

REGION LEVEL EVALUATION
OVERSEAS COUNTRIES AND TERRITORIES
(OCT)

Final Report

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List of Acronyms and Abbreviations

| ACRONYM | NAME |
|----------------|---|
| ACP | Africa, Caribbean and Pacific countries |
| BAP | EU Biodiversity Action Plan |
| BES-islands | Bonaire, Sint Eustatius and Saba |
| BIOT | British Indian Ocean Territory |
| BS | Budget Support |
| BVI | British Virgin Islands |
| CARICOM | Caribbean Community |
| CBD | Convention on Biological Diversity |
| CCAMLR | Commission for Conservation of Antarctic Marine Living Resources |
| CCRF | Caribbean Catastrophe Risk Insurance Facility |
| CDEMA | Caribbean Disaster Management Agency |
| CGM | <i>Conseil Général de Mayote</i> |
| COP15 | Conference of Parties 15 (of the UN Climate Change Conference) |
| CPER | <i>Contrat de Plan Etat-Région</i> |
| CRIS | Common Relex Information System |
| CSO | Civil Society Organisation |
| CSP | Country Strategy Paper |
| CZM | Coastal Zone Management |
| DAPM | Development Aid Planning Mission |
| DfID | UK Department for International Development |
| DG DEV | Directorate General for Development |
| DG REGIO | Directorate General for Regional Policy |
| DIPECHO | Disaster Preparedness Programme of DG ECHO |
| DOM | (French) <i>Départements d'outre-mer</i> |
| DRAO | (Deputy) Regional Authorising Officer |
| DRR | Disaster Risk Reduction |
| EC | European Communities |
| ECHO | Humanitarian Aid and Civil Protection Directorate General of the Commission of the EU |
| EDF | European Development Fund |
| EEZ | Exclusive Economic Zone |
| EIB | European Investment Bank |
| ENPI | European Neighbourhood Partnership |
| ENRTP | Environment and Natural Resource Thematic Programme |
| EPA | Economic Partnership Agreement |
| EQ | Evaluation Question |
| ERDF | European Regional Development Fund |
| ESA | Eastern and Southern Africa |
| ESA/IO | Eastern and Southern Africa/ Indian Ocean |

| ACRONYM | NAME |
|----------------|---|
| ETR | End of Term Review |
| EU | European Union |
| EUD | Delegation of the European Union |
| FCO | British Foreign & Commonwealth Office |
| FDA | <i>Fondo Desaroyo Aruba</i> |
| FP7 | The EU's 7 th Framework Programme for Research |
| FRA | Fiduciary Risk Assessment |
| GBS | General Budget Support |
| GCCA | Global Climate Change Alliance |
| GDP | Gross Domestic Product |
| GNP | Gross National Product |
| GoA | Government of Anguilla |
| GoM | Government of Montserrat |
| GSP | Generalized System of Preferences |
| GTHN | <i>Groupe de travail de haut niveau (Mayotte, Comoros)</i> |
| HDM | Human Development Measure |
| IAS | Invasive Alien Species |
| ICT | Information and Communication Technologies |
| IDC | <i>Institut pour le Développement des Compétences de Nouvelle-Calédonie</i> |
| IOC | Indian Ocean Commission |
| IOTC | Indian Ocean Tuna Commission |
| IP | Indicative Programme |
| IUCN | International Union for the Conservation of Nature |
| JC | Judgment Criteria |
| LSCI | Liner Shipping Connectivity Index |
| MER | Monitoring, Evaluation, Reporting |
| MPA | Marine Protected Areas |
| MS | (EU) Member State(s) |
| MTR | Mid Term Review |
| NAFO | Northwest Atlantic Fisheries Organisation |
| NC | New Caledonia |
| NEA | Netherlands Antilles |
| NGO | Non Governmental Organisation |
| NPP | Northern Periphery Programme |
| OAD | Overseas Association Decision |
| OCT | Overseas Countries and Territories |
| OCTA | Association of Overseas Countries and Territories |
| ODA | Official Development Assistance |
| OECS | Organisation of Eastern Caribbean States |
| OR | Outermost Region |
| OTCC | Overseas Territories Consultative Council |

| ACRONYM | NAME |
|----------------|--|
| OTs | (British) Overseas Territories |
| PACER | Pacific Agreement on Economic Cooperation |
| PAHO | Pan American Health Organisation |
| PBA | Programme Based Approach |
| PEFA | Public Expenditure and Financial Accountability |
| PFM | Public Finance Management |
| PIU | Project Implementation Unit |
| PLARM | <i>Projet d'Inventaire des Plantes Aromatiques et Médicinales (Mayotte)</i> |
| PMA | Protected Marine Area |
| PRPV | <i>Programme Régional de Protection des Végétaux dans l'océan Indien</i> |
| PTOM | <i>Pays et Territoires d'Outre-Mer</i> |
| PWP | Partnership Working Party |
| R3I | Regional Risk Reduction Initiative (Caribbean) |
| RAO | Regional Authorising Officer |
| RG | Reference Group |
| RIO | Regional Integration Organization |
| RIP | Regional Indicative Programme |
| RMF | Road Maintenance Fund |
| ROM | Result Orientated Monitoring |
| RSP/RIP | Regional Strategy Paper/Regional Indicative Programme |
| RUP | <i>Région ultrapériphérique</i> |
| SAP | <i>Service de l'Aménagement et la Planification, Gouvernement de la Nouvelle-Calédonie</i> |
| SBS | Sector Budget Support |
| SIDS | Small Island Developing States |
| SMEs | Small and Medium Enterprises |
| SNAYDP | Support to the Netherlands Antilles Youth Development Programme |
| SPD | Single Programming Document |
| SPM | <i>St Pierre et Miquelon</i> |
| STABEX | <i>Système de Stabilisation des Recettes d'Exportation</i> |
| TA | Territorial Authority |
| TAAF | <i>Terres Australes et Antarctiques Françaises</i> |
| TAO | Territory Authorising Officer |
| TAP | Technical Administrative Provision |
| TCI | Turks and Caicos Islands |
| TEPVERTES | <i>Tonne équivalent pétrole, valorisation des énergies renouvelables et transmission des expériences et des savoir faire</i> |
| TIP | Territory Indicative Programme |
| ToR | Terms of Reference |
| UK | United Kingdom |
| UN | United Nations |
| UNCTAD | United Nations Conference on Trade and Development |

| ACRONYM | NAME |
|----------------|---|
| UNDP | United Nations Development Programme |
| UNEP | United Nations Environmental Programme |
| UTG | <i>Unité technique de gestion (Mayotte)</i> |
| VET | Vocational Education and Training |
| WTO | World Trade Organization |
| WWF | Worldwide Fund for Nature |

EXECUTIVE SUMMARY

This evaluation covers the **strategies of the European Union (EU) for co-operation with the Overseas Countries and Territories (OCTs) and their implementation 1999–2009, including the intended effects under the current programming cycle 2008-2013**, in relation to the territorial Single Programming Documents of the 8th, 9th and 10th European Development Fund (EDF), the Partnership Agreement with Greenland and contributions from other co-operation instruments.

The main **objectives** of this evaluation are:

- To provide the external co-operation Services of the Commission of the European Union (further referred to as “Commission”) and the wider public with an overall independent assessment of the EU’s past and current co-operation relations with the OCTs;
- To identify key lessons in order to improve the current and future strategies and programmes of the Commission.

The evaluation was carried out in four phases from March 2010 to January 2011 by five experts. In the inception phase, the Evaluation Team examined EU strategic and policy documents in order to reconstruct the intervention logic and formulate the evaluation questions. In the desk phase, the team studied the available documents and interviewed key Commission staff in Brussels, representatives of the OCTs and their Association (OCTA), and of the four Member States they are linked with, to take stock of the interventions, formulate preliminary answers to the evaluation questions and the methodology for testing them in the field. A survey, including all OCTs served the same purpose. The aim of the field phase was to test the work of the desk phase through field visits to nine OCTs.¹ The main tools used were interviews

with key informants and focus group discussions. In the synthesis phase, the evaluators cross-analysed the information collected, checked its reliability and formulated conclusions and recommendations. Throughout the process, the team has interacted with a Reference Group (RG) comprising representatives of the relevant Commission’s Services in Brussels, OCTA, the OCTs and the four OCT-linked EU Member States.

THE OCT CONTEXT

Twenty Overseas Countries/Territories² with a total population of 1.03 million are linked to Denmark, France, the Netherlands and the United Kingdom and associated with the EU. Based on the Treaty of Rome, part four of the Treaty on the Functioning of the EU deals with *"the association of the overseas countries and territories"*. The purpose (Article 198) is *"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."* The detailed relations between the OCTs and the Union are governed by Decisions of the Council of the European Union. The latest is the Council Decision of 27 November 2001, with amendments in 2007, on the association of the OCTs with the European Community (OAD).³

In addition to the OAD, the EU-co-operation with Greenland was since 2007 governed by the EU/Greenland/Denmark Partnership Agreement.

The OCTs are listed in the following table with the Member State to which they are linked (the 14 OCTs with a co-operation arrangement with the EU are stated in *italics*). Some OCTs are not permanently

¹ Aruba, Falkland Islands, French Polynesia, Greenland, Mayotte, Montserrat, Netherlands Antilles, New Caledonia and Wallis & Futuna

² The number of OCTs has increased by the change of status of the Netherlands Antilles, Oct 2010. “Twenty” refers to the number of OCTs during the evaluation period.

³ Council Decision 2001/822/EC of 27 November 2001 on the association of the overseas countries and territories with the European Community (Overseas Association Decision).

inhabited and some do not participate in the co-operation because their GDP per capita is above the average EU-level (e.g. Cayman Islands and British Virgin Islands).

| EU Member State | OCT |
|-----------------|---|
| Denmark | Greenland |
| France | Mayotte, New Caledonia and Dependencies, French Polynesia, French Southern and Antarctic Territories, St. Pierre & Miquelon and Wallis & Futuna Islands |
| Netherlands | Aruba and the Netherlands Antilles ⁴ |
| United Kingdom | Anguilla, British Antarctic Territory, British Indian Ocean Territory, British Virgin Islands, Cayman Islands, Falkland Islands, Montserrat, Pitcairn, St. Helena, Ascension Island and Tristan da Cunha, South Georgia and the South Sandwich Islands, Turks and Caicos Islands. |

None of the OCTs are sovereign countries while they have varying degrees of autonomy. All are parliamentary democracies. Generally, they cannot negotiate changes to their relationship with the EU on their own or participate directly in Economic Partnership Agreement (EPA) negotiations between the EU and third countries. The OCTs are all islands, scattered all over the world. There are considerable differences between the OCTs in terms of size of territory and (generally small) populations, climate and degree of isolation from the rest of the world. Their level of economic and social development differs. The economies are usually not very diversified, dependent on a narrow economic base that mostly consists in the provision of services, and heavily reliant on imports of goods and energy with negative trade balances. Common OCT characteristics are a rich bio-diversity, extensive exclusive economic zones and vulnerability to climate change and pollution. De-population, including brain drain and

⁴ The Netherlands Antilles were dissolved on 10th October 2010. Out of the 5 islands that make up the Antilles, 2 of them will gain country status within the Kingdom of the Netherlands (Curacao and St. Maarten).. They will remain OCTs. 3 of them will acquire the status of Dutch municipalities with special status, but continue to have OCT status (Bonaire, Saba and St. Eustatius).

emigration of young persons for work, is a challenge for many OCTs.

MAIN FEATURES OF EU CO-OPERATION WITH OCTS

The EDF rules, financial regulations and procurement procedures have been applied to the OCTs. OCTs eligible for EDF allocations elaborate a development co-operation strategy called Single Programming Document (SPD). Thirteen OCTs signed SPDs for the 9th EDF. All OCTs, regardless of per capita GDP, are eligible for support under regional co-operation and integration mechanisms.⁵ In the 8th EDF, 1998-2002, €115m was allocated to OCTs and in the 9th EDF, 2002-2007, €175m. In the 10th EDF 2008-2013, the allocation is €286m. Starting with the 9th EDF, budget support has been the preferred instrument of co-operation.

In view of the expiry of the current OAD at the end of 2013, the EU seeks to define a new EU-OCT partnership. A Green Paper suggested in 2008 that future relations should be more reciprocal and emphasised that the OCTs, as EU-outposts all over the world, are an asset. An EC Communication⁶ was a step towards the definition of a new strategy to be presented in 2011 and implemented in 2014. It aims to establish a framework, which will enhance OCT competitiveness, strengthen their environmental and economic resilience and promote integration between OCTs and other economies in the regions where they are located.

MAIN CONCLUSIONS OF THE EVALUATION

1. The EU support to the OCTs has served its purpose well in being consistent with the EU policy objectives of *promoting the economic*

⁵ OCTs are systematically associated to EU regional programmes and benefitted under the 9th EDF of specific "regional" programmes among themselves.

⁶ The Communication named "Elements for a new partnership between the EU and the overseas countries and territories (OCTs)" http://ec.europa.eu/development/geographical/regionscountries/regionscountriesocts_en.cfm. It has been approved on 6 November 2009 following a broad public consultation from 1 July to the 17 October 2008 based on a Commission-Green Paper.

& social development in the OCTs and bringing the OCTs economically closer to the EU. The support was also consistent with the priorities of the OCT governments and the needs of their populations.

2. Coordination between the European Commission and Member States has been adequate. There has been coherence between the EU-OCT co-operation and other EU policies. Added value from the EU-support can be identified in a number of areas, such as improved public finance management and sector policy planning.

3. The delivery mechanisms of EU support and its management have been less conducive to the achievement of the objectives of the co-operation. Significant delays have occurred in some cases and there have been cases where the Commission's approach was inconsistent. Whilst individual projects and programmes have been beneficial, the delays reduced the value of the EU support and in some cases undermined OCT budget management.

4. The EU trade preference regime did not sufficiently counterbalance the OCTs' economic diversification constraints. At the same time, the EU-ACP EPA negotiations represent a threat for the OCTs by levelling trade advantages to ACP-countries (free of duty and quota) closer to the OCTs preferential terms.

5. In spite of the efforts towards regional integration and co-operation supported under the EDFs, the involvement of the OCTs in regional programmes was minimised by isolation from regional networking, high participation-costs and in the South Pacific, by the language barrier.

6. The EU support to the development of transport, connectivity and energy infrastructure has made and continues to make a difference with respect to transport, thus contributing to the reduction of the isolation that OCTs are exposed to - although external circumstances and management decisions meant that the overall impact was less substantial than projected when feasibility studies were undertaken. In terms

of Information and Communication Technology (ICT) connectivity and energy, the size of the co-operation has been relatively modest, although energy is important to the OCTs due to the high consumption costs they are facing.

7. EU support for vocational education and training has had a positive impact in New Caledonia on the employability of vulnerable parts of the population. Regarding the support for the wider education sector, this is also the case in Greenland where impact prospects are promising, according to a recent Mid-Term Review.

8. Despite the recognition to the importance of the environment, the reality of climate change and the importance of disaster preparedness, only few concrete results of the EU-OCT co-operation were found in this field thus far, while prospects for future impact from recently started interventions are promising. With targeted EU support some of the OCTs may develop "centres of excellence" in their regions or amongst the OCTs, related to climate change, renewable energy and environment issues.

9. While the OCTs support democratic, egalitarian and other values, these are not perceived as particularly European. OCT institutions and citizens do neither benefit very much from EU programmes or thematic budget lines for development co-operation nor from EU information services. Hence, the "Europeanness" of OCT governments and populations appears linked with the EU-OCT co-operation and the possibilities provided by European citizenship to work and study in the EU and to travel more freely.

10. For the future, a need appears for revising the framework in order to respond better to new, emerging OCT priorities such as energy and climate change challenges and opportunities and to new EU objectives such as sustainable marine management, safeguarding biodiversity and presence of Europe and European values all over the world.

MAIN RECOMMENDATIONS

Future-oriented

Recommendation I

The existing framework for the EU-OCT partnership should be updated. In order to avoid creating a new instrument it is proposed:

- Either to assimilate the OCTs to the Outermost Regions (OR) in their eligibility for Structural Funds and for all EU Agencies, programmes, and budget lines, or
- To encompass the OCTs within the European Neighbourhood and Partnership Instrument (ENPI) which would suit their character of emerging economies and their need for a progressive legislative harmonisation with the *acquis communautaire* thanks to the support of the Member States to which they are linked.

It should facilitate OCT access to all relevant EU agencies, programmes and thematic budget lines.

In addition to competitiveness, resilience and regional integration, the new framework should be founded on the new emerging OCT and EU priorities.

In co-operation between the EU and the OCTs communication services should be created that facilitate OCT institutions' and citizens' access to knowledge about the EU in general and its policies and programmes.

Recommendation II

The EU should move from the present trade regimes based on a passive principle of preference to a framework of positive discriminations. The trade incentive framework should be integrated in a GBS policy dialogue platform on trade and economic diversification. The incentive framework should counterbalance the foreseeable further erosion of trade preference, induced by EPA and bilateral free trade agreements with third countries negotiations, by establishing an EU-funded scheme designed to promote internationalisation and innovation among OCT SMEs while more resources should be

committed to technical assistance. This implies consideration of OCT exports when negotiating free trade agreements with third countries of the same region, and easing of derogations to the rules of origin when this is needed to support the economic base of the OCTs.

Recommendation III

The EU should consider the OCTs more as EU stakeholders in regional programmes than as ACP countries. OCTs should be provided the opportunity to share the conditions of the European Neighbourhood and Partnership policy, with proportionate financing. In order to build a closer relationship with OCTs' neighbours, the OCTs and neighbouring ACP countries should reach an agreement, closely coordinated with EU bilateral National Indicative Programmes (NIPs) on economic co-operation and trade focused on services, environment and scientific and cultural co-operation. The OCTs should contribute, with EU financial support through twinning and technical assistance to neighbouring ACP countries.

For developed neighbouring economies the present trend towards developing bilateral initiatives should be further supported. Focus should be on the underlying drivers of high value production, such as research and development

Recommendation IV

OCTs should be supported in developing centres of excellence capable of creating and disseminating knowledge, in particular with respect to climate change and environment issues that apply to their regions. Centres of excellence could be shared between different OCTs, thus promoting their co-operation.

Oriented towards ongoing co-operation

Recommendation V

A mix of co-operation-instruments (project versus budget support) should reflect the individual OCT circumstances and needs. When project modalities are applied, it should be ensured that they are part of a sector approach and that the territorial

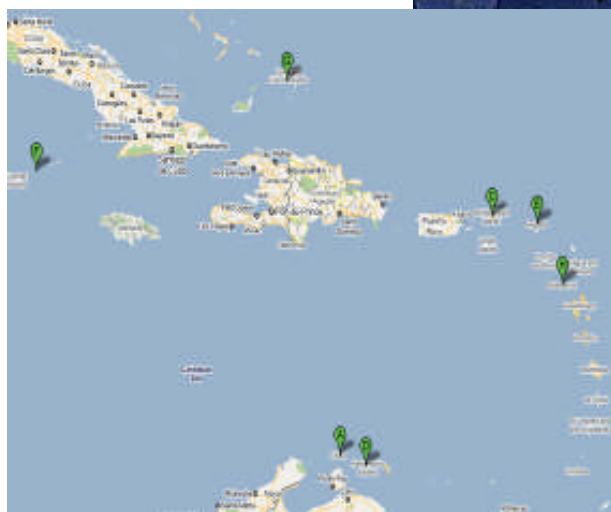
capacities are adapted to the chosen modality. Programming and documentary requirements, such as Single Programming Documents (SPDs), should be simplified and fit-for-purpose. Once formats have been agreed in consultation with local OCT authorities, modifications (which create additional work for OCTs) should be minimised.

Recommendation VI

The Commission should strengthen the OCT Task Force to manage its engagement with and development support to the OCTs.

Figure 1: Map of EU OCTs

- A- Aruba
- B- Bermuda
- C- British Virgin Islands
- D- Netherlands Antilles
- E- Anguilla
- F- Cayman Islands
- G- Turks & Caicos Islands
- H- Montserrat
- I- New Caledonia
- J- French Polynesia
- K- Wallis & Futuna
- L- St. Pierre & Miquelon
- M- Greenland
- N- British & French Southern and Antarctic lands
- O- British Indian Ocean Territory
- P- Mayotte
- Q- Falkland Islands
- R- South Georgian & South Sandwich Islands
- S- Falkland Islands
- T- Saint Helena



1 Introduction

1.1 Objectives of the Evaluation

According to the Terms of Reference, the main objectives of this first evaluation of the region are:

- ❖ *To provide the relevant external co-operation services of the Commission of the European Union and the wider public with an overall independent assessment of the Commission's past and current co-operation activities with the Overseas Countries and Territories.*
- ❖ *To identify key lessons in order to improve the current and future strategies and programmes of the Commission.*

The objectives of the evaluation are to contribute to:

- Management accountability for the allocated funds,
- The promotion of a lesson-learning culture throughout the organisation.

The overall context of a partnership with the Overseas Countries and Territories (OCTs) with different financing instruments *and* territory-specific strategies as set out in the Single Programming Documents (SPD) will be analysed. In line with the Terms of Reference (ToR), the focus will be on the **impact** (effects) of the Commission's expenditure programmes.

Thus the evaluation will cover the strategic aspects concerning the result-orientation *and* the effectiveness of the management of the allocated funds. It will also describe the effects of the selected implemented interventions and their contribution to the achievement of the objectives of the EU co-operation strategies with the OCTs and of the EU co-operation in general.

The evaluation will, therefore, create an appropriate balance between

- Being comprehensive in order to fulfil the above accountability requirement, and
- Be specific enough to yield useful and relevant lessons that can be used by the EU and its partners to increase the performance of EU support.

1.2 Context of EU - OCT co-operation

Twenty overseas countries and territories⁷, with a total population of 1.03 million, are linked to Denmark, France, the Netherlands and the United Kingdom (UK) and associated with the EU⁸ (see map Annex 2). In principle, their nationals are EU citizens, even though the OCTs are not part of the EU or directly subject to EU law.⁹ They benefit from associate status conferred on them by the Treaty on the functioning of the EU. Part Four of the Treaty (Articles 198 - 204) deals with "the association of the overseas countries and territories". The purpose of this association, according to Article 198 of the Treaty, is "*to promote the economic and social development of the countries and territories and to establish close*

⁷ The number of OCTs has increased by the change of status of the Netherlands Antilles as per October 2010. In this Report will be referred to twenty OCTs, which was number during the evaluation period.

⁸ Bermuda, also eligible, has chosen not to be part of the OCT association arrangement.

⁹ The citizenship rights of the British OTs are described in Volume II of this report (p. 64), it reflects legislation passed in 2002. Nationals from French, Dutch and Danish OCT have the nationality of the related Member State automatically, which makes them be citizens of the European Union.

economic relations between them and the Union as a whole."

The detailed relations between the OCTs and the Union are governed by Decisions of the Council of the European Union that are periodically updated. The latest Decision is the Council Decision of 27 November 2001, with a few amendments in 2007, on the association of the overseas countries and territories with the European Community ("Overseas Association Decision", OAD).¹⁰ Greenland, is an exception regarding the financial bilateral co-operation, which, since 2007, has been defined by the EU-Greenland/Denmark Partnership Agreement (Council Decision 2006/526/EC), in addition to the OAD¹¹. The specific objectives of, and the principles for, the European Commission - OCT development co-operation are listed in Articles 18 and 19 of the OAD.

None of the OCTs are sovereign countries, all are parliamentary democracies. There are substantial differences in the powers devolved to the local OCT authorities by the concerned Member States, and that OCT status can evolve towards a higher or lower level of autonomy as a result of democratic processes (see description of the different legal statuses of the OCTs in Annex 2).

The OCTs are, since 2000, organised in an association (OCTA), the purpose of which is to promote the economic and social development of the OCTs and establish close economic relations between them and the Union as a whole (see Annex 4). EU-OCT relations are governed through regular trilateral meetings between the Commission, the OCTs and the concerned Commission Member States, such as the annual **OCT Forum**, and various, smaller, partnership meetings between the Commission, the specific EU Member State and the OCT linked with it.

The twenty OCTs figuring in Annex II of the EU-Treaty are listed below, with the Member State to which they are linked. Those with a co-operation arrangement with the European Commission are identified in italics. Some OCTs are not permanently inhabited and some do not participate in co-operation arrangements because their GDP per capita is above the average EU-level.¹²

| | |
|-------------------------|--|
| Denmark: | <i>Greenland</i> |
| France: | <i>Mayotte, New Caledonia and Dependencies, French Polynesia, French Southern and Antarctic Territories, St. Pierre & Miquelon and Wallis & Futuna Islands</i> |
| The Netherlands: | <i>Aruba and the Netherlands Antilles¹³</i> |
| United Kingdom: | <i>Anguilla, British Antarctic Territory, British Indian Ocean Territory, British Virgin Islands (BVI), Cayman Islands, Falkland Islands, Montserrat, Pitcairn, St. Helena, Ascension Island and Tristan da Cunha, South Georgia and the South Sandwich Islands, Turks and Caicos Islands.</i> |

¹⁰ Council Decision 2001/822/EC of 27 November 2001 on the association of the overseas countries and territories with the European Community (Overseas Association Decision).

¹¹ The OAD states Greenland's non-eligibility to bilateral/ geographical financial co-operation, but includes Greenland to be eligible to other co-operation.

¹² GNP being not available for all the OCTs, the GDP is the criteria that was used for the EDF allocation (GDP is the product produced within a country's borders; GNP is the product produced by enterprises owned by a country's citizens).

¹³ The Netherlands Antilles were formally dissolved by 10.10.2010. Out of the 5 islands that make up the Antilles, 2 of them gained country status within the Kingdom of the Netherlands (Curacao and St. Maarten). They will remain OCTs. 3 of them acquired the status of Dutch municipalities with special status, but continue to have OCT status (Bonaire, Saba and St. Eustatius). See Annex II, p.59.

The box below provides an overview of the support to the OCTs from the Member States to which they are linked. For more information, including on the legal status of OCTs can be found Annex 2 in Vol.2 of the Report.

Box 1: EU Member State's support for OCTs

Denmark support to Greenland

During the evaluation period, the support from Denmark to Greenland has consisted in an annual "block grant" of approximately €400m, which accounts for 56% of the Greenland national expenditure budget. This level of funding was unchanged by the transition of Greenland from home-rule to self-rule in 2009 and is expected to continue in the medium and long term¹⁴.

France Support to OCTs

France financial support to the OCTs linked with it is two-fold:
Contractual pluri-annual budget support (depending on the status of each OCT called "contrat de plan", "contrat de développement" or "contrat de projet"), Financial transfers related to the recurrent cost of sector ministries, general administration (préfecture, haut-commissariat), police force and retirement and social schemes. The contractual part is jointly agreed within a three-year envelope defined by the "loi de finances", based on an appraisal of the needs of the population and an evaluation of the performance of the previous programming cycles. The Mayotte 2008-2014-contrat de projet budget is €500m, of which two thirds are financed from the national budget. For French Polynesia, it is €473m, €177m financed from the national budget. France has supported initiatives to structure the long-range OCT development, but lack of ownership and political stability often made it difficult to obtain such long-term perspective. Gaps between the budget and the need to develop and maintain infrastructure and run public services often widened differences between standards of living in OCTs and in France. All investments and non-programmable financial transfers, including civil servants salary, pensions and other public remittances amounted annually to an average (2006-2009) of €1.4bn in 2008 for French Polynesia; €1.12bn for New Caledonia and €96m for Wallis and Futuna. Salaries and pensions are taking the lion's share (some 80%). To a large extent, these financial transfers are the main contributors to the local economy and sustain relatively high standards of living.

The Netherlands support to OCTs

The Netherlands co-operation programmes with Aruba and the former Netherlands Antilles covered Education and Youth; Law enforcement and Safety; Institutional support and Socio-economic development, (support to urban and water-and-sanitation-infrastructure is included under the last category). Specific programmes focused on NGOs. In addition to the co-operation programmes, the Netherlands supported placement and funding of judges and legal advisers, support to police activities related to organised crime and support to the coast guard.¹⁵ The Dutch government approved a budget for development aid to the Netherlands Antilles on an annual basis. The total of these funds amounts to approximately €100m annually in the evaluation period for project support in the abovementioned sectors. In addition, support for capital investments, technical assistance, pension supplements, the judicial system, guarantees, debt rescheduling, interest subsidies and contributions to the coast guard has been directed through other channels. Regarding Aruba, joint Netherlands-Aruba contributions to a development fund, Fondo Desaroyo Aruba (FDA) were used to finance Government projects in health care, sustainable economic development, education and governance and law enforcement. For the period 2000-2009, the Netherlands contribution to the FDA has been approximately €73m.¹⁶ In recent years, the Netherlands' support to Aruba has increasingly taken the form of technical assistance.¹⁷

¹⁴ Prior to the introduction of Self Rule in 2009, the Danish block grant was allowed to fluctuate. Following the transition to Self Rule, the block grant is fixed at a specific amount, adjusted according to the price index

¹⁵ OCT Mid-Term Review, 2006, p.153

¹⁶ Aruba, PFM report p. 16

¹⁷ Aruba. PFM Report 2008

UK Support to Overseas Territories (OTs)

The UK OTs fall in two categories: Aid dependant OTs, which receive a subvention from the UK Government, Department of international Development (DFID), and Financially self-sufficient OTs, overseen by the Foreign and Commonwealth Office (FCO). Both DFID and FCO maintain Overseas Territories Departments, which collaborate closely. The Territories overseen by DFID are St Helena, Montserrat and Pitcairn. While in the past support from the UK was through a combination of budget support and project funding, these OTs are now moving to a three-year budget settlement, intended to improve their financial predictability. This settlement includes performance targets and part of the funding is conditional. Recent DFID funding flows were the following approximated amounts: Montserrat: €23.9m in 2008; St Helena: €21m in 2008/09 and Pitcairn: €2.9m in 2007/08.¹⁸ The non-aid OTs (in terms of UK support) are Anguilla, Ascension Island, British Virgin Islands, Cayman Islands, Falkland Islands, Tristan da Cunha, Turks and Caicos Islands. However, over the past two years, Anguilla, Cayman, TCI and BVI have got into financial difficulties and substantial effort is made to ensure that they do not become aid dependant again. The financial situation in Falklands remains comparatively strong. Also the non-aid dependant OTs receive some support from the UK, concerning constitutional affairs, justice sector and police, public finance and budget management.

The table below provides a brief overview of the OCTs, roughly indicating their size in terms of population, legal status and the size and the nature of the co-operation they have had with the European Commission under the 8th and the 9th EDF.

Table 1: OCT and co-operation overview (1999-2009)

| OCT, (inhabitants) | EDF8 | EDF9,10 | Non EDF | Sector/allocations in m€ |
|---|------|---------|---|--|
| Denmark | | | | |
| Greenland ¹⁹ (56,000) | | | Fisheries Agreement €15.8m p.a. ²⁰ | Education and vocational training €25m annually in 2006 prices for the period 2007-2013 |
| France OCT population: (650,000) | | | | |
| Mayotte (160,000) | X | STABEX | | Reforestation, water, waste Projects: €59.6m |
| New Caledonia (245,580) | X | SYSMIN | | Roads project, Voc. training SBS Total €74.3m |
| French Polynesia (250,000) | X | X | | Housing, WATSAN Projects total: €70.2m |
| St. Pierre & Miquelon, (6,000) | X | X | | Transport project, water, environment, economic development: €44.1m |
| Wallis & Futuna (15,000) | X | X | | Schools, roads, water Projects total: €42.8m |

¹⁸ Government of Montserrat, Estimates of Revenue and Expenditure, 2008; figures provided by DFID

¹⁹ Greenland is eligible to EDF funding only on regional co-operation under the 8th, 9th and 10th EDF.

²⁰ This Fisheries Partnership Agreement (including a financial reserve of 1.540.000 € for additional capelin and/or cod quotas) is not part of the EU development co-operation in the fisheries sector.

| OCT, (inhabitants) | EDF8 | EDF9,10 | Non EDF | Sector/allocations in m€ |
|---|------|-------------|---------|---|
| Netherlands OCT population: (267,000) | | | | |
| Netherlands Antilles (192,000) | X | X | | Housing, sewerage, urban infrastructure, youth development and tourism projects, total: €112.9m |
| Aruba (100,000) | X | X | | National park and National Museum, €16.16m |
| United Kingdom OCT population (56.000) | | | | |
| Anguilla (13,000) | X | X | | Infrastructure €26.5m Project |
| Falkland Island (3,000) | X | STABEX X | | €8.3m |
| Montserrat (4,000) | X | X | | Reconstruction, €40.8m |
| Pitcairn (50) | X | X | | Transport, SBS, €4,8m |
| St. Helena , Ascension and Tristan da Cunha (4,257 + 946 + 264) | X | X | | SBS: €35m Infrastructure |
| Turks & Caicos Islands (31,000) | X | X | | Transport infrastructure, SBS Water IS project Total €28.2m |
| Total OCT population (1,029,000) | | | | |

The team has taken notice of the differences in the legal frameworks binding the individual OCT with the responsible Member State. The OCTs have varying degrees of autonomy as decided by democratic processes; as a result, the relation with the EU varies. Generally, however, the OCTs cannot negotiate changes to their relationship with the EU on their own and cannot directly participate in the negotiations between the EU and third countries on Economic Partnership Agreements (EPAs).

1.2.1 *Characteristics of the OCTs*

The inhabited OCTs are all islands, scattered around the globe, in the Caribbean Sea, the North Atlantic Ocean, the South Atlantic Ocean, the Indian Ocean, and the Pacific Ocean. There are considerable differences between the OCTs in terms of the size of their territory and (generally small) population, climate and the degree of physical isolation from the rest of the world.

Their level of economic and social development differs widely (see Annex 2). Anguilla, Mayotte, Montserrat, Saint Helena and Wallis and Futuna are considered middle-income territories²¹. All the other OCTs are not considered eligible for official development assistance by the OECD/DAC, since they enjoy a relatively high GDP per capita.

The economies of the OCT are usually not very diversified, being generally dependent on a narrow economic base that mostly revolves around the provision of services and is heavily reliant on imports of goods and energy (trade balances are usually negative). Natural resources are generally sparse, apart from fisheries, minerals or nickel.

²¹ There are no low income countries among the OCTs.

Major industries are:

- Tourism (all, except Wallis & Futuna and St. Pierre & Miquelon);
- Fisheries and aquaculture (including pearl culture) (North Atlantic OCTs; St. Helena, Ascension and Tristan da Cunha; French Polynesia; New Caledonia; Turks & Caicos Islands), and International Financial Services (all Caribbean OCT).

Regional economic integration plays an important role or is seen as a way forwards for most OCT. **Accessibility** is a big issue, due to their nature as often quite isolated islands, incl. regarding the diversification of the economies. Transport and infrastructure (i.e. seaports, airports and roads) are therefore principal transportation sub-sectors to be taken into account regarding assistance to the OCT. Major strengths, weaknesses and potential of OCTs' economy and trade regimes were analysed individually by the joint Commission-OCTA study²² on regional economic integration in 2009 to support a needed sustainable economic policy framework.

