concern since there is massive internal migration towards Tarawa, offering services that isolated islands cannot provide, such as schooling and healthcare.

To address the issue, the Government of Kiribati has identified Kiritimati (Christmas Islands), the biggest island of the country, as a growth centre with plans to develop its economy and resettle people from the over-crowded capital South Tarawa. This strategy relies on the fact that it possesses the greatest habitable land with sufficient elevation to face the risks associated with rising sea levels and on Kiritimati's great potential for fisheries and

² 2017 Kiribati Gender Statistics Abstract.

³ Net Official Development Assistance received 2017: 20.05 % of GNI: <http://data.un.org/CountryProfile.aspx?crName=kiribati>

tourism development. Kiribati's 20-year Vision - 2016-2036 (KV20) proposes potential opportunities for growth and capacity to support a larger population.

To realise the ambition to facilitate the relocation of some Tarawa residents in Kiritimati, a resettlement programme has been launched by the Government in 2016. According to Ministry of Line, Phoenix Islands Development (MLPID) figures, 2,370 new leases were opened up by the Government in 2017. 534 leases have already been awarded and by mid-2019 around 1,836 leases will be awarded. 540 families are expected to arrive in Kiritimati in the next few years (around 3,200 new residents in the Island) and will request access to the main services such as water and sanitation. To support the effort, the MLPID's budget allocation and expenditures have increased between 2017 and 2018, with a specific development budget allocated for 2018.

The Line and Phoenix Island Integrated Development Strategy 2016-2036 (LPIDS) - financed by the European Union and a precondition for the 11th EDF Programming - provides a framework for addressing those challenges and achieving the Sustainable Development Goals (SDGs). This endeavour has to be carried out taking into account available resources and how these could be strategically mobilised for a vibrant economy and a strong community and family life. To move in that direction, two major thematic areas of intervention have been identified: (1) a budget support operation with a State and Resilience Building Contract (SRBC) to strengthen economic governance with a main focus on PFM reforms. It will reinforce the local administration and increase building capacities to develop the entire country; (2) a WASH component targeted to Kiritimati and some activities extended to the Line island group. Its objective will be to improve access to safe water and adequate sanitation in the island.

1) Context of PFM

In Kiribati, Budget Support started in 2012, with the Economic Reform Plan. Since 2016, Kiribati has made significant strides to delivering on the KV20 ambitions with a special focus on accelerating macroeconomic stability and strengthening PFM. World Bank (WB), Asian Development Bank (ADB), Australia (AU) and New Zealand (NZ) are accompanying reforms in these areas in the context of the Economic Reform Taskforce (ERT) and provide coordinated budget support and technical assistance linked to policy reforms agreed under the ERT. The ERT involves the Secretary to Cabinet, Secretary of Finance and representatives from line ministries and development partners. It monitors the budget support, relying on a common policy matrix. EU participates currently as a member in view of the upcoming SRBC. The ERT policy matrix for 2019 has four pillars: i) Improving Public Financial Management; ii) Improving the Management of Public Assets and Liabilities; iii) Improving the Environment for Private Sector-Led Growth and iv) Boosting human capital development. Moreover, it has recurrent actions. The progress at the end of 2018 was presented as a traffic light table at the end of 2018. The policy reform matrix for 2019 was discussed with the Government and agreed upon in January and in May 2019.

The EU Budget Support opens the possibility for an enhanced policy dialogue with the Government and other donors. According to the other donors, in Kiribati, the policy dialogue goes beyond the specific actions in the policy matrix, with an ongoing dialogue on the country's sovereign wealth fund, the *Revenue Equalisation Reserve Fund* (RERF) and public debt issues. On the social sectors, education and health, there is already one action in 2019 on early education and an action on water and sanitation services. As a full member of the ERT,

the EU will in the future make all efforts to keep a water-related action in the matrix, preferably for Kiritimati.

The press release of the IMF Article IV mission of October 2018 mentions progress in fiscal and structural reforms. The Government implemented important reforms to improve the governance and management of the RERF and replenished the fund from excess cash reserves. Risks remain however substantial due to climate change and the volatility of fisheries revenue.

2) Context of water sector - Kiritimati

As an atoll nation, Kiribati faces particularly difficult challenges in securing the right to safe and sustainable drinking water for its citizens, with only 44% of its rural population accessing at least basic drinking water supplies in 2017⁴. Access to water is a challenge mainly in Kiritimati, which it is located in a dry equatorial zone and highly vulnerable to severe drought periods associated with La Niña occurrences, but also exacerbated by climate change: in recent years the country has experienced unusual and extreme drought-like conditions, even during what has traditionally been the rainy season. As a result, and together with the sea rise and reduction of land area, the rainwater catchments have been greatly reduced. The Government and the Kiritimati island community face an ever-increasing challenge to sustainably manage and maintain their water resources and the associated infrastructures. The arrival of new inhabitants will increase the pressure on current groundwater resource. Careful and efficient management of the water is vital for the development of Kiritimati.

For the residents of Kiritimati Island, drinking water supplies are almost completely dependent on a small number of shallow and fragile groundwater aquifers.

In some areas, residents supplement reticulated supply with local groundwater accessed via private wells; however, this source is vulnerable to drought and overuse, and in many cases affected by contamination from human and animal wastes.

Potable groundwater is currently sourced from the island's four major freshwater lenses at: Decca and Four Wells; Banana; and New Zealand Airfield.

Collectively, and if developed and managed effectively, the four major groundwater lenses of Kiritimati Island are estimated to have the potential to support the daily needs of up to 21,000 people. Despite the recent achievements, without further improvements to groundwater abstraction and reticulation, the rapid development of new leases leaves a significantly higher proportion of the population without access to safe and secure drinking water supplies, violating their right to water and harming basic rights to health and in the case of water.

Notwithstanding recent progress, significant challenges remain in the capacity of Government and the Kiritimati Island community to sustainably manage and maintain their water reserves and associated infrastructure. A Sustainable Water Management Plan was prepared in 2016 with EU support and identified a set of priority water management objectives for Kiritimati Island including the need for strengthened human and institutional capacity to effectively manage and maintain the system, highlighting serious capacity needs in leadership, strategic planning, sustainable financing, and in the technical areas of engineering, customer service and awareness, and water resources monitoring.

⁴ UNICEF East Asia and Pacific Regional Office (2017) *A Snapshot of Water and Sanitation in the Pacific 2017 Regional Analysis of UNICEF Programme Countries*. Bangkok: UNICEF.

3) Context in the sanitation and hygiene - Kiritimati

Access to adequate and equitable sanitation and hygiene is critical to the right to health and wellbeing of all i-Kiribati. This is especially true for women and girls. Women, girls people with disabilities have different needs and different priorities with respect to how they use WASH facilities. In particular women and girls require privacy and more time when using the toilet (complicated clothing, menstruation, postpartum, and sometimes they are looking after small children). Women and girls are exposed to risk of violence and assault when they have to travel far for water and/or have to find open spaces in far locations to relieve themselves. During emergencies, these gender specific needs and priorities are intensified with shortage of resources and supply and relocation circumstances (living in communal spaces like the mwaneabas for example). With 62% young women reporting to be unemployed, women and girls bear the burden of having to collect water and are responsible for water related household chores (caring and feeding babies, washing, cleaning and cooking). Poor sanitation, coupled with unsafe water sources and the global climate change realities, increases the risk of water-borne diseases and illnesses due to poor hygiene, which subsequently contributes immensely to Kiribati's disease burden. The total annual economic burden of poor water and sanitation on South Tarawa is estimated to be AUD 3.7–7.3 million (1.4% - 2.7% of GDP) including costs borne by the government and households and the wider economy as a whole⁵. This translates into an annual economic cost of AUD 553–1,083 per household. The study findings are also very relevant to the situation in Kiritimati Island.

Household-level data show large inequalities in water, sanitation and hygiene (WASH) coverage, with higher-income households having access to better facilities. While Kiritimati is not an urban setting, it is densely populated with growing migrating from South Tarawa and other islands.

Despite higher levels of access to toilets compared with other islands of Kiribati – mainly pit latrine (kamkamka), septic (pour flush) connected to septic tanks, and compost toilet⁶ – open defecation is widely practiced on Kiritimati, Teraina and Tabuearan with serious implications on people's health. The Kiritimati⁷ 2015 census estimates that approximately 24% of the population practice open defecation whereas on Teraina and Tabuearan open defecation is still widespread with 70% and 57% respectively. Sanitation on Kiritimati has not adequately been addressed under previous projects⁸ and many problems exist with current facilities and practices and behaviours, especially so as some of the sanitation systems introduced – particularly flush toilet connected to septic tanks - are leading to water wastage, poor maintenance of toilet facilities and possible contamination of groundwater.

An assessment of the current WASH situation in Health Care Facilities, Schools and households in Kiritimati will be finalised before the conclusion of the formulation phase and will be led by UNICEF and MoH in collaboration with MLPID.

⁵Economic costs of inadequate water and sanitation: South Tarawa, Kiribati'. Mandaluyong City, Philippines: Asian Development Bank, 2013.

⁶Source: MHMS 2014-2018 Health Census

⁷ The 2015 census provides sanitation access figures for the Line and Phoenix group according to toilet type with flush toilets connected to septic tanks at government houses (Linnix flush toilet) and other flush toilets regarded as 'basic service'; pour flush considered as 'limited service'; pit latrines (kamkamka) considered as 'not improved' and the use of beach, bush and sea counted as 'open defecation'.

