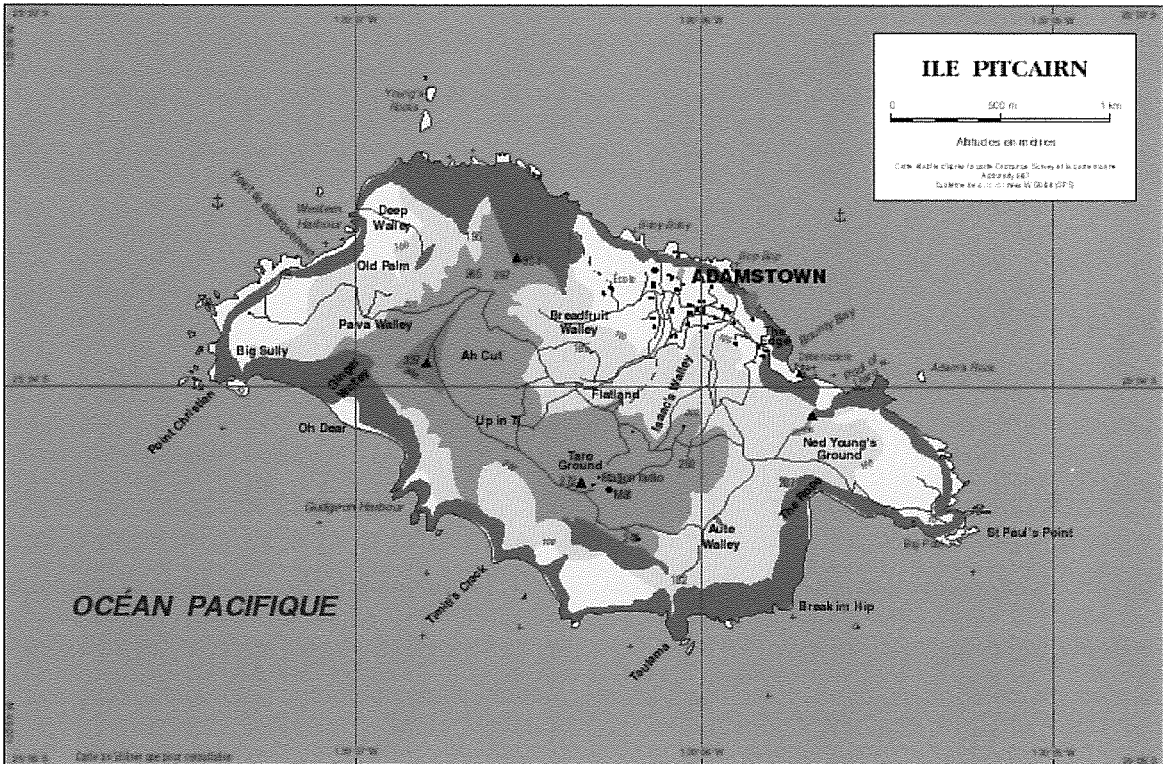
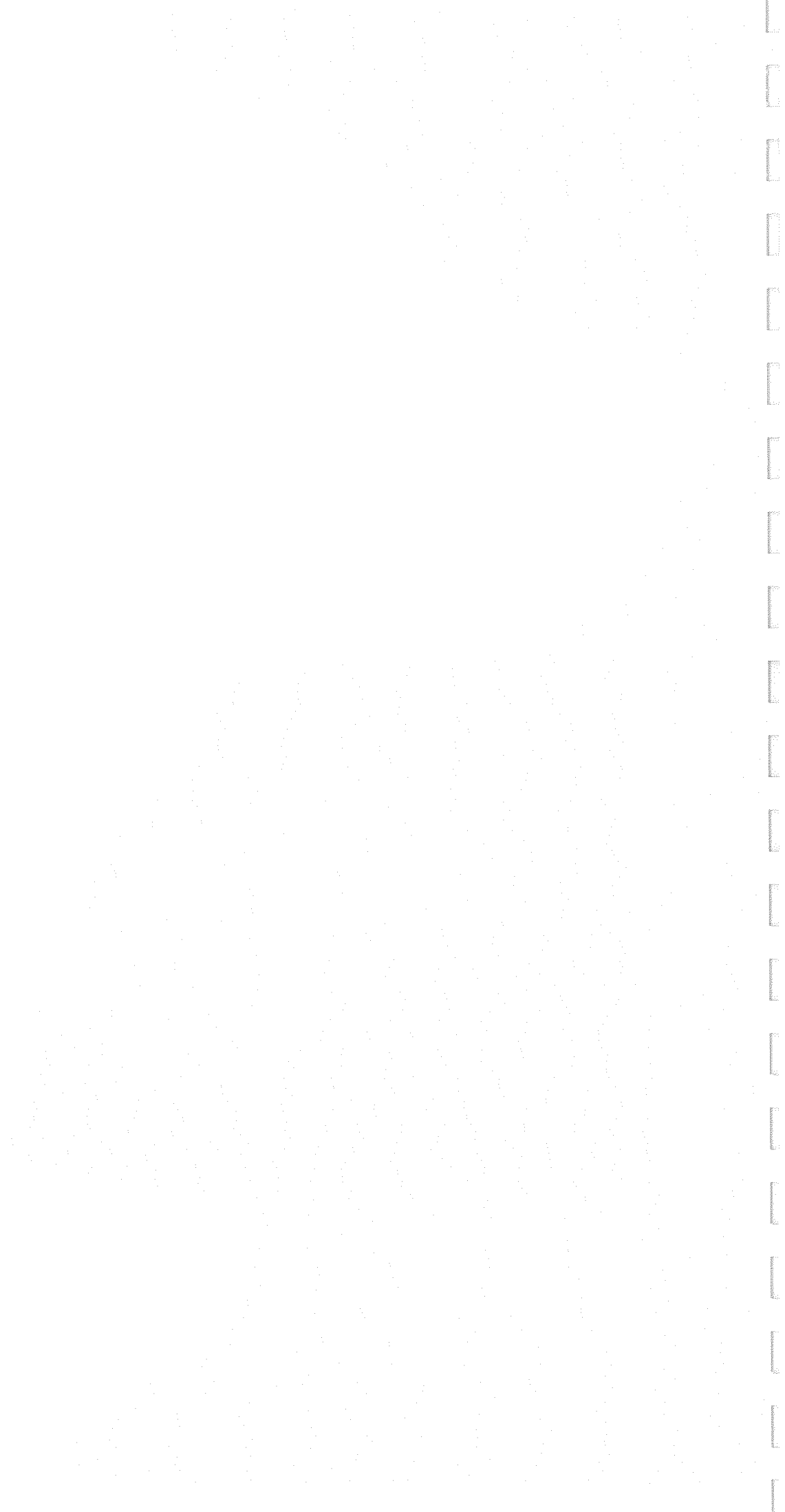


**PITCAIRN**  
**SINGLE PROGRAMMING DOCUMENT**  
**10<sup>th</sup> European Development Fund**





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

The Government of the Pitcairn Islands (Represented by ..... ) and the European Commission (represented by ... *D. K. MEGANCK* .....), hereinafter referred to as 'the parties', held discussions with a view to determining the general approach to cooperation between Pitcairn and the European Union.

During these discussions this Single Programming Document was drawn up in accordance with the provisions of the Association of the Overseas Countries and Territories with the European Union, as provided for in the Treaty on the Functioning of the European Union, in particular Article 198, as well as Council Decision 2011/822/EC of 27 November 2011 on the Association of the Overseas Countries and Territories with the European Union.

Signatures *[Handwritten Signature]*  
For the Government

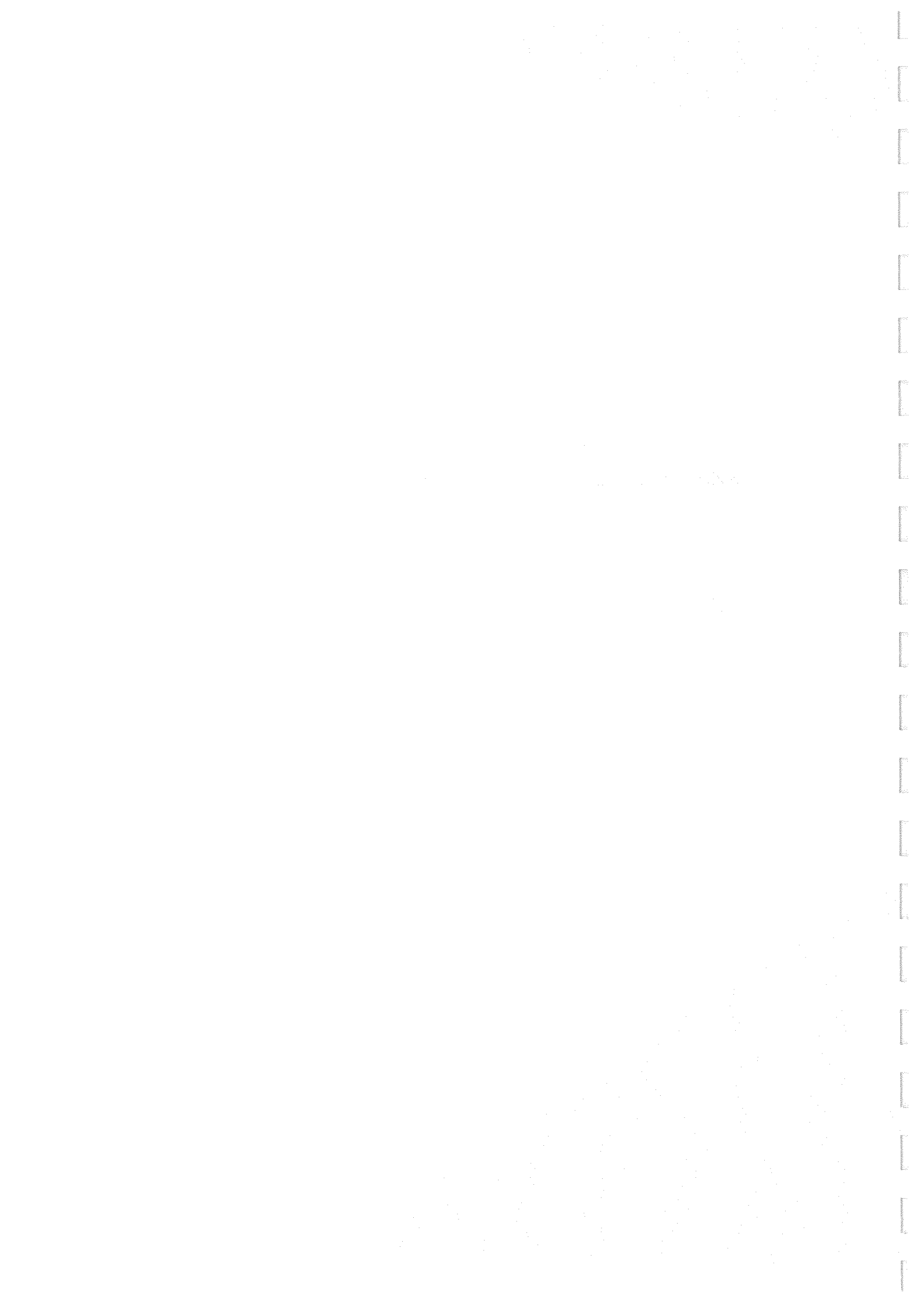
*Dina Megonck*  
*Dina MEGANCK*  
*[Handwritten Signature]*  
For the European Commission