Another common characteristic is that **ecologically** they are quite richly endowed – but all the islands are extremely **vulnerable** in terms of ecological balance, either through the threats deriving from climate change (rising sea level, rising sea-water temperatures, degradation of coral reefs, higher intensity of cyclones) or through non-adequate practices such as breeding non-endemic domestic animals (overgrazing); pollution through improper waste /waste-water management or through highly polluting industries such as oil refining (Aruba and NL Antilles) or mining (New Caledonia). Another challenge for many OCTs is the tendency towards **de-population**, not least as a consequence of young educated persons leaving them for what is perceived as better job opportunities elsewhere.²³

1.2.2 Evolution of the European Commission's co-operation with the OCTs

The co-operation has evolved on the background of the OCTs benefiting from association arrangements in such areas as:

- Economic and trade co-operation – favourable rules of origin (for wholly obtained produces only) and a free access for originating products are the basis of a very favourable trade regime. This regime is however, suffering from erosion of preferences resulting in the decrease of tariffs of competitors and the slow generalisation of EPA and regional trade communities The EU technical trade regulations and standards apply in full to OCTs,
- Sustainable development – support for policies and strategies relating to production, trade development, human, social and environmental development, cultural and social co-operation,
- Regional co-operation and integration – support for economic co-operation and development, free movement of people, goods, services, labour and technology, liberalised trade and payments, and sector reform policies at regional level.

²² DFC, Final Report: The Analysis of the Regional Economic Integration Processes (Caribbean, Pacific and Indian Ocean) and recommendations aiming at enhancing trade and economic activity of OCTs within their region and with the EC, Jan.2010

²³ Youth can represent up to 60% of the population in some OCTs

For historical reasons, considering the common origin of their relations with the EU,²⁴ the EDF rules and procedures for ACP countries have been applied for the OCTs as well (except Greenland).²⁵ Since their economic and social backgrounds are very heterogeneous, so are their needs and conditions for co-operation. OCTs with a per capita GDP above the EU average are not eligible for funds for (EDF financed) programmes (ex. the Cayman Islands and the British Virgin Islands).

Cotonou Agreement provisions are not applicable to the co-operation with the OCTs, since the co-operation is determined by the Overseas Association Decision and the Commission Regulation on implementing the Overseas Association Decision (CR 2304/2002 amended by CR1424/2007).

For those OCTs eligible for a territorial EDF allocation, the OCTs (with the support of the Member States and the Commission) elaborate a development co-operation strategy in the form of a Single Programming Document (SPD). Thirteen of the twenty OCTs have signed an SPD for 9th EDF (the rest being too wealthy or uninhabited, see Annex 2). In addition to support at territorial level, all OCTs, regardless of their per capita GNP, are eligible for support under regional co-operation and integration mechanisms. Besides the European Commission's allocations, financial transfers from their related Member States are often the only, or the main, contributions to the national budget of the OCTs.

In view of the expiry of the current OAD at the end of 2013, the Commission of the European Union is seeking to define a new partnership between the EU and the OCTs. The continued application of the general EU development co-operation policy would not meet the expectations of either Member States or OCTs. Therefore, a Green Paper was developed in 2008 aiming to review the relations between the EU and the OCTs, which, in the future, should be even more reciprocal and emphasise that the OCTs, as outposts of Europe all over the world, should be seen as assets for the EU. A Communication²⁶ based on the Green Paper, and the subsequent consultation process constitutes one step towards the definition of a new strategy for the relations with the OCT that should be presented in 2011 and implemented in 2014.

The aim of the Communication regarding the future relations between European Commission and the OCT is to establish a framework of co-operation, which will:

- Enhance OCT competitiveness;
- Strengthen their environmental and economic resilience;
- Promote co-operation between the OCT and other economies in the regions where they are located.

²⁴ In fact, the list of OCT in the Treaty of Rome of 1957 included Member States' colonies that have in the meantime become independent sovereign countries, most of them currently ACP states.

²⁵ EU co-operation with Greenland is funded from the EU budget and falls outside the EDF-ACP framework, The Greenland-EU partnership "SPD" is the *Programming Document for Sustainable Development* and the TAO is the Government of Greenland. . Where the legal basis for the (financial) bilateral co-operation is the 'Overseas Association Decision' for the EDF-funded OCTs, it is the 'Council Decision on relations on Greenland' in the case of Greenland (see Annex II, p 37). Without prejudice to the OAD, the overall objective of the partnership between the Community and Greenland is to broaden and strengthen relations between the Community and Greenland and to contribute to the sustainable development of Greenland.

²⁶ The Communication named "Elements for a new partnership between the EU and the overseas countries and territories (OCTs)" http://ec.europa.eu/development/geographical/regionscountries/regionscountriesocts_en.cfm. It has been approved on 6 November 2009 following a broad public consultation from 1 July to the 17 October 2008 based on the Green Paper.

- Maintain the close links of OCTs to EU Member States

To accomplish these intertwined objectives, information is needed on how new modalities for technical and financial co-operation can best be provided by the Commission, with due regard to coordination with the financial instruments for the EU Outermost Regions (ORs), ACP states or relevant third countries.

Box 2: The European Union and its Overseas Regions (ORs and OCTs)

The EU includes **7 Outermost Regions (ORs)** and **20 Overseas Countries and Territories (OCTs)** are associated with the EU under Part IV of the Treaty of the European Union. The ORs are an integral part of the EU under the Treaty of the European Union where European Law applies.²⁷ The 20 OCTs, of which 17 are inhabited, are the subject of the present evaluation.

While sharing many demographic and physical characteristics - small economies, vulnerability to climate change and the loss of biodiversity, low population numbers and/or low population density and considerable distance from mainland Europe - legally their relationship with the EU differs as well as their historical background of financial transfers and investments from the MS to which they are linked. There are substantial differences in the powers devolved to the local OCT authorities by the concerned Member States, and OCT status can evolve towards a higher or lower level of autonomy as a result of local democratic processes. In addition, OCTs can also evolve to the status of Outermost Regions (e.g. Mayotte) and therefore the numbers quoted above are subject to change.

In respect of Mayotte, provision was already made that it will be possible to take a decision leading to the modification of the status of Mayotte in order to make this territory an Outermost Region of the EU within the meaning of Article 355(1) and Article 349.²⁸ The change of Mayotte's status will take place if the internal status of the island allows and when the French authorities notified the European Council and the European Commission that this evolution is currently underway.

The important legal and regulatory difference, as illustrated by the case of Mayotte, is that ORs are subject to the full *acquis communautaire*, while OCTs are not. On the investment side, ORs are eligible to structural funds-support, which do not compare with the per capita level of EU financial assistance as OCT. At present, the 7 ORs of the EU are: Guadeloupe, French Guyana, Martinique and Réunion (the 4 French overseas departments), the Canaries (Spain), the Azores and Madeira (Portugal). ORs are subject to a Declaration annexed to the EU Treaty and may benefit from specific measures on the basis of Article 299 of that Treaty. This Declaration acknowledges their considerable structural backwardness and provides for the possibility of adopting specific measures that lay down conditions for applying the Treaty and common policies.²⁹ The ORs are eligible for any of the EU regional policy objectives after 2006: Convergence, Regional Competitiveness & Employment and Territorial Cooperation. Constitutional changes in respect of Saint Barthélemy and Saint Martin (formerly parts of Guadeloupe) as well as changes in the constitutional status of the Netherland Antilles may further impact on the institutional make-up of the OCTs and ORs as well as the number of these two types of entities.

1.3 Scope of Evaluation

As requested in the ToR, the evaluation assesses the co-operation strategies of the European Commission between 1999 and 2009. Within this context, the evaluation:

- Provides an assessment of the overall EU co-operation framework with the OCTs during the period 1999-2009 including all activities as well as modalities,

²⁷ The outermost regions are the subject of a Declaration annexed to the EU Treaty and may benefit from specific measures on the basis of Article 299 of that Treaty. See: http://europa.eu/legislation_summaries/glossary/outermost_regions_en.htm , and <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:12002E299:EN:HTML>

²⁸ Declarations annexed to the final act of the intergovernmental conference which adopted the Treaty of Lisbon, signed on 13 December 2007 (Article 43. Declaration on Article 355(6) of the Treaty on the Functioning of the European Union).

²⁹ For Outermost Regions see: Europa Glossary. http://europa.eu/scadplus/glossary/outermost_regions_en.htm.

- Analyses the relevance and coherence of the different instruments of co-operation with the OCTs in relation to the Commission’s co-operation strategies and the other main EU policies,
- Provides recommendations and lessons learned on the implementation from the Commission’s co-operation, focusing on impact, sustainability, effectiveness and efficiency for the period 1999 – 2009.
- Analyse intended effects for the period under the programming cycle 2008 – 2013.

As regards the thematic scope, the Evaluation covers the **overall Commission’s co-operation with OCTs between 1999 and 2009 in key sectors of relevance to the individual OCTs.**³⁰ To the extent possible, it generates an inventory of all EU funding to the OCTs for this period. Thus, the evaluation analyses whether the priorities used for financial allocations during that period correspond to the national priorities of the Governments of the OCT. The selection of **centres of attention** is based on the main areas of co-operation mentioned in the ToR:

| | | | |
|--|---|--------------|--------------------|
| Transport (mainly by air and sea) | Infrastructures (roads, havens, water) | Trade | Environment |
|--|---|--------------|--------------------|

As well as the support to:

| | | |
|------------------------|--|-----------------------------------|
| Good governance | Education and vocational training | Private Sector Development |
|------------------------|--|-----------------------------------|

The team has noted that the OCTs also consider **Energy** an important area of co-operation.³¹ This has been reflected in the evaluation questions.³²

In addition, the evaluation takes into account the analyses of the completed projects as well as those from projects still under implementation from previous EDFs during the temporal scope period. It is relevant to assess coordination and complementarities between activities under different mechanisms and modalities, considering also the regional level. The evaluation also assesses the extent to which recommendations of previous regional, thematic and sector evaluations in which OCT had been considered were taken into account in the current programming cycle.³³ As mentioned, the evaluation identifies relevant lessons and produces recommendations for the current and future strategy and programmes, bearing in mind the objectives for the future co-operation framework.

³⁰ When relevant in relation to the evaluation questions, the role of the Association of OCTs, OCTA, will also be integrated.

³¹ For example, TEP vertes, regional programme in the Pacific (9th EDF). Energy is a crucial issue for the OCTs (in sectors such as access, regional co-operation and sustainable technologies). Cf. statements of the OCTs at the OCT Forum, March 2010.

³² Fisheries (SFP) has also been mentioned as an important policy area. It is, therefore, dealt with under EQ8 together with other EU-policies of relevance to the OCTs, since the SFPs is not an EU intervention.

³³ So far, these include three evaluations, two regarding the Netherland Antilles and one regarding the Turks and Caicos Islands.

2 Objectives and Structure of the Report

Following the TOR, based on the methodology developed by the European Commission's Joint Evaluation Unit, and in line with the specifications of the Launch Note for this evaluation, this regional level evaluation is being undertaken in five phases:

- (i) Inception Phase;
- (ii) Desk Phase;
- (iii) Field Phase;
- (iv) Synthesis Phase bringing together the results of the Field and Desk Phases; *and*
- (v) Feedback and Dissemination Phase.

The present Draft Final Report is the physical output of the synthesis phase. The main purpose of this report is to:

- Present answers to the EQs on the desk and field studies.
- Present conclusions and recommendations

Further to the presentation of the Synthesis Report to the RG and other stakeholders, their comments have been considered and integrated in the present draft Final Report.

The Report is structured as follows:

Section 3 below gives an overview of the methodology applied, while a full description is provided in Annex XII. Survey questions and answers and desk phase interview guides are in the Annexes VI-VIII. Persons met and the evaluation bibliography is listed in the Annexes IX and X, respectively.

Section 4 provides the overview of the co-operation, including modalities and funding, and the overall logic behind those interventions. Specific interventions logics for the 8th, 9th and 10th EDF are in Annex III. Detailed information about the programmes and projects can be found in Annex XI.

Section 5 contains the answers to the eight evaluation questions and the judgments on which they are based. The detailed indicator-basis for the judgments is to be found in Annex V-Information Matrix. The OCT-specific context is described in Annex II.³⁴ Finally, sections 6 and 7 contain the conclusions and recommendations, respectively.

The Terms of Reference of the present evaluation are in Annex 1.

³⁴ In the case of Greenland it contains the EU-Greenland Partnership Agreement in the fisheries sector and its implementation.

3 Overall Strategy and Methods for Analyses

The team applied the following overall methodology to pursue the objectives of the evaluation (see Section 1.1.).³⁵

STEP 1

An overview was established of the interventions, containing the support agreed between the EU, the OCT Governments and the Member States to which they are linked. This defined the co-operation context including purpose, timing, allocations and disbursements.

Team members participated in the 2010 OCT Forum in Brussels (March), where the evaluation was presented to the Forum and information gathered incl. through interviews with representatives of the OCTs and Member States.

STEP 2

In the fields defined by the EQs, an attempt was made to establish stable observations regarding the performance of specific interventions based on their programming and funding: defining the timing of these activities and identification of the results, including sustainability and impact.

The main sources were performance reports and evaluations at the strategic, programme and project levels (including ROM, MTR ETR and open sources), supplemented with interviews and written requests for information and documentation. When possible, the team applied triangular verification/cross-checking to the observations throughout the evaluation.

The team attempted to create a full inventory of the Commission's funding to the OCTs for 1999-2009 during the Desk Phase (see Annex XI). However, it was difficult to trace all elements therein. The team sought the support of the Joint Evaluation Unit and the RG-members, in this regard. It was also a challenge that project documentation, including ROM-reports, and information about possible OCT-funding from the Commissions' programmes and thematic budget lines, could only be identified to quite a limited extent.³⁶

A sample of projects was defined to focus on emerging main issues and opportunities for the Commission's co-operation with OCTs. However, regarding the OCTs, a representative sample was out of reach due to their small number and the disparities among them. Sampling was therefore oriented towards surveying the most relevant or innovative initiatives and linked with the criteria for the field visit programme.

STEP 3

Data and observations from step 1 and 2 were analysed in order to arrive at preliminary findings for each EQ and specifically in relation to the JCs through the logic of the indicators. These findings served to identify areas that needed further research for validation. To enhance their operational value, the derived questions were qualified through the formulation of corresponding hypotheses to be verified.

³⁵ The methodology is described in detail in Annex XII, which also contains the details of the field visits.

³⁶ In the CRIS databank, no thematic budget line programmes for OCTs could be found. Regional projects showed up but, with the exception of Greenland, there was no mention of funds eventually channeled to an OCT.

While the written sources of information were in play at this stage, additional information and validation of it, was sought through interviews and meetings, including with members of the Reference Group, incl. Commission's services in Brussels, OCTA and OCT Representations to the EU. For information regarding the OCT-relations with the four EU Member States, the relevant services in the Member States were approached in accordance with the list of contacts provided by the JEU (May-June 2010).

The team kept an open mind concerning the nature of the findings to avoid premature conclusion making. The areas identified for further research formed the basis of an OCT survey-questionnaire. The answers to the questionnaire contributed to decide the methodologies for the further work, such as further desk study, interviews, focus group meetings and project site visits and they served to prepare for the field phase.

Box 3: OCT survey

Since it was only possible to undertake field studies in 9 OCTs,³⁷ it was important to approach all OCTs receiving EDF funds and the concerned Member States in a uniform way in the Desk Phase.

The questionnaire included horizontal, transversal and sector specific research issues. It allowed for specific OCT comments in accordance with their perceptions of the EU co-operation and was designed to reflect what the team needed to know; what the OCT representative wished to add and the need to be sufficiently short and clear to have a realistic chance to be answered. (see Annex VI for questionnaire and cover letter.) Responses from almost all OCTs were received (see Annex VII for representative samples of answers).

For the team interviews with representatives of the four Member States; OCT-representatives; the OCTA and involved Commission's officials, separate interview guides for each of these categories were elaborated (see Annex VIII).

Based on the above, the Desk Report was elaborated in line with the TOR requirements.

The observations and preliminary findings of the desk phase were validated through a meeting with the Reference Group on 30th July 2010, where the Reference Group provided its comments to the draft Desk Report at the meeting and subsequently in writing. These comments were considered in the final version of the Desk Report.

STEP 4

Upon approval of the Desk Report, the team started its fieldwork (Sep-Oct 2010). Budgetary and logistical limitations dictated that the team members undertook individual field studies while still covering all evaluation questions and specific issues to be addressed with individual OCTs for the entire team. The following methodological instruments were used:

- A common evaluation grid applied to the extent relevant in all field visits and used as basis for OCT specific, general interview guides (see Annex XII).
- Sector specific interview guides to be used for in-depth study of sampled projects in the individual OCTs (see Annex: XII).

The sampled projects related to the EQs³⁸ covered most of the EU sector support.³⁹ In addition to the below mentioned projects and programmes, the experts covered regional

³⁷ Aruba, Netherlands Antilles and Montserrat, Falkland Islands and Greenland, Mayotte, French Polynesia, New Caledonia and Wallis & Futuna.

projects and general evaluation questions during the field visits, including preparations for the 10th EDF and follow-up to the OCT Survey. For the details see Annexes VI, VIII, XI and XII in the Report, Vol.2.

Table 2: Projects in focus for field study covering the period 1999-2009

| OCT | EU supported projects | Allocation (m€, approximated) | Sector Representation |
|----------------------|---|-------------------------------|--|
| Aruba | Arikok national park, 8 th and 9 th EDF | 7.4 | Environment |
| Netherlands Antilles | Sewerage system, Bonaire, 8 th and 9 th EDF, (3 projects) | 21.0 | Environment |
| | Support to the Netherlands Antilles Youth Development Programme, 8 th EDF | 3.5 | VET |
| | Restoration of the Queen Emma Bridge, 9 th EDF | 5.5 | Environment |
| Montserrat | New Airport, Resettlement, economic rehabilitation, 8 th and 9 th EDF | 40.8 | Transport, Reconstruction |
| Falkland Islands | STABEX support, 8 th and 9 th EDF | 8,3 | Fisheries and agricultural development. Focus on transport |
| Greenland | Partnership Agreement (education) * | 25.0 annually | Education |
| Mayotte | Marine aquaculture, 8 th and 9 th EDF | 0.5 | Environment |
| | Sustainable development, 9 th EDF | 2.0 | Environment |
| New Caledonia | Education/Professional training and insertion, 9 th EDF | 21,5 | VET |
| French Polynesia | Wastewater projects, 8 th and 9 th EDF | 20.0 | Environment. Focus on transport |
| Wallis & Futuna | Transport (port) project and related TA, 9 th EDF | 8.5 + 2.75 | Transport |

* Based on recent MTR of the Partnership Agreement. In addition, the sector policy support-part of the commercialised EU-Greenland Partnership Agreement on Fisheries was studied.

Transport, energy connectivity and budget support was in focus for the field visits to *Montserrat, the Falkland Islands, and Wallis & Futuna*.⁴⁰ Vocational education and training was in focus for the field visit to *New Caledonia*. (Education, incl. vocational training, in *Greenland*, is referred to on the basis on the recent MTR undertaken.⁴¹) Environment, urban sewerage and waste disposal was in focus in *the Netherlands Antilles*; natural resource and coastal zone management in *Aruba*; water resources management and the technical assistance

³⁸ See also Annex XI for financial details on the sampled projects to be included in the field studies.

³⁹ See project inventory in Annex XI, or for an overview: Table 2.

⁴⁰ In the case of the Falkland Islands, there is no support in the sector, but the selection served to include the general isolation-situation of some OCTs. Transport was included in the field studies in Mayotte regarding the draft-SPD for the 10th EDF.

⁴¹ The Greenland field visit included the EU-Greenland co-operation in the Fisheries Sector (See Annex XII).

support project to the environment sector in *Mayotte*. Regional integration and trade was in focus in *French Polynesia* while being part of all field visits. The issues related to European values, EU awareness and visibility, coordination and coherence, added value and crosscutting issues were integrated in all field visits.

The preliminary findings were validated (or not) through selected, representative on-site visits, and some missing information was obtained in the field. Thus, the team was in a position to finalise its assessment of the EU-OCT co-operation, crosscheck findings and undertake synthetic analyses across EQ and OCT-related findings. Based on the validation of findings, the team formulated its conclusions and preliminary recommendations that were discussed at its debriefing Reference Group Meeting on 6th December 2010.

STEP 5

Further to the meeting in December, the team took stock of its findings and conclusions in relation to the comments from the RGM and finalised its conclusions and recommendation in the draft Final Report. Conclusions are based on the validated findings as expressed in the answers to the EQs and the recommendations are based on the conclusions.

The findings, conclusions and recommendations, cover fourteen countries and territories, which share framework conditions and goals for their co-operation with the EU – but otherwise are quite different in several respects. Not only in terms of climatic and socio-economic characteristics, but also regarding their legal status in relation to the four EU Member States

Some of the findings are therefore specific for individual OCTs, or categories of OCTs. Hence, while most of the conclusions and recommendations are valid for the whole group, others refer to specific OCTs as indicated.

Finally, it must be said the coverage of the many and different OCTs, including through nine field missions by different persons, as well as the many stakeholder-questions raised during the process, has made it difficult to keep this Report quite as short as desirable.

4 Cooperation Modalities and Funding

4.1 General

For **1998-2002 (8th EDF)**, European development funding allocated **€115m**, incl. **€10m** for Regional funds, to OCTs.

For **2002-2007 (9th EDF)**, the OCTs were allocated **€145m** of EDF. Since 2002, the Commission has established a development co-operation strategy for each OCT in the form of a Single Programming Document.

In addition, in the evaluation period 1999-2009 the OCTs have received €59m via the European Investment Bank (EIB).⁴²

Budget Support (General or Sector) is the preferred instrument of co-operation under the 9th EDF and by default for the 10th EDF (cf. art. 4 and 5 of the implementation regulations). Consequently, the use of Project modalities is the exception, requiring appropriate justification and approval. The project modality takes the form of one major project per OCT per EDF⁴³ (cf. art. 20 of the Overseas Association Decision).

For **2008-2013 (10th EDF)**, the OCTs have been allocated **€286m**:

- **€195m** for specific programmes (all OCT with a per capita GNP lower than the EU average),
- **€40m** for regional co-operation and integration,
- **€30m** have been allocated to finance the EIB-OCT Investment Facility managed by the European Investment Bank (EIB); the EIB also makes available €30m for loans from own resources (outside the EDF) in accordance with Annex IIB to the OAD,
- **€6m** for technical assistance,
- **€15m** for emergency aid.

Financing sources are often mixed in their origin from the 7th, 8th and 9th EDF, thus evaluation-wise making it advisable to look at specific outputs without attempting to trace them back to the source. There was an important financial backlog from the 6th, 7th and 8th EDF transferred to the 9th EDF in line with the provisions in the OAD and its implementing regulation⁴⁴ at the beginning of the programming of the 9th EDF.

Some OCTs have benefited from STABEX transfers (Mayotte and the Falkland Islands).⁴⁵

⁴² See: <http://www.eib.org/projects/loans/regions/acp/index.htm?lang=en&start=1999&end=2009> (Aruba €2.5, British Virgin €5m, Falkland Islands €1.5m, French Polynesia €25m, New Caledonia €7m Turks and Caicos €3m, and €15m for overall OCT financing facilities).

⁴³ For example, Wallis and Futuna and French Polynesia, where budget support was stopped for different specific reasons, incl. management capacity and political.

⁴⁴ Commission Regulation (EC) No 2304/2002 of 20 December 2002 implementing Council Decision 2001/822/EC on the association of the overseas countries and territories with the European Community ('OAD- Overseas Association Decision').

⁴⁵ In the Falkland Islands, STABEX support was provided to Reduce Isolation & Strengthen the Rural Economy, the EC contribution was €2,465,916. It was used to improve the quality of agricultural production, assist diversification into aquaculture, provide sustainable rural power generation and improve access by building sea ramps & jetties. STABEX transfers to Mayotte were for the development of the Vanilla and Essential Oils (*ylang-ylang*) -marketing chains (€ 380.486).

OCTs are eligible for participation in and funding from EU programmes such as the research framework programme; education and training programmes; the competitiveness and innovation framework programme and the cultural and audiovisual programmes, reflecting their status as part of the European family. OCTs are also eligible for funding from all thematic budget lines regarding the EU development programme although the poverty criterion in many budget lines, e.g. food security, makes it difficult for the OCTs to fulfil the necessary requirements.⁴⁶

In practice, development co-operation between the European Commission and OCT over the last decade focussed on the transport infrastructure sector. The environment, covering both management/protection of natural resources, disaster preparedness and waste management, was also considered in the strategies, given the environmental challenges that the islands and their economies face in the light of global climate change. A considerable part of the funds for both “Transport and Vocational Training” has been channelled through sector budget support.

Co-funding with OCT-linked EU Member States has taken place, although it is challenging in practice due to the different approval and funding cycles. Examples include Pitcairn and Montserrat, where the Member State contributions for investments have, however, not yet been secured even though these investments (for harbor and port investments respectively) have been written into Financing Agreements. There is no joint or basket funding for OCTs linked with France and Denmark on a project basis. On the other hand, OCTs are free to target Member States’ financial transfers to any aspects of their sector policies, thus leading to “hidden joint funding” as the EU projects are complementary to the implementation of the sector policies. This applies to NC VET and FP sanitation projects as well as to the Greenland in education. Examples of joint project funding from the Dutch Caribbean are included in Annex II. The practice here is that funds are channeled through the same implementing agency, thus resulting in a single implementation unit. The table below mirrors the accessible information on the EU co-operation, based on the information provided on the Commission’s website. Sector budget support is marked in blue shading.

⁴⁶ For the period 2007-2013, see EC Regulation No. 1905/2006 of the Parliament and the Council of 18 December 2006 establishing a financing instrument for development co-operation. In addition, the OAD which is applicable until December 2011 lays down the conditions for the eligibility of OCTs for the thematic activities of development assistance funded by the general budget of the European Union.

Table 3: Main Projects in the OCT region per sector 1998-2013

| | 8 th , 9 th and 10 th EDF Total | Infrastructure/ Transport | WatSan Infra- structure | Environ- ment | Education/ Vocational training | Others |
|----------------------------------|---|--|--|--|--------------------------------------|---|
| Caribbean Region | | | | | | |
| Anguilla (x) | 26,495,246 | Project | | | | |
| Cayman Islands (X) | 1,600,063 | - | - | - | - | EIB loans, EU funds |
| Montserrat | 40,806,175 | Reconstruction | | | | Trade in Services, EIB loan |
| Turks and Caicos Islands | 28,187,430 | SBS, Project: Roads, Port | Project | | | |
| British Virgin Islands | 5,020,000 | - | - | - | - | - |
| Aruba | 8,800,000 ⁴⁷ | | | Projects: National Park Arikok | | National Museum project |
| Netherlands Antilles | 112,879,342 | Urban infrastructure project (soc. deprived areas), restoration history, floating bridge | Sewerage & water distribution project | | Youth development | |
| Region Total | 223,788,256 | xxx | xx | x | | x |
| Pacific Region | | | | | | |
| New Caledonia | 74,283,579 | Projects: Roads | | | SBS Vocational Training | Sysmin, Econ. Diversificati on |
| Wallis and Futuna | 42,768,257 | Projects: Education buildings, Roads | | Water resources conservatio n | | |
| French Polynesia | 70,179,930 | Housing project | Watsan project | | | Pearl industry devel. |
| Pitcairn | 4,750,000 | SBS; air/ road projects | | | | |
| Region Total | 191,981,766 | xxx | x | x | x | x |
| North Atlantic Region | | | | | | |
| Greenland | 25,000,000 (in 2006 prices) annually since 2007* (financed through general EU Budget) | | | | SBS Education | Sector policy support in Fisheries |
| St Pierre-et- Miquelon | 44,140,000 | SBS | Sewage project & SBS | SBS | | ABS, eco- nomic de- velopment |
| Region Total | 69,140,000 | x | | x | x | |

⁴⁷ The figure is based on the response to the draft Desk Report received from the TAO Aruba and does not correspond to the one generated in the CRIS database.

| | 8 th , 9 th and 10 th EDF Total | Infrastructure/ Transport | WatSan Infra-structure | Environ-ment | Education/ Vocational training | Others |
|---|--|---------------------------|------------------------|---|--------------------------------|------------------------------------|
| South Atlantic Region | | | | | | |
| St Helena, Ascension and Tristan da Cunha | 34,973,357 | SBS | | | | |
| Falklands | 8,252,715 | SBS | | SBS | SBS | Stabex, Trade dev. |
| French Southern and Antarctic Territories | 600,000 | - | - | Environment Project | - | - |
| Region Total | 43,826,072 | xx | | | | x |
| Indian Ocean Region | | | | | | |
| Mayotte | 59,570,480 | | | Reforestation projects, drainage of rainwater, waste-processing | | Stabex, Project: admin. capacities |
| Region Total | 59,570,480 | | | x | | x |
| All Regions Total | 588,306,574 | xxx | x | xx | x | x |

* Note: Mainly based on 9th & 10th EDF and on the Greenland Partnership Agreement. In addition to the Education SBS, the Fisheries Agreement with Greenland entails the annual transfer of €15.8m on commercial terms (including a financial reserve of €1.54€ for additional capelin and/or cod quotas, 2006 prices), part of which is to be used for sector development policy support.

4.2 Framework conditions for regional co-operation and integration

The “gradual integration into the regional and world economies” is one of the major objectives confirmed and reinforced in Article 1 of the Council Decision of 27th November 2001 on the OCT-EU association, in accordance with the principles set out in Articles 198 to 204 of the Treaty.

Under the **8th EDF**, an amount of €10.0m was made available as a single amount for all OCTs worldwide under the regional co-operation banner. Under the **9th EDF**, this amount was increased to €25.9m (€8m allocated under the 9th EDF, plus €17.9m of unused balances from previous EDFs).

The privileged trade relations established with the EU and the legal limitation in self-defining a specific custom duties regime for most of the OCTs appears to be in some ways an impediment for regional integration. A chief objective for most Regional Integration Organisations (RIOs) is for regional trade liberalisation through harmonisation of tariff structure as a major step towards regional integration. However, the OCTs do not necessarily have an economic interest in this, nor the legislative autonomy to do so. Considering the Caribbean Region, if at all participating in RIOs, OCTs can at best be associates (Turks and Caicos Islands, TCI) or observers (Netherlands Antilles, NEA), not members, unless under derogation as for Montserrat in relation to the Caribbean Common Market. The question of possible OCT involvement in EPAs remains open. There is distinctive interest in going for economic integration, but the domains for economic regional co-operation are still largely not identified.

As membership in regional economic integration organisations is excluded by their statute, (entering in international agreements is the prerogative of the MS to which they are linked), some OCTs are engaged in creating relationships with their regional neighbours in other fields

such as environment, culture, tourism and education⁴⁸ even if the EU is not a partner. Generally, such co-operation plays a crucial role, not least for Pacific inhabitants, in creating opportunities for them to meet and reinforce their sense of ownership to the region.

Regional EDF programmes were the main support strategy for those initiatives. Funded activities are extremely diverse and do not allow the extraction of a definite EU co-operation strategy; they also vary from region to region and from territory to territory. By financing, for example a regional tourism or research institution that associates one or more OCTs into its programme, the attribution of the EU contribution to any specific OCT stays untraceable. The same logic applies for support to regional initiatives supporting export manufacturers (Anguilla), environment, and disaster preparedness (Montserrat), ICT (Caribbean OCTs), tourism (NEA, TCI), public services and health (medical laboratories, HIV-AIDS).

During most of the evaluation period, the access of OCTs to regional programmes was impeded by the lack of institutional interface with the institutions funded under those programmes. An improvement of their ability to access those resources and thus to interact at regional level was one of the expectations that reinforced the OCT Association.

4.3 Efficiency of Disbursement

The issue of Efficiency is dealt with under Evaluation Question (EQ) 2. The below section serves to provide an overview of the sector fund allocation, contracting and disbursement, related to the aid modality, project or budget support.

Speed of disbursement is a useful measure of efficiency. Data on the EU programmes undertaken in OCT, as recorded on the CRIS database, has been analysed by sector and OCT.

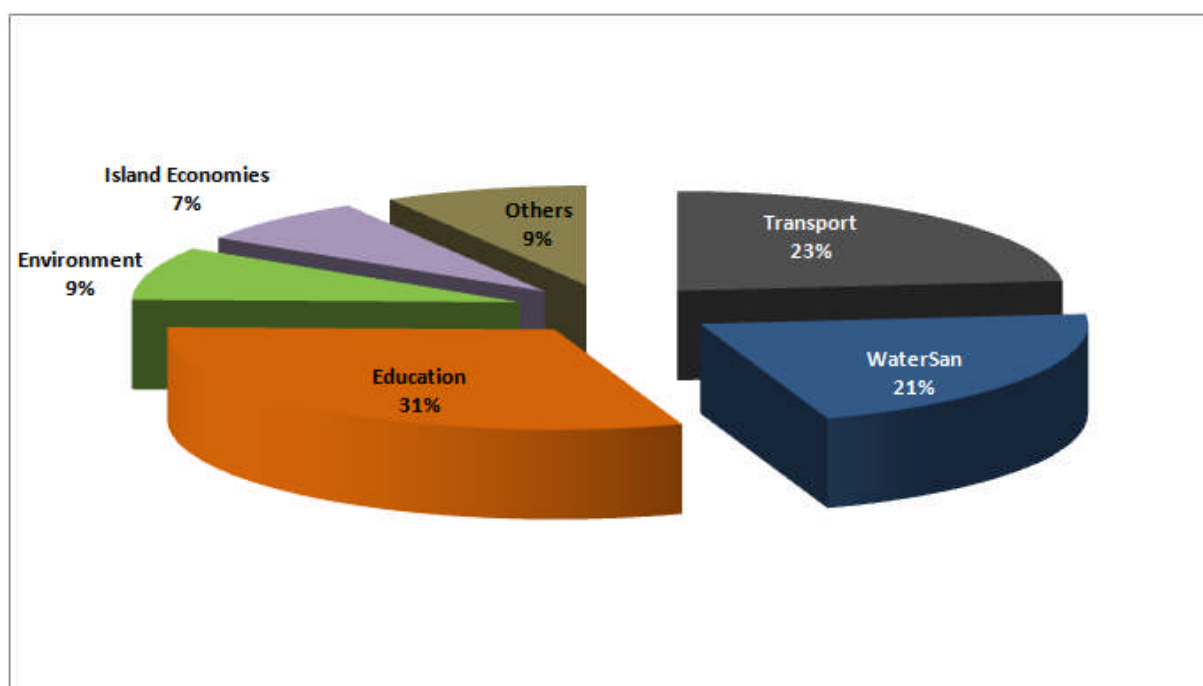
In order to avoid distortions, certain areas of expenditure have been excluded from this analysis, including:

- Regional programmes (because they are influenced by the performance of beneficiaries that are not OCTs);
- 10th EDF funding (because in most cases this is still in the programming phase);
- Funding of disaster relief (e.g. the response to hurricanes.)