⁸ The EDF10 Kiritimati Island Water Project which only addressed drinking water supply was partly based on the Preparatory Project Technical Assistance provided by the Asian Development Bank that did cover water and sanitation on Kiritimati (4456-KIR: Preparing the Outer Island Growth Centers Project¹

1.2 Policy Framework (Global, EU)

The Action is fully aligned with the 11th EDF NIP. The Action priorities and sector focus are aligned with the *New European Consensus on Development* as they are centred in people (to ensure maximum poverty reduction), planet (to address climate change challenges through sustainable management of water resources) and prosperity (promoting economic development and effective governance).

The Action is aligned with the consensus key priorities: i) sustainable growth and jobs creation; ii) mobility/security/development nexuses; iii) mobilising and using domestic resources. Specifically, the Consensus recognises that universal access to safe drinking water, sanitation and hygiene is a prerequisite for health and well-being, growth and productivity.

The LIPIDS identifies 3 strategic goals that the action aims to contribute to: 1) Sustainable development of the LPI's Economy; 2) Sustainable inclusive Social Development; 3) Sustainable Environment Conservation and Management.

All of them are strictly in line with the above listed 4 key priorities. In particular, the SG1 is in line with the 1st key priority as it focus on the creation of an enabling environment for business development; the SG2 is in line with the 3rd and 4th priorities as it focuses on an in-country effective governance and pro-active engagement of communities in resources allocation; the SG 3 is completely in line with the 2nd key priority as it focuses on an effective management of the biodiversity and urban settlement integrating mitigation and adaptation measures to tackle climate change.

The Action is also aligned with the goals of the Council Resolution '[Water Diplomacy](#)' (2018) that reaffirms the **EU's commitment to the human right to safe drinking water and sanitation**, as components of the right to an adequate standard of living. Furthermore, this Action contributes to the achievement of the EU Gender Action Plan 2016-2020 (GAP II)⁹ including the promotion and participation of women and youth groups in government development priorities and ensures their rights.

In December 2018, the General Assembly concluded the UN's triennial assessment of the list of Least Developed Countries (LDCs). It agreed to postpone its decision on the date of graduation of Kiribati to 2021. Upon graduation from LDC status, Kiribati will lose the EU's Everything-But-Arms (EBA) preferences three years thereafter, and will fall into the ordinary Generalised System of Preference (GSP), which is a less favourable regime unless it accedes to the existing Economic Partnership Agreement (EPA) with PNG, Fiji and Samoa. The GSP would affect Kiribati's exports of primary commodities, which account for over 90% share of merchandise exports. The fishery sector, which accounts for over 50% of Kiribati's exports and holds the most potential for increasing further Kiribati's exports to the EU and generating income for women and youth, will be the most affected.

⁹ GEP II in Thematic priority C on Economic, Social and Cultural Rights – Economic and Social Empowerment, Objective 15 – equal access by women to financial services, productive resources including land, trade and entrepreneurship; and, Objective 16 – equal access and control over clean water, energy, transport infrastructure, and equitable engagement in their management, enjoyed by girls and women. For Thematic priority D on Political and Civil Rights in Objective 17 – equal rights and ability for women to participate in policy and governance processes at all levels; and Objective 20 – equal rights enjoyed by women to participate in and influence decision-making processes on climate and environmental issues.

1.3 Public Policy Analysis of the partner country/region

Kiribati's overarching long-term development framework is the [Kiribati Vision 2020 \(KV20\)](#) covering the period 2016-2036. The vision is to become a wealthy, healthy and peaceful nation with the people at the centre of it. Kiribati wants to fast track and accelerate growth through the maximisation of returns from Kiribati's natural, human and cultural capital. This framework makes explicit reference and contains goals specific to addressing women and girls' equality and empowerment under the governance and the health sections.

Under the KV20, there are the medium-term Kiribati Development Plans (NDP) with four-year cycles, the Ministerial Strategic Plans and the Ministerial Operational Plans. The latter two are at the Ministerial level only. The Ministry of Finance and Economic Development (MFED) will monitor and evaluate development strategies in consultation with key stakeholders. A five-year review of the KV20 will be undertaken to align outcomes, strategies, indicators and targets to reflect current realities.

The [2015-2019 Kiribati Development Plan](#) is the follow-up of the *Comprehensive Development Plan 2012-2015*. These Plans cover also Kiritimati. MFED reviewed the 2015-2019 KDP in 2018 (find it [here](#)).

Specifically, for Line and Phoenix Islands, there is the [Line and Phoenix Islands Integrated Development Strategy 2016-2036 \(LPIDS\)](#). It provides a framework for achieving SDGs, with a view to enhance the available resources in Kiritimati and the way these could be strategically mobilised for a vibrant economy and a strong community and family life

The interventions proposed in this Action are consistent with, and directly supportive of main sector policies in existence or under development, with some explicitly addressing gender equality: i) The [Kiribati National Water Resources Policy](#) (2008) aims to provide a coordinated approach in supplying water to rural, urban and outer island communities, including the protection, conservation and sustainable use of water resources; ii) The [National Sanitation Policy - Effective Sanitation for Healthy Communities, Environments and Sustainable Development](#) (2010) provides a framework for leadership and coordinated action in the provision of technically appropriate, cost-effective and environmentally sustainable sanitation to urban, rural and outer island communities in Kiribati; iii) [The National Gender Equality and Women's Development Policy](#); iv) The [National Approach to Eliminating Sexual and Gender Based Violence](#), comprised of the policy and action plan, aims to prevent gender based violence. The action plan included therein will tackle issues that will promote gender quality and strengthen women's participation in Kiribati. Consequently, this will contribute to women's interests for basic services such as WASH to be prioritized.

1.4 Stakeholder analysis

The main beneficiaries for this action in the longer term will be all people in Kiribati, in view of the reforms in the PFM systems that will allow for better public services, more room for discretionary spending and less corruption and fraud. The people in Kiritimati Island will additionally benefit from the improvements in WASH supply and services.

The main Ministries involved in this action will be the MFED in view of the PFM reforms and the MLPID in view of the PFM reforms and WASH services. The Ministry of Infrastructures and Sustainable Energy (MISE) will also play a key role as it is responsible for the planning, management and coordination of the water sectors for the country.

MFED hosts the EU-National Authorising Officer and is based in Tarawa. In view of its multiple tasks and low number of employees, this Ministry has very limited absorption capacity.

The **MLPID** has the mandate to lead and coordinate in all sustainable developments that are initiated and enhanced for the people and the environment of the Line and Phoenix Group of Islands. It consists of eleven divisions: Administration and Registry, Civil, Construction, Water and Sanitation, Electrical Distribution, Housing, Power Generation, Solar Salt, Information and Technology, Planning, Accounts, and the Linnix Agency in the capital Tarawa.

Apart from the three Ministries, the following institutions will play a role.

The **Public Utilities Board (PUB)** is a statutory authority responsible for provision of power and water for South Tarawa including operation and maintenance of all associated assets. The government approved the transition to Kiritimati by mid-2019.

The Land Management Division, Environment and Conservation Division, **Ministry of Environment, Lands and Agricultural Development (MELAD)** is responsible for land use management and water reserve conservation. Its main office is on Tarawa with an Officer-In-Charge of an office on Kiritimati.

The **Ministry of Women, Youth and Social Affairs (MWYSA)** is the institution that provides the platform to consult and effectively engage women, girls and youth, and ensure collection and monitoring of gender disaggregated data. Successful WASH interventions have to be centred on comprehensive and consultative community-based solutions. Comprehensiveness requires the involvement of women and girls especially because they are the vulnerable groups most dependent on water and safely managed toilets for household responsibilities and, particularly for the health of pregnant mothers and infants. MWYSA's existing community facilitation training can be leveraged to address gender and rights issues and optimize socio-economic benefits for women, girls and children (the most vulnerable groups) in this Action.

The **Kiritimati Urban Council (KUC)** is part of the system of Local Government/Island Councils in Kiribati. It reports to government through the Ministry of Internal Affairs and is a member of the Kiribati Local Government Association (KiLGA). KUC represents the island's community by: helping develop the island; looking into social and economic problems; raising awareness of programmes; rubbish collection; and issuing business, contractor and liquor licences. KUC has 9 council members including the Mayor and representatives for women, police and old men, plus a warden in each village.

The **Kiribati Local Government Association (KiLGA)** is a subsidiary body of the Kiribati Government with membership of 23 Mayors representing their Council in Kiribati. KiLGA is officially registered and is recognized by government as the NGO responsible for providing support to Councils and assisting with good governance in Kiribati. In Kiritimati, KiLGA is the conduit for strategic relationships with faith-based organisations or the churches which

can ensure those national and sub-national policies, as well as the gains of this Action, reach the most vulnerable groups on the hard to reach outer islands. KiLGA can also effectively contribute to strengthened coordination between ministries and CSOs in Kiritimati and South Tarawa.

Kiritimati, Teraina and Tabuearan Residents: Whereas the primary target group for water supply improvements are the people residing at Tabwakea, Banana and Poland, all residents of Kiritimati will be engaged in sanitation with beneficiaries among all sections of the community - particularly children who are most vulnerable to water-borne diseases. Kiribati has both high rates of infant mortality as well as stunting which can in part be attributed to poor WASH conditions, which have a significant detrimental effect on child growth and development resulting from sustained exposure to enteric pathogens mainly in areas with high rates of open defecation¹⁰.