Date *26/11/2013*

Date *21.11.2013*

Place *LONDON*

Place *Brunel*



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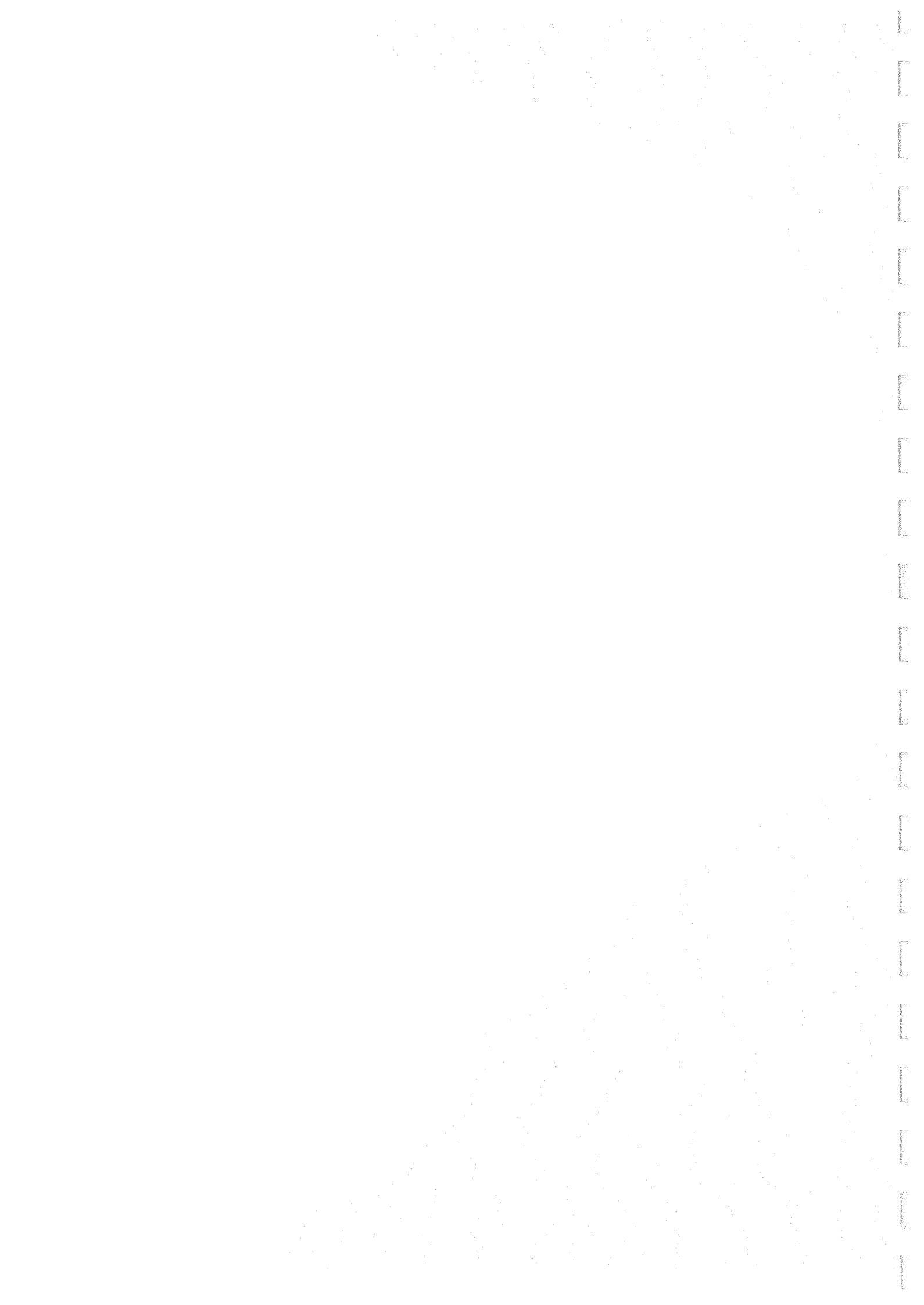




## LIST OF ACRONYMS AND ABBREVIATIONS

DFID	-	Department for International Development
EDF	-	European Development Fund
EU	-	European Union
FCA	-	Family Community Adviser
FCO	-	Foreign Commonwealth Office
GBS	-	General Budget Support
GDP	-	Gross Domestic Product
HIV	-	Human Immunodeficiency Virus
OCT	-	Overseas Countries and Territories
PEFA	-	Public Expenditure and Financial Accountability
PFM	-	Public Finance Management
PIO	-	Pitcairn Island Office
P&O	-	Peninsular & Oriental Steam Navigation Company (shipping company)
RSPB	-	Royal Society for the Protection of Birds
SDP	-	Strategic Development Plan
SPC	-	Secretariat of the Pacific Community
SPD	-	Single Programming Document
SRC	-	Sector Reform Contract

*N.L.*



## EXECUTIVE SUMMARY

Pitcairn is the United Kingdom's last remaining Overseas Territory<sup>1</sup> in the Pacific, located 5 310 km to the north-east of its administrative headquarters in Auckland, New Zealand and 2 170 km to the south-east of Tahiti. With a land area of 4.7 km<sup>2</sup> and a population of 54, it is the smallest overseas territory to receive EU funding. Pitcairn's isolation in the middle of the Pacific is further exacerbated by the lack of a natural harbour and the fact that it is not accessible by air. Passengers and cargo come by sea and are ferried ashore in long boats. A chartered vessel serves the island four times a year, and the voyage from New Zealand takes twelve days.

The fascinating history of Pitcairn and its ancestry dating to the settlement by the mutineers of the British Naval ship Her Majesty's Armed Vessel Bounty in 1790 is well known through films and books and attracts cruise ships to stop by. However, its remoteness and inaccessibility present a major challenge both to the islanders and the United Kingdom.

From a peak of 233 in 1937, Pitcairn's population has declined steeply and now stands at 54, with a diaspora of approximately 400, based predominately in New Zealand and Norfolk Island. Members of the existing community have strongly expressed their determination to remain on the Island, and to preserve their ability to live as an economically self-sustaining community. The Government of the United Kingdom respects this wish, and seeks to work with the islanders to develop a strengthened economic base, and to fortify governance. The islanders have a stated objective to attract members of Pitcairn's dispersed population, as an important step to help build a viable and more resilient community.

The islands' geography has led to the development of a primarily subsistence/barter economy based on the abundance of fish, apiculture and gardening supplemented by sale of handicraft to passing cruise ship and yacht tourists. The islands are home to several unique indigenous species of flora and fauna, including the endangered Henderson rail on Henderson Island which is a World Heritage Site. A rat eradication project, partly funded by the Government of the United Kingdom commenced in July 2011 to protect the indigenous bird life.

Most of the population can trace its ancestry to the Bounty mutineers and their Tahitian companions. The 22 resident households are largely concentrated in the main settlement, Adamstown. There are 10 pensioners and 2 families with 5 children each (aged 14 months to 14 years). The primary school, with a roll of 8, is run by an expatriate New Zealander, as is the well-equipped medical centre. A New Zealand-registered social worker is also contracted to lead child protection and social welfare support.

The revenue and fiscal base is extremely limited. The traditional revenue streams such as stamp sales have declined sharply. There is no tax base, although a system of land tax is under preparation.

As a result of a deteriorating fiscal situation the United Kingdom /DFID has provided budget support since 2004 to the tune of approximately GBP 2 million (EUR 2.3 million) in each of the past two years. Forward projections indicate that this is likely to be necessary for several years.

To put things in perspective: Pitcairn is essentially a nano-economy with an annual budget of approximately GBP 2.2 million (EUR 2.5 million). UK budget support covers the annual deficit amounting to 98% of the actual expenditures in fiscal 2009-10. However, 86% of expenditures are

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<sup>1</sup> Pitcairn is one of four islands, the others being Henderson, Ducie and Oeno. However administratively these are grouped together and are collectively known as Pitcairn Islands.



costs for chartering shipping services, expatriate personnel providing health, education, community services and the operations of the Pitcairn Island Office (PIO) in Auckland in charge of logistics, finance, controlling and reporting. Work is pushing ahead to offset the investment in shipping by attracting more fare-paying tourists onto the Government service. In parallel, the Government is pursuing a path towards full cost recovery for services by gradually reducing subsidies on electricity, communications and freight.

Good governance and sound financial management characterise the island administration on-island as well as off-island. It is ultimately the remit of the British High Commission with delegated responsibility to the PIO in Auckland which produces a monthly management report with financial and operational information. The PIO financial statements are audited by an accountancy firm in Auckland.

The main strategy developed in the Single Programming Document (SPD) comprises investments to increase economic development, notably the tourist sector and in its related infrastructure, including transport (upgrading of the road network) which is considered to have not only the best benefit potential but also presenting a logical extension of the harbour and jetty construction which are underway with funding provided under the 9<sup>th</sup> EDF. The strategy also foresees investments in the conversion and refurbishment of public buildings some of which may serve tourism purposes. The improvements of the island's infrastructure would create an enabling environment conducive to the development of greater diversity of economic activity. It may also help to attract Pitcairners living abroad which would enhance the future viability of the island community.

Timely implementation of the SPD strategy may require external technical assistance at various points in view of the capacity limitations the island and its administration are facing.

The Government of Pitcairn Islands requests the contribution of EUR 2.4 million under 10<sup>th</sup> EDF to be paid as Budget Support (centralised management, subject to framework conditions) and including EUR 200.000 for complementary support, notably technical assistance for training of PIO staff members in EU procedures and standards. Pitcairn is considered to fulfil the criteria of eligibility for budget support. The Territory's 5 Year Strategic Development Plan was approved in 2011.

The Public Finance Management (PFM) report prepared for the Commission in 2009 indicated that the EU can proceed with budgetary support. This conclusion was reiterated in the assessment of public financial management of Pitcairn undertaken in 2013. Further, the last favourable fiduciary risk assessment report initiated by DFID (2010) concluded an overall low risk PFM environment.