Sectors have different characteristics in terms of speed of disbursement and as aid instruments. An appropriate starting point is therefore to take note of the sectoral allocations across the OCTs and this is presented in Figure 2 below.

⁴⁸ Such existing regional initiatives include, for example the Pacific Games, Le Festival du Film Océanien (FIFO), Pacific Youth Conference, Tourism fair.

Figure 2: OCT Sector Allocations (period 1999-2009)



Source: Own compilation based on data from CRIS data base (state July 2010)

OCT funding per sector is presented in Table 4 below, in terms of allocations, contracted and funds disbursed. The pace of disbursement for each sector is presented in percentage terms. In most cases, over 80% has been allocated, with the education sector having the highest overall percentage both contracted and disbursed. This partly reflects the substantial allocations to Greenland, which is paid through budget support (and funded from the EU budget, not the EDF funds).

The two infrastructure sectors have been relatively slower in performance terms – much has been undertaken through project modalities, and infrastructure is inherently slow to implement through project modalities due to the lengthy design and implementation phases. Environmental projects have, overall, been particularly slow to move from planning to implementation.

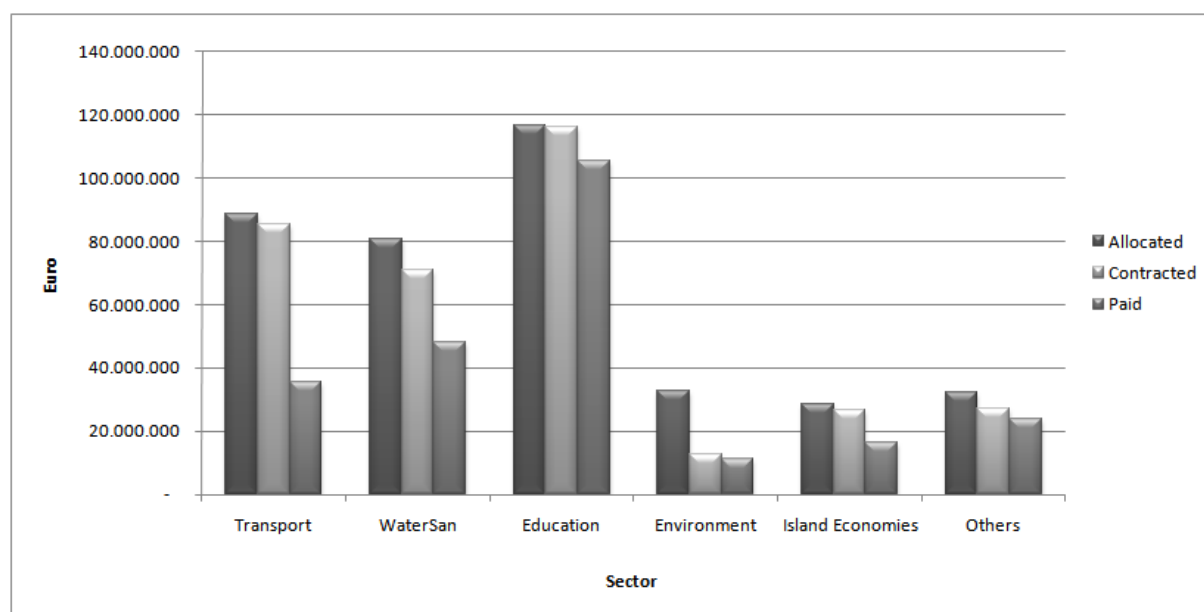
Table 4: OCT Funding by Sector- Pace of Contracting and Disbursement (€) (period 1999-2009)

| | Allocated | Contracted | Paid | % of allocation contracted | % of allocation paid |
|------------------|--------------------|--------------------|--------------------|----------------------------|----------------------|
| Transport | 88,813,217 | 85,277,834 | 35,622,766 | 96.0% | 40.1% |
| WaterSan | 80,778,532 | 70,787,063 | 47,882,635 | 87.6% | 59.3% |
| Education | 16,487,070 | 116,143,225 | 105,423,458 | 99.7% | 90.5% |
| Environment | 32,861,268 | 12,689,653 | 10,974,746 | 38.6% | 33.4% |
| Island Economies | 28,373,825 | 26,821,553 | 16,263,482 | 94.5% | 57.3% |
| Others | 32,211,508 | 27,299,928 | 23,848,621 | 84.8% | 74.0% |
| TOTAL | 379,525,419 | 339,019,255 | 240,015,707 | 89.3% | 63.2% |

Source: Own compilation based on data from CRIS data base (state: July 2010)

The same data is presented in the figure below.

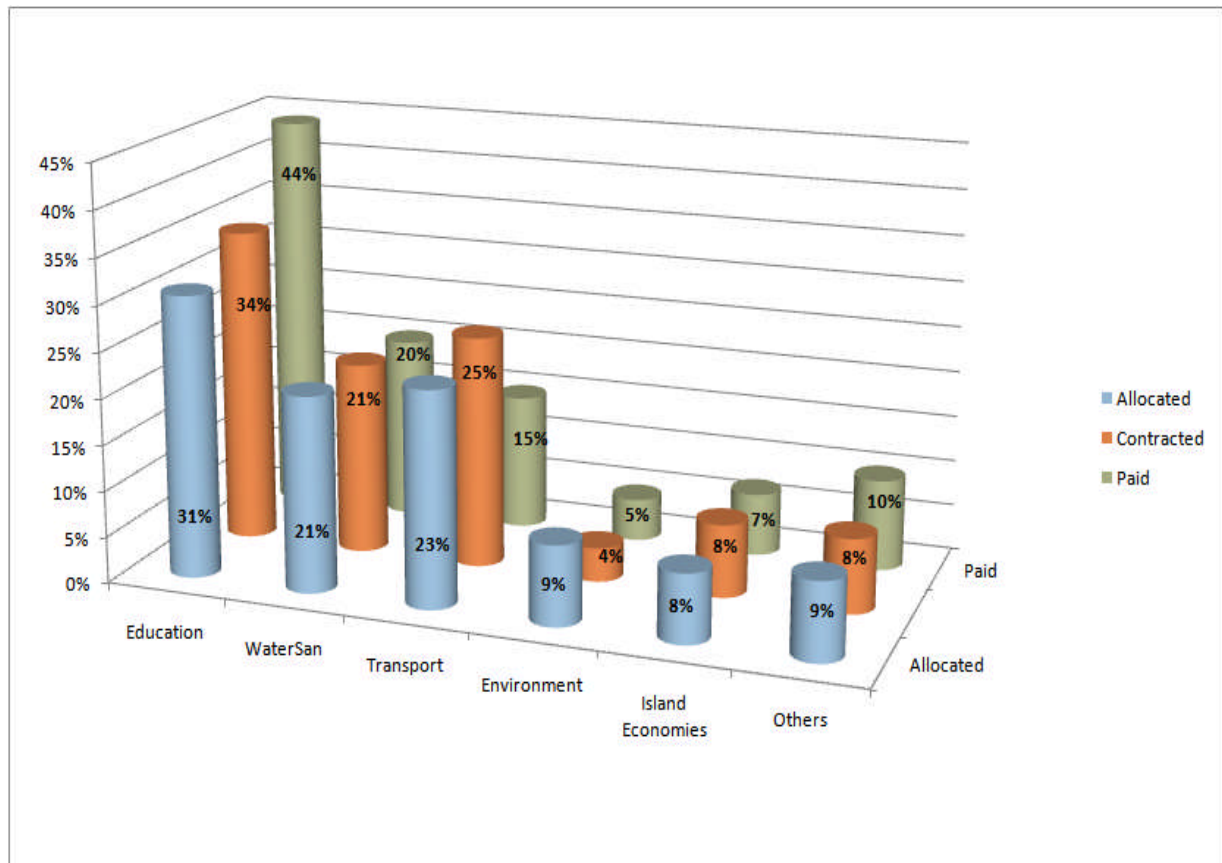
Figure 3: OCT Funding by Sector: Pace of Contracting and Disbursement (€) (period 1999-2009)



Source: Own compilation based on data from CRIS data base (state: July 2010)

Table 4 and Figure 4 below provide a summary of the distribution of funds between sectors for all OCTs. This highlights more clearly that Education comprises the largest sector in budgetary terms, accounting for some 30% of the total. This partly reflects the importance of the support to the Greenland education budget. This is followed by two infrastructure sectors, transport and water & sanitation, which between them account for almost 45%. The remainders of budgetary allocations are split between environment, a broad category of island economies and others, including technical assistance across sectors.

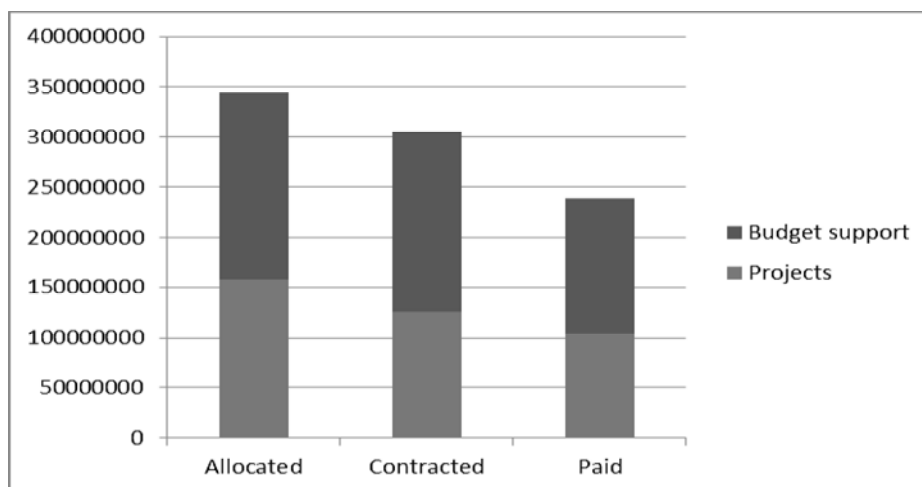
Figure 4: OCT Sector Allocations and Implementation (period: 1999-2009)



Source: Own compilation based on data from CRIS data base (state: July 2010)

In terms of funding by instrument, Figure 5 illustrates the balance between projects and budget support. Under the 10th EDF the use of budget support is the default instrument, and is to be applied where conditions permit.

Figure 5: Funding by Instrument excluding Regional Projects (€) (period 1999-2009)

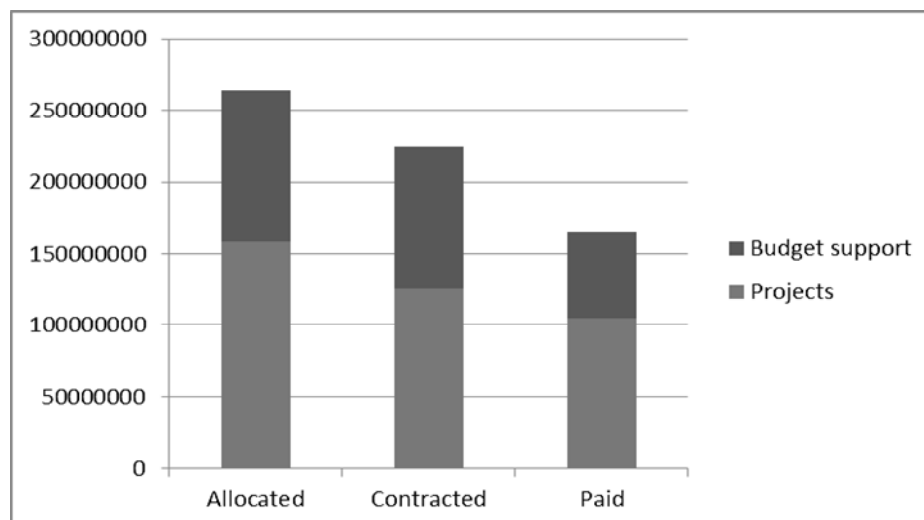


Source: Own compilation based on data from CRIS data-base (State: July 2010)

However, the apparently major role of budget support partly reflects the high allocation to Greenland, which all took the form of budget support. As shown in Figure 6 below, once this is excluded the relative balance between instruments changes with budget support payments

to date comprising a lower share of the total. The issue of predictability of budget support will be explored further in the EQ2 concerning efficiency in a comprehensive manner.

Figure 6: Funding by Instrument excluding Regional Projects and Greenland (period 1999-2009)



Source: Own compilation based on data from CRIS data base (state July 2010)

4.4 The Intervention Logic of Country Strategy and IP of the 8th, 9th and 10th EDF

4.4.1 *Synthesis of the ex-ante Intervention Logic*

The following section will describe the specific strategy and intervention logic of European Commission's assistance to the OCT. For this purpose, two means are used:

- A “consolidated diagram of expected effects”. This diagram is a synthesis based on the annexed diagrams for the 8th, 9th and 10th EDF and sector diagrams; and
- A written summary of the main elements of the strategy, using the effect diagram as a reference.

Consolidated diagram

The diagrams covering the intervention logics of the 8th, 9th and 10th EDF⁴⁹ (included as Annex 3) and the consolidated diagram (Annex 3, as well as Figure 7 below) are divided into five columns:⁵⁰

- The foundation for the Commission's activities to support the OCT: The column represents the hierarchy of the EU policy framework in relation to the Commission's specific support to the OCT. The column also shows that the implementation of the Commission's co-operation is contingent on the OCT Governments' policies, as they are coordinated with the OCT policies of the four Member States.
- EU activities: The column represents the main categories of the Commission's activities.
- Results (outputs): The column presents the initial changes expected to result from the efforts of the OCT in combination with the EU support.
- Results (outcomes): The column presents the expected effects of the outputs in terms of result on the societal level in the OCT.
- Impacts: This column shows the intended medium and long-term change to be brought about by the Commission's co-operation via the chain of effects till the ultimate aggregated impact of economic and social development & poverty reduction and of closer economic relations between the EU and the OCT.

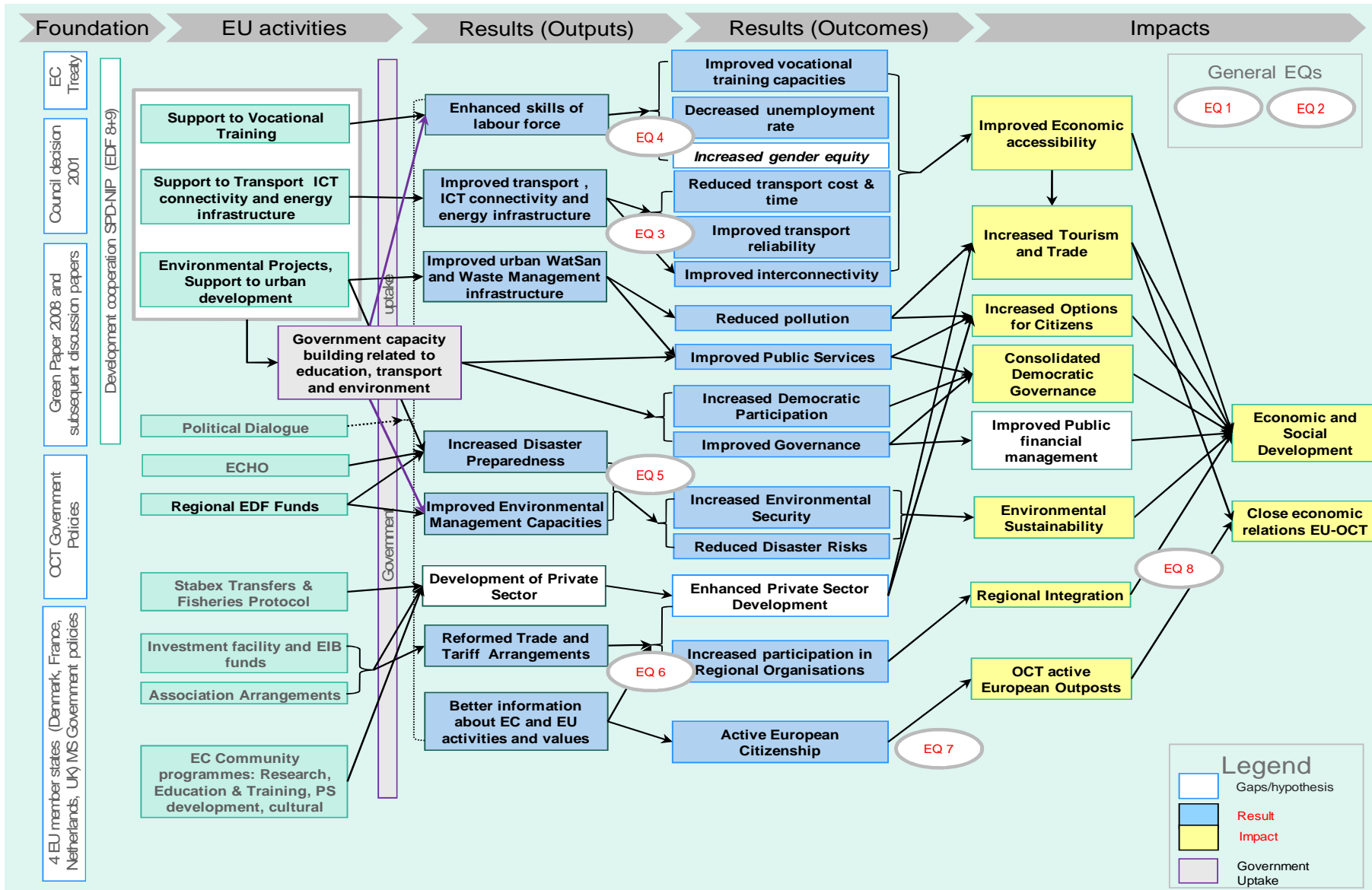
While the majority of the boxes in the diagram are derived from the overall policies and the specific strategies, “white coloured boxes” indicate explicit or implicit hypotheses about the logical connections, which the evaluation team needed to introduce in order to complete the logic chains.

The consolidated diagram also shows the logical placement of the evaluation questions. Six evaluations questions (EQs 3-8) are directly linked to the intervention logic while two (EQ 1, EQ 2) deal with the entire strategy and are not linked to cause and effect relations in the overall OCT strategy.

⁴⁹ Regarding the overall differences between the 8th, 8th and 10th EDF, see description on p.18. Regarding the specific contents of the 8th and the 9th EDF, see Annex 11

⁵⁰ “Government Uptake” is not included as extra column, as considering the many aspects of Government in the case of OCTs would lead too far.

Figure 7: Consolidated Intervention Logic for 8th, 9th, 10th EDF (1998-2009)



4.4.2 *Summary of the main elements of the Intervention Logic*

It should be noted that the above diagram is somewhat artificial as the evaluation team created the inherent logic. The official documents do not represent this logic as clearly as it is stated here.

The **first column** “Foundation” depicts the evolvement of the OCT and EU guiding policies. For the 10th EDF, in the absence of SPDs, the “Green Paper” and its follow-up about the ongoing and future Commission-OCT co-operation represents the intentions for such co-operation.

The **second column**, EU activities, illustrates the instruments of the EU support under the development co-operation (8th, 9th and 10th EDF).

The **third column** “Results (Outputs)” illustrates the expected results on the output level of the interventions.

The **fourth column** “Results (Outcomes)” shows the intended main contributions towards changes on the societal level resulting from the Commission’s support.

The **fifth column** “impacts” illustrates the intended main contributions towards intermediate and long-term changes resulting from the Commission’s co-operation.

5 Evaluation Questions and Answers

5.1 Coverage of Evaluation questions

The choice of evaluation questions was largely determined by the ToR, the formulation of the Intervention Logic and the relative importance of specific factors of the interventions and their degree of OCT representation found during the preliminary team studies. In particular, the size of the interventions and their degree of OCT representation played a role.⁵¹

The centres of attention of the TOR, regarding the main co-operation sectors, are reflected in:

- EQs 3-5, which cover main issues related to the co-operation in the transport infrastructure, **education and environment** areas, including energy related issues.
- EQ 6 covers **regional integration**, including trade.
- **Private sector development** is covered under the EQs 4 and 5.
- **Good governance** is covered under EQ 7 and in relation to financial management under EQ 2.
- The team found that the identification and importance of **European core values** in the co-operation is a central concept for the EU-OCT co-operation. Not least in relation to the development of the future co-operation modalities. EQ 7 represents this subject.
- EQ 8 deals with a central question related to this evaluation, which is the **double membership of the OCTs** through their participation in the European “family” and through their affiliation to specific Member States. The EQ will be dealt with by focusing on the added value, coordination and complementarity of the co-operation.
- Finally, two general EQs, 1 and 2, deal with the overall strategic management issues. The first deals with the consistency of the co-operation with EU and OCT policy objectives. The second deals with the efficiency and cost-effectiveness of the co-operation.

⁵¹ The EQ 4 presented to the kick-off meeting on Urban Infrastructure was abandoned according to these criteria.

Table 5: Overview of Evaluation Questions

| | |
|-------------|---|
| EQ 1 | To what extent has the Commission's co-operation with the OCT been consistent with the OCT and EU policy objectives and the needs of the OCT population? |
| EQ 2 | To what extent have the delivery mechanisms of EU support and their management been conducive to the achievement of the objectives of the co-operation? |
| EQ 3 | To what extent has the EU support to the development of transport, connectivity and energy infrastructure contributed to reduce OCT isolation? |
| EQ 4 | To what extent has the EU support to education and vocational training contributed to upgrade the skills of the labour force in OCTs and the employment options of their citizens? |
| EQ 5 | To what extent has the EU support to the OCT contributed to increase the OCT capacity to address environmental and natural risks and disasters, including climate change? |
| EQ 6 | To what extent have the EU interventions contributed to strengthening OCT regional integration? |
| EQ 7 | In which ways have EU core values been identified and to what extent have they been made operational within the UE co-operation with OCT? |
| EQ 8 | To what extent has the EU succeeded in putting in place policies and strategies between the EU, EU member states and OCT that will contribute to the "membership of the same family" concept as defined in the Green Paper? |

Table 6: Interface between Evaluation Questions and Evaluation Criteria

| Question Criterion | EQ1 | EQ2 | EQ3 Transport | EQ4 VET | EQ5 Environment | EQ6 Reg. integration | EQ7 Values | EQ8 Membership of same family |
|-------------------------------------|------------|------------|-------------------------|-------------------|---------------------------|-----------------------------------|----------------------|---|
| Relevance | X | | | | | | | |
| Effectiveness | | | X | X | X | X | (X) | |
| Impact | | | X | X | (X) | (X) | X | |
| Efficiency | | X | | | | | | |
| Sustainability | | | X | X | (X) | | (X) | |
| Coherence | (X) | | | | | (X) | | X |
| Value Added | | | | | | | | X |

X= strong contribution (X) some contribution

5.2 Evaluation Question 1: Relevance and Internal Coherence of Support

| | |
|--------------------------------|--|
| EQ1 | To what extent has the Commission's co-operation with the OCT been consistent with the OCT and EU policy objectives and the needs of the OCT population? |
| Judgment Criteria (JCs) | <p><u>The answer to the evaluation is based on the following judgment criteria:</u></p> <p>JC 1.1: No contradiction is found between the evolving EU-OCT response strategies and the EU policy objectives related to OCTs</p> <p>JC 1.2: No contradiction is found between EU-OCT response strategies under 8th, 9th and 10th EDF and the corresponding OCT priorities</p> <p>JC 1.3: No contradiction is found between different elements of individual EU-OCT response strategies</p> <p>JC 1.4: No contradiction is found between the EU-OCT co-operation strategy and the modalities and administrative process, which are applied to it</p> <p>JC 1.5: European Union's co-operation reflects the stated needs of the poorer parts of the population</p> |

ANSWER TO THE EVALUATION QUESTION

Overall, consistency was found in relation to EU policy objectives and OCT policies and population needs under the 8th, 9th and 10th EDF. The strategic documents (SPDs and Partnership Agreement) and the general trade preference system have reflected the EU policy objectives: promotion of economic and social development in the OCTs and close economic relations between the EU and the OCTs. The response strategies have also reflected the OCT priorities and the needs of their populations.

Regarding **future co-operation**, there is consensus about a need for updating the framework. In addition to the replacement of the poverty orientation in the ACP-oriented EDF support with an emphasis on competitiveness, resilience and integration,⁵² the evaluation team found a scope for emphasising the importance of climate change and energy issues. The EU OCT-related policy objectives may need updating to include issues of growing importance, such as the management of substantial marine resources in the OCT exclusive economic zones and the increased accessibility to the Arctic zone.

| | |
|-------------------------------|---|
| Comments to the answer | <p>There was consistency between the objectives of the response strategies of the 8th, 9th and 10th EDF as expressed in the SPDs. Moreover, the OCT representatives confirmed a high degree of consistency between the OCT priorities and EU-OCT response strategies. (JC 1.1. and 1.2 below) and between different EU interventions in the same OCT in the few cases applicable. (JC 1.3)</p> <p>No contradiction was found between the objectives and the modalities and procedures of co-operation, but the procedures to be followed were generally perceived as difficult by the OCTs. However, while such difficulties led to implementation delays, they did not prevent the materialisation of planned co-operation and in some cases the OCTs have regarded initial difficulties as a useful learning process (JC 1.4.).</p> <p>It is found that the EU co-operation indirectly reflects the stated needs of the poorer</p> |
|-------------------------------|---|

⁵² Elements for a new partnership between the EU and the overseas countries and territories (OCTs), 06.11.2009, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions (COM (2009) 623 final).

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| | <p>parts of the population since in most cases civil society has been involved in the design of the co-operation. (JC 1.5)</p> <p>Regarding future co-operation, there is a general consensus about the framework of co-operation being outdated. The poverty orientation of the EDF support is, according to the 2009 Commission Communication further to the Green Paper consultations,⁵³ to be replaced by a co-operation which emphasises the competitiveness of the economies of the OCTs; the resilience of the OCTs in relation to their vulnerability and enhanced integration of the OCTs in their regions.</p> <p>During the evaluation it emerged that since 2009, the OCTs have further emphasised the importance of foreseen climate change and energy challenges (and opportunities). In addition, the definition of the EU OCT-related policy objectives may need updating in order to include issues of growing importance, such as the management of substantial marine resources in the OCT exclusive economic zones and increased accessibility to the Arctic zone.⁵⁴</p> <p>(See also answers to EQs 7 and 8, OCT Survey-responses in Annex VII and Annex V, Information Matrix.)</p> |
| <p>Judgment Criterion 1.1</p> | <p>No contradiction is found between the evolving EU-OCT response strategies and the EU policy objectives related to OCTs</p> |
| <p>Judgment</p> | <p>Article 1 of the Overseas Association Decision (OAD) contains the objectives of promoting the economic and social development of the OCTs; establishing close economic relations between the OCTs and the EU; and focus on the reduction, prevention and, eventually, eradication of poverty and on sustainable development and gradual integration into the regional and world economies.</p> <p>It was found that the SPDs and the Partnership Agreement with Greenland⁵⁵ were in line with these objectives and that there has been no contradiction between the evolving EU-OCT response strategies and the EU policy objectives related to OCTs. Together, the SPDs, and the general trade preference system have reflected the promotion of economic and social development and close economic relations between the EU and the OCTs.</p> <p>Thus, the team can confirm the conclusion of the 2007 MTR: “<i>Regarding relevance the 9th EDF Programming effort produces SPDs that were highly relevant to the individual OCTs’ needs, and were coherent with territorial development objectives and the objectives of the Overseas Association Decision. In this respect the OCT stakeholders and counterpart stakeholders at the European Commission can take satisfaction with resulting SPDs that score highly in terms of relevance and coherence.</i>”⁵⁶</p> <p>Regarding future co-operation, there is general consensus about the framework being outdated. The poverty orientation of the 8th and 9th EDF is, according to the 2009 Commission Communication⁵⁷ further to the Green Paper consultation process, to be replaced by co-operation which emphasises:</p> |

⁵³ Elements for a new partnership between the EU and the overseas countries and territories (OCTs), 06.11.2009, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions (COM(2009) 623 final).

⁵⁴ See: Communication from the Commission to the European Parliament and the Council: The European Union and the Arctic Region, COM (2008), 763, 20.11.2008.

⁵⁵ Covering the period 2007-2013. Before 2007 there was no systematic EU-Greenland co-operation.

⁵⁶ Overseas Countries and Territories- Technical Assistance for the Mid Term Review (MTR) 2006/122453 Final report.

⁵⁷ Communication from the Commission: Elements for a new partnership between the EU and the overseas countries and territories. 6.11.2009.

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| | <ul style="list-style-type: none"> - Competitiveness of the economies of the OCTs - Resilience of the OCTs in relation to their vulnerability - Enhanced integration of the OCTs in their regions <p>From OCT interviews and the Survey, it emerged that since 2009 the OCTs have further emphasised the importance of the foreseen climate change and their foreseen future energy challenges (and opportunities) as important issues to be integrated in the objectives for their future co-operation with the EU.</p> <p>The field visits showed that while OCTs in some cases have attempted an integration of such new (but not yet formally established) objectives in the co-operation. However, these attempts have not yet materialised very much in the co-operation where continuity has generally been prioritised.</p> <p>In addition, the definition of the EU OCT-related policy objectives may need updating in order to include issues of growing importance, such as the substantial marine resources in the substantial OCT exclusive economic zones.</p> |
| <p>Judgment Criterion 1.2</p> | <p>No contradiction is found between EU-OCT response strategies under 8th, 9th and 10th EDF and the corresponding OCT priorities</p> |
| <p>Judgment</p> | <p>Regarding the 8th, 9th and 10th EDF, the Team's communication with the OCTs and the field visits showed a high degree of correspondence between the OCT priorities and the EU-OCT response strategies.</p> <p>The evaluation survey showed that almost all TAOs /other OCT representatives considered that their SPDs/Agreements were highly relevant to their OCTs' needs and their respective development objectives under the 8th and 9th EDF. This view was supported in the team interviews with Europe-based OCT representatives, Member States and during the field visits. The field visits confirmed the same high degree of alignment between the SPDs under preparation for the 10th EDF and the OCT objectives. Still, the OCTs would have liked more co-operation to materialise, had they perceived this possible, in particular in relation to their access to EU-programmes and thematic budget lines.</p> <p>Regarding the 10th EDF, the team noted an increasing OCT-interest in objectives related to expected energy and climate change challenges and opportunities. However, previous programming cycles SPDs' priorities were maintained to ensured EDF formal programming requirements and technical feasibility. As mentioned above, so far, these issues have not yet been very visibly reflected in the co-operation, while they are more visible in EU policies and strategies.</p> <p>On the implementation level, the transition to budget support has represented a challenge in some OCTs, mainly related to the required conditions and the corresponding OCT management capacity, (see Information Matrix indicators)</p> |
| <p>Judgment Criterion 1.3</p> | <p>No contradiction is found between different elements of individual EU-OCT response strategies</p> |
| <p>Judgment</p> | <p>Based on the SPDs, as well as on the team communication with the OCTs, it is found that there has been overall consistency between the objectives of the 8th, 9th EDF and 10th EDF and the individual response strategies.</p> <p>This is illustrated in the answers to the evaluation survey question 2:</p> <p><i>How consistent has the EU support been over the period 1999-2009?(e.g. level of support, guidance provided and method of supporting (aid modality) to which 6 OCTs indicated that it had been high, 7 that it had been "medium", while only 1 found a low degree of consistency. There has also been consistency between different EU-interventions in the same OCT in the few cases applicable.</i></p> |

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| | In the answers to the Survey question 3: <i>Has the EU support been coherent? (e.g. between different sectors, if applicable)</i> 4 OCTs responded that it had been high, 6 “medium” and only 2 responded “low”. |
| Judgment Criterion 1.4 | No contradiction is found between the EU-OCT co-operation strategy and the modalities and administrative process, which are applied to it |
| Judgment | <p>It is found that there is no contradiction between the EU-OCT strategy and the modalities and administrative process applied to it in terms of effectiveness, but in terms of efficiency, there is scope for improvement. The administrative process is often experienced as cumbersome and detracting resources from other purposes by the OCTs. This notwithstanding that some OCTs have also recognised that the co-operation procedures, however difficult they may be perceived in the first place, have been a useful learning process for them, contributing to better policy making and monitoring.</p> <p>There might have been a scope for more assistance from the EU for the OCTs’ handling of these procedures. According to team interviews with OCT representatives, it is their perception that the internal organisation of the Commission’s services working with the OCTs suffers from an insufficient number of staff and fast staff turnover.</p> <p>However, while such difficulties have contributed to delays, they have not prevented the materialisation of planned co-operation.</p> |
| Judgment Criterion 1.5 | EU co-operation reflects the stated needs of the poorer parts of the population |
| Judgment | <p>Overall the strategies are not specifically oriented toward poverty reduction except in the broadest sense, reflecting that poverty orientation is a less prominent objective in the EU-OCT co-operation than in its ACP-originating framework. The EU co-operation indirectly reflects the stated needs of the poorer parts of the population. In most cases, civil society has been involved in the design of the co-operation through public consultation processes.</p> <p>While there is generally little explicit information in the response strategies about the specific needs of the poorer parts of the population, the SPDs and the EU Greenland Partnership Agreement are based on information, which includes the socio-economic conditions in the OCTs. Furthermore, they are endorsed by democratically elected assemblies.</p> <p>In addition, part of the co-operation directly targets vulnerable parts of the population such as jobless people and school-leavers in the education sector in Greenland and the potentially social excluded part of the population in New Caledonia.</p> |

5.3 Evaluation Question 2: General Efficiency of Support

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| EQ2 | To what extent have the delivery mechanisms of EU support and their management been conducive to the achievement of the objectives of the co-operation? |
| Judgment Criteria (JCs) | <p><u>The answer to the evaluation is based on the following judgment criteria:</u></p> <p>JC 2.1: There has been a timely delivery of support, facilitating achievement of its objectives</p> <p>JC 2.2: Institutional capacity to manage interventions has been adequate</p> <p>JC 2.3: Budget support has contributed to improved budget management and governance</p> <p>JC 2.4: The evolution of the mix of development assistance instruments has been appropriate</p> <p>JC 2.5: Cost effectiveness has been good</p> |

ANSWER TO THE EVALUATION QUESTION

The findings are that the delivery mechanisms of EU support and its management have not been conducive to the achievement of the objectives of the co-operation. These findings are broadly applicable throughout the evaluation period, reflecting continuing delays and poor predictability of funding. It is of concern that the efficiency issues identified were also identified in the Mid-Term Review of the 9th EDF in 2006, yet there is little evidence that the issues at that time were effectively addressed.

The evaluation found ample evidence that unnecessary delays occurred; that the Commission was inconsistent in its approach, changed its reporting requirements and failed to fulfil the "partnership" ethos that underpins the approach. Whilst individual projects and programmes have been beneficial, the approach diminished the value of the EU support and in some cases undermined OCT budget management. Individual staff in the Commission of the EU worked very hard to be responsive in a system and against workloads that were not realistic. Staff changes exacerbated poor institutional memory, further hampered by inadequate record keeping. OCTs face considerable challenges due to their small size, limited capacity and isolation. Delays have occurred in the case of both project and budget support: to date the latter has not proved to be much faster to implement, partly because of the need to demonstrate that budget support eligibility conditions (especially concerning PFM) are in place.