During the inception and implementation phase, the capacity of both duty bearers and rights holders will be properly analysed for an effective use of the rights based approach.

1.5 Problem analysis/priority areas for support

Component 1 – Strengthening the economic dialogue and Public Finance Management reforms for inclusive development

Weaknesses in public finance management: PFM in Kiribati has room for improvement. Kiribati conducted a PEFA self-assessment in 2017 that shows comparable scores in many areas with other countries in the region. It has main weaknesses in public procurement and internal audit. Commendably, the Government endorsed a public procurement reform programme in 2017, which it started implementing. In view of the broad range of PFM priority areas, there is a need for a clear sequencing of the reforms in the short term. As new member to the ERT, the EU can play an active role to work towards a PFM multi-year strategy.

The two pillars *Improving PFM* and *Improving the management of public assets and liabilities of the policy matrix* align with the EU's Budget Support eligibility criterion on PFM reforms. However, since this Action is the first Budget Support programme for Kiribati, the EU should weigh in regarding other actions such as gender equality, provision of services (including e.g. energy) or climate change adaptation in future reviews of the ERT policy matrix. This action intends to support improvements in government services and specific resilience building for Kiritimati Island.

Many accompanying measures are already in place and will be mutually reinforcing. The EU Delegation applies different instruments and mechanisms to assist the Kiribati Government in its state and resilience building efforts, including bilateral and multilateral policy dialogue with the government; bilateral and multilateral aid programmes and close coordination with third-party aid programmes.

Component 2 - Access to safe and sustainable drinking water

Management and protection of fragile water resources: Kiritimati Island's shallow aquifers are lifelines for human habitation, and it is therefore essential that all four groundwater reserves are protected from the impacts of over extraction, pollution and inappropriate land use. To ensure a sustainable supply and to protect the groundwater reserve from damage, water abstraction must be carefully managed and balanced across the reserve

¹⁰WASH strategies need to go beyond the scope of traditional interventions to specifically address exposure pathways in the first 2 years of life when the process of stunting is concentrated. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5084825/>

so that it does not exceed sustainable pumping rates. This requires meaningful and accurate monitoring of the groundwater in order to understand the depth and movement of fresh water - particularly when impacted by long periods of dry weather.

Limited access to safe and reliable drinking water: Less than half of households in this rapidly growing community access reticulated supply, with few of these connected households receiving adequate and reliable supply. A 2015 survey undertaken by SPC revealed that 63% of Tabwakea households relied on domestic wells for supplementary water; however, these are vulnerable to contamination by human and animal wastes and to salinisation in times of drought. Tabwakea, Banana and Poland have all been identified as growth areas and Government has already initiated the process of issuing new domestic and commercial leases. The establishment of safe and reliable water supplies will be critical for the sustainability of these growth areas, and this will require the development of additional galleries and pumping systems at groundwater reserves to cater for increased demand, as well as chlorination facilities, reticulation, connections to new leases and household metering.

Limited capacity to operate, maintain and manage drinking water systems: Notwithstanding significant progress in recent years, serious challenges remain in the capacity of Government and the Kiritimati Island community to sustainably manage and maintain local water supply systems. The Kiritimati Island Sustainable Water Management Plan has identified a set of priority water management objectives for Kiritimati Island consistent with Kiribati's National Water Resources Policy, including the need to: create a more sustainable management and governance system, where operation and maintenance is easily facilitated and prevents the system falling into disrepair in the future; identify how the system can be operated so that the supply of water is fair to all customers; increase access to safe and reliable water supplies; improve understanding, monitoring, management and protection of water resources; increase customer participation in water management and encourage water conservation; decrease unaccounted for water losses; and improve cost recovery.

Component 3 – Access to adequate and equitable sanitation and hygiene

Limited demand for improved sanitation: although the access to basic sanitation (47%) is relatively high in Kiritimati the limited and unimproved services (29%) and the rate of open defecation (24%) still being practised are posing significant risks to the wellbeing and health of the children in Kiritimati¹¹. Despite the availability of alternative sanitation systems (flush toilets with septic tanks, pit toilets) the majority of the Kiritimati population continue to use the bush or the beach. There are no piped sewerage systems, and 'greywater' discharges from kitchen sinks, bathrooms, washing basins and laundry is directed to septic tanks, soak pits or spread onto the ground.

Community-Led Total Sanitation¹² (CLTS) has been used in the Gilbert Group to encourage communities to take ownership of their sanitation challenges. Communities are triggered to take action to improve sanitary conditions, change hygiene behaviours and claim their rights. Community leaders acknowledged that it is not possible to be open defecation free without schools and health care facilities having adequate facilities. Health care workers, teachers, church leaders, students and school committees act as agents of change in their wider communities, promoting better hygiene and sanitation practices.

¹¹The 2015 census provides sanitation access figures for the Line and Phoenix group according to toilet type with flush toilets connected to septic tanks at government houses (Linnix flush toilet) and other flush toilets regarded as 'basic service'; pour flush considered as 'limited service'; pit latrines (kamkamka) considered as 'not improved' and the use of beach, bush and sea counted as 'open defecation'.

¹²See <http://www.communityledtotalsanitation.org/page/clts-approach> for a full explanation of the CLTS approach.

Inadequate sanitation services delivery: Only 3 % of schools in Kiribati have access to improved sanitation and only 2 % to improved water supplies according to government standards¹³ undermining the right to a quality education. The provision of WASH facilities in schools is essential to foster sustained behaviour change and to create a better learning environment. Particularly girls are mostly affected in an adverse way when there is either no toilet or the toilet is not adequate for them to manage their period while in school. A research has shown that girls sometimes miss school because if they have their period, the school has no toilet where they can go and change, or there is no water for them to clean if and as they need¹⁴. Female teachers encounter the same problem and need a safe and private space to manage their period. In Kiribati, most of the teachers are female. Although Health Care Facilities and staff are well established, few have been found with functional water supply, toilets and handwashing stations. Neither patients nor visitors - whether in-patient or out-patient care - can currently access improved sanitation or water facilities on site, undermining the right to health. Kiribati is among the five countries with highest rate of child mortality under the age of 5¹⁵. Inadequate sanitation facilities in healthcare centres increase exposure to diseases to babies being born, pregnant women and mothers seeking care from nurses and doctors.

Future sanitation systems should be flexible enough to accommodate large and variable household sizes, be easily managed and maintained, and be fully owned and accepted by the community rather than externally imposed. The selection of appropriate sanitation systems for Kiritimati involves a number of difficult trade-offs: meeting the aspirations of the people but ensuring that the system is economically feasible; minimizing health risks and protecting the environment; providing a suitable system for wastewater treatment that minimizes use of good quality water; minimizing complexity but maximising efficacy.¹⁶

Ineffective governance framework: The WSD within the MLPID has no immediate regulatory function for sanitation or wastewater and is mainly concerned with plumbing activities for government houses as well as sludge pump out and disposal from septic tanks. No specific standards or guidelines for sanitation exist and this is a major concern mainly for the new settlements for which a water and sanitation permits should be granted. Although new leases require adoption of adequate sanitation at each premise, there are no design standards or inspection ensuring the safety of the environment. Unchecked population growth will continue to give rise to social, environmental and economic problems, including demand for infrastructure and services, orderly land supply, inclusive social structures and sound environmental and natural resource management. As involvement of multiple entities is required to address sanitation and hygiene there is a need for coordinated effort between various ministries with adequate inclusion of local governance and civil society including the private sector and faith based organisations, to ensure vulnerable and hard to reach communities participate in the identification and implementation of the measures to provide access to basic services.

Component 4 – Building community and household resilience for water, sanitation and hygiene

¹³Republic of Kiribati, Ministry of Education, Digest of Education Statistics 2011.

¹⁴ Shifting Norms in Kiribati, UNICEF 2018.

¹⁵ Mortality rate, under-5 (per 1,000) in Kiribati was reported at 54.3 in 2016, according to the World Bank collection of development indicators.

¹⁶Falkland T and White I. (2007). Preparing the Outer Island Growth Centers Project - Phase 2 (Water Supply and Sanitation), Working Paper No 3: Sanitation (prepared for the Government of Kiribati and financed by ADB).

Climate change is bringing major changes to precipitation patterns and rising sea levels and the projections show increase of extreme precipitation with more rain in a shorter period, and extended period of no rain. These changes have the potential to impact on water safety (through salt-water contamination) and water security (through drought). Coupled with the burdens of everyday life (i.e. poverty, unemployment), these problems undermine the realisation of rights of women, men and children by affecting water access. As such, it is fundamental that communities improve the safety, security and sustainability of their drinking water and sanitation systems in relation to long-term changes and immediate shocks.

The concept of **water safety and safely managed** requires that a sufficient quantity of adequate quality water be available to everyone, everywhere within no more than 30 minutes distance, and requires the full service cycle of sanitation management (containment of faecal matter, emptying, transportation, treatment and disposal).