# PART A: COOPERATION STRATEGY

## 1. THE EU COOPERATION OBJECTIVES

In accordance with Article 198 of the Treaty on the Functioning of the EU, the purpose of the association between the European Union and the Overseas Countries and Territories shall be "*to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Union as a whole*".

These objectives have been confirmed and reinforced in Article 1 of the Council Decision of 27 November 2001<sup>2</sup> on the Association of the Overseas Countries and Territories with the European Community. In accordance with Article 1, such objectives will be pursued in accordance with the principles set out in Articles 200 to 204 of the Treaty by focusing on the reduction, prevention and, eventually, eradication of poverty and on sustainable development and gradual integration into the regional and world economies.

## 2. ASSESSMENT OF THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION

The Pitcairn Islands comprise Pitcairn (the only inhabited island), Henderson (the largest), Oeno and Ducie, situated in the South Pacific Ocean approximately midway between New Zealand and the Panama Canal. Mangareva in the Gambier Islands of French Polynesia, lying approximately 480 km west of Pitcairn, is the nearest inhabited island. Pitcairn Island, measuring 3.2 km by 1.6 km and covering some 470 hectares, is a rugged island of formidable cliffs with nowhere giving easy access to the sea.

Due to its history, isolation and unique way of life Pitcairn remains a source of fascination. In January 1790, the mutineers from HMAV Bounty, along with six Polynesian men and 12 women, arrived at Pitcairn Island from Tahiti. When the last of the original mutineers died in March 1829 the population had increased to 66. The population rose to a peak of 233 in the 1930's but now stands at 54.

### 2.1. Political situation

Pitcairn is a British settlement under the British Settlements Act of 1887, although the islanders usually date their recognition as a British territory to a constitution of 1838 embodying female suffrage and devised with the help of a visiting Royal Navy officer. Since then, the Pitcairn Royal Instructions of 1970 have been replaced by The Pitcairn Constitution Order 2010 incorporating *partnership values* such as good government and sound financial management.

Pitcairn is one of the United Kingdom's most isolated Overseas Territories and is the last remaining British Overseas Territory in the Pacific. Today, the British High Commissioner to New Zealand is appointed concurrently as Governor (Non-Resident) of Pitcairn and is assisted by the Deputy Governor who has an active mandate concerning Pitcairn. While the Governor has oversight of

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<sup>2</sup> Amended by Council Decision of 19 March 2007

administrative and fiscal affairs, it is *de facto* the PIO in Auckland that manages Pitcairn's logistics, procurement and financial matters. The Head of the PIO is also the Financial Controller, a position appointed by the Governor.

Pitcairn islanders manage their internal affairs through the Island Council, for which elections are held every second year. The Island Mayor chairs the Council and there are six elected members. The Governor's Representative, a United Kingdom diplomat based on the island, attends Island Council meetings but does not vote. She acts as a direct link between the Governor and Deputy Governor in Wellington and the Island Council. Her presence on the island enhances the United Kingdom's ability to deliver a development programme coordinated with the wishes and needs of the Pitcairn people.

The process of updating governance arrangements led to a reorganisation of the Pitcairn Government from April 2009. There are now four government divisions with operational responsibility for: Community Development, Natural Resources, Operations, and Finance & Economics. Each is headed by a Division Manager who reports to Council. A recent review of government jobs, salaries and pensions seeks to improve cost saving measures and transparency. All government jobs now have job descriptions.

Although the policy of the United Kingdom Government is to devolve administrative and financial responsibilities<sup>3</sup> to the Pitcairn Government in line with the principles of self-determination and local control set out in the 1999 White Paper "Partnership for Progress and Prosperity: Britain and the Overseas Territories", it appears probable that the degree of devolution will be limited during the period of the 10<sup>th</sup> EDF due to limited human and administrative capacity on Pitcairn.

## **2.2. Economic situation**

The summary country data is provided in Annex I. Pitcairn is in fact a nano-economy with an annual budget in the order of EUR 2.5 million. With a fragile economy it depends heavily on a limited number of activities including tourism, sales of postage stamps and coins, revenue from the registration of internet domains and sale of curio and handicrafts. The fragility of this economic base, particularly in light of falling revenues from stamp sales, is recognised by the islanders, who have prioritised tourism development as potentially the most promising avenue to increase island revenue.

Pitcairn's remoteness and access constraints impacts on its economy and should be seen in light of the population's dependence on infrequent sea transport, as Pitcairn has no airfield. The Island is served by a chartered shipping company contracted by the PIO in 2009. Four annual return services for freight and passengers (New Zealand-Pitcairn-Mangareva) are provided. Each roundtrip takes 36 days including stopovers and the voyage from New Zealand to Pitcairn takes 12 days. Cargo and passengers have to be ferried ashore in long boats as there is no harbour on the island to accommodate ocean vessels.

To mitigate isolation, internet connection to the island was established in 2002 and upgraded in 2007 through a dedicated satellite link also providing limited television reception. All the island households have internet connections and phones. The island's phone system uses the same satellite connection and is linked directly to the Auckland exchange.

The population of Pitcairn is generally self-employed. Allowances and wages are paid to members of the community who participate in local government activities and who perform communal

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<sup>3</sup> Most technical matters are decided by the Pitcairn Council.

services. A large part of the internal economy of the island is based on barter, shared labour and subsistence fishing, apiculture and gardening. There are no figures available for the economic value of these activities.

During the early 1990s, Pitcairn maintained a healthy fiscal position by way of revenue from sales of stamps and coins helping to increase their Investment Fund to a high of NZD 3 million (EUR 1.7 million). Since then, Pitcairn has used the Investment Fund to finance persistent budget deficits as recurrent costs increased and revenues from stamp sales dropped. With diminishing Investment Fund assets undermining income generation, Pitcairn's fiscal space was further reduced adding to the Island's financial difficulties and compounded by the global economic crisis.

This negative fiscal trend has accelerated. By 2004, the Investment Fund was exhausted and the United Kingdom Government was obliged to provide budget support in the following fiscal year to cover the annual budget deficits which continue up to the present. Since 2004/5, the United Kingdom Government has provided annual budget support to cover the deficits, from GBP 606,000 in 2005/2006 to approximately GBP 2 million (EUR 2.3 million) for both fiscal periods of 2009/2010 and 2010/11. The budget support for the two aforementioned fiscal years corresponds to 98 % and 95% respectively of the actual budget expenditure. Budgets and outturn figures are presented below.

#### Revenue and Expenditure 2005/06 to 2009/10 Budgets and Outturn in GBP

Fiscal year	Budget			Outturn		
	Revenue	Expenditure	Deficit	Revenue	Expenditure	Deficit
2005/06	66,000	680,000	614,000	67,000	673,000	606,000
2006/07	73,000	677,000	604,000	78,000	805,000	738,000
2007/08	95,000	1,054,000	959,000	95,000	1,097,000	1,002,000
2008/09	95,000	1,232,000	1,137,000	53,000	1,264,000	1,211,000
2009/10	97,000	2,016,000	1,919,000	43,000	2,178,000	2,135,000
2010/11	97,000	2,035,000	1,938,000	94,000	2,060,000	1,966,000

The significant increase in expenditure from 2008/9 to 2009/10 is largely a result of the cost of the new shipping service coming entirely onto the Pitcairn Government's account in July 2009 all costs associated with the shipping service moved to be funded by DFID as part of the Pitcairn budget.

The steep increase in the annual deficit by 191% over the last five years from GBP 606,000 in 2005/06 to GBP 2.14m in 2009/10 was caused by increases in reported annual expenditure. In order of importance, the allocation of the increase was: (i) shipping services 53%; (ii) expatriate operations (doctor, teacher, police and family & community adviser) 22%; (iii) island operations 16%; and (iv) Pitcairn Office Administration costs in Auckland 9%. In addition, revenue dropped by approximately 50% in 2008 and 2009 as a result of the global economic crisis.

The more than three-fold increase in Pitcairn's deficit over the past five years is for a large part due to the way the United Kingdom Government has accounted for development expenses and budget support. The island's expenses were covered from several budget titles until 2009. For instance, the cost of policing, judiciary, court and legal expenses and the running of the prison facility were funded by the FCO whilst social welfare provision and infrastructure projects were covered by DFID in separate project funding. Further, only since 2009 has the Pitcairn budget borne the full weight of the cost of a scheduled shipping service which accounts for 35% (net<sup>4</sup>) of the annual

<sup>4</sup> Net expenditure means gross expenditure less freight and passenger charges.

budget expenditure.

The detailed budget and outturn for fiscal 2009/10 presented in Annex II shows that 86% of the total expenditures in 2009/10 went to the Community Division (expatriate personnel) shipping and the PIO Auckland – areas that the islanders have little if no influence on.

The significant increase in recurrent expenditure and deficits in recent years has necessitated change and rationalisation. In April 2009, a new governance and organisational structure was implemented that brought a reorganisation and a slim-down of the Pitcairn Government and the PIO in Auckland. For instance, all government jobs now have job descriptions and there is transparency in the allocation of positions. Other measures to promote cost efficiency and reign in expenditures include increased tariffs for public utilities and landing fees and a review of on-island salaries and pensions. Also, wherever possible the full recovery principle of infrastructure investment and services provided is applied as stipulated by DFID.

In addition to the annual DFID budget support, Pitcairn is a beneficiary of grant funds from EDF 8 and EDF 9 totalling EUR 2.350.000. In October 2009, the Governor of Pitcairn requested the EDF grant to be converted to 1 budget support, to which the European Commission conceded in July 2010, following a PFM-PEFA report in early 2009 which concluded that Pitcairn's public finance management system is sufficiently robust and credible to receive EU budget support. An assessment of public financial management undertaken in early 2013 reiterated this conclusion.

In this context, the sustainable economic development of Pitcairn consists in reaching a viable nano-economy, preserving the ability of the population to live as an economically self-sustaining community. The sustainable economic development of Pitcairn would comprise the definition and implementation of plans to support the sustainable development and utilization of their marine and coastal resources, including meeting essential human needs, maintaining biodiversity and improving the quality of life for its population. Moreover, Pitcairn Islands Government envisages measures which would enable the islanders to cope effectively with environmental change and to mitigate impacts and reduce the threats posed to marine and coastal resources.

### 2.3. Social situation

The demographic situation in Pitcairn is characterised by an increasing number of people above the retirement age of sixty. This trend will continue in the next 1 to 5 years when another eight people are expected to reach retirement age. The community of some 17 households and 7 families has a small school attended by 8 children and an expatriate teacher following the New Zealand primary and secondary school curriculum. The languages are English and Pitkern, the latter being a mixture of English and Tahitian. It became an official language in 1997.