It is of concern that these delays are continuing with the finalisation of the SPDs for the 10th EDF. Overall the 10th EDF is running more than two years behind schedule, demonstrating that the problems experienced in the past have yet to be fully resolved.

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| Comments to the answer | <p>Over the evaluation period, there has been a general transition from project modalities to budget support modalities. The EQ provided an opportunity to explore whether this has been efficiently managed.</p> <p>The overall finding is that achievement of the objectives of the co-operation has been significantly undermined by management constraints and by the sometimes inappropriate delivery mechanisms applied.</p> <p>The EU has failed to appreciate the diversity of OCTs and the implications of this on the use of aid instruments. There is a perception that a "one size fits all" approach exists. The analysis revealed the following:</p> |
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- i) In terms of processes, “one size fits all” exists: for example even Pitcairn, with a population of fewer than 50, has to prepare an SPD, the format of which is not adequate to such small group of people. Similarly the STABEX Task Force wrote to 46 beneficiaries (including OCTs such as the Falklands) with standard instructions on how to structure their documentation and advising that it would be no longer possible to give assistance to individual beneficiaries. Therefore, in terms of process we do believe that there has been an excessive degree of standardization.
- ii) By contrast, in terms of content the EU has sought to reflect and respond to the needs and priorities of individual OCTs. Furthermore, the relationship between OCTA and a number of individual OCTs (such as St Helena) with the Commission has been good, and individual staff members have strived to respond to and work closely with OCTs. The unique legal position of the OCTs justifies consideration. Foreign affairs is a responsibility of the Member State, and there is an essentially triangular relationship between the OCT, the Member State and the Commission. This is inherently complicated and Commission officials note that all actions must reflect their legal foundations.

Whilst this is relevant it does not fully explain why the preparatory processes have been slow and cumbersome. Subsequent delays in implementation have partly reflected changes in approach by the Commission including the introduction of new and onerous reporting procedures, especially related to PFM reporting.

There are a number of reasons why this has been the case. An underlying feature of the approach has been evolving appreciation of PFM issues in OCTs. The prevailing view in 2003 was that the PFM was not relevant because Member States took responsibility for PFM issues in their OCTs. As a consequence, this condition was not applied as part of the design criteria at that time which led to delays in implementation.

In recent years, budget support has been under scrutiny from the European Court of Auditors. Eligibility conditions (i.e. macro-economic stability, a sound policy framework and a credible programme to improve PFM) have been subject to intense review. OCTs have been required to demonstrate progress before budget support tranche releases. A further concern is that the 2008 financial crisis precipitated an economic deterioration in some OCTs, notably in the Caribbean (e.g. Turks and Caicos Islands, Anguilla). The full consequences of this are still being felt.

Management capacity has been limited, particularly but not only in the Commission. The role of Delegations has sometimes created difficulties by creating an additional intermediary, although their performance has improved recently.

The concept of regionally concentrated delegations has been created relatively recently and the organisation will evolve with the construction of EuropAid Directorate General for Development and Co-Operation. In Brussels the OCT Taskforce is useful in terms of providing a focal point for engagement with OCTs during the programming stages, although members have other responsibilities as well. However, the lack of a fully resourced OCT Unit, together with frequent staff changes has undermined institutional memory and capacity. OCTs also face capacity constraints, in part due to their small size and limited resources, and have also contributed to the problem.

The additional scrutiny provided by budget support has increased the focus on budget management and governance in some OCTs. This is beneficial, particularly in OCTs such as Montserrat, which has weak accounting systems and poor technical PFM capability, as evidenced by low Public Expenditure and Financial Accountability (PEFA) scores. The potential benefits of this have been largely offset by the delays in funding, which have reduced predictability and had potentially the greatest adverse impacts in the financially weakest OCTs with

limited recourse to other funding sources.

The mix of instruments has been understandable in some cases but apparently arbitrary in others. Inadequate consultation and prevarication on the use of instruments has irritated OCTs and undermined ownership of the decision regarding the most appropriate instrument to apply.

The preparation of the 10th EDF programmes has been slow, and this is evidenced by the fact that as of December 2010 no SPDs and programmes have been finalised. At this time many ACP countries are already implementing their 10th EDF programmes and are undertaking mid-term reviews. This raises the question of whether it would be preferable to develop a simpler and lower cost-programming format that is more appropriate to the needs of OCTs.

OCTs face inherently high prices and limited competition due to their small size and isolation. The lack of direct comparators made it difficult to evaluate whether the outputs of the support have been delivered in a cost effective manner. However the delays in provision, high management and transaction costs may have impacted on cost effectiveness.

In conclusion, the delivery mechanisms of EU support and its management have not been conducive to the achievement of the objectives of the co-operation. Individuals have tried hard in a generally rather unsupportive institutional setting. This conclusion is consistent with the findings of the 2006 Mid-Term Review. Insufficient attention has been paid to resolving the issues identified then.

The evaluation has provided ample evidence that unnecessary delays occurred; that the Commission was inconsistent in its approach, changed its reporting requirements and failed to fulfil the “partnership” ethos that underpins the approach. Whilst individual projects and programmes have been beneficial, the approach diminished the value of the EU support and in some cases undermined OCT budget management. The Commission needs to acknowledge that although OCTs are small and disparate, with modest budgetary allocations; this does not mean that they can be supported in an *ad hoc* manner. This will necessitate establishing a small but dedicated resource in Brussels, with stable staffing and improved systems.

It has been noted that OCTs represented a very small share of total EU development assistance programmes, and that staffing was correspondingly tight. The evaluators have considered this point carefully but do not agree with it for the following reasons:

- i) Funding to OCTs averaging €50m per annum over the cycle is the equivalent to a number of African countries which have own Delegations, in many cases with 30 professional staff members or more. If an OCT Unit was resourced with the staffing of one of the smaller African Delegations then it should be possible to avoid or radically reduce the delays;
- ii) It should be acknowledged that small programmes do not reduce the administrative burden on a pro-rata basis. For example if a PEFA assessment is commissioned for an OCT, it will not take much less time than a PEFA undertaken for a country with a 50 million population. The tasks and processes (particularly as currently implemented) are not dissimilar.
- iii) Similarly TAOs have, in general, other tasks to perform apart from Commission's work. Given these small OCT administrations, it is clearly necessary to streamline the processes as far as possible. This can be seen as an opportunity to learn from what has proved to be less efficient and effective in the past, and to move to a new and speedier mode of implementation in the future.

This will also provide an opportunity for a more tailored approach that is sensitive to differences between OCTs, with less reliance on a “one size fits all” approach. In

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| | <p>some cases, it should be accepted that budget support is not the right instrument and it may be more appropriate to retain project modalities.</p> <p>The analysis and findings by the consultants raises the issue about whether the process of establishing SPDs is too onerous and is an expensive way of planning interventions that are typically modest in size. Whilst in some cases they have been acknowledged as leading documents (the St Helena SPD was cited by DFID as a good example) there is clearly an opportunity cost in preparing them. A lighter touch process could speed things up as well as being more widely accessible to stakeholders (such as senior members of OCT administrations), and therefore having a higher degree of visibility.</p> <p>It would be beneficial if OCTs had more influence in who is recruited as TA, preferably using regional resources.</p> |
| <p>Judgment Criterion 2.1</p> | <p>There has been a timely delivery of support, facilitating achievement of its objectives</p> |
| <p>Judgment</p> | <p>The serious delays identified at the time of the mid-term review in 2006 have not been adequately addressed. Without exception, respondents to the survey identified delays to project/programme implementation. The fieldwork strengthened the evidence base regarding this, and provided valuable insights as to why these problems occurred. There was ample evidence of delays throughout the 8th, 9th and preparatory phases of the 10th EDF. STABEX execution was also marred by extensive delays. Because expenditure was slower than envisaged, it contributed to a substantial carry-over of funds from earlier EDF programmes to later EDF programmes.</p> <p>Feedback from respondents and interviewees, together with insights from documentary sources, identified six underlying causes for the lack of timely delivery:</p> <ul style="list-style-type: none"> • Staff turnover in the responsible units of the Commission’s Headquarter and the EU Delegations) resulting in loss of institutional memory. • Reorganisation within the Commission in Brussels, for example the establishment of a STABEX Taskforce in 2003 with responsibility for 43 STABEX programmes, including but not limited to those in OCTs; • The perceived absence of a clear hierarchy in terms of decision taking by the Commission, with what one OCT described as “too many intermediaries”, many of whom appeared to have apparently arbitrary decision-making capacity. This has been aggravated by the absence of institutionalized recourse for OCTs when blockages have occurred except through high level political interventions; • The frequent introduction of new and complex procedures, for example revisions to document formats. • The imposition of additional reporting requirements due to concern by the European Court of Auditors that insufficient attention was paid to issues such as Public Finance Management strengthening; • Limited institutional capacity in OCTs, incl. the number of staff available within institutions, and in some cases delays or slow turn-around of documents. <p>Below these underlying causes specific contributory factors may be identified including:</p> <ul style="list-style-type: none"> • The lengthy programming and approval phases, which undermined efforts to link funding to Government planning and budgetary cycles; • Changes in procedures and reporting requirements, including preparatory documentation; OCTs observed that although the Single Programming Document was an improvement, it does not replace the need for individual project document fiches and TAPs; |

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| | <ul style="list-style-type: none"> • One OCT encapsulated the views of many reporting: “There has been constant struggle with interpretation of regulations”; • Prevarication about the use of aid instrument (as in the Netherlands Antilles deriving from the fact that budget support was abandoned when it became clear that it was unlikely that NEA eligibility could be established within the programming period); • Staff changes which diminished institutional memory and placed an excessive burden on a small number of dedicated officials; • Documentary record keeping in Brussels has been poor: for example the 2008 PFM assessments were commissioned without recourse to the 2003 PFM assessments, and few of the latter could be made available to the evaluation team. Generally, record keeping was better in OCTs; • There was a lack of institutional clarity about the respective roles of EUDs and Brussels, and within the Brussels administrative structures between units (e.g DG DEV and AIDCO); • Administrative constraints which meant that special focus groups such as the STABEX Taskforce did not have the resources needed to provide tailored support to individual OCTs; • In some cases there was lack of provision of TA, or where it was provided it was considered inappropriate by some respondents to the survey. • Regional projects have been delayed (with the average delay given as 2-3 years), for a range of reasons including weak regional institutional structures. <p>As the evidence above demonstrates there was little predictability of funding. This has particularly hit those poorer OCTs, which utilised budget support for very specific purposes, for example for funding specific capital works (e.g. Montserrat in its Little Bay infrastructure construction works). By contrast better-off OCTs, such as the Falkland Islands, were able to adapt more successfully by utilising their own resources and then using funds, when received, for replenishment purposes.</p> <p>Delays generated further requirements, which in turn resulted in further delays. In Aruba the budget support process took such a long time that a second PFM survey was required by the Commission - despite the fact that the first report had concluded that there was sufficient capacity to implement budget support.</p> <p>Delays have occurred in the case of both projects and budget support: to date the latter has not proved to be much faster to implement, partly because of the need to demonstrate that budget support eligibility conditions (especially concerning PFM) are in place.</p> <p>It is appropriate to highlight, that the Commission has noted the causes of some of the delays to support programmes, such as linking budget support to physical infrastructure support programmes, and will ensure that under the 10th EDF such design choices, which make support excessively dependant on external factors, are avoided.</p> |
| <p>Judgment Criterion 2.2</p> | <p>Institutional capacity to manage interventions has been adequate</p> |
| <p>Judgment</p> | <p>This JC is interpreted as focusing on OCT institutional capacity as the previous JC largely focused on delays caused by the Commission.</p> <p>In general, there have been sufficient resources to manage the programmes (regardless of modality) although Member States and some OCTs highlight thin capacity and workload peaks.</p> <p>Delays cannot be blamed solely on the Commission’s administration and systems. OCTs typically have “thin” capacity, and the loss of one or two key individuals to other jobs etc can jeopardise capacity. Furthermore the Commission systems are</p> |

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| | <p>quite challenging to understand and evolve over time, so they do not lend themselves to quick hand-over from one staff member to another, either in Commission's administrative systems or within OCTs.</p> <p>OCTs differ from most ACP countries in that most receive external support only or largely from their associated Member State. As a consequence in most cases familiarity with newer aid instruments such as budget support has not been high. In such cases balanced advice and guidance from the Commission is essential. In some OCTs, such as in French Polynesia, where the knowledge on budget support is limited, particularly among decision makers, it was noted that the Commission had not been sharing the "well-known difficulties and limitations encountered in countries already involved in this aid modality". The government participated to a regional seminar on BS organised in 2009 and appreciated the learning opportunity, although it was relatively general.</p> <p>Where TA has been provided the quality of support has been somewhat patchy. One reason is that the use of framework contracts let to European contractors with limited networks in the regions of the OCTs (Caribbean, Indian Ocean, Pacific etc). This limited the use of TA from the region and in its most extreme cases led to TA being provided which lacked the appropriate language skills for the OCT. However it may also be observed that the Commission provides considerable capacity building to regional entities, which OCTs benefit from, and this helps to build institutional capacity indirectly as well through direct engagement.</p> |
| <p>Judgment Criterion 2.3</p> | <p>JC2.3 Budget support has contributed to improved budget management and governance</p> |
| <p>Judgment</p> | <p>For Budget Support to succeed, pre-requisites include satisfactory and sustained meeting of the three eligibility criteria: i) a sound macro-economic situation; ii) appropriate policies at macro and/or sectoral level, and iii) a credible programme to improve PFM.</p> <p>The provision of budget support must be viewed against the evolution of national PFM and accounting capacity in OCTs, partly as a consequence of Member State support and partly because of the actions of the Commission. Different Member States have differing approaches to OCTs with respect to budget management, PFM and governance. The French and UK OCTs demonstrate the breadth of approach.</p> <p>French OCTs apply the full range of PFM rules that apply in France, from budgeting to auditing, with strong oversight from the French national authorities. For example New Caledonia has its own Auditor General, yet is still liable to controls by French Auditor General. Given this strong oversight, the opportunities and indeed the need for the Commission to contribute to improved budget management and governance are more marginal.</p> <p>By contrast UK OCTs have considerably more autonomy, and the PFM oversight by the UK authorities has been light particularly in Territories that have not been aid dependant, and are overseen by the UK FCO rather than DFID. This position is changing, in part because of the widespread corruption and poor governance that occurred in Turks and Caicos (and led to the imposition of direct rule from London as well as Serious Fraud Office investigations, both widely reported (see Annex X) and also the recent deterioration in the macro-economic situation of several other OCTs including Anguilla, BVI, Cayman and Tristan da Cunha.</p> <p>The approach to PFM in UK OCTs was also influenced by the contribution of the UK National Audit Office. A 2007 Report entitled "<i>Managing Risk in the Overseas Territories</i>" recommended development of modern risk management practices; stronger investigative and prosecution capacity, bolstering regulatory standards, sharing of information and strengthening audit and accountability mechanisms, including Public Accounts Committees.</p> |

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| | <p>The OCTs linked to the Netherlands and Denmark fall between these two extremes. Given this diversity a number of OCTs express concern about the standardized approach adopted by the Commission, with respect to PFM and governance. The OCTs linked to France find it particularly hard to understand the case made by the Commission on this issue when assessing the budget support eligibility conditions and further in programme implementation. In essence this is because they do not perceive that they have substantial PFM constraints and should not be required to undertake additional onerous reporting in connection with EDF support. In such circumstances the contribution of the Commission to improved budget management and governance is much more limited. In addition, project modalities have been dominant in French OCTs during the 8th and 9th EDF.</p> <p>Several OCTs acknowledged that the provision of EU development assistance in the form of budget support had contributed to improved management of the programming process. For example New Caledonia acknowledged the benefits of a realistic policy framework, links to mid-term programmable resources and performance monitoring. It had a high level of ownership of the principled of a budget support approach evidenced by significant efforts made over time on its own to adjust its organisation and procedures. However negative feedback indicated that this ownership was undermined by the EDF procedures and Commission's staff attitudes to managing the programme.</p> <p>By contrast the PFM and governance focus provided by the Commission has made an important contribution in some UK OCTs. Whilst delays in disbursement have caused intense frustration in Montserrat, the reality is that despite the provision of budget support by the UK, PFM standards have been poor, and much greater focus on enhancing them is required. It is ironic that because Montserrat had earmarked the support for particular investment activities, delays in disbursement impacted on budget execution and contract management, contributing to further short term deterioration in PFM performance.</p> <p>Similarly in Anguilla, where macro-economic stability has been threatened by a major decline in revenues, concern that EU budget support might be delayed has been taken seriously by the Government and may contribute to the adoption of a more realistic budget. St Helena reported that the Commission had played a useful role in strengthening the focus on PFM..</p> <p>In the Falkland Islands budget management and governance is tightly managed with up-to-date accounts prepared on an accrual basis and clean audit reports from external auditors who regularly visit from the UK. A new Public Accounts Committee is being put in place as part constitutional reforms but there has been no contribution by the Commission to this. The opportunity for the Commission to strengthen PFM management is therefore minimal.</p> <p>There is an inherent contradiction between the <u>objective</u> of the EU in strengthening budget management, PFM and governance, and its <u>mechanism</u>, with its main tool being delaying the release of budget support on the grounds that eligibility criteria for budget support have not been adequately demonstrated. In the OCTs, due to their small size and capacity, delays in budget support releases can have very serious consequences, as demonstrated in Montserrat. So whilst the focus on PFM strengthening has been beneficial in some OCTs, it is not possible to conclude that overall support has contributed to overall improvements in budget management and governance.</p> |
| <p>Judgment Criterion 2.4</p> | <p>The evolution of the mix of development assistance instruments has been appropriate</p> |
| <p>Judgment</p> | <p>The choice of development assistance instruments has been clearly understandable in some cases (e.g. Falkland Islands has sound management and public finance systems facilitating the use of budget support) and in TCI where the selection of the</p> |

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| | <p>instrument was, quite correctly, adjusted to reflect changing circumstances.</p> <p>However, it is more perplexing in the Netherlands Antilles (NEA), where there is considerable public sector capability, yet project support was provided for many years. In the NEA there was considerable prevarication about whether to provide budget support or funding through project instruments. Staff attended Budget Support workshops, run by TA recruited by the Commission. By contrast the smaller islands of the NEA prefer the project support modality as being more appropriate to their needs. The problem as they saw it was essentially the amount of time wasted vacillating between budget support and projects, to finally revert to their preferred modality.</p> <p>French OCTs prefer project modalities and there has been resistance to the envisaged migration to budget support.</p> <p>In some cases the selection of sub-instrument appears to be arbitrary. In the Falkland Islands it is not clear why the Commission decided that STABEX funding should be given as targeted budget support whilst concurrently supporting the provision of untargeted budget support for the 9th EDF and subsequently the 10th EDF. There is an apparent intellectual discontinuity in this thinking. The use of targeted budget support had been identified as being undesirable in the Commission's General Budget Support Guidelines of 2003 and is discredited in PFM terms except in exceptional circumstances.</p> |
| <p>Judgment Criterion 2.5</p> | <p>Cost effectiveness has been good</p> |
| <p>Judgment</p> | <p>The isolation and limited size of OCTs markets contribute to making it challenging to obtain value for money (VFM) in procurement. The evaluation findings are consistent with the 2008 PFM Assessment studies commissioned by the Commission. The following points emerge: Their small size means that there are natural limits to competition impacting on procurement processes. Different OCTs have responded in different ways – some have negotiated umbrella contracts with an international contractor (Falkland Islands and St Helena). Others (BVI) separate their public works into small contracts, which local contractors can handle, although this may impact adversely on unit costs. Some OCTs have aligned their procurement practices with those of the Commission as part of their modernisation process. There is concern that where Commission specific procurement procedures have been used, for example on regional projects, they are unwieldy and slow;</p> <p>The use of framework contracts for smaller TA assignments may not readily permit local resources/consultants to work on the assignments, as they are unlikely to be linked into Commission's framework contract consortia. The evidence to draw firm conclusions as to whether VFM has been high is insufficient. There has been a lack of direct comparable projects, reflecting the large number of one-off projects undertaken with EU funding for which there are no comparators against which to benchmark prices. In some cases, e.g. work in St Helena, responses to tenders were very limited, necessitating negotiated price agreements. The slow pace of implementation is believed to have raised transaction costs, but again there is limited evidence to quantify this.</p> <p>In conclusion, on balance, reasonable cost effectiveness has been achieved.</p> |

5.4 Evaluation Question 3: Transport, Connectivity and Energy

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| EQ3 | To what extent has the EU support to the development of transport, connectivity and energy infrastructure contributed to reduce OCT isolation? |
| Judgment Criteria (JCs) | <p><u>The answer to the evaluation is based on the following judgment criteria:</u></p> <p>JC 3.1: Passenger and freight costs and travel times to, from and within OCTs have been reduced and reliability increased</p> <p>JC 3.2: Transport improvements have assisted efforts to diversify the economies of OCTs by supporting the development of tourism and trade</p> <p>JC 3.3: The sustainability of transport infrastructure has been enhanced through improved maintenance capability and/or improved funding of maintenance</p> <p>JC 3.4: The environmental impact of transport and infrastructure is taken into account in the design of the interventions</p> <p>JC 3.5: ICT and energy challenges faced by OCTs have been addressed with support provided by the EU</p> |

ANSWER TO THE EVALUATION QUESTION

The EU support to the development of transport, connectivity and energy infrastructure varies between sub-sectors. It has, and continues, to make a difference with respect to transport, although external circumstances (the recession) and management decisions (such as stopping the ferry-service to Montserrat once the airport was opened) mean that the overall impact to date is less substantial than projected when feasibility studies were undertaken.

In terms of impact it should be highlighted that the transport infrastructure is in place, for example Montserrat airport is functioning, with daily flights. In the longer run Anguilla's airport will be used more as tourism and the real estate market in the Caribbean recovers. Harbour improvements and road improvements to other OCTs will bring real benefits to users, both domestic and tourism users.

However OCTs continue to be hampered by their isolation, and there have been no significant improvements to shipping services during the evaluation period.

In the case of road transport, the improvements have been comparatively modest overall, although in New Caledonia and Turks & Caicos roads and causeways have been completed that have increased accessibility of isolated parts of these OCTs.

In terms of ICT connectivity and energy, the impact has been relatively modest, due to limited focus to date. Both are critical to reducing isolation and there is considerable interest in OCTs, especially given very high ICT and energy prices, partly due to their small market size and lack of effective competition for service provision.

Major sector interventions included:

- Anguilla received €41.6m under the 8th EDF for roads and is receiving €12.2m for airport expansion;
- Montserrat received €0.4m towards its new airport under the 8th EDF whilst an unspecified part of the 9th EDF Trade in Services-budget support funding relates to transport improvements;
- NEA received €0.6m for Saba harbour under 8th EDF and €5.5m for the Queen Emma bridge under the 9th EDF;
- New Caledonia received €5.6m for roads/access under the 9th EDF;
- Pitcairn is to receive €2.35m for a breakwater under the 9th EDF;

- St Helena, Ascension and Tristan da Cunha is receiving €41.78m under the 9th EDF for infrastructure improvements;
- St Pierre and Miquelon is receiving €18.9m for transport improvements under the 9th EDF;
- Wallis & Fortuna is receiving €0.18m under the 8th EDF and €16.3m under the 9th EDF for public works.

(Funding to the transport sector in OCTs is provided in Annex V of Volume 2 of this report.)

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| <p>Comments to the answer</p> | <p>One of the over-riding characteristics of most OCTs is their isolation; transport has been a focal area of EU support for many OCTs. Support has included port and harbour improvements (e.g. St Helena, Tristan da Cunha, and Pitcairn), airport improvement (e.g. Anguilla, Montserrat) and road network improvements (e.g. Turks and Caicos, New Caledonia and SMP). Further port investments are under consideration under the 10th EDF in Mayotte and the Netherlands Antilles. Support has also been provided to enhance communications and ICT (e.g. Pitcairn, Montserrat). Energy has received less focus, but as observed by OCTA is a key concern of many OCTs and was therefore addressed through this EQ.</p> <p>The EU has supported the transport sector in many developing and neighbourhood countries. Whilst support for major road projects has continued to be important, in common with other donors the Commission has increased its focus on building institutional capacity intended to ensure that infrastructure investments are properly managed and maintained. By contrast in OCTs, support for transport has been purely in the form of infrastructure/transport projects. It may be appropriate to reconsider this approach because in key cases the full benefits of the investment were not achieved due to management issues. This is particularly the case with access to Montserrat, where the construction of the new airport did not generate the expected benefits in tourism.</p> <p>In answer to the question, the EU support to the development of transport, connectivity and energy infrastructure varies between sub-sectors. It has, and continues, to make a difference with respect to <u>transport</u>, although external circumstances (the recession) and management decisions (such as stopping the ferry-service to Montserrat once the airport was opened) mean that the overall impact to date is less substantial than projected when feasibility studies were undertaken.</p> <p>Ultimately the transport infrastructure is in place – Montserrat airport is functioning, with daily flights. Indeed a second airline has started operating out of the airport. In the longer run Anguilla’s airport will be used more when tourism and the real estate market in the Caribbean recovers. Harbour improvements and road improvements will bring real benefits to users, both domestic and tourism users.</p> <p>In terms of <u>ICT connectivity and energy</u>, the impact has been relatively modest, due to limited focus to date.</p> <p><i><u>Observations regarding future OCT Support</u></i></p> <p>In the case of ICT, needs are substantial, and fully consistent with diversifying the economy into service orientated sectors. Many OCTs remain bedevilled by high ICT costs and in some cases reliance on a single provider. However, this is a sector governed by regulatory issues and it is not evident that this is an area of comparative advantage for the Commission, as it requires “process” type activities that cut across legal, regulatory and public/private management issues. Also in most OCTs the Government is the largest “buyer” of telecommunications services, making liberalisation and ICT management highly sensitive. Therefore, although this is an area of great need, future support by the EU should be handled with care and with full consideration to its implications.</p> |
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| | <p>In the case of <u>energy</u>, this is very important to OCTs due to the prevalence of high energy costs. This is a burden to their populations and to diversification of their economies, for example by inhibiting the development of tourism. Since many OCTs utilise high cost diesel generators, addressing the issues facing the energy sector ties in well with environmental and conservation objectives. It may however be that large scale energy investment is provided by the European Investment Bank (EIB) or regional development banks rather than the Commission itself, because the scale of investment required exceeds the Commission's funding envelope. This provides an opportunity for pump-priming by the Commission, for example funding feasibility studies. Even this is not necessarily possible: the UK Government places limits on borrowing by its OCTs because of the contingent liability this represents. However, energy is going to remain highly important and as well as supporting the development of appropriate strategies, and alternative energy sources (geothermal and wind power) there is potential to support energy conservation measures.</p> |
| <p>Judgment Criterion 3.1</p> | <p>Passenger and freight costs and travel times to, from and within OCTs have been reduced and reliability increased</p> |
| <p>Judgment</p> | <p>The costs of travelling to Montserrat have increased from approximately US\$100 return by ferry to approximately US\$280 by air. Travel costs to Anguilla and to other OCTs have been unaffected by Commission's investments to date, although they have changed in line with fuel prices and market conditions elsewhere.</p> <p>In Anguilla and Montserrat air access has improved, although there was a subsequent decline in air traffic movements to Anguilla due to the recession.</p> <p>Several port and harbour investments are planned or underway that should provide additional capacity and/or enhance reliability. These include:</p> <ul style="list-style-type: none"> • The harbour improvements at Jamestown, St Helena (e.g. by making it safer to offload visitors from cruise ship lighters when conditions are choppy); • In Mayotte there is potential for increasing transshipment. A market opportunity exists in response to changing freight routs, a consequence of the increase in piracy off the Horn of Africa. One of the interventions foreseen under EDF 10 support is also the improvement of efficiency and capacity of the new container terminal at the Longoni harbour, which could contribute to the creation of a new regional maritime hub. • The focus for St. Eustatius (NEA) under the 10th EDF will be on upgrading the harbour, which includes making additional space available for handling containers and improved erosion controls in hurricane situations. • The proposed harbour investment on Pitcairn is currently causing concern because it is only partly funded by the EU, and the total cost may not be justifiable in current economic circumstances. <p>Road transport investment improved intra-island connectivity on Turks and Caicos (by improving access to Middle and North Caicos) and should provide benefits in New Caledonia. In both cases a large part of the benefit reflects the opening up of inaccessible areas, facilitating better connectivity. In SPM the aim was to pave an existing road between Miquelon and Langlade.</p> <p>The most important finding from this Judgement Criteria is that the infrastructure investment funded by the EU will only achieve its full potential if effective management is in place. However the infrastructure constructed or part-funded by the EU does have a very important role to play and its impact will increase as better management and an improving external environment permits improved utilisation.</p> |

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| <p>Judgment Criterion 3.2</p> | <p>Transport improvements have assisted efforts to diversify the economies of OCTs by supporting the development of tourism and trade</p> |
| <p>Judgment</p> | <p>(Tourism data is reported in Annex V). There is substantial evidence that EU-supported transport sector development was undertaken in response to priorities of the OCTs who have prioritised better connectivity, partly to support economic diversification and the development of tourism and, to a lesser extent, trade.</p> <p>In the Caribbean transport investment supported, and/or protected, tourism development in:</p> <ul style="list-style-type: none"> • Turks and Caicos (especially by improving access to Middle Caicos); • Anguilla (improvements to the road network and to the airport, permitting larger aircraft to land); • Montserrat (construction of the new airport – however this failed in its attempt to develop tourism in the first four years of its operation); • British Virgin Islands (airport upgrading under 8th EDF). • Netherlands Antilles (replacement of the Queen Emma floating bridge with a sensitive, visually attractive hardwood replacement); <p>And elsewhere:</p> <ul style="list-style-type: none"> • Tristan da Cunha, by part-funding replacement of the jetty; • On St Helena the wharf is to be extended providing secure offloading of cruise and other visitors (yacht) on more days of the year; • On New Caledonia where the Hienghene-Pouebo road will provide access to remote communities and facilitate the development of an isolated part of the island; and on • Pitcairn, where the envisaged breakwater will create a more secure landing space by protecting the jetty from rough seas, thereby facilitating cruise visitors. <p>The evidence is less evident in terms of trade facilitation (except in terms of the derived demand generated by tourism). Generally the focus has not been on hard commercial ports and/or on airport freight facilities unless in SPM and, tentatively, in Wallis & Futuna (where the commercial port project was eventually abandoned for lack of economic profitability). OCTs represent only a small share of their tourism markets in their respective regions.</p> <p>Furthermore the EU support has funded only a limited input to the “tourism product” within the OCT. Exogenous factors are much more important – nearly all Caribbean islands benefited from expanding tourism and related real estate investment in the five years from 2003 to 2008 (i.e. after the effects of 09/11 had worn off and before financial crash of 2008 choked off demand and investment funding through small-island banks).</p> <p>Unexpectedly, the opening of the new Montserrat airport has led to a drop in visitor numbers which was caused by the fact that DFID stopped funding the ferry link, to coincide with the airport opening. This led to a striking decline in total visitor numbers, from 13,000 per annum before the airport opened to fewer than 9,000 afterwards. This may be attributed to due to the significant increase in cost: the subsidised ferry had been much cheaper for passengers than the (also subsidized) air transport route. Both are critical to reducing isolation and there is considerable interest in OCTs, especially given very high ICT and energy prices, partly due to their small market size and lack of effective competition for service provision.</p> <p>A further issue of concern on Montserrat is that whereas the 9th EDF was fundamentally about economic diversification (Trade-in-Services), this was supposed to be based on a credible private sector strategy with a particular focus on tourism development. Yet DFID expressed concern, in a published Aide Memoire</p> |

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| | <p>produced at the end of a DFID aid mission that took place in the last week of September 2010, that Montserrat did not yet have a credible Private Sector Development strategy in place.</p> <p>If indeed Montserrat lacks a credible strategy for private sector development, this undermines the 9th EDF Trade-in-Services programme. In practice what seems to have happened is that the original strategy lost credibility due to the deterioration in economic circumstances because of the 2008 financial crash and the subsequent fall in real estate values across much of the Caribbean. Montserrat, with its lack of beaches, relative inaccessibility and vulnerability to the volcano (including continuing ash cloud pollution events), is particularly vulnerable to the economic slowdown. But in the absence of alternative, the Little Bay redevelopment (which the EU is part funding) is believed by DFID to be the best prospect there is.</p> |
| Judgment Criterion 3.3 | The sustainability of transport infrastructure has been enhanced through improved maintenance capability and/or improved funding of maintenance |
| Judgment | <p>Within the sector it is appropriate to separate out <u>transport sub-sectors</u>.</p> <p>Where <u>roads (and bridges)</u> have been funded, experience from elsewhere suggests that there is a significant risk that road maintenance will be neglected. This has been the experience of many road projects funded in ACP countries by the EU and other donors. In terms of the OCTs poor budget management, and expenditure cut-backs for non-wage recurrent element of the budget is leading to cut-backs on recurrent maintenance on Anguilla and TCI.</p> <p>In Wallis & Futuna, the 9th and 10th EDF will merely rehabilitate and extend existing facilities respectively for Wallis Island and Futuna island. Policy and maintenance issues are not tackled in any way.</p> <p>By contrast the risks are considered to be lower on the restored Queen Emma bridge in Aruba because it is such a flagship asset. Furthermore, New Caledonia road maintenance is financed by provincial Governments, which have not been excessively vulnerable to budget cutbacks.</p> <p>In the case of <u>airports and ports</u>, responsibility usually sits as part of the mandate of the airport or port authority. International regulations and regular inspections ensure that safety and other standards are maintained. There may be some buildings etc, which are vulnerable to under-maintenance, but this is a small part of the overall problem.</p> <p>In summary, maintenance is an important issue with all infrastructure investment. Experience from other countries suggests that securing funding within the Government's budgetary process can improve sustainability. In some ACP countries, the "variable tranche mechanism" has been used to provide an incentive to enhance maintenance.</p> |
| Judgment Criterion 3.4 | The environmental impact of transport and infrastructure is taken into account in the design of the interventions |
| Judgment | <p>All the cases examined indicate that careful attention has been paid to the environment. This may be for a variety of reasons:</p> <ul style="list-style-type: none"> • (in most cases) OCTs have highly developed media, and the population is engaged in environmental matters; • OCTs are typically constrained in terms of their land and natural resources, and wish to prioritise environmental protection; • The focus on tourism development may have heightened awareness of environmental matters; • Member States and the EU may have pushed to ensure that key environmental matters are considered and have strong safeguard systems; |

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| | <ul style="list-style-type: none"> • In French OCTs, the France environmental legal framework is fully applied. Despite this, there is a lack of connection between environmental awareness and poor provision of public transport, even in those locations with a population density, which is sufficient to justify it. For example Anguilla has no functioning bus service. The Queen Emma Bridge on NEA was highly regarded for its careful and environmentally friendly restoration. |
| Judgment Criterion 3.5 | ICT and energy challenges faced by OCTs have been addressed with support provided by the EU |
| Judgment | <p>Few of the SPDs give significant emphasis to ICT and energy challenges in the OCTs, although this has been highlighted as a key priority by OCTA. This may reflect a change in priorities in recent years, given continuing high energy prices and increasing acknowledgement that energy insecurity is increasing in importance. It is also clear that it links into the climate change agenda, which is particularly important to OCTs.</p> <p>One exception was on the Falkland Islands where the EU financed wind-generated power for isolated farms. However, the Government did not believe that EU tendering process would lead to an optimal solution for the main wind-farm, and that was constructed using own resources (although the supplier of the equipment was European).</p> <p>A possible reason for the missing engagement of the EU in the energy and ICT sectors is the lack of perceived comparative advantage in this area. Similarly, energy projects are sensitive, normally entailing private sector engagement, the possibility of private finance and complex legal agreements. Another factor that may put off OCTs is that the EU support has such a poor track record in terms of timing. The extensive delays may deter OCTs from engaging with the EU on the crucial issues of energy and ICT.</p> |

5.5 Evaluation Question 4: Education and Vocational Training

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| EQ4 | To what extent has the EU support to education and vocational training contributed to upgrade the skills of the labour force in OCTs and the employment options of their citizens? |
| Judgment Criteria (JCs) | <p><u>The answer to the evaluation is based on the following judgment criteria:</u></p> <p>JC 4.1: EU Support in Vocational Education and Training has been aligned with OCT Socio-Economic Development Goals</p> <p>JC4.2: EU Support for VET is being implemented effectively, leading to satisfactory outcomes in terms of skills development and human capital formation in the OCT labour force</p> <p>JC 4.3: EU support has had a positive impact on the employment prospects of OCT citizens</p> <p>JC4.4: EU support in Vocational Education and Training is contributing to increased socio-economic development in priority sectors in the OCTs, as well as contributing to efforts to promote economic diversification</p> |

ANSWER TO THE EVALUATION QUESTION

Education and Training / Vocational Education and Training (VET) were only a priority sector for support in Greenland and New Caledonia.⁵⁸ Regarding New Caledonia, the Commission's support for VET (*Formation Professionnelle*) is highly consistent with New Caledonia's development goals, and the 9th EDF shift to support VET under budget support increased the relevance of EU support. EU support has also led to increased gender equality, both in terms of the gender balance of VET course participants and in the consultation and development process for putting in place 9th EDF VET support.