To achieve intended goal and outcomes, communities and households must have the skills and resources to establish, operate and maintain appropriate water and sanitation facilities, while also maintaining safe drinking water and hygiene practices in homes, schools, and health facilities. Drinking water safety and security planning (DWSSP) is proven an effective tool that focuses on community and household level engagement to increase resilience to climate variability and extreme events through strengthening management and operation and maintenance (O&M) rather than focusing on infrastructure provision and reducing risks from multiple hazards.

1.6 Other areas of assessment

1.6.1 *Fundamental values*

Kiribati is a multiparty democracy that holds regular elections and has experienced peaceful transfers of power between competing groups, with the most recent change in executive leadership occurring in 2016. These Parliamentary elections in December 2015 were judged as free and fair. The administration of President Taneti Maamau completed its second year in office in March 2018.

Civil liberties are generally upheld, though outstanding problems include limited media diversity, a ban on same-sex sexual activity, and some forms of gender discrimination. Although press freedom is generally respected, journalists at state-owned outlets have at times been disciplined for coverage that displeases the government. Media diversity is somewhat limited. However, a small number of private news outlets operate freely, and foreign radio services are available.

Gender discrimination is prohibited only as regards employment but limited resources hinder enforcement of this prohibition. The law does not prohibit discrimination on the basis of disability, sexual orientation, gender identity or social status, nevertheless, the country is a party to CEDAW and the CRPD. Homosexuality is criminalised but there were no reports of prosecutions.

Personal social freedoms are largely unrestricted, but citizenship laws favour men over women, for example by allowing fathers but not mothers to confer citizenship on their children. Domestic violence is criminalised but remains a serious and widespread problem despite government efforts to combat it; cultural norms deter formal complaints and police interventions.

The average political risk is estimated to be moderate, composed of moderate risks related to human rights and democracy and low risks related to the rule of law and insecurity and conflict.

1.6.2 Macroeconomic policy

Kiribati's economic fundamentals have strengthened in recent years. Strong fishing revenue improved the fiscal position, strengthened the current account, and boosted business confidence. After registering a double-digit rate in 2015, real GDP growth declined to 5.1% in 2016 but picked up to about 2.3% in 2018 driven by construction and wholesale and retail trade. Inflation has remained subdued in line with the prices of imported goods. With several donor-financed infrastructure projects in the pipeline and fishing revenue projected to remain robust over the medium term, economic prospects are broadly favourable.

The authorities have made commendable progress in structural reforms. State Owned Enterprises (SOEs) have been reduced over the last year by almost half through privatisation and mergers. They have also improved the governance and management of the *Revenue Equalisation Reserve Fund* (RERF) and replenished the fund from the cash reserves. Concrete steps have been taken to address the funding gap of the *Kiribati Provident Fund* (KPF), improve connectivity and transportation services, and enhance access to global climate change financing from the *Green Climate Fund* (GCF). Kiribati's participation in overseas labour mobility schemes also increased, albeit from a low base.

Despite a favourable economic outlook, risks to near-term growth are substantial and skewed to the downside. A change of the climate cycle due to migration of tuna linked to El Niño and La Niña cycles could imply large uncertainties for fishing revenue. Potential global financial market turmoil can feed into the domestic economy through the exposure of the RERF and the KPF. Given Kiribati's high reliance on imported goods, commodity price shocks and exchange rate volatility could swing imports in ways hard to accommodate. Support from development partners is essential to mitigate these downside risks. There are also upside risks to the long-run outlook if the planned infrastructure investment has stronger than expected impact on potential growth.

With the Australian dollar as legal tender, Kiribati has no monetary policy instruments. The real effective exchange rate remained stable in recent years. Kiribati maintains an exchange system free of restrictions on payments and transfers for current international transactions. In view of the volatility of fishing revenues, the IMF press release of October 2018 states that a strengthened fiscal policy framework is needed to safeguard sustainability while ensuring resources are available for long run development. Public debt is only external and amounts to around 30% of GDP. The *Debt Sustainability Analysis* (DSA) of December 2017 indicates that Kiribati remains at a high risk of debt distress despite the improved fiscal positions and economic fundamentals. Safeguarding long run fiscal sustainability requires continued effort to build fiscal buffers, as well as securing grants to finance the country's large infrastructure investment needs.

1.6.3 Public Financial Management (PFM)

With help of the Pacific Financial Technical Assistance Center (PFTAC), the Government of Kiribati undertook a Public Expenditures and Accountability self-assessment in 2017. PFTAC recommended priority actions that could be implemented immediately by the authorities such as: improving the budget document by including data on expenditures from the previous year and publishing on the website the approved budget document and other available fiscal reports, increasing access to information and public accountability. Other reforms that would need high level policy direction were also recommended such as developing a medium-term fiscal strategy (MTFS) and a debt management strategy. The ERT had included a MTFS in its policy matrix as an action, embedded in a Fiscal Strategy, which

the Government has meanwhile produced and published for 2019. The EU received the scores of this PEFA 2017 with short narratives, which show for none of the 31 indicators an A or a B. In this respect, Kiribati is not only the worst scoring country of those Pacific countries that performed a PEFA, but it deteriorated in comparison with the previous PEFA, done in 2009.

The policy matrix of the ERT guides the reforms. This is based on the PEFA, the Australian Assessment of National Systems, the IMF Public Investment Management Assessment and the ADB Integrated Financial Management Information System (IFMIS) report.

To diversify, the Government could phase out the State-Owned Enterprises exemptions of the Value-Added Tax. The IMF underlines the need for addressing weaknesses in tax administration. The policy matrix mentions improvements in the reporting on fisheries revenues. The IMF in its Article IV press release of October 2018 lists as a main priority SOE reforms. A previous policy matrix mentioned the completion of the external audits of the 2016 financial statements and the submission of the 2017 financial statements of the five largest SOEs, which have meanwhile been delivered.

As followed from the PEFA-self-assessment, weaknesses in the IFMIS are a binding constraint to the effective monitoring of the budget in Kiribati, impeding the ability of the Government to ensure that the budget is executed as approved by Parliament. In addition to adjusting or replacing the current IFMIS with aid from ADB, the Government may include related changes in PFM regulations and processes.

With aid from ADB, the Government of Kiribati is implementing the [*Kiribati Public Procurement Reform Plan*](#) (KPPRP) that was endorsed by Cabinet in 2017. In accordance with the first steps of this Plan, the Government has provided a budget allocation for the establishment of the Central Procurement Unit and it is in the process of recruiting staff. Next steps in the implementation of the KPPRP are the reviewing and drafting of new legislation and amending the regulatory framework for procurement processes.

1.6.4 Transparency and oversight of the budget

In November 2018, the Minister of Finance and Economic Development delivered the Budget speech 2019 in Parliament in Tarawa and the Parliament passed the Budget 2019 Investing in Inclusive Development shortly thereafter. It was for the first time that the Government has published a Fiscal Strategy with a medium-term fiscal framework and fiscal targets, instigated by the ERT policy matrix. This Strategy, the Budget Speech and the two Budget documents are available on the website of the Ministry of Finance and Economic Development (MFED) (click [here](#)). Commendably also, Kiribati (as one of the few in the region) reached a major milestone by adopting the Audit Act (click on link) in 2017 that provides increased autonomy for the Office of the Auditor-General.

The MFED has recently updated its website and it publishes now regularly new reports. This was undertaken following an action in the current policy matrix. In 2015, only 13% of the population in Kiribati used internet.

Kiribati lacks comprehensive regulations on public asset disclosure for officials, access to government information, and other transparency matters.

Conclusion on all four general eligibility criteria

Kiribati fulfils the four eligibility criteria needed for commencing a SRBC since (i) it has a credible and relevant national policy that supports the overall objectives of poverty eradication and inequality reduction, sustainable and inclusive growth and job creation, the

consolidation of democracies and peaceful societies, and the promotion of gender equality (ii) there is macroeconomic stability (iii) there is a credible and relevant programme to improve public financial management (iv) the government has published the executive's proposal within the current budget cycle.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Non-sustainability of government WASH services, capacities and cost recovery Insufficient resources are available for sustained WASH improvements in communities, schools and health care facilities.	H	GoK prioritizes reform process for WASH services including through provision of adequate financing, staffing and support for implementation of the Kiritimati Water and Sanitation Management and Asset Management Plans and the National Water and Sanitation Policies and Implementation Plans.
Macroeconomic Strong vulnerabilities due to aid-dependency, security and potential external shocks. Decline in inflows to the budget of donor funding or fishing revenues due to climate change and the need to finance development projects leading to lower public spending, lower growth and/or increased unemployment.	H	Strengthen policy implementation to maintain macro stability, speed up structural reform, and improve economic governance, including stronger legislative, institutional, and regulatory frameworks, and law enforcement – with the support of EU SRBC, ADB, Australia, IMF, New Zealand and WB.
Fiscal Policy Weak fiscal policy implementation, particularly setbacks in revenue mobilisation efforts and weaknesses in expenditure and high government wage bills that squeeze discretionary spending.	H	Improve tax compliance, spending prioritisation, and coordination between the treasury and budget departments.
Corruption / Fraud Official corruption and abuse are serious problems. This does not concern so much large-scale corruption, as petty graft and nepotism in public appointments.	H	President Maamau's administration has pledged to fight corruption, launching a national anticorruption strategy in September 2017. Progress in this field is presented at donor meetings. The strategy must be implemented.
Public Finance Management PFM risks have overall been reduced through significant international support. However, weak institutional capacity persists in line ministries and at sub-national level.	H	The policy matrix done by the Economic Reform Taskforce presents a credible realistic policy with a high degree of government ownership of the reform process. Ambitions must be increased in the course of time.
Poor servicing Kiritimati While the Budget Support to Kiritimati Island will promote the channelling of funds to this Island, the distribution of the funds towards the most vulnerable ones will be a new action for the local authorities.	M	The policy dialogue and regular visits to Kiritimati to discuss with local authorities will help in correcting the situation, if need be. Transparency and accountability of these funds will be requested.
Insufficient Asset management Maintenance of the water supply infrastructure and sanitation facilities leading to disrepair and non-functionality.	H	Capacity building of WSD staff and Government allocating sufficient budget for maintenance and staffing combined with strengthened WSD and/or the involvement of the PUB at MLPID. Policy dialogue to ensure