#### Population demography

Age group	People	Percentage
0 to 19 years	10	18
20-39	9	16
40-59	22	38
60>	16	28
Total	57	100

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The high cost structure of Pitcairn is also reflected in social services delivered by a high proportion of expatriate staff employed on the island – doctor, FCA, policeman and teacher<sup>5</sup> - accounting for 86% of the annual budget. The population is provided with healthcare at nominal cost, and pensions and child benefits for the islanders are funded by the United Kingdom budget support.

There is a small medical clinic in Adamstown run by a New Zealand doctor paid by the DFID budget. To deal with acute medical cases the clinic is equipped with x-ray, ultrasound, cardio and dental equipment plus video conference facility linked to a 24/7 medical call centre in Auckland and Healix in the United Kingdom. Serious medical cases require evacuation by sea and air to New Zealand at a cost of some EUR 35.000 per evacuation, notwithstanding hospitalisation costs and lodging till the next scheduled voyage back to Pitcairn. In this context the islanders' rising age profile presents specific challenges and potential additional costs.

Primary and secondary education is provided by a teacher for children to the age of 16. For further education children can enrol for distance learning or leave for New Zealand or Australia.

In view of the past child sex abuse cases, there is continuing need for external support to ensure that robust child safeguarding systems are in place. Hence, a community and family adviser is working with the population to pre-empt similar situations while at the same time dealing with family welfare issues and gender equity to improve social cohesion and community resilience. The family and community adviser together with the teacher and the policeman are all from New Zealand and paid by the DFID budget. Together with the New Zealand doctor and the Governor's local representative from the United Kingdom they are the expatriates on the Island. In the framework of the Pitcairn Island- SPC Joint Country Strategy 2009-2013 issued in August 2008, gender equality programmes are listed among Pitcairn's priority areas. Through the provision of technical assistance and leadership training gender issues and concerns are recognised and addressed across broader policy and governance reforms and programmes, and development solutions shall be implemented and met. A visit to the island by Human Rights trainers from the Commonwealth Foundation in March 2011 encompassed gender equality issues and a sub-committee has been set up in the community to develop a Human Rights National Action Plan for the island.

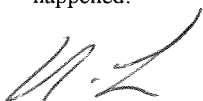
The Pitcairn islanders have expressed their firm commitment to remain on the Island – a wish that is fully respected and supported by the United Kingdom Government and the European Union. The islanders believe that if employment opportunities were better, the Pitcairn diaspora would be likely to return. In fact, seven people have returned to Pitcairn over the last three years. For this reason it is important that the Pitcairn's development plan translates into feasible income generating initiatives.

## **2.4. Environment**

The Government is keen to protect and preserve the environment. The four islands have a varied flora and fauna, and in particular Henderson Island, a World Heritage site, has a rich bird life and is a station for migratory birds. A major Royal Society for the Protection of Birds-led project is currently underway, part-funded by the United Kingdom Government, to eradicate rats on Henderson Island. Some nine plant species are thought to occur only on Pitcairn – many of these are featured as part of an eco-trail which was also funded by the United Kingdom Government and is a popular tourist attraction. The Ordinance on Endangered Species Protection serves to protect the natural heritage. An environmental profile for Pitcairn Island (European Commission, OCT Environmental Profiles, January 2007) is attached as Annex III.

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<sup>5</sup> This was partly in response to redress the period of turmoil after it emerged that practices of child molestation and rape had happened.



Fish are relatively abundant in the seas around the islands at least for local consumption. Spiny lobsters and a large variety of fish are caught for meals and for trading aboard passing ships. Fish such as Nanwee, White Fish, Moi and Opapa are caught in shallow water, while Snapper, Big Eye and Cod are caught in deep water and Yellow Tail and Wahoo are caught by trolling.

### **3. MEDIUM TERM CHALLENGES**

Pitcairn's fiscal dependence with 98% of recurrent expenditures in 2009-10 being covered by DFID budget support is a key challenge and clearly unsustainable over time. The situation needs to be redressed by setting the island's finances on a path to fiscal self-sustainability through economic growth of the potentially most promising activities such as tourism.

Faced with negative demographics – an aging and decreasing population - Pitcairn needs to maintain a viable population. This challenge can be met by encouraging Pitcairn islanders residing abroad and in particular the younger sections of the community, to return. Despite being geographically isolated, the Pitcairn community maintains contact with the outside world through passing ships, overseas visits and through the internet. However, unless employment and income opportunities are promoted it will be difficult to attract new families to the Island. Moreover, in view of the infrequent shipping schedule people settling on the Pitcairn should be conscious of the risks involved e.g in accessing acute medical care urgently.

Economic growth, the development of greater economic diversity and activity and enhanced security for the islanders are the key challenges. There are four thematic areas in addressing the challenges:

- Mitigating isolation
- Creating opportunities for economic development - notably tourism
- Providing infrastructure and cost-efficient services
- Consolidating governance structures

Previous considerations to have an airstrip on Pitcairn have been abandoned as unfeasible in view of aviation regulations and the requirements for aircraft of sufficient range to serve the island, notwithstanding the scarcity of flat land in use for agriculture. To maintain regular transport to the island after the P&O shipping route was suspended, the PIO chartered a shipping company in 2009 to serve the inland on a fixed though infrequent schedule.

Economic opportunities on the island are severely restricted. While every effort is made to maximise income from existing sources of revenue from stamps, internet domain registrations, the sale of local handicrafts and the export of Pitcairn honey and dried fruit, there is a limit to how far these activities can be expanded; hence the need for alternative and diversified sources of revenue.

Currently, some 10 cruise ships call on Pitcairn during the season January to April. Depending on the sea conditions and weather the ships' captains decide to let passengers disembark and be transported ashore in the islanders' longboat, sales take place in three locations: on the landing at Bounty Bay, Adamstown or the cruise ship. The most hazardous part for disembarking passengers is to get them from the cruise ship down in the long boats, as most of the cruise vessels do not have berths. Annually, some 300 to 400 cruise ship passengers and yachts tourists come ashore for about half-day visits. The islanders provide full board accommodation for tourists staying overnight. Few tourists arrive by the Government-chartered ship serving the island due to the high cost though tourist arrivals are on the increase.

There is broad consensus among the islanders and development partners that sustainable income opportunities must be created going beyond subsistence and barter. Tourism is at the fore, and as Pitcairn's most marketable asset is its history and unique way of life, this does make sense if calibrated as low volume, high yield eco-tourism. The islanders have expressed their enthusiasm for eco-tourism. The necessary infrastructure to support tourism by way of an alternative landing site and jetty on the West coast is financed by the 9<sup>th</sup> EDF. Moreover, a recent Tourism Strategy and Marketing Plan demonstrates that tourism bears economic potential. The promotional initiatives of the plan have yet to be financed and brought forward by means of international marketing, proper branding and placement power.

Sustainable tourism development should enable the conservation of cultural heritage and traditional values while ensuring that tourism generates employment and income opportunities.

Expansion of tourism will require downstream investments in road infrastructure, refurbishment of buildings and general maintenance. The planned landing site at Tedside on the West coast will, when completed, serve as an alternative to the existing landing at Bounty Bay. From a security and access point of view this will mark an important improvement with the potential to mitigate disaster given the current dependence on just Bounty Bay with its rougher wave conditions. For the same reason, the Tedside landing may well increase the number of disembarking cruise ship passengers visiting the island.

The existing roads need to be sealed off and partly upgraded in order to prevent further deterioration and to reduce annual maintenance costs. Against the backdrop of spiralling recurrent expenditures capital replacement has been kept at a minimum for years. Hence, some public buildings need to be refurbished like the public hall, the library, the general store and some government offices.

Diversifying economic activities and increasing public revenue is a real challenge given the size of the population and the limitations to expansion of the current cash and barter activities. It would seem to require some external impetus and enhanced hard and soft skills.

It is widely recognised that the level to which UK budget support has risen in recent years is both unhealthy and unsustainable posing an economic dependence risk from which it is difficult to disentangle, unless concerted efforts are made to rein in budget expenditures, combined with increased revenue.

#### **4. PITCAIRN POLICY AGENDA**

The aims and objectives of the Government of Pitcairn Islands are set within the context of the 1999 UK Government White Paper "Partnership for Progress and Prosperity: Britain and the Overseas Territories". This encapsulates the four fundamental principles of:

- self-determination;
- meeting mutual obligations and responsibilities;
- the right for the UK Overseas Territories to run their own affairs to the greatest degree possible; and
- a commitment from the UK to help the Overseas Territories develop economically and to assist them in emergencies.

A new Overseas Territories Strategy White Paper (entitled "The Overseas Territories: Security, Success and Sustainability") was published in June 2012. It is based on the principles of self-determination, mutual responsibilities and autonomy with a pledge of UK help when needed. It

highlights the UK Government's fundamental responsibility and objective to ensure the security and good governance of the Territories and their peoples, with a considerable focus on the environment.

In this context, the Pitcairn Government has prioritised the following aims for the medium term development and government of the island:

- Mitigating isolation and risks through improved shipping and transport infrastructure;
- Optimising economic growth and self-sufficiency through sensible economic and financial management;
- Promoting tourism and developing tourist facilities and services
- Ensuring that basic needs are met, including the provision of essential infrastructure;
- Promoting good governance and respect for human rights and the rule of law, included child protection, community development and protection of the environment;
- Providing a safe and secure environment on Pitcairn underpinned by social cohesion while maintaining the special culture of Pitcairn.

These aims are reflected, to the extent possible, in the annual budgets set by the Pitcairn Government in collaboration with United Kingdom/DFID, in the good governance and community development projects currently managed and funded by DFID, and in the priorities set for future development.

Tourism is considered to have the best development potential and a tourist coordinator has been appointed. A recent tourism marketing study suggests that Pitcairn needs to be branded as an "explorer-paradise-lost" destination targeting experience seekers and special interest travellers.

A joint country strategy has been developed between the Pitcairn Government and the Secretariat of the Pacific Community in August 2008 for the period 2009 to 2013. The strategy identified priority areas of the Pitcairn Government in view of its Development programme which could be supported by technical assistance and training programmes to be provided by SPC.

## **5. ASSESSMENT OF PAST EU COOPERATION WITH PITCAIRN**

The EUR 350,000 allocated under the 8<sup>th</sup> EDF expired and was carried over to the 9<sup>th</sup> EDF of EUR 2 million providing a total amount of EUR 2.35 million.