Performance has been satisfactory across core programme indicators, including course completion and dropout rates. Views on the quality of VET offers are for the most part positive. A significant scale of VET programme has been implemented and has come close to, or exceeded, targets set and progress has been made in restructuring the VET sector. EU assistance has achieved significant progress in increasing social inclusion of citizens and their integration into the labour market. The importance to the development of a viable territorial entity cannot be overstated. EU support is also having positive impacts on citizens' employment prospects and has contributed to increases in productivity and growth in some priority sectors, although more can be done here. There is no evidence to suggest that EU support is contributing in any important manner to a brain drain in New Caledonia or in Greenland, while VET interventions are limited in other OCTs and thus do not contribute to creating a brain drain.

However, significant technological developments in some sectors that will require further up-skilling of workers. Much time has been lost in developing a roadmap for New Caledonia's economic development, while provincial development plans have yet to be finalised. More urgency is needed in creating detailed sector development plans that provide clear direction regarding the sectors and skills needs where VET efforts can be targeted in order to deliver greatest return.

⁵⁸ The Greenland Education Sector Programme is not included in this evaluation in order to avoid duplication with the recently finalised MTR of Greenland's programme. However, references are made to the MTR findings. The EU support is provided for the education programme of Greenland, which covers the entire education sector in general.

Comments to the Answer

Scope of support

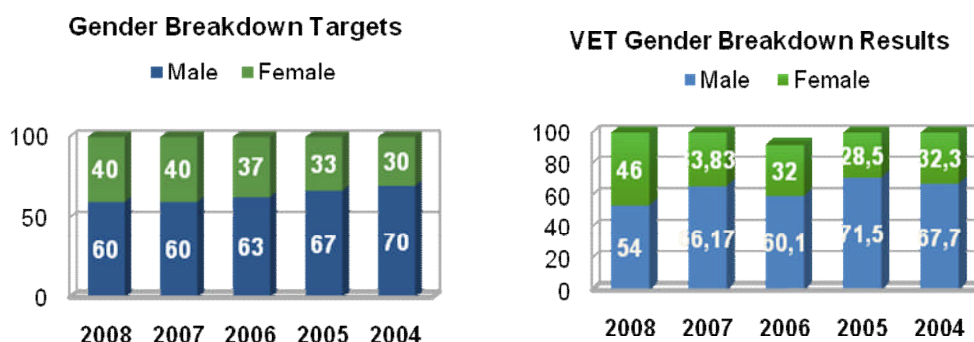
At present, Education and Training/Vocational Education and Training (VET) are only a priority sector for assistance in Greenland and New Caledonia (NC), respectively. The Greenland education sector programme (which includes VET but has a broader sector scope) is not included in this evaluation in order to avoid double work in the light of a recently finalised MTR of the programme.

Beyond these two examples, support to VET has nevertheless taken place, though not as a priority assistance sector (see, for example, the evaluation of VET support in Netherlands Antilles in JC 4.3. below). Thus, EU VET support had included support to New Caledonia's Vocational & Educational Training (sub-) sector (Formation professionnelle) as a priority sector, and a limited number of projects with a VET dimension (e.g. the NL Antilles Support to the NA Youth Development Programme (SNAYDP)). Support to New Caledonia's Vocational & Educational Training (sub-) sector (comprising EUR 21.5 million, of which EUR 13.75 million from the 9th EDF and EUR 7.25 million from previous EDFs). Within the framework of the Netherlands Antilles SPD, €4.5m were allocated to the Support to the Netherlands Antilles Youth Development Project (SNAYDP). Under the ongoing EU-Greenland Partnership Agreement (2007-13), support for the Education sector comprises €25m annually (2006 prices).

Regarding NC, the Commission's support for VET is **highly consistent with New Caledonia's development goals** (JC4.1). During the period 1999 – 2004, the Commission's support to NC had a number of components, including an important infrastructure dimension. As noted in the evaluation conclusions and recommendations, the shift to a sectoral focus on VET (*Formation Professionnelle*) that took place under the 9th EDF in 2004, has improved the alignment of the Commission's intervention with territorial development goals, as seen in the SPD. In the case of New Caledonia (the only sector-level VET intervention) EU support has complemented Member State support to that territory. The Youth Development programme in the Netherlands Antilles has also been highly relevant to NL Antilles' development goals, and has been complementary to Member State assistance.

The Commission's support to VET in NC can be considered as **being coherent with EU policy** in a number of ways, including with respect to the declarations of the European Council in Lisbon 23 & 24 March 2000. With regard to *evidence of greater gender equality as a result of the Commission's sector support*, the evaluation shows a strong adherence to gender equality and has led to increased gender equality, both in terms of the gender balance of VET course participants and in the consultation and development process for putting in place 9th EDF VET support (JC4.1).

Figure 8: New Caledonia (NC) VET – Overview Gender Performance



In terms of the implementation of the VET programme, the evaluation findings show that course and programme drop-out rates are generally satisfactory, as is performance with regard to the rate of course completion (JC4.2). Views on the quality of VET offers are also positive with the global data for participant/trainee satisfaction is generally very positive for the years 2004-2005, where global satisfaction exceeds targets (e.g. 75% satisfaction rate in 2004, compared with a 70% target satisfaction objective). At a macro-level, one relevant indicator on sustainable capacity development is VET expenditure as a proportion of total expenditure, and the available data shows that the percentage of budget expenditure on VET as a proportion of total budget spend has generally surpassed the targets agreed under the SPD. Stakeholder feedback shows that quality has also been influenced by performance of different training providers, as well as by the types of course, with VET courses on higher-qualification/higher complexity courses facing greater challenges in at least some sectors, such as the hotel and tourism sector and the building sector. On the whole, a significant scale of VET programme has been launched and implemented and has come close to or exceeded many of the targets set, while at the same time significant progress has been made in restructuring the VET sector. It is difficult to compare directly these findings with the VET components of the Netherlands Antilles Youth Development Programme, given the exclusive youth focus of the latter and the different scale of both programmes, however the latter shows also that well defined VET interventions meet real needs and can achieve high participant completion rates, and it is reasonable to assume that this can be the case across other OCTs.

EU support has also had a positive impact on employment prospects of NC citizens (JC4.3). For example, the scale of the VET programme in NC, and the surpassing of the targets for training stagiaires and apprentices (JC4.4) would suggest that some level of positive impact must a priori emanate from this VET effort, while another element that would likely point to a positive impact on employment is the data available regarding employer satisfaction with VET participants (c.f. stability indicator result of 67% in JC 4.2). Another positive element is the targeted nature of some of the VET courses, and the strong consultations with specific sectors. The strong economic growth over the past decade has made it harder to isolate the impact of VET on employment levels, as numerous sectors have experienced labour shortages. The experience from the Netherlands Antilles Youth Development Programme also shows that VET intervention (under the Youth Apprenticeship Programmes – YAPs) have positively influenced employment prospects (in particular for those already in jobs). Given the particularly challenging nature of the youth target group and the particularly pronounced attitudinal and behavioural problems of the NL Antilles programme target group, this suggests that well designed and implemented VET programmes can make important contributions across all OCTs.

EU assistance has achieved significant progress in increasing social inclusion of NC citizens and their partial or total integration into the labour market (insertion social), and the importance of this to the development of a viable territorial entity cannot be overstated (JC4.3). Furthermore, EU assistance to VET has contributed to a significant increase in the quality (and quantity) of the labour pool available, as well as in contributing to increases in productivity and growth in some priority sectors, although more can be done here (JC4.4). In the Netherlands Antilles, the Youth Apprenticeship Programme (YAP) component of the wider SNAYDP programme has promoted social inclusion by improving work skills and in changing attitudes and behaviours, but also through separate efforts to target those that are most disadvantaged and excluded. Regarding the latter, experience has shown that such VET interventions can work with careful attention to the sensitive nature of these target groups, and with a strong participatory approach.

Areas of concern relate as much to areas around the VET sector as to the sector itself. Firstly, much time has been lost since the Nouméa Accords in developing a roadmap for NC's economic development, while provincial development plans have yet to be finalised. Related to this, more effort and urgency is needed in creating detailed sectoral development plans that can provide clear direction as to where VET planning and preparation should be directed. Significant capacity building will also be required for at least some representative sectoral and enterprise bodies. On the governance side, a number of the ideas developed since the 2006 mid-term review, in particular those discussed and proposed under the aegis of the États Généraux, are promising and this process should be pursued.

Within these specific aspects, such as a more robust monitoring and evaluation function, in particular a more independent observatory is important, for which technical assistance would be necessary (JC4.4). Another area of challenge will be to continue re-orienting the VET sector to equip so that it responds quickly and effectively to short-term and long-term skills development needs. This will involve making significant and rapid progress in building the capacity of social partners to articulate their development plans and VET needs. The fieldwork also suggests much more will need to be done in terms of proactive socio-economic development by state actors and state-mandated initiatives, for example in entrepreneurship development and entrepreneur coaching, cluster development and building areas of expertise in targeted sectoral niches. Achieving some measures of success invariably leads to new challenges to be dealt with and the above mentioned examples of areas for more urgent progress should not so much be seen as a criticism rather a reflection that the level of progress that has been made is bringing new and different challenges to the forefront.

Finally, the very low level in professional qualifications of a large proportion of the potential labour force and the high levels of social exclusion from the labour market that characterised NC at the outset of the 9th EDF, has meant that increasing human capital formation is fundamental to ensure a more balanced and inclusive socio-economic development process. Hence, EU support to VET to support this effort during the 9th EDF has been highly relevant, and we conclude that the shift to a sector focus on vocational training under the 9th EDF has significantly increased the relevance of support to NC, compared with previous EDFs, as it has focussed EU support over the past years on a crucial development challenge.

The current relevance of EU support for VET in NC remains very high, as it does in the Netherlands Antilles. In New Caledonia, significant work needs to be done to continue to equip the territories citizens with skills in core sectors, as well as in terms of increasing the responsiveness of the VET sector to economic development needs across prioritised sectors. This will become more important as the territory goes about the challenge of implementing the future development vision, the provincial level development plans, and the general needs.

Looking to the future, under the 10thEDF VET thus remains a clear priority for New Caledonia, with the objective of using VET as a horizontal tool for securing sustainable economic development, in particular to promote local employment, social progress and rebalancing. Target groups will be persons whose skills do not correspond to the needs of local enterprises, or persons insufficiently equipped to meet the new technological or commercial needs of enterprises, as well as young citizen that have left the school system without a qualification. New Caledonia's commitment to vocational education and training can also be seen in budget expenditure on VET, where the territory's financial support for VET increased significantly during the period 2004-2007, from €16m (F.CFP1 902 million) in 2004 to €24m (2,847 million F.CFP) in 2007. The EDF's contribution decreased from 38.7% in 2004 to 17.4% in 2007, while the participation of the French State

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| | decreased from 9.5% in 2004 to 8.4% in 2007. |
| Judgment Criterion 4.1 | EU Support in Vocational Education and Training has been aligned with OCT Socio-Economic Development Goals |
| Judgment | <p>In NC, the Commission's support for VET is considered to have been consistent with the real needs of the territory. Support to NC prior to 2004 focussed in part on infrastructure development, but from 2004 onwards the Commission's co-operation has been focussed on VET. The <i>consistency between the Commission's Support in VET measures and OCT development plans</i> can for example be clearly seen in the Single Programming Document (SPD) for the 9th EDF. The 9th EDF SPD sets out the key development needs of NC as including a) diversification of the economy and b) integration of all cultural communities in the economic development. Moreover, the Commission's support to VET in NC can also be considered as being coherent with EU policy in a number of ways. This has been confirmed at the European Council in Lisbon, March 2000, where conclusions have stressed the responsibility to adapt the Educational European systems and professional training to the needs of the information society and the necessity to raise the employment level and its quality.</p> <p>With regard to <i>evidence of greater gender equality as a result of the EU sector support</i>, during the desk study work to-date we have sought to distinguish between a) the <i>process</i> for designing and delivering VET under EU financial support, and b) the extent to which gender equality has featured with regard to the <i>participation and performance levels of recipients of VET</i>. Regarding the process, the evaluation has shown involvement of women in all aspects of the process. Regarding gender balance in training programmes, the data from implementation reports shows that the gender dimension is being clearly monitored, and that the gender balance is being respected to a significant degree. However, the traditional gender imbalance of some key sectors (e.g. mining, buildings and construction) needs to be borne in mind here and overall EU support is leading to greater gender equality.</p> <p>Finally, the very low level in professional qualifications of a large proportion of the potential labour force and the high levels of social exclusion of indigenous Kanaks from the labour market that characterised NC at the outset of the 9th EDF, has meant that increasing human capital formation is fundamental to ensure a more balanced and inclusive socio-economic development process. Hence, EU support to VET to support this effort during the 9th EDF has been highly relevant, and it seems fair to conclude that the shift to a sector focus on <i>formation professionnelle</i> under the 9th EDF has significantly increased the relevance of support to NC, compared with previous EDFs, as it has focussed EU support over the past years on a crucial development challenge.</p> |
| Judgment Criterion 4.2 | EU Support for VET is being implemented effectively, leading to satisfactory outcomes in terms of skills development and human capital formation in the OCT labour force |
| Judgment | <p>With regard to course and programme dropout rates at sector-wide levels in NC's VET programme, the evaluation findings show that performance is broadly satisfactory. For example, the drop-out rates across the board in 2008 stood at 10.5%, well under the target of 13%, while in 2004 the target drop-out rate was 28%, while a course drop-out rate of 18% was achieved. These examples also show an overall trend of a downward progression in dropout rates. Another indicator in the evaluation approach is the rate of course completion at sector-wide levels. Desk research and stakeholder consultation to-date shows that course and programme completion rates have generally met the targets set under the SPD. For example in 2007 and 2008, completion rates of 76% and 78% were recorded, against a target completion rate of 80% for both years, while in 2004 for example</p> |

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| | <p>the course completion rate of 65% surpassed the target.</p> <p>Views on the quality of VET offers are also positive in NC. The global data for participant/trainee satisfaction is generally very positive, with satisfaction ratings consistently surpassing 67% since 2004. From the perspective of the needs of enterprises and organisation to which VET is being delivered, stakeholder feedback suggests that the VET effectiveness is subject to a range of factors, including the complexity of the training courses and the capacity constraints of training partners, many of whom are small organisations with limited resources (e.g. approximately 85% of construction companies are micro-enterprises with less than 10 employees). At a macro-level, one relevant indicator on sustainable capacity development is VET expenditure as a proportion of total expenditure. Regarding total budget spend, available data shows that the percentage of budget expenditure on VET as a proportion of total budget spend has generally surpassed the targets agreed under the SPD. Under the 10th EDF increased focus will be placed on VET development and delivery in concert with relevant local actors rather than via the government actors (territorial and provincial). This process will involve providing an increased role to local employers (e.g. in allocation of FP resources, in the certification process).</p> |
| <p>Judgment Criterion 4.3</p> | <p>EU Support has had a positive impact on the employment prospects of OCT citizens</p> |
| <p>Judgement</p> | <p>Programme monitoring provides evidence that EU support is having positive results in this regard. For example, the surpassing of the targets for numbers of <i>stagiaires</i> and apprentices trained (see previous JC above), combined with the employer satisfaction levels indicated by number of <i>stagiaires</i> remaining with the same employer 3-6 months after training (67% 3 months into the placement, according to the VET Programme Monitoring Committee's 'stability indicator'). Fieldwork also suggests that EU support for VET in NC has been increasing <u>employment options in the OCT Labour Markets, as well as improving the match between demand and supply</u>. <i>The insertion sociale rationale of the formation professionnelle</i> has meant that many persons with little to no previous professional employment skills or work experience have been able to acquire basic training. It is hard, however, to isolate the impact of the positive economic climate of the last 5-6 years. Still, even with strong economic growth, EU support for VET has made a contribution to the development of a number of sectors, and in cases such as the building sector, contributed to the significant modernisation of the sector that has taken place over the past decade.</p> <p>On the other hand, there is a long way to go. As pointed out by government stakeholders, there are significant technological developments in some sectors that will require further up-skilling of existing workers, and in other cases recruiting more highly qualified professionals. Development plans will include assessing needs in key industrial sectors, such as installation, and research and adaptation, needs around the nickel sector, and cluster development in selected areas (e.g. renewable energy sector).</p> <p>No evidence has been identified that suggests EU support is contributing in any important manner to a "brain drain" in NC. The same is the case regarding the support for the education sector in Greenland, according to the sector representatives met by the team. In the case of the Netherlands Antilles, direct figures for the number of students who stay in the OCT are not given, but anecdotal evidence found during the evaluation suggest that many students are not returning to the OCT after completing their studies. No evidence has been found that the Commission's intervention under the Support to the Netherlands Antilles Youth Development Programme contributed to this problem.</p> |

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| Judgment Criterion 4.4 | EU Support in Vocational Education and Training is contributing to increased socio-economic development in priority sectors in the OCTs, as well as contributing to efforts to promote economic diversification |
| Judgement | <p>Regarding the <i>extent to which the Commission's VET support is contributing to increased economic development of OCT priority sectors</i>, the macro-economic performance of the most important sectors (mining and metallurgy) in NC was generally impressive over the 1999-2009 period. This performance, however, was driven primarily by global economic factors and much less by VET contributions. Regarding unemployment levels, the average annual number of citizens in NC seeking work decreased from 9,439 in 2000 to 6,600 in 2008, while the number of employment offers increased from 5,140 in 2000 to 11,293 in 2008.</p> <p>Regarding the contribution of the EU support to VET to economic diversification, what is of concern is that so much time has been lost since the Nouméa Accords in developing a roadmap for NC's economic development, while provincial development plans have yet to be finalised. Nevertheless, it should be noted that the EU support to VET in NC has included a broad range of 9-10 sector areas. During the period 2004-2009, the participation by sector area has consistently included high numbers of participants across several sector areas, including services industries such as tourism in particular. This even spread across sector areas suggest that the VET programme does, in a limited sense at least, contribute to the construction of a diverse skills-base to support the further economic diversification of NC. More effort and urgency is needed in creating detailed sectoral development plans that can provide clear direction as to where VET planning and preparation should be directed. Significant capacity building will also be required for at least some representative sectoral and enterprise bodies.</p> <p>On the governance side, a number of the ideas developed since the 2006 mid-term, in particular those discussed and proposed under the aegis of the <i>États Généraux</i>, are promising and this process should be pursued. A related area of challenge is the lack of co-ordination that seems to too often exist between initiatives - as an example, during the fieldwork it was planned that the Chamber of Commerce & Industry has plans to launch its own economic observatory, while it would be useful to consider if this can be integrated within a wider single observatory. Related to the governance work carried out under the <i>États Généraux</i>, one recommendation would be for some additional support/TA to be provided to support the Observatory team and the wider VET stakeholder community in order to bring increased clarity and consensus on a medium-term development plan for an Observatory (see the evaluation conclusions and recommendations in this regard). Another area of challenge will be to continue to re-orient the VET sector to equip to respond quickly and effectively to short-term and long-term skills development needs such that it continues to make an important contribution to NC's development. This will involve making significant and rapid progress in building the capacity of social partners to articulate their development plans and VET needs. The fieldwork also suggests much more will need to be done in terms of proactive socio-economic development by state actors and state-mandated initiatives.</p> <p>A final point of consideration here is the extent to which the Commission's VET support has contributed to (or shows potential to contribute to) the development of OCTs as 'centres of experience and expertise' in their respective regions. In the case of past support for VET, this question only concerns NC, and in this sense only in policy reflection sense, as the <i>development of OCTs as 'centres of experience and expertise'</i> was of course never a policy or programme goal of the Commission's support for VET in the territory. NC's experience in VET is likely to prove interesting to other OCTs and small island economies in the region and EU Support for VET can contribute to helping the territory to establish itself as a centre</p> |

of training expertise in a number of skills areas.

Outside of VET, there may be scope to develop New Caledonia in the Pacific as a **centre of expertise** in a number of applied research and knowledge-intensive areas, including possible biodiversity protection and management and climate change adaptation. EU support outside of the EDF can be an important contributor in this respect, and current projects such as the regional “IncoNet for the Pacific (PACENET)” is a project that holds significant promise in this regard. However, in this case, NC is only at the start of this development process, and other key areas such as creating a regional research infrastructure in the Pacific are also key (although it is understood that the Commission now has plans to support the development of a fibre optic research network in the South Pacific).

5.6 Evaluation Question 5: Environment

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| EQ5 | To what extent has the EU support to the OCT contributed to increase the OCT capacity to address environmental and natural risks and disasters, including climate change? |
| Judgment Criteria (JCs) | <p><u>The answer to the evaluation is based on the following judgment criteria:</u></p> <p>JC 5.1: EU support has contributed to the improvement of the management of fresh and marine water resources.</p> <p>JC 5.2: EU support has contributed to operational disaster preparedness and the creation of risk reduction strategies</p> <p>JC 5.3: EU support has contributed to local biodiversity monitoring.</p> <p>JC 5.4: EU support has contributed to the development of strategies to address climate change.</p> |

ANSWER TO THE EVALUATION QUESTION

Few concrete results of EU contributions to increase OCT capacity to address environmental and natural risks and disasters can be documented - due to limited funding and implementation delays. The evaluation has concluded that environment and climate change adaptation are regarded as matters of vital importance to the OCTs; disaster preparedness is also seen as being important and significant advances in networking between OCTs have been made in the Caribbean through the regional risk reduction initiative. Despite the raised awareness, there has not been a related increase in EU funds or nor interventions for this sector.

While there is increased recognition of the importance of the management of the environment, such as fresh and marine water resources as well as recognition of the importance of the management of waste water which negatively impacts on fresh and marine water resources if badly done, there are few dedicated environmental interventions included in the SPDs.

Important advances have been made in analysing the environmental risks to which Europe's overseas entities (OCTs and Outermost Regions) are exposed as part of Commission's co-operation with member states and international environmental organisations. Concrete interventions are being developed such as the 10th EDF regional support to Mayotte and the TAAF.

Major sector interventions including "water and sanitation infrastructure and urban planning" have been or are being implemented in:

- NEA, Aruba and the UK OCTs in the Caribbean (€62m),
- New Caledonia, French Polynesia and Wallis & Futuna in the Pacific (€26m),
- Mayotte in the Indian Ocean (€21m), and
- St. Pierre & Miquelon (€3.4m). (see JC 5.1 below and Annex V in Volume 2 of this Report)

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| Comments to Answer | <p>Transport and infrastructure projects include environmental impact studies, thus mainstreaming environment in these sectors. While the move to budget support makes it difficult to ensure further mainstreaming of the environment, this is counterbalanced a strong OCT awareness about the environmental challenges.</p> <p>Implementation of projects within environment, climate change adaptation and disaster preparedness is lagging behind. Issues regarding the rules and procedures have contributed to implementation delays compromising effectiveness. Late implementation has also made it difficult to judge impact and sustainability. (JC 5.1)</p> |
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The environment, together with climate change adaptation and disaster preparedness, has emerged as an important concern for the OCTs. The challenge will be how to transform these concerns into an increased capacity to address environmental issues. So far, few concrete results of EU-OCT co-operation can be documented although research programmes involving all of Europe's overseas entities are underlining the urgency of the problem and the vulnerability of OCTs and Outermost Regions (ORs) to climate change. (JC 5.4) Regional programmes related to disaster preparedness in the Caribbean and the Pacific implemented through contribution agreements (UNDP, SOPAC) are just starting (JC 5.2), waste management projects are being implemented in the Pacific and important interventions are underway in Mayotte - but the primary achievement of EU activities within the sector is the raised awareness of the challenges that will need to be faced. (JC 5.4)

In addition, EU framework policies and strategies are in place which address the EU's role in general as regards the environment; as well as in particular, in respect of the OCTs, such as: *Adapting to climate change. Towards a European framework for action: Climate Change and Water, Coasts and Marine Issues*. (JC 5.1)

Moving from this broad consensus to taking action has proven more difficult. Partly this is a consequence - as discussed elsewhere⁵⁹ - of the ambiguous OCT status as non-ACP countries but funded through the EDF. This situation, combined with the late preparation of the SPDs for the 10th EDF, means that, to date, little direct funding has been available through the EDFs to tackle these issues - neither did previous EDFs (EDF 8 and EDF 9) systematically include environment in their EU-supported interventions. New EU funds through non-EDF funding channels to which the OCTs have access are starting to become available during 2010. This includes the ENTRP (Environment and Natural Resources Thematic Programme) budget line as well as the regional research programmes (FP7 has supported a strategic partnerships for research programme in the Caribbean and Pacific which specifically includes OCTs)⁶⁰. OCTs are also participating in a number of the regional projects currently being developed which may open up new avenues of participation (JC 5.1; JC 5.2)

OCTs are increasingly taking part in regional activities and participating in regional forums - EU support to regional programmes has been an important catalyst here. The EU Member State has the legal competence when dealing with international conventions, including the environmental conventions. Nonetheless, since the problems facing the OCT islands are different from those facing mainland EU Member State, it is seen as important that OCTs are also present at international, especially regional, forums and have membership, observer status in or access to specialised regional organisations (such as CDEMA, SOPAC, NPP, CCRIF). (JC 5.2)

Coastal and marine protection are major future issues for the OCTs - and, for many OCTs, coastal and marine protection are essential elements in securing their future as a tourist destination. (JC 5.1). In this context, unresolved issues around Mayotte and the Falkland Islands which block for co-operation with neighbouring states within "their" regions means there are important gaps in potential regional co-operation, particularly as these relate to protected marine areas. In addition, a future area of major significance will be the North Atlantic with the waters around Greenland. The OCTs maintain that it is important that they are represented in the discussions relating to their coastal zones and marine environment together with the

⁵⁹ -Reference is made to I.1.4.1

⁶⁰ The EU must give each applicant equal opportunity to apply and be evaluated and cannot give preferential treatment to the OCTs in connection with funding schemes such as FP7 but it has actively encouraged research institutions in the OCTs to apply for assistance.

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| | <p>Member State, in discussions about the marine environment, its protection, its sustainable utilisation and the exploration for resources. The EU has the potential to play an important - and where appropriate - mediating role. (JC 5.1)</p> <p>The situation with Mayotte is seen by the evaluation team as unfortunate, since the Mayotte environmental programme (funded under EDF 9, starting implementation at the end of 2010) has the potential to be a model for other small island states, including ACP states, and can hopefully serve as an example of best practice. The Mayotte programme takes into account both the upstream and downstream components of the environmental problems faced by a small island: reforestation, storm water management and rain-water run-off, urban waste disposal and treatment of solid and liquid waste – with the objective of preserving the marine ecosystems, thus providing the basis for a sustainable tourism industry. (JC 5.1)</p> <p>The EU has endeavoured to remain neutral in the territorial issues around Mayotte and the Falklands, but has been criticised by Mayotte and the Falkland Islands for not doing more to facilitate regional co-operation. However, in the other regions, such as the Caribbean and the Pacific, the regional delegations are playing an important role in this respect, incl. regional programmes within disaster preparedness and environment. This has contributed to bring OCTs linked with different Member States closer together. (JC 5.2)</p> <p>Initiatives have taken place during the evaluation period, which have brought the European Union's Overseas Entities (the OCTs and the ORs) together. A major initiative - sponsored by France, the Commission, the overseas region La Réunion and the International Union for the Conservation of Nature (IUCN) - looking at climate change was initiated in 2008 and involved all OCTs and ORs, as well as a number of the major international environmental NGOs (incl. IUCN, WWF, Conservation International). (JC 5.4) This was followed by important research activities, joint participation of OCTs and ORs in environmental networking and environmental programmes (incl. Netbiome and ENTRP) and by Member State-based chapters of international NGOs linking up with environmental agencies in the OCTs (JC 5.3).</p> |
| <p>Judgment Criterion 5.1</p> | <p>EU support has contributed to the improvement of the management of fresh and marine water resources</p> |
| <p>Judgment</p> | <p>Relevant EU policies are in place - getting them translated into interventions is more complicated as a result of their OCT status (non-ACP with fewer funding channels because they fall outside the poverty criterion) The recognition of the OCTs as key environmental hotspots has not yet been translated into additional funding.</p> <p>There are few dedicated environmental interventions included in the SPD but there is increased recognition of the importance of the management of fresh and marine water resources, as well as recognition of the importance of the management of waste water because of the direct linkages between poor management of waste-water and pollution of the fresh and marine water resources. The EU has also formulated a number of framework policy documents in this regard, such as: <i>Adapting to climate change. Towards a European framework for action: Climate Change and Water, Coasts and Marine Issues.</i>⁶¹</p> <p>However, it remains difficult for OCTs to access funding sources, although some are opening up - the EU's research budget line, the 7th Framework Programme for</p> |

⁶¹ European Commission Staff Working Document, April 2009.

Research (FP7), and special environment and natural resources budget lines (ENRTP), where OCTs are eligible.⁶² Capacity problems remain within the OCTs as preparation of requests makes demands on scarce human resources.

The importance of managing fresh and marine water resources has been widely recognised, also in the context of maintaining tourism. The management of water resources (including solid waste and waste water) is essential for sustainable tourism. While funding resources are becoming available, additional capacity is necessary to enable OCTs (particularly the more remote OCTs and those with smaller populations) to access funds and mobilise human resources. On the other hand, the more populous OCTs appear to be more successful with mobilising resources (both human and financial) for their own OCT, and with participating in regional programmes. This includes accessing resources through non-government sources - often from non-government sources related to the Member State. (e.g. the Dutch Caribbean Nature Alliance⁶³ receives funding from the Netherlands-branch of the IUCN, Conservation International NL, and from the Netherlands National Lottery; the Royal Society for the Protection of Birds (RSPB UK)⁶⁴ has been involved in an EU regional project (the South Atlantic Invasive Species Project – 9th EDF, €1.9m) concerning the control of invasive species in the Falklands, South Georgia, Ascension Island and St. Helena.

At the OCT level, there are a number of urban interventions which are either directly environment focussed (Mayotte - urban waste disposal) or indirectly (Bonaire Urban development, with important Sewerage interventions, and in the Pacific - French Polynesia). Waste disposal is one of the main challenges facing the OCTs. However, effectiveness issues, related to implementation delays and the challenges of negotiating Commission's rules and procedures, have meant that few projects in these sectors were actually completed before the field study took place. As a consequence, little can be said about impact and sustainability.

On islands, fresh and marine water resources are closely related. Thus far, it appears that only Mayotte has really established an environmental programme which takes into consideration the improvement of, and inter-relationship between fresh and marine water resources, as well as the link between urban waste water treatment and marine water resources. The challenge will be to disseminate results of EU support to these interventions in Mayotte to the other OCTs. Thus far, the programme in Mayotte has seen considerable delays, with only the reforestation activities under implementation. Full-scale implementation of the urban waste treatment and disposal will start in 2011 in five communes on the island. The territory authority (the CGM) is very conscious of the fact that, even for Mayotte, this is a pilot project with important lessons to be learnt - not only for Mayotte but also for other island territories which all find themselves in the same situation. The evaluation considers that it is important that the Mayotte example be closely monitored by OCTA as important lessons can be learnt from this series of interventions. By the same token, the Regional Delegation in Mauritius should also follow closely the work being carried out in Mayotte as it may have important lessons learnt for other island territories (OCTs, ORs, Small Island Developing States (SIDS), etc).

In the Indian Ocean, a 10th EDF Regional Programme is under preparation which links Mayotte and the TAAF (*Gestion durable du patrimoine naturel de Mayotte et des Iles Éparses CRIS : FED/2010/021888*, with a €3m contribution from the EU, and contributions from CGM and TAAF). This programme will tackle a number of important issues dealing with the marine environment, research on climate change,

⁶² At the 2011 OCT Forum, the EIB office for the Pacific drew the attention to the EIB's prioritised lending opportunities related to climate change, which are of relevance to the OCTs.

⁶³ See <http://www.dcnanature.org/partners/support.html>.