Risks	Risk level (H/M/L)	Mitigating measures
		that the asset management plan is implemented
Staff availability Competing demands on key personnel impacts their capacity, capability, availability and commitment to support implementation.	H	Capacity assessment and development plans undertaken that feeds into a high level of engagement with all stakeholders and good planning.
Community engagement Continued open defecation due to outer island open defecation practices hamper efforts to achieving open defecation free zones and villages.	H	Political and churches leaders, UNIMWANE, Council will for change generated and core technical group established for triggering at scale and consideration to influencing behaviour on outer islands.
Behaviour change WASH facilities are not used due to challenges around changing strong social norms and continuation of open defecation and lack of handwashing.	M	Behaviour change is prioritised early on and handwashing campaign will be leveraged in schools and HCFs.
Remoteness Delays associated with non-availability of parts and materials and no-reliability of shipping options.	M	Develop a procurement plan and ensure spare parts are available.
Resistance of population for tariff in water and sanitation	M	Develop an IEC (Information, Education, Communication) Plan and CE (Community Engagement) Plan to ensure communities' support and ownership.
Assumptions		
<ul style="list-style-type: none"> GoK remains committed to the development of Kiritimati and the implementation of the LPIDS and attracts sufficient private sector and donor interest to achieve its goals. New leases being timely and equitably issued through adequate planning and licensing with enforcement of conditional provisions. 		

Additional risks

It is already a challenge for the Government of Kiribati and the EU along with other donors to set feasible times for a regular policy dialogue. This challenge will remain and include more explicitly the local Government of Kiritimati Island. In view of the distance and the poor means of communication and limited capacity at the Government of Kiribati, also the required inputs for tranche releases will be a heavy load at the start of this programme, though expected to diminish in the course of time.

Most of the expenditures from the Government are salaries and wages, and subsidies. The Government of Kiribati is participating in the Development Budget, thanks to its Development Fund. However there is an institutional capacity risk, arising from the extreme thin capacity of public sector to implement the reform program and sustain it over the time. For now, the Government does not have enough human resources available. Project-level engagements can assist in identifying key priorities and quickly respond to the needs on the ground.

3 LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

During last years, an increasing share of overseas development assistance has been provided on budget. The ADB and the WB provide mainly grants since Kiribati is a Least Developed Country with a high risk of debt distress. ADB provided loans in the past that are still ongoing.

The [MFED Budget 2018](#) *No one left behind* shows that Kiribati projected to receive in 2018 around AUD 36 million from WB and also from ADB, AUD 27 million from Australia, AUD 16 million from New Zealand, AUD 23 million from Japan and AUD 21 million from Taiwan. See also the table below.

Most development partners active in Kiribati have concentrated their assistance on South Tarawa. A main lesson learnt from the ongoing project approaches is that the Government is open to donor dialogues and that there is a high need for PFM reforms to bring Kiribati up to the standards of the region.

Overview donor spending in Kiribati in Budget 2018 (in Australian dollar)

	Recurrent	Development	Field <i>inter alia</i>
ADB	3,276,227	33,366,906	Direct budget support, loans on energy and infrastructure
Australia	500,000	26,614,855	Direct Budget Support Scholarships, seasonal workers' superannuation
EU		21,903,010	Fisheries, TCF, Water & Sanitation, Energy
Japan		23,897,954	Fisheries, health, sanitation, solar energy
New Zealand	2,500,000	14,195,382	Direct Budget Support, study awards, health, waste management, fisheries
Taiwan	1,000,000	20,053,043	Small communities, island councils (with Ministry of Internal Affairs)
World Bank	6,552,453	30,187,814	Direct Budget Support, oceanscap, aviation, connectivity
Other donors		9,369,736	
<i>Total donors</i>	<i>13,828,680</i>	<i>179,588,700</i>	
<i>Total budget</i>	<i>187,277,979</i>	<i>244,133,787</i>	

Source: Delegation's calculations on the basis of the Budget 2018

Kiritimati received 15% of the development budget. Main donors on this island are the EU, New Zealand, Taiwan and Japan.

In 2019, the ADB will not provide Budget Support since, with regards to Kiribati, it only disburses each second year. The ADB wants however to remain part of the ERT and continues its support to the Ministry of Finance and Economic Development on procurement. Specifically for the WASH sector in Kiritimati, precedent interventions failed for a number of reasons: no capital maintenance and serviceability for past capital investments, very low human resource capacities, limited revenue, unpredictable government allocations, high rates of open defecation impacting on vulnerable groundwater reserves, low community purchasing power, absence of economy of scale and a lack of private sector engagement because of the remoteness of the Island and no clear strategy for its development.

Lessons from the Kiritimati Water Project (2 ROM reports available and a final evaluation on-going) importantly include overcoming challenges of implementing projects in remote locations given significant constraints in terms of accessibility and availability of materials and technical support services.

The long-term uptake and sustainability of largely supply-driven hardware and technology-oriented interventions has been poor throughout the world. Experience has shown in Kiribati that simply building toilets and installing taps does not necessarily improve sanitation practises, usually because there is no ownership and no incentives for communities to change behaviour or to invest in ongoing repairs and maintenance. Entrenched practices, such as open defecation require bottom-up, long-term and programmatic approaches that lead to systemic social behaviour change. This was the philosophy used to design and implement Kiribati' WASH in Schools programme which has proved to be successful.

In addition, experiences from the Gilbert group provides guidance with community mobilisation, water resources assessment and WASH infrastructure design and implementation approaches to be replicated to Kiritimati using nationally adopted guidelines (water resources assessments), toolkits (rainwater harvesting and WASH Safety Planning), handbooks (community-led total sanitation), design criteria (community infrastructure), risk management planning (menu of options), and awareness and advocacy (national behaviour change campaign and WASH curriculum).

Lack of coordination among donors and development partners can also have adverse impact on success of WASH interventions. The implementing partners will be chosen paying special attention to their experience in the country and level of engagement with national and international counterparts. KILGA have a key role to play to link to outer island mayors, council members and government officials who are key to sustained WASH improvements at local communities' level, schools and health care facilities (Medical Assistant, Island Education Coordinator, Water Technicians, Island Project Officers, etc.).¹⁷

3.2 Complementarity, synergy and donor coordination

The proposed Action is fully aligned with the Government and donors priorities reflected in the Policy Matrix. The EU will provide additional support for the implementation of the main actions related to the PFM reforms and – in close collaboration with the MFED - will identify new specific policy actions in order to ensure appropriate service delivery in Kiritimati Island such as cleaner and reliable energy to ensure long term sustainability if EU previous investments in the island.

The EU is also present on Kiritimati Island via the EUR 4.8 million *Improving Drinking Water Supply in Kiritimati Island* (2 ROM reports available and a final evaluation report) ;

The on-going projects and the new Action have been identified and implemented in close collaboration with other donors and implementing partners and in a spirit of complementarity. The donor coordination is a main priority and regular dialogue exists amongst major development partners including i) Japan – active in Kiritimati through the *Grass-roots Human Security Grant Project* providing mainly small grants to The Kiritimati Urban Council aiming at improve health and education facilities; ii) UNICEF – key player in support line Ministries in WASH sectors –; iii) New Zealand and Australia – active mainly in Education, health, WASH and waste management in Gilbert island; iv) WB, ADB and UNDP

¹⁷Conducted by the International Water Centre, based in Australia.

– key players in a number of sectors and in supporting the government to access climate finance¹⁸.

The new action will also benefit from the review of the Integrated Land Use Planning finalized during the first quarter 2019.

In addition, the project will benefit from the achievement and look for synergies of the on-going regional project mainly the *Pacific Partnership to End Violence against Women and Girls programme (Pacific Partnership)* as Kiribati is one of the focus countries.

The new Action will work closely with the Island Councils, existing registered youth groups, registered local communities groups, registered Church groups, and other local NGOs, the Ministry of Health who are responsible for sanitation and hygiene and with the Ministry of Education responsible for WASH facilities and practices at schools. The Kiribati WASH in Schools programme led to adoptions of a comprehensive WASH in Schools policy, national steering committee, education toolkits and curriculum complementing ongoing education-sector supported by Australia and New Zealand.

4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

The **overall objective** of the Action is *supporting Kiribati in building a greater socio-economic and climate resilience*. This compliments the vision of LPIDS in promoting a safe and healthy environment resilient to climate change and creating an enabling environment for sustainable development. The **specific objective** is *improving use of services and goods provided by the public sector with a special focus on water and sanitation in Kiritimati*.