In October 2009, the Governor of Pitcairn requested the 9<sup>th</sup> EDF grant to be converted to general budget support which was accepted in July 2010 as Addendum No. 1 to the Financing Agreement No. 9630/PIT. The Addendum also extended the periods of implementation and execution to 31.12.12 and 31.12.14 respectively. In early 2009, the PFM report<sup>6</sup> elaborated under the aegis of the Commission indicated that Pitcairn complied with the conditions for general budget support. The 2013 assessment of the public financial management of Pitcairn report reiterated this conclusion.

The 9<sup>th</sup> EDF funds are used for the construction of the Tedside landing creating a safe alternative to

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<sup>6</sup> "Assessment of public financial management of Pitcairn" 10<sup>th</sup> EDF" 2013.

the existing landing at Bounty Bay. A feasibility study for the project was prepared included a jetty, and landing platform and upgrading 1.6 km of road leading to Adamstown. However, the costs were excessive and based on turnkey contracting. After revision of the project leaving out the road upgrading, using second hand equipment and island labour for the construction, the engineering firm presented a revised and detailed design for the project in 2010. The cost estimate is now approximately EUR 2 million.

Up to the present, a total of two tranches (€100,000€ + €1,125,000 respectively) have been disbursed. The third and last disbursement is scheduled for the end of 2013.

The budget support currently provided by DFID and ad hoc technical assistance is in excess of EUR 2 million per year signifying a commitment to maintaining the livelihood of the island community. In conjunction with the management of Pitcairn's logistic and financial affairs by the British High Commission and the PIO it provides a well-functioning and prudential setup.

## **6. RESPONSE STRATEGY**

The Government of the Pitcairn Islands places improvements on economic development based on the tourism sector at the centre of its development programme. This objective is to be pursued by improvement of external access to the island by improving auxiliary maritime transport for facilitating landing of tourists from cruise ships, and maintaining and improving road infrastructure on the island itself. At the same time, the Government of the Pitcairn Islands is working closely with the British Government to improve governance and the rule of law. The proposed investment in external access to the island and basic infrastructure is justified by the need to safeguard and maintain the islanders' livelihood and diversify the income base.

The support strategy reflects in further detail Pitcairn's policy agenda, and development objectives as stated in the past. The response strategy has been developed in close partnership with the British High Commission, which is committed to mainstreaming into all areas of co-operation the thematic or crosscutting themes of gender issues, environmental issues, good governance and capacity building. The Government of the Pitcairn Islands is discussing with DFID the wider development needs of the island as well as DFID's current focus to provide social services.

The proposed response strategy is consistent with the support from the EU under 9<sup>th</sup> EDF and the EU policy as embodied in EC Regulation 1424/2007 stating that 10<sup>th</sup> EDF support shall be granted "*...with a view to enhancing the resilience of the OCTs in coping with the challenges that they are facing as small island micro-economies.*"

The response strategy is outlined as follows:

- Improving ship to shore transfer reliability by providing a dedicated tender vessel, designed to transfer up to 70 passengers safely to shore, in middling swell conditions;
- Improving transfer and sightseeing arrangements by providing tractor-trailer (or a 4-wheel drive truck) transit to passengers once they reach shore. This will be for scenic tours of the island as well as to the main centre of habitation;
- Enhancing the current public buildings visited by tourists, including the hall, which will be redeveloped as a multi-functional interpretative centre, the post office (much visited by tourists to purchase Pitcairn's unique postage stamps and similar products), and the foreign exchange bureau. These buildings will be modernised in a manner that reflects Pitcairn's unique heritage and culture.



- Attracting additional yachts and encouraging longer stay, by providing facilities for yacht visitors, mooring points and maintenance facilities. The envisaged establishment of a Pitcairn Islands Yacht Club will provide a marketing focus.

*ML*

## PART B : ACTION FICHE FOR PITCAIRN ISLANDS

### 7. IDENTIFICATION

Title/Number	Tourism Sector Reform Contract (SRC) for Pitcairn Islands CRIS decision no: FED 2013/023-383		
Total cost	Total amount of EDF contribution: EUR 2.400.000 of which EUR 2.340.000 for budget support EUR 60.000 for evaluation		
Budget Support			
Aid method / Method of implementation	<b>Direct (centralised) management</b> Sector Reform Contract		
DAC-code	33210	Sector	Tourism policy and administrative management

### 8. RATIONALE AND COUNTRY CONTEXT

#### 8.1. Summary of the action and its objectives

It is considered that tourism development is fundamental to reducing isolation and dependence on budget support. A Strategic Development Plan (SDP) and a Pitcairn Tourism Strategic Plan (2011-2015) have been prepared. They are mutually consistent and reinforcing, providing the backbone to the Action. This Action will contribute to support tourism development and, at the same time, consolidate the benefits of the 9<sup>th</sup> EDF intervention (i.e. construction of an alternate landing point for the disembarkation and embarkation of cruise ship passengers).

#### 8.2. Country context and rationale for Tourism SRC

##### Main challenges towards poverty reduction/inclusive and sustainable growth:

Pitcairn is a tiny (4.5 km<sup>2</sup>) and remote island in the middle of the Pacific Ocean, with a population of 54 islanders and between 5 and 10 expatriate workers, only accessible by ship. It is located approximately halfway between New Zealand and Chile. It is the United Kingdom's last remaining Overseas Territory in the Pacific and the smallest territory to receive EU funding. Its isolation is accentuated by having no airstrip or natural harbour.

The demographic situation in Pitcairn is characterised by an ageing population. However, the islanders have expressed a strong desire to remain on the island and have recently introduced a new Immigration Strategy aimed at reversing the decline in population and encouraging the Pitcairner diaspora living abroad to return. The island community is provided with basic social services including health and education. A doctor is employed on a contract-basis and the medical clinic is available and well equipped. The school currently has seven pupils taught to the age of 16. All households have internet connection and telephone.

The population of Pitcairn is self-employed, although most also hold one or more of the 83 part-time and task-focused Government positions. There is no data on family income as there is no income taxation or social security contributions. Non-contributory pensions are paid from the age of 65 at some NZD 3,200 per year (EUR 1.700); and families with children receive child benefits of NZD 637 (EUR 335) per child.

The British Government's engagement towards its Overseas Territories, including Pitcairn, has been updated in June 2012 in a White Paper entitled "*Security, Success and Sustainability*". It is based on the principles of self-determination, mutual responsibilities and autonomy with a pledge of UK help when needed. It highlights the UK Government's fundamental responsibility and objective to ensure the security and good governance of the Territories and their peoples, with a considerable focus on the environment. The UK has recently taken a much more active role in Pitcairn. This led to an increase in international staff on contract terms and to enhanced external scrutiny, both delivering considerable benefits in terms of maximizing ownership and facilitating effective prioritization.

The SDP (2012-2016) is one major result of these efforts to increase ownership and to improve governance. The SDP's highest priorities are:

- Promote immigration and re-population, bringing people with necessary skills and commitment to Pitcairn
- Implement committed and proposed infrastructure development programme, with all the necessary infrastructure requirements to support immigration
- Encourage and promote increased tourism development – stay over visitors and landings of cruise ship passengers
- Encourage private sector development based on tourism and small scale exports
- Promote options to improve the shipping service in terms of availability and pricing.

### **8.3. Eligibility for budget support**

#### **8.3.1. - Public policy**

The Pitcairn Islands Tourism Strategic Plan 2011 to 2015 corresponds to one of the four major objectives of the SDP and is based on the 2010 Tourism Board's Strategic Plan. Its main objective is to develop tourism as the territory's main industry and thus to create an industry that will contribute to reducing the territory's financial dependence on budgetary aid. This objective is to be achieved by increasing the numbers of visitors, including overnight guests, of daily passengers from cruise ships landed, and of private yachts coming to Pitcairn.

The implementation of the Tourism Strategic Plan followed a phased approach. The first two years led to a consolidation process of existing resources, networks and contacts. The last 3 years, from 2013, will see activities that will contribute to raise the number of visitors and landed tourists. Detailed annual plans highlight four major activities: tourism product and service development; information management; public relations, positioning and branding; and environment, culture and heritage. The Pitcairn Island Tourism Department has been established and is run by two part-time staff members (equivalent).

Pitcairn's Strategic Development Plan and Tourism Plan, together with complementary policies in key areas (such as immigration) meet the requirements for a Tourism Sector Reform Contract (SRC). They are credible documents that address the needs of the sector in a realistic manner.

On the basis of the above, there is a credible and relevant Tourism sector strategy that supports the objectives of poverty reduction, sustainable and inclusive growth and democratic governance.





### 8.3.2. - Macroeconomic policy

Pitcairn is a nano-economy with an annual budget in the order of EUR 3.5 million (Financial Year 2012/13). The economy depends heavily on budget support provided by the United Kingdom (UK) Government (projected to reach EUR 2.6 million in Financial Year 2012/13) and a limited number of activities including tourism, sales of postage stamps, registration of internet domains and sale of handicrafts. There is no Gross Domestic Product (GDP) data for Pitcairn and inflation is not calculated either. It is linked to price changes in New Zealand from where goods are imported (Pitcairn uses the NZD for all transactions and financial reporting). The fragility of the island's economic base is recognised by the islanders who have prioritised tourism as the most promising avenue to increase incomes.

Falling revenues from stamp sales and increase in recurrent expenditure led to an increase of UK's budget support in the past years as presented in the table below. Since 2009, Pitcairn's budget has borne the full cost of the scheduled shipping service (every 3 months) and this represents up to 50% of its annual budget. Other costs include, among others, healthcare, policing, family protection, the island's financial and administrative management (Pitcairn Island Office) and legal costs. The appreciation of the NZD against the GBP and EUR has contributed to increased expenditure in 2010-2011 in particular, more than out-weighting cost-cutting and expenditure management measures.

**Table 1: Pitcairn's Public Finances (NZD)**

	<b>2012 Projected</b>	<b>2011 Actual</b>	<b>2010 Actual</b>	<b>2009 Actual</b>	<b>2008 Actual</b>	<b>2007 Actual</b>
Gross profit from stamps	53,449	21,393	(23,275)	2,410	46,885	65,371
Total Other Income	669,525	617,977	474,132	472,026	439,143	743,408
Total Expenditure	5,492,709	6,118,998	5,157,512	4,190,261	3,881,405	4,062,208
Budgetary Aid	4,937,000	4,268,835	4,221,140	3,832,630	2,786,647	2,048,825
Project Aid	34,650	1,224,825	399,830	358,142	677,000	1,181,832
<b>Total Income</b>	<b>5,694,624</b>	<b>6,133,030</b>	<b>5,071,827</b>	<b>4,665,208</b>	<b>3,949,675</b>	<b>4,039,436</b>
<b>Total Expenditure</b>	<b>5,492,709</b>	<b>6,118,998</b>	<b>5,157,512</b>	<b>4,190,261</b>	<b>3,881,405</b>	<b>4,062,208</b>
Net Surplus (Deficit)	201,915	14,032	(85,685)	474,947	68,270	(22,772)

Whilst the Island Council is being given increasing responsibilities, the governance and financial management is largely done on the remit of the British High Commission with delegated responsibilities to the Pitcairn Island Office (PIO). The PIO is staffed by two New Zealand employees based in Auckland.