⁶⁴ See <http://www.rspb.org.uk/ourwork/projects/details.aspx?id=tcm:9-194527>

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| | <p>etc., but can also be seen as a missed opportunity because the programme only involves the French Indian Ocean OCTs. No links have been established with the British Indian Ocean Territory (BIOT) which recently declared a Marine Protected Area in the BIOT EEZ; nor with the Indian Ocean Commission (IOC). The IOC activities form part of the Eastern and Southern Africa (ESA/IO RSP/RIP and do not link up with the Mayotte/TAAF programme because of the ongoing dispute between the Comoros and France in respect of the status of Mayotte.</p> <p>OCT regional involvement in environment takes place through regional programmes such as R3I and CCRIF and support to SOPAC in the Pacific. Mayotte and the TAAF are preparing a regional environmental programme for EDF 10 - but this only covers Mayotte and the TAAF and does not involve the countries of the IOC. In addition, the Member State remains in the foreground for all international and regional environmental activities.</p> |
| <p>Judgment Criterion 5.2</p> | <p>EU support has contributed to operational disaster preparedness and the creation of risk reduction strategies</p> |
| <p>Judgment</p> | <p>There is a general recognition that the OCTs are particularly vulnerable to climatic and natural disasters. While there is raised awareness, there is little evidence at this stage of increased EU interventions apart from the R3I (Regional Risk Reduction Strategy) programme in the Caribbean. This is drawn from the Regional Global C Envelope 9PTO REG014 (€4.932.000), which addresses the risks and exposure of the Caribbean OCT's by providing a network of regional infrastructure, programmes, policies and protocols. It is implemented through a contribution agreement with UNDP Barbados. The programme involves the British and Dutch OCTs in the Caribbean.⁶⁵</p> <p>In the Pacific, the EU has provided funds (€5,6m on EDF 9 reliquats) through a contribution agreement to SOPAC (Pacific Islands Applied Geoscience Commission)⁶⁶ to fund micro-projects related to the management of natural risks and disasters under the Support to Disaster Risk Reduction (DRR) in Pacific Overseas Countries and Territories (C-envelope).⁶⁷</p> <p>Apart from the (limited) EU support, SOPAC is funded through contributions from multilateral agencies (UNDP, UNEP) and Members States (France and the UK) and a range of other donors. French Polynesia and New Caledonia are both members. In a parallel programme (under the B-envelope) the EU funds a multi-country project - Disaster Risk Reduction in Eight Pacific ACP States - under the 9th EDF with a budget totaling €9.26m. The participating countries include the Federated States of Micronesia, Marshall Islands, Nauru, Palau, Papua New Guinea, Solomon Islands, Tonga and Tuvalu. Both programmes are coordinated under a contribution agreement with SOPAC.</p> <p>Implementation with both R3I and with SOPAC is only just starting; R3I was included in the field visits (UNDP Barbados and the Dutch Caribbean OCTs) and, thus far, only initial baselines had been done and regional seminars held.</p> <p>By contrast, Indian Ocean OCTs (Mayotte, TAAF and BIOT) are neither members of a regional risk reduction nor a disaster preparedness network. The IOC has the mandate which covers environmental and other risks and disasters; but while France (through the OR la Réunion) is a member of the IOC, Mayotte cannot participate in IOC activities)</p> <p>The EU has also, through a contribution agreement supported CCRIF (the Caribbean Catastrophe Risk Insurance facility), the first multi-country risk pool in the world, focussed on the earthquake and hurricane prone Caribbean region. Funds</p> |

⁶⁵ <http://www.bb.undp.org/index.php?page=regional-risk-reduction-initiative>

⁶⁶ See <http://map.sopac.org/homepage>

⁶⁷ <http://www.sopac.org/index.php/reducing-vulnerability-oct-eu-c>

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| | <p>were also made available through a regional budget line for reconstruction of hurricane damage on the Cayman islands.⁶⁸</p> <p>The UK has also prepared a separate risk assessment for its OCTs but this does not appear to be coordinated with either the EU or the other Member State - the Netherlands - as it focuses exclusively on the Anglophone Overseas Territories.</p> |
| Judgment Criterion 5.3 | EU support has contributed to local biodiversity monitoring. |
| Judgment | <p>EU has contributed to biodiversity monitoring through the initiation of a number of policy initiatives with direct bearing on the OCTs; in these policy initiatives both the Member States as well as international NGOs (such as IUCN and WWF) have been involved.</p> <p>Specifically related to the OCTs and the outermost regions, the EU has followed up on the broad policy frameworks with initiatives focussed on the overseas entities (OCTs and ORs). Thus the Message from Reunion Island and the Paris Statements⁶⁹ translate these policies into a more specific OCT focus, with a series of challenges, which recognise the importance of biodiversity for the OCTs.</p> <p>Areas of priority action have been defined (particularly around Invasive Alien Species), and research networks have been established (EUCARINET in the Caribbean and PACE-NET in the Pacific) which link European-based institutions with OCT and ACP institutions in these two important regions. There are few tangible results visible thus far.</p> <p>IUCN has continued its consultation and dialogue with the EU's overseas entities, particularly within the context of the status of the implementation of the Convention on Biological Diversity (CBD)⁷⁰ and of the Biodiversity Action Plans (Ref: IUCN Discussion paper, September 2010). From this it is clear that a number of monitoring and research efforts are under way, as part of the collaborative work between NGOs, EU Member State agencies, local NGOs and government departments. The EU - directly (through different budget lines) or indirectly - through funding contributions to international organisations (such as IUCN) has contributed to support biodiversity monitoring. However, it is difficult for the EU to directly support biodiversity monitoring through the EDF, as the EDF structure, the small funding ceilings of the SPDs and - where applicable - the Budget Support modality, work against this. Thematic Budget Lines, involvement in regional programmes and contribution agreements with international or regional multilateral organisations are likely to have a more direct and immediate impact.</p> |
| Judgment Criterion 5.4 | EU support has contributed to the development of strategies to address climate change. |
| Judgment | <p>The contribution, thus far, has mostly been at the policy and strategy level (e.g. the EU Biodiversity Action Plan) where progress has been made and where funding instruments are being prepared to which the OCTs also have access. Nonetheless funding is lagging behind, although new funding channels are opening up, and 10th EDF may also allocate funds through budget support via the SPD; or regionally, through project support.</p> <p>A number of positive steps have been taken but the results from EU-supported activities have yet to come to fruition. Linked to this, IUCN has argued for greater direct involvement by OCTs at international environmental fora (e.g. linked to the</p> |

⁶⁸ An amount of €3.3 million was made available under 9PTU C12 for "Hurricane Ivan Reconstruction efforts Part II. Repair and reconstruction of houses". An evaluation of this intervention took place while the OCT evaluation was being undertaken but results of this evaluation were not yet available at time of writing".

⁶⁹ "The Paris Statement". Outcomes from the Workshops - Integrating biodiversity into European Development Cooperation. Paris September 2006.

⁷⁰ See <http://www.cbd.int/>

CBD), notwithstanding the fact that this remains the overall responsibility of the Member State. IUCN, for example, is one of the institutions which recommend stronger links between OCTs and ORs as both face the same climate change challenges. Although there is some co-operation this has not yet happened to any great extent and the evaluation considers that it would enhance the EU leadership role if a more proactive dialogue on biodiversity and climate change could be facilitated by the EU actively incorporating its OCTs and ORs in a joint dialogue process.

Member States will continue to play a paramount role when dealing with international conventions and with international processes, but it is clear that, where relevant, this would benefit from more OCT (and OR) involvement. This is also pertinent in the issue regarding the development and use of climate change and biodiversity monitoring tools. There are a number of examples where this is already happening. The R3I programme in the Caribbean has been working with the Disaster management Capacity Assessment Benchmarking-tool, the Regional Indian Ocean 10th EDF (Mayotte/TAAF) has a strong climate change monitoring and research function; and SOPAC research and disaster preparedness activities also involve the Pacific OCTs.

5.7 Evaluation Question 6: Regional Integration

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| EQ6 | To what extent have the EU interventions contributed to strengthening OCT regional integration? |
| Judgment Criteria (JCs) | <p>The answer to the evaluation is based on the following judgment criteria:</p> <p>JC 6.1: EU transport, ICT connectivity and other infrastructure projects increased passenger and freight flows from neighbouring countries</p> <p>JC 6.2: EU trade regulations applied to OCTs supported increased regional imports/exports</p> <p>JC 6.3: EU-supported Regional Integration Organisations supported OCTs involvement in their programmes</p> <p>JC 6.4: EU trade related interventions increased OCTs international trade flows in volume and value</p> |

ANSWER TO THE EVALUATION QUESTION

EU interventions and trade initiatives contributed only indirectly to strengthen regional integration through the policy dialogue platforms created by shifting to sector budget support. The objective of EU port projects was more to secure or enhance existing levels of service and security than to support economic diversification through improved accessibility. OCTs interest in regional economic ties and institutional co-operation is growing though for most of them neighbouring countries are still seen as competitors with lower costs of production and limited prospects for developing OCTs' niche markets. The EU trade preference regime did not constitute a sufficient incentive for counterbalancing OCTs' economic diversification constraints.

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| Comments to the Answer | <p><u>EU Trade preference erosion</u></p> <p>The trade regime applicable to the OCTs, inspired by Part Four of the EU Treaty objective for EU-OCTs association, is one of the most favourable ever granted by the EU. All 'products originating in the OCTs' can be imported into the EU free of duty and free of quota. Furthermore, the OCTs are allowed to retain or introduce customs duties or quantitative restrictions on EU products. The possibility of cumulation of origin, which allows materials originating in the EU or the ACP states to be considered as if they originated in an OCT when incorporated into a product obtained in that OCT, was granted but never (properly) exploited. The conditions applying to OCTs for benefiting the 0% duty rate proved to be so restrictive that it prevents the use of the preferential agreement. Derogations to rules of origin are cumbersome and lengthy to obtain. They are granted generally for 5 years only, a too short period to develop private investment projects.</p> <p>The international trade flows increased in value during the period under review, both exports and imports. Overall, OCTs' exports reached US\$1.8 billion in 2008 up from US\$1.2 billion in 2004, thus a robust 9% p.a. In the same way, imports increased by a similar percentage (10%) from a 2004 US\$3.4 to US\$5.9 billion. The initial imbalance was therefore not reduced and, for most OCTs, marginally aggravated. The share of OCT's trade with their neighbouring countries increased overall in volume. This led to a decrease in value of imports and an increase of exports, which did not however changed much the structural unbalance between</p> |
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imports and exports. There are wide disparities among OCTs and significant fluctuations over time.⁷¹

The analysis of the evolution of export and import index demonstrate however an encouraging growth in exports. This can be linked to the OCTs' policy of economic diversification, supported by the Commission within its general policy dialogue, in line with Member State support to OCTs for finding alternative sources of funding. It can also be associated in some cases with the sector policy dialogue framework supported by the shift towards budget support in Caribbean OCTs and, to a lesser extent, with individual projects in the Pacific like support to the pearl production in French Polynesia and the focus of New Caledonia on vocational training (JC 6.4).

An emerging trend towards regional integration

The trade regional framework faced by most OCTs changed during the period under review, with the progressive building up of several customs unions (CARICOM, PACER, ESA) and free-trade initiatives between ACP countries and their major trade partners (USA, Australia). OCTs are not statutorily able to become members on their own to these communities. Member States to which they relate were not supportive of initiatives bringing closer association, other than as observers' positions (Montserrat, New Caledonia). OCTs are however increasingly building up economic ties among themselves in the South Pacific in the private sphere on the basis of shared strengths and weaknesses (between New Caledonia and French Polynesia), or through bilateral co-operation (between New Caledonia and Wallis). They show only limited interest in extending those links to their ACP neighbours: For the OCTs grounding their export diversification on natural resources, their neighbours are direct competitors with far lower production costs.

EU-ACP EPA negotiations were not in a position to involve OCTs beyond informing them on progress made. They are adding further direct threats on OCTs' economic diversification, at least on the short term, by levelling trade advantages provided to ACP countries closer to OCT-privileges based on their particular link with the EU. This view should be nuanced by the fact that the EU-OCTs trade regime is not fully exploited (neither well known). OCTs are in some cases involved in bilateral and regional initiatives of trade liberalization but focused mainly on developed economies such as New Zealand/Australia in the Pacific.

The WTO Doha Agenda would bring a similar erosion of OCT-EU trade preferences. Indirectly and on the medium term, increasing competitiveness of countries members of such economic communities will reduce further OCTs' exports opportunities on the same products where they now have (slight) international comparative advantages. Openings of regional integration initiatives to OCTs (e.g. with the CARIFORUM EPA) did not meet OCTs' government interest as short term fiscal revenue losses could arguably be compensated by proportionate export-led economic activities (JC 6.2).

Limited impact of EU interventions on logistics and regional trade

In most cases OCTs connectivity to world and regional markets did not improve significantly over the evaluation period, even for OCTs, which used the Commission's funding for rehabilitating or extending commercial ports (SPM, Wallis & Futuna, and Pitcairn). The EU interventions' objective was to improve existing facilities' level of service (security, exploitation conditions), not to adjust commercial capacity to an increasing demand. It is thus not surprising that they did not influence (major) shipping routes nor significantly change frequency as the most important limiting factors are the size of the population (demand) and the lack of

⁷¹ EU-OCTA, Regional Economic Integration Processes (Caribbean, Pacific and Indian Ocean), January 2010

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| | <p>voluminous exports (if at all, like in Wallis).</p> <p>Passengers' traffic conditions were improved when airport facilities were targeted, like in Anguilla and Montserrat. The EU projects increased connectivity and therefore regional integration but to a limited extent due to the limited demand attached to OCTs' population size and limited openness of air transport markets in those isolated regions. (JC 6.1)</p> <p>Infrastructure projects implementation proved to be demanding for the smallest OCTs, as for example Wallis & Futuna and Pitcairn, thereby challenging contractual management capacity within the initial budget and schedule.⁷² The EU strengthened existing capacities, and particularly coordination among departments, by financing under the 9th EDF a dedicated technical assistance.</p> <p><u>A minimal involvement in regional programmes</u></p> <p>OCTs participation in the Commission's regional programmes stayed minimal in spite of further openings introduced by the 2007 amendment of the Official Development Assistance (ODA) or regionally (by the CARIFORUM). The same applies to Commission's thematic programmes open to individual or institution as European citizens. The idea of linking OCTs and ACP countries around similar programmes' objectives seems only relevant in a limited number of cases, notably for the least developed OCTs. These are neither the most influential, nor are they able to devote proportionate capacity to attract and manage regional activities and procedures.</p> <p>In the Pacific region, the EU funded regional programmes reserved for OCTs, for example on renewable energies (<i>TEP vertes</i>) or disaster preparedness (PIROPS). The regional programme under formulation for the 10th EDF will focus on natural resources integrated management (INTEGR) with mirror projects in neighbouring ACP countries, showing a new trend towards mainstreaming regional integration in EU interventions. (JC 6.3)</p> |
| <p>Judgment Criterion 6.1</p> | <p>EU transport, ICT connectivity and other infrastructure projects increased passenger and freight flows from neighbouring countries</p> |
| <p>Judgment</p> | <p>Countries' access to world markets depends largely on their freight transport connectivity, especially as regards regular shipping services for the import and export of manufactured goods, and all the more so for small islands economies such as OCTs'. UNCTAD's Liner Shipping Connectivity Index (LSCI) aims at capturing a country's level of integration into global liner shipping networks.</p> <p>For all OCTs surveyed, connectivity is low (ranking in the second half and at the very end in the case of those Caribbean's OCTs with limited exposure to trade, cf. I.6.1.0). The results for St Helena, Tristan da Cunha, the Falklands and Pitcairn would be even lower, should they be measured by LSCI. The overall OCTs trend in connectivity is on the decrease (except for Netherland Antilles), sharpened in 2009 by the effects of the global crisis.</p> |

⁷² In St Helena by contrast, the cliff stabilisation component of the EDF9 programme was completed ahead of time and under budget. Although there were difficulties to attract a competitive Tender for the wharf widening works, which delayed commencement of this component and resulted in some additional costs, there have been no significant delays in implementation and all approved components have been delivered within the total funding allocated.

Table 7: Evolution of shipping lines connectivity index 2004-2009

| | 2004 | 2005 | 2006 | 2007 | 2008 | Average annual growth 2004 – 2008 | 2009 | Growth 2009/2008 | Rank 2009 (over 161 countries) |
|----------------------|-------|-------|-------|-------|-------|---|-------|---------------------|--------------------------------------|
| Aruba | 7.37 | 7.52 | 7.53 | 5.09 | 5.09 | - 0.57 | 3.52 | - 1.57 | 144 |
| Cayman Islands | 1.90 | 2.23 | 1.79 | 1.78 | 1.78 | - 0.03 | 1.76 | - 0.02 | 158 |
| Greenland | 2.32 | 2.32 | 2.27 | 2.27 | 2.36 | 0.01 | 2.27 | - 0.09 | 156 |
| French Polynesia | 10.46 | 11.14 | 8.91 | 8.60 | 9.01 | - 0.36 | 8.39 | - 0.62 | 95 |
| Netherlands Antilles | 8.16 | 8.23 | 7.82 | 9.22 | 8.56 | 0.10 | 8.57 | 0.01 | 92 |
| New Caledonia | 9.83 | 10.34 | 9.00 | 8.81 | 9.23 | - 0.15 | 8.74 | - 0.49 | 90 |
| France | 67.34 | 70.00 | 67.78 | 64.84 | 66.24 | - 0.28 | 67.01 | 0.77 | 13 |
| Netherlands | 78.81 | 79.95 | 80.97 | 84.78 | 87.57 | 2.19 | 88.66 | 1.09 | 4 |
| United Kingdom | 81.69 | 79.58 | 81.53 | 76.77 | 77.99 | - 0.92 | 84.82 | 6.83 | 6 |

Source: UNCTAD Liner Shipping Connectivity Index 2010

In no surveyed OCT, a significantly unusual evolution in volume imported or exported was noticed. Only in exports such a change would have pointed out a noticeable evolution in the economic activity during the evaluation period which in turn would have required identifying the share of EU regulations or interventions. (I.6.1.1)

The Pacific and South Atlantic OCTs are the most exposed to the effects of isolation and distance from international ocean transportation routes. They are not only far from their major markets, but shipping, the main way for trade, is limited and expensive.

In the extreme case of Wallis & Futuna, only one container ship comes once every three weeks, on a route that covers several other isolated islands. The situation for Pitcairn is even worse. In more favourable situations with a high purchasing power such as French Polynesia, the size of the demand (250,000 inhabitants) does not allow for the biggest and thus most cost-effective container ships to come directly from major markets (China, USA or EU). They go directly to major regional markets (Australia and New Zealand) where goods are dispatched on lower capacity ships inducing heavy costs.

The same applies for St Helena, which has only one vessel that makes regular visits - the RMS St Helena, which is a combined passenger and freight vessel. Depending on its schedule six weeks or more can pass between visits. Falklands Islands has a container vessel service but the connection from Chile was cut off earlier this year due to pressure on the shipping line by Argentina. (see also 5.9 - EQ 8).

Tiny export flows fail to fill containers which are returning empty, which is the worst situation in terms of attracting operators and benefiting from economies of scale. Port operations are expensive if compared with ACP or even developed neighbouring countries and EU regulatory initiatives to support transshipment did not create significant activities. Being underdeveloped and not exposed to competitive pressures, port operations in OCTs stay expensive. They are often share trade unions with the Member State, with strong links to political parties, thus difficult to resist in relatively unstable regimes.

The air transport situation is generally as penalizing for passengers flows: high costs due to distance, monopoly, multiple connections, and lack of economy of scale, uneasy connecting flights and limited number of destinations.

The EU activities during the period under evaluation relating to transport in Pacific OCTs were limited to the rehabilitation and extension of the Mata Utu commercial port in Wallis and Futuna. This project (€9m), approved in 2007, started in February 2010, with works to begin end-2010) could therefore not influence freight flows.

Mayotte did not request any EU support for the transport sector during the reference period. This sector is proposed for a Sector Policy Support Programme under the

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| | <p>10th EDF under budget support, implicitly targeting the airport runway extension. The lack of increase in passenger (and tourists) flows is related to the length of the airport runway that, at present, does not allow long range, thus direct flights⁷³. Increases in freight flows to Longoni port are linked to the increasing purchasing power of the population rather than from port development and extension projects funded under French CPER.</p> <p>The Caribbean OCTs are benefiting from relative proximity to their major import market, the USA. They are comparatively well-connected to their region due the orientation of services (tourism, tourism-related construction & real estate and banking). EU interventions supported inward investment, by providing essential road infrastructure (Turks and Caicos, Anguilla) and air transport infrastructure (Anguilla, Montserrat). In the case of Turks and Caicos, this assisted the more isolated parts of the islands such as Middle Caicos by providing for the first time road access. None of these EU projects has a distinctive impact on freight transport and regional integration. Interventions on airports contributed to improve modal comparative advantages of air transport vs. ferry lines but were impeded by connecting flights (Montserrat).</p> <p>In the case of the South Atlantic territories support, export-led agriculture was supported in the Falklands, through construction of an abattoir although delays meant that this was funded in part by national resources. The EU did not support transport facilities.</p> <p>In SPM, EU supported port rehabilitation contributed to an increase in passenger flows but did not influence significantly maritime cargo. The OCT is primarily advocating for flexible rules of origin or flexible derogation to develop exports, while transshipment or transport subsidies is regarded as complementary development tools.</p> <p>In all surveyed OCTs, trade increases are not originated in or targeted on neighbouring countries, unless already developed economies like New Zealand, and the USA. ACP countries' economies and purchasing power exclude them from being suitable markets for the high technology, limited population and high salary level of OCTs. On the same footing as the EU in this regard, OCTs are not intending to compete with Chinese export products in the medium term. They are more targeting high value niches if not hindered by cargo cost (services, including tourism, Polynesian pearls or natural essences) and natural resources (New Caledonian nickel, Aruba oil refinery and trans-shipment). In this context, EU interventions targeted urgent issues faced by some territories for allowing to keep them connected but did not improved significantly their connectivity, regionally and globally.</p> |
| <p>Judgment Criterion 6.2</p> | <p>EU trade regulations applied to OCTs supported increased regional imports/exports</p> |
| <p>Judgment</p> | <p>Regional integration was systematically stated as a priority sector for EU support to OCTs, in application of ODA. No further initiative could be identified from surveyed EU projects for example to support OCT trade reforms or strengthening their negotiation capacity in trade agreements. The decision to inform them on EPA negotiation progresses is too recent to bear a significant outcome on their understanding of the regional integration agenda.</p> <p>As stated above (JC 6.1), the common understanding in most surveyed OCTs is that regional integration with ACP countries does not bear much interest due to the lack</p> |

⁷³ Mayotte authorities have noted that with the new generation of aircraft, the length of the runway will be adequate to receive direct long haul flights - and that priority will need to be given to upgrading airport terminal facilities. It was also noted that any extension of the runway would, most likely, result in a negative environmental report given the likely impact on the reef.

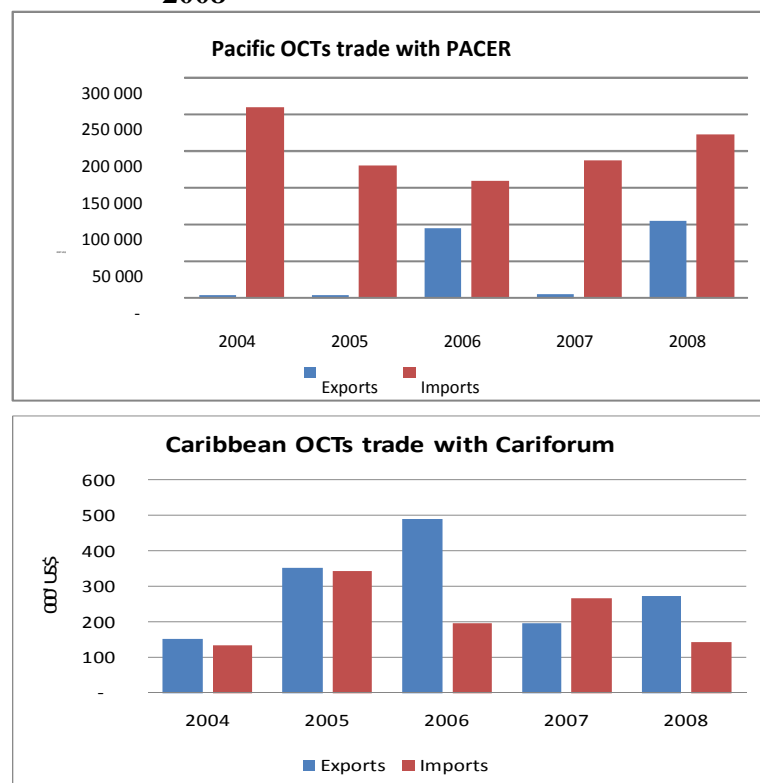
of comparative advantages (shared natural resources with an higher cost of production) and lack of demand for exclusive niche markets.

The major Commission initiative in this regard is the funding of the OCTA-EU study on “*The Analysis of the Regional Economic Integration Processes (Caribbean, Pacific and Indian Ocean) and recommendations aiming at enhancing trade and economic activity of OCTs within their region and with the EC*” finalised in 2010. This study was initially planned in 2007 and then postponed.

This study, which strongly advocates regional integration and recommends several practical steps to be taken by each group of OCTs, stays totally unknown by governments and professional organizations. The study challenges number of OCTs, and particularly Pacific ones, to upgrade their standards and to improve their regulatory and control framework. Many OCTs still lack the necessary capacities, sometimes due to infrastructure problems and low institutional capacity. They also lack political will to carry on with structural challenges, while there is an increasing understanding of the fragility of their statute and that independence would bring even greater economic challenges. The temporary loss of government revenues implied by liberalizing market access is another issue, largely unanswered on practical terms: most of the OCTs have not established a balanced tax structure and Member States are contributing heavily not only directly but also by providing tax incentives to investment in those territories.

The weight of the countries that are members of the nearest regional trade initiative in OCTs trade is important for Pacific OCT imports (from 33% for W&F to 10% for NC) and, in the Caribbean, for Montserrat and Anguilla (respectively 20 and 10%) as well as for SPM where Canada represents half of the imports. The regional share for exports ranges from very limited to non-existent. No clear evolution pattern can be identified above the country level, which demonstrates that the driving factors are outside from governments’ trade policy framework and thus linked even partly to EU regulations (I 6.2.1.).

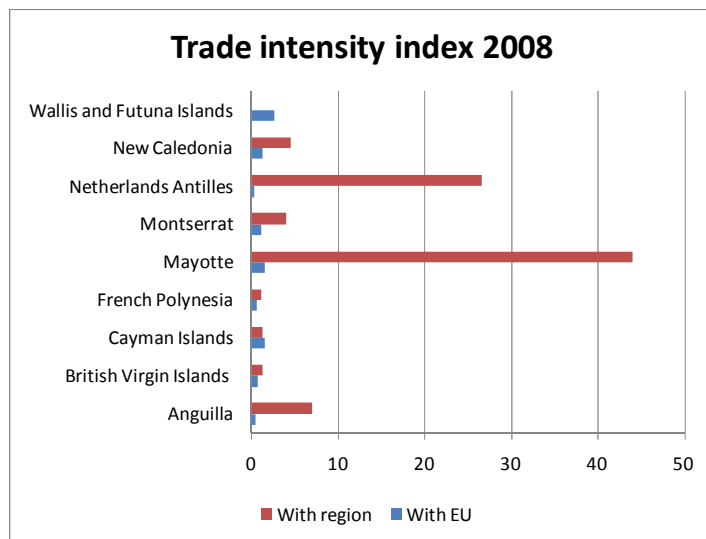
Figure 9: Pacific & Caribbean OCTs trade with their neighbours 2004-2008



Source: DFC 2010

The share of regional trade fluctuated during the period 2006-2008 but has been overall on the increase in value. Its relative share of total trade is indeed very uneven among OCTs but overall on the decrease for both imports and exports. From the comparative weight of respective regions in the world trade, trade intensity with neighbouring countries is higher than expected (I 6.2.2).

Figure 10: OCT Trade Intensity Index 2008



Source: DFC 2010

OCTs were neither willing (with the noticeable exception of Montserrat) nor statutorily allowed to join trade regional integration initiatives even if invited (as with the PACER). Most of them adopted an observer status to the customs unions, only Montserrat was willing to go further than associating with CARIFORUM but deferred to do so by the UK. Mayotte is an exception, being focused on its objective to become a RUP, diplomatic issues related to Comoros Islands claims and faced with the various regional initiatives hardly suited to Indian Ocean islands characteristics (I 6.2.3).

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| <p>Judgment Criterion 6.3</p> | <p>EU-supported Regional Integration Organisations supported OCTs involvement in their programmes</p> |
| <p>Judgement</p> | <p>At least since RSP 2002-2007, inclusion of OCTs (and ORs) in EU regional integration agenda is a shared objective by all regions. This is linked to the fact that “gradual integration into the regional and world economies” is stated as one of the three overall objectives of the European Community-OCT Association by the 2001 Council Decision, and can be the most equally shared by all OCTs. The Decision does however not provide specific guidance on the resources allocated to RIOs for including OCTs into programmes funded under the Cotonou agreement.</p> <p>EU supported programmes carried out by the CARIFORUM were open to OCTs. They were covering a wide scope of issues shared by CARICOM countries as well as the least developed OCTs: HIV-AIDS, ICT, agriculture, education, etc. The OCTs participation was however limited for formulation, management and implementation. Montserrat appears as the most involved among the OCTs, as it was the case for regional trade. The fact that OCTs are integrated within programmes shared by other (ACP) countries is promoting exchanges of experiences and emergence of shared values that are promoting regional integration beyond trade regulations. This does not seem the case for the Green TEP programmes, which gather Pacific OCTs while other countries are implementing separate “regional” programmes on the same issue of renewable energy. The Proc-Fish programme (and then the Sci-Fish) is of a more regional nature, shared by all</p> |

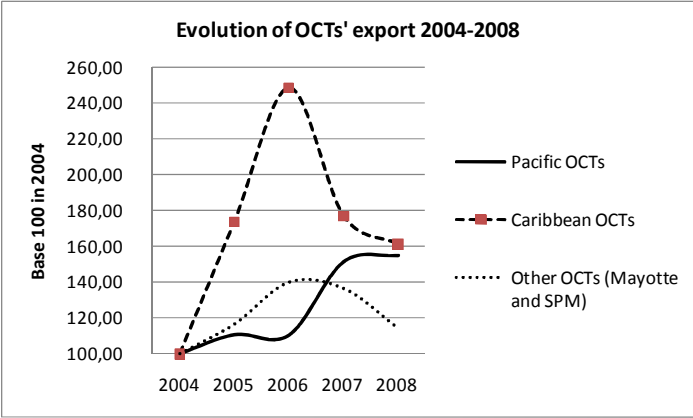
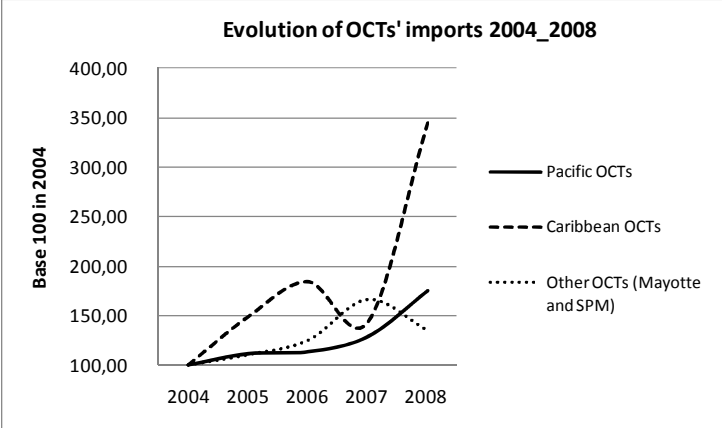
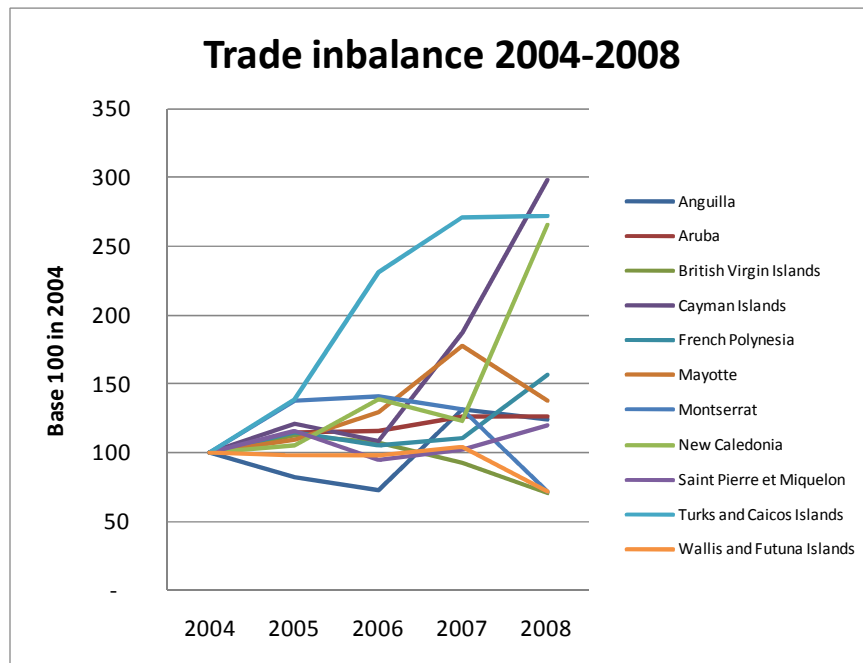
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| | <p>EU regional partners (I 6.3.1).</p> <p>In the South Pacific region, the extent of involvement of OCTs into regional programmes is far more limited, partly due to the language barrier, as well as to different levels of economic and administrative development. It is only recently that French OCTs, and particularly New Caledonia, are keen to build regional ties with their neighbouring ACP countries – and among themselves. EU financed RIOs programmes are hardly sufficient for ACP countries and found it difficult to extend co-operation to much more well-off OCTs.</p> <p>The OCT policy framework consistency with regional programmes is systematically checked. This evidence the capacity to elaborate strategic plans and programming documents, associated to the link with the EU member state to which the OCTs relates. This is particularly clear for French OCTs (I 6.3.2).</p> |
| <p>Judgment Criterion 6.4</p> | <p>EU trade related interventions increased OCTs international trade flows in volume and value</p> |
| <p>Judgment</p> | <p>The international trade flows increased in value during the period under review, both exports and imports. Overall, OCTs' exports reached US\$1.8 billion in 2008 up from US\$1.2 billion in 2004, thus a robust 9% p.a. On the same way, imports increased by a similar percentage (10% p.a.) from a 2004 US\$3.4 billion to US\$5.9 billion in the period from 2004-2008.</p> <p>Figure 11: Evolution of OCT imports and exports 2004-2008</p> <div style="display: flex; flex-direction: column; align-items: center;">   </div> <p>The initial imbalance was therefore not reduced and, for most of the OCTs, marginally aggravated (I 6.4.3). The Netherland Antilles is the only case of the emergence of a huge trade deficit, amidst a significant increase in revenue from oil exports.</p> |

Figure 12: OCT trade imbalance 2004-2008



The attribution of those trends to the advantageous EU trade regulations applied to OCTs or changes introduced by the 2001 ODA can neither be evidenced by partner nor by product. World market prices are the driving factor in such small territories, which witness major changes in export revenues, such as Netherland Antilles and New Caledonia.