Four main area of intervention – Components - are identified:

- C1) Strengthened economic dialogue and PFM reforms (State and Resilience Building Contract - SRBC) for an inclusive development
- C2) Enhanced access to safe and sustainable drinking water (Contribution agreement)
- C3) Improved Access to adequate and equitable sanitation and hygiene (Contribution agreement)
- C4) Strengthened community and household resilience for water, sanitation and hygiene. (Contribution agreement)

The Action's induced outputs are:

- **R1)** More effective and accountable public institutions
- **R2)** More effective service delivery provided by the public sector, with a special focus on WASH in Kiritimati.

The following direct outputs of the intervention are identified:

Under results 1:

- **DO 1** – Policy dialogue and capacity building activities better coordinated and more conducive for implementation of government strategies

¹⁸ Project under preparation: Coastal Protection (Soft Option) - UNDP in the lead for a submission to the Greene climate Fund (\$ 20 M); South Tarawa Water Supply – the lead for submission to the GCF (\$71.8 M); Outer Island Water Supply – SPREP in the lead for submission to the Adaptation Fund (\$ 2 M); Scaling-up Renewable Energy Programme – Preparation of an investment plan (\$0.3 M).

- DO 2 – External assistance better harmonized and aligned to government policy and systems.
- DO 3 - Reduced transaction costs of providing aid

Under Results 2 - 4

- DO 4 - Increased access to safe and reliable drinking water supply
- DO 5 - Strengthened capacity for evidence-based management, operation and maintenance for a safe and efficient water supply systems
- DO6 - Raised awareness of good water, sanitation and hygiene practices in communities and at schools and health care facilities
- DO7 - Improved sanitation and hygiene service delivery at households, schools and health care facilities
- DO8 - Strengthened community and household resilience in the field of WASH, safety, construction and environment

For C1 Strengthening PFM - The **SRBC** will focus on PFM reforms in those areas that have been defined as the weakest in the most recent assessments. It will provide the EU with the opportunity to actively participate in the ERT platform for policy dialogue about those PFM reforms and macroeconomic policies at the state level.

- The main indicative activities, as defined by the Budget Support Guidelines of 2017 and envisaged by the SRBC include policy dialogue with the Kiribati Government in coordination with development partners, financial transfers, performance assessments in relation to the general conditions, and coordination with ongoing projects in Kiritimati and complementary measures financed under the Technical Cooperation Facility in support of the SRBC objectives in reducing associated risks.
- The SRBC aims to trigger a more performance oriented public services, particularly in the energy sector, for Kiritimati Island and countrywide strengthened PFM systems, improved PFM transparency and oversight. These outputs concur in creating the enabling conditions for Small- and Medium-Sized Enterprises (SMEs) development and to create jobs and professional opportunities for citizens of Kiritimati Island.

For C2 - Access to safe and sustainable drinking water, the action will:

- i) Improve the evidence-based management of water resources, through strengthened monitoring and assessment and the application of scientific knowledge to the sustainable management, optimal use and protection of all four of the island's major groundwater reserves. *Indicative activities include:* the establishment of a sustainable monitoring and assessment programme for galleries and boreholes and support through on-the-job training; the design and implementation of a programme for efficient water use; the development and implementation of methodologies, plans and protocols to improve water security
- ii) Increase access to safe and reliable drinking water supply, through the design and construction of appropriate and resilient facilities. *Indicative activities include:* the construction of major water resource abstraction facilities, the rehabilitation and construction of galleries; installation additional solar pumps; establishment of water reticulation system;
- iii) Strengthen capacity to operate, maintain and manage safe and efficient water supply systems at the institutional, community and household levels, through targeted support to the implementation of the Kiritimati Island Sustainable Water Management Plan. *Indicative activities include:* institutional analysis of water supply functions; review of the role of private sector in service delivery; support for improved management of water supply

operations; training of locally based technical resources; implementation of programmes to increase awareness of water security issues and affect behavioural change.

For C 3 - Access to adequate and equitable sanitation - the action will:

i) Generate demand for improved water, sanitation and hygiene behaviour in communities and at schools and health care facilities through engaging communities on sanitation and hygiene triggering and action planning. *Indicative activities include:* develop a gender sanitation and hygiene action plan, a communication for development strategy, organize training of trainers to initiate sanitation triggering processes in schools and villages, support WASH in Schools.

ii) Improve sanitation and hygiene service delivery at households through a comprehensive assessment of sanitation improvement options, provision of household subsidy schemes for the promotion of best practices, provision of technical assistance for WASH in primary and secondary schools and Health Care Facilities. *Indicative activities include:* development of a menu of options, on-site sanitation feasibility study and trials, initiation of WASH improvements, establish community sanitation investments.

iii) Support the enabling environment for improved sanitation and hygiene with MoH, MoE, MLPID and local councils including fostering leadership and strengthening coordination, management, sector financing, budgeting and planning, capacity building, monitoring and regulation. *Indicative activities include:* develop a financing strategy and tariff study for sanitation services and establish adequate regulations and legislation through by-laws.

A Menstrual Hygiene Management (MHM) component will be incorporated in the approach to access sanitation.

For C 4 - Community and household resilience - the Action will focus on risk mapping of schools and communities, the adoption of community WASH safety planning, updating and enforcement of building codes and regulations promulgating environmental protection. High involvement of CSO and Island and Urban Councils will be promoted through MWYSA and KiLGA. Indicative activities include: disaggregation of all project data by age group, disabilities and gender; mapping of inequities and vulnerabilities on Kiritimati and other Line islands, including climate vulnerabilities with special attention at gender level; developing a WASH gender action plan; establishing a WASH sector stakeholder group; mainstreaming climate and disaster risk resilience approaches through development of WASH Safety Plans; preparation of a Faecal Sludge Management Plan with duty bearers and Environmental Impact Assessments especially for the safe disposal of faecal sludge.

More details for the Indicative Activities are included in Appendix n. 1.

4.2 Intervention Logic

The Action follows a clear intervention logic, which will enable Kiribati in building a greater socio-economic resilience, protecting rights, while developing sustainable and inclusive growth. This will be facilitated through specific support in the 4 areas identified (components). The key interventions in pursuit of the higher objective aim:

- Under C1 Strengthening PFM: to promote a sound governance framework with a specific focus on economic reforms, service delivery improvements and policy dialogue;
- Under C2 Access to safe and sustainable drinking water and C 3 - Access to adequate and equitable sanitation: to establish complementary infrastructures with a specific focus on the WASH sector;

- Under C 4 - Community and household resilience: to strengthen community resilience to strategically support environmentally and socio-economic development with a specific focus on CSO, communities' participation.

The EU supported activities – through Budget support and project approach - will contribute to improve national ownership and enhance engagement of all actors. Focused on the PFM reforms and WASH sectors, the EU supported efforts will lead to improving access to and use of services and goods provided by the public sector inclusive of communities (women and youth groups) participation in government development priorities. These efforts will also strengthen the governance structure at the national and local levels and build partnerships.

4.3 Mainstreaming

EU interventions in all development sectors consider the specific context of vulnerability and remoteness in Kiribati and especially in Kiritimati Island, affected by climate change. Mainstreaming cross-cutting issues such as equality, gender, environment, climate change and disaster risk resilience will be key pillars of the Action.

Specifically **for climate change adaptation**, not only the policy dialogue, but also the national Budget will be requested to report on funding and policy actions that relate to climate change adaptation, first and foremost for Kiritimati. See also the logframe attached.

Gender is a key priority of the EU and the wider international community in its policy dialogue and engagement with the Kiribati Government. The government's development strategy will be judged to a large degree on how it mainstreamed gender in government activities in addition to dedicated strategies. The assessment of the SRBC eligibility criteria will be informed by deliverables within the EU – Kiribati Human Rights Dialogue, progress in implementing UNSCR 1325 and the elimination of violence against women and girls.

In addition, the existing policy dialogue mechanisms and frameworks to which this SRBC will be contributing and which will inform disbursement decisions include democratic principles, human rights, sustainable and equitable growth, fight against corruption and enabling conditions to stem migration.

The project will need to include outer islands and work closely with all sectors of the community such as the local chiefs, churches, local councils, youth and women's groups etc. to address equity issues.

Recognizing the need to enhance women's participation in training and decision-making, the **available Gender Action Plan (developed by regional partners), gender checklist and recommendations for monitoring and evaluation of gender-sensitive approaches in WASH should be used from the outset of the Action¹⁹.**

A number of analysis and tools already exist for Kiribati and the Pacific Region: these will be used to ensure effective mainstreaming of gender and RBA perspective into the action:

- Stocktake of the gender mainstreaming capacity of Kiribati
- Pacific gender and climate toolkit – specific modules on WASH
- UNICEF Gender Action Plan 2018 – 2021

More specifically:

¹⁹ The gender assessment was undertaken under the EU funded project KIRIWATSAN I – Kiribati Water and sanitation Phase I and has been used for on-going and future projects in the WASH sector around Kiribati and in the Region.

Environmental Sustainability: The Action seeks to improve the environment by improving WASH that impacts water quality and could trigger land degradation. These will be achieved through improving WASH practices. Any construction works will strictly adhere to local environmental regulations with none of the actions foreseen likely to impact negatively on the environment.

Gender Equality: improvements in accessing basic services in remote households will have a positive net impact on the community, particularly on the lives of women, youth and children. Women make up more than half of the population in Kiribati and are highest among the unemployment group; they remain at home and depend the most on water and sanitation facilities. With improved WASH facilities, education and training, they will be placed at an advantage when it comes to meeting their basic needs and the needs of their children.