The United Kingdom Government will continue to commit funds to Overseas Territories, including Pitcairn, and will also manage the macro-economic risks and thereby contain them. On the basis of the UK Government's commitment, there is a credible stability-oriented macroeconomic policy framework for Pitcairn.

### 8.3.3. - Public financial management

Since Pitcairn's entry into UK budget support in 2004, the Department for International Development (DFID) has carried out Fiduciary Risk Assessments regularly. The latest assessment from 2010 concludes that Pitcairn has an overall low risk Public Finance Management (PFM) environment. A PFM assessment funded by the EU in 2009 concluded that Pitcairn was eligible for budget support and PFM risks were low. The EU PFM assessment report and audit recommendations, prepared by the professional new Zealand accountancy firm that perform annual audits on Pitcairn accounts, were followed up and implemented. An updated PFM assessment

commissioned by the EU for 2013 reiterated this conclusion and provided recommendations that will be taken into account in Pitcairn's Public Finance Management Action Plan and help improve further Public Finance Management. The report – and its follow up by the Pitcairn Island Office (PIO) - will also feed into the preparation of budget support payment decisions<sup>7</sup>.

Auditing of Government finances is undertaken by a commercial New Zealand audit firm, in accordance with New Zealand audit standards.

On the basis of the above, there is credible and relevant strategy to improve public financial management.

#### 8.3.4. - Budget transparency and oversight of the budget

Although key budget documents have been made available upon request in the past, privacy protection led to some restrictions of their public accessibility. Indeed, due to the small size of Pitcairn's population, several budget line items can be easily traced down to individual residents. Consequently, consolidated figures of annual expenditures and other key budget documents for 2012 and thereafter will be published on the governmental website ([www.government.pn](http://www.government.pn)) from 2013 onwards.

The above will be inserted as a general condition to any disbursement under the present Action (see section 4.3).

### **8.4. Lessons learnt**

Slow disbursement of the 9<sup>th</sup> EDF allocation of EUR 2.3 million highlights the limited absorption capacity in Pitcairn, the islander's reluctance to outsource works and service and a generally slow decision making process.

Great care therefore has been taken in preparing the 10<sup>th</sup> EDF Tourism SRC to consult widely with islanders who have fully endorsed the approach and contents of the initiative. In order to ensure that objectives are achieved within the timeframe of the Action, the Government intends to use the additional funding provided through this SCR to support the implementation of its Tourism Strategy, notably the financing of a ship-to-shore passenger vessel to assist disembarkation and embarkation, and of an on-island transport system (tractor-trailer or equivalent) to improve tourism movement on the island (both to be procured off-island by tender).

Islanders are now taking a much more open approach to having external construction workers to bolster the limited labour-force.

### **8.5. Complementary actions**

Most of the on-going 9<sup>th</sup> EDF is being used to finance the construction of the new landing and jetty at Tedside on the West coast which will serve as an alternative to the landing of cruise ship passengers at Bounty Bay. Once completed, it will provide a safer access for passengers and an evacuation route in the event of disaster.

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<sup>7</sup> The financial management, reporting and oversight mechanisms for the Pitcairn Government are reflected in the tripartite governance structure, comprising the Pitcairn Island Office (Auckland), the Governor's Office, based in the British High Commission (Wellington), and the Pitcairn Island Council (PIC). The Pitcairn Island Office is responsible for financial matters such as logistics, procurement, payments and financial reporting. It operates a single bank account for all transactions and prepares monthly management reports with financial and operational information.

Pitcairn also benefits from the EU's regional Pacific OCT programme under 9<sup>th</sup> EDF (Supporting Disaster Risk Reduction), and is one of the Pacific OCT's beneficiaries under 10<sup>th</sup> EDF regional programme (INTEGRE) with focus on environmental and integrated natural resource management. Finally, Pitcairn is a member of the Secretariat of the Pacific Community and has received some assistance on plant and animal disease surveillance and phyto-sanitary issues.

## **8.6. Risk Management Framework**

There are no high or substantial risks identified in the context of this Action.

The only moderate risk identified for the Action is the island's vulnerability to global economic development combined with high dependence on imports, thus commodity and transport prices. If either world market and/or New Zealand economy in particular would contract rapidly, consequences would trickle down to Pitcairn by increasing prices for imported goods, including fuel. While an increasing proportion of electricity is supplied by renewable energy sources, fossil fuel cost for transport and access to the island will remain an issue— as in most of the Pacific. A key mitigating element is the UK commitment to support the island through budget support thus ensuring that Pitcairn fiscal needs are met.

A second risk, although considered low, is associated with the development of Pitcairn's tourism sector and relates to the limited human resources on the island and, consequently, the limited management capacity and workforce (31 people, many of whom will retire or be less able-bodied over the next 5 years). Risk mitigation measures, such as fee for service contracting, exploration and implementation of volunteerism projects and seasonal work programmes and interdivisional collaboration on tourism initiatives and activities will be factored in the Tourism Action Plan and should ensure that activities will take place and tourism will develop.

Otherwise, Pitcairn ranks amongst the countries with the lowest corruption worldwide. Due to the isolated and remote location and difficult access, the island is no target for organised crime, terrorism, illegal or illicit trade or any other extremist groups. As all permanent residents are indigenous people, there are no racial, cultural or ethnic differences, or social or regional inequities on Pitcairn. Poverty is not an issue on the island as financial needs are met by budget support from the United Kingdom's government. Since 2006, child safeguarding and offender monitoring has been drastically improved, including constructive engagement of community members, a family and community officer on the island, and including specific provisions on children's rights in the 2010 Pitcairn constitution.

## **9. DESCRIPTION**

### **9.1. Objectives**

The General Objective is to support Pitcairn Strategic Development Plan aiming at a sustainable and secure future for the Pitcairn community. The Specific Objective of the Action is to support the development of the tourism sector thus assisting in creating alternative and viable sources of income for Pitcairn and reducing the country dependence on externally provided budget support.

In the context of the policy dialogue for the SRC and the implementation of various activities supported by the Action, particular attention will be paid to cross-cutting issues, such as the promotion of gender equality, human rights and democracy, the protection of children, social cohesion, respect of rule of law and environment.



## **9.2. Expected results**

The expected result of the Action will be the implementation of the Tourism sector policy aimed notably at:

- Improving ship to shore transfer reliability by providing a dedicated tender vessel, designed to transfer up to 70 passengers safely to shore, in middling swell conditions;
- Improving transfer and sightseeing arrangements by providing tractor-trailer (or a 4-wheel drive truck) transit to passengers once they reach shore. This will be for scenic tours of the island as well as to the main centre of habitation;
- Enhancing the current public buildings visited by tourists, including the hall, which will be redeveloped as a multi-functional interpretative centre, the post office (much visited by tourists to purchase Pitcairn's unique postage stamps and similar products), and the foreign exchange bureau. These buildings will be modernised in a manner that reflects Pitcairn's unique heritage and culture.
- Attracting additional yachts and encouraging longer stay, by providing facilities for yacht visitors, mooring points and maintenance facilities. The envisaged establishment of a Pitcairn Islands Yacht Club will provide a marketing focus.

## **9.3. Main activities**

In addition to the budget support financial transfer of EUR 2.4 million, the main activities will include continued sector policy dialogue with Pitcairn islanders and the regular monitoring of the budget support eligibility criteria and tourism sector performance. Public Finance Management and macroeconomic developments will be assessed through exchanges with Pitcairn islanders and United Kingdom/DFID as well as on the basis of ad-hoc analyses. While construction works will take place, generating jobs and employment on the island, support will also be given to softer aspects of tourism development, including tourist promotion building on Pitcairn's unique characteristics, which include its unspoiled nature, unique species (particularly of birdlife and flora), low pollution levels and fascinating history.

Financial sustainability is an important element of the Action, as the tourism sector will benefit from an increased level of spending as a result of its implementation over the next 3 years.

## **9.4. Donor coordination**

The UK is the only donor active in Pitcairn apart from the EU. Whilst the different and distant locations of their respective administrations impede frequent formal and informal meetings, the quality of donor coordination has improved. The EU Delegation is in regular contact with British High Commission in New Zealand and the Department for International Development (DFID), where relevant.

## **9.5. Stakeholders**

The main stakeholders of the programme are the Island Council, representing the island population, the Pitcairn Island Office (PIO) responsible for the territory's administrative and financial matters, the Governor (and Deputy Governor) who is the British High Commissioner to New Zealand and the Department for International Development (DFID), both of which monitor UK's budget aid and its expenditures.



## **9.6. Conclusion on the balance between risks (2.6) and expected benefits/results (3.2)**

While moderate and low risks are associated to the Action – notably with regards to the island vulnerability to global economic crisis and its limited human resources – the likelihood of those risks impacting significantly on the expected result is limited. The benefits resulting from the Action therefore outweigh the potential adverse effect associated to the risks and, by providing financial support to Pitcairn, the Action will contribute to support the development of the tourism sector and gradually increase the Island's own revenues.

## **10. IMPLEMENTATION ISSUES**

### **10.1. Financing Agreement**

In order to implement this action it is foreseen to conclude a financing agreement with the partner territory, referred to in Article 70 3 (a) of the Financial Regulation applicable to the 10<sup>th</sup> European Development Fund.

### **10.2. Indicative operational implementation period**

The indicative operational implementation period of this action, during which the activities described in sections 3.3 and 4.4 will be carried out, is 36 months, subject to the modifications to be agreed by the responsible authorising officer in the relevant agreements.

### **10.3. Criteria and indicative schedule of disbursement of budget support**

A pre-condition to the disbursement of the first tranche will be the adoption of the Tourism Strategic Plan including a fully prioritized and budgeted Tourism Action Plan.

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

- Satisfactory progress in the implementation of the Pitcairn Tourism policy and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of Pitcairn's action plan to improve public financial management;
- Satisfactory progress with regard to the public availability from 2013 onward of key budget documents and consolidated figures on annual budget expenditures, while respecting privacy rights of Pitcairn residents.

The specific conditions for the variable tranche (year 3) are as follows:

- The payment of the variable tranche will be conditional to supply contracts for improved ship to shore access (boat) and tourist transport system (tractor trailer or equivalent) being signed.