The analysis of the evolution of export and import index (see figures above) demonstrate however an encouraging growth in exports that can be linked to OCTs' policy of economic diversification that can be associated to the policy dialogue framework supported by the shift towards budget support in Caribbean OCTs and the focus of New Caledonia on vocational training for the Pacific area. The growth of imports for non Caribbean OCTs stayed above the increase in exports. The Caribbean specific trend is only driven by Aruba oil's exports.

5.8 Evaluation Question 7: EU Core Values

| EQ7 | In which ways have EU core values been identified and to what extent have they been made operational within the UE co-operation with OCT? |
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| Judgment Criteria (JCs) | <p>The answer to the evaluation is based on the following judgment criteria:</p> <p>JC 7.1: The EU-OCT co-operation has contributed to an operational definition of EU core values in the OCTs.</p> <p>JC 7.2: The EU-OCT co-operation has promoted good governance in the OCTs</p> <p>JC 7.3: The EU-OCT co-operation has promoted human rights and democracy in the OCTs</p> <p>JC 7.4: Gender equality in OCT has been promoted by the EU-OCT co-operation</p> <p>JC 7.5: OCT populations are aware of and draw benefits from their European citizenship</p> |

ANSWER TO THE EVALUATION QUESTION

The EU-core values have been particularly emphasised in the political and future-oriented discourse. There is an apparent consensus about the core values, but no precise and operational definition of them. Rather, the debate is a working laboratory identifying the EU-values that are the most important in relation to the OCTs and where values are interwoven with interests

The practical importance of these values for the content of the co-operation has been limited, whereas examples were found of EU values being promoted indirectly through the co-operation, such as good governance through EU-requirements conditioning the co-operation and gender equality through the implementation of projects.

The overall level of awareness about the EU in the OCTs is not very high. OCT-benefits from participating in EU-programmes or receiving funding from Commission's thematic budget lines have only materialised to a limited extent. OCT citizens seem to perceive the major benefit from their EU citizenship as the free mobility of their citizens in the EU Member States with its inherent possibilities for study and work.

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| Comments to the answer | <p>EU core values have been referred to in the OAD, during the Green Paper consultation process and at OCT Forums as comprising <i>democracy, human rights, good governance, gender equality, egalitarian societies and wealth</i>. It is found that recently, also indigenous peoples' rights, ecological diversity and environmental security have been increasingly emphasised as EU-core values by OCTs. (JC1)</p> <p>However, the OCTs saw the main external sources for identity and values as related rather to the Member State they are linked with, than to the EU as an entity. Most Survey responses and most OCT representatives met expressed a wish to know more about and to better connected with the EU through increased coverage by the EU information services.</p> <p>Especially in the Green Paper⁷⁴-related consultation process, there has been mention of a possible OCT-role as European ambassadors for such values in the surrounding regions, including through their foreseen development of "centres of excellence" as a tool for dissemination. The general OCT attitude to this idea was that they did not</p> |
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⁷⁴ Green Paper (and Annexes), Nov 2008, EC, Future relations between the EU and the Overseas Countries and Territories; COM (2008) 383 final.

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| | <p>have the resources to assume such role, but with appropriate support they believed in a potential for the creation of centres of excellence in certain fields, particularly relating to biodiversity and climate change but also related to good governance.</p> <p>The debate about EU-core values and their possible dissemination to and from the OCTs is linked with a discourse about European OCT-related interests, which again relates to some scepticism towards the EU-OCT association from EU Member States not linked with OCTs.⁷⁵</p> <p>The four OCT-Member States have underlined, in particular, the EU interests in being present in all parts of the world and the rich biodiversity represented by the OCTs.⁷⁶ According to the team observations, the articulation of EU-interests could be updated with the substantial maritime resources in the exclusive economic zones, which surround the OCTs; the expected future economic and strategic importance of the Arctic zone and the joint interest of the EU and the OCTs in protecting the environment and in adapting to and mitigating climate change.</p> <p>Examples were found of EU values being promoted indirectly through the co-operation, such as good governance through EU-requirements conditioning the co-operation (a single case of non-compliance with these requirements resulting in a temporary stop of co-operation), and gender equality through the implementation of projects. (JCs 2-4)</p> <p>The overall level of awareness about the EU in the OCTs is generally not very high. Potential OCT-benefits from participating in EU-programmes or receiving funding from Commission's thematic budget lines have only materialised to a limited extent. OCT citizens seem to perceive the major benefit from their EU citizenship as the free mobility of their citizens in the EU Member States with its inherent possibilities for study and work. (JC5).</p> |
| <p>Judgment Criterion 7.1</p> | <p>The EU-OCT co-operation has contributed to an operational definition of EU core values in the OCTs</p> |
| <p>Judgment</p> | <p>Overall, the EU-OCT co-operation has not contributed visibly to an operational definition of EU core values in the OCTs, but the dialogue between the EU and the OCTs has raised the issue of core values, in particular during the Green Paper consultation process. However, so far without reaching a common platform.</p> <p>While there is no reference to EU-core values in the specific co-operation documents, there are numerous references in the founding documents. In search of a new EU-OCT association framework in the Green Paper consultation process, the Commission and the four Member States (MS) presented quite wide-going viewpoints on the OCTs' potential representation of European values (mainly related to democracy, human rights and good governance) as European outposts in their respective regions. Including their possible construction of centres of excellence for the benefit of OCTs and their neighbours.</p> <p>This argumentation was linked with the actual and potential interests of the EU of continued association with the OCTs, mainly based on:</p> <ul style="list-style-type: none"> - The EU being represented all over the world - The inherent resources in the rich biodiversity of the OCTs and their exclusive economic zones, <p>This responds to a sceptical attitude towards continued EU-OCT association from MS with no OCT-linkage (Green Paper pp. 5-6).</p> <p>According to the team observations, the EU interests might be supplemented with</p> |

⁷⁵ Green Paper, p.4

⁷⁶ Annex 2 to Green Paper, 2008, Common document of the Government of DK, F, NL, UK re future relations.

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| | <p>the substantial exclusive economic zones surrounding the OCTs (larger than the EU's own waters), the increasing importance of the arctic zones and climate change issues. In addition, the four EU Member States that are linked with OCTs have an interest in continued EU-support for the OCTs.</p> <p>The team communication with the OCTs did not confirm an operational understanding of particular European values, but rather an understanding of "being covered already" from the links with Member States. Upon request, some OCTs have identified and emphasised protection of the environment, indigenous peoples' rights and "<i>the European welfare state</i>" as European core values of particular interest to them.</p> <p>Regarding the role of OCTs as outgoing European ambassadors in their regions, the general OCT attitude was that they did not have the resources to assume that role, but with appropriate support they believed that there a potential for the creation of centres of excellence of some fields, particularly relating to biodiversity and climate change.</p> <p>Overall, the EU does not appear to be very visible in the OCTs. EU-knowledge is mainly related concretely to the ongoing co-operation and the persons participating or benefiting from it. Most OCTs would like the EU to be more visible, including through better coverage by its information services.</p> <p>Specific visibility of EU supported projects is in line with the prescriptions in most OCTs. However, the visibility of the co-operation declines in line with the transition to budget support.</p> <p>OCT institutions and citizens have only benefited from funds from EU thematic budget lines or programs to a limited extent. According to OCTs, this is owing to practical difficulties in accessing these funds, to which may be added the poverty focus of many thematic budget lines. The team findings also indicate that insufficient OCT resources for applying play a role.</p> |
| Judgment Criterion 7.2 | The EU-OCT co-operation has promoted good governance in the OCTs |
| Judgment | <p>It is found that the EU-OCT co-operation has had a positive, however limited, impact on good governance in the OCTs. (This conclusion is to be regarded on the background of well-functioning democratic governance already being the overall standard in the OCTs).</p> <p>According to the Survey responses, some OCTs believe that the EU values and governance practices have impacted positively on their governance through the co-operation, in particular in relation to transparency and accountability – while most others were of the opinion that there has been no influence referring to the fact that there had been no specific co-operation projects relating directly to governance issues. Moreover, team-interviews with OCT representatives indicated that in some OCTs, the – otherwise often criticised – governing procedures of the co-operation have had a disciplining and useful effect on sector policy preparation and sector governance.</p> <p>Democratic governance in the broader sense may have been strengthened from the involvement of the parliaments / councils and civil society in the decision-making regarding the EU co-operation, which has taken place in most OCTs. The same is the case regarding the impact of prompt Commission's reaction to apparent fund-management problems in one OCT.</p> |
| Judgment Criterion 7.3 | The EU-OCT co-operation has promoted human rights and democracy in the OCTs |
| Judgment | Human rights and democracy legislation and practice in the OCTs mainly originate |

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| | <p>from other sources than the EU-co-operation, in which it has not been mainstreamed and has no explicit focus. Thus, the general OCT perception is that they are already “sufficiently covered”. Thematic budget lines for such purposes have only been used very little by the OCTs, who tend to perceive these thematic budget lines as being practically inaccessible for them.</p> <p>Still, it has been reported to the Team in its communication with the OCTs, that in certain cases, the co-operation has had an indirect, positive impact on human rights and democracy issues through improved access to education.</p> |
| Judgment Criterion 7.4 | Gender equality in OCT has been promoted by the EU-OCT co-operation |
| Judgment | <p>Some examples of EU-sponsored social projects with a positive effect on gender equality are found, as well as indications of an indirect, positive effect on gender equality from the capacity building related to the implementation of the EU support</p> <p>Nevertheless, in general, survey responses indicated that the EU-OCT co-operation has only had a limited effect on gender quality in the OCTs and that the issue has not been mainstreamed in the co-operation (See Annex VII for extracts of questionnaire responses).</p> |
| Judgment Criterion 7.5 | OCT populations are aware of and draw benefits from their European citizenship |
| Judgment | <p>It is found that the overall level of awareness of the EU in the OCTs is generally not very high, outside those groups of people who are involved in, or benefits from, the Commission’s co-operation. One reason may be that the OCTs are not covered systematically by the EU information services. The possibility of constructing Euro-Info Correspondence Centres, referred to in the OAD, article 59, seems not to have been used. In general, the OCTs would appreciate a stronger liaison with the EU, including the presence of EU information services.</p> <p>Potential OCT-benefits from participating in EU-programmes, or receiving funding from thematic budget lines for development co-operation, have only materialised to a very limited extent, which is a source of frustration for the OCTs due to what they perceive as OCT-inaccessibility in practice to those funds. According to team-interviews with OCT representatives and Commission’s officials, the OCTs often lack the capacity to fulfil the conditions for applying.</p> <p>Against this background, the OCTs perceive the major benefit from their European citizenship as the consequent free mobility of their citizens in the EU Member States, with the inherent possibilities for study and work – in addition to being able to vote for and being represented in the European Parliament.</p> |

5.9 Evaluation Question 8: Coherence, Coordination and Added Value

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| EQ8 | To what extent has the EU succeeded in putting in place policies and strategies between the EU, EU member states and OCT that will contribute to the “membership of the same family” concept as defined in the Green Paper? |
| Judgment Criteria (JCs) | <p><u>The answer to the evaluation is based on the following judgment criteria:</u></p> <p>JC 8.1: OCTs have mechanisms in place to ensure alignment between their policies, EU co-operation policies and relevant EU policies (Trade, Fisheries, Environment, Migration, Financial Services & Taxation).</p> <p>JC 8.2: There is internal coherence (absence of contradiction) between the EU co-operation with OCTs and relevant EU policies.</p> <p>JC 8.3: EU co-operation is aligned and coordinated with the policies of the four Member States in relation to the OCT to which they are linked.</p> <p>JC 8.4: EU co-operation has added value to the priorities of the four member states.</p> |

ANSWER TO THE EVALUATION QUESTION

OCTs continue to see themselves more as “members of the same national family” of their EU Member State, rather than as members of the same European family. Despite this, or because of this, coordination between the Commission of the European Union and the Member States is well-organised and joint programming takes place, but this is accompanied by strong criticism of Commission’s rules and procedures. The evaluation saw evidence of coherence between Commission’s SPDs and other Commission policies; as well as between EU support to the OCTs, other EU policies and Member State policies. A number of examples of added value to Member State interventions resulting from EU interventions were also noted.

However, both Mayotte and Falklands expressed concern that the EU had not taken a position to support their status within their region. The Evaluation cannot conclude in respect of whether this position is justified - but it is clear that opportunities for regional co-operation have been missed as a result of this unresolved situation.

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| Comments to the answer | <p>The core of this question is the extent to which EU policies have contributed to the OCTs seeing themselves as being “members of the same family”. In this respect, the evaluation has concluded that OCTs value their “membership of the same national family”, but consider their “membership of the European family” to be less tangible. There are close contacts with the Member State, which maintains a strong presence in the OCT. (JC 8.1)</p> <p>At policy level there is no real disagreement, apart from the criticism of the EU by Mayotte and the Falklands for not taking a firm position on the status of the two OCTs within their region. (JCs 8.1- 8.4)</p> <p>However, at the implementation level, Member State representatives in some OCTs and the OCT institutions dealing with the EU share the same criticisms of the Commission, particularly regarding delays and problems of working with Commission’s rules and procedures. (JC 8.1; JC 8.3). The evaluation concludes that coordination between the EU and the Member States appears well organised. Apart from Greenland, the Member State has an active presence in the OCT, and also for Greenland there is good co-operation between the OCT and the Member State. “The Member State officials based in the OCT work with the same OCT individuals and institutions within the respective OCTs that also deal with the Commission’s</p> |
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development officials based in the Delegations” In addition, the EU programme is often implemented through organisations that are also supported by the Member States and whose performance is subject to monitoring by Member States financial overview boards. (JC 8.3) In most cases, there was a strong convergence of objectives and also joint programming and implementation through the same OCT or OCT-based organisations. Greater harmonisation is hampered by the fact that Member State EU procedures differ. Member State representatives within the OCTs are outspoken in respect of what they see as an unnecessary emphasis on the micro-management of rules and procedures which contributes to delays in programming; moreover, these constraints do make joint planning (OCT-MS-EU) more difficult even when Member State and EU are working in the same sectors. In relation to this, the OCTs and Member States also note that the EU Delegations are more familiar in dealing with ACP countries and have a tendency to try to treat the OCTs as if they were ACPs. (JC 8.3). At OCT level, the EU programmes reflect OCT priorities, and the involvement includes supporting the same sector as does the Member State, or in funding specific activities, which the Member State did not fund through its own programme. There are also a few examples where EU activities have been implemented in parallel, without proper coordination, resulting in an absence of value added - for example the Youth Development Programme in the NEA. (JC 8.4)

As regards internal coherence within the EU's development programme, EU interventions at the OCT level and regional interventions involving the OCTs, are coherent with the objectives of the assistance. (JC 8.2) Both the Caribbean RSP/RIP and the Pacific RSP/RIP are developing a rapprochement with OCTs in "their region" but this is not the case in the Indian Ocean as a result of the unresolved status around Mayotte.

As regards the **coherence** between EU support to the OCTs and other EU policies (e.g. migration, trade, fisheries, environment-climate change, and Arctic policy), the evaluation found that in these policies, the Member State normally retains the constitutional authority to act on behalf of the OCT. No cases were found where EU policies, as also implemented by the Member State/OCT, were not coherent with EU support to the OCTs. Illegal migration, for example, is a Member State responsibility, which in certain zones demands a major input from the Member State in halting and repatriating illegal immigrants. Tax co-operation and the fight against money laundering are other examples where great efforts are made to arrive at coherent OCT, MS and EU policies. Also, as regards environment, the MS often ensures coherence with EU policies, which in turn are bound by international environmental agreements. Notwithstanding the above, OCTs did argue for fewer restrictions to allow for their participation, together with their Member State, in international and regional forums. (JC 8.1)

In a number of areas where the evaluation has seen examples of additional benefits resulting from EU interventions, which have **added value** to Member State interventions. (JC 8.4) Examples include:

- Introduction of procedures and indicators in the education sector in Greenland.
- Introduction of more rigour in public finance management and budget support, linked to the project cycle, sector policy frameworks and management of available financial resources.
- Initiating an environmental programme with a broad upstream-downstream vision focussing on the environmental problems of small islands (rainwater runoff, solid and liquid waste management; protection of the marine environment) and linking this to a broader regional vision which also includes research on climate change (e.g. Mayotte and the TAAF)
- Operating within a regional context in a number of sectors (e.g. environment,

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| | health, small scale enterprises, etc.) in situations where the Member State retains an OCT focus. |
| Judgment Criterion 8.1 | OCTs have mechanisms in place to ensure alignment between their policies, EU co-operation policies and relevant EU policies (Trade, Fisheries, Environment, Migration, Financial Services & Taxation) |
| Judgment | <p>There are no marked inconsistencies between relevant EU policies and the OCT SPDs. Nevertheless, on many of these issues it is the Members States who, constitutionally, act on behalf of the OCT.</p> <p>There are no major discrepancies between the positions taken by the Member States on behalf of the OCTs. The OCTs are generally satisfied with the dispositions taken by the Member States and appear to have been involved in advising the Member State on the position to be taken on their behalf through the MS-OCT institutional arrangements which exist both at OCT level and in the Member State.</p> <p>Both desk and field work confirmed an overall consistency and alignment between EU co-operation policies with the OCTs and relevant EU policies. As the Member State continues to be an important element in this equation, the principal alignment mechanisms would seem to function at the central (European) level where the Member State, by virtue of its MS-status, ensures alignment between EU and Member State policies. This includes: (i) the relationship between the OCT and Member State representatives at OCT level, and the responsible EU Delegation; and (ii) the functioning of the OCTA as an alignment mechanism at the EU level in Brussels working on behalf of the OCTs.</p> <p>The field findings have underlined that OCTs value very much their “membership of the same national family”, and only to a lesser extent “membership of the larger European family”. There are close contacts and alignment with the Member State, and the Member State has a strong presence in the OCT. In many ways, both Member State and OCT have the same criticisms of the EU, but this is at the implementation level rather than at a policy or strategic level; particularly the delays and the problems of working with EU rules and procedures were highlighted. At the policy level, there is no real disagreement - apart from the criticism of the EU by Mayotte and the Falklands for not taking a firm position on the status of the two OCTs within their region.</p> <p>Although there are no major discrepancies on policies, the field study did note that, at the implementation level, there are marked differences between OCTs - but these differences reflect the differences that exist between Member States in Europe, as each OCT has integrated many of its Member State institutional arrangements and practices.</p> |
| Judgment Criterion 8.2 | There is coherence between the EU co-operation with OCTs and other relevant EU policies |
| Judgment | <p>Analysis of the written documentation did not reveal any contradictions between the EU's co-operation with the OCTs and relevant EU policies. The main issue here appears to be the role of the Member State in a number of cases where the Member State retains overall constitutional authority - for example as related to involvement in the EPAs, responsibility for Fisheries Agreements, involvement in Biodiversity Convention, etc.</p> <p>Regional programming, apart from the Indian Ocean, is opening up for increased OCT participation - and even in the Indian Ocean, the Mayotte Chamber of Commerce is actively engaged bilaterally with other Chambers of Commerce in the region - as well as opening up contacts with Mozambique and Tanzania. There are examples where OCTs see themselves as a launch pad within their regions for European initiatives. As they develop European-accredited standards - for example phyto-sanitary - they can provide a regional entrance for exporting to Europe (e.g.</p> |

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| | <p>Mayotte and aquaculture) by way of the OCT.</p> <p>As regards the budget lines such as ENTRP and FP7, the openings are there - but the field visit could only confirm that FP7 co-operation was starting (EUCARINET) and no information was available on the first results of the ENTRP calls for proposals.</p> |
| Judgment Criterion 8.3 | EU co-operation is aligned and coordinated with the policies of the four Member States in relation to the OCT to which they are linked |
| Judgment | <p>The field phase confirmed the desk phase indications, based on responses to the questionnaire and on interviews, that there exists alignment and coordination between the EU and the Member States in relation to the OCT to which they are linked. Nonetheless, it is also clear that the OCT is only one item on the agenda - both for the EU and for the Member State - and hence the OCT is not always given the attention, which it may feel that it deserves.</p> <p>The field studies examined the level of dialogue between OCT administration and Member State OCT-based administration - and with the EU delegation responsible for the OCT - and the extent to which Member State field administration and EU regional delegation dialogue. It is noted that there is a certain amount of disaccord, in relation to EU rules and procedures - and in particular how these rules and procedures are handled by the Delegations and by Brussels. Member State representatives in the OCTs have expressed their view that too much time is wasted on this to the detriment of a smooth implementation of the development programmes, and a number of instances were also recorded of Member State representatives (often at the request of the OCT) resorting to lobbying and pressurising the Commission in Brussels in order to speed up processes which were being unreasonably delayed, in their view, by EU bureaucracy.</p> <p>Member States have also noted that Member State and EU procedures are not harmonized, and while the OCT may be perfectly capable of managing Member State procedures, extra institutional capacity is required to align to EU rules and procedures. In many cases, OCTs then have to “buy in” this capacity from outside, using EDF funds - hence reducing the total amounts of funds available for implementation.</p> <p>There is no alignment between the EU and the EU Member State on recognition of the status of certain OCTs. Thus while the Falklands and Mayotte are both recognised by the EU as OCTs and can access EDF funds, the EU has remained silent on issues regarding the status of Mayotte and the Falklands vis-à-vis the Comoros and Argentina. In both cases the OCTs had hoped and expected a much more robust role from the EU in supporting the OCTs. Instead these OCTs are effectively cut off from regional activities within their zone.</p> <p>Finally, given that OCTs do not share the ACP focus on poverty alleviation but instead share many of the same characteristics of the Outermost Regions, it seems logical to re-examine existing coordinating mechanisms within the EU/Member State framework to also improve OCT/OR coordination. This position was advanced by the OCTs and is supported by OCTA.</p> |
| Judgment Criterion 8.4 | EU co-operation has added value to the priorities of the four member states |
| Preliminary judgment | <p>The EU has, in its programmes, built on and added to Member State programmes. This may increase under the 10th EDF where an increased focus on response to climate change, disaster preparedness and the environment are seen as priorities both by the Commission and the Member State. Even in the case of Budget Support, the Commission - through the insistence on improved public finance management, performance indicators, sector plans and strategies - has added value to the Member States own provision of Budget Support.</p> <p>While Budget Support is not seen as being the most appropriate form of assistance</p> |

for islands with small populations and limited institutional capacity, budget support on the islands with better institutional capacity is more likely to add value to ongoing programmes supported by the Member State.

In addition, involvement in regional programmes will add value in areas where the MS are only active at OCT level. The perception of the position of the OCT within the region and how it links up with other OCTs in the same region and with ACP countries is complicated, varies between regions and also varies between the different OCTs whose governance and institutional traditions often mirror those of their MS. In this situation important differences have been noted between the Caribbean, Pacific and Indian Ocean OCTs - and their roles and relationships with neighbouring ACP countries and the regional organisations to which they belong. In the Caribbean and in the Pacific there is evidence of long periods of co-operation. In addition, there are no major areas of unresolved conflict, although difficulties around the issue of migration - often illegal - from the poorer ACP states to the OCTs (and ORs) remain. By contrast, in the Indian Ocean and the South Atlantic, the issue of sovereignty of Mayotte and the Falklands has complicated regional co-operation

The interventions funded through the 8th and 9th EDF have often added value to the support being given by the MS; although there are also cases (for example, the support to the education sector in the NEA) where EU programmes have been designed and implemented in parallel, and have subtracted value from Member State interventions through the mounting of a competing programme). Particularly the EU support to the environment programme in Mayotte - funded under the 8th and 9th EDF - has the potential of becoming an important pilot programme for handling environmental issues in small island states. The upstream-downstream approach of the Mayotte environmental programme is an important step forward in approaching environment within a holistic and territorial context; rather than following a project-by-project approach.

6 Conclusions

The first part of this Section contains the principal conclusions (PC 1-4), regarded by the evaluation team as being of general, high importance in relation to the present and future management of the EU co-operation with the OCTs. They relate to the values and interests on which the relations are based; to the procedures and modalities by which the co-operation has been governed and to effects of the preferential trade regime.

The second part of the Section (C-5-16) contains sector specific conclusions related to the relevance, efficiency, effectiveness, impact and sustainability of the co-operation as well as to its visibility, coordination, coherence and added value.

For each conclusion is indicated the EQs from where it originates, the evaluation criteria addressed by the conclusion and its importance in relation to the future management of the EU-relations with the OCTs: (▲▲▲: **high**, ▲▲: **moderate** and ▲: **limited**). Furthermore is indicated the strength of supporting evidence (▲▲▲: **high**, ▲▲: **with some in-built uncertainty**).

6.1 Principal Conclusions

RELATED TO EUROPEAN VALUES AND FUTURE CO-OPERATION

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| P1 | More than European values, OCT sense of belonging to Europe seems to be based on their interest in the EU-OCT co-operation and on the possibilities provided by European citizenship to work and study in the EU and to travel elsewhere. | <i>Origin:</i> EQs 7 and 8 |
| | | <i>Criteria:</i> Impact |
| | | <i>Importance:</i> ▲▲▲ |
| | | <i>Evidence:</i> ▲▲ |

During the Green Paper consultation process, the Commission and the four Member States attempted to bring EU core values into play in a more operational and concrete way. This included the idea of linking the EU's perceived key "OCT-assets" (e.g. of being present in all parts of the world) with the dissemination of EU values and standards in the surrounding regions, possibly by developing centres of excellence in the OCTs. While the OCTs can subscribe to democracy, good governance, egalitarianism and other values such as "discipline and rigour", protection of the environment and indigenous peoples' rights, these values are not perceived as particularly European, but rather universal or related to the Member State with which they are linked.

The OCTs and their institutions and citizens do not benefit very much from participation in EU programmes or support from thematic budget lines. In the opinion of most OCT representatives, these benefits are practically inaccessible, according to other sources, including Commission's officials, the benefits are not reaped because some OCTs do not have the needed human and financial resources that enable them to participate.

Hence, the fundamental pillars for the sense of belonging to Europe for OCT governments and citizens seems to be their interest in the EU-OCT co-operation and in the possibilities provided by European citizenship to work and study in the EU, and to travel elsewhere. This notwithstanding that, while studying in Europe may be an important EU contribution to OCT-capacity building, it may also contribute to out-migration and brain drain, one of the most serious challenges facing the OCTs. This challenge was found more acute in some OCTs, such as Saint Pierre & Miquelon, than in others, like Greenland or New Caledonia.

Related to: *Conclusions 11 and 14*
Recommendation 1

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| PC2 | Future EU-OCT co-operation will need a framework that reflects new, emerging OCT priorities and emerging EU interests and objectives. | <i>Origin: EQs 1, 7 and 8</i> |
| | | <i>Criteria: Relevance</i> |
| | | <i>Importance: ▲▲▲</i> |
| | | <i>Evidence: ▲▲</i> |

Under the 10th EDF, some discrepancy has developed between the existing and new, emerging priorities/objectives. However, previous programming cycles SPDs' priorities were maintained to ensure EDF formal programming requirements and technical feasibility.

For the future, it is found by the evaluation team that there is a need for revising the framework to become more aligned with new, emerging OCT priorities (responding to energy and climate change challenges and opportunities, environmental and economic resilience) and emerging EU interests and objectives (sustainable marine management, including within the Arctic and Antarctic areas; safeguarding biodiversity; the presence of Europe and European values all over the world).

Enhanced competitiveness, economic and environmental resilience and regional integration have been identified as possible new overall co-operation objectives. However, according to the findings of the evaluation, recent OCT experience in moving towards these goals has not been very encouraging. Together with the abovementioned emerging priorities and interests, this implies a move away from the ACP-framework to another construction that may be closer to the EU-relations with the Outermost Regions.

Related to: Conclusions 11 and 14
Recommendation 1

RELATED TO AID MODALITIES AND PROCEDURES

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| PC3 | The efficiency of the delivery mechanisms of EU support and its management has not been conducive to the achievement of the objectives of the co-operation. | <i>Origin: EQ 2</i> |
| | | <i>Criteria: Efficiency</i> |
| | | <i>Importance: ▲▲▲</i> |
| | | <i>Evidence: ▲▲</i> |

OCTs face considerable challenges due to the small size, limited capacity and isolation that characterize most of them. Unfortunately and far too often, the Commission's procedures, systems and processes hampered and hindered the effective achievement of the objectives rather than facilitating it. Although OCTs are small and disparate, with modest budgetary allocations, this does not mean that they can be supported in a piecemeal manner, by Commission staff with other responsibilities too. Individual staff in the Commission worked very hard to be responsive in a system and against workloads that were not realistic. Staff changes exacerbated the effects of poor institutional memory, already hampered by inadequate record-keeping.

The evaluation has provided ample evidence that unnecessary delays occurred; that the Commission was inconsistent in its approaches, changed its reporting requirements and failed to fulfil the "partnership" ethos. The ACP-EU co-operation way of dealing with partner governments is contradictory to the contractual ways in which the OCTs are managing the budget support and co-operation with the Member States. This may reduce the interest of OCT authorities in the Commission's requirements as a driving factor for the 10th EDF programming, still being underway with two years' delay, whereas for many ACP countries mid-term reviews have been completed.

Whilst individual projects and programmes have been beneficial with a positive impact, the delays diminished the impact of the EU support in some cases.

Related to: Conclusion 7
Recommendation 5

RELATED TO THE TRADE REGIME

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| PC4 | The EU trade preference regime did not constitute a sufficient incentive for counterbalancing OCTs' economic diversification constraints. | <i>Origin: EQ 6</i> |
| | | <i>Criteria: Effectiveness and Impact</i> |
| | | <i>Importance: ▲▲▲</i> |
| | | <i>Evidence: ▲▲</i> |

Overall, OCTs trade in volume increased by half since 2004, with an encouraging growth in OCT exports counterbalanced by a higher increase in imports. Trade balance deficits increased, except for Aruba (based on oil processing) and Montserrat. The EU trade preference regime did not constitute a sufficient incentive for counterbalancing OCTs' economic diversification constraints. The only case noticed of use of the specific trans-border arrangement under the OCT trade regime, is in Mayotte for Madagascar shrimps exports.

All EU trade initiatives in favour of ACP countries (such as EU "GSP/Everything but Arms") are eroding OCTs' preferential regime significantly. It can be expected, in a near future and for the productive sectors that the EPA negotiations will further erode OCT advantages on EU markets. The impact of this erosion must be nuanced by the lack of potential for diversification of OCTs in these sectors: For most of them, services are the only potential for exports through tourism, off-shore banking or ITC and this sector is typically excluded from EPA initiatives. The conditions applying to OCTs for benefiting the 0% duty rate proved to be so restrictive that it prevents the use of the preferential agreement. Derogations to rules of origin are cumbersome and lengthy to obtain. They are granted generally for 5 years only, a too short period to develop private investment projects.

Indirectly and in the medium term, the increased competitiveness of member countries of regional economic or customs communities near to the OCTs will tend to reduce further their export opportunities within the range of products in which they have had international comparative advantages. The OCTs don't perceive any economic comparative advantages in trading with ACP neighbouring countries and still target EU/USA niche markets only. The most noticeable change is, however, the growth of 6% of the share of regional trade, mainly imports from regional developed economies. The lack of implementation of intellectual property rights in neighbouring ACP countries is another issue for developing new products based on shared natural resources (such as *monoi* (perfume) in Polynesia).

Related to: *Conclusion 12*

Recommendation 2

6.2 Complementary Conclusions

COOPERATION STRATEGY

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| C 5 | The EU support to the OCTs has served its purposes well in being consistent with the priorities of the OCT governments, the needs of their populations and the EU development policy objectives. | <i>Origin: EQ 1</i> |
| | | <i>Criteria: Relevance and internal coherence</i> |
| | | <i>Importance: ▲▲</i> |
| | | <i>Evidence: ▲▲▲</i> |

The relevance of the EU support to the OCTs has been high regarding the support under the 8th and 9th EDF. It has served its purposes well over the evaluation period in being consistent with the priorities of the OCT governments and the needs of their populations and with the EU development policy objectives in terms of promoting the economic & social development in the OCTs and bringing the OCTs economically closer to the EU. The poverty focus has not

been very explicit, but the OCTs are not ACP-countries and this objective has, consequently, had a less prominent position.

The same is the case for the 10th EDF-programming, although a tendency is observed towards some discrepancy with new OCT objectives, which have however, not yet been finally formulated.

Related to: *Principal Conclusion 2*
Conclusion 6

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| C 6 | Good governance was mainstreamed in the co-operation, while human rights and gender considerations were not. | <i>Origin: EQs 1-6</i> |
| | | <i>Criteria: Relevance and internal consistency</i> |
| | | <i>Importance: ▲</i> |
| | | <i>Evidence: ▲▲</i> |

Good governance has been mainstreamed in the co-operation through the preconditions and approval procedures involving elected assemblies and civil society, but not through targeting of support. Human rights and gender considerations have not been mainstreamed.

Related to: *Conclusion 5*

AID MODALITIES AND PROCEDURES

| | | |
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| C 7 | The transition to budget support has been welcomed in some cases and resisted in others. The focus on public finance management (PFM) is potentially beneficial but required a more consistent, timely and evidence based approach. | <i>Origin: EQ 2</i> |
| | | <i>Criteria: Efficiency</i> |
| | | <i>Importance: ▲▲▲</i> |
| | | <i>Evidence: ▲▲▲▲</i> |

Survey and field visit results identified considerable differences of opinion about the appropriateness of aid instruments. Typically the UK and Danish OCTs were more positive about budget support than French OCTs. The NEA found indecision about the choice of instruments disconcerting.

At the start of the evaluation period the Commission assumed that Member States had adequate oversight of PFM issues, whereas this proved not always to be the case. Serious PFM shortcomings emerged in a number of territories, most conspicuously Turks & Caicos Islands (necessitating the temporary reintroduction of direct control by the UK Government). Knowledge management of PFM issues in OCTs by the Commission has been quite poor, with no explicit linkage between the 2003 and 2008 PFM assessments.

The recent focus on PFM, whilst resisted by some OCTs (e.g. Montserrat), is consistent with improving accountability and value-for-money. However over the transitional period it resulted in unmet expectations and created budget management difficulties due to delays in releases of funds.

Related to: *Principal Conclusion 3*
Conclusion 9
Recommendation 5

6.3 Sector Specific Conclusions

SUPPORT FOR TRANSPORT AND CONNECTIVITY

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| C 8 | Transport infrastructure investments, where completed, have been beneficial but had less impact on economic development than anticipated. There has been little focus on energy and ICT to date, despite their importance. | <i>Origin: EQ 3</i> |
| | | <i>Criteria: Effectiveness, impact and sustainability</i> |
| | | <i>Importance: ▲▲</i> |
| | | <i>Evidence: ▲▲</i> |

EU support to the development of transport, connectivity and energy infrastructures varies between sub-sectors. In the transport sector, useful infrastructure assets have been constructed or are in the pipeline, although to date accessibility of OCTs has not been substantially increased, based on the criteria used in appraisal (eg increases in tourism for airports, in frequency for ports). External circumstances (the recession) and management decisions (such as stopping the ferry service to Montserrat once the airport was opened) mean that the overall impact is less substantial than projected. However, with improved management and a more favourable external environment, assets such as Montserrat airport, the extension to Anguilla's airport, TCI causeways, NEA's historic bridge and Wallis & Futuna port will continue to generate benefits.