Women play a vital role in the WASH sector. Women are the primary managers of domestic water and promoters of home and community-based sanitation activities, waste disposal and environmental management. The role of women in traditional i-Kiribati culture is one of primary caregiver and household level decision maker. However, community level decision-making is largely the domain of men within i-Kiribati society, which is evidenced by the very low number of women in politics. The project will work closely with women and churches as they are the key conduit for education and awareness activities at the household level.

Women's role in decision-making is limited with only 7% of seats in parliaments (or 3 out of 46 votes) are held by women. This is similar at the island level governance with limited women as mayors and clerks. The Action will make an impact by ensuring that resources are set aside to train women on operations and maintenance as well as on basic decision-making skills. There will also be men targeted trainings to help men and boys understand and acquire skills to engage women and allow women to take part in decision-making. Trainings and monitoring visits in particular will be scheduled and planned to get adequate women in participation (for example, scheduling training when women are likely not to be busy cooking or caring for children, scheduling sex segregated focus group discussion to ensure their interests are promoted before design and construction of facilities). Resources will also be spent to ensure that toilets have necessary features to meet the needs of women and girls for more space, for sanitary bins and for locks. Communication and advocacy materials will be translated to take into account the fact that many women are not well educated and therefore need to have education in their local language. Women and girls championed will be featured in communication materials to promote empowerment.

The inclusiveness of CSOs and community organisations, in particular women's and youth groups with a focus on strengthening their participation in the development priorities of government, representation in decision-making and dedication to women and youth will enhance equal participation of community members in order for these concerns to be reflected both in terms of policy priorities at national or state level, but also in the design of this action.

Good Governance and Human Rights: These two critical elements will have an important place in the policy dialogue agenda initiated by the SRBC.

Economic and Financial: The Action will improve the PFM reforms that will strengthen future partnerships with other development partners to support government development priorities.

4. 4 Contribution to SDGs

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of SDG(s) n. *1 Ending poverty in all its forms everywhere*, *6 Clean Water and Sanitation*, *7 3. Good health and wellbeing* *5. Gender equality* and *11. Sustainable Cities and Communities*; *13. Climate Change*, *16. Peace, justice and strong institutions*.

Importantly, the action will assist Kiribati efforts in monitoring, reporting, and achieving several of the Pacific Headline Indicators agreed by Pacific Island Forum Leaders in 2017, including:

- SDG 6.1: by 2030, achieve universal and equitable access to safe and affordable drinking water for all;
- SDG 6.2: by 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations;
- SDG 6.3: by 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally;
- SDG 6.4 substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
- SDG 6.5 implement integrated water resources management at all levels
- SDG 6.6 protect and restore water-related ecosystems
- SDG 6.A expand international cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies
- SDG 6.B Support and strengthen the participation of local communities in improving water and sanitation management

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

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

5.3 Implementation of the budget support component - C1) Strengthened economic dialogue and PFM reforms (State and Resilience Building Contract - SRBC) for an inclusive development

5.3.1 *Rationale for the amounts allocated to budget support*

The amount allocated for the budget support component is EUR 7 500 000, and for complementary support is EUR 500 000. This amount is based on the financing needs in the discretionary component of the national budget and the absorption capacity of the public administration.

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 ERT policy matrix and continued credibility and relevance thereof;
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances
- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and, in the near future, continued relevance and credibility of the reform programme ;
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive and sound budgetary information;

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

5.3.3 *Budget support details*

There will be only fixed tranches, distributed over three years.

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

5.4 Implementation modalities for an action under project modality and for complementary support to budget support

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures²⁰.

²⁰ See *the sanctions map*. Please note that this is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

5.4.1 Grants – n/a

5.4.2 Prize(s) (direct management)- n/a

5.4.3 Procurement (direct management)

Complementary support through the provision of technical assistance - to ensure proper implementation of the SRBC (Component 1) will be fundamental. This will complete the Technical Cooperation Facility Support.

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical assistance (TA)	Services	2	Q3 2020
Evaluation (midterm and final) and audit	Services	5	Mid term evaluation : Q1 2022 Final evaluation: Q1 2025 Audit: Q2 2025

5.4.4 Indirect management with international organisation

A part of this action may be implemented in indirect management with pillar assessed organisations as the Government of Kiribati has not the capacities to deliver highly specialised technical solutions in Kiritimati and need assistance to put in place the adequate institutional framework and effective behaviour changes to ensure long-term access to basic service for the people on the Line islands. The EU will partner up with organisations highly specialised in strengthening water resilience both at governance/institutional level than at technical level, in promoting behaviour changes and proposing technical solution for sanitation regulations and investments. The implementing partner(s) shall demonstrate strong expertise in the water and sanitation sectors in the Region and in the Country, a good knowledge of the local context and good collaboration with multiple stakeholders (MISE, MLPID, MoH, MoE, Island Councils and CSOs) in Tarawa and Kiribati to ensure a smooth implementation.

This implementation will entail the signature of a Multi-partner Contribution Agreement or of two separate Contribution Agreements for the implementation of the activities under Component n. 2, 3 and 4. In case of the signature of two separate agreements, the Delegation will ensure that the Action will be implemented as a whole and that the complementarity between the partners will remain strong for the whole duration. During the negotiation of the Agreement(s), the Delegation will pay special attention to clearly define a collaborative framework between the implementing partners ensuring the involvement of the key implementing partners (mainly line ministries in Kiritimati and Tarawa).

The envisaged entities will be selected using the following criteria: (i) specific mandate and technical regional expertise in the WASH sector; (ii) good knowledge of the Kiribati context

and of the major challenges for an atoll nation in the WASH sector; (iii) good networking and previous expertise in working with local stakeholders both in the Capital and the outer islands.

As part of the budget implementation tasks, the Organisations will select and contract other entities – mainly Civil Society Organisations – that will join later to implement ad-hoc activities to ensure proper community engagement as clearly mentioned in the NIP. The pillar-assessed organisations will be responsible to manage approximately EUR 300 000 allocation to support CSOs. The target will be the organisations able to support the development plan associated to this Action. Faith based groups and the island councils' associations are recognized for their active role and could play an instrumental role in encouraging ownership and behaviour change.

5.4.5 *Indirect management with regional organisation – n/a*

5.4.6 *Contribution to regional blending facility – n/a*

5.4.7 *Changes from indirect to direct management mode due to exceptional circumstances – n/a*

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

Objective/Results and Funding Modality	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
C1 - Strengthened economic dialogue and PFM reforms for an inclusive development	8 000 000	
<i>Budget support (cf section 5.3) – SRBC (C 1)</i>	<i>7 500 000</i>	<i>N.A.</i>
<i>Complementary support to Budget support– TA Service contract – (cf section 5.4.3)</i>	<i>500 000</i>	<i>N.A.</i>
C2 - Access to safe and sustainable drinking water C 3 - Access to adequate and equitable sanitation C 4 - Community and household resilience	12 450 000	
<i>Indirect management with international organisation</i>	<i>Indicatively divided as</i>	<i>N.A.</i>

<i>and a regional organisation (cf. section 5.4.4)</i>	<i>follows:</i> <i>C2 : 6 200 000</i> <i>C3 /C4 : 6 250 000</i>	
<i>Communication and visibility (cf. section 5.11)</i>	<i>Embedded within complementary support and the contribution agreement(s)</i>	<i>N.A.</i>
Evaluation and Audit	350 000	
<i>Evaluation, (cf. section 5.9) and Audit/Expenditure verification (cf. section 5.10)</i> <i>Evaluation and audit services may be contracted under a framework contract</i>	<i>350 000</i>	<i>N.A.</i>
Totals	20 800 000	

5.7 Organisational set-up and responsibilities

The contracting authority for the project shall be the Delegation of the European Commission for the Pacific.

For the SRBC, the National authorities, namely the MFED, MISE and MLPID shall be responsible for the implementation of the programme. The monitoring by the EU and the NAO will be through government led sector coordination and through government/donor meeting, based on country reports and monitoring and evaluation systems, in line with Aid Effectiveness agenda. For the project modality, the overall responsibility for activities implementation lies with selected pillar assessed organisation. A programme steering committee will be established to overarch the implementation of the programme.

The steering committee will meet at least once a year, or more if required. The main role of the steering committee is to provide strategic guidance and oversight and to advise on the delivery of the programme activities. A Programme Implementation Unit could be created if the need is confirmed during the formulation. It will be responsible for coordination, the preparation of the agenda, all meeting documents and official minutes. Wherever possible the annual steering committee meetings will be combined with training activities and /or lesson learnt and reflection activities/launches of activities, other regional-national programme steering committee meetings.

The day-to-day delivery and coordination will be the responsibility of each of the implementing partners and will be further detailed in the specific agreements.

Previous to the signature of the specific agreements or during the inception phase – indicatively first 6 months of implementation - the implementing partners will carry on the necessary studies and data collection to streamline the intervention logic framework with baseline and targets. A baseline survey and a final data collection will be part of the specific agreements to ensure a proper evaluation and monitoring system.

5.8 Performance and Results monitoring and reporting

PFM sector meetings (in the framework of the ERT), WASH sector meetings will be held at regularly with the European Union invited as a member.