The indicative schedule of disbursement is summarised in the table below (all figures in EUR):

Year	2014				2015				2016				Total
Type of tranche	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Fixed tranches			800,000				770,000				520,000		2,090,000
Variable tranches											250,000		250,000
Total			800,000				770,000				770,000		2,340,000

#### 10.4. Indicative budget

The total EU contribution of EUR 2.400.000 will be allocated as follows:

Module	Amount in EUR
4.3 Budget Support – Sector Reform Contract	2.340.000
4.4 Evaluation	60,000
<b>Total</b>	<b>2.400.000</b>

#### 10.5. Performance monitoring

The assessment of progress will rely on financial and operational reports prepared by the PIO and:

- For sector performance: reports from the Pitcairn Tourism Department on the implementation of the Pitcairn Tourism Strategic Plan (2011-2015) and the Pitcairn Island Tourism Action Plan
- For the macro-economic stability: the results of DFID's Fiduciary Risk assessments and annual assessments when available
- For continued progress in PFM: (a) timely Pitcairn's annual audit reports and evidence that matters identified as outstanding have been addressed by the Pitcairn Island Office; (b) progress with the recommendations identified by the 2013 PFM Assessment update commissioned by the EU.
- For budget transparency: budget information posted on Pitcairn Island's official webpage ([www.government.pn](http://www.government.pn))

#### 10.6. Evaluation

The annual external audit of Pitcairn's accounts (PIO financial accounts) funded by the Pitcairn Government authorities is carried out by an independent accountancy firm in Auckland in accordance with New Zealand's internationally based standards on auditing. Audit reports will form part of the payment dossiers submitted to the EU by the Territorial Authorizing Officer for the disbursement of tranches.

A final Evaluation is envisaged and will be undertaken towards the end of the third year of the programme.

## **10.7. Communication and visibility**

The Pitcairn Tourism Sector Programme includes a marketing component and creates substantial opportunities to maximize EU visibility. Communication and visibility actions will take the "EU Visibility guidelines for external actions" into account and will be financed from the sector budget support component.



## ANNEX 1: SUMMARY COUNTRY DATA

Surface	4.7 km <sup>2</sup>
Location	South Pacific Ocean: Latitude 25 04 S; Longitude 130 06 W
Population, total	54
Membership of international organisations	Secretariat of the Pacific Community (SPC)
Population growth (average % past five years)	Zero
Life expectancy at birth (years)	75-80
Fertility rate (births per woman)	3-4
Mortality of under 5 years (per 1000 children)	0
Illiteracy total	nil
Illiteracy female (% age 15 and above)	nil
Primary enrolment (% of relevant age group)	100%
Secondary enrolment (% of relevant age group)	100%
Secondary enrolment, female (% of age group)	100%
Unemployment rate (% of labour force)	nil
Unemployment rate, females (% of female labour force)	nil
Poverty rate (percentage population below poverty line)	nil
HIV incidence (per 1000 population)	nil
Main natural resources (items)	Wood- miro&TAO for carving and fish
Inflation rate (average past three years)	Most imports come from New Zealand and inflation is therefore linked to the New Zealand economy
GDP per capita	Population of only 54. Minimal internal economy. Data not available \$
GDP growth (average % past five years)	See above.
Value added in agriculture (% of GDP)	See above.
Value added in industry (% of GDP)	See above.
Value added in services (% of GDP)	See above.
Exports of goods and services (% of GDP)	Islanders export wood carvings, fruit, honey and fish (often to passing ships). Data not available.
Imports of goods and services (% of GDP)	All goods imported with the exception of food produced on the island and fish. Data not available.
Number of tourists	300-400 visitors per year mainly on cruise ships.
External debt (percentage of GDP)	Zero
Foreign direct investment, stock	Zero
Overall government budget balance (% of GDP)	See figures in SPD for budget deficit
Fixed lines and mobile phones (per 1000 people)	All households have fixed line phones.
Personal computers (per 1000 people)	Most families have at least one.
Internet users	All households



**ANNEX 2: REVENUE & EXPENDITURE STATEMENT 2009/10: BUDGET & OUTTURN**  
**IN NZ DOLLAR**

<b>Component</b>	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
<b>Revenue</b>			
Stamp Sales (net)	29,250	(23,275)	-180%
Domain Registration (net)	80,000	77,390	-3.3%
Coins	50,000	17,204	-65.6%
Landing Fees	40,000	35,177	-12.1%
Miscellaneous Sales	7,000	29,548	+322%
Foreign Exchange – Gain/(Loss)		(44,715)	
<b>Total Revenue</b>	<b>206,250</b>	<b>91,329</b>	<b>-55.7%</b>
<b>Expenditure</b>			
GPI Council	117,998	80,878	-31.5%
Community Division	69,583	57,369	-17.6%
NZ Police	255,000	336,811	+32.1%
NZ Family Community Adviser	146,000	193,664	+32.6%
NZ School Teacher	172,000	191,141	+11.1%
NZ Medical Officer	638,000	688,115	+7.9%
<b>Sub-total – Community Division</b>	<b>1,280,583</b>	<b>1,467,100</b>	<b>+14.6%</b>
Natural Resources Division	25,270	19,361	-23.4%
Finance and Economics Division	66,588	60,785	-8.7%
Operations Division	90,530	83,607	-7.7%
Telecommunications	161,887	186,328	+15.1%
Power Generation	(7,625)	(40,641)	+433%
General Works and Marine	215,000	265,305	+23.4%
<b>Sub-total – Operations Division</b>	<b>459,892</b>	<b>494,599</b>	<b>+7.5%</b>
Head Office (PIO)	813,236	889,995	+9.4%
Shipping and Freight (net)	1,517,500	1,611,260	+6.2%
<b>Total Expenditure</b>	<b>4,281,067</b>	<b>4,623,978</b>	<b>+8.0%</b>
<b>Operating Surplus (Shortfall)</b>	<b>(4,074,817)</b>	<b>(4,532,649)</b>	<b>+11.2%</b>
<b>Statement in GBP (£)</b>			
Average Exchange Rate (£1 = NZ\$)	2.12	2.12	
Revenue	97,150	43,019	-55.7%
Expenditure	2,016,518	2,178,039	+8.0%
<b>Operating Surplus (Shortfall)</b>	<b>(1,919,367)</b>	<b>(2,135,021)</b>	<b>+11.2%</b>

**Currency rates**

1 EUR = 0.87 pound

1 EUR = 1.90 New Zealand dollar

## ANNEX 3: PITCAIRN ENVIRONMENTAL PROFILE (2007)

### Summary

Pitcairn is an extremely remote, small British territory in the South Pacific comprising four islands, only one of which, Pitcairn Island, is inhabited. Henderson island is a UNESCO World Heritage site and proposals have been made for the three smaller islands as well as two sites on Pitcairn Island to become Ramsar (Wetlands) sites. Improved access by air and sea could increase the flow of eco-tourists. This would require careful control to avoid the accidental introduction of invasive species which can irreversibly harm local flora and fauna. Maintaining Pitcairn's pristine environment whilst creating improvements in living standards for its inhabitants requires a delicate balance.

### 1. Background information

Pitcairn is a British overseas territory, situated in the South Pacific, south-east of French Polynesia and half way between New Zealand and South America. Pitcairn has less than 50 inhabitants. It was settled by the mutineers of the HMS Bounty some 200 years ago. The other 3 islands which are part of Pitcairn territory are uninhabited: Henderson Island is a World Heritage Site and there are two smaller low-lying atolls (Oeno and Ducie).

#### 1.1 Key facts and statistics

##### 1.1.1 Physical geography

Pitcairn Island is 7.5 km<sup>2</sup> and of volcanic origin. It has a rocky coastline with cliffs and no natural harbours. Its climate is tropical but mild, with easterly winds. The average temperature is 21°C with about a 10° difference between the warmest and coldest months. Typhoons occur between November and March. The highest point on the island is Pawala Valley Ridge at 347 m. Henderson is 37 km<sup>2</sup> and a very unusual elevated coral atoll. The old lagoon floor of the island is now raised to an elevation of about 30m. There is a fringing reef 200m wide on the north, north-west and north-east sides of the island, backed by a wide beach.

Oeno is a low-lying undisturbed atoll to the north of Pitcairn, consisting of a small central island surrounded by a lagoon with a fringing reef. The lagoon is 4 km in diameter and uniformly shallow (3m) with scattered coral reefs separated by sand. To the north there is a passage where the Pitcairners' longboats can enter the lagoon. Ducie Atoll, to the East of Pitcairn, is the southernmost atoll in the world. It is 1.6 km in diameter and consists of four islands surrounding the largest part of the lagoon. Acadia, the largest island of the atoll is 2.5 km long and 250 m wide, with a maximum elevation of 3 m. Of the four islands, only Pitcairn has freshwater.

##### 1.1.2 Flora and fauna

Pitcairn's soils are volcanic and fertile. Both tropical and temperate fruits and vegetables are cultivated, such as citrus, sugarcane, watermelons, bananas, yams, and beans, mostly for local consumption. The island has suffered intense deforestation and the only natural forests remaining are on the ridge of the central mountain. The island has 80 species of native vascular plant, of which 10 are endemic. 26 species of land snail were identified. Seven of these species are thought to be prehistoric adventives and a further three are likely to be prehistoric introductions.

Pitcairn has one endemic bird species, the Pitcairn Reedwarbler. This bird appears to be distributed throughout the island in all habitats. Recent botanical research on Pitcairn island identified 14 plant

communities: four coastal, six forest, two fernland and two scrub communities. Less than 30 % of the island is covered by native forest. Fernlands also cover large areas, including both eroding areas and ridge tops. Coastal vegetation comprises rock and cliff communities with limited strand vegetation.

Henderson Island is a unique elevated atoll, and a UNESCO World Heritage Site. Its plateau is protected from the periodic inundation of the sea during cyclones. As a result, a diverse fauna and flora has developed with many endemic species. Growing on this terrain are 63 native species including nine endemic. The island also has four endemic bird species: the Henderson Crane, the Henderson Fruitdove, the Henderson Lorikeet and the Henderson Reed-warbler. There is a large variety of mite fauna on Henderson and many are apparently endemic. There are 26 species of spider and nine species of isopod, with three endemic to Henderson. Green turtles nest on Henderson Island.

Oeno and Ducie are pristine atolls, and have been proposed as Ramsar sites. The central lagoon at Ducie shows well-preserved dead corals, encrusted by a live coral assemblage. Presumably the formerly abundant corals have been killed by influxes of cold water to this island, which is towards the southern limit of coral growth.