EU interventions concerning port and airports improved the security of those facilities but the OCTs have been unable to consolidate that into developing maritime logistics and regional trade. Shipping routes stayed unchanged or even more marginalising for the OCTs due to the increase in size of the container ships and, in the case of the Falkland Islands, the problematic relationship with Argentina.

There has been only limited focus on energy and ICT. Both are particularly important because of the isolation and lack of comparative advantage of OCTs, which typically have high energy and ICT costs. Since many OCTs utilise high-cost diesel generators, addressing the issues facing the energy sector ties in well with environmental and conservation objectives. High ICT costs reflect the limited market size as well as regulatory issues. Both justify more attention in the future, although they require complex process-type engagement with multiple stakeholders (regulators, private sector, external funding sources such as EIB) that must be adequately resourced if support is to succeed.

Related to: *Principal Conclusion 2*

Conclusion 12

Recommendations 2 and 6

SUPPORT FOR VOCATIONAL EDUCATION AND TRAINING (VET)

| | | |
|------------|---|---|
| C 9 | EU Support for VET has been highly relevant to territorial policy objectives. The decision to support VET under Budget Support in the 9 th EDF has increased the relevance of EU assistance to this OCT. | <i>Origin: EQ 4</i> |
| | | <i>Criteria: Effectiveness, impact and sustainability</i> |

While there is scope for improvement EU support for VET (in New Caledonia, VET support for Greenland is integrated in the education sector), implementation of the VET programme has made a significant contribution to the territory's challenge of social inclusion (*'insertion sociale'*), in particular in terms of bringing members of the indigenous population into the labour market, and thus has contributed to addressing the challenge of social exclusion in that OCT. Regarding VET development and delivery and overall management of same, promising scenarios have been discussed within the territory, including under the aegis of the recent

Etats Generaux, and increased support for a stronger and better resourced employment observatory is one area to be addressed.

The recent EU-Greenland MTR⁷⁷ also indicates positive education and vocational training performance.

Related to: *Conclusion 10*
Recommendation 7

| | | |
|-------------|---|--|
| C 10 | EU support for VET has also contributed to the development of priority sectors of the economy in New Caledonia, but there is still scope for improvement. | <i>Origin: EQ 4</i> |
| | | <i>Criteria: Impact and sustainability</i> |
| | | <i>Importance: ▲ ▲</i> |
| | | <i>Evidence: ▲ ▲ ▲</i> |

Related to this, the potential contribution to diversification of the economy is being constrained by the time being taken to develop a comprehensive socio-economic development strategy for the territory and the provinces and within this specific sector development strategies for priority sectors.

Related to: *Conclusion 9*
Recommendation 7

SUPPORT FOR ENVIRONMENT, CLIMATE CHANGE ISSUES AND DISASTER PREPAREDNESS

| | | |
|-------------|---|---|
| C 11 | Despite the recognition of the importance of the environment, the reality of climate change and the importance of disaster preparedness, few concrete results of EU-OCT co-operation can be documented. | <i>Origin: EQ 5</i> |
| | | <i>Criteria: Effectiveness, impact and Sustainability</i> |
| | | <i>Importance: ▲ ▲</i> |
| | | <i>Evidence: ▲ ▲ ▲</i> |

Regional programmes related to disaster preparedness in the Caribbean and the Pacific implemented through contribution agreements (UNDP, SOPAC) are just starting, waste management projects are being implemented in the Pacific and the Caribbean and important interventions are underway in Mayotte - but the primary achievement of EU activities within the sector is the raised awareness of the challenges that will need to be faced. Nevertheless, encouraging examples of actual and expected impact and sustainability can be found in the sector.

Additional funding channels outside the EDF are opening up through thematic and research budget lines (such as ENTRP and FP7) and greater involvement is being sought with regional organisations through the regional programmes in which the OCTs are involved. Closer involvement is being sought with Europe's other overseas entities, the Outermost Regions, which share the small island problems with the OCTs, but with access to funding through the EU Structural Funds.

Related to: *Recommendation 8*

⁷⁷ *Mid-term review assessment of the EU-Greenland Cooperation Strategy and its programming*, Final Report, July 2010

SUPPORT FOR REGIONAL INTEGRATION

| | | |
|-------------|---|---|
| C 12 | A trend towards regional integration and co-operation is slowly emerging amongst the OCTs and between OCTs and neighbouring countries, independently from EU interventions. | <i>Origin: EQ 6</i> |
| | | <i>Criteria: Effectiveness, impact and sustainability</i> |
| | | <i>Importance: ▲</i> |
| | | <i>Evidence: ▲▲▲</i> |

OCTs are progressively prioritising developed partners in their regional areas, but are tentatively establishing non-commercial relations with their less developed neighbours. The limited growth of the share of regional trade is the best indicator for this very timid opening. However, this integration trend was not translated in their involvement in EU sponsored regional programmes such as the Pacific ACP and OCT Regional Oceanic and Coastal Fisheries Development Programme or the CARICOM HIV-AIDS programme. OCTs' participation was marginal, if any (some OCTs denied participating). Many factors were evoked for justifying this lack of interest (isolation from regional networking, high transport costs, lack of time, language barriers, etc.) but the major underlying reason is the comparatively small size of the programmes compared to resources available locally from own budget or Member State transfers.

EU-funded regional programmes for OCTs were developed in isolation from other EU regional interventions and Member State sector policies (for example for renewable energy), thus losing the opportunities of cross-fertilisation with their ACP neighbours. The idea of linking OCTs and ACP countries around similar programmes' objectives is not relevant for any OCT, even the least developed. OCTs feel they can support EU interventions on behalf of their ACP neighbours by mobilising their highly qualified human resources. The rule of "first come, first served", applied to the first generation of OCT-confined regional programmes, led to scatter the OCTs on various topics: with a consequent low level of relevance (regionally and locally, notably regarding national policies e.g. on renewable energy), efficiency and sustainability.

Related to: *Principal conclusion 4*
Recommendation 3

CENTRES OF EXCELLENCE

| | | |
|-------------|---|--------------------------|
| C 13 | Provided targeted EU support OCTs may develop "centres of excellence", particularly related to climate change, renewable energies, environment and fisheries. | <i>Origin: EQ 7, 3,4</i> |
| | | <i>Criteria: Impact</i> |
| | | <i>Importance: ▲▲</i> |
| | | <i>Evidence: ▲▲</i> |

Generally, the OCTs do not have the resources to be active "European ambassadors" in their regions, but with targeted EU support some of them believe that they may develop centres of excellence, particularly related to climate change, renewable energy, environment and fisheries (depending on the OCT). In these fields, owing to their geographic location and large exclusive economic zones, they have special preconditions and relevant experiences. In certain cases, it appears that the development of centres of experience and expertise could be jointly undertaken between OCTs sharing specific characteristics, within or across regions. For example, the Falkland Islands and Greenland, isolated OCTs in the Northern and Southern Atlantic with large Exclusive Economic Zones, share expertise within fisheries, opportunities within oil exploration and possibly exploitation as well as exposure to climate change. Many OCTs share opportunities for the development of renewable energy sources.

There is also an opportunity to develop a centre of excellence on climate change in the Indian Ocean, in linking the Mayotte environmental programme with the Mayotte/TAAF EDF 10

regional programme incl. its climate change research components. This would also provide an opportunity to link OCT and OR (island-focussed climate change) priorities since the TAAF-Headquarters are located in the La Réunion (OR). In addition, La Réunion-membership of the IOC provides a basis for linking to a wider Indian Ocean audience. Further, the opportunity exists to link the research programme with scientific activities carried out in the BIOT, where the UK has recently established the world's largest marine park.

Related to: *Principal conclusions 1 and 2*
Conclusions 14 and 15
Recommendations 4 and 8

EU VISIBILITY

| | | |
|-------------|--|-------------------------|
| C 14 | OCT awareness about the EU is generally low. Visibility of concrete EU co-operation projects is generally good, but declining in line with the transition to budget support. A new approach to visibility, including improved EU-communication with the OCTs appears required. | <i>Origin:</i> EQ 7 |
| | | <i>Criteria:</i> Impact |
| | | <i>Importance:</i> ▲▲▲ |
| | | <i>Evidence:</i> ▲▲▲ |

While there is a certain feeling of being European in the OCTs – as opposed to “being ACP” – the level of awareness of the EU is generally low. Such awareness has not been supported very much by active EU information services, or by the limited OCT benefits from EU programmes or thematic budget lines. Many OCTs have expressed an explicit wish to become better covered by the EU information services in order to enhance European visibility in general.

EU visibility in the OCTs is mainly related to the interventions that deal with the general public. People who work for EU Delegations, or receive benefits from EU programmes are conscious of the existence of the EU. Most are not. However, outstanding trade and other issues, such as the Greenland problems with sealskin exports, also give rise to occasional and selective OCT media coverage of the EU.

The visibility of concrete EU co-operation projects is generally in line with EU visibility policies, but the amount of public recognition that the EU receives is declining in line with the transition to budget support. A new approach to visibility, including improved EU-communication with the OCTs, appears required.

Related to: *Principal conclusions 1 and 2*
Conclusion 13
Recommendation 1

COORDINATION, COMPLEMENTARITY, COHERENCE AND ADDED VALUE

| | | |
|------------|--|---------------------------------------|
| C15 | The EU's overseas entities, the OCTs and Outermost Regions, share many of the same problems but do not have an institutionalised forum where they can share experiences. | <i>Origin:</i> EQs 5 and 10 |
| | | <i>Criteria:</i> Impact, Coordination |
| | | <i>Importance:</i> ▲▲ |
| | | <i>Evidence:</i> ▲▲ |

A number of initiatives have been undertaken to develop a coherent framework for environment in the OCTs and the ORs. However there are few formal occasions where they meet. Institutionalising an annual joint meeting of OCTs and ORs - rather than ad hoc meetings as has been the case to date - would promote the sharing of experiences among EU overseas entities that share the same environmental problems.

Related to: *Principal conclusion 2 & Recommendation 4*

| | | |
|------------|--|--|
| C16 | Coordination between the Commission of the European Union and member states has been high. The same is mainly the case regarding coherence between the co-operation and other EU policies. Added value can be identified in a number of areas. | <i>Origin:</i> EQ 8 |
| | | <i>Criteria:</i> Coordination, Coherence & Added Value |
| | | <i>Importance:</i> ▲ ▲ |
| | | <i>Evidence:</i> ▲ ▲ |

Coordination between the Commission and the Member States appears well organised. (Apart from Greenland), the Member State has an active presence in the OCT, and there is good co-operation between the OCT and the Member State. The Member State works with the same individuals and institutions that also deal with the EU. EU co-operation is often implemented through organisations supported by the Member State, the performance of which is subject to monitoring by MS financial overview boards.

In most cases, there was a strong EU-MS convergence of objectives, joint programming and implementation through the same organisations. Greater harmonisation is hampered by differing Member States' and EU procedures. MS representatives within the OCTs are outspoken in respect of what they see as unnecessary rules and procedures, which make joint OCT-MS-EU planning more difficult even when MS and EU are working in the same sectors.

As regards the **coherence** between EU-OCT co-operation and other EU policies (e.g. migration, trade, environment-climate change, Arctic policy, fisheries), the Member States normally retain the constitutional authority to act on behalf of the OCTs. No cases were found where EU policies were not coherent with the EU support to the OCTs. Nevertheless, OCTs argued for fewer restrictions to their participation, together with their Member States, in international and particularly in regional forums. At policy level there is no real disagreement, apart from criticism of the EU by Mayotte and the Falklands for not taking a firm position on the status of the two OCTs within their regions.

In a number of areas, the evaluation has seen examples of additional benefits resulting from EU interventions, which have **added value** to Member State interventions. These include:

- Introduction of indicators in the education sector in Greenland.
- Introduction of more rigour in public finance management and budget support, linked to the project cycle, sector policy frameworks and management of financial resources.
- Initiating an environmental programme with a broad vision focussing on the environmental problems of small islands and linking this to a broader regional vision which also includes research on climate change (e.g. Mayotte and the TAAF)
- Operating within a regional context in a number of sectors (e.g. environment, health, small scale enterprises, etc.) in situations where the Member State retains an OCT focus.

Related to: Principal conclusion: 2

Conclusion: 5

6.4 Overall assessment of the EU support for the OCTs (1999-2009)

The strategies for EU support to the OCTs have been consistent with the overall EU policy objectives of promoting economic and social development in the OCTs and bringing the OCTs economically closer to the EU as well as with the priorities of the OCT governments and the needs of their respective populations. The evaluation also found the coordination between the EU support and the support from the Member States to have been adequate, while only few cases of EU project co-operation with Member States were found. The EU-

OCT co-operation was found coherent with other relevant EU policies. Added value from this co-operation was identified in a number of areas, such as increased focus on public finance management and sector policy planning. The overall OCT awareness of the EU is limited, while there is an explicit OCT-wish for improving that situation, and the visibility of the EU-OCT co-operation is decreasing in line with the transition to budget support.

Regarding **implementation** of EU support, both the delivery mechanisms of this support and its management have generally not been conducive to achieving the objectives of EU-OCT co-operation. Substantial delays in implementation of EU support have been the norm throughout the evaluation period and in some cases these delays have impacted adversely on budget management in OCTs, especially in the smaller and financially more constrained OCTs where the need was greatest.

The limited management and institutional capability of the OCTs has also contributed to delays. However, changes in Commission's preparation and reporting requirements, inconsistencies in the interpretation of procedures, poor Commission's institutional memory, under-resourced staff and frequent staff changes have exacerbated these difficulties. As a general remark, the implementation of EU support has failed to fully capture the diversity of the OCTs, despite decentralisation of some management responsibilities for EU-OCT co-operation to the EU's regional delegations and the individualised process of programming through SPDs. The mechanisms in place for EDF poverty-oriented interventions have proved to be too rigid.

While budget support is the preferred EU support modality, it is however not working as foreseen in some of the smaller OCTs, where project support should probably be seen as the most realistic option for successful EU support.

All sector-specific interventions appear in retrospect to have been effective (even at a relatively high transaction cost) and to have met a need. On balance, the **impact** of the support has been most convincing within the education sector, including VET. Impacts in the environment sector of projects launched during the period under evaluation are also likely to prove positive, while transport sector investments show potential but have had limited benefits in terms of reducing the isolation experienced by most OCTs.

The EU **trade preference regime** has not sufficiently counterbalanced the OCTs' economic diversification constraints, while the EU-ACP EPA negotiations represent a threat for the OCTs by levelling trade advantages to ACP-countries closer to the OCTs' preferential terms. In spite of efforts made towards **regional integration and co-operation**, the involvement of the OCTs in regional economic integration has been constrained by isolation and high participation-costs.

Finally, evaluation findings suggest limited follow-up on the **recommendations from the 2006 MTR of the 9th EDF assistance**. Little progress could be detected in addressing problems identified with the Commission's management system and organisation of OCT related work within DG AIDCO. Shortcomings appear *inter alia* in concentrating OCT responsibilities on Commission's staff that works full-time on OCTs and on providing more capacity building support for OCTs to access funding from EU Budget Lines and thematic programmes.

7 Recommendations

In this section, eight recommendations are presented. Recommendations 1-5 are of a general nature, including trade and regional integration and 6-8 relate to the transport; education and environment sectors specifically. Recommendations 1-4 relate to the future arrangement of the EU-OCT relations: overall and related to trade, regional integration and centres of experience and expertise. (While reflecting a wish for suggestions regarding the future EU-OCT co-operation framework, recommendation 1 is by nature not as directly related to the evaluation's findings and conclusions as the other recommendations.) Recommendation 5 relate to aid modalities and procedures in the existing EDF-based co-operation.

Recommendations are assessed in respect to their priority (▲▲▲: high, ▲▲: medium, ▲: limited) and addressed to the recipients to whom they are likely to be particularly relevant. The recommendations refer to specific conclusions and their suggestions are logically deduced from the conclusions relating to the EQs.

7.1 General recommendations related to future EU-OCT relations

| Recommendation related to a new future framework for EU-OCT co-operation | |
|--|--|
| 1 | Directed at: The Commission, OCTs and EU Member States |
| | Priority: ▲▲▲ Based on conclusions: 1, 2 and 14 |
| Overall statement (and explanation) of recommendation | <p><i>It is recommended to update the existing framework for the EU-OCT partnership.</i></p> <p>A revised EU-OCT co-operation framework should better reflect the specific nature of OCT needs and reinforce the expression of EU solidarity and recognition of the OCTs being part of Europe in a wider sense, than is the case in the existing ACP-aligned framework provided by the EDF rules.</p> <p>In order to avoid creating a new dedicated instrument it is proposed:</p> <ul style="list-style-type: none"> ❖ Either to assimilate the OCTs to the Outermost Regions (OR) in their eligibility for Structural Funds and for all EU Agencies, programmes, and budget lines, or ❖ To encompass the OCTs within the European Neighbourhood and Partnership Instrument (ENPI) which would suit their character of emerging economies and their need for a progressive legislative harmonisation with the <i>acquis communautaire</i> thanks to the support of the Member States they are linked to. <p>The updated framework should:</p> <ul style="list-style-type: none"> ❖ Be designed jointly by the Commission, the OCTs and the Member States ❖ Provide for effective OCT access to participation in all relevant EU Agencies and programmes and thematic budget lines, and ❖ Reflect the updated OCT and EU priorities and interests in co-operation, and ❖ For the elaboration of which, technical assistance should be provided to the OCTA to strengthen the OCT capacity to dialogue with the Commission. <p>This suggested revised instrument would better reflect the particular OCT – needs and EU solidarity and recognition of the OCTs being part of Europe in a wider sense, than is the case in the existing ACP-oriented framework.</p> |
| Specific operational recommendations | <p><i>1.1 In addition to the objectives of competitiveness, resilience and regional integration, the new framework to be developed for the EU-OCT co-operation should be founded on the new emerging OCT priorities and interests and EU objectives and interests.</i></p> <p>It is considered important by the evaluation team to base the future EU-OCT framework on realistic assessments of:</p> <ul style="list-style-type: none"> ❖ The priorities and interests of both parties in the continued association of the OCTs with Europe, and ❖ The OCT prospects for obtaining competitiveness and economic resilience and for substantially benefiting from participation in regional integration. <p><i>1.2 If the way jointly chosen is the assimilation of OCTs to ORs in their access to Structural Funds, this option would provide the best expression of EU solidarity with all its citizens and simplify the aid management process at low cost as no specific rules and mechanisms would need to be designed.</i></p> |

1.3. If the way jointly agreed is inspired by the European Neighbourhood policy and the European Neighbourhood and Partnership Instrument (ENPI), it should be implemented in the following ways:

1) The revised framework should include agreements on reform objectives across a wide range of fields within “common” areas from cooperation to economic and trade matters, mobility, environment, transport, renewable energy or scientific and cultural cooperation.

2) The EU should provide financial and technical assistance to support the implementation of these objectives in support of the OCT partners’ own efforts and those of the Member State to which they are linked. The process should be integrated in a General Budget Support framework or at least a Sector Budget Support by the end of the 10th EDF cycle.

3) The timeframe for the EU-OCT cooperation agreement should be longer than in the EDF arrangement. As a first step, the EU should contribute through the elaboration of Territorial Reports assessing in further details than CSPs (i) the political and economic situation as well as institutional and sectoral aspects and (ii) the intervention strategy based on OCT-specific constraints.

4) The next step should be a jointly defined agenda of political and economic reforms by means of medium and long-term (5-8 years) priorities.

5) EU technical support should be reinforced within this framework, either by providing expertise or by organising twinning cooperation. Technical assistance should provide targeted policy and legal advice in the context of agreed legislative approximation with the *acquis communautaire* by sending experts from EU Member States to help the local government with a specific reform task. Twinning should make it possible to send officials from (central or regional) administrations also from other Member States than the one the OCTs are linked with. Together with their OCT counterparts such officials should prepare the sectoral implementation of the *acquis communautaire*.

1.4. The revised framework should facilitate OCT participation in all relevant EU agencies and programmes relating to policy areas focused on increasing their competitive position such as: trade-related, market and regulatory reform (for instance Customs 2013); enterprise and industry innovation (Competitiveness and Innovation Framework Programme and related sub-programmes); energy, ICT-based society or fisheries. The same should apply to disaster response and environment programmes. The involvement of OCTs in new EU programmes should become automatic and be followed by OCTA.

The effective OCT access to support from thematic budget lines should be facilitated by EU technical assistance targeted towards the OCT-capacity to meet the requirements.

1.5 In co-operation between the EU and the OCTs, and through the use of ICT, communication services should be created that facilitate OCT institutions’ and citizens’ access to knowledge about the EU in general and its policies and programmes.

There is a common EU-OCT wish for enhancing EU-visibility in the broadest sense, and EU-accessibility, in the OCTs. However, budgetary constraints may not make it realistic to create a number of new EU-information offices in the OCTs. There is therefore a need for both parties to work together imaginatively to find ICT-borne solutions and other possible ways of disseminating knowledge and entry points to the EU.

| Recommendation related to trade | |
|---|--|
| 2 | Directed at: The Commission |
| | Priority: ▲▲▲ |
| Overall statement (and explanation) of recommendation | <i>The EU should move from the present trade regimes based on a passive principle of preference to a framework of positive discriminations promoting, for the least performing OCTs, resilience through economic diversification and regional market access strategies.</i> |
| Specific operational recommendations | <p><i>2.1 The trade incentive framework should be integrated in a GBS policy dialogue platform on trade and economic diversification, based on the recommendations of the 2010 Regional Economic Integration Processes study.⁷⁸</i></p> <p>This would serve the OCTs to engage into preparing themselves intensively to join the WTO as separate customs territories while entering into negotiations of free trade agreements with third countries. The incentive is proportionate to the volume of financial support of the EU, which may increase in line with the above Recommendation 1.</p> <p>In this prospect, OCTs should clarify with the Member States and through technical assistance from the EU (their long-term economic policy, and particularly the way in which to increase their competitive advantages in:</p> <ul style="list-style-type: none"> - High value services by building on the level of education and globalisation inherent to their statute and the ability of their citizens to easily access EU education and science and technology levels. - Specific natural resource-based products through promotion and labelling. <p><i>2.2 The trade incentive framework should counterbalance the foreseeable further erosion of trade preference induced notably by the EPA negotiations with ACP countries and bilateral free trade agreements with third countries (such as Canada), the EU should commit to positively discriminate OCTs exports flows by establishing an EU-funded scheme designed to boost internationalisation and innovation among SMEs. This implies explicit consideration of OCT export products when negotiating FTA with third countries of the same region, and easing of derogations to the rules of origin when this is needed to support the economic base of the OCTs. Taking into account the size of OCT economies in the globalized trade, the corresponding financial and economic impact for the EU is negligible when aligning its trade policy with article 12 of the Treaty.</i></p> <p>Extending EU/OR existing schemes to OCTs would create economies of scale, limit the administrative burden, and further anchor OCT-SMEs into EU markets.</p> |

⁷⁸ EU-OCTA, The Analysis of the Regional Economic Integration Processes (Caribbean, Pacific and Indian Ocean) and recommendations aiming at enhancing trade and economic activity of OCTs within their region and with the EC, January 2010.

| | |
|--|--|
| | <p>2.3 For the EU to gain an impact on OCTs' trade capacity, more resources should be committed to technical assistance</p> <p>It is recommended to abandon funding infrastructure projects, particularly ports and airports, and to refocus, in a GBS or SBS framework, on the OCT capacity to adhere to EU imports regulatory constraints (Sanitary and phytosanitary standards and process) and on developing private operators' incentives and capacity for an export-led economic diversification in services and particularly ITC. Besides exploiting maritime resources, achieving high added value should be promoted in high quality services and ITC niche markets.</p> <p>Shipping is the main bottleneck for accessing regional markets for most of the OCTs. For this complex issue, the OCTA should make a study on maritime transport to define ways to attract a more modern shipment fleet in order to lower the cost of enlarging regional and worldwide niche markets.</p> |
|--|--|

| Recommendation related to regional integration | |
|---|--|
| 3 | <p>Directed at: The Commission</p> <p>Priority: ▲▲▲</p> |
| | <p>Based on: conclusion 12</p> <p>Relates to: recommendation 4</p> |
| Overall statement (and explanation) of recommendation | <p><i>The EU should consider the OCTs more as EU stakeholders in regional programmes than as ACP countries. OCTs should be provided the opportunity benefit from an extension of the European Neighbourhood and Partnership policy, with proportionate financing.</i></p> |
| Specific operational recommendations | <p>3.1 In order to build increasingly closer relationship with OCTs' neighbours, the Member State-linked OCTs and each neighbouring ACP country should reach an agreement, closely coordinated with EU bilateral NIP on reform objectives, economic co-operation and trade focused on services, mobility, environment and scientific and cultural co-operation. The OCTs should contribute, with EU financial support, through twinning and technical assistance to neighbouring ACP countries.</p> <p>As a first step, neighbouring ACP-countries could be associated to OCTs regional programmes by identifying existing projects, which are similar enough to allow exchange of experience within given regional area. Such mirror projects (as conceived by the INTEGRE programme among the Pacific OCTs) are another way to enlarge the scope of exchanges and build cultural and scientific ties. The recent EU Joint Pacific initiative is another example of tie-building initiatives at regional level. Such initiatives should be coordinated with the creation of OCT Centres of Excellence (see Recommendation 4 below).</p> <p>For those areas where the 10th EDF has programming documents at regional level, the complementarities at this level with the country level should be assessed.</p> <p>3.2 For developed neighbouring economies (non-ACPs) the present trend to developing bilateral initiatives should be further supported. The focus would gain to be put on the underlying drivers of high value production such as research and development (with centres of excellence).</p> |

| Recommendation related to “centres of excellence” | | | | |
|---|--|----------------------|--|--|
| 4 | Directed at: The Commission, the OCTs, the Falkland Islands and Greenland | | | |
| | <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Priority: ▲ ▲</td> <td style="width: 50%;">Based on: conclusions 13 and 15</td> </tr> <tr> <td></td> <td>Relates to: recommendations 3 and 8</td> </tr> </table> | Priority: ▲ ▲ | Based on: conclusions 13 and 15 | |
| Priority: ▲ ▲ | Based on: conclusions 13 and 15 | | | |
| | Relates to: recommendations 3 and 8 | | | |
| Overall statement (and explanation) of recommendation | <p><i>OCTs should be supported in developing centres of experience and expertise, capable of creating and disseminating knowledge with respect to climate change and environment issues that apply to their regions.</i></p> <p>This knowledge should be shared through increased co-operation within their regions in order to support evidence-informed policy making. Centres of excellence could be shared between different OCTs, thus promoting their internal cooperation.</p> | | | |
| Specific operational recommendations | <p>4.1 <i>Supported by the Commission, OCTs in the Northern and Southern Atlantic regions should initiate co-operation about the development and common use of centres of excellence</i></p> <p>Such centres would be related to expertise within the fisheries sector, oil exploration and possibly exploitation as well as exposure to climate change and development of renewable energy sources.</p> <p>4.2 <i>The Mayotte environmental programme and the Mayotte/TAAF regional environmental programme should initiate co-operation with the La Reunion (OR) on the establishment of a centre of excellence on climate change research focussing on the Indian Ocean.</i></p> <p>Such centre of excellence would open the possibility for co-operation with the UK-OCT (BIOT) and the countries of the IOC (where France/La Réunion are also members). This co-operation could follow-up on the seminal Réunion Island Conference of 2008 (The EU and its Overseas Entities: Strategies in the Face of Climate Change and Biodiversity Loss”)</p> <p>4.3 <i>Joint annual meetings of OCTs and ORs rather than ad hoc meetings, as has been the case to date should be held in order to promote debate and co-operation between EU overseas entities that share the same environmental problems.</i></p> <p>Such meetings could be linked to the possible creation of OCT/OR-based centres of excellence to add value to the data and knowledge being gathered. In the environment sector there are few formal occasions where OCTs and ORs meet. Centres of excellence might provide further co-operation between OCTs and ORs. A joint OCT/OR forum will facilitate the continued co-operation between the EU’s overseas entities.</p> | | | |

7.2 General recommendation related to existing aid modalities and co-operation

| Recommendation related to aid modalities and procedures | |
|---|--|
| 5 | Directed at: The Commission |
| | Priority: ▲▲▲ Based on: conclusions 3 and 7 |
| Overall statement (and explanation) of recommendation | <p><i>A mix of instruments should reflect individual circumstances. When project modalities are applied it should be ensured that they are part of a sector approach rather than being stand-alone. Documentary requirements should be streamlined.</i></p> <p>The choice of instruments should be based on a shared analysis of needs and circumstances in consultation with local OCT authorities. Budget support has considerable transaction costs, requiring on-going reporting regarding whether eligibility conditions have been met. Therefore it may not be efficient for smaller OCTs/programmes, for which project modalities may be cost effective. Where projects are used, care should be taken to ensure that they are consistent with overall and sectoral OCT priorities and are affordable from a maintenance perspective and that the territorial capacities are adapted to the chosen modality.</p> <p>Documentary requirements such as SPDs create a burden to produce, especially for small OCTs (e.g. Pitcairn). It is recommended that simplified documentation is prepared that is fit-for-purpose. Once formats have been agreed, modifications (which create additional work for OCTs) should be minimized.</p> |
| Specific operational recommendations | <p><i>5.1 The Commission should strengthen the OCT Unit to manage its engagement with and development support to the OCTs.</i></p> <p>Aggregate funding to OCTs is similar to that provided to some African ACP countries that have well-staffed Delegations. Given the inherent resource intensive nature of collaborating with numerous small territories with limited institutional capacity, it is incumbent to ensure adequate focus and management resources within the Commission.</p> <p>A small dedicated team, with improved full-time staffing, record keeping and enhanced institutional memory, could make a major contribution to ensuring that the quality of engagement is consistently high. Furthermore by being more efficient, it would help to reduce transaction costs and improve value for money for European taxpayers and the OCTs themselves.</p> |

7.3 Sector specific recommendations

| Recommendation related to transport and energy | |
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| 6 | Directed at: The Commission |
| | Priority: ▲▲ Based on: conclusion 8 Relates to: recommendation 2 |
| Overall statement (and explanation) of recommendation | <p><i>It is recommended that where the EU engages in transport sector, it takes a more strategic perspective and supports planning, asset management and maintenance aspects.</i></p> <p>Transport operations and maintenance represent a high cost to OCTs, especially because of the need for ancillary services such as security, fire services and air transport regulation compliance. Furthermore, in many cases transport infrastructure has not been well maintained and has thus not achieved its optimal life. There are therefore substantial benefits in engaging in the sector in a more strategic and holistic manner through transport sector</p> |

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| | wide-approach type mechanisms. |
| Specific operational recommendations | <p>6.1 <i>The energy sector has high capital costs but support for long-term energy planning, conservation measures and alternative energy sources (e.g. wind turbines) is consistent with EU policy objectives and should be considered.</i></p> <p>OCTs are burdened by high energy costs due to dis-economies of scale, use of high cost diesel generators etc. The energy sector is going to remain important for the foreseeable future, as energy is crucial in terms of OCT competitiveness and environmental conservation. A more proactive stance in this sector appears appropriate and has been highlighted by OCTA and other stakeholders as being potentially beneficial.</p> <p>Three areas in which the EU can make a significant contribution can be identified: i) energy planning, ii) further use of wind-farms etc and iii) energy conservation. Support could include risk mitigation strategies, together with support for the further adoption of sustainable energy. The latter would include support to enhance thermal insulation of buildings, to reduce energy wastage and to minimise reliance on the more polluting fossil fuels such as heavy diesel.</p> |

| Recommendation related to VET | |
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| 7 | <p>Directed at: The Commission</p> <p>Priority: ▲▲</p> <p>Based on: conclusions 9 and 10</p> |
| Overall statement (and explanation) of recommendation | <p><i>It is recommended that progress be significantly speeded up in the development of comprehensive development strategies related to VET-support, as well as in creating detailed and coherent sector-level development strategies.</i></p> <p>In the absence of significant progress, there is a risk that optimal targeting of VET on the most value-adding skills and priority sector needs will not be optimised. It is important therefore that implementation and adaptation of the Schema 2025 territorial development vision at the provincial level is done quickly and that structures and practices are put in place to ensure that a division of competences between territorial and provincial levels does not slow down this process. Using the SAP department (<i>Service de l'aménagement et de la planification</i>) of the territorial government of New Caledonia as a resource centre and facilitator for provincial implementation teams could be one example of a measure that could enhance and accelerate implementation.</p> |

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| Specific operational recommendations | <p><i>7.1 It is recommended that the Commission consider technical assistance to support the Observatory team and VET stakeholders in bringing increased clarity and consensus on a realistic development plan for the Observatory.</i></p> <p>Significant progress has been made in restructuring the VET sector in New Caledonia, and the recent États Généraux included interesting and promising plans for its management and governance, including introduction of sustainable financing models. Within the governance set-up, more support needs to be provided to the Observatory in order to put it on a longer-term footing, as well as providing it with the resources and mandate necessary to carry out its function fully and independently.</p> <p>Some of the issues that should be addressed include a) the current mix of activities, and whether there is need for unbundling or re-allocating some activities, b) gap-analysis against other observatories, c) creation of a stand-alone Observatory and/or continued housing under IDC (<i>Institut pour le Développement des Compétences de Nouvelle-Calédonie</i>) or another organisation, d) identifying the most appropriate financing model, and e) reviewing current territorial information gathering and addressing how data collation can be optimised by integrated IT systems and/or through more direct support by sector and enterprise-related bodies and associations (including such issues as work processes for sector studies).</p> |
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| Recommendation related to environment | |
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| 8 | <p>Directed at: The Commission and the OCTA</p> <p>Priority: ▲</p> <p>Based on: conclusion 11</p> <p>Relates to: recommendation 4</p> |
| Overall statement (and explanation) of recommendation | <p><i>The Commission should prioritise pilot project developing approaches on how best to tackle environmental issues in small island states, including OCTs, ORs and ACP-SIDS.</i></p> <p>An example of such pilot project is the Mayotte programme, which takes into account both upstream, and downstream components, as well as those in the middle, of the environmental problems faced by a small island. This includes such domains as reforestation; storm water management and rainwater run-off and urban waste disposal and treatment of solid and liquid waste, with the objective of preserving the marine ecosystems, thus providing the basis for a sustainable tourism industry.</p> <p>The Mayotte environmental programme, linked with the Mayotte/TAAF regional environmental programme provide a unique opportunity for the EU's regional delegation in Mauritius, which is also accredited to the IOC, to facilitate the dissemination of good practices throughout the Indian Ocean.</p> <p>It is important that the OCTA, with the additional capacity being provided to it through the new EDF10 OCTA funding agreement, also follows the development of this environmental programme in order to be able to disseminate the results to other OCTS and scientific partners.</p> |