All sector implementing agencies, (in particular the MFED, MLPID, MISE, PUB, MELA, MoH, MWYSA), development partners supporting the sectors will be invited to attend. The Sector Meetings will provide updated implementation reports and review of progress made in the sector and progress in relation to the targets set for the variable tranches for the previous financial year and other recent available data. Another reporting opportunity will be at the bi-annual Partners development Forum, the next one is foreseen in June 2020.

The ERT provides the structure supporting the monitoring and evaluation of the proposed operation. Progress against actions and outcomes will be collaboratively tracked, and any necessary remedial actions identified and executed jointly by the members of the ERT. Monitoring and evaluation will be supported by the data provided by relevant government ministries and agencies, donors, and those available from publicly available sources. As far as possible, results indicators rely on data that would be produced anyway or, where it does not, technical assistance has been committed to support the GoK to measure the required indicator.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the Intervention logic table matrix (for project modality) or the partner's strategy, policy or reform action plan list (for budget support).

SDGs indicators and, if applicable, any jointly agreed indicators as for instance per Joint Programming document should be taken into account.

For project approach: The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation

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

5.9 Evaluation

Having regard to the importance of the action, mid-term and final evaluations will be carried out for this action and its components via independent consultants or through a joint mission and contracted by the Commission. The evaluation exercises both mid-term and final will especially look at the impact of improved WASH facilities, increased awareness and capacity building training on women and girls. Specific questions and activities will be designed to

capture the experiences of women and girls. The composition of the evaluation teams will include women.

A mid-term evaluation is foreseen will be carried out for problem solving, learning purposes, in particular with respect to the SRBC and to assess improvement in PFM delivery through a budget support operation.

A final evaluation is foreseen and will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the EC has the ambition to move to a full budget support for the next cycle of cooperation with Kiribati.

For budget support: the evaluation of this action may be performed individually or through a joint strategic evaluation of budget support operations carried out with the partner country, other budget support providers and relevant stakeholders.

The Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

The Commission shall inform the implementing partner at least 2 months 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.

Evaluation services may be contracted under a framework contract.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, involve the Supreme Audit Institution of Kiribati and contract independent audits or expenditure verification assignments for one or several contracts or agreements.

It is foreseen that audit services may be contracted under a framework contract.

5.11 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. 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 embedded under the service contracts and the Contribution agreement.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

The communication and visibility activities will be embedded within complementary support and the contribution agreement(s).

6 ONLY FOR PROJECT MODALITY PRE-CONDITIONS

n/a

APPENDIX – INTERVENTION LOGIC TABLE

	Results chain	Indicators (max. 15)	Baselines 2018	Targets by the end of the budget support contract (2022) and the Contribution agreement for intervention in the WASH sector	Sources of data
Expected impact of the policy (Overall)	Kiribati experiences greater socio-economic and climate resilience	1. GDP per capita (USD)** EURF L1 I3 2.HDI 3. Climate risk index	1. USD 1.770 2. 134 position 3. 116 score	1. USD 2.100 2. 130 position 3. 115 score	1. IMF World Economic Indicators 2. UNDP 3. Germanwatch
Expected outcomes of the policy (Specific objective(s))	1. Improved use of services and goods provided by the public sector with a special focus on WASH in Kiritimati Island	1.1 % of population with access to basic or safely managed drinking water services (disaggregated by sex, age, disabilities) ** 1.2 % of population with access to basic or safely managed sanitation facilities (disaggregated by sex, age, disabilities) ** 1.3 % of population following hand washing and hygiene practices (disaggregated by sex, age, disabilities) **	1.1 50% of pop. have access to safe water 1.2 47% 1.3 Data non available will be confirmed at the inception when field survey will be conducted	1.1. 80% 1.2 75% 1.3 tbc	R1.1 , 1.2, 1.3 : UNICEF surveys / country fiche Ministry of Health statistics Ministry of Education statistics Projects documents MLPID activities reports

Induced outputs	R1.1 - More effective and accountable public institutions	R1.1.1 Status of the PFM systems	1.1.1 19Ds and 12Cs (2017 PEFA)	At least 10 Bs or As in 2023	R1.1: Partner's strategy/policy and reporting Project reports Policy dialogue outcomes PEFA assessment KDP / KV20 Mid-term evaluations R2.1.1 Government Budget documents R2.1.2 – R.2.1.4: Projects reports, country's assessments, ROM, mid-term evaluations, National budget
		R1.1.2 Portion of ERT – Policy matrix activities Implemented (according to donors)	1.1.2 50% of actions undertaken in 2018	75% of the actions undertaken	
		R1.1.3 Frequency of economic policy dialogue led by the Government	1.1.3 two 3-days meetings per year, led by World Bank	Two meetings per year with the MFED in the lead and the Minister chairing a main meeting with donors / relevant counterparts	
	R2.1 – More effective service delivery, in the WASH sector in Kiritimati	R2.1.1 Size and share of budget for Kiritimati available for discretionary spending in line with Government priorities as set out in the government's development strategy	2.1.1: AUD 4.3 (total budget for Kiritimati) 2.1.2: AUD 35,500 (budget allocation for Water and Sanitation Division)	2.1.1: AUD 4.5 2.1.2: AUD 45,000 (budget allocation for Water and Sanitation Division)	
		R2.1.2 Status of the implementation of the Asset management plan for Kiritimati	2.1.2 not implemented (2019)	2.1.2 Endorsed and implemented	
		R2.1.3 Status of the implementation of the Kiribati National Water Resources Policy	2.1.3 under revision	2.1.3 Fully implemented	
		R2.1.4 Status of implementation of the sustainable water management plan	2.1.4 not implemented	2.1.4 Endorsed and implemented	

Direct outputs	DO 1 – Policy dialogue and capacity building activities better coordinated and more conducive for implementation of government strategies	DO 1.1 Number of policy dialogue meetings between the EU and GoK per year	1.1: 0	1.1: at least 1	DO 1 – DO 5: EU interventions monitoring and reporting systems: annual and final reports from implementing organisations (e.g. governments, international organisations, non- state actors, etc), ROM reviews, evaluations. National data and statistics from Ministry of Health and Ministry of Education; Bi-annual Joint Monitoring Programme of WHO/UNICEF
		DO 1.2 N. of TA in place to assist MFED and MLPID with continuous capacity building	1.2: 0	1.2: at least 2	
	DO 2 – External assistance better armonized and aligned to government policy and systems.	DO 2.1 Number of ERT meeting and donor coordination meeting at the presence of the GoK each year	2.1: 2	2.1: at least 2	
	DO 3 - Reduced transaction costs of providing aid	DO 3.1. % of funds channeled through the National treasury	To be defined during the inception		
	DO 4- Increased access to safe and reliable drinking water supply	DO4.1 Number of new pipeline installed	4.1: 1 pipeline (2019)	4.1: 2 pipelines	
		DO4.2 Number of galleries built	4.2: Three galleries (2019)	4.2: 7 galleries	
		DO4.3 Number of supply infrastructures rehabilitated	4.3: Approx. 50% of houses connected to reticulation system	4.3: At least 75% connections	
		DO4.4 Extension of distribution network to cover new leases	4.4: No connections at new leases (2019)	4.4: At least. 25% of new leases connected	
	DO5 - Strengthened capacity for evidence-based management, operation and maintenance for a safe and efficient water supply systems	DO5.1 Number of households connected and billed	5.1: Approx. 25% of houses have working meters and receive a bill (2019)	5.1: Increase coverage to 90%	
		DO5.2 Reduction of water losses	5.2: Current losses estimated at 50%.	5.2: Reduce losses to 20%	

Direct outputs	DO6 - Raised awareness of good water, sanitation and hygiene practices in communities and at schools and health care facilities	DO5.3 Number of local staff who increased its technical skills on water management, ground water investigation and monitoring thanks to this action	5.3 Staff has received basic plumbing training: 35 persons	5.3 All staff responsible for WASH receive advanced plumbing training and on the job-training (at least 35 person)	DO 6 – DO 8: EU interventions monitoring and reporting systems: annual and final reports from implementing organisations (e.g. governments, international organisations, non- state actors, etc), ROM reviews, evaluations. National data and statistics from Ministry of Health; Bi-annual Joint Monitoring Programme of WHO/UNICEF
	DO7 - Improved sanitation and hygiene service delivery at households, schools and health care facilities	DO6.1 Number of schools involved in awareness programme DO6.2 Number of health care facilities benefitting from awareness programme DO6.3 Number of people informed about good sanitation practices DO7.1 Number of households provided by subsidies for the promotion of WASH best practices or investment DO7.2 Number of schools where WASH improvements are initiated DO7.3 Number of health care facilities where WASH improvements are initiated DO8.1 Status of the water quality monitoring plan	6.1 Awareness limited to JSS school & some communities 0 0 0 0 0	6.1 All school in Kiritimati and outer island (at least 14) 6.2 All care facilities in Kiritimati (at least 10) 6.3 At least 600 7.1 Tbc during the inception 7.2 At least 13 schools 7.3 At least 10 health care facilities 8.1 Available and implemented by at least 3 communities	

Induced outputs		DO 8.2 Status of the environmental safeguards for wastewater treatment and disposal	To be defined during the inception	8.3 Drafted and endorsed by the Island council	
		DO 8.3 Status of the gender sanitation and hygiene plan	0		