Oeno, Ducie and Henderson are all important areas for seabirds, hosting more than 10,000 pairs on a regular basis. Over 90% of the world's Murphy's Petrels (over 200,000 breeding pairs) nest on Ducie, making the atoll of supreme importance for this species. It is also important for two other surface-nesting petrels: the Herald and the Kermadec.

A few species are exotic and were introduced from elsewhere: hardwoods (miro and toa) on Henderson (used for handicrafts), rose apple. There are also goats, cats and rats. The rose apple is being eradicated in places to allow the original vegetation to come back. A successful campaign has eradicated rodents from the two low-lying atolls, while on the other islands globally important seabird populations (petrels) are threatened by Pacific rats.

### **1.1.3 Demography, socio-economy**

Pitcairn has no airport or harbour and has a predominantly barter economy. Wooden carvings, baskets and other local produce are sold to tourists who are transported by longboat from cruise ships anchored offshore. 6-10 cruise ships and 2500-3000 passengers visit the island per year. Another source of income is the sale of the island's postage stamps and coins, the registration of internet domains and the sale of honey. There is no taxation, and the government is the only employer.

There is a school, a health centre, police, a courthouse, a church and a cooperative store. The Islanders are mainly self-employed, though small allowances are paid by the Pitcairn Administration Office for performing maintenance and other tasks as required. Goods have to be lowered from larger ships, taken ashore and transported uphill to Adamstown by quadbike from Bounty Bay. The languages are English and Pitkern, a mixture of 18th century English and a Tahitian dialect of the first inhabitants.

At the end of 2002 regular shipping services to the island provided by P&O ships plying between Auckland and the Panama Canal were suspended. Boats now come only sporadically. Imports include: fuel oil, machinery, building materials, foodstuffs. There is a budget deficit.

## **2. Main environmental challenges**

### **2.1 Overview of state of Pitcairn's environment**

The islands, in particular Henderson and the two low lying atolls are important for their bird populations. All islands have suffered from invasive species (plants, trees, animals) but there are still many unique species of scrub, tree, fern, snails and birds: 24 plant, 170 terrestrial invertebrate and 4 bird species on only 47 km<sup>2</sup>.

More than half the flora of Pitcairn Island are either threatened or likely to become so. On Henderson less than 20% of the flora are threatened. Henderson has been accorded the status of UNESCO World Heritage Site and the two low-lying atolls are being considered for protection under the Ramsar Treaty. The islanders re-use or burn most of their waste. One landfill is full.

### **2.2 Main environmental challenges**

#### **Challenge 1: Invasive species and other threats to flora and fauna**

The islands' small size and remoteness create special difficulties. The necessary conservation and monitoring activities require scarce manpower and finance. The island's economy is very basic, and new opportunities are sought for improving air and sea access, as reflected in applications for EU funding.

The island is seeking to develop ecotourism. However, an increase in visitors will mean a greater risk of introducing exotic and invasive species to the islands, and reducing biodiversity. A study has been commissioned on these risks. An Environment Management Plan is currently being drafted by external consultants. Henderson already has a nature management plan for the period 2004-2009 but it is not yet implemented. The Henderson plan seeks to:

- create an administrative structure to ensure implementation;
- tackle the threat of alien fauna and flora;
- prevent the removal of biological, geological and Polynesian archaeological material;
- control tourism and associated visitor impact, excluding visitors from the plateau;
- prevent reef damage;
- reduce the exploitation of miro and toa timber to sustainable levels;
- continue monitoring and research.

## **3. Environmental policies and institutions**

### **3.1 Institutional structure, manpower and budgets**

The government of Pitcairn comprises a staff of 9: there is a Governor's representative on Pitcairn and a dedicated staff of three in the Governors Office in Wellington. There is a staff of four in the Pitcairn Islands Office in Auckland, headed by the Commissioner. None of these is specifically assigned to environmental issues. There are no regular budgets for the environment, though project funds can be sought from the UK for specific initiatives.



The Pitcairn Island Council is the elected body responsible for the day-to-day affairs of the islands and has limited legislative powers (see section 3.4.2.). There are two part-time officers who deal with the environment: a Director of Biosecurity and a Quarantine Officer. The former takes responsibility for biosecurity on Pitcairn and has been instrumental in setting up a nursery which is used for propagating endemic plants. This officer also takes the lead in addressing pest problems (e.g. fruit fly) on the island.

Along with other islanders he visits Henderson and Oeno about once a year, Ducie more rarely. The visits are usually too brief to permit active conservation management, but at least mean that any major conservation problems will not go unnoticed for extended periods. These two part-time officers are paid by the UK Government out of the island's budgetary aid. All other environmental initiatives are funded as individual projects with Foreign and Commonwealth Office funding (see 4.1).

### **3.2 Mechanisms for integrating environment into development**

The Governor, High Commissioner and island council discuss all relevant areas of concern together. There are no specific mechanisms for integrating environmental and nature conservation issues into the laws and plans for social and economic development of the territory.

### **3.3 Environmental strategy and policy**

The framework for the development of Pitcairn is set forth in a UK government white paper (UK Government, 1999). The section on Pitcairn makes brief mention of promoting environmental protection. The main policy objectives for Pitcairn are to reduce isolation through improved transport links and to maximise economic growth and self-sufficiency through sensible economic and financial management.

The Single Programming Document (SPD) with attached business plan (made by consultants in 2003) prepared to allow Pitcairn to request EDF funds from the EU, and policy documents drafted to access budgetary aid from the UK are also relevant. The previously mentioned Henderson Island Management Plan 2004-2009 is an important policy plan, an obligation under the World Heritage status. It has not yet been implemented.

Various reviews have taken place on environment-related issues such as fisheries, access, shipping and tourism, designed to inform decision-making in these fields as Pitcairn develops facilities on and for the island. Other relevant policy papers related to nature and the environment are:

- Foreign and Commonwealth Office (FCO) disaster management manual for Overseas Territories (currently undergoing amendment).
- Pitcairn Environment Management Plan, currently being drafted by consultants. It will incorporate the Henderson Island Management Plan (see below) and recommend strategies for environmental conservation on all four islands in the group.
- Project proposal being prepared for review of sanitation, waste and water on Pitcairn Island.
- Land survey recently undertaken will determine appropriate land use - ongoing project.



### 3.4 Policy instruments

The following items of legislation exist for Pitcairn.

Item of legislation	Comments or details
Apiaries Ordinance	Beekeeping regulations, including disease prevention and importation
Endangered Species Protection Ordinance	Largely designed to implement CITES
Fisheries Zone Ordinance	This provides the legislative basis for fisheries management. The ordinance establishes and regulates fishing within Pitcairn's EEZ, and provides for the issue of licences.
Local Government Ordinance	Authorises the Island Council to make regulations in areas such as quarantine, fisheries, planning and conservation.
Local Government Regulations 1971 (Part IV):	This covers animals and wildlife. Section C deals specifically with wildlife and is concerned primarily with species protection. The legislation generally prohibits the killing or taking of eggs of wild birds and, subject to the authority of the Wild Bird Protection Committee, controls the extent to which certain prescribed species may be exploited. An amendment in 1982 protects species (three whales, three seabirds and two turtles) restricting their capture, killing or harassment, and protects migratory species as a means of implementing the Bonn Convention on Migratory Species. There are no permits or quotas, but fines can be imposed for breaches of the regulations.
Local Government Regulations, other parts	Rules covering such issues as rubbish disposal, digging of cesspits. There are no permits or quotas, but fines can be imposed for breaches.

Environmental impact assessment (EIA) is not mandatory, but an EIA was carried out for the introduction of a new shipping route, to address risks from the import of produce from the tropics. EIAs are also planned for the construction of a new breakwater and the introduction of wind turbines.

### 3.5 Monitoring

No monitoring of air emissions, water quality etc. takes place. Pitcairn has one small spring which is not used for drinking water. Water is supplied from rain collected by individuals.

There is no specific process for monitoring wildlife, but the island has a Director of Biosecurity. Studies are also conducted at various times by visiting scientists. Monitoring changes in the island's fauna and flora is difficult because of the island's exceptional remoteness and ruggedness – the very features that have contributed to preserving it thus far. Pitcairn is included in the Pacific tsunami monitoring system.

### 3.6 Enforcement

There are no permits, requirements or quotas laid down in the local Regulations but fines can be imposed for breaches. Regulations are enforceable by the Island Council and the government. There are no agencies except the local police, the Director of Biosecurity and the Quarantine Officer.

### 3.7 Conclusion on the administrative and political setting

Pitcairn is very small, remote and inaccessible. With a population of 54 and a small administration 4500 km away in New Zealand, implementing and managing nature-friendly socio-economic plans is a challenge.

## 4. International cooperation

### 4.1 Cooperation with the UK

All environmental initiatives like pest control (fruit fly), the rat eradication project on the two atolls etc. have been funded as individual projects with British Foreign and Commonwealth Office (FCO) funding. Funding for environmental projects in the last 3 years has been approximately € 160,000. The two environmental officers are paid from the budgetary aid received from the UK. The FCO Good Government Fund has been used to support a number of projects on Pitcairn. The current average annual spend on Pitcairn from this fund is € 38,000. This remains an on-going process.

### 4.2 International cooperation and Multilateral Environmental Agreements (MEAs)

Pitcairn participates in the following MEAs:

MEA	Extended	Effective	Comments
Convention on the International Trade in Endangered Species of Wild Fauna and Flora (CITES)	August 1976	October 1976	
Bonn Convention on the Conservation of Migratory Species of Wild Animals	July 1985	October 1985	
London Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter	November 1975	December 1975	
Convention on Wetlands of International Importance (Ramsar)	January 1976	May 1976	No sites yet listed, but 2 sites on Pitcairn Is. and the other 3 islands have been proposed.
Convention concerning the Protection of the World Cultural and Natural Heritage (World Heritage)			
Convention for the Protection of the Natural Resources and Environment of the South Pacific Region (SPREP)	July 1987	Not yet	Signed in respect of Pitcairn, Henderson, Ducie and Oeno Islands (Ratification has not taken place)

#### **4.4 Other funding by international community for environmental and environment-related projects**

None.

#### **4.5 Other international cooperation on the environment (or environmentally sensitive sectors)**

Several scientific expeditions have taken place on the Pitcairn islands, among them the Trinity College, Dublin, botanical expedition in 1997 and the Sir Peter Scott Commemorative Expedition in 1991-2, which documented the land flora and fauna of Henderson Island.

#### **5. Recommendations for areas of cooperation between the EU and Pitcairn**

1. Finish drafting the environmental management plan for Pitcairn
2. Support the work being done by the nursery on Pitcairn.
3. Implement Henderson's management plan:
4. Continued monitoring and research

